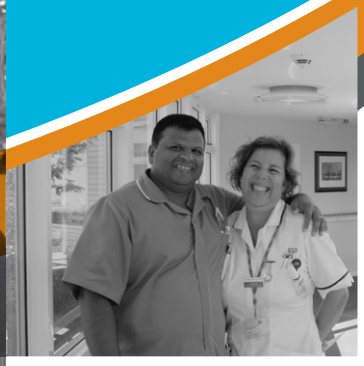
NHS

Worcestershire Health and Care

NHS Trust

ANNUAL REPORT

2019-20



Working together for **outstanding care**

www.hacw.nhs.uk

CONTENTS

Performance Report

Accountability Report

Financial Statements and Notes

PERFORMANCE REPORT

INTRODUCTION

The annual report is a summary of our performance against all our national and local performance indicators which, alongside our Quality Account, provides an accurate picture of how the organisation is performing.

Although the final part of this financial year has been dominated by the Covid-19 pandemic, 2019-20 was another year of high achievement for the Trust. We have continued to work relentlessly across the organisation to ensure all our patients and service users get a positive experience each and every day. Key to this is looking after our staff and ensuring they are supported to get help and support and are empowered to make positive change when it's needed.

There have been lots of examples of positive developments both within the organisation and across the local healthcare economy which our staff have been leading or influencing. Our continued approach to partnership working - reflected in our vision 'working together for outstanding care' - ensures patients get the care they need in the right place without unnecessary delays; that we eliminate the gaps that can sometimes exist when accessing mental health support; and that we develop services for children, young people and families with partners which gives them the best possible start in life.

We have also spent much of 2019/20 preparing to welcome mental health services in Herefordshire to our Trust. Previously provided by Gloucestershire Health and Care NHS Foundation Trust, these services officially transferred to us on April 1st and this provides an opportunity to build on the excellent relationships developed across these services over recent years through the Herefordshire and Worcestershire Sustainability and Transformation Partnership (STP). Having one mental health provider across the STP will support our collective ambitions to further enhance and improve local mental healthcare.

Following an inspection by the Care Quality Commission (CQC) of the majority of our services in the Autumn 2019, our children's mental health services were rated Outstanding for the first time. Our community dental team was also rated Outstanding in the 'caring' domain, while overall the Trust maintained its Good rating which it achieved following previous inspections in 2015 and 2018.

Within adult mental health services the Trust provides a range of support within the community for patients who have a long-term mental health condition. This includes an Early Intervention Team, an Employment and Reablement Team and Community Assessment and Recovery Teams (CARS) in the north and south of the county. Inspectors rated these services inadequate overall due to a specific staffing issue within the CARS team in the south of Worcestershire - these were immediately addressed. The CQC were satisfied with the quality of care in all of the other community mental health services.

Our continued focus on improving the care and experience of our patients is underpinned by our strong financial performance. We hit all our financial targets in 2019/20, as we have since we were formed in 2011, and this allows us to invest more in front line services.

For example during 2019/20 we were able to invest in a new sexual health clinic in Worcester; we opened our first ever countywide Crisis Assessment Suite; and we renovated Osborne Court in Malvern which will give more children with life limiting conditions the opportunity to access much improved over-night short breaks facilities.

We hope you find the Annual Report useful and informative but remember we welcome your comments and feedback throughout the year and there are lots of opportunities to get involved in shaping the future of local services. You can contact us via our Patient Advice and Liaison Service (PALs) on 01905 681517.

We believe that to the best of our knowledge the information in this document is accurate

Sarah Dugan – Chief Executive

Chris Burdon – Chairman

ABOUT THE TRUST

We are the county's main provider of community and mental health services, delivering care to people of all ages across a range of inpatient and outpatient services.

We run the county's 7 community hospitals, as well as recovery units and inpatient wards for those recovering from mental health conditions. Visit www.hacw.nhs.uk for a full list of services

- **Rated Good by the CQC**
- **Services provided from over 100 sites**
- **Employ over 4,000 staff**
- **Around 28,000 patient contacts a week**
- **Providing nearly 100 services**

Our services

We organise our services in service delivery units (SDUs):

- Adult Mental Health and Learning Disabilities
- Children, Young People & Familes and Specialist Primary Care
- Community Care
- Integrated Community Services

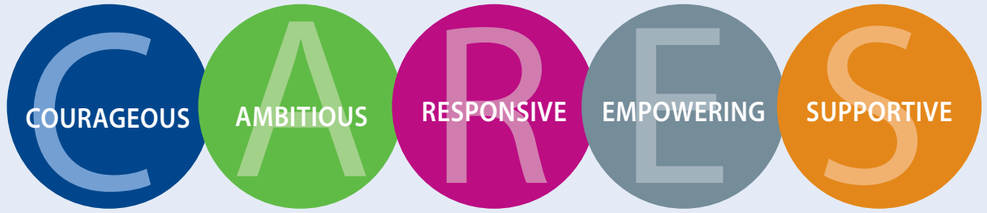
OUR VISION, VALUES AND STRATEGIC PRIORITIES

NHS
Worcestershire
Health and Care
NHS Trust

OUR VISION

Working together for **outstanding care**

OUR VALUES



Courageous: Displaying integrity and having the courage to do what is right.

Ambitious: Always striving for outstanding care.

Responsive: Listen, learn and act.

Empowering: Freedom to choose and live well.

Supportive: Support each other and be proud of what we do.

For further information visit **nww.hacw.nhs.uk/aboutus**

STRATEGIC PRIORITIES

Together We Can

A key development in 2019/20 was the launch of our Together We Can initiative, which promotes the range of support available to existing and prospective staff.

We want Worcestershire Health and Care NHS Trust to be an employer of choice, renowned for the way we invest in our staff and their personal and professional development.

We also love to celebrate together and place real focus on maintaining a culture of recognition where even the smallest gestures get acknowledged. Our ever popular weekly BIG Shout Out gives staff the chance to say a simple thank you for a job well done, while our annual Staff Awards event is an opportunity to recognize outstanding overall achievement of staff and teams.

We also believe that a happy, healthy and motivated workforce makes for even better care, so we have continued our drive to provide a range of health and wellbeing support. Through our mental health campaign, Now We're Talking, over 70 staff took part in the Worcester City run in September to both raise awareness of the campaign and also boost their own fitness and wellbeing. We also provide a range of services to support staff, including through our counselling teams, through our chaplaincy service and our Freedom to Speak Up Guardian. This helps ensure that any staff with an issue has access to safe and confidential support.

What we're proud of

Supporting Children, Young People & Families

Outstanding ☆ CareQuality Commission

CQC report 2019 - Outstanding Children's Mental Health Service and Outstanding Dental 'care'

Opened a new purpose built sexual health clinic in Worcester

Starting Well Partnership: Working with Barnardo's, Action for Children and Redditch Council to improve support for children and families

Refurbishment of Osborne Court to enhance overnight short breaks support for children with disabilities and/or life limiting condi-

Supporting People's Mental Health

NOW WE'RE TALKING

Now We're Talking campaign: increasing self-referrals into our Healthy Minds team

National accreditation for our Mental Health Liaison Team, and opened county's first Mental Health Crisis Assessment Suite

Transforming Community Services project launched to transform primary care mental health services

Continue to be a national leader in minimising the number of patients requiring inpatient support outside of Worcestershire

Supporting People with Learning Disabilities

Developed a breast care pathway to improve uptake of the national breast screening programme among women with a learing disability learning disability.

National leader for delivery of Transforming Care programme

Developed a training programme for care providers to raise their awareness of dementia and to provide them with skills and knowledge of supporting people with LD with a diagnosis of dementia

Supporting Older People

Neighbourhood Teams: Reducing avoidable admissions to hospital by approximately 15 per day,

Launched new Onward Care Team to support discharge from Acute hospitals to more appropriate setting

Launched public conversation about development opportunities for our community hospitals

Dementia ambassadors and forums in place in each community hospital and older adult mental health ward

Supporting Our Services

Launched new Trust website, improving access to information

Improving administration of medication in Care Homes

Transforming our use of digital technology to enhance patient experience and support staff in their roles.

Now We're Talking and Estates Team win National Leading Healthcare Awards

100%

Scored 100% for cleanliness in recent patient-led inspection across all community hospitals

TOGETHER we can

BOARD ASSURANCE FRAMEWORK

The Trust Board understands its role in managing the principal risks to ensure delivery of its strategic objectives and the effective operation of the Trust. The Trust is committed to ensuring that risk management is fully embedded in the organisation's culture and processes and a robust risk management strategy and procedures are in place.

A Board Assurance Framework (BAF) is in place together with the associated controls and assurances; operational risk registers feed into the high level risk register which informs the BAF.

The BAF is reviewed at every public Board meeting. At the end of the financial year the BAF contained the following risks:

Strategic Goals	Reference	Risk
To focus on prevention to provide integrated care with providers. To provide sustainable pathways for specialist services.	SO 2/3/4	Failure to deliver acceptable standards of care.
To be effective and efficient. To provide integrated care with partners. To provide sustainable pathways for specialist services.	SO 1/3/4	There is a risk that the strategy supporting the STP and national direction of travel relating to Integrated Care System cannot be implemented in proposed timescales.
To be efficient and effective. To provide sustainable pathways for specialist services.	SO 1/4	Failure of the medium to long term financial sustainability of the Trust.
To be efficient and effective. To focus on prevention. To provide integrated care with partners. To provide sustainable pathways for specialist services.	SO 1/2/3/4	The Trust needs to attract, develop and retain an appropriate workforce to deliver appropriate services within resources.
To provide integrated care with partners. To provide sustainable pathways for specialist services	SO 3/4	Working in a challenged health economy potentially leads to focus on specific immediate areas of concern, rather than all partners working collaboratively for medium term economy wide sustainability.

At the end of the financial year, the Trust in line with the NHS nationally, was operating under a Level 4 emergency incident as a result of COVID 19. Trust Board asked for a specific risk to be added to the Board Assurance Framework to address the risk to the organisation achieving our strategic objectives as a result of the pandemic. Management of the COVID pandemic has the potential to impact on every aspect of our strategic goals.

Further detail on how we manage risk is set out in our Annual Governance Statement.

ADOPTION OF THE 'GOING CONCERN' BASIS

The DHSC Group Accounting Manual requires the management of the Trust to consider the following public sector interpretation of IAS 1 in respect of applying the going concern assumption when preparing its accounts. In para 4.12 it states:

''For non-trading entities in the public sector, the anticipated continuation of the provision of a service in the future, as evidenced by inclusion of financial provision for that service in published documents, is normally sufficient evidence of going concern. DHSC group bodies must therefore prepare their accounts on a going concern basis unless informed by the relevant body or DHSC sponsor of the intention for dissolution without transfer of services of function to another entity. A trading entity needs to consider whether it is appropriate to continue to prepare its financial statements on a going concern basis where it is being, or is likely to be, wound up".

The Trust Management have assessed the Trust's ability to continue for the foreseeable future in the light of the GAM guidance. The Trust has compiled the 2019/20 accounts on a "going concern" basis following consideration of the following:

- There has been no expectation raised that healthcare services will not continue to be provided by Trust.
- The Trust submitted its draft business plan to NHSI in February 2020 setting out its operational plans for the following financial year (2020/21) and its capital plans for five years.
- The Trust has a proven track record of achieving challenging efficiency programmes, has delivered recurrent savings and agreed surplus control totals year on year since its formation in July 2011.
- The Trust has met its 2019/20 control total, and delivered a planned surplus of £4.5m.
- The Trust continues to fully participate in the STP planning process including the submission of the forward 5 year financial and operating plans on a going concern basis.
- In March 2020 NHSI announced revised arrangements for NHS contracting and payment to apply for part of the 2020/21 year. It remains the case that the Government has issued a mandate to NHS England for the continued provision of services in England in 2020/21 and CCG allocations have been set for the remainder of 2020/21. While these allocations may be subject to minor revision as a result of the COVID-19 financial framework, the guidance has been clarified to inform CCGs that they will be provided with sufficient funding for the year.
- The Trust has preliminary contracts in place, although not finalised or signed due to COVID-19, for the provision of healthcare services for 2020/21.
- The Trust has prepared and submitted a cash-flow plan for the period April 2020 to June 2021.
- There are no plans to dissolve the Trust or to cease services without transfer to any other NHS body.
- The Trust does not consider that there are any material uncertainties to the going concern basis.
- The Trust has appropriate financial and operational risk management processes in place to support its operational plans.

For these reasons, the Trust has prepared its Accounts using the going concern basis in line with the GAM guidance.

PERFORMANCE ANALYSIS

For several years the performance of NHS Trusts has been assessed by NHS Improvement (NHSI) against the requirements of the Single Oversight Framework.

The Framework is based on the allocation of NHS Trusts into segments, which are driven jointly by performance against key targets and the perception of NHSI of the level of support that the Trust requires to improve performance. A Trust may be failing against an indicator; however, so long as robust deliverable action plans are in place and NHSI are assured of the ability of the Trust to deliver, then the highest level of segmentation can be achieved.

The Trust is currently allocated to Segment 1 by NHSI, the highest level that can be achieved. The performance of the Trust against the NHSI Single Oversight Framework for March 2020 can be found below. The Framework seeks to measure the performance of NHS Providers against a suite of key performance indicators grouped into the Care Quality Commission domains.

The overall performance regime employed by the Trust covers a far more comprehensive range of indicators and draws from national targets, contractual requirements and local initiatives.

The Trust operates against an agreed Performance Management Framework. This Framework outlines the lines of accountability and governance within the organisation, the forums within which performance is scrutinised and the approach that is taken when performance falls below the required standards. During the course of each month, performance against a broader suite of metrics is considered at Team and Service Delivery Unit level, as well as at Board Committees and the Trust Board.

2019/20 was another year of strong and sustained performance, despite the disruptions to normal service provision that occurred towards the end of March 2020 as a result of the COVID-19 pandemic.

The Trust continued to achieve all of the targets associated with Improving Access to Psychological Therapies (IAPT), a service that looks to help people with low to medium level mental health conditions. This included ensuring that the required annual increase in patients accessing the service was attained, the target waiting times were not exceeded and the recovery rates for patients discharged from the service were achieved.

As with previous years, our community hospital inpatient services faced challenges in being able to discharge frail, elderly patients suffering multiple long-term conditions back to their homes, with many requiring places in specialist nursing or residential care homes. Close working with partner agencies is in place to resolve the problem and improve the experience of patients whose discharge from hospital is delayed; however, this is a national problem and is no way unique to Worcestershire.

The Trust managed to achieve the waiting time standards for all of the services with national targets, as well as for a number of services with local standards that were agreed in conjunction with the local CCGs.

NHS Improvement Single Oversight Framework: Quality of Care Monitoring Metrics 2019-20

Safe	Target	Mar-20
Clostridium Difficile - variance from plan	≤ 0	-3
Clostridium Difficile - incident rate (March trajectory less than or equal to 10)	≤ 10	7 YTD
Incidence of MRSA	0	0 YTD
Never Event - count	0	0
Patient Safety Alerts outstanding	0	0
VTE Risk Assessment	95%	96.0%
Admissions to adult facilities of patients who are under 16 years of age (Number)	0	0
Effective	**Target**	**Mar-20**
% of clients in settled accommodation	60.0%	62.5%
% clients in employment	10.0%	13.7%
CPA follow up within 7 days of discharge	95.0%	98.3%
Caring	**Target**	**Mar-20**
Staff FFT Percentage Recommended - Care	-	Q2 87.9%
Inpatient Scores from Friends and Family Test - % Positive	-	97.0%
FFT - Minor Injury Units	85%	83.0%
FFT - Mental Health	85%	71.0%
FFT - Community	85%	90.0%
Written Complaints - rate	-	15
Mixed Sex Accommodation Breaches (number)	0	0
Well-led - (renamed Organisational health)	**Target**	**Mar-20**
Agency Spend – Actual versus Plan	£5,243k	£4,266k
Actual Efficiency – Actual versus Plan	£3,203k	£3,203k
Trust level total sickness rate *	≤ 4.0%	6.29%
Staff turnover rate (Rolling 12 months from September 2018)	12.50%	12.84%

* Includes absence related to COVID19.

NHS Improvement Single Oversight Framework: Finance and Use of Resources 2019-20

Financial Risk	Target	Mar-20
Liquidity Rating	1	1
Capital Servicing	1	1
I & E Margin	1	1
I & E Margin Variance	1	1
Use of Resources Rating	1	1
Use of Resources Rating	1	1

NHS Improvement Single Oversight Framework: Operational Performance Metrics 2019-20

Governance Risk	Threshold	Mar-20
Maximum time of 18 weeks from point of referral to treatment in aggregate – patients on an incomplete pathway	92%	93.9%
A&E: maximum waiting time of four hours from arrival to admission/transfer/ discharge	95%	99.9%
Out of area placements for mental health services (number of days)	0	53
Inappropriate out of area placements for mental health services (number of days)	0	
Early Intervention in Psychosis: 1st episode of psychosis treated with a NICE approved care package within 2 weeks	56%	100.0%
Improving access to psychological therapies (IAPT):		
Proportion of people completing treatment who move to recovery	50%	52.9%
referral to the IAPT programme will be treated within 6 weeks of referral	75%	92.3%
6 weeks 3-month rolling position as per Single Oversight Framework		91.2%
referral to the IAPT programme will be treated within 18 weeks of referral	95%	100.0%
18 weeks 3-month rolling position as per Single Oversight Framework		99.1%
Data Quality Maturity Index (DQMI) – MHSDS dataset score	95%	96.3%

FINANCIAL OVERVIEW

Revenue

For 2019/20, the total turnover for the Trust (mainly received via healthcare contracts with the three Worcestershire Clinical Commissioning Groups, Worcestershire County Council and other NHS Commissioners) was £190.8m (£176.6m last year). The increase in revenue includes centrally funded pension contributions (from 14.3% to 20.6%), inflation and additional service developments from commissioners including Mental Health Investment Standard and Mental Health Transformation funding.

Budgets are set throughout the Trust up to this limit and it is the responsibility of budget holders to ensure that the Service Delivery Units are managed within their allocated budget. Progress during the year on this important area of responsibility is reported at Trust Board meetings and in detail at the Finance and Performance Committee. The business of the Trust is governed by the Trust's Standing Orders and Standing Financial Instructions; and spending decisions regulated through an approved Scheme of Delegation.

The reported NHS financial performance for the year ended 31 March 2020 is a surplus of £2.9m (2018/19 £5.2m). This financial performance is adjusted for technical items: impairments of the Trust's assets (resulting from professional valuations) and depreciation on the Trust's donated assets.

The Adjusted Retained Surplus is therefore £4.5m (2018/19 £5.0m). This is the surplus which the Trust is monitored by NHSI.

Capital

In 2019/20 the Trust used internally generated funds from depreciation, brought forward revenue surpluses and Public Dividend Capital (PDC) funding to cover a capital programme of £9.0m. The Trust spent its 2019/20 Capital Resource Limit, which was approved with NHSI.

The Trust's main areas of expenditure were: £3.8m on Information Technology (which included the Global Digital Exemplar programme – whereby the Trust received PDC funding for this); £3.3m implementing its estates strategy, £0.9m on backlog maintenance and £0.5m on equipment. Other areas of substantial expenditure included £0.3m for PLACE schemes.

Working Capital

The Trust takes active measures to secure its working capital and cash liquidity. The outcome being the Trust is above the 10 days minimum operating cash required by NHSI, resulting in a retained cash balance of £7.2m in excess of its External Financial Limit (EFL). This over-delivery is allowable by NHS Improvement. Financial statutory and non-statutory targets

Financial statutory and non-statutory targets

Target	Achieved	Explanation
Surplus	✓	Achieved a year end surplus of £4.5m
Remain within the Capital Resource Limit	✓	The Trust spent its capital resource limit £9.0m
Remain within the External Financial Limit	✓	The Trust under-spent against its limit by £7.2m (allowed)
Capital Cost Absorption rate (3.5%)	✓	The Trust achieved the 3.5% rate
Pay 95% of valid invoices within 30 days of receipt	✓	BPPC compliance rate of 98%
Efficiencies	✓	£3.2m delivered recurrently

Non-financial information

Anti-bribery policies

The Trust collaborates closely with other organisations to deliver high quality care for our patients. These partnerships have many benefits and should help ensure that public money is spent efficiently and wisely, but there is a risk that conflicts of interest may arise. As an organisation we have a duty to ensure that all our dealings are conducted to the highest standards of integrity and that NHS monies are used wisely so that we are using our finite resources in the best interests of patients.

Our Conflicts of Interest Policy sets out the process by which the Trust manages any potential or actual conflicts of interests in accordance with up to date guidance. This includes the requirement for staff to declare any gifts, hospitality, relevant personal interests and non-NHS work. This process is overseen by the Audit Committee.

The aim of our Counter Fraud, Bribery and Corruption Policy is to increase staff awareness of the issue of fraud within the Trust, to provide guidance to staff about what to do if they have suspicions of fraud and to set out the Trust's approach in investigating allegations of fraud and pursuing sanctions against and redress from those who participate in fraudulent or corrupt activity.

ACCOUNTABILITY REPORT

CORPORATE GOVERNANCE REPORT

Directors Report

Chris Burdon, Chairman

Chris took up his appointment on 1 July 2011 having been Chairman designate since February 2011. Chris was appointed as NED with NHS Worcestershire in December 2008 and chaired their provider services Board. Following an early career in metallurgical research, Chris held a series of senior executive positions in the metal processing sector. His last post was with Bradken, an Australian PLC, where he had responsibility for worldwide activity in the power generation and cement production markets and the management of three sites in the UK. He Chairs Remuneration Committee and attends Quality and Safety, Workforce and Finance and Performance Committee in an ex officio capacity.

Sarah Dugan, Chief Executive

Sarah took up post on 1 July 2011. Sarah previously worked for NHS Dudley as Chief Executive. Sarah is a Registered General nurse, Children's nurse and Public Health nurse. She has held a wide range of senior positions with community and mental health service providers and in commissioning organisations. She attends Quality and Safety, Workforce and Finance and Performance Committee in an ex officio capacity.

Michelle Clarke, Director of Nursing and Quality

Michelle Clarke took up post in April 2016 following a secondment from January to March 2016 from Wye Valley NHS Trust where she worked since August 2011 as Director of Nursing and Quality. Prior to this Michelle worked in various posts linked to professional development, service improvement, education and leadership. Michelle has previously been Managing Director for Warwickshire Community Health Services. She has extensive knowledge of community health care and has a District Nursing background. Michelle qualified as a nurse in 1988 and obtained her Masters in Health Sciences in early 2000. She attends Quality and Safety Committee and Workforce Committee.

John Devapriam, Medical Director

John Devapriam is National Professional Advisor for Learning Disability for the independent regulator, the Care Quality Commission, and chairs the Quality Network for Learning Disabilities for the Royal College of Psychiatrists. He joined the Trust in April 2019 from Leicestershire Partnerships NHS Trust where he was Consultant Psychiatrist in Learning Disabilities and Clinical Director for the Adult Mental Health and Learning Disability directorate. He became a Fellow of the Royal College of Psychiatrists in 2015. He attends Quality and Safety Committee, Workforce Committee and Mental Health Legislation Committee.

Ros Alstead, Interim Chief Operating Officer

Ros is a registered general nurse and mental health nurse by background and has held a number of Executive Director leadership roles covering service improvement, nursing and general management and was most recently Executive Director of Nursing and Clinical Standards at Oxford Health Foundation Trust. Ros is a visiting professor of health and life sciences at Oxford Brookes University and was awarded an OBE for services to nursing in 2017. She also lives in Worcestershire and is really passionate about supporting local services. Ros left the organisation the end of April 2019. She attended Quality and Safety Committee, Workforce Committee and Finance and Performance Committee.

Robert Mackie, Director of Finance and Deputy Chief Executive

Robert took up post with the Trust on 1 July 2011 as Director of Finance. He is a Member of the Finance & Performance Committee and also attends Audit Committtee. He previously worked for the NHS Walsall, initially as Director of Resources from October 2008 and then from November 2010 as Interim Chief Executive. Robert is qualified accountant and joined the NHS with the 1998 cohort of the national financial management training scheme, having previously worked in general management within the private sector.

Sue Harris, Director of Strategy and Partnerships

Sue was appointed in May 2012. Sue is a member of the Finance & Performance Committee and her Directorate responsibilities include strategy and business development, business planning, the Programme Management Office, marketing and communication, patient self-management and community engagement. Prior to a secondment to the Strategic Health Authority in 2011, Sue was, from 2009, Lead Commissioner for mental health services in Worcestershire. Prior to this role, she was a national director for Turning Point, a leading social enterprise, Sue has over 20 years of business development experience in the health and social care field across a range of sectors.

Gill Harrad, Company Secretary

Gill joined the Trust from Birmingham and Solihull mental Health NHS Foundation Trust, where she was Company Secretary/Head of Legal Services. She qualified as a solicitor in 1994 working in local authorities in Warrington, Gloucestershire and Birmingham, undertaking a broad range of legal work. She moved into the NHS in 2007 working in a specialist Mental Health Trust. She is responsible for corporate governance in the Trust. She is a member of Quality and Safety Committee, Mental Health Legislation Committee and attends Audit Committee.

Matthew Hall, Chief Operating Officer

Matthew is responsible for clinical service delivery and emergency planning. He joined the WHCT in May 2019, from Solent NHS Trust - where some of his previous roles were Deputy Chief Operating Officer, Clinical Director for Mental Health Services and Operations Director. He has worked in the NHS since 1990 and is a Registered Mental Health Nurse. Matthew is a member of Finance and Performance, Workforce and Quality and Safety Committees. He holds an MBA from the University of Leicester.

Steve Peak, Non Executive Director
Steve has been a NED since June 2015. He is the Chair of the Finance and Performance Committee and a member of Remuneration Committee and Audit Committee. He previously lectured for Keele University and is Sales and Business Development Director for Vanguard Healthcare Solutions. Over the past 25 years he has held previous senior leadership roles in acute hospitals including a period of time as CEO of Birmingham Women's NHS Foundation Trust.

Stephen Tilton, Non Executive Director
Stephen joined the Board in September 2016 and is a Chartered Accountant and has held a series of senior executive positions in the financial services sector. This has included three years with the Financial Services Authority before taking up the position of Director of Legal and Compliance with a global private equity firm. Stephen is also an accomplished musician, and for 10 years was Master of Music at the Chapels Royal, HM Tower of London. He chairs Audit Committee and Charitable Funds Committee and is a member of Quality and Safety Committee.

Jamie Morris, Non Executive Director
Jamie joined the Board in November 2016 and is a retired senior executive who has held roles in various public and private sector organisations, most recently as an Executive Director at Walsall Metropolitan Council, where he had responsibility for a wide range of front line services. Before that he was Assistant Chief Executive at Birmingham City Council and a Management Consultant with Deloitte advising local and central government on a variety of issues. He chairs Workforce Committee and is a member of Finance and Performance Committee and Mental Health Legislation Committee.

Tessa Norris, Associate Non Executive Director
Tessa joined the Board in January 2018 after retiring from her role as the Trust's lead for Children, Young People & Families and Specialist Primary Care. Prior to joining the Trust, Tessa worked in a variety of roles across the NHS, including Director of Operations at Shropshire Community Health Trust and Managing Director for Dudley Community Services. She is also a qualified coach and has provided support on career development, conflict management and personal development to NHS staff over the last 7 years. Tessa is a member of the Workforce Committee and Quality and Safety Committee.

Martin Charters, Associate Non Executive Director
Martin joined the Trust in May 2018 and is a trained Chartered Accountant with experience in senior finance roles within the NHS. However his more recent experience has been focused on clinical service transformation, the alignment of culture, values and behaviours across systems, and ensuring effective governance. Recent examples include working with the Stockport Together Vanguard Programme focused on the development of integrated physical, mental and social care, and with St George's Hospital on the complete redesign of outpatient services. He chairs Mental Health Legislation Committee and is a member of Finance and Performance Committee.

Martin Papadatos, Associate Non Executive Director
Martin joined the Trust in May 2018. He brings experience from being the Chief Operating Officer for Commercial Banking Europe at Lloyds Banking Group. Martin is also a Financial Analyst and holds a PhD degree in business strategy from the University of Cambridge. His research at the university focused on board of directors and how they make decisions. Prior to joining Lloyds he was a consultant at the Boston Consulting Group and Deloitte. He is a member of Quality and Safety Committee and Audit Committee. Martin left the organisation in July 2019.

Janet Clarke, Non Executive Director
Janet Clarke qualified in the 1980s from Birmingham University and went on to work in general practice, but primarily the community dental service in and around Birmingham. She has significant involvement with the British Dental Association, firstly as Chair of the Central Committee for Community and Public Health Dentistry and then as BDA President in 2011. She is currently Deputy Chief Dental Officer for England, chairs the Local Professional Network for dentistry in the West Midlands and was awarded an MBE for services to dentistry in 2010.

Directors' Statement

The Trust's Directors have considered and confirm that each director knows of no information which would be relevant to the auditors for the purposes of their audit report, and of which the auditors are not aware, and; has taken all the steps that they ought to have taken to make themself aware of any such information and to establish that the auditors are aware of it.

The Trust's Register of Interests is open to the public and may be accessed, by contacting the Executive Personal Assistant to the Company Secretary, either by telephone on 01905 681558 or email at: **sharon.merrell@nhs.net**.

STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES AS THE ACCOUNTABLE OFFICER OF THE TRUST

The Chief Executive of NHS Improvement, in exercise of powers conferred on the NHS Trust Development Authority, has designated that the Chief Executive should be the Accountable Officer of the Trust.
The relevant responsibilities of Accountable Officers are set out in the NHS Trust Accountable Officer Memorandum. These include ensuring that:

- there are effective management systems in place to safeguard public funds and assets and assist in the implementation of corporate governance;
- value for money is achieved from the resources available to the Trust;
- the expenditure and income of the Trust has been applied to the purposes intended by Parliament and conform to the authorities which govern them;
- effective and sound financial management systems are in place; and
- annual statutory accounts are prepared in a format directed by the Secretary of State to give a true and fair view of the state of affairs as at the end of the financial year and the income and expenditure, other items of comprehensive income and cash flows for the year.

As far as I am aware, there is no relevant audit information of which the 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 my letter of appointment as an Accountable Officer.

Chief Executive, Sarah Dugan

Date: 22 June 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

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

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

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

The directors confirm that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for patients, regulators and stakeholders to assess the NHS Trust's performance, business model and strategy

By order of the Board

Chief Executive
Date: 22 June 2020

Finance Director
Date: 22 June 2020

ANNUAL GOVERNANCE STATEMENT 2019/20

Scope of responsibility

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the NHS 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 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 Trust Accountable 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 Worcestershire Health and Care NHS 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 Worcestershire Health and Care NHS Trust for the year ended 31 March 2020 and up to the date of approval of the annual report and accounts. There has been some changes to the governance framework as a result of the NHS nationally declaring a level 4 emergency incident as a result of COVID 19, however, it is believed that this has not led to a loss of internal control.

Capacity to handle risk

The Trust currently assesses and monitors risk by a variety of methods, not least via an assurance framework. This is the key document for the Trust Board to ensure all principal risks against strategic objectives are identified, managed, controlled and reported upon. The assurance framework is presented to, and approved by, the Trust Board at each public meeting.

The risk management processes are guided and provided for by the Risk Management Strategy. This sets out the organisation's approach to risk and defines responsibilities and roles of the Chief Executive, Directors, senior managers and all other staff in relation to the effective delivery of the risk management agenda. It also highlights the links between risk management, the assurance framework and the business planning process. There is documented guidance for staff supported by comprehensive policies and procedures available via the Trust's intranet. The Trust Board discusses the risk appetite of the Trust at least annually and once agreed this is incorporated into the Risk Management Strategy.

Whilst ultimate accountability rests with the Chief Executive, responsibility for risk management has been delegated to the executive leads for risk. The Director of Nursing and Quality and Medical Director have joint delegated responsibility for clinical risk management and clinical governance. The Director of Finance is responsible for financial risk management. The Company Secretary has delegated responsibility for managing the strategic development and implementation of corporate risk management and assurance, and is responsible for the development and maintenance of the high level risk register.

The work of the Quality and Safety Committee is supported by a number of sub committees and working groups. The Risk Moderation Group supports risk register owners in ensuring consistency and compliance with the Risk Management Strategy in completing and reviewing risk registers and reports to the Audit Committee. The Finance and Performance Committee and Workforce Committee, similarly supported by sub-committees identifies and provides assurance to Trust Board on key financial, performance and workforce risks. All of the above committees review key risks each meeting and consider any changes that ought to be escalated to Trust Board's attention. The Mental Health Legislation Committee receives reports on all complaints and incidents and inspections arising out of the Trust's usage of the Mental Health Act and reports onwards to Trust Board.

As part of the risk management strategy, training is delivered to managers and to other staff across the Trust, both at induction to the Trust and also as part of on-going development. Areas covered include: risk management, risk assessment, incident reporting, health and safety, infection control and the handling of complaints. The extent and level of training is dependent on a member of staff's delegated responsibility. The legislative requirements of risk management and risk assessment within a safe system of work are actively promoted by the Trust. The Risk Moderation Group runs sessions for corporate and operational risk register owners, team leaders and ward managers, to emphasise the principles of the risk management strategy as well as sharing good practice.

The Trust uses an on line integrated risk management system. The Incident Reporting Module has an e-mail trigger facility, which alerts responsible managers to recent incidents. A trigger is also sent to key governance staff such as the Patient Safety Manager, Risk and Security Manager and Quality Leads for each Service Delivery Unit, who review recently submitted incidents and forward guidance on the information which is needed to complete the incident report to the responsible manager.

The software contains data entry forms, which are used to record details of investigations, recommendations, actions and lessons learned. Monthly incident data reports are provided to the responsible managers and monthly reports are provided to the Integrated Governance meeting. These give all relevant details about the incidents and managers provide further contextual information to the Serious Incident Forum meeting to facilitate the organisational learning from incidents. From this regular features are shared across the organisation to promote learning.

Statistical process control chart reports have been developed to further inform managers and senior managers about any developing incident trends across the Service Delivery Units and the wider Trust.

The need to engage each and every staff member and to provide the appropriate level of training to them remains a key objective and priority within the Trust. There are systems in place for staff to raise concerns/ risks/near misses to allow action to be taken and for lessons to be learned.

In addition, there is a monthly review of risks within each Director's portfolios with a residual score of 10, as well as the Committees reviewing risks within their portfolios each meeting with residual scores of 12 or above. The Trust Board receives all risks with residual scores of 15 or above at each public meeting.
The risk and control framework

The risk and control framework

The key elements of the risk management strategy focus on:

- Individual and corporate responsibility.
- A structured framework for the management of risk with a clear definition of the roles and responsibilities for directors, managers, clinicians and allied health professionals.
- A purposeful approach to enabling the Trust to embed risk management within its structure and so support the Trust in meeting its new functions and objectives.
- Compliance with all relevant statutory and non-statutory standards relating to the assessment and control of risk.
- Identifying, and where possible eliminating, risk and controlling any remaining risk. Monitoring the controls and procedures to ensure effective risk management within the Trust.

Formal risk assessments are being undertaken locally, with specialist support and guidance provided as required. If advice and/or training is required on clinical risk assessment this will be provided by the Quality Governance Department. If advice and/or training is required on non-clinical/generic risk assessment this will be provided by the Risk and Security Manager and/or Health and Safety Manager.

Risk assessment and incident reporting systems remain key to the on-going assessment of risk. Evaluation of any, or all, control measures are considered, not only by line management but also by the Quality Governance department or Risk Moderation Group. This provides a robust double check within the system.

Cost Improvement plans are subject to a rigorous process in which, a detailed quality impact assessment is approved by the Director of Nursing and Quality and/or Medical Director.

Risk management continues to be promoted and embedded throughout the Trust. During 2019/20 there has been a significant emphasis in ensuring that there is consistent adherence to the Risk Management Strategy, with training, support and challenge being provided by the Risk Moderation Group – a sub-committee of Audit Committee. The Board has also been engaged in this process in ensuring that there is greater clarity in the risks potentially impacting on our ability to achieve our strategic objectives. This has led to more consistent application of the assessment of risks, as identified in our Risk Management Strategy. In turn this has impacted on those risks that are contained in the board assurance framework.

In March 2020 the NHS declared an emergency planning level 4 incident as a result of COVID 19. As part of our organisational response to this major incident Trust Board has considered national guidance that certain corporate governance functions should be either stood down or undertaken differently. Within the reporting period during March this impacted on our main committees, with papers being distributed and questions being raised without an actual meeting. Trust Board approved a revised framework in April 2020, for corporate governance during the COVID level 4 emergency incident. This led to some changes to the format, frequency and duration of key meetings, whilst still adhering to our corporate governance framework.

Major Risks April to March 2019/20

The Trust has identified the following in year risks which are included on the board assurance framework as at 31 March 2020:

Risk	Mitigation	Outcome
SO 2/3/4 Failure to deliver acceptable standards of care leading to poor patient experience	– Training for staff in patient centred care – Mechanisms for capturing patient experience – PALS and complaints processes – Membership engagement process – Board patient safety walkabouts – Safety thermometer – Wide ranging governance arrangements – Serious incidents process – Revalidation of medical staff and nursing staff – Audit, research and clinical effectiveness activities – Performance framework – Developing consultant dashboard – External assessments	– Positive and safe outcomes for patients. – Good quality care being provided. – Positive patient experience being reported
SO 1/4 Long term financial sustainability	– Focused attention to identify, on a prospective basis, opportunities to increase efficiency and cost effectiveness of delivery of services. A programme management office structure is in place with robust project management applied to each CIP scheme. – Regular and robust processes to ensure good performance management. – Established and robust processes in place to ensure compliance and oversight with key performance indicators.	– Increased confidence about deliverability of recurrent CIPs. – Performance and financial indicators reviewed at each Finance and Performance Committee. – Compliance with key financial and performance indicators.
SO 1/3/4 There is a risk that the strategy supporting the STP and national direction of travel relating to Integrated Care System cannot be implemented in proposed timescales manner	– National guidance published and regular national and regional events to benchmark progress – Submissions made in accordance with guidance – STP subject to public engagement and where appropriate consultation – Processes in place to address plans in dedicated workstreams with governance processes embedded	– Governance Structure being agreed and overseen by NHS England – STP based on public engagement and national priorities. – Capacity being built nationally to address leadership challenges
SO 1/2/3/4 The Trust needs to attract, develop and retain an appropriate workforce to deliver appropriate services within limited resources	– Undertaking a number of initiatives relating to recruitment and supporting new roles, e.g. nursing associates – Specific workstreams to look at retention of existing employees – Improving staff engagement – Staff Health and Well Being Programme	– Delivering services with appropriately trained and skilled staff

Risk	Mitigation	Outcome
SO 3/4 Working in a challenged health economy potentially leads to focus on specific immediate areas of concern, rather than all partners working collaboratively for medium term economy wide sustainability.	– Regular escalation meetings with all partners and regulators – Regular Exec to Exec meetings with key partner – Economy Director of Performance commenced – Accountable Officer forum established across STP to facilitate focus on achievement of sustainability – Financial forum established across the economy	Sometimes longer term planning is replaced by need to demonstrate short term improvements that may not be optimal for medium to long term Significant time expended on resourcing and supporting economy wide discussions and actions. Focus of partners may be moving away from intense regulatory

Trust Board agreed to add an additional risk to the Board Assurance Framework in March 2020 relating to COVID, impacting on all areas of our operations. This will be presented to Trust Board for approval outside of the reporting period.

Action plans are in place to manage the aforementioned risks. These are subject to scrutiny by Board and the relevant Board committees. As part of our capturing risks relating to COVID 19, a new category of risk (COVID) was added to our incident reporting system.

The Quality and Safety Committee

The Quality and Safety Committee is a key component of the Trust's strategic business and integrated governance arrangements.

The Committee provides a strategic control of quality governance arrangements in accordance with clearly defined terms of reference. Monitoring of key performance indicators combined with qualitative and narrative reporting enables effective monitoring and assurance on the quality of care in services across the Trust.

The Quality and Safety Committee is underpinned by an Integrated Governance meeting which brings together the monthly quality, financial and performance reports to provide a comprehensive and rounded overview of all aspects of performance in each Service Delivery Unit.

This arrangement facilitates an ability to undertake a detailed analysis of quality within the scope of financial and performance influences, allowing for a shared understanding of key risks, mitigations and achievements. A highlight presentation is provided each month from the Integrated Governance meeting to the Quality and Safety Committee.

In addition to this a monthly Clinical Quality Improvement Forum focuses on shared learning. The Forum uses additional intelligence from related governance sources such as complaints and compliments, clinical audit and patient experience feedback to recognise key successes and identify where improvements can be shared and replicated.

The Trust's Quality Governance Policy documents the framework for quality governance arrangements across the Trust, and ensures there is a clear understanding of how our systems support the delivery of safe, high quality care so that the Trust consistently:

- Identifies and shares good practice, quality improvement and innovation;
- Shares learning from improvement actions when things have not gone well;
- Directs resources and support to areas that are not reaching expected standards and targets;
- Has clarity and openness in measuring and sharing performance;
- Invites challenge from stakeholders, in particular patients, carers, staff and commissioners;
- Celebrates and shares successes.

Each Service Delivery Unit has its own Quality Governance framework in support of the overall policy. Monthly Service Delivery Unit quality reports ensure key risks are identified together with actions being taken to address and mitigate risks. Key metrics relating to quality, as defined within the Trust's Performance Management Framework, are also reviewed in the monthly Integrated Governance meeting. In line with the Terms of Reference for this meeting recovery plans are commissioned, approved and reviewed against key metrics where performance is falling short of target.

All Cost Improvement Programmes or new service developments undergo a Quality Impact Assessment. These are presented by the project lead to a Quality Impact Review panel who oversee the quality and safety implications of each programme. The full assessment must be signed off by the Director of Nursing and Quality and the Medical Director who require assurance that all quality and safety considerations have been fully assessed and adverse impacts on quality are being mitigated to be at an acceptable level. Each project will then have indicators identified to monitor longer term effects on the quality of services.

Our governance arrangement for learning from deaths reflects the principles of the National Quality Board's guidance. Our Mortality Surveillance Group, chaired by the Deputy Medical Director, oversees the implementation of the Trust's Learning from Deaths and Bereavement Care policies. Quarterly reports are provided to the Quality and Safety Committee, Trust Board and our commissioners, using combination of data and narrative updates to gain an understanding of mortality rates and the quality and safety of care.

All deaths of services users who have a learning disability undergo a Structured Judgement Review and are referred through to the local Learning Disabilities Mortality Review (LeDer) co-ordinator. The Trust participates in local Sudden Unexpected Deaths in Childhood (SUDIC) processes, participating in reviews following child deaths in Worcestershire.

The Trust's web-based monitoring tool for staffing levels, allows senior managers and the Director of Nursing and Quality to have access to real time staffing level information ensuring that there are strong controls around safe staffing. An in-depth review of staffing data is undertaken every 6 months and is reported to Trust Board. Staff are encouraged to report any issues around staffing levels onto the web-based incident reporting system, Ulysses. Any such reports are automatically forwarded to the Director of Nursing and Quality who will take appropriate action. The Trust Board receives staffing reports at every public Board meeting. Board members visit teams on a programme of Patient Safety Walkabouts so that the information contained within board reports can be verified with staff working in clinical teams. Through these routes the Trust believes that it complies with the Developing Workforce Safeguards.

Patients are actively encouraged to complete the patient Friends and Family test, either on discharge from the service or at significant intervals of care for longer term community patients. Each bedded unit has a 'Friends and Family Champion' who ensures the survey is promoted to patients and carers. The results of the surveys are fed back to the staff in the services in order that high levels of satisfaction are recognised

and valued and so that any suggestions for changes are taken forward. The Friends and Family Test results are overwhelmingly positive with many narrative comments about individual staff who 'go the extra mile' for patients and carers. Where individual staff members are named in any positive feedback, the Director of Nursing and Quality writes to that member of staff thanking them for their contribution to outstanding patient care. Any suggestions for changes or negative comments from the Friends and Family Test responses are reviewed and acted upon and 'you said, we did' posters advertise the changes that have been made.

Our programme of patient experience work, the patient safety walkabouts undertaken by the Trust Board, patient and staff stories to Board, together with analysis of complaints and compliments provides triangulated information about where we are getting it right, and where improvements are needed. We publish a summary of all complaints (anonymised) on the Trust's public facing website and use our data to identify any themes or trends. We pay particular attention to complaints about staff attitude to identify any services that may need particular support. The Trust adopts a proactive approach to enquiries received by our Patient Advice and Liaison Service (PALS), trying to resolve matters as early as possible. This is described in detail in the Trust's Policy for Receiving, Investigating, Responding to and Learning from Complaints, PALS enquiries and Professional Enquiries.

With reference to Quality Improvement (QI) we have three key approaches:

1. Improvement by All – small scale changes delivered through individuals and teams at service level, stimulated and supported through Quality Improvement Champions.
2. Rapid Improvement Action – tackling 'areas for improvement' across the organisation in a focused and prompt manner – using QI tools and know-how to deliver improvement at pace supported by our QI Mentors.
3. New Ways of Working – responding to emergent opportunities and challenges using QI tools and know-how to redesign service delivery – a corporate approach to building quality improvement rigour into key areas of strategic importance.

Across Herefordshire and Worcestershire health economy we have adopted the QSIR (Quality Service Improvement and Redesign) methodology. This is the basis for learning and development at all tiers of the Trust's quality improvement (QI) community. We are continuing to grow our quality improvement capability, strengthening our QI community and engaging service users, patients and carers to ensure we are working together at the forefront of innovation and improvement within the Trust.

In April 2019 four Quality Account priorities were agreed for the year ahead, after consultation by Trust Board:

- Dementia
- Parity
- Workforce
- Accessible Information Standard

Each Quality Priority is aligned with the Trust's Strategic Priorities and has an identified project lead and project coordinator. The project plans are reviewed by the Quality and Safety Committee to ensure agreed milestones are on track.

During the reporting period an extensive due diligence exercise has been undertaken relating to a transaction that occurred outside of the reporting period; namely the transfer of Herefordshire Mental Health and Learning Disability Services from Gloucestershire Health and Care NHS Foundation Trust to ourselves. A project was established with 10 workstreams each understanding the pre-transaction position and working to ensure a safe transition of staff and services on 1 April 2020. The project team reported regularly through our governance systems, to Trust Board and also liaised with partners to ensure a safe transition of services.

Arrangements for assurance on Clinical Audit

We have a 3 year rolling audit programme which is overseen by the Clinical Audit and Effectiveness Group. The rolling programme allows time for major audits and re-audits to flow through from one year to another. The Clinical Audit and Effectiveness Group, which is chaired by the Deputy Medical Director, reports through to the Quality and Safety Committee. The 2019/20 Clinical Audit plans were agreed by the Service Delivery Units in early 2019, identifying audit topics that relate back to, for example, NICE Guidance compliance, issues that have emerged through incidents and complaints or through assessed risk.

The Trust takes part in relevant national clinical audits and subscribes to the Prescribing Observatory for Mental Health audit programme. Trust Board is provided with an annual report regarding compliance with the audit plan. The report provides examples of improvement outcomes as a result of the audit programme.

Arrangements for Never Events and Serious Incidents

The Trust actively supports staff in the process of identifying, reporting and managing incidents. The NHS England Serious Incident Framework is used as the basis for incident reporting arrangements. All incidents reported on the web-based system (Ulysses) are reviewed by the Patient Safety Team to ensure the incidents have been correctly risk assessed and to identify those incidents that need immediate actions or meet the Never Event criteria. The Trust has not reported any Never Events in 2019/20.

We have embedded the NHS Improvement 'Just Culture' guide to help managers determine appropriate steps to be taken when a member of staff is involved in an incident. The guide helps to facilitate a consistent and fair approach and underpins our commitment to supporting staff who have been involved in an incident.

Each Serious Incident undergoes a Root Cause Analysis investigation undertaken by a trained Investigating Officer. A round table meeting is held for each Serious Incident resulting in action plans that are approved by the Serious Incident Forum. The Serious Incident Forum, chaired by the Director of Nursing and Quality and attended by clinical staff interrogates the final drafts of the individual Serious Incident reports to ensure the underlying cause has been identified, and that appropriate actions are being taken to support those involved in the incident. A summary of key learning is collated and issued via the Trust-wide Team Brief newsletter, with a strong emphasis on the importance of human factors in open reporting, learning and improvement.

Careful checks are undertaken to ensure patients and families have received an apology and have been involved in the investigation and are fully appraised of the outcome in line with the Trust's policy for Being Open and the Duty of Candour. Bespoke individual Duty of Candour training sessions are also held with clinical teams using examples of real cases to promote reflective discussion.

External Review of the quality of services provided

When the CCG undertake an announced inspection of services we accompany the visiting team with staff from similar teams in the Trust to act as peer reviewers. This supports the promotion of shared learning between clinical teams and Service.

Between 1st April 2019 and 31st March 2020, the following services took part in a peer review with the CCG.

Date of Peer Review	Service Reviewed	Key Findings
16/07/2019	Tudor Lodge	The unit benefits from a staff group who are experienced and been in post a number of years. IT equipment is on a remote system and is often slow in internet connection speeds. This is being updated.
13/08/2019	Countywide Podiatry Service	Individualised holistic patient care. Well led and well supported service, team leaders positively engaged with redesign of service. Successful countywide redesign ensuring equity and consistency, National shift in requirements for reporting pressure areas.

Care Quality Commission

The CQC have undertaken the following inspections in 2019/20:

Date of CQC inspection	Service inspected by CQC	Key findings
28/06/2019 and 01/07/2019	Tudor Lodge (Section 60 of the Health and Social Care Act 2008 and Care Act 2014 inspection).	There were 'Good' ratings for the Caring, Responsive and Effective domains. Staff were found to support residents with compassion and understanding. Residents had support to express their views and opinions, and support was provided with dignity and in private. The registered manager promoted an open culture within the service. There were 'Requires Improvement' ratings for the safe and well-led domains. Some of the window restrictors needed repair. This was completed within 24 hours of the inspection. Storage of COSHH products was judged as an issue. This was addressed immediately. A shower area required minor repair and cleaning. This was also completed within 24 hours of the inspection. The method for medicines administration was questioned. This has now been addressed and resolved.
03/07/2019	Keith Winter Recovery Service (Mental Health Act Inspection)	The report describes the spacious, clean, well maintained unit. Patient's physical wellbeing and healthy lifestyle choices are encouraged. Patients feel welcome and safe on the unit and there is good team working. Patients understand their status and their legal rights. Staff support and encourage patients with self-medication. Capacity assessments are completed fully and concerns raised by patients are appropriately dealt with.
September and October 2019	Well-led inspection	Maintained 'Good' rating in all 5 domains. There were 10 regulatory actions identified in relation to 2 core services in the inspection report. The action plan in response to these was submitted to the CQC, as required, on 17th February 2020 and is being monitored through to completion by the Quality and Safety Committee.
01/11/2019	Hadley Unit (Mental Health Act Inspection)	Staff told inspectors they felt supported and worked as a team. Staff explained patients' legal position and rights on admission and regularly thereafter when necessary. There was an independent mental health advocate (IMHA) who visited the ward regularly. Patients were aware of this service. An action related to care plans and making sure the patients' views are always documented and the care plan is signed. There was also an action to improve the therapeutic activities for patients.
18/11/2019 and 19/11/2019	Meadow Ward and Woodland Ward (Mental Health Act Inspection)	Patients and carers praised the standard of cleanliness on the wards. The staff team on both wards showed a consistent commitment to the guiding principles of the MHA code of Practice in the way they cared for patients. Staff worked with patients in a respectful way, involving them in activities in a sensitive manner. There were excellent records of capacity and consent to treatment on admission. An action related to care plans that need to evidence consideration of the impact of the locked doors on either informal or detained patients.

All CQC reports and the accompanying action plans are received by our Mental Health Legislation Committee.
Ofsted Inspections

The two children's short breaks services at 71 Ludlow Road, Kidderminster and Osborne Court, Malvern are registered with both the CQC and the Office for Standards in Education (Ofsted).

Ofsted has undertaken the following inspection of services during 2019/20:

Date of inspection	Service inspected by CQC	Key findings
31/07/2019 and 06/02/2020	71 Ludlow Road, Kidderminster	The service was rated as 'Good'. Highly motivated and skilful staff with an in-depth understanding of children's complex needs. Good induction, training and supervision in place enable staff to have a robust understanding of safeguarding policies and procedures. Risk assessments are of a very high standard. The lack of specialist transport to take children further afield was noted. The service does however arrange taxis for any trips out. Some members of staff who are not members of the qualified nursing staff do not receive regular supervision. This has now been addressed and all staff are logged to receive regular supervision.
04/02/2020	Sir Jules Thorne House, Osborne Court, Malvern	The service was rated as 'Requires Improvement'. Children immensely enjoy their short break experiences and receive a good quality of care. Staff show children appropriate warmth and affection during their short-break stays. This helps children to feel safe and relaxed. Children benefit from a wide range of activities. These include going out for meals and using the on-site hydrotherapy pool and sensory room. These experiences help to enrich children's lives and provide them with positive childhood memories. Improvements needed in care planning. Staff need to undergo required training within a timeframe. The arrangements for recording supervision need to be more clearly understood by staff. The action plan will be monitored by the Quality and Safety Committee.
04/02/2020	Thorn Lodge, Osborne Court, Malvern	The service was rated as 'Requires Improvement'. Relationships between staff and parents are strong. Staff provide reassurance and practical advice to parents. Parents told the inspectors that staff provide a lifeline for them. Staff are skilled at de-escalating situations and successfully use positive praise and humour to help redirect children when they are struggling to self-regulate their emotions. Fire risk assessments needed to be updated. Environmental issues in terms of storage of equipment. The action plan is being monitored by the Quality and Safety Committee.

The Trust Board operates in accordance with the Trust's Establishment Order, Standing Orders, Scheme of Delegation and Standing Financial Instructions. The Trust Board has seven Committees that report directly to it:

- Audit Committee
- Quality and Safety Committee
- Finance and Performance Committee
- Workforce Committee
- Remuneration Committee
- Mental Health Legislation Committee
- Charitable Funds Committee

Each Committee is chaired by a Non-Executive Director, for all of the Committees other than Audit and Remuneration, specific Executive Directors are also members, for Audit and Remuneration Committees executive staff are invited to attend as appropriate to discharge the business of the Committee. The executive team hold the following responsibilities:

Sarah Dugan, Chief Executive, is the Accountable Officer for the Trust and leads the Executive team					
Robert Mackie, Director of Finance/ Deputy CEO	**Matthew Hall, Chief Operating Officer ***	**Michelle Greatorex, Director of Nursing and Quality**	**John Devapriam Medical Director**	**Susan Harris, Director of Strategy and Partnerships**	**Gill Harrad, Company Secretary**
Finance Performance Business and Budgetary Planning Information Infrastructure Estates and Facilities Contracting Procurement Senior Information Risk Owner Brexit Information Technology (inc cyber security) Fraud Prevention	Operational Management of Services Service Transformation Integrated Service Delivery Service Improvement and Productivity Emergency Planning (which has included management of National Level 4 COVID emergency incident response)	Patient Safety Clinical Strategy Safeguarding Professional Standards Training & Development Organisational Development Infection Prevention and Control Health and safety Security Management Complaints Workforce/HR	Quality Improvement Patient Safety Clinical Strategy Medical and Dental Standards Medical Revalidation Caldicott Guardian Research & Development Clinical Audit and Effectiveness Medicines Management Chief Clinical Information Officer	Strategy New Business Development Interface with Partners (inc HOSC/HWBB) Marketing Communications Programme Management Office Community Engagement	Board/ Corporate Support Corporate Governance and Risk Assurance Framework Legal Services Mental Health Act Lead Board Development Information Governance

* Matthew Hall joined the Trust in May 2019 Ros Alstead has been interim Chief Operating Officer until 31 May 2019 including a handover period.

The Board of the Trust provides its leadership and is charged with securing the organisation's long term success. The Board is collectively responsible for controlling the Trust. The Board sets strategic direction and supervises the work of the executive to ensure that corporate objectives and performance targets are achieved. The Board makes those decisions reserved unto itself, defines and sets the approach to risk and risk management and conducts itself in such a way that it takes the view of key stakeholders into account. The Trust has continued to review and consider the Well Led Framework throughout the reporting period. An external Well Led review was anticipated to be commissioned during the reporting period although this has been delayed due to the current level 4 emergency planning incident.

Annually, Non-Executive Director membership of Board committees is reviewed by the Chairman. Following an external recruitment process with NHS Improvement a new Non-Executive Director, Janet Clarke commenced with the Trust in October 2019.

At each formal Board meeting Board members are asked to declare any conflict of interest. The Board annually affirm their commitment to the Nolan Principles of Public Life and Professional Standards Authority's standards for members of NHS boards. There have been no departures from the requirements of the Standards of Business Conduct and Anti-Bribery policy and the overarching corporate governance framework. An annual declaration of interests is made and each member of the Board has confirmed, at least annually, that they meet the requirements of the Fit and Proper Persons regulations introduced in November 2014. Further an annual audit is undertaken to ensure that the Trust complies with the Fit and Proper Person Regulations.

Annually, Board and Committee members are asked to complete a proforma self-assessment checklist designed to elicit comments on the effectiveness of the committee and Board meetings. The checklist is derived from the proforma checklist for audit committees published in the NHS Audit Committee Handbook. Our Trust Board annual evaluation of their effectiveness, usually includes outputs from the effectiveness reviews of the main Board Committees, our 2020 review has been delayed due to the current COVID emergency incident. The effectiveness evaluation is also linked to the Board development programme for the following 12 months, which was suspended at the end of the current reporting period due to COVID 19.

Each Board member has a set of objectives that are agreed with their respective appraiser against which performance is measured and which are subject to formal appraisal at least annually. In terms of individuals' performance on the Board, feedback is provided from the non-executive members of the Board to inform the appraisal process for the executive members. Feedback includes commenting on the contribution they make to the Board and provide an overview of how the Board as a whole is performing. This also informs areas for development as well as the results being reviewed and actions adopted by the Committee to address any areas of deficiency.

The Non-Executive Director's are determined by the Board to be independent on the basis that none:

- has been an employee of the trust within the last five years;
- has, or has had, within the last three years, a material business relationship with the trust either directly, or as a partner, shareholder, director or senior employee of a body that has such a relationship with the Trust;
- has received or receives additional remuneration from the trust apart from a director's fee, or is a member of the trust's pension scheme;
- has close family ties with any of the trust's advisers, directors or senior employees;
- holds cross-directorships or has significant links with other directors through involvement in other companies or bodies;
- has served on the board of the trust for more than nine years from the date of their first appointment.

The quality and safety of patient services has been maintained overall. There has been no loss of control of the Trust's finances. Performance levels have been maintained against the key indicators contained within the NHS Improvement single oversight framework, and the mental health performance framework.

The table below lists attendance at Board and Board Committee meetings for the reporting period.

Attendance by Board members at Trust Board and Board Committee Meetings 1 April 2019 - 31 March 2020

Meeting	Number held	Chris Burdon □	Stephen Tilton	Steve Peak	Jamie Morris	Tessa Norris	Sarah Dugan □	John Devapriam	Matthew Hall *	Michelle Greatorex	Robert Mackie	Sue Harris	Gill Harrad	Martin Papadatos ***	Martin Charters	Ros Alstead **	Janet Clarke
Trust Board	8	8	4	7	5	6	7	7	6	6	8	8	8	1	7	1	3
Board Development	5	5	2	5	5	5	5	5	4	5	5	5	5	2	5	1	3
Audit Committee	5		5	5			1				4		4				2
Quality & Safety Committee	11		8			10	6	9	9	9			7			1	4 1○
Finance & Performance Committee	11	8		9	9		3		8		10	5			9	1	
Charitable Funds Committee	4	3	4								4						
Remuneration Committee	2	2		2			2						2				1
Workforce Committee	5	4			5	4	2	3	5	5				1	2		
Mental Health Legislation Committee	3				2	2	1	2					3		3		

□ Attends Finance and Performance Committee, Quality and Safety Committee and Workforce Committee in an Ex Officio capacity.
○ Observing
* Matthew Hall, Chief Operating Officer commenced in post on 13 May 2019.
** Ros Alstead, Interim Chief Operating Officer commenced in post in February 2019, left post on 31 May 2019.
*** Martin Papadatos left the Trust on 31 July 2019.

Janet Clarke was appointed in October 2019 and observed one meeting of the Quality and Safety Committee prior to her appointment.

The Board considers the balance, completeness and composition of membership annually and takes the outcome into account when recruiting new members.

Balance, Completeness and Appropriateness of the Board membership 1 April 2019 – 31 March 2020

	Chris Burdon (Chairman)	Sarah Dugan (Chief Executive)	Stephen Tilton	Steve Peak	Jamie Morris	Tessa Norris	John Devapriam	Matthew Hall +	Michelle Greatorex	Robert Mackie	Sue Harris	Gill Harrad	Martin Papadatos	Martin Charters	Ros Alstead #	Janet Clarke
Non-Executive Director – voting rights	✓		✓	✓	✓									✓		✓
Non-Executive Director – non-voting						✓							✓			
Executive Director – voting rights		✓					✓	✓	✓	✓					✓	
Executive Director – non-voting											✓	✓				
Gender	**M**	**F**	**M**	**M**	**M**	**F**	**M**	**M**	**F**	**M**	**F**	**F**	**M**	**M**	**F**	**F**
Individual's Appraisal undertaken by NHS Improvement	✓															
Individuals' Appraisals undertaken or objectives set by Chairman		✓	✓	✓	✓	✓							✓	✓		*
Individuals' Appraisals undertaken by Chief Executive							✓	✓	✓	✓	✓	✓				

\# Ros Alstead became a voting member in February 2019, left post on 31 May 2019.
\+ Matthew Hall, Chief Operating Officer commenced in post on 13 May 2019
* Janet Clarke commenced in post on 01 October 2019, appraisal and objective setting will be undertaken outside of the reporting period.

Six monthly safe staffing reviews are undertaken and submitted to Trust Board with involvement of workforce teams, finance and staff using the Safer Nursing Care Tool where appropriate. A more recent review has been presented to Trust Board in relation to all Allied Health Professionals and Nursing workforce in all service areas not just inpatient areas, further work is now going to be undertaken to include the medical workforce. Our workforce plan is updated annually and discussed in public.

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

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.

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

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

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

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

Chairs of Board Committees present reports to the Board on the matters considered by their respective Committees. In the case of the Audit Committee the report informs the Board of the level of assurance that has been given by Internal Audit on the reviews that they have been commissioned to undertake in 2019/20 financial year. In the reporting period, fifteen reviews have been undertaken and completed during this period, of which: one was given full assurance; eight have been given either level A or significant assurance on the Trust's controls; three were given moderate assurance; one limited assurance; and one was recorded as an advisory review.

Full assurance
- Treasury management

Level A / significant assurance:
- Sickness
- Site visits
- Income and debtors
- Client end controls
- Procurement
- Charitable funds
- Financial management
- Board Assurance Framework
- Mortality
- Inpatient Clerking Follow Up

Moderate assurance:
- Dental consent
- Travel claims (medical staff)
- Apprentice self-assessment

Limited assurance:
- Access to Carenotes (Bank and Agency)

Advisory review:
- Data security and protection toolkit

For all audits, action plans are agreed to address the issues identified and specific attention is paid to those areas in which significant assurance is not obtained, with follow up audits planned. Since February 2020 any reports receiving less than significant assurance are reviewed by the executive team, to ensure that the action plan is sufficient to address the issues raised, prior to consideration by any Board Committee. The Audit Committee reports to the Trust Board informing the Board of the programme of work that is undertaken by both the Internal and External Auditors.

The Head of Internal Audit has provided significant assurance on our statement of internal control and this has not been affected by the NHS level 4 emergency incident.

The Trust's Counter Fraud function is outsourced to our Internal Auditors who in conjunction with their Local Counter Fraud Specialist attend the Audit Committee. The Trust has an internal Local Security Management Specialist, who also attends Audit Committee.

At the start of the reporting period the Audit Committee had three sub-committees; namely the Risk Moderation Group, Data Quality Improvement Group and the Auditor Panel that reviewed and managed the process relating to the appointment by the Trust of internal and external auditors. The first two groups meet and feed back to each Audit Committee with the Auditor Panel meeting as and when required.

Information governance

The Trust recognises the importance of the security, confidentiality, integrity and availability of, personal confidential data about patients, staff, other persons and business sensitive information.

In accordance with the General Data Protection Regulation (GDPR) / Data Protection Act 2018 (DPA 2018), the Trust is registered with the Information Commissioner's Office (ICO) for the purpose of processing personal information; Reference Number Z2745227.

The Director of Finance is the Senior Information Risk Owner (SIRO) and takes overall ownership of the Trust's Information Risk Management Programme. The Associate Director of Information Technology is the Chief Information Officer. No major information risks have been identified.

The Medical Director is the Trust's Caldicott Guardian and is the designated senior medical officer to oversee all procedures affecting access to patient identifiable information. The Head of Information Governance (IG) works closely with, and offers advice to, the Caldicott Guardian.

As required under the GDPR and DPA 2018, the Head of Information Governance has been appointed as the Trust's Data Protection Officer (DPO). He has completed appropriate training for the role. The Trust demonstrates compliance with the GDPR and DPA 2018 by completing the NHS Digital Data Security and Protection Toolkit (formerly the Information Governance Toolkit).

All key Information Assets have been identified on the Trust's Information Asset Register. Information Asset Owners have been identified and information risk assessments have been undertaken or are planned.

A robust Information Governance Management Framework is in place including:

- Terms of reference for the Information Governance Steering Group and the Records Management Steering Group.
- Key information governance (IG) policies are in place such as, Information Governance, Confidentiality and Data Protection, Data Protection by Design and Default, Information Risk Management, Information Security, Records Management, Freedom of Information and IG Incident Reporting.

The Information Governance Steering Group derives its authority from the Quality and Safety Committee and is chaired by the Company Secretary; the SIRO and Caldicott Guardian are both members. All three are Board Members. Quarterly reports are provided to the Quality and Safety Committee.

The Records Management Steering Group derives its authority from the Information Governance Steering Group and is chaired by the Caldicott Guardian; there is representation from each service delivery unit and key corporate functions of the Trust. Quarterly reports are provided to the Information Governance Steering Group.

The NHS Digital Data Security and Protection Toolkit is based upon the 10 x data security standards identified in the National Data Guardian (NDG) Review. The Trust has gathered supporting evidence and submitted its end of year Toolkit return. At this time the Trust is unable to fully complete or meet all of the standards in the Toolkit because doing so would impact on its COVID-19 response. The Trust has therefore developed a comprehensive Improvement Plan to address any areas where development is needed. This Plan has been signed off by the SIRO and submitted to NHS Digital. Once the Improvement plan is agreed with NHS Digital the status for the Trust will be displayed as '19/20 Standards not fully met (Plan Agreed)/ Approaching Standards'.

There is a procedure in place for granting contractors/third parties access to Trust systems that hold personal confidential information.

All staff are required to complete mandatory annual data security awareness training.

All new staff and volunteers are required to attend Trust induction which includes raising awareness of information governance issues.

All information governance related incidents are reported on the Trust's incident reporting system and an automated email is sent to the information governance team for investigation.

All reportable serious data security breaches are reported to the Information Commissioner's Officer or Department of Health and Social Care as necessary and are published on the Trust's website and in the Trust's Annual Report. This includes cyber incidents. There has been one serious data security breach in the reporting period. The Trust works with a national charity that provides a range of employment support to people receiving a service from the Trust's Healthy Minds Service. Details of approximately 1200 patient's names, addresses and NHS numbers were passed to the Charity for them to write to individuals to promote their employment support service. Two hundred letters had been sent out when the matter was raised. The matter was raised as a member of staff for the Charity was a patient of the Healthy Minds Service and they were on the list of patients to be contacted. Thus their colleagues became aware and their confidentiality was breached. The patient had also previously requested that their clinical record was restricted on the Trust's electronic patient record system and this had not been done. The Trust's DPO conducted an investigation into the incident and an action plan was produced to prevent future data breaches. A formal complaint from the patient was also received and an Investigating Officer (IO) was appointed. Recommendations from the IO were included in the action plan. In accordance with the GDPR,

the DPO reported the incident to the Information Commissioner's Office (ICO). The incident was given the Reference Number 17198. The action plan and additional supporting information was also provided to the ICO. The ICO found that on this occasion no further action was needed as they considered: (i) the breach appeared to have been caused by human error rather than systemic failure, (ii) there had been no reports of detriment to the data subjects, (iii) the information was received by a trusted third party organization and (iv) the Trust was looking to implement further improvements as detailed in the action plan.

A Service Level Agreement is in place with Computacenter which requires compliance with the relevant standards in the latest version of the NHS Digital Data Security and Protection Toolkit. During the reporting period a Board decision has been made at the end of Computacenter's current contract we will deliver that service in-house; a significant programme of work is underway to safely deliver this transition.

Data quality and governance

The Trust complies with all statutory reporting requirements with regard to waiting lists. All waiting lists are validated on a monthly basis by representatives from the Information Team and clinical services prior to these statutory submissions being made. The processes involved in waiting list management have been reviewed by the Data Quality Improvement Group and have been found to be sound. This Group reports to the Audit Committee of the Trust. All waiting lists are reported routinely within the Trust performance reporting structure; this includes greater granularity depending on the audience for the report (i.e Service, Directorate, Committee, Trust Board). Any areas of poor performance identified are required to have recovery plans produced in line with the Performance Management Framework of the Trust.

Review of effectiveness

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

Details in this statement address in more detail in how we have maintained and reviewed the effectiveness of internal control issues.

Despite the NHS nationally declaring a level 4 emergency incident I believe that our system of internal control has been effective, with our business continuity arrangements providing a framework for dealing with the significantly changed environment.

Conclusion

There have been no significant internal control issues that have been identified in the reporting period.

Chief Executive
Date: 22 June 2020

MODERN SLAVERY AND HUMAN TRAFFICKING ACT 2015 ANNUAL STATEMENT

Modern Slavery is a global issue existing in every type of economy. Worcestershire Health and Care NHS Trust has a zero tolerance approach to Modern Slavery within our Service and Supply Chain. All members of staff have a personal responsibility for the successful prevention of slavery and human trafficking with the procurement department taking responsibility lead for overall compliance.

- The Trust has evaluated the principle risks related to slavery and human trafficking as:
- Lack of assurances from suppliers
- Lack of appropriate clauses in contracts

Reputational damage to the Trust from the use of suppliers not compliant with the Modern Slavery requirements and/or legislation.

Should there be a breach of the Act within the supply chain the Trust will take immediate action. Depending on the level of non-compliance steps taken will include the Trust:

- Giving notice to a supplier to make improvements within a specified time.
- Terminating contracts immediately, or following the failure of a supplier to make improvements within a specified time.

REMUNERATION POLICY

The Remuneration Committee of the Trust is a committee of the Trust Board, which determines the remuneration, allowances and terms of service of the Chief Executive and those Executive Directors reporting directly to the Chief Executive. The membership of the Committee comprises of the Chairman of the Trust and two Non Executive Directors. The Committee undertakes the following duties:

a) To agree appropriate remuneration and terms of service for the Chief Executive and other directors including:

- All aspects of salary (including any performance-related elements/bonuses)
- Provisions for other benefits, including pensions
- Arrangements for terminations of employment and other contractual terms

b) To monitor and evaluate the performance of individual directors.

c) To advise on, and oversee, appropriate contractual arrangements for directors, including the proper calculation and scrutiny of termination payments taking account of such national guidance as is appropriate.

d) To oversee the proper calculation and scrutiny of all business cases for redundancy payments taking account of relevant guidance.

e) To monitor and review the level of remuneration of senior management, including those who report to Board members.

The policy on the remuneration of senior managers for current and future financial years is decided by the Remuneration Committee and for 2019/20 the agreement was in line with the national guidance; namely levels of remuneration should be sufficient to attract, retain and motivate directors of quality, and with the skills and experience required to lead the NHS trust successfully, but the trust should avoid paying more than is necessary for this purpose and should consider all relevant and current directions relating to contractual benefits such as pay and redundancy entitlements. A work plan is in place to address the duties of the committee.

External consultants have not been engaged by the Trust in the 2019/20 although national benchmarking data has been utilised to ensure that levels of remuneration are appropriate.

SINGLE TOTAL FIGURE TABLE (AUDITED)

Name and Title	Date Started	Date Left	2019/20						2018/19					
			Salary (bands of £5,000)	Expense payments (taxable) total to nearest £100	Performance pay and bonuses (bands of £5,000)	Long term performance pay and bonuses (bands of £5,000)	All pension-related benefits (bands of £2,500)	TOTAL (bands of £5,000)	Salary (bands of £5,000)	Expense payments (taxable) total to nearest £100	Performance pay and bonuses (bands of £5,000)	Long term performance pay and bonuses (bands of £5,000)	All pension-related benefits (bands of £2,500)	TOTAL (bands of £5,000)
			£'000s	£'00s	£'000s	£'000s	£'000s	£'000s	£'000s	£'00s	£'000s	£'000s	£'000s	£'000s
Chris Burdon, Chairman			25 - 30	16	Nil	Nil	Nil	25 - 30	25 - 30	Nil	Nil	Nil	Nil	25 - 30
James Morris, Non Executive Director			5 - 10	Nil	Nil	Nil	Nil	5 - 10	5 - 10	Nil	Nil	Nil	Nil	5 - 10
Martin Charters, Non-executive Director	May-18		5 - 10	Nil	Nil	Nil	Nil	5 - 10	5 - 10	Nil	Nil	Nil	Nil	5 - 10
Martin Papadatos, Non-executive Director	May-18	Jul-19	0 - 5	Nil	Nil	Nil	Nil	0 - 5	5 - 10	Nil	Nil	Nil	Nil	5 - 10
Richard Roberts, Non-executive Director		Mar-19	Nil	Nil	Nil	Nil	Nil	Nil	5 - 10	Nil	Nil	Nil	Nil	5 - 10
Steven Peak, Non-executive Director			5 - 10	Nil	Nil	Nil	Nil	5 - 10	5 - 10	Nil	Nil	Nil	Nil	5 - 10
Stephen Tilton, Non Executive Director			5 - 10	Nil	Nil	Nil	Nil	5 - 10	5 - 10	Nil	Nil	Nil	Nil	5 - 10
Tessa Norris, Non-Executive Director	Jan-18		5 - 10	Nil	Nil	Nil	Nil	5 - 10	5 - 10	Nil	Nil	Nil	Nil	5 - 10
Janet Clarke, Non-Executive Director	Oct-19		0 - 5	Nil	Nil	Nil	Nil	0 - 5	Nil	Nil	Nil	Nil	Nil	Nil
Sarah Dugan, Chief Executive			150 - 155	Nil	15 - 20	Nil	62.5 - 65	230 - 235	145 - 150	Nil	10 - 15	Nil	Nil	160 - 165
David Lewis, Interim Medical Director	Feb-18	Apr-18	Nil	Nil	Nil	Nil	Nil	Nil	10 - 15	0	Nil	Nil	2.5 - 5.0	10 - 15
John Devapriam, Medical Director *	Apr-18		195 - 200	0	Nil	Nil	32.5 - 35	230 - 235	175 - 180	8	Nil	Nil	55 - 57.5	230 - 235
Robert Mackie, Director of Finance			140 - 145	Nil	Nil	Nil	107.5 - 110	250 - 255	135 - 140	Nil	5 - 10	Nil	7.5 - 10	150 - 155

Name and Title	Date Started	Date Left	2019/20 Salary (bands of £5,000) £'000s	2019/20 Expense payments (taxable) total to nearest £100 £'00s	2019/20 Performance pay and bonuses (bands of £5,000) £'000s	2019/20 Long term performance pay and bonuses (bands of £5,000) £'000s	2019/20 All pension-related benefits (bands of £2,500) £'000s	2019/20 TOTAL (bands of £5,000) £'000s	2018/19 Salary (bands of £5,000) £'000s	2018/19 Expense payments (taxable) total to nearest £100 £'00s	2018/19 Performance pay and bonuses (bands of £5,000) £'000s	2018/19 Long term performance pay and bonuses (bands of £5,000) £'000s	2018/19 All pension-related benefits (bands of £2,500) £'000s	2018/19 TOTAL (bands of £5,000) £'000s
Stephen Collman, Chief Operating Officer		Feb-19	Nil	Nil	Nil	Nil	Nil	Nil	95 - 100	Nil	5 - 10	Nil	62.5 - 65	165 - 170
Matthew Hall, Chief Operating Officer	May-19		105 - 110	Nil	Nil	Nil	80 - 82.5	190 - 195	Nil	Nil	Nil	Nil	Nil	Nil
Rosalind Alstead, Interim Chief Operating Officer	Feb-19	May-19	15 - 20	Nil	Nil	Nil	Nil	15 - 20	15 - 20	Nil	Nil	Nil	Nil	15 - 20
Michelle Greatorex, Director of Nursing and Quality			115 - 120	Nil	Nil	Nil	72.5 - 75	190 - 195	115 - 120	Nil	5 - 10	Nil	75 - 77.5	195 - 200
Susan Harris, Director of Strategy and Partnerships			110 - 115	Nil	Nil	Nil	80 - 82.5	195 - 200	105 - 110	Nil	5 - 10	Nil	10 - 12.5	125 - 130
Gill Harrad, Company Secretary			105 - 110	Nil	Nil	Nil	70 - 72.5	175 - 180	100 - 105	Nil	5 - 10	Nil	25 - 27.5	130 - 135

PENSIONS ENTITLEMENT TABLE (AUDITED)

Name and Title	Date Started	Date Left	Real increase in pension at pension age (bands of £2,500) £'000s	Real increase in pension lump sum at pension age (bands of £2,500) £'000s	Total accrued pension at pension age at 31 March 2018 (bands of £5,000) £'000s	Lump sum at pension age related to accrued pension at 31 March 2018 (bands of £5,000) £'000s	Cash Equivalent Transfer Value at 1 April 2019 £'000s	Real increase in Cash Equivalent Transfer Value £'000s	Cash Equivalent Transfer Value at 31 March 2020 £'000s	Employer's contribution to stakeholder pension £'00s
Sarah Dugan, Chief Executive			2.5 - 5.0	2.5 - 5.0	60 - 65	165 - 170	1,251	97	1348	0
John Devapriam, Medical Director			2.5 - 5.0	0	35 - 40	70 - 75	503	39	542	0
Robert Mackie, Director of Finance			5.0 - 7.5	7.5 - 10.0	45 -50	100 - 105	741	116	857	0
Matthew Hall, Chief Operating Officer		May-19	2.5 - 5.0	7.5 - 10.0	35 - 40	85 - 90	593	87	680	0
Michelle Greatorex, Director of Nursing and Quality			2.5 - 5.0	5.0 - 7.5	45 -50	115 - 120	863	90	953	0
Susan Harris, Director of Strategy and Partnerships			2.5 - 5.0	0	35 - 40	0	416	68	484	0
Gill Harrad, Company Secretary			2.5 - 5.0	5.0 - 7.5	35 - 40	85 - 90	638	79	716	0

NHS Pensions are still assessing the impact of the McCloud judgement in relation to changes to benefits in 2015. The benefits and related CETVs disclosed do not allow for any potential future adjustments that may arise from this judgement. During the year, the Government announced that public sector pension schemes will be required to provide indexation on the Guaranteed Minimum Pension element of the pension. NHS Pensions has updated the methodology used to calculate CETV values as at 31 March 2020. The impact of the change in methodology is included within the reported real increase in CETV for the year.

FAIR PAY (AUDITED)

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

The banded remuneration of the highest paid director in the Trust in the financial year 2019/20 was £195k - £200k (2018/19, £190k - £195k). This was 8.1 times (2018/19, 7.2) the median remuneration of the workforce, which was £24k (2018/19, £26k), whilst the lowest salary was £8,506 (apprentice under age of 18). In 2019/20, there were no (2018/19, none) employees receiving remuneration in excess of the highest-paid director. Total remuneration includes salary, nonconsolidated performance-related pay, benefits-in-kind, but not severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

STAFF REPORT

Inclusion – Equality and Diversity

We continue our commitment to equality in healthcare, ensuring the communities we serve have access to the healthcare they need, while treating people with respect, dignity and fairness.

A workforce who is valued for their diversity and contribution, operating in a well-led environment is key to a successful and inclusive organisation. For this reason every individual working for the Trust has a personal responsibility for implementing and promoting Inclusion, Equality and Diversity.

We seek to create an environment that is inclusive and supportive for everyone to deliver a health service culture in Worcestershire in which:

- Diversity is valued and respected – an approach that embraces both visible and non-visible difference
- The community works together effectively, in an atmosphere of trust, harmony and respect
- Discrimination and prejudice are challenged
- Both direct and indirect discrimination (including associative and perceptive discrimination), harassment and victimisation will not be tolerated

During 2019/20 the following have contributed to this philosophy:

Disability Confident

Disability Confident is a government-run scheme to help organisations successfully employ and retain disabled people, and those with health conditions. The Trust has Disability Confident Employer status (Level 2) – which means that from a recruitment perspective we:

- Provide a fully inclusive and accessible recruitment process
- Offer an interview to all disabled applicants who meet the minimum criteria for a vacancy
- Are flexible when assessing people, so disabled job applicants have the best opportunity to demonstrate that they can do the job

It also means that we demonstrate our commitment to supporting and retaining our existing employees who have a disability, or who become disabled during their employment, by:

- Ensuring there are no barriers to the development and progression of disabled staff
- Supporting employees to manage their disabilities
- Valuing and listening to feedback from disabled staff

NHS Rainbow Badges

As a Trust we signed up for the NHS Rainbow Badges in September 2019, and launched our commitment to this initiative on the weekend of the Worcestershire PRIDE event which we supported.

The Rainbow Badge is a way of showing that our staff and Trust offers open, non-judgemental and inclusive care for all who identify as LGBT+ (lesbian, gay, bisexual, transgender, the + simply means inclusive of all identities, regardless of how people define themselves). The badge itself is a simple visual symbol, identifying the wearer as someone who an LGBT+ person can feel comfortable talking to about issues relating to sexuality or gender identity.

Staff have a choice if they wish to wear the badge or not, those who do, have completed an online request for the badge and signed up to the principles of the badge, namely they will listen without judgement and signpost to further support if needed.

Nearly half of our workforce (so far) have signed up and are wearing the badge.

Staff Networks

A staff network is built by staff for staff, in which people come together based on a shared identity or experience, that offers a supportive and safe space to discuss issues, raise awareness, advocate for and influence change. The aim of the networks are to:

- Build a sense of community across geographical boundaries
- Give a collective voice on issues
- Influence policy changes
- Offer a listening ear for all staff
- Provide peer support
- Support the diversity and inclusion agenda
- And much more…….

We have three Staff Networks (currently):

- Disability
- BAME – Black, Asian and Minority Ethnic
- LGBT+ - Lesbian, Gay, Bisexual, Transgender and others

Each network has its own specific:

- Purpose, goals and outcomes
- Board sponsor
- Identity and values

All with the aim of:
- Providing an independent and effective voice for colleagues, patients, service users, carers and the community the network represent
- Staff to work in an organisation that is an 'employer of choice', where staff are valued for the contribution they make to our Trust
- Supporting our Trust in delivering the most appropriate, best healthcare possible to all who access our services

Each network can:
- Be a campaigning voice within the Trust and raise issues affecting them, with key decision makers within the Trust.
- Can influence and make responses to employment strategies, policies, procedures and practices
- Review the Trust progress in its statutory obligations regarding its duty under the Equality Act 2010, Public Sector Equality Duty and National Standard such as the Workforce Race Equality Standard (WRES), and Workforce Disability Equality Standard (WDES)
- Support, encourage and actively promote the professional and career development of staff
- Support the Trust in the recruitment and retention of a diverse workforce, which reflects the community we serve

Our Inclusion Aim is to integrate equality and diversity into everything we do – owned by everyone.

In accordance with the Public Sector Equality Duty the following Equality Objectives are incorporated in the Strategy, to:
- Improve communication and information access for those who have a disability, impairment, sensory loss, who do not speak English as their first language and those who have difficulty in reading and/or writing. To record and monitor communication needs.
- Ensure Equality Impact Analysis is undertaken for all Trust activity. In the event of a new service, service re-design or change to service the Trust seeks community involvement through the Equality Advisory Group.
- Reduce health inequalities that affect patient care e.g. mental health, seldom heard groups by engaging with communities via for example LGBT+ PRIDE events, Black History Month, Anti-Slavery day etc.
- Each Service Delivery Unit will identify an inclusion, diversity and equality goal that is specific to their area of service delivery, and embed inclusion into the decision-making processes of their service.
- Develop accessible and inclusive engagement processes so that patients, carers and service users are empowered to influence patient experience of healthcare and reduce healthcare inequalities.

The Strategy with full details can be found on our website
https://www.hacw.nhs.uk/inclusion-equality-and-diversity/inclusion-diversity-and-equality-strategy-20182022-456/

Compensation on early retirement or for loss of office (audited)

The Trust has made no payments or provisions for compensation on early retirement or for loss of office during the financial year.

Payments to past directors (audited)

The Trust has made no payments to past directors during the financial year.

Emergency Preparedness

The Trust continues to work with local responders to ensure that it is able to provide the best possible response to a major emergency.

There is an Incident Plan in place which is regularly tested and reviewed in line with statutory and non-statutory requirements including NHS England EPRR (Emergency Preparedness, Resilience and Response) Framework 2015. The Trust also has a Business Continuity Plan which ensures that critical activities can still be delivered in exceptional circumstances. The Trust has an established EPRR sub-committee which provides assurance that we are able to meet our statutory and contractual requirements in relation to EPRR. For the year 2019/20 the Trust was validated as having 'Substantial' compliance with the NHS England Core Standards.

Whistleblowing

As a Trust we are committed to ensuring staff are encouraged to flag up anything which concerns them. In fact one of the key messages to staff following the Francis Report has been to take a step back and look critically at services to see if they are up to standard. We have also made a point of re-iterating our Whistleblowing policy to staff so they are comfortable with the process and the options available should they feel something needs bringing to attention. We pride ourselves on being an open and transparent organisation. We are confident that we have a culture and an environment that does encourage staff to come forward but we know we need to keep on top of this. Our message to staff is clear: if it's not right, speak up! This is in keeping with one of our key values, courageous – displaying integrity and having the courage to always do what is right.

The Trust has a Freedom to Speak Up Strategy which sets out the mechanisms and routes in place for staff to raise concerns. The Freedom to Speak Up Guardian has also actively raised awareness of the role over the financial year and has been contacted by a variety of staff and supported them in being able to speak up. The Trust also provides internal communications to staff in line with the principles of speaking up.

Civil service staff (by band)

This is based on executive and non-executive directors in post as at 31 March 2020.

Band	Number
Personal Salary	7
Trust Non-Executive Director	7
Grand Total	**14**

Staff composition

This is based on executive and non-executive directors in post as at 31st March 2020.

Gender	Number
Female	6
Male	8
Grand Total	**14**

Average number of employees (audited)

This is based on ESR staff groups and Whole Time Equivalent (WTE) staff in post at month end. Data is based on monthly average not weekly and excludes externally contracted staff.

Staff Costs	Permanent £000	Other £000	2019/20 Total £000	2018/19 Total £000
Salaries and wages	95,063	6,651	**101,714**	97,838
Social security costs	8,704	609	**9,313**	8,975
Apprenticeship levy	456	32	**488**	466
Employer's contributions to NHS pension scheme	18,031	1,261	**19,292**	13,018
Pension cost – other	26	-	**26**	16
Temporary staff	-	10,779	**10,779**	10,886
Total staff costs	**122,280**	**19,332**	**141,612**	**131,199**
Of which:				
Costs capitalised as part of assets	674	6	**680**	517

Average number of employees (WTE basis)

	Permanent Number	Other Number	2019/20 Total Number	2018/19 Total Number
Medical and dental	66	43	**109**	113
Administration and estates	596	70	**666**	631
Healthcare assistants and other support staff	832	137	**969**	935
Nursing, midwifery and health visiting staff	991	80	**1,071**	1,080
Nursing, midwifery and health visiting learners	9	2	**11**	14
Scientific, therapeutic and technical staff	419	47	**466**	443
Social care staff	19	-	**19**	16
Total average numbers	**2,932**	**379**	**3,311**	**3,232**
Of which:				
Number of employees (WTE) engaged on capital projects	15	-	**15**	13

Reporting related to the Review of Tax arrangements of Public Sector Appointees

A Treasury requirement for public sector bodies to report arrangements whereby individuals are paid through their own companies (and so are responsible for their own tax and NI arrangements, not being classed as employees) has been promulgated in Public Expenditure System (PES) guidance. Treasury's guidance on this is summarised below.

Reformed off-payroll Working Rules

The Government has reformed the legislation for the off-payroll working rules within the public sector applying to payments made on or after 6 April 2017. Under the reformed off-payroll working rules, Departments must determine whether the rules apply when engaging a worker through a Personal Service Company (PSC).

DHSC group bodies will already be operating the new rules to provide employment status determinations for all of their off-payroll engagements.

The three disclosure tables required are:

Table 1: Off-payroll engagements longer than 6 months

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

	Number
Number of existing engagements as of 31 March 2019	19
Of which, the number that have existed:	
for less than one year at the time of reporting	6
for between one and two years at the time of reporting	0
for between 2 and 3 years at the time of reporting	1
for between 3 and 4 years at the time of reporting	2
for 4 or more years at the time of reporting	10

Table 2: New Off-payroll engagements

Where the reformed public sector rules apply, entities must complete for all new off-payroll engagements, or those that reached six months in duration, between 1 April 2019 and March 2020, form more than £245 per day and that last for longer than six months

	Number
No. of new engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020	6
Of which:	
No. assessed as caught by IR35	6
No. assessed as not caught by IR35	0
No. engaged directly (via PSC contracted to department) and are on the departmental payroll	0
No. of engagements reassessed for consistency / assurance purposes during the year.	0
No. of engagements that saw a change to IR35 status following the consistency review.	0

Table 3: Off-payroll board member/senior official engagements

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

	Number
Number of off-payroll engagements of board members, and/or senior officers with significant financial responsibility, during the financial year.	0
Total no. of individuals on payroll and off-payroll that have been deemed "board members, and/or, senior officials with significant financial responsibility", during the financial year. This figure must include both on payroll and off-payroll engagements.	16

Consultancy expenditure

The Trust did not incur any consultancy expenditure in 2019/20.

Reporting of compensation schemes – exit packages 2019/20

The Trust did not make any severance payments or provide any exit packages.

Exit package cost band (including any special payment element)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages
	Number	Number	Number
<£10,000	-	-	-
£10,001 - £25,000	-	-	-
£25,001 - £50,000	-	-	-
£50,001 - £100,000	-	-	-
£100,001 - £150,000	-	-	-
£150,001 - £200,000	-	-	-
>£200,000	-	-	-
Total number of exit packages by type	**-**	**-**	**-**
Total resource cost (£)	**£0**	**£0**	**£0**

Reporting of compensation schemes - exit packages 2019/20

The Trust did not make any severance payments or provide any exit packages during 2019/20.

Exit packages: other (non-compulsory) departure payments (audited)

	2019/20		2018/19	
	Payments agreed	Total value of agreements	Payments agreed	Total value of agreements
	Number	£000	Number	£000
Voluntary redundancies including early retirement contractual costs	-	-	-	-
Mutually agreed resignations (MARS) contractual costs	-	-	-	-
Early retirements in the efficiency of the service contractual costs	-	-	-	-
Contractual payments in lieu of notice	-	-	-	-
Exit payments following Employment Tribunals or court orders	-	-	-	-
Non-contractual payments requiring HMT approval	-	-	-	-
Total	**-**	**-**	**-**	**-**
Of which:				
Non-contractual payments requiring HMT approval made to individuals where the payment value was more than 12 months' of their annual salary	-	-	-	-

FINANCIAL STATEMENTS AND NOTES

FINANCIAL STATEMENTS AND NOTES

The Financial Statements shown on the following pages set out the Trust's statutory accounts for the year ended 31 March 2020. The Annual Report and Accounts (ARA) document is available on request from the Director of Finance at 2 Kings Court, Charles Hastings Way, Worcester, WR5 1JR (Tel. 01905 681321).

As in previous years the auditor's report on the full annual report and accounts for 2019/20 was unqualified. It is pleasing to report that for the ninth consecutive year the Trust has achieved each of its statutory financial duties by delivering overall financial balance, operating within its external financing limit and managing capital expenditure within its capital resource limit.

The Trust is well placed to deliver its healthcare responsibilities over the longer term with the Trust Board having a robust long term financial plan and integrated business plan.

Independent auditor's report to the Directors of Worcestershire Health and Care NHS Trust

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Worcestershire Health and Care NHS Trust (the 'Trust') for the year ended 31 March 2020, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and Notes to the Accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2019 to 2020.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Trust as at 31 March 2020 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2019 to 2020; and
- have been prepared in accordance with the requirements of the National Health Service Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Trust's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Trust's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an entity associated with these particular events.

Conclusions relating to going concern

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

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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.

In our evaluation of the Directors' conclusions, and in accordance with the expectation set out within the Department of Health and Social Care Group Accounting Manual 2019 to 2020 that the Trust's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Trust's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Trust's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Trust will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings

We draw attention to Note 15 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of land and buildings as at 31 March 2020. As disclosed in Note 15 to the financial statements, the valuation exercise was carried out during March 2020 with a valuation date of 31 December 2019. In applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards ('Red Book'), edition current at the valuation date, 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 given the unknown future impact on the real estate market. The values in the report have been used to inform the measurement of property assets at valuation in these financial statements. Our opinion is not modified in respect of this matter.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2015 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Governance Statement does not comply with the guidance issued by NHS Improvement or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider 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 this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion:

- the parts of the Remuneration and Staff Report to be audited have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2019 to 2020 and the requirements of the National Health Service Act 2006; and
- based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Trust gained through our work in relation to the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we refer a matter to the Secretary of State under Section 30 of the Local Audit and Accountability Act 2014 because we have reason to believe that the Trust, or an officer of the Trust, is about to make, or has made, a decision which involves or would involve the body incurring unlawful expenditure, or is about to take, or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency; or
- we make a written recommendation to the Trust under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Directors and Those Charged with Governance for the financial statements

The Directors are responsible for the preparation of the financial statements in the form and on the basis set out in the Accounts Directions, for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Trust without the transfer of its services to another public sector entity.

The Audit Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Trust's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements – Conclusion on the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception - Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion we have not been able to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We have nothing to report in respect of the above matter.

Responsibilities of the Accountable Officer

The Accountable Officer is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in the use of the Trust's resources.

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

We are required under Section 21(1)(c) and Schedule 13 paragraph 10(a) of the Local Audit and Accountability Act 2014 to be satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and to report where we have not been able to satisfy ourselves that it has done so. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects, the Trust had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020, and to report by exception where we are not satisfied.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Trust has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements – Certificate

We certify that we have completed the audit of the financial statements of Worcestershire Health and Care NHS Trust in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the Directors of the Trust, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the Trust's Directors 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 Trust and the Trust's Directors, as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Patterson

Grant Patterson
Director and Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

23 June 2020

STATEMENT OF COMPREHENSIVE INCOME

	Note	2019/20 £000	2018/19 £000
Operating income from patient care activities	3	182,579	167,178
Other operating income	4	8,186	9,375
Operating expenses	6	(185,533)	(168,993)
Operating surplus from continuing operations		**5,232**	**7,560**
Finance income	11	178	141
Finance expenses	12	12	(110)
PDC dividends payable		(2,521)	(2,347)
Net finance costs		**(2,331)**	**(2,316)**
Surplus for the year		**2,901**	**5,244**
Other comprehensive income Will not be reclassified to income and expenditure:			
Impairments	7	(1,061)	859
Revaluations	7	464	491
Total comprehensive income for the period		**2,304**	**6,594**
Adjusted financial performance (control total basis):			
Surplus for the period		2,901	5,244
Remove net impairments not scoring to the Departmental Expenditure Limit		1,598	(274)
Remove I&E impact of capital grants and donations		25	17
Adjusted financial performance surplus		**4,524**	**4,987**

The notes on pages 69 to 106 form part of these accounts.

STATEMENT OF FINANCIAL POSITION

	Note	31 March 2020 £000	31 March 2019 £000
Non-current assets:			
Intangible assets	13	550	643
Property, plant and equipment	14	97,181	94,964
Total non-current assets		**97,731**	**95,607**
Current assets:			
Inventories	16	370	420
Receivables	17	9,037	8,093
Cash and cash equivalents	18	23,178	19,574
Total current assets		**32,585**	**28,087**
Current liabilities:			
Trade and other payables	19	(23,962)	(21,204)
Provisions	22	(435)	(954)
Other liabilities	20	(125)	(34)
Total current liabilities		**(24,522)**	**(22,192)**
Total assets less current liabilities		**105,794**	**101,502**
Non-current liabilities:			
Provisions	22	(2,071)	(2,370)
Total non-current liabilities		**(2,071)**	**(2,370)**
Total assets employed		**103,723**	**99,132**
Financed by:			
Public dividend capital		41,949	39,662
Revaluation reserve		7,733	8,600
Income and expenditure reserve		54,041	50,870
Total taxpayers' equity		**103,723**	**99,132**

The notes on pages 69 to 106 form part of these accounts.

The financial statements on pages 65 to 68 were approved by the Audit Committee under the delegated authority of the Trust Board on 18 June 2020 and signed on its behalf by:

Name Sarah Dugan
Position Chief Executive
Date 22 June 2020

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

	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
Taxpayers' and others' equity at 1 April 2019	**39,662**	**8,600**	**50,870**	**99,132**
Surplus for the year	0	0	2,901	**2,901**
Other transfers between reserves	0	(270)	270	**0**
Impairments	0	(1,061)	0	**(1,061)**
Revaluations	0	464	0	**464**
Public dividend capital received	2,287	0	0	**2,287**
Taxpayers' and others' equity at 31 March 2020	**41,949**	**7,733**	**54,041**	**103,723**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
Taxpayers' and others' equity at 1 April 2018	**37,342**	**7,414**	**45,462**	**90,218**
Surplus for the year	0	0	5,244	**5,244**
Other transfers between reserves	0	(164)	164	**0**
Impairments	0	859	0	**859**
Revaluations	0	491	0	**491**
Public dividend capital received	2,320	0	0	**2,320**
Taxpayers' and others' equity at 31 March 2019	**39,662**	**8,600**	**50,870**	**99,132**

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 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.

STATEMENT OF CASH FLOWS

	Note	2019/20 £000	2018/19 £000
Cash flows from operating activities			
Operating surplus		5,232	7,560
Non-cash income and expense:			
Depreciation and amortisation	6	4,724	3,379
Net impairments	7	1,598	(274)
(Increase) / decrease in receivables and other assets		(784)	(667)
(Increase) / decrease in inventories		50	63
Increase / (decrease) in payables and other liabilities		2,784	3,052
Increase / (decrease) in provisions		(806)	751
Net cash flows from operating activities		**12,798**	**13,864**
Cash flows from investing activities			
Interest received		178	141
Purchase of intangible assets		(38)	0
Purchase of PPE and investment property		(8,940)	(8,468)
Net cash flows used in investing activities		**(8,800)**	**(8,327)**
Cash flows from financing activities			
Public dividend capital received		2,287	2,320
Movement on loans from DHSC		0	(2,761)
Interest on loans		0	(111)
PDC dividend paid		(2,681)	(2,426)
Net cash flows used in financing activities		**(394)**	**(2,978)**
Increase in cash and cash equivalents		**3,604**	**2,559**
Cash and cash equivalents at 1 April		**19,574**	**17,015**
Cash and cash equivalents at 31 March	18.1	**23,178**	**19,574**

NOTES TO THE ACCOUNTS

NOTE 1 – ACCOUNTING POLICIES AND OTHER INFORMATION

Note 1.1 – Basis of preparation
The Department of Health and Social Care has directed that the financial statements of the Trust shall meet the accounting requirements of the Department of Health and Social Care Group Accounting Manual (GAM), which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the GAM 2019/20 issued by the Department of Health and Social Care. The accounting policies contained in the GAM follow International Financial Reporting Standards 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.

Note 1.1.1 – Accounting convention
These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets, inventories and certain financial assets and financial liabilities.

Note 1.2 – Going concern
IAS1 requires management to assess, as part of the accounts preparation process, the Trust's ability to continue as a going concern. In the context of non-trading entities in the public sector the anticipated continuation of the provision of a service in the future is normally sufficient evidence of going concern. The Trust Board has considered its ability to continue as a going concern and is satisfied that it has sustainable service and financial plans that have been appropriately risk assessed; and having taken into account the income and associated cash flow secured under contracts and down side scenarios, it's content that no disclosures are required to be made. The financial statements for 2019/20 have therefore been prepared on this basis.

Note 1.3 – Consolidation
The Trust does not have any subsidiaries or any equity interests in associates joint ventures or joint operations. The Trust has considered the impact of IFRS 10 regarding the consolidation of Charitable Funds and determined that this is not required in respect of Worcestershire Health and Care NHS Trust Charitable Funds (Charity number 1060335) on the grounds of immateriality.

Note 1.4 – 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 enables an entity to receive cash or another financial asset that is not classified as a tax by the Office of National Statistics (ONS).

Revenue in respect of goods/services provided is recognised when (or as) performance obligations are satisfied by transferring promised goods/services to the customer and is measured at the amount of the transaction price allocated to those performance obligations. At the year end, the 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.

Note 1.4.1 – 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 Trust has no revenue relating to partially completed spells.

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 de-recognises the relevant portion of income.

Where the Trust is aware of a penalty based on contractual performance, the Trust reflects this in the transaction price for its recognition of revenue. Revenue is reduced by the value of the penalty. The Trust has received no penalties during 2019/20.

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

Note 1.4.2 – NHS injury cost recovery scheme

The Trust receives income under the NHS injury cost recovery scheme, designed to reclaim the cost of treating injured individuals to whom personal injury compensation has subsequently been paid, for instance by an insurer. The 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.

Note 1.4.3 – Provider sustainability fund (PSF) and Financial recovery fund (FRF)

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

Note 1.5 – Other forms of income

Note 1.5.1 – Grants and donations

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

Note 1.5.2 – Apprenticeship service income

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

Note 1.6 – Expenditure on employee benefits

Note 1.6.1 – 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.

Note 1.6.2 – Pension costs

NHS Pension Scheme

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Both schemes are unfunded, defined benefit schemes that covers NHS employer, general practices and other bodies, allowed under the direction of Secretary of State for Health and Social Care, in England and Wales. The scheme is not designed in a way that would enable employers 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 the operating expenses at the time the Trust commits itself to the retirement, regardless of the method of payment.

Note 1.6.3 – National Employment Savings Trust

For those staff not in the NHS pension scheme, the Trust operates an additional pension scheme with the National Employment Savings Trust (NEST). The Trust's pension cost contributions are charged to operating expenses as and when they become due.

Note 1.6.4 – Local Government Pension Scheme

Some employees are members of the Local Government Pension Scheme which is a defined benefit pension scheme. The scheme assets and liabilities attributable to these employees can be identified and are recognised in the Trust's accounts. The assets are measured at fair value, and the liabilities at the present value of future obligations.

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

Note 1.7 – Expenditure on other goods and services

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

Note 1.8 – Property, plant and equipment

Note 1.8.1 – 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
- the item has cost of at least £5,000, or
- collectively, a number of items have a cost of at least £5,000 and individually have cost of more than £250, where the assets are functionally interdependent, had broadly simultaneous purchase dates, are anticipated to have similar disposal dates and are under single managerial control.

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

Note 1.8.2 – Measurement

Valuation

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

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 amounts 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, modern equivalent asset basis.

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

Valuation guidance issued by the Royal Institute of Chartered Surveyors states that valuations are performed net of VAT where the VAT is recoverable by the entity.

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 the assets 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 economic lives or low values or both, as this is not considered to be materially different from current value in existing use.

Depreciation

Items of property, plant and equipment are depreciated over their remaining useful lives in a manner consistent with the consumption of economic or service delivery benefits. Freehold land is considered to have an infinite life and is not depreciated.

Property, plant and equipment which has been reclassified as 'held for sale' ceases to be depreciated upon the reclassification. Assets in the course of construction are not depreciated until the asset is brought into use or reverts to the Trust, respectively.

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

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

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

Impairments
In accordance with the GAM, impairments that arise from a clear consumption of economic benefits or of service potential in the asset are charged to operating expenses. A compensating transfer is made from the revaluation reserve to the income and expenditure reserve of an amount equal to the lower of (i) the impairment charged to operating expenses; and (ii) the balance in the revaluation reserve attributable to that asset before the impairment.

An impairment that arises from a clear consumption of economic benefit or of service potential is reversed when, and to the extent that, the circumstances that gave rise to the loss is reversed. Reversals are recognised in operating expenditure to the extent that the asset is restored to the carrying amount it would have had if the impairment had never been recognised. Any remaining reversal is recognised in the revaluation reserve. Where, at the time of the original impairment, a transfer was made from the revaluation reserve to the income and expenditure reserve, an amount is transferred back to the revaluation reserve when the impairment reversal is recognised.

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

Note 1.8.3 – De-recognition
Assets intended for disposal are reclassified as 'held for sale' once all of the following criteria are met. The sale must be highly probable and the asset available for immediate sale in its present condition.

Following reclassification, the assets are measured at the lower of their existing carrying amount and their '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 which is to be scrapped or demolished does not qualify for recognition as 'held for sale' and instead is retained as an operational asset and the asset's useful life is adjusted. The asset is de-recognised when scrapping or demolition occurs.

Note 1.8.4 – Donated and grant funded assets
Donated and grant funded property, plant and equipment assets are capitalised at their fair value on receipt. The donation/grant is credited to income at the same time, unless the donor has imposed a condition that the future economic benefits embodied in the grant are to be consumed in a manner specified by the donor, in which case, the donation/grant is deferred within liabilities and is carried forward to future financial years to the extent that the condition has not yet been met.

The donated and grant funded assets are subsequently accounted for in the same manner as other items of property, plant and equipment.

Note 1.8.5 – Private Finance Initiative (PFI) and Local Improvement Finance Trust (LIFT) transactions

The Trust has no PFI or LIFT schemes.

Note 1.8.6 – Useful lives of property, plant and equipment
Useful lives reflect the total life of an asset and not the remaining life of an asset. The Trust uses the following standard asset lives for each class of asset. For buildings, the Trust uses the asset life advised by professional qualified valuers. The fair value of land is determined by market value for existing use:

Short life engineering plant and equipment	5 years
Medium life engineering plant and equipment	10 years
Long life engineering plant and equipment	15 years
Vehicles	7 years
Furniture	10 years
Office and IT equipment	7 years
Soft furnishings	7 years
Short life medical and other equipment	5 years
Medium life medical equipment	10 years
Long life medical equipment	15 years
Mainframe-type IT installations	8 years

Finance-leased assets (including land) are depreciated over the shorter of the useful life or the lease term, unless the Trust expects to acquire the asset at the end of the lease term in which case the assets are depreciated in the same manner as owned assets above.

Note 1.9 – Intangible assets

Note 1.9.1 – Recognition
Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of the Trust's business or which arise from contractual or other legal rights. They are recognised only where it is probable that future economic benefits will flow to, or service potential be provided to, the Trust and where the cost of the asset can be measured reliably.

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

Expenditure on research is not capitalised. Expenditure on development is capitalised when it meets the requirements set out in IAS 38.

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

Note 1.9.2 – 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. Revaluation gains, 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.

Intangible assets held for sale are measured at the lower of their carrying amount or fair value less costs to sell.

Amortisation

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

Note 1.9.3 – Useful lives of intangible assets

Useful lives reflect the total life of an asset and not the remaining life of an asset. The Trust's intangible assets are solely software licences which have a useful life between 5 – 10 years.

Note 1.10 – Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is measured using the first in, first out (FIFO) method.

Note 1.11 – Investment properties

The Trust does not have any investment properties.

Note 1.12 – Cash and cash equivalents

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

In the Statement of Cash Flows, cash and 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.

Note 1.13 – Financial assets and financial liabilities

Note 1.13.1 – 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 the Office of National Statistics.

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 1.13.2 – 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 below.

Financial assets are classified as subsequently measured at amortised cost.

Financial liabilities are classified 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 and a financing income or expense. In the case of loans held from the Department of Health and Social Care, the effective interest rate is the nominal rate of interest charged on the loan.

Impairment of financial assets

For all financial assets measured at amortised cost including lease receivables, contract receivables and contract assets or assets measured at fair value through other comprehensive income, the Trust recognises an allowance for expected credit losses.

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."

Note 1.13.3 – 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.

Note 1.14 – 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.

Note 1.14.1 – The Trust as lessee

Finance leases

The Trust does not hold any finance leases.

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially in other liabilities 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.

Leases of land and buildings

Where a lease is for land and buildings, the land component is separated from the building component and the classification for each is assessed separately.

Note 1.14.2 – The trust as lessor

Finance leases

The Trust does not hold any finance leases.

Operating leases

Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

Note 1.15 – Provisions

The Trust recognises a provision where it has a present legal or constructive obligation of uncertain timing or amount; for which it is probable that there will be a future outflow of cash or other resources; and a reliable estimate can be made of the amount. The amount recognised in the Statement of Financial Position is the best estimate of the resources required to settle the obligation.

Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using HM Treasury's discount rates effective for 31 March 2020:

		Nominal rate
Short-term	Up to 5 years	0.51%
Medium-term	After 5 years up to 10 years	0.55%
Long-term	Exceeding 10 years	1.99%

HM Treasury provides discount rates for general provisions on a nominal rate basis. Expected future cash flows are therefore adjusted for the impact of inflation before discounting using nominal rates. The following inflation rates are set by HM Treasury, effective 31 March 2020:

	Inflation rate
Year 1	1.90%
Year 2	2.00%
Into perpetuity	2.00%

Early retirement provisions and injury benefit provisions both use the HM Treasury's pension discount rate of minus 0.5% in real terms.

Clinical negligence costs

NHS Resolution operates a risk pooling scheme under which the Trust pays an annual contribution, who, in return, settles all clinical negligence claims. 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 22.2 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.

Note 1.16 – Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets, but are disclosed where an inflow of economic benefits is probable. The Trust has no contingent assets.

Contingent liabilities are not recognised, but are disclosed in note 23, unless the probability of a transfer of economic benefits is remote.

Contingent liabilities are defined as:

- possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or
- present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

Note 1.17 – 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. HM Treasury has determined that PDC is not a financial instrument within the meaning of IAS 32.

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

A charge, reflecting the cost of capital utilised by the Trust, is payable 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 the value of all liabilities, except for:

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

In accordance with the requirements laid down by the Department of Health and Social Care (as the issuer of PDC), the dividend for the year is calculated on the actual average relevant net assets as set out in the "pre-audit" version of the annual accounts. The dividend calculated is not revised should any adjustment to net assets occur as a result of the annual accounts' audit.

Note 1.18 – 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 fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

Note 1.19 – Corporation tax

The Trust is exempt from corporation tax.

Note 1.20 – Foreign exchange

The functional and presentational currency of the Trust is sterling.

A transaction which is denominated in a foreign currency is translated into the functional currency at the spot exchange rate on the date of the transaction.

Note 1.21 – 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. They are disclosed in a separate note to the accounts in accordance with the requirements of HM Treasury's FReM.

Note 1.22 – Losses and special payments

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

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

The losses and special payments (note 26) is compiled directly from the losses and compensations register which reports on an accrual basis with the exception of provisions for future losses.

Note 1.23 – 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.

The Trust has an internal 'gifts and hospitality' register and can confirm that the Trust has not received any gifts of a material nature for the year ending 2019/20.

Note 1.24 – Transfers of functions to or from other NHS bodies or local government bodies

The Trust has had no transfer of function to or from other NHS or local government bodies in the year.

Note 1.25 – Early adoption of standards, amendments and interpretations

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

Note 1.26 – Standards, amendments and interpretations in issue but not yet effective or adopted

The Department of Health and Social Care GAM does not require the following IFRS Standards and Interpretations to be applied in 2019/20. These Standards are still subject to HM Treasury FReM adoption, with IFRS 16 being for implementation in 2021/22, and the government implementation date for IFRS 17 still subject to HM Treasury consideration.

IFRS 17 Insurance Contracts – Application required for accounting periods beginning on or after 1 January 2021, but not yet adopted by the FReM: early adoption is not therefore permitted.

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 all leases. The standard also requires the remeasurement of lease liabilities after the commencement of the lease term. For lessors, the distinction between operating and finance leases will remain and the accounting will be largely unchanged.

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

On transition to IFRS 16 on 1 April 2021, the trust will apply the standard retrospectively with the cumulative effect of initially applying the standard recognised in the income and expenditure reserve

at that date. For existing operating leases with a remaining lease term of more than 12 months and an underlying asset value of at least £5,000, a lease liability will be recognised equal to the value of remaining lease payments discounted at the trust's incremental borrowing rate. The 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 liability adjusted for any prepaid or accrued lease payments. For existing peppercorn leases not classified as finance leases, a right of use asset will be measured at current value in existing use or fair value. The difference between the asset value and the calculated lease liability will be recognised in the income and expenditure reserve on transition. No adjustments will be made on 1 April 2021 for existing finance leases.

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 reassess lease calculations, together with uncertainty on expected leasing activity in from 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, liabilities and depreciation.

Note 1.27 Critical judgements in applying accounting policies

The following are the judgements, apart from those involving estimations (note 1.30) 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:

- Determining the appropriate asset lives for the Trust's buildings following a professional review undertaken by professionally qualified chartered surveyors;

- Determining the appropriate method of valuation of the Trust's property assets and in particular when and how to apply the Modern Equivalent Asset method of valuation. The key assumptions applied in using this approach are set out in note 15.

Note 1.28 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 amounts of assets and liabilities within the next financial year:

- The Trust provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using discount rates as determined by H M Treasury.

- Following the Trust's professional revaluation as at 31 December 2019, the valuer has reported a 'material valuation uncertainty' in relation to the uncertainties in markets caused by COVID-19 given the unknown future impact on the real estate market. These financial statements have been prepared without any adjustments for these uncertainties. Full disclosure is declared in note 15 of these Financial Statements.

NOTE 2 – OPERATING SEGMENTS

The Trust operates within one healthcare segment. Whilst income and expenditure is reported upon by Service Delivery Units for internal monitoring purposes, Corporate overheads and assets are reported to the Chief Executive on a Trust wide basis.

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.

Note 3.1 – Income from patient care activities (by nature)

	2019/20 £000	2018/19 £000
Acute services		
First outpatient	593	740
Follow up outpatient	1,184	1,050
Minor Injury Unit	2,314	2,486
Mental health services		
Cost and volume contract	1,284	768
Block contract	61,740	58,914
Clinical partnerships providing mandatory services (including S75 agreements)	2,008	1,973
Community services		
Community services income from CCGs and NHS England	88,142	81,315
Income from other sources (e.g. local authorities)	17,243	16,194
All services		
Agenda for Change pay award central funding*	0	2,239
Additional pension contribution central funding**	5,865	0
Other clinical income	2,206	1,499
Total income from activities	**182,579**	**167,178**

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

**The employer contribution rate for NHS pensions increased from 14.3% to 20.6% (excluding administration charge) from 1 April 2019. For 2019/20, NHS providers continued to pay over contributions at the former rate with the additional amount being paid over by NHS England on providers' behalf. The full cost and related funding have been recognised in these accounts.

Note 3.2 – Income from patient care activities (by source)

Income from patient care activities received from:	2019/20 £000	2018/19 £000
NHS England *	10,118	3,028
Clinical Commissioning Groups	148,953	137,698
Department of Health and Social Care - AfC pay award funding	0	2,239
Other NHS providers	3,447	3,372
Local Authorities	19,251	20,232
Non-NHS: overseas patients (chargeable to patient)	4	0
Injury cost recovery scheme	100	181
Non NHS: other **	706	428
Total income from continuing activities	**182,579**	**167,178**

* NHS England income has increased primarily due to the additional pension contribution (£5,865k), COVID-19 (£208k) and AfC public health staff contribution (£800k - previously funded by DHSC).
** Other non NHS income includes Paediatric services (£448k), Occupational Therapy (£170k) and Palliative Care (£34k).

Note 3.3 – Overseas visitors (relating to patients charged directly by the provider)

Relating to patients charged directly by the provider:	2019/20 £000	2018/19 £000
Income recognised this year	4	0
Amounts written off in-year	3	0

NOTE 4 – OTHER OPERATING INCOME

	2019/20		
	Contract income £000	Non-contract income £000	Total £000
Research and development	92	0	**92**
Education and training	3,844	125	**3,969**
Non-patient care services to other bodies	1,524	0	**1,524**
Provider sustainability fund (PSF) *	1,381	0	**1,381**
Rental revenue from operating leases	0	48	**48**
Other income **	1,172	0	**1,172**
Total other continuing operating income	**8,013**	**173**	**8,186**

* The Trust received an additional allocation of centrally held PSF for the achievement of targets set by NHS England in 2018/19.
** Key areas of income include: IT (£260k); car parking (£186k); catering (£76k); hydrotherapy pool (£69k); CEA's (£46k); and other sundry revenue streams.

	2018/19		
	Contract income £000	Non-contract income £000	Total £000
Research and development	0	0	**0**
Education and training	3,593	117	**3,710**
Non-patient care services to other bodies	1,490	0	**1,490**
Provider sustainability fund (PSF)	3,306	0	**3,306**
Rental revenue from operating leases	0	50	**50**
Other income	819	0	**819**
Total other continuing operating income	**9,208**	**167**	**9,375**

NOTE 5 – ADDITIONAL INFORMATION ON CONTRACT REVENUE (IFRS 15) RECOGNISED IN THE PERIOD

	2019/20 £000	2018/19 £000
Revenue recognised in the reporting period that was included in within contract liabilities at the previous period end	**34**	**105**

NOTE 6 – OPERATING EXPENSES

	2019/20 £000	2018/19 £000
Purchase of healthcare from non-NHS and non-DHSC bodies	1,546	775
Staff and executive directors costs	140,932	130,682
Remuneration of non-executive directors	81	74
Supplies and services – clinical (excluding drugs costs)	8,636	9,225
Supplies and services – general	3,444	2,751
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	2,156	2,058
Establishment	8,754	7,461
Premises	5,300	5,677
Transport (including patient travel)	3,058	2,668
Depreciation on property, plant and equipment	4,593	3,248
Amortisation on intangible assets	131	131
Net impairments	1,598	(274)
Movement in credit loss allowance: contract receivables / contract assets	41	78
Increase in other provisions	78	33
Change in provisions discount rates	143	(34)
Audit fees payable to the external auditor:		
– audit services – statutory audit	58	58
– other auditor remuneration (external auditor only)	0	11
Internal audit costs	80	104
Clinical negligence	714	696
Legal fees	80	45
Insurance	86	138
Education and training	2,066	1,382
Rentals under operating leases	1,630	1,761
Hospitality	9	15
Losses, ex gratia & special payments	3	6
Other	316	224
Total related to continuing operations	**185,533**	**168,993**

Note 6.1 – Other auditor remuneration

	2019/20 £000	2018/19 £000
Other auditor remuneration paid to the external auditor:		
1. Audit of accounts of any associate of the trust	0	0
2. Audit-related assurance services	0	11
3. Taxation compliance services	0	0
4. All taxation advisory services not falling within item 3 above	0	0
5. Internal audit services	0	0
6. All assurance services not falling within items 1 to 5	0	0
7. Corporate finance transaction services not falling within items 1 to 6 above	0	0
8. Other non-audit services not falling within items 2 to 7 above	0	0
Total	**0**	**11**

Note 6.2 – Limitation on auditor's liability

The limitation on auditor's liability for external audit work is £2m (2018/19: £2m).

NOTE 7 – IMPAIRMENT OF ASSETS

	2019/20 £000	2018/19 £000
Net impairments charged to operating surplus resulting from changes in market price	1,598	(274)
Impairments charged to the revaluation reserve	1,061	(859)
Total net impairments	**2,659**	**(1,133)**

Impairment reversals and valuations recognised during 2019/20 resulted from the annual asset revaluation of the Trust's land and buildings to reflect movements in values during the financial year. An independent valuer provided valuations as at 31 December 2019 resulting in a total net downward revaluation of £2,194k, of which;

- £1,598k has been charged to the Statement of Comprehensive Income (SoCI) in respect of net impairment reversals;
- £1,061k for an decrease to the revaluation reserve for impairments; and
- £465k for an upward revaluation to the revaluation reserve.

NOTE 8 – EMPLOYEE BENEFITS

	2019/20 Total £000	2018/19 Total £000
Salaries and wages	101,714	97,838
Social security costs	9,313	8,975
Apprenticeship levy	488	466
Employer's contributions to NHS pensions *	19,292	13,018
Pension cost – other	26	16
Temporary staff (including agency)	10,779	10,886
Total staff costs	**141,612**	**131,199**
Of which		
Staff costs capitalised as part of assets (GDE IT projects)	680	517

* The employer contribution rate for NHS pensions increased from 14.3% to 20.6% from 1 April 2019.

Note 8.1 – Retirements due to ill-health

During 2019/20 there were no early retirements from the Trust agreed on the grounds of ill-health (2 in the year ended 31 March 2019). The estimated additional pension liabilities of these ill-health retirements is £0k (£26k in 2018/19).

These estimated costs are calculated on an average basis and are borne by the NHS Pension Scheme.

NOTE 9 – 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 at 31 March 2019, updated to 31 March 2020 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

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

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

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

NOTE 10 – OPERATING LEASES

Note 10.1 – Worcestershire Health and Care NHS Trust as a lessor

This note discloses income generated in operating lease agreements from property rental where Worcestershire Health and Care NHS Trust is the lessor.

	2019/20 £000	2018/19 £000
Operating lease revenue		
Minimum lease receipts	48	50
Total	**48**	**50**
	31 March 2020 £000	**31 March 2019 £000**
Future minimum lease receipts due:		
– not later than one year;	6	6
– later than one year and not later than five years;	0	6
Total	**6**	**12**

Note 10.2 – Worcestershire Health and Care NHS Trust as a lessee

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

The Trust has entered into lease arrangements for the lease of properties with individual landlords and lease cars managed by GMP Drivercare Limited. The Trust has no option to purchase the leased buildings or goods at the end of the term of the contract.

	2019/20 £000	2018/19 £000
Operating lease expense		
Minimum lease payments	1,630	1,761
Total	**1,630**	**1,761**
	31 March 2020 £000	**31 March 2019 £000**
Future minimum lease payments due:		
– not later than one year;	1,513	1,007
– later than one year and not later than five years;	5,340	5,051
– later than five years.	8,161	9,427
Total	**15,014**	**15,485**

NOTE 11 – FINANCE INCOME

Finance income represents interest received in the period.

	2019/20 £000	2018/19 £000
Interest on bank accounts	178	141
Total finance income	**178**	**141**

NOTE 12 – FINANCE EXPENSES

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

	2019/20 £000	2018/19 £000
Interest expense:		
Loans from the Department of Health and Social Care	0	106
Total interest expense	**0**	**106**
Unwinding of discount on provisions	(12)	4
Total finance costs	**(12)**	**110**

NOTE 13 – INTANGIBLE ASSETS

Software licences

	2019/20 £000	2018/19 £000
Valuation / gross cost at 1 April	**1,218**	**1,218**
Additions	38	0
Valuation / gross cost at 31 March	**1,256**	**1,218**
Amortisation at 1 April	**575**	**444**
Provided during the year	131	131
Amortisation at 31 March	**706**	**575**
Net book value at 31 March	**550**	**774**
Net book value at 1 April	**643**	**643**

NOTE 14.1 – PROPERTY, PLANT AND EQUIPMENT – 2019/20

	Land	Buildings excluding dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Valuation/gross cost at 1 April 2019	**14,190**	**64,879**	**4,118**	**3,852**	**183**	**18,609**	**2,111**	**107,942**
Additions	0	5,283	1,232	407	0	1,757	326	**9,005**
Impairments	0	(2,279)	0	0	0	0	0	**(2,279)**
Reversals of impairments	0	1,218	0	0	0	0	0	**1,218**
Revaluations	0	(3,232)	363	0	0	0	0	**(2,869)**
Reclassifications	0	748	(3,574)	29	0	2,566	231	**0**
Valuation/gross cost at 31 March 2020	**14,190**	**66,617**	**2,139**	**4,288**	**183**	**22,932**	**2,668**	**113,017**
Accumulated depreciation at 1 April 2019	**0**	**875**	**0**	**2,309**	**183**	**8,361**	**1,250**	**12,978**
Provided during the year	0	2,188	0	224	0	2,023	158	**4,593**
Impairments	0	2,033	0	0	0	0	0	**2,033**
Reversals of impairments	0	(435)	0	0	0	0	0	**(435)**
Revaluations	0	(3,333)	0	0	0	0	0	**(3,333)**
Reclassifications	0	0	0	0	0	0	0	**0**
Accumulated depreciation at 31 March 2020	**0**	**1,328**	**0**	**2,533**	**183**	**10,384**	**1,408**	**15,836**
Net book value at 31 March 2020	**14,190**	**65,289**	**2,139**	**1,755**	**0**	**12,548**	**1,260**	**97,181**
Net book value at 1 April 2019	**14,190**	**64,004**	**4,118**	**1,543**	**0**	**10,248**	**861**	**94,964**

Note 14.2 – Property, plant and equipment financing - 2019/20

	Land	Buildings excluding dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2020								
Owned – purchased	14,178	64,512	2,139	1,755	0	12,548	1,260	**96,392**
Owned – donated	12	777	0	0	0	0	0	**789**
NBV total at 31 March 2020	**14,190**	**65,289**	**2,139**	**1,755**	**0**	**12,548**	**1,260**	**97,181**

Note 14.3 – Property, plant and equipment – 2018/19

	Land	Buildings excluding dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Valuation / gross cost at 1 April 2018	**13,765**	**61,862**	**3,574**	**3,746**	**183**	**13,909**	**1,953**	**98,992**
Additions	0	2,019	4,559	106	0	2,478	158	**9,320**
Impairments	0	(1,118)	0	0	0	0	0	**(1,118)**
Reversals of impairments	203	1,774	0	0	0	0	0	**1,977**
Revaluations	222	(1,162)	(289)	0	0	0	0	**(1,229)**
Reclassifications	0	1,504	(3,726)	0	0	2,222	0	**0**
Valuation/gross cost at 31 March 2019	**14,190**	**64,879**	**4,118**	**3,852**	**183**	**18,609**	**2,111**	**107,942**
Accumulated depreciation at 1 April 2018	**0**	**1,434**	**0**	**2,090**	**183**	**6,906**	**1,111**	**11,724**
Provided during the year	0	1,435	0	219	0	1,455	139	**3,248**
Impairments	0	457	289	0	0	0	0	**746**
Reversals of impairments	(222)	(798)	0	0	0	0	0	**(1,020)**
Revaluations	222	(1,653)	(289)	0	0	0	0	**(1,720)**
Accumulated depreciation at 31 March 2019	**0**	**875**	**0**	**2,309**	**183**	**8,361**	**1,250**	**12,978**
Net book value at 31 March 2019	**14,190**	**64,004**	**4,118**	**1,543**	**0**	**10,248**	**861**	**94,964**
Net book value at 1 April 2018	**13,765**	**60,428**	**3,574**	**1,656**	**0**	**7,003**	**842**	**87,268**

Note 14.4 – Property, plant and equipment financing – 2018/19

	Land	Buildings excluding dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2019								
Owned – purchased	14,178	63,190	4,118	1,543	0	10,248	861	**94,138**
Owned – donated	12	814	0	0	0	0	0	**826**
NBV total at 31 March 2019	**14,190**	**64,004**	**4,118**	**1,543**	**0**	**10,248**	**861**	**94,964**

NOTE 15 – REVALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

At the 31 December 2019 the Trust revalued its assets following an annual review having regard to IFRS as applied to the UK public sector and in accordance with HM Treasury guidance, International Valuation Standards and the requirements of the Royal Institution of Chartered Surveyors (RICS) Valuation Professional Standards 2014. The valuation was carried out by an independent valuer; Cushman & Wakefield Debenham Tie Leung Limited.

Public sector bodies are required to apply the revaluation model set out in IAS 16 as interpreted by HM Treasury's Financial Reporting Manual (FReM) and value capital assets at fair value. Fair value is defined in IFRS 13 as the amount for which an asset or liability could be exchanged in an orderly transaction between market participants at the measurement date, though the FReM restricts the situations when IFRS 13 would apply for NHS assets. Most NHS assets will therefore be held at their current value in existing use value.

For non-specialised operational assets, this equates in practice to Existing Use Value (EUV).

For specialised operational assets, if there is no market-based evidence of fair value because of the specialised nature of the property and the item is rarely sold, except as part of a continuing business, fair value is estimated using depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued.

The valuation takes into account that the modern equivalent reprovision of the existing service would be from fewer locations. The functional obsolescence attributed to the buildings and the size of the alternative sites required for the modern equivalent assets takes this into account.

If an asset is re-classified as a non-current asset held for sale, then it is valued in accordance with IFRS 5. As at 31 March 2020, the Trust did not have any non-current assets held for sale.

Material valuation uncertainty

The valuation exercise was carried out during March 2020 with a valuation date of 31 December 2019. In applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards ('Red Book'), edition current at the valuation date. 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 given the unknown future impact on the real estate market.

Properties which are priced on their trading potential with examples including hotel, restaurants and pubs as well as healthcare establishments and student accommodation may experience a greater impact on pricing in comparison to other asset classes.

The values in the report have been used to inform the measurement of property assets at valuation in these financial statements. With the valuer having declared this material valuation uncertainty, the valuer has continued to exercise professional judgement in providing the valuation and this remains the best information available to the Trust.

Change in asset lives

During the financial year, the Trust reviewed its assets in use and their respective asset lives which continue to be appropriate.

However, following the Trust's professional revaluation for land and buildings as at 31 December 2019, amended guidance was published by the RICS relating to the assessment of remaining useful lives for depreciation accounting purposes and which what effective from January 2019. The amendments did not have any significant impact on value, however they resulted in shortened remaining useful lives and an increase in depreciation of £620k which is reflected in these accounts.

NOTE 16 – INVENTORIES

	31 March 2020 £000	31 March 2019 £000
Drugs	82	82
Consumables	81	138
Other	207	200
Total inventories	**370**	**420**

Inventories recognised in expenses for the year were £311k (2018/19: £388k). Write-down of inventories recognised as expenses for the year were £0k (2018/19: £0k).

NOTE 17.1 – RECEIVABLES

	31 March 2020 £000	31 March 2019 £000
Current		
Contract receivables	7,396	7,039
Allowance for impaired contract receivables / assets	(133)	(127)
Prepayments (non-PFI)	917	603
PDC dividend receivable	243	83
VAT receivable	614	495
Total current receivables	**9,037**	**8,093**
Of which receivable from NHS and DHSC group bodies	**3,464**	**5,590**

Note 17.2 – Allowances for credit losses

	2019/20		2018/19	
	Contract receivables and contract assets	All other receivables	Contract receivables and contract assets	All other receivables
	£000	£000	£000	£000
Allowances as at 1 April	**127**	**0**	**0**	**97**
Impact of implementing IFRS 9 (and IFRS 15) on 1 April 2018			97	(97)
New allowances arising	41	0	78	0
Utilisation of allowances (write offs)	(35)	0	(48)	0
Allowances as at 31 March	**133**	**0**	**127**	**0**

The Trust's allowance for doubtful debts is calculated on non-NHS debtors as less than 30 days, 5%; greater than 30 days 4%; greater than 60 days 18%; and 31% for debtors over 90 days. This provision is based upon historic evidence on the recoverability of debt. Some debts have also been specifically provided for. A provision is made in respect of receivables relating to the NHS Injury Cost Recovery Scheme calculated at 21.79% of all outstanding debts as at 31 March 2020.

NOTE 18.1 – CASH AND CASH EQUIVALENTS MOVEMENTS

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.

	2019/20	2018/19
	£000	£000
At 1 April	**19,574**	**17,015**
Net change in year	3,604	2,559
At 31 March	**23,178**	**19,574**
Broken down into:		
Cash at commercial banks and in hand	18	15
Cash with the Government Banking Service	23,160	19,559
Total cash and cash equivalents	**23,178**	**19,574**

Note 18.2 – Third party assets held by the trust

Worcestershire Health and Care NHS Trust held cash and cash equivalents which relate to monies held by the Trust on behalf of patients or other parties and in which the trust has no beneficial interest. This has been excluded from the cash and cash equivalents figure reported in the accounts.

	31 March 2020	31 March 2019
	£000	£000
Patient's monies on deposit	1	2
Total third party assets	**1**	**2**

NOTE 19.1 – TRADE AND OTHER PAYABLES

	31 March 2020	31 March 2019
	£000	£000
Current		
Trade payables	2,173	3,162
Capital payables	3,286	3,221
Accruals	14,322	10,842
Social security costs	1,380	1,314
Other taxes payable	944	937
Other payables	1,857	1,728
Total current trade and other payables	**23,962**	**21,204**
Of which payables from NHS and DHSC group bodies:	**2,903**	**3,823**

Note 19.2 – Early retirements in NHS payables above

The payables note above includes amounts in relation to early retirements as set out below:	31 March 2020	31 March 2019
	£000	£000
– to buy out the liability for early retirements over 5 years	0	0
– number of cases involved	0	0

NOTE 20 – OTHER LIABILITIES

	31 March 2020 £000	31 March 2019 £000
Current		
Deferred income: contract liabilities	125	34
Total other current liabilities	**125**	**34**

NOTE 21 – BORROWINGS

	31 March 2020 £000	31 March 2019 £000
Total borrowings	**0**	**0**

NOTE 21.1 – RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Loans from DHSC	2019/20 £000	2018/19 £000
Carrying value at 1 April	**0**	**2,761**
Financing cash flows - payments and receipts of principal	0	(2,761)
Financing cash flows - payments of interest	0	(111)
Non-cash movements:		
Impact of implementing IFRS 9 on 1 April 2018	0	5
Application of effective interest rate	0	106
Carrying value at 31 March	**0**	**0**

NOTE 22.1 – PROVISIONS FOR LIABILITIES AND CHARGES ANALYSIS

	Pensions: early departure costs £000	Pensions: injury benefits £000	Legal claims £000	Other £000	Total £000
At 1 April 2019	**610**	**1,321**	**339**	**1,054**	**3,324**
Change in the discount rate	24	119	0	0	**143**
Arising during the year	56	67	165	6	**294**
Utilised during the year	(61)	(69)	(54)	(781)	**(965)**
Reversed unused	(44)	0	(234)	0	**(278)**
Unwinding of discount	(3)	(7)	0	(2)	**(12)**
At 31 March 2020	**582**	**1,431**	**216**	**277**	**2,506**
Expected timing of cash flows:					
- not later than one year;	63	71	44	257	**435**
- later than one year and not later than five years;	257	287	172	20	**736**
- later than five years.	262	1,073	0	0	**1,335**
Total	**582**	**1,431**	**216**	**277**	**2,506**

The provisions covered by this note fall into four main categories:

- **Early Departure costs** – provision to cover the costs of early retirements of staff which took place in previous years, but for which the Trust continues to make payment to the NHS Pensions Agency on a quarterly basis. The Trust will continue to pay amounts in respect of these for the remainder of the individuals' lives, which have been estimated using national mortality figures.

- **Injury benefits** – provisions for individuals who receive personal injury benefit from the Department of Work and Pensions, which are recharged to the Trust on a quarterly basis. The Trust will continue to pay amounts in respect of these for the remainder of the individuals' lives, which have been estimated using national mortality figures.

- **Legal claims** – provision for the costs of public and employer liability cases, for which the Trust is covered by NHS Resolution. The Trust is liable for the excess amounts. The value of these provisions has been estimated by NHS Resolution, using its estimates of the probability of winning the cases involved. The Trust has also provided for the expected costs of other legal action not covered by NHS Resolution.
- **Other** – The Trust has also made provision for dilapidation charges that are expected in future years for rented properties to be vacated under the Estates Strategy Review.

Note 22.2 Clinical negligence liabilities

At 31 March 2020, £4,161k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of Worcestershire Health and Care NHS Trust (31 March 2019: £1,740k).

NOTE 23 – CONTINGENT ASSETS AND LIABILITIES

	31 March 2020 £000	31 March 2019 £000
Net value of contingent assets	**0**	**0**

	31 March 2020 £000	31 March 2019 £000
Value of contingent liabilities		
NHS Resolution legal claims *	(22)	(32)
Other **	(650)	(650)
Gross value of contingent liabilities	**(672)**	**(682)**
Amounts recoverable against liabilities	0	0
Net value of contingent liabilities	**(672)**	**(682)**

* The provision is calculated by reference to the excess amount the Trust could be liable to pay and a probability factor applied by NHS Resolution. The difference between the provision and the excess amount is the contingent liability.

** Contingent liability of £650k relates to a grant received from the HF Trust Limited in May 2000. The grant relates to the funding of capital costs for St Jules Thorne House, Malvern and the Hydrotherapy Pool, Malvern. The Trust has a head lease with the Development Trust for the lease of land, the term of the lease is for 20 years until 4 September 2020 for a peppercorn rent. The Development Trust leases the building via an under lease to the Trust again for the same terms as the head lease. The grant shall be repayable to The Development Trust if any one or more of a number of specified events occur on or before 4 September 2020. The Health Service is required to ensure that the facilities are used for the purpose they were built for during the 20 year term.

NOTE 24 – CONTRACTUAL CAPITAL COMMITMENTS

	31 March 2020 £000	31 March 2019 £000
Property, plant and equipment *	541	3,175
Total	**541**	**3,175**

* The capital commitments relate to IT projects.

NOTE 25 – FINANCIAL INSTRUMENTS

Note 25.1 – 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 NHS Trust has with Clinical Commissioning Groups and the way those Groups are financed, the Trust is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which the financial reporting standards mainly apply. The Trust has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Trust in undertaking its activities.

The Trust's treasury management operations are carried out by the finance department, within parameters defined formally within the Trust's standing financial instructions and policies agreed by the board of directors. Trust treasury activity is subject to review by the Trust's internal auditors.

Credit Risk

Because the majority of the Trust's revenue 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 note 17.1, trade and other receivables.

Liquidity Risk

The Trust's operating costs are incurred under contracts with Clinical Commissioning Groups and NHS England, which are financed from resources voted annually by Parliament. The Trust funds its capital expenditure from funds obtained within its prudential borrowing limit. The Trust is not, therefore, exposed to significant liquidity risks.

Market Risk

The Trust borrows from government for capital expenditure, subject to affordability as confirmed by NHS Improvement. The borrowings are for 1 – 25 years, in line with the life of the associated assets, and interest is charged at the National Loans Fund rate, fixed for the life of the loan. As the interest rates are fixed the Trust does not have any exposure to interest rate fluctuations. The Trust no longer holds any loans.

The Trust may also borrow from government for revenue financing subject to approval by NHS Improvement. Interest rates are confirmed by the Department of Health and Social Care (the lender) at the point borrowing is undertaken. The Trust therefore has low exposure to interest rate fluctuations.

Foreign Currency Risk

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

Note 25.2 – Carrying values of financial assets

Carrying values of financial assets held at amortised cost	31 March 2020 £000	31 March 2019 £000
Trade and other receivables excluding non financial assets	7,263	6,543
Cash and cash equivalents	23,178	19,574
Total	**30,441**	**26,117**

Note 25.3 – Carrying values of financial liabilities

Carrying values of financial liabilities held at amortised cost	31 March 2020 £000	31 March 2019 £000
Trade and other payables excluding non financial liabilities	19,824	17,218
Total	**19,824**	**17,218**

Note 25.4 – Maturity of financial liabilities

	31 March 2020 £000	31 March 2019 £000
In one year or less	19,824	17,218
Total	**19,824**	**17,218**

NOTE 26 – LOSSES AND SPECIAL PAYMENTS

	2019/20 Total number of cases	2019/20 Total value of cases £000	2018/19 Total number of cases	2018/19 Total value of cases £000
Losses				
Cash losses	5	1	1	0
Bad debts and claims abandoned	27	36	73	48
Stores losses and damage to property	15	7	26	6
Total losses	**47**	**44**	**100**	**54**
Special payments				
Ex-gratia payments	11	2	18	4
Total special payments	**11**	**2**	**18**	**4**
Total losses and special payments	**58**	**46**	**118**	**58**
Compensation payments received		**0**		**0**

NOTE 27 – RELATED PARTIES

Note 27.1 – Details of related party transactions with individuals:

	Payments to Related Party £000	Receipts from Related Party £000	Amounts owed to Related Party £000	Amounts due from Related Party £000
Age UK Herefordshire and Worcestershire (spouse of Trust Chairman is Head of Finance of this related party)	1	0	0	0
Care Quality Commission (Medical Director was a National Professional Advisor of this related party for part of the year)	131	0	0	0
	132	**0**	**0**	**0**

Note 27.2 – Details of related party transactions as a corporate trustee:

Worcestershire Health and Care NHS Trust is a corporate trustee of Worcestershire Health and Care NHS Trust Charitable Funds (Charity No. 1060335). The Trust has received revenue payments from this Charity, which are summarised below:

	Payments to Related Party £000	Receipts from Related Party £000	Amounts owed to Related Party £000	Amounts due from Related Party £000
Recharge of goods on Charity's behalf	0	98	0	13
Administration fee	0	29	0	0
Total related party transactions	**0**	**127**	**0**	**13**

Note 27.3 – Details of related party transactions – Department of Health and Social Care:

The Department of Health and Social Care is regarded as a related party. During the year Worcestershire Health and Care NHS Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. The entities where these transactions were at least £500,000 in value for the year are:

Department of Health and Social Care
Health Education England
NHS Birmingham and Solihull CCG
NHS England
NHS Redditch and Bromsgrove CCG
NHS Resolution
NHS South Worcestershire CCG
NHS Wyre Forest CCG
Worcestershire Acute Hospitals NHS Trust

27.4 – Details of related party transactions – other government departments:

In addition, the Trust has had a number of material transactions, a total of at least £100,000 in value in year, with other government departments and other central and local government bodies. These transactions have been with:

Birmingham City Council
Bromsgrove District Council
Herefordshire Council
HM Revenue & Customs
Malvern Hills District Council
NHS Pensions Scheme
Worcester City Council
Worcestershire County Council
Wychavon District Council

NOTE 28 – EVENTS AFTER THE REPORTING DATE

Herefordshire Mental Health Services
Following a Herefordshire and Worcestershire STP alignment review a decision was made to move to a single provider for the provision of mental health services. Therefore on 1 April 2020, Herefordshire Mental Health and Learning Disabilities services has transferred to the Trust by absorption in accordance with DHSC GAM. The transfer will result in approximately £23m of additional revenue for the Trust.

The Trust has followed NHSI Transactions Guidance for Trusts undertaking transactions including mergers and acquisitions. In conjunction with NHSE/I the Trust has confirmed that the transaction is material with an assessment of low risk.

COVID-19
The outbreak of Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11 March 2020 will inevitably impact upon the services delivered by the NHS. The Trust will continue to follow Government guidance in its response to this pandemic.

The situation will continue to evolve but at the point of reporting there is a mechanism in place to reimburse costs incurred relating to COVID-19.

NOTE 29 – BETTER PAYMENT PRACTICE CODE

Non-NHS Payables	2019/20 Number	2019/20 £000	2018/19 Number	2018/19 £000
Total non-NHS trade invoices paid in the year	28,478	76,516	26,925	72,686
Total non-NHS trade invoices paid within target	27,805	75,444	26,420	71,629
Percentage of non-NHS trade invoices paid within target	**97.6%**	**98.6%**	**98.1%**	**98.5%**
NHS Payables				
Total NHS trade invoices paid in the year	325	9,608	464	7,748
Total NHS trade invoices paid within target	321	9,572	457	7,694
Percentage of NHS trade invoices paid within target	**98.8%**	**99.6%**	**98.5%**	**99.3%**

The Better Payment Practice code requires the NHS body to aim to pay 95% of valid invoices by the due date or within 30 days of receipt of valid invoice, whichever is later.

NOTE 30 – EXTERNAL FINANCING LIMIT

The Trust is given an external financing limit against which it is permitted to underspend.

	2019/20 £000	2018/19 £000
Cash flow financing	(1,317)	(3,000)
External financing requirement	**(1,317)**	**(3,000)**
External financing limit (EFL)	5,891	6,068
Underspend against EFL	**7,208**	**9,068**

NOTE 31 – CAPITAL RESOURCE LIMIT

	2019/20 £000	2018/19 £000
Gross capital expenditure	9,043	9,320
Charge against Capital Resource Limit	**9,043**	**9,320**
Capital Resource Limit	9,043	9,332
Underspend against CRL	**0**	**12**

NOTE 32 – BREAKEVEN DUTY FINANCIAL PERFORMANCE

	2019/20 £000
Adjusted financial performance surplus	4,524
Breakeven duty financial performance surplus	**4,524**

NOTE 33 – BREAKEVEN DUTY ROLLING ASSESSMENT

	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000
Breakeven duty in-year financial performance	0	0	1,500	2,522	2,920	2,828
Breakeven duty cumulative position	0	0	1,500	4,022	6,942	9,770
Operating income	0	0	171,083	170,835	172,314	171,461
Cumulative breakeven position as a percentage of operating income	**0.0%**	**0.0%**	**0.9%**	**2.4%**	**4.0%**	**5.7%**

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Breakeven duty in-year financial performance	3,566	5,089	7,291	4,987	4,524
Breakeven duty cumulative position	13,336	18,425	25,716	30,703	35,227
Operating income	172,346	173,526	179,527	176,553	190,765
Cumulative breakeven position as a percentage of operating income	**7.7%**	**10.6%**	**14.3%**	**17.4%**	**18.5%**

The Department of Health and Social Care has previously agreed with HM Treasury that the breakeven duty will be assumed to have been met if expenditure is covered by income over a three year period. The Department considers that 2009/10, being the first year of International Financial Reporting Standards (IFRS) implementation is a suitable point from which the breakeven duty should now be assessed.

Worcestershire Health and Care NHS Trust was established on 1 July 2011, therefore the breakeven duty commenced during 2011/12.

The Department of Health and Social Care, HM Treasury and the National Audit Office previously agreed that the breakeven duty will be assumed to have been met if the breakeven cumulative net deficit is less than or equal to 0.5% of the turnover of the reporting year.

Worcestershire Health and Care NHS Trust has achieved the breakeven duty year on year, since its formation in July 2011.

A&E (Accident & Emergency)
The emergency departments of hospitals that deal with people who need emergency or life threatening treatment because of sudden illness or injury. Sometimes these services are referred to as casualty departments.

Acute services
Medical and surgical interventions usually provided in hospital. The Trust only provided these services up to 30th June 2011, after which date these services were transferred to the local acute Trust.

AMH
Adult Mental Health.

AWOL
Absent Without Leave.

BAF
Board Assurance Framework.

BPPC
Better Payment Practice Code.

Capital
Expenditure on the acquisition of land and premises, individual works for the provision, adaptation, renewal, replacement and demolition of buildings, items or groups of equipment and vehicles, etc. In the NHS, expenditure on an item is classified as capital if it is in excess of £5,000.

Capital charges
Capital charges are a way of recognising the costs of ownership and use of capital assets and comprise depreciation and interest/target return on capital. Capital charges are funded through a circular flow of money between HM Treasury, the Department of Health, primary care trusts and NHS trusts.

Care Quality Commission (CQC)
The Care Quality commission use expert assessors to determine annual ratings for NHS Bodies on the quality of the services they operate.

CAS
The Central Alerting System is a web-based cascading system for issuing patient safety alerts, important public health messages and other safety critical information and guidance to the NHS.

C-diff
Clostridium difficile

Clinical Commissioning Groups (CCGs)
Clinical Commissioning Groups CCGs will from 1.4.2013 commission the majority of health services, including emergency care, elective hospital care, maternity services, and community and mental health services. Each of the 8,000 GP practices in England is now part of a CCG. There are 211 CCGs altogether, commissioning care for an average of 226,000 people each. There are three CCGs in Worcestershire.

Corporate Governance
The system and rules of delegation by which organisations are directed and controlled.

CPA
The Care Programme Approach is the process by which all service users and carers' needs are assessed in secondary mental health services.

FFT
The Friends and Family Test asks patients and staff how likely is that they would recommend a ward/department to friends and family if they needed similar care or treatment.

HoNOS
Health of the Nation Outcome Scales. The use of HoNOS is recommended by the English National Service Framework for Mental Health and by the working group to the Department of Health on outcome indicators for severe mental illnesses.

I&E
Income and Expenditure.

IAPT
Improving Access to Psychological Therapies is a National Health Service (England) initiative in to improve access to psychological therapies.

ICU
Intensive Care Unit.

In-patient
A person admitted on to a hospital ward for treatment.

International Financial Reporting Standard (IFRS) and International Accounting Standards (IAS)
Issued by the International Accounting Standards Board, financial reporting standards govern the accounting treatment and accounting policies adopted by organisations. Generally these standards apply to NHS organisations.

MH
Mental Health.

MRSA
Methicillin-resistant Staphylococcus aureus.

NED
Non Executive Director

NEST
National Employment Savings Trust this is a defined contribution occupational pension scheme backed by the government.

NHS England
Formally established as the NHS Commissioning Board on 1 October 2012, NHS England is an independent body at arm's length to the Government.

NHS Foundation Trusts
NHS hospitals that are run as independent, public benefit corporations, which are both controlled and run locally.

NHS Improvement
NHS Improvement, the operational name for the organisation which brings together Monitor and the Trust Development Authority.

NHS Trusts
NHS trusts are hospitals, community health services, mental health services and ambulance services which are managed by their own boards of directors. NHS trusts are part of the NHS and provide services based on the requirements of patients as represented by primary care trusts and GPs.

NICE
The 'National Institute for Health and Care Excellence' provides national guidance and advice to improve health and social care.

Outpatient
A person treated in a hospital but not admitted on to a ward.

PALS
The Patient Advice and Liaison Service offers confidential advice, support and information on health-related matters.

PDC
Public Dividend Capital
Performance indicator Measures of achievement in particular areas used to assess the performance of an organisation.

PLACE
The Patient Led assements of care environment (Formally know as PEAT – Patient Environment Action) inspections every year and comprise a team of health professionals along with an independent patient representative. The team assess each hospital they visit in terms of cleanliness, hygiene, privacy, dignity, patient information, food quality and service.

Provisions
Provisions are made when an expense is probable but there is uncertainty about how much or when payment will be required, e.g. estimates for clinical negligence liabilities. An estimate of the likely expense is charged to the Trust's Operating Cost Statement as soon as the issue comes to light, although actual cash payment may not be made for many years, or in some cases never. The expense is matched by a balance sheet provision entry showing the potential liability of the organisation.

Revenue
Revenue is expenditure other than capital, for example, staff salaries and drug budgets. Also known as current expenditure.

RTT
Referral to Treatment Time.

Secondary care
Specialised medical services and commonplace hospital care, including outpatient and inpatient services. Access is often via referral from primary care services.

STP
Sustainability and Transformation Partnership.

VTE
Venous Thromboembolism.

WTE
Whole Time Equivalent

YTD
Year To Date.

Do you need to know about accessibility?
Read our detailed guides at
www.AccessAble.co.uk

AccessAble
Your Accessibility Guide

Do you get stressed, anxious or have low mood?

Visit www.nowweretalking.nhs.uk

@WorcsHealthandCareNHS @WorcsHealthCare