Mid and South Essex
NHS Foundation Trust

Annual Report and Accounts

for the year ended
31 March 2021

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

NHS
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NHS Foundation Trust

Contents

Performance Report

1. Overview

The purpose of the Overview to the Performance Report is to provide a short summary with sufficient information to understand the organisation, its purpose, the key risks to the achievement of its objectives and how it has performed during the year.

1.1. Overview – a word from our chair and chief executive

Our first year as a merged trust has truly been exceptional in both its challenges and its opportunities for innovation and partnership working.

Before we proceed with this first annual report and accounts for Mid and South Essex NHS Foundation Trust, we want to pay tribute to our staff, those in front-line clinical roles and the clinical support and corporate staff on whom they depend. Over the year, our staff truly have been "one team, working together". The dedication and commitment shown during the pandemic has been truly exceptional and we thank each and every member of the team.

Providing care during the COVID-19 pandemic

The pandemic has illustrated the tangible benefits of operating as a single large trust, bringing together all of our hospitals and staff. We have been able to co-ordinate our resources, including bed space, clinical supplies such as ventilators and personal protective equipment (PPE) and of course our staff to provide seamless care through much more resilient services.

Recognising that managing a public health emergency of this scale cannot be undertaken by one sector alone, the trust implemented a range of measures to protect patients, visitors and staff and to work in ever closer partnership with the Mid and South Essex health and care system.

Further details can be found in the Annual Governance Statement.

Readers can be assured that the safety and wellbeing of our patients and staff will always be paramount in any decisions we take.

Improving services for patients

Despite, and to some extent as a response to, the pandemic, in 2020/21 we delivered on a number of changes to clinical services upon which our commissioners consulted during 2017/18.

Brentwood Community Hospital
The delivery model consists of 60 secondary care frailty beds and 50 intermediate care beds managed by the community provider partner, North East London NHS Foundation Trust. This is in line with our clinical strategy to develop more services within "out of hospital" settings, keeping our most vulnerable patients safe and minimising the morbidity of this frail older population. It sees the movement of service activity for frailty into a more suitable community model. The relocation and redesign equates to the activity capacity equivalent to 70 acute hospital beds.

High Street Phlebotomy
The COVID-19 pandemic has brought into sharp focus the need to overhaul the way our diagnostic services are delivered. Agreed redesign plans aim permanently to move the majority of the trust's phlebotomy services from the three main hospital sites into their local communities. Not only will these changes make services more accessible and convenient for patients, they will help improve outcomes for those with serious conditions. Phlebotomy services will remain in acute settings for urgent and some in-hospital referrals. This service development is planned in Southend, Basildon and Chelmsford. On 29 March 2021, the Chelmsford Central Health Hub opened to patients.

Southend Urgent and Emergency Care
As part of the £9.7m building improvement plan to help provide better patient care and patient flow, a new facility at Southend Hospital will include same-day emergency care facilities and trauma and surgical assessment units. These expanded services are taking forward our clinical strategy to help more patients access the right treatment quickly and locally when they need urgent care.

Care Quality Commission (CQC) Inspections

Due to the ratings of our predecessor trusts and the formula utilised by the CQC, the merged trust carried an overall rating of "Requires Improvement" on 1 April 2020 and throughout the year. The Trust remains rated "Good" for the Well Led Domain.

The trust has not undergone a full CQC inspection this year but there was a targeted inspection of the Basildon Hospital Maternity Unit in June 2020. The Unit was rated "inadequate" by the CQC in the subsequent report. The Annual Governance Statement and the Quality Account (under separate cover) provides more detail about the concerns about maternity services and the extensive improvement work that has taken place this year.

NHSI/E Undertakings

In December 2020, our other main regulator, NHS England/NHS Improvement (NHSI/E) accepted enforcement undertakings from the Trust pursuant to its powers under section 106 of the Health and Social Care Act 2012 ("the Undertakings"). These undertakings related to the following areas of our business:

- Governance, including data quality (Class 1)
- Inadequate maternity services (Class 2)
- Harm review process (Class 3)
- Delayed diagnosis and treatment of cancer patients (Class 4)
- Growth in elective backlog (Class 5)

Further details of the NHSI/E undertakings and our actions to address the regulatory concerns identified can be found in the Annual Governance Statement.

Financial position of the Trust and of the Mid and South Essex System

As a result of the Pandemic, the usual financial framework in the NHS was suspended for 2020/21. Needing to make sure that money wasn't a barrier to treating patients in the initial wave of the Pandemic, all NHS providers had their costs reimbursed for the first 6 months of 2020/21, and there was no control total to deliver.

For the second half of the year, funding was given on a system basis, including additional funding for COVID costs and recovery, and it was for systems to decide how this was distributed between organisations to try to achieve financial balance for the system as a whole, whilst also responding to the latter surges, and focus on elective recovery where possible.

The system delivered financial balance, but for an allowable overspend at the Trust of £1.4m, which was granted to allow the Trust to make some further digital investment in the year. The overall system performance was a £0.9m deficit position before technical accounting adjustments, with the Trust having a £1.4m deficit as a constituent part of this.

The system also ensured that it spent all of the Capital resources it had available to it, with an approved overspend of £7.7m against the system Capital envelope. This overspend was agreed with regulators and utilised underspend made by other organisations in the region.

For further details about the Mid and South Essex System, also known as the Sustainability and Transformation Partnership (STP) and the Shadow Integrated Care System (ICS) please see the Annual Governance Statement.

Operational performance

Regrettably this year has seen our trust achieving below the standards set out in the NHS Constitution for access to services, largely due to the implications of the pandemic. This replicates the picture across the majority of acute trusts in the UK. A summary of the trust's performance against the principal NHS Constitution standards is shown in the table below.

COVID-19 significantly impacted upon our achievement of these standards as we had to cancel non-urgent elective inpatient, day case and outpatient appointments so that clinical time could be focused on caring for patients affected by the pandemic.

As the COVID major incident began to recede in the final quarter of the 2020/21 year, following the declaration of an Essex-wide COVID-19 major incident on 30 December 2020, the MSE Reset Programme stepped up to explore the most effective and efficient means of reinstating our elective work to shift the backlog which build up during the pandemic. The Reset Programme will operate throughout 2021/22, overseen by the Trust Board, to improve standards of access across the trust, whilst ensuring that we have the bed and clinical capacity to deal with any future waves of COVID-19.

Figure 1

Constitutional standard	Target	MSE 2020/21
4 hour maximum wait in A&E	95%	89.38%
Referral to Treatment Time (RTT) - 18 weeks in aggregate, admitted patients	90%	56.92%
Referral to Treatment Time (RTT) - 18 weeks in aggregate, non-admitted patients	92%	75.73%
Referral to Treatment Time (RTT) - 18 weeks in aggregate, incomplete pathways	92%	56.20%
Cancer 62 day waits for first treatment (from urgent GP referral)*	85%	64.60%
Cancer 62 day waits for first treatment (from NHS Cancer Screening Service Referral)*	90%	63.31%
Cancer 2 week wait (all cancer)*	93%	90.32%
Cancer 2 week wait (breast symptoms)*	93%	83.74%
Diagnostic - 6 week wait	99%	51.53%

* Please note the 2020/21 period for these metrics is based on 1 April 2020 to 31 March 2021

Creating a new organisation

Readers will likely be aware that the three acute trusts in Mid and South Essex had been working in ever closer collaboration for over four years prior to merger.

NHSI approved the merger to take effect from 1 April 2020, assigning the transaction an "amber" risk-rating overall. This meant that NHSI were satisfied that the merger was safe and in the interests of patients, staff and taxpayers, although there were a number of issues that arose from their detailed review that the merged trust needed to address in terms of the financial and operational challenges, and to deliver the full range of benefits from the merger.

When the undertakings were agreed with NHSI/E in December 2020, these requirements were formally subsumed into the undertakings requirements and the associated reporting and oversight arrangements internally and externally with commissioners and regulators.

Our new Board of Directors

We have benefitted from the continuity of the same team of executives throughout the year.

The non-executive team for Mid and South Essex NHS Foundation Trust was appointed through an open competitive process led by Governors of the two predecessor Foundation Trusts alongside representatives of the Mid Essex Patient Council. The non-executive team comprises those with prior service in our predecessor trusts blended with those from outside the trust and in some cases outside the NHS, to bring a diverse range of perspectives to debates and decisions.

Our new Board stepped up to the challenges of governing one of the largest trusts in the country without being able to meet in person. We have held both formal board meetings and informal seminars throughout the year and we are rapidly developing as a unitary board in the interests of patients and staff.

Our new Council of Governors

Due to the constraints of the pandemic, we were unable to commence elections for the new Council of Governors (COG) in April 2020 as planned. We were delighted that a group of governors from the predecessor trusts and members of the Mid Essex Patient Council were willing to remain in place in an informal capacity as "caretaker governors" until the newly elected COG came into place on 1 October 2020.

We thank all outgoing governors for their time and commitment to our predecessor organisations and for granting approval for the merger to proceed. Particular thanks go to the caretaker governors.

The newly elected COG comprises 48 posts, with only a handful of vacancies. Further details of the work of our governors to support the Trust, hold the Board to account through the non-executives and to advance the interests of our members can be found in the Directors Report.

Closing remarks

The 2020/21 annual report reflects a truly exceptional first year for our new Foundation Trust. The local, system-wide and national strategic and operational challenges throughout the year, as described in this annual report, have tested our business continuity planning to the greatest extent experienced for many years. We have all seen by the public response to the pandemic how much the herculean efforts of NHS staff to deliver the best possible care to patients in extremely difficult circumstances is appreciated by the Board, our communities and the nation as a whole. The generous donations from our communities feature in the accounts for the MSE Hospitals Charity.

We look forward to the second year as Mid and South Essex NHS Foundation Trust in pursuit of the Mid and South Essex Health and Care Partnership/shadow integrated care system (ICS) to build a future which is clinically and financially sustainable for the long term.

Clare Panniker
Chief Executive

30 June 2021

Nigel Beverley
Trust Chair

30 June 2021

1.2. Overview – Going concern statement

The accounts have been prepared on a going concern basis. The financial reporting framework applicable to NHS bodies, derived from the HM Treasury Financial Reporting Manual, defines that the anticipated continued provision of the entity's services in the public sector is normally sufficient evidence of going concern. The directors have a reasonable expectation that this will continue to be the case. In coming to this conclusion we have considered opening cash balances, revenue and capital funding streams for the coming year and our exposure to loan facilities which need to be repaid.

1.3. Overview – Statement of purpose and activities of the Trust

The Annual Report and Accounts 2020/21 have been prepared under the direction issued by NHS Improvement under the National Health Service Act 2006.

Trust profile and history

On 1 April 2020, Mid and South Essex NHS Foundation Trust (MSE) was authorised as an NHS foundation trust following the merger by acquisition of three legacy organisations: Southend University Hospital NHS Foundation Trust, Basildon and Thurrock University Hospitals NHS Foundation Trust and Mid Essex Hospital Services NHS Trust. Like all NHS foundation trusts, the Trust remains firmly part of the NHS and is subject to NHS standards, performance ratings and inspections.

The Trust's main purpose is the provision of healthcare. Compared to the legacy organisations in 2019/20, there have been no significant changes in the range of services provided during 2020/21, although the implementation of the clinical strategy approved in 2017/18 has continued during the year, notwithstanding significant adjustments to pace and scale in view of the COVID-19 pandemic. In addition, the range of services that we provided was temporarily limited out of necessity for a significant period of the year due to the pandemic, most notably elective surgery and outpatient care.

Our services

The Trust provides an extensive range of acute healthcare services from three main hospital sites (Broomfield, Basildon and Southend), as well as a range of other smaller sites such as the St Andrews Centre in Billericay which provides x-ray and blood testing facilities, and Braintree Community Hospital where elective orthopaedic surgery is carried out.

The Trust primarily serves the 1.2m (based on 2011 census) population of Mid Essex, South East Essex and South West Essex.

Specialist services are provided from our main hospital sites which attract patients from elsewhere in the UK and internationally. These are the Essex Cardiothoracic Centre based at Basildon Hospital, the Burns and Plastics Service at Broomfield Hospital and the Cancer Centre at Southend Hospital.

How our organisation is structured

Details of the Trust's organisational and governance structures can be founded in the Directors Report.

Key issues and risks that could affect the Trust in delivering its objectives

In September 2020, the Trust Board approved the following 4 strategic objectives:

Strategic Objective 1 – be an adaptive, well-led, high performing and innovative organisation which joins up care for the people we serve;

Strategic Objective 2 – deliver high quality, safe and responsive services shaped by best practice and our local communities;

Strategic Objective 3 – be an employer of choice for a supported, engaged and high-performing workforce;

Strategic Objective 4 – be effective and efficient with all our resources, creating an organisation that residents and staff can rely on for the long-term.

The principal risks to our achievement of these strategic objectives are captured and tracked on the Board Assurance Framework (BAF). Details of the principal risks faced by the organisation and how we manage those risks can be found in the Annual Governance Statement.

Addressing inequalities and promoting diversity

The Trust is fully committed to providing equality of opportunity and freedom from discrimination, as well as dealing effectively with any proven act of discrimination, abuse or harassment to patients and staff. We are committed to equality of access to our services and to promoting the public sector equality duty arising from the Equality Act 2010. Further details of our work to promote equality, diversity and inclusion can be found in the Staff Report.

Clare Panniker
Chief Executive

30 June 2021

Nigel Beverley
Trust Chair

30 June 2021

Accountability Report

Directors Report

The Board of Directors

Members of the Board of Directors are set out below, together with a brief biography, their terms of office and membership of committees. The Directors Register of Interests is available on the Trust website

https://www.mse.nhs.uk/meet-the-team

How our Foundation Trust is run

This section explains how we make decisions and manage the services that we provide to the local community.

The Trust is run by the Board of Directors, who are collectively responsible as a unitary board for the quality of healthcare delivery and financial performance. The Board of Directors is held accountable for the stewardship of public money and delivery of services by NHS Improvement, and locally by the Council of Governors. The Board of Directors is held to account for quality of services by the Care Quality Commission (CQC).

Leadership

The Trust Chair is responsible for leadership of both the Board of Directors and the Council of Governors.

As Chair of the Board of Directors, the Chair ensures the Board's effectiveness and sets its agenda. The Chair facilitates the effective contribution and performance of all Board members who collectively are responsible for the Trust's long-term success and sustainability. The Chair also ensures that there is sufficient and effective communication with stakeholders to understand their issues and concerns.

As Chair of the Council of Governors, the Chair provides a pivotal link between governors and directors, especially the non-executive directors. Listening to the governors is one of the ways in which the Chair can hear and respond to the views of the local community and local stakeholders. The Chair regularly provides feedback to the Board of Directors on the views of governors and local people.

The governors routinely invite the Chief Executive to their meetings and other executive and non-executive directors as required. In these meetings, governors, members and the general public can raise questions of the Chair, or any other director present, about the affairs of the Trust.

The role of the Board of Directors

The Board of Directors sets the strategic direction of the Trust, ensuring that the necessary financial and human resources are in place to meet its priorities and objectives. The Board operates within a framework of processes, procedures and controls which allow performance and progress to be monitored and its risks carefully assessed and managed.

The Board of Directors is responsible for ensuring compliance with the provider license granted by NHS Improvement, its constitution, mandatory guidance issued by NHS Improvement, relevant statutory requirements and contractual obligations.

Details of how the Board of Directors discharges its duties with regard to governance and compliance can be found in the Annual Governance Statement (AGS).

The Board of Directors is responsible for promoting effective dialogue between the Trust and the local community on its plans and performance, ensuring that the plans are responsible to the community's needs.

Further details as to how the Board of Directors engaged with its patients and communities can be found in the Council of Governors and Membership Report.

The Chief Executive is ultimately responsible for implementing the strategy agreed by the Board and for developing the Trust's objectives through leadership of the executive team. She recommends to the Board any investment or new business opportunities which promote achievement of this strategy. The Chief Executive also ensures that the Trust's risks are adequately addressed and that appropriate internal controls are in place. The Trust seeks the views of the Council of Governors when developing its annual plan.

Details of how the Chief Executive ensures that risks are adequately controlled and mitigates can be found in the AGS.

The Trust can hold contracts in its own name and act as a corporate trustee. In the latter role, the Board is accountable to the Charity Commission for those funds which are deemed to be charitable.

Upon merger, Mid and South Essex NHS Foundation Trust became the majority shareholder (51%) of the shares in Pathology First LLP and Facilities First LLP, as a result of the consolidation of the shareholding from two of the legacy trusts, alongside a commercial provider of pathology services (Integrated Pathology Partnerships Analytics Ltd). Several senior members of the Trust represent the organisation on the Pathology First and the Facilities First Boards. These individuals were not named directors of either company, however they elected to declare their role within the LLPs.

Providing support to directors

Directors, governors and members are supported by a professionally qualified Company Secretary (as recommended by the NHS Foundation Trust Code of Governance) and a small multi-skilled corporate governance and membership services team. The Company Secretary for 2020/21 was Andrew Stride.

Newly appointed directors received an induction on joining the Board of Directors.

The Board of Directors ensures that directors, especially the non-executive directors, have access to independent professional advice, at the Trust's expense, where they judged it necessary to discharge their responsibilities as directors or to provide additional assurance on areas of challenge. The Company Secretary facilitates access to this advice and support.

How the Board of Directors operates

During 2020/21, the Board of Directors met formally on 15 occasions, 5 of which incorporated sessions in public. During 2020/21, it was necessary to convene an unusually high number of extraordinary board meetings to review urgent matters.

To help the Council of Governors fulfil its role of holding the Board of Directors to account through the non-executive directors, the Board appointed governor observers to its committees. The Lead Governor is also invited to observe those board meetings held in closed session.

The Trust Constitution details how disagreements between the Board of Directors and the Council of Governors would be resolved. Alongside this, a specific Engagement (Disputes) Policy is in place. This policy was not used in 2020/21.

The Schemes of Reservation and Delegation detail what type of decisions are to be taken by the Board and which decisions are delegated to management by the Board of Directors. These were reviewed in 2020/21.

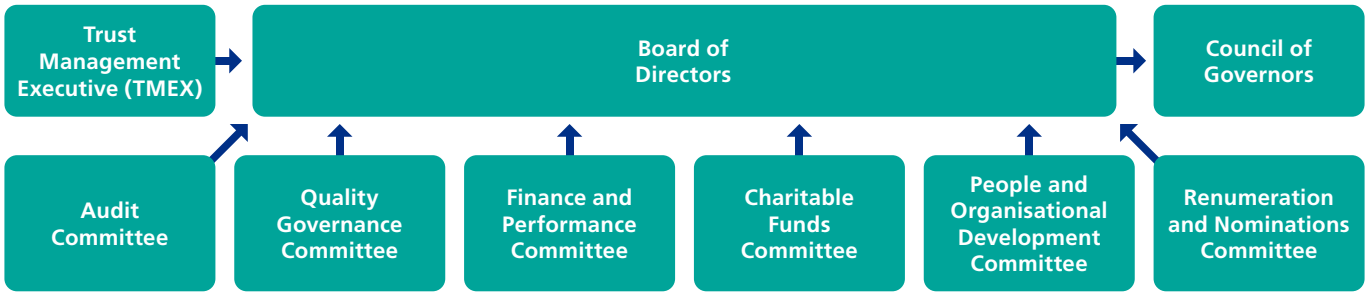
The Board of Directors has powers to delegate and make arrangements to exercise any of its functions through a committee or a joint committee. The Board of Directors keeps the performance of its committees under regular review and requires that each committee considers its performance and effectiveness throughout the year. These assessments, together with committee meetings, are used for shaping individual and collective professional development programmes for directors as relevant to their duties as board members.

The Trust maintains its support for the Nolan Principles of Public Life. To support this, the Directors Responsibilities and Code of Conduct was adopted by all board members. This Code of Conduct builds on the NHS Code of Conduct and includes the Nolan Principles. Significant breaches of the Code of Conduct would be handled under the Trust's Conduct and Capability Policy.

The Trust has a policy on Meeting the Requirements of the Fit and Proper Person Test. This policy requires the Chair to ensure that "appropriate checks" have been undertaken in reaching a judgement that all directors are deemed to be fit and that none met any of the unfit criteria. This applies to all members of the Board of Directors, including the Company Secretary. This policy enables the Trust to meet the relevant provisions of the Health and Social Care Act 2008 (Regulated Activities) Regulations 2014.

Governance Structure

Figure 2



The Board of Directors

This section provides pen portraits of all board members who were in post on 31 March 2021.

Chair and Non-Executive Board Members

Nigel Beverley, Trust Chair

Nigel has a long and successful career in health management, mainly in the NHS, having held a number of chief executive positions in hospitals in Essex and London. He also has experience in commissioner roles at a regional level and healthcare business development.

Nigel's experience in the NHS has provided him with a range of expertise including performance improvement, change management and transformation.

Nigel was Chair of Basildon and Thurrock University Hospitals NHS Foundation Trust (BTUH) from July 2015 to the merger in April 2020. Between 1 July 2019 and 31 October 2019, Nigel served as Interim Chair of East of England Ambulance Service NHS Trust whilst retaining his role as BTUH Chair.

In November 2019, Nigel was appointed as Chair of the merged trust with effect from 1 April 2020.

Committee memberships – Remuneration and Nominations (Chair), Council of Governors (Chair)

Lynsey Cross, Non-Executive Director

Lynsey joined the Board of BTUH as an associate non-executive director in September 2019 to provide additional capacity to the NED team.

Lynsey has extensive experience as an executive board member with a track record of delivering significant business and cultural transformation in complex and multi-national businesses. During her 25 year career Lynsey has held senior executive positions at FTSE 100 and Fortune 500 companies specialising in HR, technology and operations.

Lynsey has a particular passion for, and dedication to what makes an organisation great – its people. She has an acute understanding of the impact of corporate culture on the top and bottom line, history of driving exceptional employee performance and engagement, and building high performance, inclusive and diverse cultures.

In addition to her MSE role, Lynsey is currently Chief Operating Officer of Brooks MacDonald plc and is Chair of Diversity and Inclusion at the Insurance Institute London. Lynsey was delighted to be appointed as a non-executive member of the MSE Board with effect from 1 April 2020.

Committee memberships – People and Organisational Development Committee (Chair), Audit, Remuneration and Nominations

Dave Hughes, Non-Executive Director, Senior Independent Director

Dave is pursuing a portfolio career combining non-executive, trustee and consulting roles following a highly successful senior executive career with British Telecom including over 15 years' board level experience creating and transforming high technology businesses.

Dave is passionate about helping the community by utilising the business skills he has developed to help other organisations, something he has already experienced as Deputy Chair of Papworth Hospital and recently Directors of Paradigm Trust, Health Enterprise East and as a Trustee of Let's Talk Reading.

Committee memberships – People and Organisational Development Committee, Charitable Funds Committee, Finance and Performance Committee, Remuneration and Nominations Committee

Julie Parker, Non-Executive Director

Julie is an experienced non-executive director with strong finance and corporate governance expertise. She has been a Director of Resources and Finance with an excellent track record in providing strategic direction, strong financial management and effective support services. Her experience spans the London Borough of Haringey, Tower Hamlets and Barking and Dagenham. She has extensive audit committee experience including the Health and Care Professions Council, Essex Fire and Rescue and Essex Police. Prior to her appointment to the MSE Board, Julie was a non-executive director of East Suffolk and North Essex NHS Foundation Trust and its predecessor Colchester University Hospital NHS Foundation Trust since April 2014.

Committee memberships – Audit, Finance and Performance Committee, Charitable Funds Committee, Remuneration and Nominations Committee

Margaret Pratt, Non-Executive Director

Margaret is a CIPFA accountant who has worked in and with NHS organisations in senior roles for over 25 years. She has a track record as a non-executive director in a range of public service organisations. Margaret represents the Chartered Institute of Public Finance and Accountancy (CIPFA) on the development and implementation of ethical standards for the accountancy profession in the UK and Ireland

Prior to her appointment to the MSE Board, Margaret was a non-executive director at BTUH since April 2018.

Committee memberships – Audit (Chair), Quality Governance Committee, Remuneration and Nominations Committee

Deepak Singh, Non-Executive Director and Freedom To Speak Up Guardian

Deepak has a background in digital transformation and has helped a number of global organisations to increase revenue growth and improve customer experience through technology innovation. During his varied career, Deepak has been responsible for leading large scale technology functions, helped secure a number of commercial contracts with high profile brands and developed partnership/seed investment deals with leading-edge digital technology companies.

Deepak's executive career includes three years as the Director General and Chief Information Officer of HM Revenue and Customs and Group Chief Information Officer at a FTSE 100 company.

Committee memberships – Quality Governance Committee, Finance and Performance Committee, Remuneration and Nominations Committee

Caroline Stanger, Non-Executive Director

Caroline is a confident and creative senior leader, specialising in healthcare leadership and organisational development. She has a nursing background plus a track record of commissioning health services in the NHS. Latterly, she has been involved in the design and delivery of comprehensive clinical leadership and cultural change solutions, both in the public and private sectors.

Since November 2020, Caroline has been working as an Associate Partner with IBM, supporting healthcare organisations to transform care pathways with the support of digital technology, data and analytics.

Prior to joining the MSE Board, Caroline was Director of Clinical Leadership at BUPA since 2013.

Committee memberships – Quality Governance Committee, People and Organisational Development Committee, Remuneration and Nominations Committee

Barbara Stuttle CBE, Non-Executive Director

Barbara has a long and successful nursing career that spanned 48 years of NHS experience and she is now semi-retired. She has worked with in all areas of the NHS during this time to assist in improving the quality of care and services across England.

Since 2013, Barbara has been working within special measures trusts leading and developing nurses to ensure that sustainable improvements in care for patients are delivered. During her career she has undertaken two Department of Health roles. One lead on the implementation of non-medical prescribing across the UK and the other role supported the implementation of new technologies in health.

Barbara was honoured with a CBE in 2004 for her services to the NHS.

Prior to her appointment to the MSE Board, Barbara had been a non-executive director at BTUH since April 2018.

Committee memberships – Quality Governance Committee (Chair), Audit, People and Organisational Development Committee, Remuneration and Nominations Committee

Alan Tobias OBE, Non-Executive Director, Trust Vice Chair and Health and Wellbeing Guardian (from April 2021)

Alan joined Southend University Hospital NHS Foundation Trust as Chair in December 2011 from his former position of chairman at West Essex PCT. He is a qualified solicitor with a strong record of senior management, both in the public and private sector. For 16 years he was a London Borough's Chief Executive and latterly chairman of an IT company.

Alan was also Chairman of Essex Probation Service for six years and a board member of Springboard Housing Association as well as a trustee to two charitable trusts. In February 2019, Alan was appointed as chairman of Mid Essex Hospital alongside his role at Southend.

Committee memberships – Finance and Performance Committee (Chair), Charitable Funds Committee, People and Organisational Development Committee, Remuneration and Nominations Committee

Executive Board Members

Clare Panniker, Chief Executive (voting)

Clare joined BTUH as Chief Executive in September 2012. Prior to joining BTUH, Clare was Chief Executive of North Middlesex University Hospital for nine years.

A qualified nurse, Clare also has a business degree and has worked in the NHS for more than 25 years.

Clare was appointed Chief Executive of MEHT in March 2016 and of SUHT in January 2017, whilst retaining her role at BTUH.

Tom Abell, Chief Strategy and Transformation Officer (Deputy Chief Executive) (voting)

Tom Abell joined BTUH in October 2015 as Deputy Chief Executive. He was previously Chief Officer of NHS Basildon and Brentwood CCG, bringing valuable experience of health commissioning to the Board of Directors.

Tom has been involved in several major service transformation and improvement programmes during his career. He has a special interest in the role that technology and new ways of working can play in improving health outcomes for patients, while making maximum use of valuable resources.

Yvonne Blucher, Managing Director, Southend

Yvonne joined Southend University Hospital NHS Foundation Trust in October 2015 as Chief Nurse from 'Barts' where she was Deputy Chief Nurse for Quality and Governance. Prior to this she spent 10 years as Director of Nursing and Quality at Princess Alexandra Hospital in Harlow, two years of which she was Director of Nursing and Operations Director.

She completed her nurse training and began her NHS career at Basildon Hospital before later specialising in cardiac care. She then moved north to Barnsley where she was instrumental in setting up first aid centres in the pit mines with defibrillators. Yvonne is a fellow of the Institute of Health Improvement and has a real passion for engaging staff to ensure patients get the best possible outcomes.

Yvonne was appointed as the Managing Director of Southend in December 2016 as part of the Joint Executive Group, taking full responsibility for day-to-day operational business and leading on innovation and quality.

Jonathan Dunk, Chief Commercial Officer (voting)

Jonathan joined the MSE Group in May 2018 to provide executive leadership to a variety of key strategic workstreams, including the future organisational form programme and the transformation of corporate support services.

He has a strong background in finance, strategic and turnaround director roles in both the NHS acute and commissioning sectors, most recently in the acute sector as Director of Finance at Milton Keynes University Hospital NHS Foundation Trust.

Jonathan is a graduate of the NHS Financial Management Training Programme and holds an NHS Leadership Academy Award in Executive Healthcare Leadership. He is a chartered accountant with CIPFA.

Jane Farrell, Managing Director, Mid Essex (non-voting)

Jane joined MEHT in July 2018. She has a wealth of experience in senior roles including working at Kings College Hospital in London and Western Sussex Hospitals NHS Foundation Trust.

Jane served as Director of Operations and Deputy Chief Executive at Royal West Sussex NHS Trust and Chief Operating Officer at Ealing Hospital NHS Trust. Jane played a significant role in the merger of three separate trusts to form Western Sussex – leading the organisation to an "outstanding" rating from the Care Quality Commission in April 2016.

Jane is a dual qualified nurse who ultimately specialised in paediatrics and critical care and held several professional leadership roles before moving full time into NHS management.

Danny Hariram, Chief People and Organisational Development Officer (voting)

Danny was previously the Workforce and OD Director at BTUH since 2015 and he has worked in a number of acute and mental health trusts during the last 20 years with extensive experience of leading significant organisational change.

Danny works to ensure high levels of staff engagement and to develop an environment that allows for improvements for both patients and staff, facilitating staff to unlock their full potential.

Danny joined the MSE legacy trusts executive team in November 2018.

Andrew Pike, Managing Director, Basildon and Thurrock (non-voting)

Andrew has 26 years health management experience at Board and Chief Executive level. He has held several senior NHS posts in the East of England and Essex, including overseeing the Success Regime for Mid and South Essex.

Andrew has a long and varied career in hospitals, primary care and commissioning. Prior to joining BTUH in July 2018, he spent five years as NHS England's Director of Commissioning Operations for the East of England. His move to BTUH allowed him, once again, to get closer to the front line of patient care, which has always been his passion.

Diane Sarkar MBE, Chief Nursing and Quality Officer (voting)

Diane's experience spans the NHS and private healthcare. After training at the Royal Free Hospital in London, she worked in a number of London's large acute hospitals and progressed through several operational and management positions.

In 1996, Diane worked in the private sector at the Wellington Hospital, setting up new governance frameworks and leading on the quality agenda. Having completed a Masters degree, Diane returned to the NHS in 2001 at Southend Hospital as Associate Director of Operations for Medicine and then Associate Director of Nursing.

Appointed to BTUH in 2010, Diane's focus has been particularly around developing the nursing workforce, as well as leading on a number of corporate agendas, including quality improvement, patient safety, risk and compliance and patient experience.

Diane became Chief Nursing and Quality Officer of the MSE Group in January 2017.

She was honoured to receive an MBE in the New Years' Honours List in January 2021.

Dawn Scrafield, Chief Finance Officer (voting)

Dawn is a highly experienced, values driven senior NHS leader with a strong reputation as an effective problem solver, with drive, determination, energy and imagination to deliver high quality, cost effective services to patients. Dawn is a qualified and seasoned finance professional with over 23 years' experience at senior and board levels, with a successful track record of achievements operating as a Director and Deputy Chief Executive in complex multi-site NHS organisations.

Prior to joining the MSE Group in September 2019, Dawn supported the successful merger of Colchester and Ipswich Hospitals, to form East Suffolk and North Essex Foundation Trust. A strong team player with an excellent reputation for achieving significant results across a broad range of portfolios including, corporate leadership and strategy, financial improvement, performance management, and turnaround in challenged organisations.

Dr David Walker, Chief Medical Officer (voting)

David has worked as a doctor for over 30 years and has held executive director positions in a number of NHS organisations since 2001. He has wide research experience in the field of infectious diseases and epidemiology. He has held academic roles up to professorial level in several UK Universities and was formerly a visiting scientist at the Centres for Disease Control in Atlanta, USA.

Prior to this appointment with MSE Group in September 2019, David has been the Deputy Chief Medical Officer for England and Executive Medical Director for an acute Trust in the North West region.

Directors' attendance

Membership and attendance at Board of Directors and committee meetings during 2020/21 is summarised below. The values shown are the number of attendances against the number of meetings held during the year that the non-executive director or executive director was eligible to attend. Where is no entry, this means that the director was not a member of that committee.

Figure 3

for key please see over the page – board committees section

Board/Committee	BoD	AC	F&P	QGC	CFC	Rem Nom	POD	BAC
Chair	Nigel Beverley	Margaret Pratt	Alan Tobias	Barbara Stuttle	Alan Tobias	Nigel Beverley	Lynsey Cross	Nigel Beverley
Tom Abell	20/20		7/7	2/7	5/5		3/4	3/3
Nigel Beverley	20/20					3/3		3/3
Yvonne Blucher	19/20		5/7	6/7			1/4	3/3
Lynsey Cross	17/20	6/7				3/3	4/4	3/3
Jonathan Dunk	17/20							3/3
Jane Farrell	12/20		3/7	4/7			1/4	2/3
Danny Hariram	20/20						4/4	3/3
Dave Hughes	20/20		6/7		5/5	3/3	4/4	3/3
Clare Panniker	20/20		4/7	6/7			2/4	3/3
Julie Parker	18/20	7/7	7/7		5/5	3/3		3/3
Andrew Pike	18/20		7/7	7/7			1/4	2/3
Margaret Pratt	20/20	7/7		7/7	1/5	3/3		3/3
Diane Sarkar	20/20			7/7			1/4	3/3
Dawn Scrafield	19/20		6/7		5/5			3/3
Deepak Singh	20/20		7/7	7/7		3/3		3/3
Caroline Stanger	19/20			5/7		2/3	3/4	2/3
Barbara Stuttle	20/20	6/7		7/7		3/3	4/4	3/3
Alan Tobias	19/20		7/7	1/7	5/5	3/3	4/4	3/3
David Walker	20/20			7/7			2/4	3/3

Jane Farrell was unable to attend a number of meetings due to unavoidable operational commitments.

Directors' additional activities

No executive directors were appointed as non-executive directors of another organisation during the year. No board members were governors or directors of another NHS Foundation Trust.

Board Committees

Remuneration and Nominations Committee (RN)

The Remuneration and Nominations Committee (RemNom) serves a number of purposes in that it:

- Determines the remuneration and terms of service of the Trust's Chief Executive and other executive directors;
- Considers the pay and conditions of any termination arrangements;
- Appoints executive directors (including the Chief Executive) following a formal, rigorous, open and transparent process;
- Advises the Council of Governors on the skills and experience required for non-executive director appointments.

The RemNom Committee comprises all non-executive directors and is chaired by the Trust Chair.

The Committee's terms of reference are compliant with all Code Provisions relating to it within the NHS Foundation Trust Code of Governance 2014.

The Chief Executive, the Chief People and OD Officer and the Company Secretary are invited to attend the committee when relevant to provide professional advice.

No officers attend any meeting at which their terms of office or remuneration for their posts are under discussion. In the event that an external advisor to the committee is appointed, that person is not a member of the committee.

During 2020/21, the RemNom Committee met on 3 occasions. At these meetings, the following items of business were transacted:

- Extension of a pension contribution retention scheme previously agreed by the predecessor trusts;
- Adjustments of a number of executive director salaries in the light of benchmarking information;
- Formal adoption of the national pay award for those employees on Very Senior Management (VSM) contracts.

When making decisions about executive remuneration, the RemNom Committee applies the Trust's policy on equal opportunities in employment (see Staff Report). Where a need is identified to take positive action under the Equality Act 2010 to increase representation at senior level from people with protected characteristics, such steps are taken with agreement of the Committee, often with the assistance of executive search agencies. There was no executive recruitment conducted in 2020/21.

When a decision is made to recruit an executive director, reference is made by the RemNom Committee to the Trust's strategic objectives to ensure that the role promotes the achievement of these objectives. Similarly the performance objectives of executives are aligned to the organisation's strategic objectives, as overseen by the Committee.

Charitable Funds Committee (CFC)

The Charitable Funds Committee (CFC) ensures that the Trust complies with its responsibilities as a corporate trustee and reviews the performance of charitable funds.

Key activities of the Committee during 2020/21 included:

- Review of the charity accounts for 2019/20;
- Co-ordination of the programme to publicize and embed the newly merged charity;
- Monitoring the reserves of the charity in compliance with the Reserves Policy, review of fundraising activities and consideration of fundraising resources and appropriate appeals.

Audit Committee (AC)

The Board has an Audit Committee whose membership comprises solely non-executive directors. In 2020/21, the committee comprised four NEDs. There is overlap in membership of the Audit Committee, the Finance and Performance Committee and the Quality Governance Committee, in the interests of promoting integrated governance and the flow of information and assurance between committees.

The role of the Audit Committee is to assess the adequacy and effective operation of the Trust's overall systems of risk management and internal control. It focusses mainly on the framework of risks, controls and related assurances that underpin the delivery of the Trust's strategic and operational objectives.

In focussing on the framework of controls, risks and related assurances that underpin the delivery of the Trust's strategic objectives (the Board Assurance Framework – BAF), the Committee takes a particular interest in the processes that underpin the AGS.

The Committee has a private meeting with auditors before each formal meeting. One private minute was forwarded to the Trust Chair highlighting a matter of concern. This related to the qualified Head of Internal Audit Opinion for 2020/21, further details of which can be found in the Annual Governance Statement.

The Audit Committee has undertaken key roles in relation to business as usual, post-merger integration and risk management, the consequences of COVID-19 and the NHSI/E undertakings.

Key activities of the Audit Committee during 2020/21 included:

Business as usual

- Review and approval of the internal audit strategy, operational plan and more detailed programme of work, ensuring that this was consistent with the audit needs of the Trust as identified in the Board Assurance Framework;
- Consideration of the findings of internal audit work, the appropriateness and timeliness of management responses and the timeliness of the completion of agreed actions to bring about improvements;
- Review of all external audit reports, including the annual audit letter to the Council of Governors and any work conducted for the Trust outside the annual audit plan;
- Review of the Trust's Annual Report and Financial Statements (Accounts) before approval by the Board of Directors, including the Annual Governance Statement and changes in, and compliance with, accounting practices and policies;
- Review of all work related to counter fraud as required by the NHS Counter Fraud Authority;
- Review of the work of other committees whose work can provide assurance on the Trust's overall system of governance and internal control;
- The Audit Committee received regular reports on losses and special payments, waivers of tendering processes and competitive quotations and any alleged or suspected fraud notified to the Trust or its local counter fraud specialist;

Governance during COVID-19

- Oversight of the interim governance arrangements introduced to facilitate the response to the pandemic. The Audit Committee, both before and after the merger date, noted that a number of staff had enabled contracts, or brokered discussions for the Trust, with potential PPE suppliers. The Committee was satisfied that no purchases were made where our staff had an interest in the supplying entity. However for full disclosure, the Trust sought declarations of interest where their involvement had been more extensive in facilitating the purchase.

Post-merger

- Overseeing the closure of annual reports and accounts from the three legacy trusts. Many thanks are offered by the Committee to all those involved in the closure work and subsequent rationalisation of processes post-merger.
- Mapping orphan activities to ensure that there were no gaps in governance and reporting (part of Ward to Board assurance) as part of the post-merger integration;
- Overseeing the harmonisation of trust-wide systems for managing conflicts of interest, accounting policies and the management of the trust's responsibilities under the Freedom of Information Act 2000;
- Re-tendered the Foundation Trust and Charitable Trust external audits in open competition and made recommendations to the Board and the Council of Governors.

NHSI/E undertakings

- Oversight of the Trust's work to fulfil the undertakings it agreed with NHSI/E, working with other committees to whom oversight of particular undertakings was delegated; The Audit Committee held discrete additional meetings to undertake this crucial governance oversight role
- Commissioning and independent diagnostic report on governance from an external provider (PWC).

In line with the NHS Foundation Trust Code of Governance, the Audit Committee had the following item to report to the Board:

- The Committee undertook a detailed review of the financial statements prepared for the Annual Report and Accounts 2020/21

The Annual Report and Accounts were consistent with the information provided to the Committee throughout the year and with information provided through external assurance reports (for example the CQC reports).

In reviewing the reports from the external auditors to the Committee and to the Council of Governors, and taking into account the Committee's private discussions with the external auditors, the Committee considers, along with comments from management, whether the Trust received an effective audit from the current external audit provider, BDO LLP. The external auditors' fee was fixed with reference to the contract under which this firm was appointed, and the Committee received confirmation of the fees to be charged for the 2020/21 audit when considering the external audit plan for the year.

In preparing for the review of the 2020/21 financial statements, the Committee spent time assessing the Trust's Going Concern Statement, in view of its financial position.

The external auditors did not undertake any additional work for the Trust outside the annual audit plan during 2020/21.

The Audit Committee is supported by three assurance committees of the Board of Directors: the Quality Governance Committee, the Finance and Performance Committee and the People and OD Committee. Each committee comprises non-executive directors and senior officers. All committees are shared by non-executive directors. The aim of all committees is to ensure in-depth scrutiny and additional assurance on the internal control in these key aspects of the Trust's business and governance responsibilities.

Quality Governance Committee (QGC)

The Trust's umbrella clinical governance committee is the Quality Governance Committee. It is responsible to the Board of Directors for monitoring the implementation of strategic priorities and compliance with regulatory requirements and best practice relating to clinical quality, patient safety and patient experience. Quality governance is discussed in more detail in the Annual Governance Statement.

Save for April, May and December 2020 and January and February 2021, the Committee met on a monthly basis. During these other months, the core business of the Quality Governance Committee was transacted as part of a single Board Assurance Committee.

The focus on quality improvement and outcomes was maintained by an integrated quality report from the Chief Nursing and Quality Officer and the Chief Medical Officer.

Governor observers provide regular feedback on the work of the committee at the Council of Governors meetings during the year. This was a key step in helping governors to discharge their statutory duty to hold the Board to account through the non-executives.

Key activities of the Quality Governance Committee during 2020/21 included:

- Oversight of reports and resultant action plans from external service reviews and compliance visits;
- Review of benchmarking data in relation to a number of areas including falls and serious incidents;
- Regular review of the quality and patient safety risks on the Board Assurance Framework and the Corporate Risk Register;
- Oversight of the Trust's work to address the shortcomings identified by the CQC in relation to maternity services at Basildon Hospital and the associated class 2 undertaking. A sub-committee (the maternity assurance committee) was set up in February 2021 to provide additional capacity to oversee this work.

Finance and Performance Committee (FPC)

This Committee's remit includes scrutiny of operational performance alongside the effectiveness of financial management, financial governance and financial performance against plan.

Key activities of the Committee during 2020/21 included:

- Considering on a monthly basis the trust's financial performance including achievement of efficiency savings and cash management by reference to the Annual Plan;
- Reviewing capital expenditure against plan;
- Monthly scrutiny of recovery plans against the access standards within the NHS Constitution, including the 4-hour A&E wait standard, the 18-weeks referral to treatment (RTT) standard and the cancer wait standards;
- Design and oversight of the trust's business case review process, which was graded as accruing reasonable assurance by the internal auditors;
- Monthly review of financial and operational risks on the trust's Board Assurance Framework (BAF);
- Oversight of classes 4 and 5 of the NHSI/E undertakings (delayed diagnosis and treatment of cancer patients and growth in elective backlog).

People and Organisational Development Committee (POD)

This Committee maintains oversight of the trust's workforce and organisational development agenda. Key activities of the Committee during 2020/21 included:

- Receipt of a staff story at each meeting to promote Ward to Board governance;
- Scrutiny of vacancy hotspots across the trust;
- Oversight of workforce planning and consultant job planning;
- Review of the people and OD risks on the trust's Board Assurance Framework.

How we evaluated the performance of the Board of Directors and its committees

The trust is committed to ensuring governance best practice and has adopted a mixture of regulator-driven evaluation and self-assessment to evaluate the performance of the Board of Directors. The annual appraisal/performance review of the Trust Chair was led by the Senior Independent Director (SID) with input from the Council of Governors and board members. The outcome of the appraisal and agreed objectives are shared formally with the Council of Governors in July each year.

The Trust Chair, with input from the Council of Governors undertakes in turn the annual appraisals or performance evaluations of the non-executive directors. Their objectives are shared with the Governors each year.

The Chief Executive leads the annual appraisal of the executive directors. She is supported in this task by the non-executive directors, particularly in relation to the performance of the executive as members of a unitary board with collective responsibility for the performance of the trust. The RemNom Committee reviews the appraisal and objectives agreed each year.

Evaluation of the effectiveness of the committees takes place shortly after the end of the financial year as a self-assessment exercise.

The Chair and the non-executives meet privately as required to review the performance of the Board of Directors.

At the end of each formal meeting of a committee or the board, there is a dedicated item to review the meeting in terms of administration, chairing, constructive challenge and general conduct using a standardised tool.

Feedback from governor observers at board and committee meetings is important in assisting the trust to develop and refine its governance systems and processes. To facilitate this, governor observers are invited to give any feedback in real time at the end of meetings as well as through more formal means such as non-executive director appraisals.

Ensuring the Trust is Well Led

The trust has not undergone a Well Led inspection this year. Details of the internal control systems to manage and mitigate risks associated with leadership in addition to the quality governance structure can be found within the Annual Governance Statement.

Better Payment Practice Code

The Better Payment Practice Code requires all NHS organisations to achieve a payment standard for valid invoices to be paid within 30 days of the receipt of the goods or services or a valid invoice (whichever is the later) unless other payment terms have been agreed. The target applicable for 2020/21 was 95%.

Figure 4

Better payment practice code	Actual 31/03/2021 YTD Number	Actual 31/03/2021 YTD £'000
Non NHS		
Total bills paid in the year	185,693	440,065
Total bills paid within target	150,131	351,024
Percentage of bills paid within target	**80.8%**	**79.8%**
NHS		
Total bills paid in the year	4,008	39,965
Total bills paid within target	3,029	30,216
Percentage of bills paid within target	**75.6%**	**75.6%**
Total		
Total bills paid in the year	189,701	480,031
Total bills paid within target	153,160	381,240
Percentage of bills paid within target	**80.7%**	**79.4%**

Late payment of commercial debts

The Trust was not required to make any payments of interest under the Late Payment of Commercial Debts (Interest) Act 1998 during 2020/21.

Directors' Register of Interests

The Directors' Register of Interests, which provides details of all company directorships and other significant interests, can be found on the Trust website.

The Register of Interests for Governors, providing the same detail, can be obtained from the Company Secretary.

Political and charitable donations

As an NHS foundation trust, we make no political or charitable donations. The Trust benefitted from charitable donations received and always appreciates the efforts of fundraising organisations, members of staff and the public for their continued support. This has particularly been the case during the COVID-19 pandemic.

Statement as to disclosure to auditors

For each individual who was a director at the time that the report was approved, as far as the directors were aware, there is no relevant information of which the auditors are unaware. The directors have taken all the steps they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the NHS Foundation Trust's auditor is aware of that information.

Income disclosures required by Section 43 (2A) of the NHS Act 2006

Section 43(2A) of the NHS Act 2006 (as amended by the Health and Social Care Act 2012) requires that the income from the provision of goods and services for the purposes of health services in England must be greater than the income from the provision of goods and services for any other purpose. Of the £1,339.0m income generated during 2020/21, £1,138.9m (85%) related directly to the provision of NHS healthcare.

Section 43(3A) of the NHS Act 2006 requires NHS foundation trusts to provide information on the impact that other income it has received has had on the provision of the health service in England. The income generated from other sources by the Trust during 2020/21 (noted above), had no impact on the provision of goods or services for the purpose of the health service in England.

Cost allocation and charging requirements

The Trust complied with the cost allocation and charging requirements as set out in HM Treasury and Office of Public Sector Information Guidance.

Nigel Beverley
Trust Chair

30 June 2021

Clare Panniker
Chief Executive

30 June 2021

Council of Governors and Membership Report

All governors sign a declaration on election that indicated that they meet the "fit and proper persons" test as described in the provider license. No governor was a director or governor in another NHS foundation trust.

The role of the Council of Governors

The Council of Governors came into being on 1 October 2020. Due to the pandemic, the election of the Council of Governors was postponed from 1 April 2020. During the period 1 April 2020 to 1 October 2020, governors and patient council members from the three legacy Trusts remained as a shadow Council of Governors, in an advisory capacity only.

The Council of Governors and the shadow Council of Governors linked the Foundation Trust to its members, community and partner organisations to ensure local people were engaged and involved in our services.

The Council of Governors is responsible for representing the interests of Foundation Trust members, the public and partner organisations in the local health and care economy as part of the governance of our Trust. The Council of Governors also holds the Board of Directors to account for the Trust's performance, through the non-executive directors.

Appointed governors represent their organisation, connecting the Trust and our key partner bodies. Their position within that organisation was not considered as a material interest.

On joining the Trust, each new governor receives an induction and ongoing training and development in the affairs of the Trust and the broader health and care economy. All governors were invited to attend an induction session as and have participated in briefing sessions on individual topics of interest since their election on 1 October 2020.

Governors have a standing invitation to attend and ask questions at Board meetings in public.

Lead Governor

Sally Holland, a public governor for Southend, was elected as lead governor for a period of a year. Les Catley, public Governor for Rochford was elected as the deputy lead governor. Both Sally and Les fulfilled their respective roles from election in December 2020.

Composition of the Council of Governors

The composition of the council of Governors comprised the following positions throughout 2020/21.

Figure 5

	Constituency	Number of Governors	Vacant positions
Elected	**Basildon**	5	0
	Thurrock	5	0
	Brentwood	2	0
	Southend	5	0
	Rochford	2	0
	Castle Point	3	0
	Chelmsford	5	0
	Maldon	2	0
	Braintree	3	1
	Rest of England	2	0
Staff	**Basildon Hospital site**	2	0
	Southend Hospital site	2	0
	Broomfield Hospital site	2	0
Local Authority	**Essex County Council**	1	0
	Southend Borough Council	1	0
	Thurrock Council	1	0
Partnership Organisations	**CVS**	1	0
	Basildon and Brentwood CCG	1	0
	Anglia Ruskin University	0	1
	South Essex College	0	1
Total		**45**	**3**

Meetings of the Council of Governors

During 2020/21, there were 4 formal meetings of the Council of Governors, including the Annual Members Meeting (AMM).

These meetings were all held using a virtual platform due to the pandemic. Governors were provided with technical support to facilitate their access.

The number of attendances by individual Governors and Directors at meetings of the Council of Governors were recorded and shown in the tables below.

Attendance at meetings by Governors

Figure 6

Basildon	Public	**Ron**	**Capes**	Appointed for 2 years in October 2020	4 of 4
Basildon	Public	**Marlene**	**Moura**	Appointed for 2 years in October 2020	4 of 4
Basildon	Public	**Vivien**	**Burling**	Appointed for 2 years in October 2020	4 of 4
Basildon	Public	**Jennifer**	**Flack**	Appointed for 3 years in October 2020	4 of 4
Basildon	Public	**Steve**	**Abbott**	Appointed for 3 years in October 2020	4 of 4
Brentwood	Public	**Eric**	**Watts**	Appointed for 3 years in October 2020	3 of 4
Brentwood	Public	**Bill**	**Beekoo**	Appointed for 2 years in October 2020	2 of 3
Braintree	Public	**Andrew**	**Porter**	Appointed for 3 years in October 2020	4 of 4
Braintree	Public	**Elliot**	**Riddle**	Appointed for 3 years in October 2020	2 of 4
Braintree	Public	**Neil**	**Roberts**	Appointed for 3 years in October 2020	3 of 4
Thurrock	Public	**Charlie**	**Curtis**	Appointed for 2 years in October 2020	4 of 4
Thurrock	Public	**Stephen**	**Sweeting**	Appointed for 3 years in October 2020	4 of 4
Thurrock	Public	**Tunde**	**Ojetola**	Appointed for 3 years in October 2020	3 of 4
Thurrock	Public	**Meena**	**Mitra**	Appointed for 3 years in October 2020	4 of 4

Thurrock	Public	**Solomon**	**Alexis**	Appointed for 3 years in October 2020	4 of 4
Chelmsford	Public	**Caroline**	**Beasley-Murray** OBE	Appointed for 3 years in October 2020	3 of 3
Chelmsford	Public	**Andrew**	**Thorpe-Apps**	Appointed for 3 years in October 2020	3 of 4
Chelmsford	Public	**Kim**	**Allard**	Appointed for 3 years in October 2020	1 of 4
Chelmsford	Public	**Susan**	**Sullivan**	Appointed for 3 years in October 2020	4 of 4
Chelmsford	Public	**Yazid**	**Nasir**	Appointed for 3 years in October 2020	1 of 4
Maldon	Public	**Tom**	**Kelly**	Appointed for 3 years in October 2020	3 of 4
Maldon	Public	**Neil**	**Pudney**	Appointed for 3 years in October 2020	0 of 4
Castle Point	Public	**Brian**	**Terry**	Appointed for 2 years in October 2020	3 of 4
Castle Point	Public	**Rachel**	**Clark**	Appointed for 2 years in October 2020	3 of 4
Castle Point	Public	**Tom**	**Harrison**	Appointed for 3 years in October 2020	4 of 4
Rochford	Public	**Les**	**Catley**	Appointed for 2 years in October 2020	4 of 4
Rochford	Public	**Julie**	**Gooding**	Appointed for 2 years in October 2020	1 of 4
Southend	Public	**Lawrence**	**Collin**	Appointed for 2 years in October 2020	4 of 4
Southend	Public	**Sally**	**Holland**	Appointed for 2 years in October 2020	4 of 4
Southend	Public	**Tim**	**Gocher**	Appointed for 3 years in October 2020	4 of 4
Southend	Public	**Okon**	**Umoh**	Appointed for 3 years in October 2020	3 of 4
Southend	Public	**Tony**	**Dunn**	Appointed for 3 years in October 2020	3 of 4
Rest of England	Public	**Mercedes**	**de Dunewic**	Appointed for 2 years in October 2020	4 of 4
Rest of England	Public	**Michel**	**Mirpuri**	Appointed for 2 years in October 2020	4 of 4

Basildon site	Staff	**Mithun**	**Thampi**	Appointed for 3 years in October 2020	1 of 4
Basildon site	Staff	**Fatemeh**	**Leedham**	Appointed for 3 years in October 2020	4 of 4
Southend site	Staff	**Jesudass**	**Johnselvan**	Appointed for 2 years in October 2020	2 of 4
Southend site	Staff	**Stephanie**	**Carey**	Appointed for 2 years in October 2020	3 of 4
Broomfield site	Staff	**Clive**	**Edwards**	Appointed for 2 years in October 2020	3 of 4
Broomfield site	Staff	**Mirriam**	**Kwenda**	Appointed for 3 years in October 2020	0 of 4
Thurrock Borough Council	Local Authority	**Cllr David**	**Van Day**	Appointed for 2 years in October 2020	1 of 4
Southend Borough Council	Local Authority	**Cllr Trevor**	**Harp**	Appointed for 3 years in October 2020	3 of 4
Essex County Council	Local Authority	**Cllr Jeff**	**Henry**	Appointed for 3 years in October 2020	3 of 4
CVS	Partnership Organisation	**Simon**	**Johnson**	Appointed for 3 years in October 2020	2 of 4
Basildon and Brentwood CCG	Partnership Organisation	**Anthony**	**McKeever**	Appointed for 3 years in October 2020	0 of 4

In May 2021, the Council of Governors decided to extend the tenure of all governors to expire on 31 March rather than 30 September. This allows for elections to take place in the Autumn and Winter rather than Summer and should therefore increase voter turnout. As such, the terms of all governors elected in October 2020 with a 2-year term will expire on 31 March 2023 and those with a 3-year term on 31 March 2024.

Making appointments

It is the role of Governors to appoint, re-appoint or remove the chairman and non-executive directors (NEDs). Governors have not been required to undertake this role during 2020/21 as the NEDs were appointed in the lead up to merger by the legacy trusts.

Building our membership

The public and staff membership by constituency as at 31 March 2021 is shown in the following chart:

Figure 7

Membership size and movements	2020/21
Public constituency: At year start (April 1)	**35017**
New members	**2016**
Members leaving	**84**
At year end (31 March)	**36949**
Minimum required under Annex 1 of Constitution	**40**
Staff constituency: At year start (April 1)	**15185**
New members	**2530**
Members leaving	**2160**
At year end (31 March)	**15671**
Minimum required under Annex 2 of Constitution	**10**

NB - The number of leavers is slightly disproportionate to the number of starters above, as there are a number of employees who were fixed term who have later been made permanent employees within the Trust.

Due to the pandemic and the restrictions this put in place, Governors were unable to actively recruit members to the Trust in the manner that they ordinarily would be able. During 2020/21, the Membership Engagement and Recruitment Group (MERG) formulated the Membership Communications Plan to include virtual membership recruitment events. The MERG also launched the Membership publication for the Trust, entitled, Governors2Members.

Staff constituency

Membership of the three staff constituencies is open to any individual who is employed by the Trust under a contract of employment and is based predominantly at the site they wish to represent. They are able to become, or continue as, a member of the Trust provided they:

- are employed by the Trust under a contract of employment which has no fixed term or has a fixed term of at least 12 months; or
- have been continuously employed by the Trust under a contract of employment for at least 12 months
- Those individuals who were eligible for membership of the Trust are referred to collectively as the staff constituency.

All staff eligible for membership were contacted on joining the Trust to confirm their membership and they were given the opportunity to opt out. No former or current staff members opted out of trust membership in 2020/21.

Remuneration Report

Annual statement from the Chair of the Remuneration and Nominations (RemNom) Committee

This information is not subject to audit.

During 2020/21, the executive directors received a 1% uplift in remuneration by way of implementation of the national guidance for Very Senior Manager (VSM) remuneration. In addition, three executive directors received an uplift in remuneration following an exercise to benchmark executive remuneration against other "supra-large trusts" using NHSI benchmarking data. These decisions were made by the Remuneration and Nominations Committee. No other adjustments were made to executive pay during 2020/21. Details on the work, membership and attendance of the RemNom Committee can be found in the Directors Report.

Senior Managers' Remuneration Policy

The Trust's remuneration policy states that Agenda for Change terms and conditions apply to all directly employed staff except for very senior managers (directors) and those covered by the Doctors' and Dentists' Review Body.

The remuneration package and conditions of service for executive directors is agreed by the RemNom Committee. In setting the remuneration for directors, the Committee takes account of the following factors:

- Market value of similar posts in similar sized organisations;
- The benchmarking information provided by NHS Providers;
- The pay rates for those staff reporting to the director in question.

The remuneration for executive directors does not include any performance-related bonuses and none of the executives receive personal pension contributions other than their entitlements under the NHS Pension Scheme.

With regard to those senior managers who are paid more than £150,000 (which equates to the Prime Minister's ministerial and parliamentary salaries), the Committee satisfied itself that this remuneration was reasonable by taking a number of factors into account. These included benchmarking against comparable organisations and taking independent advice from experts in executive remuneration.

The component parts of the remuneration package for senior managers are summarised over the page.

The remuneration package determined for all executive directors by the Remuneration and Nomination Committee is designed, in its component parts and as a whole, to support achievement of the short and long-term objectives of the Trust. This is achieved by setting remuneration levels which are benchmarked against organisations of similar size and complexity and which will attract and retain high quality individuals. As the organisation does not provide bonuses for performance, the basic salary is the primary component that is utilised to recruit and retain executives. Executives accrue benefits commensurate with their salary, should they choose to join the NHS Pension Scheme, under the scheme regulations that apply to all NHS staff. There is no provision for the Trust to offer enhanced pension benefits. Similarly other benefits noted in the table below are open to all Trust staff, with no enhanced offering for the executive team.

Figure 8

Basic salary	Each year, the RemNom Committee considers the contribution of each director against the functions of the post as defined in the current job description and as foreseen for the future. This is carried out in parallel with a review of the individual's career development and potential opportunities for progression.
Pension	The executive directors are able to join the standard NHS Pension Scheme that is available to all NHS staff.
Bonus	Bonuses are not given to staff, including senior managers.
Benefits	The Trust operates a number of salary sacrifice schemes, including childcare vouchers and a car lease scheme. This is open to all permanent members of staff. The individual foregoes an element of their basic pay in return for a defined benefit.

Each year the executive directors undergo an appraisal of achievement against the objectives set for that year. Executive objectives flow from the Trust's strategic objectives, which in turn flow to those of their direct reports. In the event of inadequate performance, there is a facility for an element of executive remuneration to be "clawed back". There were no occurrences of "claw back" being invoked during 2020/21. Further details of executive appraisal and objective setting can be found in the Annual Governance Statement.

Throughout 2020/21, all executive directors held permanent contracts. All executive directors were transferred under the TUPE regulations to the merged trust on 1 April 2020.

The notice period for executive directors is 6 months are there are no additional arrangements for enhanced termination payments or compensation for early termination of contract. The Trust does not use confidentiality agreements, unless related to patient identifiable information.

The Trust does not consult with employees when preparing the senior managers' remuneration policy.

The Trust makes payments for loss of office in accordance with the regulations of established schemes such as the Mutually Agreed Resignation Scheme (MARS) and in line with employment contracts as appropriate to the individual case.

Non-executive director contracts are based on a fixed fee. Additional fees are payable for the role of Deputy Chair, Senior Independent Director and Committee Chairs. NED contracts are summarised in the section below.

Annual report on remuneration

Non-Executive Director contracts of service

The terms of office for non-executive directors is usually three years with the possible renewal for a further term, up to a maximum of six years. In the case of those non-executives who served on the Board of one of the legacy trusts, the initial term is two years only, with a maximum of five years.

The termination of a NED contract would be the responsibility of the Council of Governors. Suspension or removal of the Trust Chair or another non-executive director would require the approval of three quarters of the members of the Council of Governors, in accordance with the Trust Constitution.

Throughout the 2020/21 year, the Trust held contracts with NEDs as shown in the following table.

Figure 9

Name	Appointment date	Start of current term	Indicative end of current term
Nigel Beverley	April 2020	April 2020	March 2023
Lynsey Cross	April 2020	April 2020	March 2023
Dave Hughes	April 2020	April 2020	March 2023
Julie Parker	April 2020	April 2020	March 2023
Margaret Pratt	April 2020	April 2020	March 2022
Deepak Singh	April 2020	April 2020	March 2023
Caroline Stanger	April 2020	April 2020	March 2023
Barbara Stuttle	April 2020	April 2020	March 2022
Alan Tobias	April 2020	April 2020	March 2022

Expenses

Expenses were paid to both executive and non-executive directors and governors during the year, as shown below:

Figure 10

2020/21	Total receiving expenses	Total expenses (£)
Directors	11	£5,598
Governors	0	0
Total	11	£5,598

Figure 11

2019/20	Total receiving expenses	Total expenses (£)
Directors	9	£13,454
Governors	2	£766
Total	11	£14,220

Directors' remuneration report

This information is subject to audit.

Figure 12: Senior managers and Non-Executive Remuneration 2020/21 (subject to audit)

		Year ended 31 March 2021					
		Salary	Expense payments	Annual performance related bonus	Long-term performance related bonuses	All pensions related benefits	Total
		(Bands of £5,000)	(To nearest £100)	(Bands of £5,000)	(Bands of £5,000)	(Bands of £2,500)	**(Bands of £5,000)**
		£'000	£'	£'000	£'000	£'000	**£'000**
Executive Directors							
Clare Panniker	**Chief Executive**	255 - 260	500	-	-	**	**255 - 260**
Tom Abell	**Chief Transformation Officer**	180 - 185	-	-	-	-	**180 - 185**
Martin Callingham	**Chief Information Officer**	130 - 135	2,800	-	-	30.0 - 32.5	**160 - 165**
Dawn Scrafield	**Chief Financial Officer**	160 - 165	-	-	-	-	**160 - 165**
David Walker	**Chief Medical Officer**	230 - 235	100	-	-	**	**230 - 235**
Eamon Malone	**Chief Estates and Facilities Officer**	135 - 140	600	-	-	7.5 - 10.0	**145 - 150**
Danny Hariram	**Chief People & Organisational Development Director**	140 - 145	200	-	-	132.5 - 135.0	**275 - 280**
Diane Sarkar	**Chief Nurse**	155 - 160	300	-	-	50.0 - 52.5	**205 - 210**
Jonathan Dunk	**Chief Commercial Officer**	150 - 155	100	-	-	37.5 - 40.0	**185 - 190**
Yvonne Blucher	**Managing Director**	170 - 175	-	-	-	**	**170 - 175**
Andrew Pike	**Managing Director**	175 - 180	200	-	-	7.5 - 10.0	**185 - 190**
Jane Farrell	**Managing Director**	170 - 175	-	-	-	15.0 - 17.5	**185 - 190**

** Deferred members of the NHS Pension Scheme.

Figure 13

		Year ended 31 March 2021					
		Salary	Expense payments	Annual performance related bonus	Long-term performance related bonuses	All pensions related benefits	Total
		(Bands of £5,000)	(To nearest £100)	(Bands of £5,000)	(Bands of £5,000)	(Bands of £2,500)	(Bands of £5,000)
		£'000	£'	£'000	£'000	£'000	£'000
Non-Executive Directors							
Nigel Beverley	**Chair**	50 - 55	-	-	-	-	**50 - 55**
Alan Tobias OBE	**Non - Executive Director**	20 - 25	-	-	-	-	**20 - 25**
Lynsey Cross	**Non - Executive Director**	15 - 20	-	-	-	-	**15 - 20**
Dave Hughes	**Non - Executive Director**	15 - 20	-	-	-	-	**15 - 20**
Julie Parker	**Non - Executive Director**	15 - 20	-	-	-	-	**15 - 20**
Margaret Pratt	**Non - Executive Director**	15 - 20	200	-	-	-	**15 - 20**
Deepak Singh	**Non - Executive Director**	15 - 20	-	-	-	-	**15 - 20**
Caroline Stanger	**Non - Executive Director**	15 - 20	-	-	-	-	**15 - 20**
Barbara Stuttle CBE	**Non - Executive Director**	15 - 20	600	-	-	-	**15 - 20**

Figure 14: Executive Directors DISCLOSURE 2019/2020

		Year ended 31 March 2020			
		Total Salary, fees and Bonus	Basildon NHS FT	Mid Essex NHS Trust	Southend NHS FT
		(Bands of £5,000)	(Bands of £5,000)	(Bands of £5,000)	(Bands of £2,500)
		£'000	£'000	£'000	£'000
Executive Directors					
Clare Panniker	**Chief Executive**	245 - 250	80 - 85	80 - 85	**80 - 85**
Tom Abell	**Chief Transformation Officer**	155 - 160	50 - 55	50 - 55	**50 - 55**
Martin Callingham	**Chief Information Officer**	130 - 135	40 - 45	40 - 45	**40 - 45**
Dawn Scrafield	**Chief Financial Officer** (from Sep 2019)	90 - 95	30 - 35	30 - 35	**30 - 35**
David Walker	**Chief Medical Officer** (from Oct 2019)	115 - 120	35 - 40	35 - 40	**35 - 40**
Eamon Malone	**Chief Estates and Facilities Officer**	135 - 140	45 - 50	45 - 50	**45 - 50**
J. O'Sullivan	**Chief Financial Officer** (to Aug 2019)	65 - 70	20 - 25	20 - 25	**20 - 25**
Danny Hariram	**Chief People & Organisational Director**	190 - 195	60 - 65	60 - 65	**60 - 65**
Diane Sarkar	**Chief Nurse**	145 - 150	45 - 50	45 - 50	**45 - 50**
Jonathan Dunk	**Chief Commercial Officer**	150 - 155	50 - 55	50 - 55	**50 - 55**
Dr Celia Skinner	**Chief Medical Officer** (to Sep 2019)	60 - 65	20 - 25	20 - 25	**20 - 25**
Yvonne Blucher	**Managing Director**	170 - 175	-	-	**170 - 175**

Figure 15: Senior managers and Non-Executive Remuneration 2019/20

		Year ended 31 March 2020					
		Salary	Expense payments	Annual performance related bonus	Long-term performance related bonuses	All pensions related benefits	Total
		(Bands of £5,000)	(To nearest £100)	(Bands of £5,000)	(Bands of £5,000)	(Bands of £2,500)	(Bands of £5,000)
		£'000	£'	£'000	£'000	£'000	£'000
Executive Directors							
Clare Panniker	**Chief Executive**	80 - 85	100	-	-	-	**80 - 85**
Tom Abell	**Chief Transformation Officer**	50 - 55	100	-	-	37.5 - 40.0	**90 - 95**
Martin Callingham	**Chief Information Officer**	40 - 45	100	-	-	30.0 - 32.5	**75 - 80**
Dawn Scrafield	**Chief Financial Officer** (From Sep 2019)	30 - 35	100	-	-	30.0 - 32.5	**60 - 65**
David Walker	**Chief Medical Officer** (From Oct 2019)	35 - 40	-	-	-	-	**35 - 40**
Eamon Malone	**Chief Estates and Facilities Officer**	45 - 50	2,700*	-	-	30.0 - 32.5	**75 - 80**
J. O'Sullivan	**Chief Financial Officer** (Until Sep 2019)	20 - 25	100	-	-	12.5 - 15.0	**35 - 40**
Danny Hariram	**Chief People & Organisational Development Director**	60 - 65**	100	-	-	-	**60 - 65**
Diane Sarkar	**Chief Nurse**	45 - 50	100	-	-	27.5 - 30.0	**75 - 80**
Jonathan Dunk	**Chief Commercial Officer**	50 - 55	-	-	-	25.0 - 27.5	**75 - 80**
Dr Celia Skinner	**Chief Medical Officer** (Until Jul 2019)	15 - 20	-	0 - 5***	-	-	**20 - 25**
Yvonne Blucher	**Managing Director**	170 - 175	100	-	-	-	**170 -175**

* Includes a one-off relocation expense package.

** Includes one-off pensions payment due to issues identified in the prior year.

*** Relates to clinical excellence award.

Figure 16

		Year ended 31 March 2020					
		Salary	Expense payments	Annual performance related bonus	Long-term performance related bonuses	All pensions related benefits	Total
		(Bands of £5,000)	(To nearest £100)	(Bands of £5,000)	(Bands of £5,000)	(Bands of £2,500)	(Bands of £5,000)
		£'000	£'	£'000	£'000	£'000	£'000
Non-Executive Directors							
A. Tobias OBE	**Chair**	40 - 45	200	-	-	-	**40 - 45**
D. Parkins	**Non - Executive Director**	20 - 25	200	-	-	-	**20 - 25**
M. Green	**Non - Executive Director**	15 - 20	100	-	-	-	**15 - 20**
F. Heddell	**Non - Executive Director**	15 - 20	200	-	-	-	**15 - 20**
J. Le Masurier	**Non - Executive Director**	10 - 15	-	-	-	-	**10 - 15**
T. Young	**Non - Executive Director**	10 - 15	200	-	-	-	**10 - 15**
G. Rydings	**Non - Executive Director**	10 - 15	-	-	-	-	**10 - 15**
G. Partridge	**Non - Executive Director**	10 - 15	-	-	-	-	**10 - 15**

Pension entitlement for senior managers (subject to audit)

The Government's Financial Reporting Manual requires the Foundation Trust to make disclosures regarding the pension entitlements of its directors, as detailed in the following table. As non-executive directors do not receive pensionable remuneration, there are no entries in respect of pension benefits for these directors.

Figure 17: Pension entitlement for senior managers 2020/21

		Year ended 31 March 2021						
		Real Increase in pension at pension age	Real Increase in pension lump sum at pension age	Total accrued pension at pension age at 31 March 2021	Lump sum at pension age related to accrued pension at 31 March 2021	Cash Equivalent Transfer Value at 1 April 2020	Real Increase in Cash Equivalent Transfer Value	Cash Equivalent Transfer Value at 31 March 2021
		(Bands of £2500)	(Bands of £2500)	(Bands of £5000)	(Bands of £5000)			
Executive Directors								
Clare Panniker	**Chief Executive**	-	-	-	-	-	-	-
Tom Abell	**Chief Transformation Officer**	0 - 2.5	0 - 2.5	25 - 30	0 - 5	268	11	283
Martin Callingham	**Chief Information Officer**	2.5 - 5.0	0 - 2.5	60 - 65	140 - 145	1,172	61	1,253
Dawn Scrafield	**Chief Financial Officer**	0 - 2.5	0 - 2.5	50 - 55	100 - 105	746	18	777
David Walker	**Chief Medical Officer**	-	-	-	-	-	-	-
Eamon Malone	**Director of Environment and Infrastructure**	45.0 - 47.5	150.0 - 152.5	50 - 55	150 - 155	49	1,193	1,243
Danny Hariram	**Chief People & Organisational Development Director**	5.0 - 7.5	5.0 - 7.5	45 - 50	100 - 105	704	123	838
Diane Sarkar	**Chief Nurse**	2.5 - 5.0	0 - 2.5	55 - 60	115 - 120	980	75	1,072
Jonathan Dunk	**Chief Commercial Officer**	2.5 - 5.0	0 - 2.5	35 - 40	65 - 70	503	42	553
Andrew Pike	**Managing Director**	0 - 2.5	2.5 - 5.0	75 - 80	230 - 235	1,816	69	1,916
Jane Farrell**	**Managing Director**	0 - 2.5	5.0 - 7.5	75 - 80	230 - 235	N/A	N/A	N/A
Yvonne Blucher*	**Managing Director**	-	-	-	-	-	-	-

* These individuals have opted out of the pension scheme in 2020/21 but are deferred members. No values are available for disclosure.

** Due to Scheme retirement ages for J Farrell, no CETV values are available for disclosure.

Figure 18: Pension entitlement for senior managers 2019/20

		Year ended 31 March 2020						
		Real Increase in pension at pension age	Real Increase in pension lump sum at pension age	Total accrued pension at pension age at 31 March 2021	Lump sum at pension age related to accrued pension at 31 March 2021	Cash Equivalent Transfer Value at 1 April 2020	Real Increase in Cash Equivalent Transfer Value	Cash Equivalent Transfer Value at 31 March 2021
		(Bands of £2500)	(Bands of £2500)	(Bands of £5000)	(Bands of £5000)			
Executive Directors								
Clare Panniker*	**Chief Executive**	-	-	-	-	-	-	-
Tom Abell	**Chief Transformation Officer**	2.5 - 5.0	0 - 2.5	25 - 30	0 - 5	236	15	268
Martin Callingham	**Chief Information Officer**	2.5 - 5.0	0 - 2.5	55 - 60	135 - 140	1,085	42	1,172
Dawn Scrafield	**Chief Financial Officer**	0 - 2.5	0 - 2.5	50 - 55	105 - 110	673	21	746
David Walker*	**Chief Medical Officer**	-	-	-	-	-	-	-
Eamon Malone	**Director of Environment and Infrastructure**	2.5 - 5.0	0	0 - 5	0	12	17	49
James O'Sullivan	**Chief Financial Officer**	0 - 2.5	0	15 - 20	0	233	15	295
Danny Hariram	**Chief People & Organisational Development Director**	2.5 - 5.0	0 - 2.5	40 - 45	90 - 95	629	0	704
Diane Sarkar	**Chief Nurse**	2.5 - 5.0	0	50 - 55	115 - 120	907	30	980
Jonathan Dunk	**Chief Commercial Officer**	0 - 2.5	0	35 - 40	65 - 70	458	12	503
Dr Celia Skinner**	**Chief Medical Officer**	0	42.5 - 45.0	0	0	1958	N/A**	N/A**
Yvonne Blucher	**Managing Director**	-	-	-	-	-	-	-

* These individuals have opted out of the Pension Scheme in 2019/20 but are deferred members. No values are available for disclosure.

** Due to scheme retirement ages for C Skinner, no CETV values are available for disclosure.

Fair pay multiples

This information is subject to audit.

NHS Foundation Trusts are required to disclose the relationship between the mid-point of the banded remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce.

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

Figure 19

Highest and median remuneration	2020/21
Band of highest paid director's total remuneration	£255k - £260k
Median total remuneration	£26,970
Ratio	9.6

Total remuneration includes salary, non-consolidated performance-related pay, benefits in kind as well as severance payments. It does not include employer pension contributions or the cash equivalent transfer value of pensions. The median remuneration for all employees was based on employees with a permanent contract with the Trust as at 31 March 2021. Agency and bank staff working at the year-end were included in the median calculation, with the cost reduced by estimation of the amount of commission included.

The banded remuneration of the highest paid director in Mid and South Essex NHS Foundation Trust in the financial year 2020/21 was paid £255-£260k (£170-£175k in 2019/20). This was 9.6 times (6.3 in 2019/20) the median remuneration of the workforce which was £26,970 in 2020/21 (£27,000 in 2019/20).

In 2020/21 the highest paid director was the Chief Executive. In 2019/20, the highest paid director was the Managing Director. The two years are not comparable because the salary of the Chief Executive was split by one third to each of the legacy trusts.

When setting the remuneration of executive directors, the Remuneration and Nominations Committee has regard to the fair pay multiple.

In 2020/21, 13 employees received remuneration in excess of the highest paid director (remuneration ranged from £2.3k to £458.8k). These employees were all medical personnel who assumed additional responsibilities or performed extra clinical activity during the COVID pandemic. This compares to remuneration range of £2.3k to £234.0k in 2019/20. In 2019/20 two employees received remuneration in excess of the highest paid director.

Clare Panniker
Chief Executive

30 June 2021

Staff Report

The staff report for 2020/21 covers an exceptional year for the workforce as well as our patients and service users. Staff are commended for their responsiveness demonstrating significant commitment to our patients as well as supporting each other in this extraordinary year. Staff have worked flexibly and in a variety of different locations, working closely with system partners to ensure the provision of healthcare to the community.

Nationally the We are the NHS: People Plan 2020/21 reinforces the work undertaken during the pandemic and includes the key areas of:

- Health and Wellbeing
- Flexible Working
- Equality and Diversity
- Culture and Leadership
- New ways of delivering care
- Growing the workforce
- Recruitment
- Retaining staff
- Recruitment and deployment across systems

One of the objectives for Mid and South Essex NHS Foundation Trust is to be an employer of choice for a supported, engaged and high performing workforce and supporting this and the national People Plan, we have developed an underpinning action plan for the priorities.

Key priorities have continued to be the provision of safe staffing levels, There has been increased admissions of COVID cases across all of MSE hospitals, along with compassionate leadership to the workforce, with the provision of additional measures to support staff with their health and wellbeing, with an increasing number of staff who have been absent due to COVID-19, be this ill health, isolation due to test and trace notification, self and dependant isolation and the shielding arrangements which have featured during 2020/21.

Ensuring that staff were protected throughout the pandemic was essential, and an individual risk assessment was launched to ensure that appropriate measures were in placed, tailored to individual circumstances, which included supporting a number of staff who were advised to shield.

Within the command and control and incident management arrangements implemented during the pandemic, to support efficient decision making, staffing reviews were a key component to the provision of safe patient care. Within this structure, locally based nursing and medical workforce controllers monitored and reviewed staffing throughout the day. This would activate the movement of staff being deployed elsewhere in their locality. There were also regular staffing review meetings to ensure that gaps within the workforce were covered with staff being deployed to ensure safe staffing, which included a review of bank and agency workers.

The continuation of the resourcing programmes have adapted to the changing travel corridors and international travel arrangements, ensuring that international recruits have continued to join the Trust as soon as possible following their appointments.

Staffing information

An analysis of the Trust's staff costs and staff breakdown are detailed below. Data is presented by staff group and includes details of staff with a permanent employment contract with the Trust and other staff, for example, short term contract staff, and agency/ temporary staff.

Also presented is a breakdown at the year end of the number of male and female, directors, other senior managers and employees as well as sickness data for all staff groups for the same period.

Figure 20: Analysis of staff costs (subject to Audit)

Staff costs			2020/21	2019/20
	Permanent £'000	Other £'000	Total £'000	Total £'000
Salaries and wages	634,977	-	**£634,977**	169,176
Social security costs	64,285	-	**64,285**	17,465
Apprenticeship levy	3,002	-	**3,002**	830
Employer's contributions to NHS pension scheme	95,358	-	**95,358**	27,453
Pension cost - other	208	-	**208**	-
Temporary staff	-	42,353	**42,353**	9,340
Total gross staff costs	797,942	-	**840,183**	**224,264**
Recoveries in respect of seconded staff	(2,409)	-	**(2,409)**	-
Total staff costs	**795,421**	**42,353**	**837,774**	**224,264**
Of which Costs capitalised as part of assets	4,967	-	**4,967**	575

Figure 21: Staff by professional group as at 31 March 2021

Staff group	Headcount	FTE
Nursing and midwifery	4,786	4,251.6
Medical and dental	1,858	1,799.86
Additional clinical services	3,223	2,814.24
Allied Health Professionals	804	696.01
Professional scientific and technical	422	366.03
Healthcare scientists	268	242.10
Estates and ancillary	1,207	945.49
Administrative and clerical	3,224	2,779.96
Total	15,792	**13,895.33**

* data provide by ESR

Figure 22: Average number of employees (WTE basis)

			2020/21	2019/20
	Permanent	Other	Total	Total
	Number	Number	Number	Number
Medical and dental	1,775	278	2,054	561
Ambulance staff	3	0	3	-
Administration and estates	2,016	507	2,523	1,029
Healthcare assistants and other support staff	4,141	673	4,814	1,129
Nursing, midwifery and health visiting staff	4,223	641	4,864	1,255
Scientific, therapeutic and technical staff	1,054	69	1,123	522
Healthcare science staff	259	12	271	-
Other	9	-	9	8
Total average numbers	**13,480**	**2,180**	**15,661**	**4,504**
Of which Number of employees (WTE) engaged on capital projects	69	20	89	-

Figure 23: Number of filled Bank and Agency roles - by staff group - as at 31 March 2021 (Full Year)

Staff group	Agency FTE	Bank FTE	Total FTE
Nursing and midwifery	115.29	534.99	650.28
Medical and dental	100.78	158.51	259.29
Additional clinical services	218.15	671.86	890.01
Allied Health Professionals	10.88	17.18	28.06
Professional scientific and technical	9.29	32.06	41.34
Healthcare scientists	2.48	9.75	12.23
Estates and ancillary	54.32	225.79	280.11
Administrative and clerical			
Grand Total	511.20	1,650.14	**2,161.33**

Figure 24: Gender split as at 31 March 2021

	Male	Female
Executive and non-executive directors	9	10
Other senior managers	103	235
Employees	3,465	11,970
Total	**3,577**	**12,215**

* data provide by ESR

Senior managers defined as band 8b and above.

Figure 25: Turnover as at 31 March 2021

Staff group	% Absence Rate
Nursing and midwifery	9.49%
Medical and dental	16.74%
Additional clinical services	10.54%
Allied Health Professionals	16.91%
Professional scientific and technical	15.55%
Healthcare scientists	12.14%
Estates and ancillary	10.46%
Administrative and clerical	11.18%
Trust total	**11.40%**

Figure 26: Sickness absence as at 31 March 2021 (including COVID-19)

Staff group	% Absence Rate
Nursing and midwifery	5.35%
Medical and dental	0.80%
Additional clinical services	7.40%
Allied Health Professionals	3.14%
Professional scientific and technical	3.32%
Healthcare scientists	2.82%
Estates and ancillary	7.38%
Administrative and clerical	4.44%
Trust total	**4.88%**

* data provide by ESR - Average of 12 months 2020-21 Financial Year

Figure 27: Sickness data as at 31 March 2021 (excluding COVID)

Staff group	% Absence Rate
Nursing and midwifery	3.98%
Medical and dental	0.76%
Additional clinical services	6.00%
Allied Health Professionals	2.14%
Professional scientific and technical	2.75%
Healthcare scientists	2.23%
Estates and ancillary	6.42%
Administrative and clerical	3.74%
Trust total	**3.90%**

* data provide by ESR - Average of 12 months 2020-21 Financial Year

Figure 28: Sickness data as at 31 March 2021 including COVID

Measure	Value
Average full time equivalent (FTE) April 2020 to March 2021	13,641.34
FTE-days available	4,897,862.11
FTE-days lost to sickness absence	239,189.75
Average of 12 months (2020-21 Financial year)	4.88%
Average sick days per FTE (include long term sickness)	18

* data provide by ESR

Figure 29: Sickness data as at 31 March 2021 (Excluding COVID)

Measure	Value
Average full time equivalent (FTE) April 2020 to March 2021	13,641.34
FTE-days available	4,897,862.11
FTE-days lost to sickness absence	191,132.24
Average of 12 months (2020-21 Financial year)	3.90%
Average sick days per FTE (include long term sickness)	14

* data provide by ESR

Off payroll disclosures and expenditure on consultancy

There were no off payroll disclosures or expenditure on consultancy disclosures necessary for the 2020/21 year.

Organisational Development

Organisational development enables staff to make a positive difference for patients through culture change, health and wellbeing, engagement and learning in a sustainable and systematic way. This year saw a significant shift in delivery to support staff through the COVID pandemic. Wellbeing Hubs were established across the three acute hospital sites for staff to access support and resources for their wellbeing. The 'MSE Buddy Network', a peer support network of 100 staff, supports the implementation of the MSE Culture Programme 'Design Phase' and provides wellbeing and peer support to colleagues across the organisation. The MSE Culture Programme (based on the framework of the NHSI/E Compassionate Leadership Programme) was adapted to respond to the changing context of the pandemic. The 'Discovery' phase completed in December 2020 and the 'Design' Phase is continuing with the development of a single set of values for the Trust. Senior leaders attended the Staff College leadership development training and teams were supported through the transition to the new operating model with team and individual development.

A project to reduce Healthcare Assistant (HCA) vacancies to zero successfully reached the target for recruitment of trainee HCAs and is supporting the training of these key clinical team members.

Occupational Health and Wellbeing

The core functions of the Occupational Health and Wellbeing services allows the protection and promotion of good health and wellbeing and the prevention of ill-health for all staff across the Trust. The services are replicated across the three acute hospital sites with one policy and standard operating procedure to allow for continuity and consistency across the sites.

Throughout the pandemic the provision of evidence based risk assessments and advice and guidance was produced for all staff and managers. It encompassed all aspects of COVID-19 and the impact it could have on staff health and wellbeing to include both physical and psychological ill-health. There was an extensive contribution by the Occupational Health and Wellbeing service to the Infection Prevention and Control service for the implementation of nosocomial contract tracing for staff and the production of clinical pathways.

The diagnostic framework for health and wellbeing has been implemented to measure the provision across the Trust. The outcome measurement has seen an expansion of musculoskeletal provision and an Employee Assistive Programme across the Trust to offer consistency. There has been an expansion of key support staff; such as mental health first aiders and collaborative working with the Buddy network to strengthen the culture implementation of Trust values and behaviours.

The access to mental health support and appropriate personnel across the Trust has increased significantly, this has allowed the creation of referral pathways for prompt and essential access to therapy; for both individual and teams.

Occupational health and wellbeing has been incorporated into both staff induction and appraisals in line with the People's Plan and the interim People Strategy.

The flu campaign achieved a 75% uptake for health care workers in 2020/21, significantly higher than was achieved in the legacy trusts.

Equality and Diversity

An Equal Opportunities in Employment Policy underpins the work the Trust undertook with regards to Equality, Diversity and Inclusion during 2020/2021. The strategic aims of Equality, Diversity and Inclusion are monitored and progressed through the Equality, Diversity and Inclusion Group to ensure that the Trust meet its statutory duties, with a pathway to implement best practice and has a focus on the delivery of objectives for the forthcoming year. The Deputy Chief Executive Officer chairs this meeting with support and involvement by the Chief People and Organisational Development Officer. Membership includes representatives from Non-Executive Directors and staff side representatives along with members of the Diversity Network Groups and key stakeholders.

Examples of initiatives undertaken during 2020/2021 included the creation and the development of successful Diversity Network Groups as one merged Trust, where we have seen membership in each of the network groups increase following their successful inception during 2019.

The Diversity Network Groups currently comprise the following agendas; Armed Forces and their Families, BAME, Disability, Faith and Belief, Gender Equality (launched this year) and LGBTQ+. Each Network Group has an appointed Executive lead and had specific annual objectives to deliver upon, which were agreed and reviewed with their members and are aligned to the Equality, Diversity and Inclusion Group objectives. The Network Groups provide our staff with a voice at many events and celebrations throughout the year, which are recognised and communicated to staff in a published annual diversity calendar.

Adhering to the COVID-19 restrictions, examples of such campaigns and events recognised during 2020/2021, where all staff were encouraged to participate, included the following:

- Celebration of Black History Month (events included a virtual quiz, 'Wear It Red' against Racism Day and supportive social media campaign).
- Continuation of the national Rainbow Badge Campaign (championing the LGBTQ+ agenda)
- Signing-up to the Stonewall charity and working towards the Bronze standard of attainment.
- Conducting Gay Pride picnics at each of the sites, with attendance from local mayors and dignitaries.
- Launch of the Disability Passport.
- Celebration of International Women's Day (with virtual speakers, inclusive quiz and celebrity thank you's for staff).
- Recognition of National Disability Day with the illumination of sites in purple lighting and the launch of the Disability lanyard for latent disabilities.

The priority of the Equality Diversity and Inclusion programme focussed on the ethnic minority agenda for 2020/2021. This reflected the societal issues for the country and local community at the time with the rise of the Black Lives Matter campaign and the inequalities of the COVID-19 pandemic, in terms of ethnicity. The Trust worked with colleagues and external partners to create bespoke Risk Assessments for staff reflecting inequalities of the virus and to support staff who were at increased risk owing to the discriminatory nature of the pandemic. Listening events with the CEO and senior leadership team were also conducted specifically for members of the ethnic minority community, to address concerns and allay fears in view of the pandemic and to further support our staff from minority ethnicities. These Listening Events have continued and an action plan has been created as a result of topics which have been discussed and issues raised.

On 8 March 2021 on International Women's Day there was the launch of the Gender Equality Network Group this year which will focus on championing gender equality and through various initiatives, will contribute to the reduction and elimination of the Gender Pay Gap over the forthcoming years.

Promotion of the equality and diversity agenda starts during the induction process for our staff at the Trust. As the Trust moves to a more electronic on-boarding process for staff, the Equality Diversity and Inclusion Team constructed a video to support a training module to outline basic expectations of inclusivity and a zero-tolerance approach to bullying and harassment, ensuring all staff work towards expected values and behaviours from the outset of their careers. This compliments the existing Respect Bullying and Harassment training which is statutory and mandatory for all staff.

The Trust continues to conduct an analysis of the staff survey focusing on the outcomes for Equality and Diversity with agreed interventions put in place, to secure improvements in this area. This was reflected in the Equality, Diversity and Inclusion overall action plans which incorporated the Workforce Race Equality Standard (WRES), Workforce Disability Standard (WDES) and Equality Delivery System 2 (EDS2) and has been included in the 5 year strategy plan for Equality, Diversity and Inclusion which will be launched in 2021.

Gender Pay Gap

Individual Gender Pay Gap data reports will be uploaded to the national database and published on individual websites site in October 2021. The gender pay gap reports demonstrated that both the average and median hourly pay rates were higher for male staff compared to female staff. Similarly, both the average and median bonus payments were higher for male staff compared to female staff with bonus payments in the majority being awarded to male staff (Clinical Excellence Awards). We are committed to taking action to close this gender pay gap and planned to use the data to enable us to initiate conversations around gender pay issues and to inform actions to address areas of concern.

A detailed action plan is in place to support this agenda and to actively drive change. However, the gender pay gap issue is a societal problem and coupled with our own distribution of staff, the process of reducing the gender pay gap will take place over a sustained number of years.

Details of the Trust's gender pay gap, alongside other organisations, can be found on the Cabinet Office website – **https://gender-pay-gap.service.gov.uk**

The Guardian Service

The Trust works in partnership with the Guardian Service to support the Freedom-to-Speak-Up (FTSU) agenda for our staff. This has led to an increased opportunity for staff to raise concerns across the Trust confidentially in the workplace and provides a structure for escalation and resolution of any concerns they may have that they feel unable to raise internally following the usual processes. This is supported by a Freedom-to-Speak-Up steering group. The group is attended by representatives from the Trust including nominated Speak-Up Champions from each directorate, which further promotes the agenda and culture of open communication and inclusion.

FTSU Guardians are accessible across MSE with a dedicated Guardian representative for each site. We continue to further recruit additional FTSU Champions across the Trust to bolster this service and provide additional support as our Trust continues to grow. The service is also promoted on staff inductions and provides information on who to contact should staff have any immediate concerns. There is also an escalation agreement with any patient safety issue being raised to the Chief Nursing Officer and Chief Medical Officer. A non-executive director has direct engagement with the guardian service and a monthly discussion with senior managers and the Guardian service for themes and any further actions to be taken was in place. A monthly report is also shared with the leadership teams to ensure any themes are being monitored and actioned as appropriate.

Due to the lack of physical presence on site over the past year owing to COVID-19, the Guardians have been offering virtual meetings with teams to ensure the service continues to be promoted. There has been a positive response to the service with staff from various directorates and roles raising concerns. These concerns had either been resolved through coaching by the Guardian, or referral to the appropriate manager for informal or more formal interventions. Additional Training has also been put in place within hot spot areas that have been identified as requiring additional intervention and support.

Control measures were in place to ensure that all of the organisation's obligations under equality, diversity and human rights legislation were complied with. The Trust always endeavours to be fully compliant with the Equality Act 2010 and the spirit of Diversity and Inclusion.

The Trade Union (Facility Time Publication Requirements)

Figure 30: Relevant Union Officials

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
17	2.52 0.80 (April to July 2020)

Figure 31: Percentage of time spent on facility time

Percentage of time	Number of employees
0%	8
1 - 50%	10
51% - 99%	1.3
100%	2

Figure 32: Percentage of pay bill spent on facility time

First Column	Figures
Provide the total cost of facility time	**£129,299.74**
Provide the total pay bill	£837,774k
Provide the percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	15.4%

Figure 33: Paid TU activities

Time spent on paid TU activities as a percentage of total paid facility time hours calculated as: (total hours spent on paid TU activities by TU representatives during the relevant period ÷ total paid facility time hours) x 100	100%

Exit packages

Reporting of compensation schemes - exit packages 2020/2021.

Figure 34

This information is subject to audit.

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	-	-	-
£10,000 – £25,000	-	-	-
£25,001 – £50,000	1	-	1
£50,001 – £100,000	2	-	2
£100,001 – £150,000	-	-	-
£150,001 – £200,000	-	-	-
<£200,000	-	-	-
Total number of exit packages by type	**3**	**-**	**3**
Total cost (£)	**£189,000**	**£0**	**£189,000**

Any exit packages for executive directors are approved through the Remuneration and Nominations Committee. Exit packages for those below executive level are approved by the Chief Executive/Chief Finance Officer and the Chief People and OD Officer.

Redundancy and other departure costs have been paid in accordance with the provisions of the relevant individuals' contracts. Exit costs in this note are the full cost of departures agreed in the year. Where the Trust has agreed early retirements, the additional costs are met by the Trust and not by the NHS Pension Scheme. Ill-health retirement costs are met by the NHS Pension Scheme and are not included in the table.

Communication with staff

Details of the various mechanisms by which we ensure that staff are systematically provided with information on matters of concern to them as employees can be found in the Annual Governance Statement.

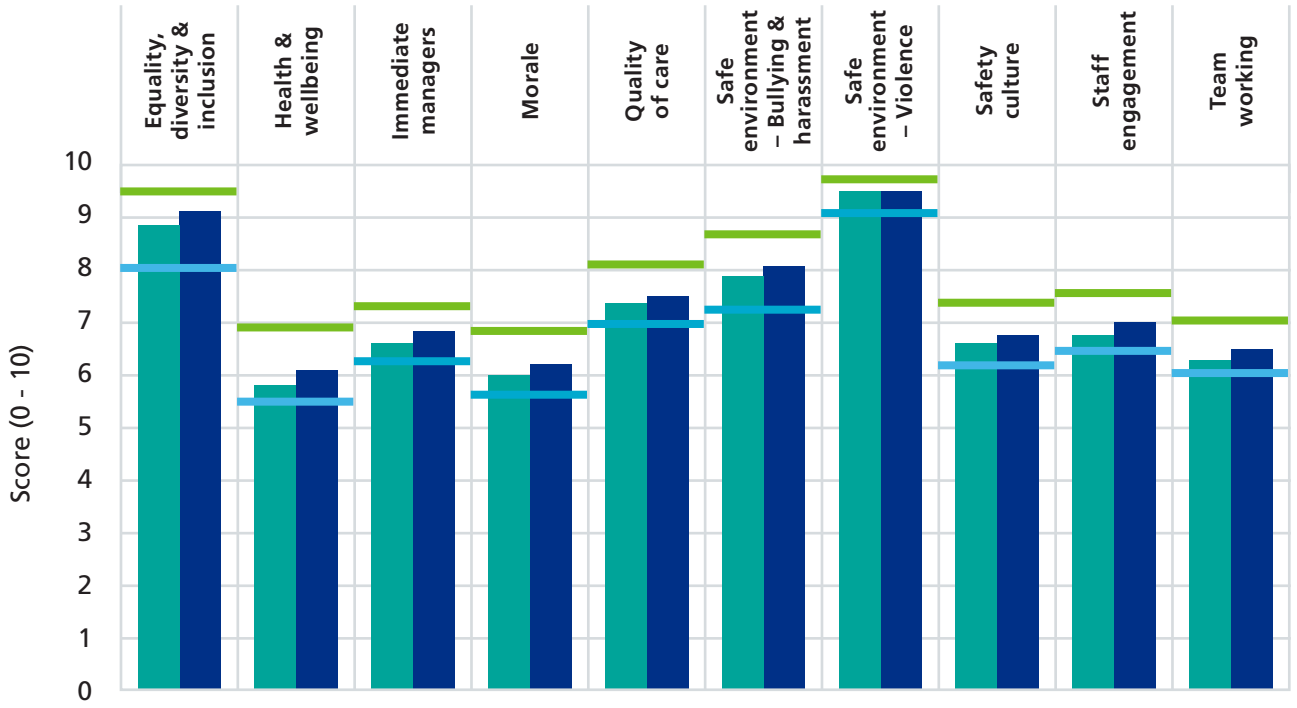
Staff engagement

Building a culture of staff engagement has been central to the MSEFT organisational development programme which commenced in January 2020 in preparation for the proposed merger. There are three domains of work: Leadership and Culture, Equality, Diversity and Inclusion and Health and Wellbeing. These all aim to improve opportunities for staff to contribute their views and to access support and assistance when needed. Staff have been encouraged to take part and share their views throughout 2020/21 with a variety of activities such as completing the staff survey, participating in values workshops, joining a staff diversity network or dropping in to a Health and Wellbeing Hub. This approach will be built on in 2021-22 as the values are confirmed and come into day-to-day use around the organisation. The 2020/21 staff survey was the first survey conducted as Mid and South Essex NHS Foundation Trust and as such there is no trend data from previous years available on the NHS Staff Survey Coordination Centre website. However, within the Trust there has been use of data from the three predecessor Trusts to direct organisational development and to allow benchmarking.

In 2020 MSEFT response rate matched the sector average of 43%. There had been a drop from an unusually high rate the previous year.

Scores for each theme compared with the sector benchmark are shown below.

Figure 35: 2020 NHS staff survey results – Theme results – Overview



Best	9.5	6.9	7.3	6.9	8.1	8.7	9.8	7.4	7.6	7.1
Your org	8.8	5.8	6.6	6.0	7.4	7.9	9.5	6.6	6.7	6.3
Average	9.1	6.1	6.8	6.2	7.5	8.1	9.5	6.8	7.0	6.5
Worst	8.1	5.5	6.2	5.6	7.0	7.2	9.1	6.1	6.4	6.0
Responses	6,376	6,409	6,431	6,389	5,588	6,351	6,366	6,406	6,436	6,315

The results for the Trust followed the large scale organisational change with the merger of three Acute Trusts in April 2020. In anticipation of this happening, a programme of organisational development was put in place from January 2020.

Comparisons between the three former NHS Trusts show a very similar profile of results across MSEFT, with Broomfield and Southend being marginally higher than Basildon. This will assist the Trust in moving forward together with improvements for staff.

The Staff Engagement score fell from 6.85 in 2019 to 6.74 in 2020. Whilst disappointing, it is accentuates the importance of progressing with the programmes initiated in 2020 which were impeded by the COVID-19 pandemic.

Out of the ten themes, MSEFT matched the national average of 9.5 for Safe Environment – Violence and also achieved a high score at 8.8 for Equality, Diversity and Inclusion. The lowest scoring areas, which will merit particular focus in 2021, were Team Working, Morale and Health and Wellbeing.

The experience of MSEFT staff whose jobs had been affected by COVID followed the same pattern as staff overall. However, a higher proportion of staff in MSEFT were classed as Working on a COVID ward or Redeployed than the sector average.

Counter fraud and anti bribery systems and processes

It is essential that proper use is made of public money and the Trust is committed to high ethical and moral standards. To this end, the Trust takes a zero tolerance approach to fraud and corruption with the intention of protecting the property and finances of the NHS and of patients in our care.

The Trust also has procedures in place to reduce the likelihood of bribery occurring which includes requirements to adhere to standing orders, standing financial instructions, documented procedures, a system of internal control (including internal and external audit), a local counter fraud specialist and a system of risk assessment. The Trust is absolutely committed to maintaining an honest, open and well-intentioned culture so as to best fulfil the objectives of the Trust and the wider NHS.

MSE NHS Foundation Trust is also committed to the rigorous investigation of any such allegations and to taking appropriate action against wrong-doers, including where appropriate criminal prosecution. To this end, the Trust has a number of policies and procedures geared towards the elimination of fraud and bribery, which include a disciplinary policy and procedure, an anti-fraud and anti-bribery policy and a Raising Concerns at Work (Whistleblowing) Policy, as well as a Conflicts of Interest (including Gifts and Hospitality) Policy. The Trust has a local counter fraud HR protocol, commissioned by NHS Counter Fraud Authority, which is reviewed and renewed annually.

Consultation with employees

The Joint Negotiating Council is the main partnership framework for consultation and negotiation on key issues impacting the organisation. This forum is chaired by the Chief People and Organisational Development Officer. The JNC brings together trade union representatives, human resources professionals and senior operational managers to consult with and discuss any proposed changes for the Trust's employees, working together to provide the best experience for staff.

The Trust consults with staff to implement organisational change, including mergers and where services have been redesigned or are being transferred into or out of the Trust. Where formal consultation is appropriate, the Trust encourages early communication and engagement with staff and union colleagues. Throughout any period of consultation and change, staff are given the opportunity for both individual and group communication in a variety of forums with the aim of supporting harmonious change for the staff affected and, ultimately, the service provided to patients. This is supported by our recognised unions. The intranets, email, in person as well as virtual meetings are also used as methods to communicate effectively with staff. There is also an established regular briefing by the Chief Executive and members of the Executive team which is cascaded digitally via our internal intranet, emailed out to staff and cascaded through team briefings across the Trust.

Following the creation of the newly merged Trust, consultations have taken place on the Future Operating Model with the new model being launched in April 2021. The consultation aimed to create a clinically led organisation based on national and international best practice for the leadership of healthcare services. This aligns the clinical and operational leadership arrangements to deliver on the ambition of the Trust and commence the process of clinical service integration and standardisation in line with the clinical strategy. This in turn will create more opportunities for career progression and development across the Trust.

Future priorities and targets

The key priorities for the people and OD agenda are:

1. Progress the Leadership and Culture programme by agreeing and embedding Trust values and behaviours and developing a strategy for leadership development.

2. Establish a Management Development offer for first line managers.

3. Further develop staff Equality, Diversity and Inclusion networks, deliver training and introduce Reverse/Reciprocal Mentoring.

4. Develop the Health and Wellbeing strategy.

5. Work with divisions to introduce improvements at a local level. Make connections between teams to share good practice and learn from each other.

6. Implement a Staff Recognition programme for formal and informal recognition of achievement, commitment and service.

These activities are managed as a programme through an established Steering Group. Timescales for each work stream are agreed and monitored through this group.

NHS Foundation Trust Code of Governance Disclosures

Mid and South Essex NHS Foundation Trust applies the principles of the NHS Foundation Trust Code of Governors on a comply or explain basis. The Code, most recently revised in July 2014, was based on the principles of the UK Corporate Governance Code issued in 2012.

The Board of Directors reviews its compliance with the Code of Governance provisions annually and where it does not comply, the Board considers the risks associated with non-compliance and mitigates those risks as far as possible.

All disclosures required by the Board of Directors and its committees can be found in the Directors Report.

All disclosures required by the Council of Governors about its activities can be found in the Council of Governors Report.

All disclosures required in relation to remuneration can be found in the Directors' Remuneration Report.

The Board of Directors has confirmed that the Trust complies with all of the main and supporting provisions of the Code here they are applicable.

Single Oversight Framework

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

- Quality of care;
- Finance and use of resources;
- Operational performance;
- Strategic change; and
- Leadership and improvement capability (Well Led)

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

Segmentation

Mid and South Essex NHS Foundation Trust has remained in Segment 3 for the 2020/21 year.

The description of trusts falling into Segment 3 as set out in the Single Oversight Framework is as follows:

"Providers receiving mandated support for significant concerns: there is actual or suspected breach of licence, and a Regional Support Group has agreed to seek formal undertakings from the provider or the Provider Regulation Committee has agreed to impose regulatory requirements."

This segmentation is the Trust's position as at 31 March 2021.

Current segmentation information for NHS trusts and NHS foundation trusts is published on the NHS Improvement website – **www.improvement.nhs.uk**.

Statement of Accounting Officer's Responsibility

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

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

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

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

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

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

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

Signed

Clare Panniker
Chief Executive

30 June 2021

Annual Governance Statement

Our Context

This is the first Annual Governance Statement for Mid and South Essex NHS Foundation Trust (MSE).

As illustrated throughout this annual report and accounts, the year has been unique in many ways.

Merger

The timing of our merger coincided with the first wave of the COVID-19 pandemic. Consequently, and in line with guidance from the Department of Health and Social Care (DHSC), during the first wave of the pandemic the COVID-19 response was prioritised over other planned activities.

The impact of the pandemic has delayed many of the planned deliverables described in the Post Transaction Implementation Plan (PTIP), including appointments to key leadership roles within the new operating model and the implementation of new governance and accountability arrangements. Board and committee meetings have taken place virtually since the start of the pandemic and the board members have never met in person as a group.

COVID-19 pandemic

The Trust was particularly adversely affected by the wave of the pandemic in December 2020 such that on 30 December 2020, a major incident was declared by the Essex Resilience Forum in response to significant demand on health services. As a result, from December 2020 to February 2021 inclusive, a number of board and assurance committee meetings were cancelled or consolidated into a single board assurance committee.

The pandemic has delayed the Trust's ability to implement the new operating model, which should have been in place from April 2020. The new operating model was fully in place by 1 May 2021. In the intervening year, the operating model and reporting lines inherited from the legacy trusts were in place, which were not necessarily fit for purpose given the scale and complexity of the merged organisation. The risk was mitigated by a number of measures, including the establishment of the Trust Management Executive (TMEX) described below, and maintenance of reporting lines at site level to the Managing Directors who were themselves directly accountable to myself as Chief Executive for delivery.

The effects of the pandemic continued to be felt up to and beyond the end of the 2020/21 financial year.

Regulatory action

The Trust has also experienced regulatory concerns during 2020/21 alongside the challenges of merger and COVID-19. A full Care Quality Commission (CQC) inspection has not taken place since merger. Prior to the merger Basildon and Thurrock University Hospital NHS Foundation Trust (BTUH) was rated "Good", Mid Essex Hospital Services NHS Trust (MEHT) and Southend University Hospital NHS Foundation Trust (SUHT) were rated "Requires Improvement". All three legacy trusts were rated as "Good" by the CQC in the Well Led domain.

Post-merger, targeted inspections have taken place in line with the CQC's inspection regime during the pandemic. The CQC have raised concerns regarding maternity services, assurance about delivery of national waiting time standards for cancer and elective activities and assessments of patient harm arising.

In December 2020, our other main regulator, NHS England/NHS Improvement (NHSI/E) accepted enforcement undertakings from the Trust pursuant to its powers under section 106 of the Health and Social Care Act 2012 ("the Undertakings"). Further details can be found later in this AGS.

As can be seen, our first year has been particularly complex with a unique combination of challenges and it is in this context that the AGS should be read and the system of internal control evaluated.

Sustainability and Transformation Partnership (STP) / Shadow Integrated Care System (ICS)

MSE NHS Foundation Trust is a key organisation within the Mid and South Essex STP, alongside commissioners, local authorities and the mental health provider in Essex. Whilst the Trust remains an independent statutory body in line with the NHS foundation trust regulations, we embrace the opportunity that working in partnership brings to tackling the broader determinants of health and health inequalities. The NHS White Paper, published in February 2021, proposes the granting of statutory status to STPs which will form integrated care systems. Alongside the many opportunities that working as an STP/ICS brings, there are risks and governance challenges that the Trust will need to manage as the integration and collaboration agenda progresses at national level.

Scope of responsibility

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

I also acknowledge my responsibilities as set out in the NHS Foundation Trust Accounting Officer Memorandum.

The purpose of the system of internal control

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

The system of internal control is based on an ongoing process to identify and prioritise the risks to the achievements of the policies, aims and objectives of Mid and South Essex NHS Foundation Trust, to evaluate the likelihood of these risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically.

The system of internal control was in place in Mid and South Essex NHS Foundation Trust for the year ended 31 March 2021 and up to the date of the approval of the annual report and accounts.

Capacity to handle risk

The Board of Directors has ultimate responsibility for ensuring that the Trust delivers upon its statutory duties and governance requirements. As such, the Board has the authority and responsibility for the establishment, maintenance, support and evaluation of the Trust's Risk Management Strategy. The Risk Management Strategy was approved by the Board in June 2020.

The Board has delegated some risk management activities and assurance through the scheme of delegation to the finance and performance committee, the quality governance committee, the people and organisational development committee and the audit committee, thus providing additional capacity to handle risk across the Trust.

Leadership on risk management is provided by the Board of Directors, through myself as Chief Executive, the site leadership teams and the care group and divisional leadership.

Clinical and corporate directors are accountable for risk management within their own directorates, care groups and divisions. The executive lead for risk management is the Chief Nursing and Quality Officer. As such, this postholder provides additional capacity to identify risks that related to the strategic objectives of the Trust and to put in place Trust-wide as well as site-based controls to mitigate those risks.

The roles and functions of the executive directors were formally reviewed to ensure that there were no gaps or overlays in the corporate management structure of the Trust. During the third quarter of 2020/21, there were some changes in the reporting lines of executive directors as a result of this review. Due to significant concerns about the Trust's maternity services (see below for further detail), a new Director of Midwifery role was created in Autumn 2020, reporting to the Chief Nursing and Quality Officer, to provide additional specialist professional leadership. Similarly, the Board recognised that there was a skill gap amongst the non-executive directors in terms of clinical quality data analytics and recruited an independent adviser to the board to fill this gap.

The role of each executive director was clarified through the agreement of comprehensive job descriptions. During quarter 3, the job descriptions of a number of executive directors were amended with regard to reporting lines. Key priorities were determined by and aligned to the objectives documented in the Annual Plan. Training needs were identified and met through personal development plans.

Performance against objectives was assessed throughout the year. Formal appraisals were undertaken of the executive directors by myself as Chief Executive. My formal appraisal was undertaken by the Trust Chair.

The outcomes of the executive appraisals (including mine) were presented to the Remuneration and Nominations Committee. The structure of the executive team ensures that appropriate focus is placed on managing the key risks faced by the Trust and sound management of its financial, human and property resources within a framework of good governance and accountability. The Board accepted the finding of the independent governance diagnostic report in December 2020 that there were shortcomings in governance and accountability which will be addressed by a comprehensive action plan to fulfil the requirements of the NHSI/E Undertakings. These findings correlate with the Head of Internal Audit Opinion (see below).

Operational day-to-day management of the Trust is delegated to the site leadership teams in partnership with the divisional clinical directors. From September 2020, the Trust Management Executive (TMEX) has met on a monthly basis, comprising the executive team (including the site Managing Directors) and as appointments to the future operating model progressed, the care group and divisional clinical directors.

Each divisional clinical director is a practicing clinician supported professionally and managerially by a divisional director of operations and a divisional head of nursing. With effect from September 2020, TMEX implements the strategies and decisions of the Board of Directors and has responsibility for operational decision-making and management of operational risks. All clinical divisions belong to one of four care groups, each of which has a clinical director, a director of nursing and a director of operations. These triumvirates at care group and divisional level had delegated responsibility for the professional and managerial delivery of their services in a cross-site matrix arrangement.

In June 2020 the Board appointed non-executive director leads for a range of statutory roles in order to provide additional capacity to identify and manage risk. This includes leads for emergency preparedness, resilience and response (EPRR), Freedom to Speak Up, and Health and Safety. This list was revisited and augmented in March 2021.

Risk specialists and advisors are engaged where appropriate throughout the trust and each maintains the relevant qualifications and experience to ensure that competent advice and support is available to management. A list of advisors is available within the Risk Management Strategy including subject matter experts in patient safety, medicines management, clinical risk and clinical data analytics, financial improvement and sustainability, governance and regulatory compliance.

Together with clinical and non-clinical leads and advisors, these specialists support the creation, implementation and monitoring of policies, protocols and guidelines for the effective control of risk. Where responsibilities are assigned to individuals within the Risk Management Strategy, the Trust reviewed their training needs as part of the annual performance review process to ensure that their competence remained sufficient for the discharge of their duties.

During 2020/21, the trust commissioned a preferred strategic partner (PWC) to provide external support on a range of issues, including compliance with the NHSI/E undertakings (see below) and a formal independent review of the trust's governance systems and processes. This partnership provides robust and reliable additional capacity for the identification and management of risk.

All employees have an important part to play in identifying, assessing and managing risk. To support employees in this roles, the Trust provides a range of policies, strategies, procedures, protocols and guidelines, together with information at all levels that are relevant to an individual's role. The Trust aims to ensure that employees have the knowledge, skills, support and access to the expert advice necessary to manage risk effectively and efficiently. Support and training were provided in line with the risk management training needs analysis, which identified the level of training appropriate for an individual's authority and duties.

The Trust has a policy for staff completion of mandatory and core training aimed at managing risk. The policy is clear that managers are responsible for ensuring staff completion of training. Compliance with this training requirement was monitored and reported to TMEX from September 2020 and to the People and OD Committee as part of the workforce section of the monthly integrated performance report. Where compliance issues were identified in specific areas of the trust or in relation to particular elements of mandatory and core training, follow-up action was co-ordinated through line management. By the end of the 2020/21 year, a single e-learning platform was in place across the Trust, with refreshed content, to mitigate the risk of poor uptake and/or outdated training.

Learning from good practice is encouraged, as well as learning from lapses in the standards of care in order to continually strive for better outcomes for patients. Learning is shared internally through team, professional and divisional meetings where clinical practice changes following incidents and complaints are discussed and corporate meetings where risk recommendations from solicitors following inquests or claims are shared. The Trust has a high rate of incident reporting when benchmarked against peer organisations. This metric is considered by the Trust Board and its committees as a reflection of an open and transparent culture.

Learning from incidents, never events, complaints, claims and other investigations is shared externally by reporting to organisations such as the Care Quality Commission (CQC), the National Reporting and Learning System (NRLS), the Medical and Healthcare Products Regulatory Agency (MHRA), NHS Protect, local commissioners and the Regional Team of NHSI/E.

The Trust actively encourages research activity and the reporting of findings from this work as a means of spreading learning and evidence-based practice across the Trust and the wider NHS.

A trust-wide Risk and Compliance Group co-ordinates the identification, dissemination and implementation of learning from incidents and developments in best practice across all sites. This group, which comprises risk, compliance and clinical governance leads, provides additional capacity to handle risk in a co-ordinated way.

A trust-wide clinical ethics committee, chaired by a non-executive director, commenced meeting in January 2021 to mitigate the risk of inconsistent clinical decisions and failure of the Trust to support clinicians in making such difficult clinical decisions.

During 2020/21 the Trust maintained a number of communication methods which had proven effective and popular with staff of the legacy trusts. These included:

- The weekday "Stepping Up Now" patient safety meeting, led by a member of the site leadership teams, which was held virtually to accommodate the circumstances of the pandemic with no evident loss of impact or effectiveness;
- Weekly patient safety messages displayed on computer screens and on the Trust intranet;
- Divisional patient safety briefings;
- Email and video briefings from the Chief Executive and other members of the executive team;
- Monthly virtual staff briefings held using video-conferencing technology;
- Weekly diary emails about highlights of the coming week across MSE;
- Tailored briefings for Governors.

The risk and control framework

The Risk Management Strategy details the Trust's approach to risk management and describes it as both a statutory requirement and a key element of good management. Risk management is a fundamental part of the total approach to quality, corporate and clinical governance and is essential to the Trust's ability to discharge its functions as a partner in the local health and care system, as a public benefit corporation and a provider of health services, as a custodian of public funds and a significant employer. The Risk Management Strategy clearly sets out the accountabilities for risk management at each level in the organisation and aims to ensure a comprehensive system of internal control without stifling flexibility and innovation.

The strategy and its associated policies and procedures set out the processes for identifying, assessing, communication and documenting, escalating, managing and reviewing risks. The effectiveness of the Risk Management Strategy and its implementation is monitored by the Audit Committee.

Risks are identified in a number of ways, including recommendations from external inspection reports, organisational failures and incidents, and more local methods of risk profiling, incidents, claims, complaints, receipt of alerts and risk assessment of work-related activities. Risks are assessed using an agreed risk assessment template and recorded on the Corporate Risk Register, which is a single repository for all the risks identified across the Trust.

Each division and care group is responsible for managing a risk register which is reviewed by senior managers and risk leads on a regular basis.

The Board Assurance Framework (BAF) ensures that the Board of Directors are aware of the highest risks to the achievement of the Trust's strategic objectives, which were formally adopted by the Board in September 2020, and the controls necessary to ensure that these risks are maintained at an acceptable level.

The Corporate Risk Register (CRR) captures the most highly rated operational risks escalated from Ward to Board using the same methodology as the BAF.

The appetite for risk is determined for individual circumstances or events where the Board would request additional controls to further reduce the likelihood or impact of a particular risk. It is a requirement of the Risk Management Strategy that the risk appetite is reviewed annually. This approach also accords with the Well Led Guidance published by NHS Improvement, which references regular review of the Board's risk appetite and tolerance as part of evidence that the organisation has clear and effective processes for managing risks, issues and performance (KLOE 5).

The Risk Management Strategy, approved by the Board in June 2020, reflected the Good Governance Institute (GGI) Risk Appetite Matrix for NHS Organisations. As a general principle, the Trust has a low risk appetite for, and would therefore seek to control, all risks which have the potential to:

- Expose patients, staff, visitors and other stakeholders to harm;
- Compromise the Trust's ability to deliver operational services;
- Adversely impact the reputation of the Trust;
- Have severe financial consequences which may impact on the Trust's future viability; and
- Cause non-compliance with law and regulation.

The Trust's risk appetite statement is published on the Trust website in line with good practice.

In July 2020, the Board benefitted from an externally facilitated workshop on risk and assurance for a unitary board.

The Finance and Performance Committee, the People and OD Committee and the Quality Governance Committee regularly review significant risks and incidents relating to their areas of responsibility. The Audit Committee independently monitors, reviews and reports to the Board of Directors on the extent to which the Trust had in place an effective system of governance, risk management and internal control. The Audit Committee has a key role in assuring the Trust Board of the validity of this Annual Governance Statement. This is achieved by regularly review of the system of internal control reports from auditors throughout the year and at least two reviews of the draft Annual Governance Statement prior to its submission to the Board for adoption.

The Audit Committee also reviews the BAF and the CRR each quarter.

During the year, a working party was convened, including non-executives, executives and senior management extensively reviewed the format and structure of the BAF to ensure it remained fit for purpose given the scale and complexity of the merged trust. The outcome of this work was a new BAF presented to the Trust Board for the first time in May 2021.

The Council of Governors is the principal mechanism by which the Trust involves patients and the patient in managing risks which impact upon them. Public, staff and appointed governors are encouraged to highlight risks, in particular those relating to quality, patient safety and patient experience at the semi-formal governor working group meetings and at the formal quarterly Council meetings. Ordinarily, governors would be involved in board walkabouts and audits to help identify risks in the patient environment but due the COVID-19 restrictions, such activities have not been able to proceed in 2020/21.

Due to COVID-19, it was not possible to hold elections as soon as the merger took place. To ensure that the controls provided by the Council of Governors (outlined above) benefitted the Trust from day one, a group of "caretaker governors" from the legacy trusts kindly agreed to stay in post until the new Council came into place in October 2020.

In September 2020, the Audit Committee reviewed the outcome of an exercise conducted by the Company Secretary to map all aspects of the Trust's clinical and non-clinical business and statutory requirements against the governance structure and the scheme of delegation to ensure there were no "orphan activities". This exercise mitigated the risk that the Board would have insufficient oversight of all of the organisation's legal and operational obligations. This exercise will be repeated no less than annually moving forward.

The most highly rated risks recorded on the BAF during 2020/21 were:

- Failure to deliver a high quality, safe service for our patients due to the outbreak of COVID-19 and failure to protect our staff from infectious disease transmission;
- Failure to deliver improvement in performance against national performance targets within the agreed trajectories and reset from COVID-19;
- Failure to enable and empower leaders in all areas of the organisation to create a culture of continuous improvement to progress the clinical and corporate strategy;
- Failure to implement an effective operating model and/or models of care may lead to patient harm and have a financial impact;
- Failure to achieve and deliver year-on-year improvements in financial sustainability and effective use of resources;
- Failure to consistently deliver safe, responsive and efficient patient care in a cost effective manner because the current estate and associated infrastructure is not fit for purpose;
- Failure to develop and fund a long term capital plan which addresses the clinical, estates and technological needs of the organisation;
- Failure to deliver the digital transformation agenda and to ensure resilience in informatics and IT services including cyber security.

The risk profile for 2021/22 is expected to remain broadly similar to 2020/21. COVID-19 will no doubt impact upon the Trust for at least a part of 2021/22. As such the COVID risk will likely remain on the BAF for the whole year, given our experience during 2020/21 that the pandemic affected our ability to deliver elective services and generally operate once acute phases had passed.

In preparing the annual reports for Mid and South Essex NHS Foundation Trust for 2020/21, we have complied with the Annual Reporting Manual (ARM) which confirmed that the adaptations to reporting requirements to accommodate the pandemic that were in place for 2019/20 would also apply to 2020/21. This means that we have provided more focussed headline coverage of performance across the year.

In line with the ARM, readers will also note that a full Quality Report will not be produced for 2020/21. A Quality Account, with a narrower statute-based scope, will be published no earlier than 30 June 2021. The Trust acknowledges the risk that, having complied with the revised ARM and associated guidance, their observance of some of the Nolan Principles of Public Life (particularly Openness and Accountability) may have been compromised.

Mitigations include ensuring the operation of a Freedom of Information service and, once the national social distancing rules have been lifted, by conducting the business of the board in public. The Trust Board also maintains a strong and active relationship with the Council of Governors encouraging feedback on issues of governors and matters relating to the patient and staff experience. We also maintain a proactive relationship with our commissioners and other partners in the ICS who oversee the quality and safety of our services.

Impact of COVID-19 on the risk and control framework

The above section described the risk and control framework. However the COVID-19 pandemic necessitated a small number of additional measures to ensure that the Trust could respond dynamically and proactively to the rapidly changing impact that the pandemic had upon the operation of our hospitals. In the first few months following the Trust's creation in April 2020, the focus of our risk and control framework shifted dramatically towards controlling the risk of the virus to patients, visitors and staff, whilst maintaining a "watching brief" on other aspects of governance and the management of non-clinical risk. The Trust's approach was in compliance with national NHS guidance.

A specific risk was crafted as part of the Board Assurance Framework (BAF) to capture the key risks arising from COVID both directly and indirectly. The risk was articulated as "failure to deliver a high quality, safe service for our patients due to the outbreak of COVID-19 and failure to protect our staff from infectious disease transmission".

At its first board meeting on 1 April 2020, the Trust Board approved an emergency scheme of delegation and governance framework to facilitate decision-making during the extraordinary situation. This framework remains available should circumstances require it in the interests of the Trust and its patients. The Board also amended its scheme of delegation for two months in 2021 to provide flexibility during these exceptional times.

The Trust Board agreed to consolidate several of its committees into a single "Board Assurance Committee" (BAC) that met once per month in April and May 2020, to balance the risk of taking senior executive and clinical leaders away from operational duties with the risk of inadequate governance during the first year of the merged organisation. As the acute demands from the pandemic began to reduce, the BAC model was suspended at the end of May 2020 and the separate meetings of the committees resumed in June 2020.

The operational demands from the pandemic stepped up again in winter 2020/21. As a result of which, the committees in January and February 2021 did not meet separately and were instead combined with a postponed Board of Directors meeting at the end of the month.

The Council of Governors continued to meet on a quarterly basis following their establishment on 1 October 2020. Prior to this date, governors of the legacy trusts continued to meet formally on a quarterly basis and more frequently on an informal basis to provide key governance functions, not least holding the Board to account for delivery through the non-executives.

The Audit Committee continued to meet normally throughout the year, including a number of extraordinary Audit Committee meetings to consolidate assurance against the NHSI/E undertakings (see below).

Temporary modifications to the risk and control framework that were in place throughout 2020/21 and up to the date of signature of this Annual Governance Statement included:

- The exploration of new and innovative routes for the procurement of personal protective equipment (PPE) for staff and clinical equipment such as ventilators in order to ensure that the Trust's critical care capacity was robust and safe for both patients and staff;
- The cancellation of all but essential training and study leave and restrictions on annual leave to free up clinical resources to manage the pandemic;
- Rapid roll-out of remote working technology to reduce the risk of infection between patients and staff on the hospital sites;
- Severely limiting visitor access for inpatients to reduce the cross-infection risk;
- Making arrangements in communal staff areas to encourage social distancing;
- The postponement of a significant volume of elective surgery and outpatient activity to free up staff and bed capacity; and
- Continuation of a clinical advisory group set up in the legacy trusts comprising senior clinicians, in order to advise the incident management team on the use of healthcare resources within the hospitals.

Quality Governance

The key elements of quality governance in place during 2020/21 were as described below.

Strategy

The Trust communicated its quality priorities and goals for the year across the organisation and developed its performance information to support monitoring of progress against these goals.

A trust-wide clinical strategy is in place, supported by a number of enabling strategies and plans. These were communicated to staff across the Trust and formed the basis of business planning activities. The development and implementation of the clinical strategy is overseen by the Quality Governance Committee. Regrettably the implementation of some aspects of the clinical strategy was limited during 2020/21 due to the pandemic.

Specific and challenging quality objectives for the Trust and the Mid and South Essex Health and Care Partnership were in place throughout 2020/21 that included key performance indicators, milestones and trajectories. Achievement of these objectives was monitored regularly through the integrated performance report, with supporting benchmarking data (where available) and improvement trajectories.

Capability and culture

Processes are in place to ensure that the Board of Directors has the suitable skills, knowledge and capacity to deliver the Trust's objectives and to manage the associated risks.

During 2020/21, a culture plan was developed and a diagnostic exercise completed in order to create a positive Trust-wide culture aligned to the Compassionate Leadership Programme. Work will continue during 2021/22 to agree a set of Trust Values and to implement a matrix of organisational development activities at all levels of the organisation. These measures support control measures associated with ensuring that the organisation has in place a culture that supports high quality patient care.

Processes and structure

The internal Quality Assurance and Compliance Team (within the portfolio of the Chief Nursing and Quality Officer) conducted a number of clinical reviews, using the CQC prompts in order to determine the level of ongoing compliance with the essential standards.

The Trust has continued to develop the fortnightly Maintaining Higher Standards Group during the year. This meeting brings together key clinical leaders from across the wards and divisions and members of the Quality Assurance and Compliance Team to focus on a quality and patient safety priority mapped against the CQC assessment framework. Members of the Group agree specific actions which they then implement immediately in their areas of responsibility.

In as far as was possible within the constraints of the pandemic, the ongoing programme of announced and unannounced clinical visits, conducted regularly with our commissioners, has continued, providing valuable intelligence on the level of compliance with essential and professional standards. During 2020/21, the Trust hosted a number of regulatory visits and inspections. These included a Joint Commissioning Team visit to the Basildon Maternity Unit and a Royal College of Surgeons inspection of urology cancer services at Broomfield Hospital.

The Trust's Data Quality Policy mandated the undertaking of regular data quality audits (externally commissioned) during the year and these provided assurance on the accuracy of data within the Trust. However the undertakings related to governance indicated that there was more work to be done with regard to data quality assurance.

Measurement

A clinical audit plan existed for the 2020/21 year which reflected the processes used in financial audit. Regrettably due to the demands associated with the COVID-19 pandemic, clinical audit activities were limited in 2020/21, which has impacted on the level of assurance that the Board can take from this year's audit programme.

The graphical information provided within integrated performance reports (received at the Board of Directors meetings) incorporates the Trust's internal quality targets and standards and, where appropriate, benchmarking data to provide clear and transparent information on the Trust's performance. Where variances exist, narrative is provided to give assurance that remedial action is being taken to bring performance within expected parameters.

Benchmarking, wherever possible, takes places against other trusts and through the use of national data sets, such as Dr Foster Intelligence, Summary Hospital Mortality Indicator (SHMI), CQC, NRLS and Quality Observatory data. The use of statistical process charts (SPC) within the integrated performance report, as recommended by NHSI, facilitates understanding at board-level of what is the "norm". By using these charts, the Board and their committees appreciate where the focus of work needs to be concentrated to have the greater impact upon risks to quality and patient safety.

Challenge is provided by board members to the information presented and requests are made for more detailed underlying information in order to identify the root cause of potential issues of concern and emerging trends. Board minutes and arising actions are tracked using action logs. Executives note sources of information on board and committee reports and ensure independent validation and triangulation to strengthen assurance.

Both the Board and its committees are able to commission external reviews should they consider additional assurance to be provided on a topic within their terms of reference.

Freedom to speak up

Mid and South Essex NHS Foundation Trust has a guardian service which is outsourced to provide assurance of its independence. The Guardian Service team attend the staff induction and provide information who to contact if staff have concerns or require support. An escalation agreement is in place with any patient safety issue being raised with the Chief Medical Officer or the Chief Nursing and Quality Officer. The Guardian has continued to support staff during the pandemic, meeting them over video-conferencing or telephone and staying with them to resolution if required. A non-executive director has direct engagement with the Guardian Service and a monthly discussion with the Chief People and OD Officer and the Guardian Service is in place to identify themes or further actions to be taken.

Never events

The Trust experienced 6 never events in 2020/21. Four related to wrong site surgery and two concerned a retained foreign object. The mechanism for learning from never events is described above.

Workforce strategies and safer staffing systems

All staff from the legacy trusts were transferred to the employment of the merged organisation on 1 April 2020 under the Transfer of Undertakings and Protection of Employment (TUPE) Regulations 2006.

The Trust is fully aware of the crucial nature of effective workforce planning for the short, medium and long term. Workforce pressures remained a consistently high-rated risk on the Board Assurance Framework and is a continual focus for board and managerial oversight.

The Quality Governance Committee receives an overarching safer staffing report on a quarterly basis describing the staffing position across the Trust and the actions being taken on individual sites or across sites to address any gaps.

Staffing levels were also reviewed on an ongoing basis as part of the risk management systems and processes described earlier in this Annual Governance Statement.

The Trust Board created a people and organisational development committee as an additional standing control to mitigate the risk of inadequate staffing compromising the delivery of high quality patient care. This committee takes a medium to long term strategic view of workforce development, recruitment retention to supplement the more operational view presented to the Trust Management Executive each month, from September 2020.

By means of the governance mechanisms outlined above, the Trust complies with the recommendations from the "Developing Workforce Safeguards" report, published by NHSI in October 2018.

Legal undertakings

On 14 December 2020, the Trust was formally found to be in breach of several conditions of its provider licence with NHS Improvement (conditions FT 4(4)(b) and (c); FT4(5)(a), (c), (f) and (g), FT4(6)(e) and (f) and FT4(7) in respect of five specific themes. Under section 106 of the Health and Social Care Act 2012, NHSI a set of undertakings to address these licence breaches was formalised by NHSI/E on 14 December 2020 and formally accepted by the Board of Directors on 17 December 2020.

The five themes underlying the licence breaches and the consequent classes of undertaking were as follows:

- Governance, including data quality (Class 1)
- Inadequate maternity services (Class 2)
- Harm review process (Class 3)
- Delayed diagnosis and treatment of cancer patients (Class 4)
- Growth in elective backlog (Class 5)

At the Trust Board meeting on 17 December 2020, the mechanism for governance of the undertakings project previously discussed by the Board and the Audit Committee was confirmed. This involves specific board committees taking ownership of undertakings relevant to their remit which report to the Audit Committee on this matter. The Audit Committee then reports to the Trust Board by way of detailed assurance provision.

Oversight of the undertakings is undertaken by the System Oversight and Assurance Group (SOAG) which comprises executives from the Trust, from the Mid and South Essex Health and Care Partnership, the Clinical Commissioning Groups (CCGs) and NHSI/E. Due to the pandemic, formal monitoring of the undertakings was suspended from December 2020 until February 2021. The Trust is working with SOAG to agree a plan for exiting undertakings during 2021/22.

Compliance with CQC standards

Upon its formation, Mid and South Essex NHS Foundation Trust carried an overall rating of "Requires Improvement" which it retained throughout 2020/21. Within that overall rating, the Trust inherited from its legacy trusts a rating of "Good" for Well Led, Effective and Caring.

Maternity Services

On 12 June 2020, the CQC carried out a focussed inspection of the Basildon Maternity Unit following a whistle-blower contacting them and a cluster of serious incidents in March and April 2020 where a number of babies had to be transferred out of the Unit for "cooling" as they were born in a poor condition. The CQC's report found that there was a lack of improvement at the Unit since the previous inspection in early 2019.

The subsequent report from the CQC rated MSE maternity services as "inadequate". A section 29A warning notice was issued on 19 August 2020 and then a section 31 warning notice was issued on 7 October 2020.

The maternity improvement plan, including compliance with the warning notice, continues to be monitored on a monthly basis by the Maternity Assurance Committee, which is a sub-committee of the Quality Governance Committee. Progress is also monitored as part of the legal undertakings. We aim for the warning notice to be lifted during 2021/22.

Declaring and Managing Conflicts of Interest

The Foundation Trust published on its website an up-to-date register of interests for Board members at the start of the financial year, as required by the Managing Conflicts of Interest (including gifts and hospitality) NHS guidance. The Board register was amended as necessary throughout the year.

During 2020/21, significant work took place to overhaul the governance of conflicts of interest to align both policy and practice. The conflicts of interest policy was reviewed with the Local Counter Fraud Specialist (LCFS) to ensure it complied with relevant guidance. This included a clear definition of decision-making staff that applied across all professional groups within the Trust, and dedicated support from the Company Secretarial Team to decision-makers as to how to make their declarations on the electronic system procured by the Trust to manage declarations. The Audit Committee set a target for no less than 95% of decision-making staff to have made a declaration of interests by 31 December 2020. This target was achieved at 97% (one of the highest degrees of coverage in the country). Work continued throughout the year not only to secure the outstanding declarations but also to ensure that staff updated their declarations as time progressed.

The focus of work to improve the Trust's conflicts of interests systems and processes shifted in Quarter 4 to ensuring that the comprehensive database of declarations of interest is actively used on an ongoing basis as part of the procurement process and to ensure that new suppliers are routinely checked against the register as well as complementing the day-to-day governance of the trust and the board.

In Quarter 3, internal audit conducted a review of conflicts of interest which recognised the significant improvements in place at that point compared to the legacy organisations, but was only able to provide a partial assurance opinion pending the aforementioned development work in Quarter 4.

NHS Pension Scheme

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

Equality, Diversity, Inclusion and Human Rights

Control measures were in place to ensure that all of the organisation's obligations under equality, diversity and human rights legislation were complied with. Further details of the Trust's activities to promote equality, diversity, inclusion and human rights can be found in the Staff Report.

Compliance with emergency preparedness, civil contingency and sustainability requirements

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

A key board decision took place in December 2020 in support of the Trust's environmental and sustainability obligations. The Board approved an ambitious scheme to support decarbonisation of the trust estate by procuring combined heat and power (CHP) projects at the Basildon and Broomfield sites. Following this agreement, the scheme was successful in the award of £8.5m of grant money from the Public Sector Decarbonisation Scheme (PSDS). In addition, the Trust secured a further £21m funded through the Salix interest-free loan scheme. The scheme entails works at Basildon and Broomfield Hospitals to replace end-of-life steam plant with modern efficient low temperature hot water boilers and energy networks and to undertake fabric improvements which reduce energy loss, and to provide CHP plan to generate electricity and provide heat to the buildings in an energy efficient manner.

A further example of the Trust's commitment to environmental protection and sustainable working is the introduction of an electronic board and committee solution in October 2020 which has removed the use of a significant volume of paper and printing consumables on an ongoing basis.

The Trust's business continuity and emergency preparedness arrangements continued to be tested throughout 2020/21 as a result of the COVID-19 pandemic. Following on from the work of our legacy trusts, plans for a public health emergency were mobilised swiftly and effectively to manage this serious respiratory tract infection, in concert with other health and care partners in Mid and South Essex, regional and national government.

Measures included:

- An NHS 111 "assessment pod" was put in place at Basildon Hospital to screen suspected cases in isolation from the remainder of the hospital to minimise potential cross-infection;
- Extensive personal protective equipment (PPE) was supplied to all applicable staff across the Trust and supplies of PPE were kept under continual review at executive level;
- Procurement of additional ventilators and associated clinical equipment for our intensive care facilities;
- Immediate deep cleaning of public areas of the hospitals, such as hard surfaces and toilet facilities;
- The supply of hand sanitiser was increased in clinical and non-clinical areas;
- Extensive testing of staff;
- Introduction of a range of health and wellbeing measures to support staff, including establishing permanent wellbeing hubs on each site
- A business continuity workshop took place to support readiness, with sub-groups focussing upon critical care and the review of clinical pathways;
- An incident management team met twice daily to monitor progress and review changing guidance from Public Health (England) and Central Government.

The Trust implemented national guidance in relation to social distancing and self-isolation. These measures included rolling out remote access rapidly across the organisation to maximise the number of corporate staff able to work from home, closing our hospitals to visitors (with limited exceptions) and postponing all non-urgent elective outpatient and inpatient work. Our hospitals conducted clinically urgent outpatient appointments by video-conferencing wherever possible.

Once the incident has passed, a thorough exercise will take place to ensure that all lessons learned from the management of the pandemic are captured, including the effectiveness of the business continuity and emergency preparedness plans.

In September 2020, the Board of Directors endorsed the outcome of the Trust's self-assessment against the NHS England Core Standards for Emergency Preparedness, Resilience and Response (EPRR). The Trust assessment concluded that the organisation was fully compliant on 39 of the 64 standards and partially compliant on the remaining 25 standards. As a result, the overall rating was non-compliant to the 2020/21 core standards. This outcome was anticipated as the Trust had decided not to pursue EPRR policy harmonisation during the first wave of the pandemic, focussing specialist resources instead on managing the incident.

The maintenance of a Clinical Effectiveness Unit

This Unit oversees the implementation of guidance from National Institute of Health and Care Excellence (NICE) and recommendations from National Confidential Enquiries and other inspecting and authoritative bodies.

The Unit monitors the introduction of new techniques and research and development projects ensuring patient safety, clinical and cost effectiveness of new treatments as well as the appropriate training of clinicians.

It supports clinical audits across the Trust, ensuring that the Board of Directors received assurance that key clinical risks are being audited as robustly as financial risks.

The Unit promotes evidence-based healthcare through training and education of nurses and as part of the Foundation Programme for doctors.

Good practice is shared through collaborative working with primary care, secondary care, mental health and public health providers in the Mid and South Essex area.

TMEX is responsible for ensuring that the clinical risks and priorities of the Trust are understood, assessed, mitigated and addressed. Issues and risks can be escalated by TMEX to the Trust Board or its committees.

Divisional and care group boards and governance committees are responsible for ensuring that the divisions and care groups were managed efficiently and effectively and that evidence was available to support that assessment. The Medicines Safety Group oversees the maintenance of a local drug formulary to ensure clinically appropriate and cost effective use of medicines.

Information Governance

A comprehensive MSE Information Governance Strategy and Work Plan has been produced and approved by Audit Committee. The Information Governance Strategy sets out the planned approach to strengthen and maintain existing IG compliance. It also ensures there are good governance processes relating to implementing, embedding and monitoring a robust IG Framework needed for the effective management and protection of personal and sensitive personal information managed by the organisation. Information Governance policies, procedures and training underpins the work the Trust has undertaken with regards to the Information Governance Strategy during 2020/21. Two key IG priorities for 2020/21 included Data Flow Mapping with regards to EU Exit preparations, and National Data Opt Out compliance.

The Information Governance Strategy and Work Plan is monitored and reviewed by the Information Governance Steering Group, that has met on a quarterly basis throughout the year.

NHS Digital published new guidance for reporting IG incidents in May 2018 to bring the reporting mechanisms in line with Article 33 of the General Data Protection Regulation (GDPR), mandating the reporting of all incidents resulting in a risk to the rights and freedoms of individuals. Any significant information governance breach must be reported to the Information Commissioners Office (ICO).

During 2020/21 there were no IG incidents reported to the ICO.

Data Quality and Governance

The Trust's internal control mechanisms for ensuring the accuracy of data, including how the quality and accuracy of elective waiting time data is assured and the risks to the accuracy of data were managed, are as detailed in the Quality Governance section of this Annual Governance Statement.

Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, clinical audit, the executive directors and clinical leads within the Trust who have responsibility for the development and maintenance of the internal control framework.

I have drawn upon the 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 of Directors, the Audit Committee and the Quality Governance Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The process that has been applied in reviewing the effectiveness of the system of control includes the ongoing work of and reports from:

- The Board of Directors which monitors the effectiveness of the system of internal control through clear accountability arrangements;
- The Executive Team which meets formally on a weekly basis (daily during the most acute phase of the pandemic) to review performance in real-time and to ensure executive oversight and approval of all service development proposals with a financial impact;
- The Audit Committee which is a committee of the Board of Directors and is accountable to the Board for reviewing the establishment and maintenance of an effective system of internal control and risk management. The Committee is scheduled to meet on five times per year to conduct normal business. However from February 2021 and up to the date of signature of this Annual Governance Statement, the Committee met monthly including extraordinary meetings to consider assurance against the NHSI/E undertakings.

The Audit Committee approved the annual audit plans and activities for internal and external audit. The Committee ensured that recommendations to improve weaknesses in the systems of internal control arising audits were addressed by management. The Audit Committee reviews the Board Assurance Framework on a quarterly basis and ensures that board committees work cohesively and efficiently in line with the expectations of a unitary board;

- The Quality Governance Committee, the Finance and Performance Committee and the People and OD Committee which have advised me on the arrangements for clinical governance, clinical risk management, internal clinical effectiveness and patient safety, financial and operational performance, workforce and organisational development risks respectively;
- The Head of Internal Audit who has provided me with an opinion that there are weaknesses in the framework of governance, risk management and control such that it could become inadequate and ineffective. In particular these weaknesses related to a number of topics which attracted partial assurance opinions (conflicts of interest, procurement, data quality, cost improvements plans – planning and delivery, risk management, payroll and key financial controls – accounts payable). The internal auditors also issued one "no assurance" opinion in relation to workforce planning.

Conclusion

During its first year of operation, Mid and South Essex NHS Foundation Trust experienced unprecedented challenges in terms of the pandemic and associated operational pressures and the implications of the merger. Regrettably the combination of challenges has led to notable weaknesses in our systems of internal control, governance and risk management, as reflected in regulatory interventions by the CQC and NHSI/E and by the Head of Internal Audit Opinion. The trust has also faced challenges as a partner in the Mid and South Essex STP/ICS, particularly in relation to financial sustainability and the achievement of the access standards within the NHS Constitution, as well as managing the short, medium and long-term impact of the pandemic.

The Board of Directors has responded to all the reports and correspondence from regulators. The Board has developed action plans with measurable outcomes and clear accountabilities and has strengthened the Board, corporate and clinical governance, care group, divisional and executive leadership structures as the year progresses. These steps will result in improvements in our systems of governance and internal control in 2021/22.

I recognise that this is an ongoing process and believe this Annual Governance Statement to be a balanced statement of the risks and controls within the trust during 2020/21.

Clare Panniker
Chief Executive

30 June 2021

Background Information

This section included items of information we are required to include in our annual report.

Accounting policies

The accounting policies for the Trust are shown within the annual accounts and include policies on pensions and other retirement benefits. Details of senior employees' remuneration are set out in the Remuneration Report.

Internal auditors

The internal audit function was provided throughout the year by RSM Risk Assurance Services LLP, an independent business assurance provider.

Internal audit reports to the Audit Committee and a workplan of audits is agreed by the Committee each year. RSM Risk Assurance Services LLP were appointed by the legacy trusts to provide internal audit services for a period of three years from April 2019.

External auditors

The Trust's external auditors for 2020/21 were BDO LLP. This is the final year of a contract with BDO LLP placed by our legacy trusts.

Fixed assets

In line with note 1.8.1 of the accounts, professional valuations are undertaken for land, buildings and dwellings every five years. The last full revaluation of property and land was carried out in 2020/21. In the intervening years, a valuation is requested if land and property prices are known to have significantly fluctuated.

The valuations are primarily carried out on the basis of modern equivalent assets for specialist operational property and existing use value for non-specialised operational property.

Financial instruments

The Trust does not hold any significant exposure to interest rate or exchange rate risks and therefore does not hold any complicated financial instruments to hedge against such risks. Details of the trust's financial instruments are shown in note 25 to the accounts.

Independent auditor's report to the Council of Governors of Mid and South Essex NHS Foundation Trust

Qualified opinion on financial statements

We have audited the financial statements of Mid and South Essex NHS Foundation Trust (the Trust) for the year ended 31 March 2021, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows and notes to the financial statements, 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 interpreted and adapted by the 2020-21 Government Financial Reporting Manual as contained in the Department of Health and Social Care's Group Accounting Manual 2020-21, and the NHS Foundation Trust Annual Reporting Manual 2020-21 issued by the Regulator of NHS Foundation Trusts ('NHS Improvement').

In our opinion the financial statements:

- give a true and fair view of the financial position of the Trust as at 31 March 2021 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the Department of Health and Social Care's Group Accounting Manual 2020-21; and
- have been prepared in accordance with the requirements of the National Health Service Act 2006.

Basis for qualified opinion on financial statements

As a result of the Covid-19 pandemic, management was unable to conduct counts of physical inventories at 31 March 2020, the end of the previous financial year. Consequently we were unable to obtain sufficient appropriate evidence regarding the existence of inventory which was included in the Statement of Financial Position at £6.826m.We were similarly unable to obtain sufficient appropriate evidence regarding inventory balances acquired by the Trust at 1 April 2020 by way of Transfers by absorption, totalling £13.868m. Since opening inventories affect the determination of the results of operations, we were unable to determine whether adjustments to the statement of comprehensive income, opening taxpayer's equity and reserves transferred by absorption might be necessary for the year ended 31 March 2021.

Our audit opinion on the financial statements of the Trust for the period ended 31 March 2020 was modified in respect of the inventory balance at that date and the possible effects of any misstatement on the results for that year. Our opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

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 Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Accountable Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Trust's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. Our responsibilities and the responsibilities of the Accountable Officer with respect to going concern are described in the relevant sections of this report.

Other information

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

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

We have nothing to report in this regard.

Opinion on the Remuneration Report and Staff Report

Qualified opinion on the Remuneration Report and Staff Report

We have also audited the information in the Remuneration Report and Staff Report that is described in that report as having been audited.

Except for the matter referred to in the Basis for qualified opinion on information in the Remuneration Report and Staff Report paragraph of our report, in our opinion the parts of the Remuneration Report and Staff Report to be audited have been properly prepared in accordance with the requirements of the NHS Foundation Trust Annual Reporting Manual 2020-21.

Basis for qualified opinion on information in the Remuneration Report and Staff Report

The Remuneration Report does not include the required pension benefit disclosures for three senior managers who are deferred members of the NHS pension scheme and for whom no contributions in either 2020/21 or the comparative period were made. The Trust has been unable to obtain the required information in respect of these individuals from NHS Pensions, the administrator of the scheme, and is unable to obtain this information from other sources. This matter results in the information included in all the columns of the Pensions table for 2020/21 being incomplete for the senior managers in question.

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

Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have not completed our work on the Trust's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in April 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2021.

We will report the outcome of our work on the Trust's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

Responsibilities of the Accountable Officer

As explained in the Statement of Accountable Officer's responsibilities, 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 arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under paragraph 1 of Schedule 10 of the National Health Service Act 2006 to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, and to report where we have not been able to satisfy ourselves that it has done so. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021.

Other matters on which we are required to report by exception

Under Schedule 10 of the National Health Service Act 2006 and the National Audit Office's Code of Audit Practice we report to you if we have been unable to satisfy ourselves that:

- proper practices have been observed in the compilation of the financial statements; or
- the Annual Governance Statement meets the disclosure requirements set out in the NHS Foundation Trust Annual Reporting Manual and is not misleading or inconsistent with other information that is forthcoming from the audit.

We also report to you if we have exercised special auditor powers in connection with the issue of a public interest report or we have made a referral to the regulator under Schedule 10 of the National Health Service Act 2006.

We have nothing to report in these respects.

Responsibilities the Accounting Officer

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

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

The Accounting Officer is also responsible for ensuring that the Trust is administered prudently and economically and that resources are applied efficiently and effectively.

Auditor's responsibilities for the audit of the financial statements

In respect of our 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our procedures included the following:

- inquiring of management and those charged with governance, including obtaining and reviewing supporting documentation in respect of the Trust's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Trust's controls relating to Managing Public Money requirements;
- discussing among the engagement team and involving relevant internal specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas: revenue recognition, posting of unusual journals cut off of expenditure around year end and capital accruals;
- obtaining an understanding of the Trust's framework of authority as well as other legal and regulatory frameworks that the Trust operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Trust. The key laws and regulations we considered in this context included the National Health Service Act 2006, as amended by the Health and Social Care Act 2012. Other relevant laws and regulations identified include, VAT legislation, PAYE legislation, the NHS Group Accounting Manual and Foundation Trust Annual Reporting Manual.

In addition to the above, our procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Trust Board;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- Substantively testing an increased sample of expenditure around the year end; and
- Testing an increased sample of capital accruals at the year end to ensure that they related to 2020/21 expenditure.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Auditor's other responsibilities

As set out in the Other matters on which we report by exception section of our report there are certain other matters which we are required to report by exception.

Certificate - delay in completion of the audit

We cannot formally conclude the audit and issue an audit certificate for the Mid and South Essex NHS Foundation Trust for the year ended 31 March 2021 in accordance with the requirements of Schedule 10 of the National Health Service Act 2006 and the Code of Audit Practice until we have completed our work on the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Use of our report

This report is made solely to the Council of Governors of Mid and South Essex NHS Foundation Trust, as a body, in accordance with Schedule 10 of the National Health Service Act 2006 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by the National Audit Office in April 2015. Our audit work has been undertaken so that we might state to the Council of Governors of Mid and South Essex NHS Foundation Trust those matters we are required to state to it 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 NHS Foundation Trust and the Council of Governors as a body, for our audit work, for this report or for the opinions we have formed.

DocuSigned by:
David Eagles
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David Eagles, Partner

For and on behalf of **BDO LLP**, Statutory Auditor
Ipswich, UK
2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Audit Completion Certificate issued to the Council of Governors of Mid and South Essex NHS Foundation Trust for the year ended 31 March 2021

In our auditor's report dated 23 July 2021 we explained that the audit could not be formally concluded until we had completed our work on the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources.

This work has now been completed and we have reported the outcome of our work on the Trust's arrangements in our commentary on those arrangements within the Auditor's Annual Report.

No matters have come to our attention since 23 July 2021 that would have a material impact on the financial statements on which we gave our unqualified opinion.

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

We are required to report to you if, in our opinion, we are not satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in April 2021, we have identified the following significant weaknesses in the Trust's arrangements for the year ended 31 March 2021:

Significant weakness in arrangements	Recommendation
The Covid pandemic and impact on the Trust's activities has had a notable impact on Cost Improvement Programmes (CIP) planning and delivery in 2020/21. Issues have also been identified relating to the Trust's arrangements for identifying (CIPs), including NHSI noting the "very challenging" target of 4% savings in 2020/21 and 2021/22 as part a review of the merger transaction before the start of 2020/21, and the findings of an Internal Audit review 'Cost Improvement Plans – Planning and Delivery', which reported in November 2020 providing only 'partial assurance', and identifying weaknesses in both the format of schemes, including the clear evidencing of underlying assumptions, and the approval and documentation process for Business as Usual schemes. CIP was suspended in the first half of 2020/21 due to Covid, but reinstated in the second half. The Trust achieved £6.1m CIPs out of a target of £23.4m for the second half of 2020/21.	We note that during early 2021/22 the Trust have been proactive, in order to address the known financial challenge, has been undertaking a piece of work to identify the drivers of high cost within the organisation (at operational, strategic and structural levels), and designing interventions required to address these challenges at a Trust and System level. We understand that this work will in turn inform the efficiency programme. The Trust has rolled forward the undelivered CIP requirement from 2020/21 into 2021/22 and has set aside a risk reserve to mitigate under-delivery, recognising the lead-in time for efficiencies to be achieved. **Therefore, the Trust needs to implement recommendations arising from the Internal Audit review, and ensure realistic and achievable targets are set for delivery.**

Significant weakness in arrangements	Recommendation
Trust was subject to NHSI/E enforcement undertakings in 2020/21 (noting that the undertakings do not relate to financial concerns). In December 2020, NHSE/I accepted enforcement undertakings from the Trust pursuant to its powers under section 106 of the Health and Social Care Act 2012 ("the Undertakings"). These undertakings related to the following areas of MSEFT's business: • Governance, including data quality (Class 1) • Inadequate maternity services (Class 2) • Harm review process (Class 3) • Delayed diagnosis and treatment of cancer patients (Class 4) • Growth in elective backlog (Class 5) **The requirement for legal undertakings to take place is indicative of underlying significant weaknesses in arrangements, including over governance.** Failure to adhere to these undertakings may expose the Trust to further challenge.	**Whilst the Trust has put in place arrangements to address these, the Trust needs to take actions to resolve the undertakings.**
The achievement of a formalised workforce plan post merger was significantly delayed due to the consequences of COVID. During 2020/21, the Trust's Internal Auditors issued a 'No Assurance' rating with respect to Workforce Planning on the basis that the Trust did not have a formalised workforce plan in place at the time of Internal Audit's review. The absence of a formalised plan can undermine the Trust's ability to ensure financial planning, given the links between workforce and demand and capacity planning and, ultimately, the Trust's ability to deliver a quality and cost efficient service.	Although after the reporting period, the auditor noted that in August 2021 the Audit Committee received a "deep-dive" report into controls on workforce planning, job planning and payroll, including explicitly following up on weaknesses in arrangements that had previously been identified by internal audit or other sources, including a summary of follow up work performed with internal audit early in 2021/22. **We recommend that the Trust continues to monitor progress regarding maturing Workforce Planning arrangements.**

Certificate

We certify that we have completed the audit of Mid and South Essex NHS Foundation Trust in accordance with the requirements of Chapter 5 of Part 2 and Schedule 10 of the National Health Service Act 2006 and the Code of Audit Practice.

David Eagles, Partner

DocuSigned by:
David Eagles
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For and on behalf of BDO LLP, Statutory Auditor
Ipswich, UK, 13 September 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Annual Accounts

for the year ended
31 March 2021

Annual accounts

Mid and South Essex NHS Foundation Trust

Foreword to the accounts

Mid and South Essex NHS Foundation Trust

These accounts, for the year ended 31 March 2021, have been prepared by Mid and South Essex NHS Foundation Trust in accordance with paragraphs 24 & 25 of Schedule 7 within the National Health Service Act 2006.

In April 2020 Southend University Hospital NHS Foundation Trust acquired Basildon & Thurrock University Hospitals NHS Foundation Trust and Mid Essex Hospital Services NHS Trust and at the same point changed it's name to Mid and South Essex NHS Foundation Trust. As a result the assets, liabilities and ongoing operational income and expenditure form part of these accounts from this date.

Acknowledging that the growth in income and expenditure significantly increased due to this in year transaction, all comparisons represent a material change.

Clare Panniker

Chief Executive

30 June 2021

Statement of Comprehensive Income for the year ended 31 March 2021

		2020/21	2019/20
	Note	£000	£000
Operating income from patient care activities	3	1,260,755	322,781
Other operating income	4	78,225	42,760
Operating expenses	6, 8	(1,405,665)	(361,837)
Operating surplus/(deficit) from continuing operations		**(66,685)**	**3,704**
Finance income		4	305
Finance expenses	10	(12,389)	(1,353)
PDC dividends payable		(14,017)	(2,326)
Net finance costs		**(26,402)**	**(3,374)**
Other losses		(2)	-
Gains arising from transfers by absorption	28	37,481	-
Surplus/(deficit) for the year from continuing operations		**(55,608)**	**330**
Other comprehensive income			
Will not be reclassified to income and expenditure:			
Impairments	7	(30,320)	-
Revaluations	14	86,200	-
Total comprehensive income for the period		**272**	**330**

Statement of Financial Position for the year ended 31 March 2021

	Note	31 March 2021 £000	31 March 2020 £000
Non-current assets			
Intangible assets	11	9,093	2,465
Property, plant and equipment	12	761,556	192,848
Receivables	17	4,820	1,497
Total non-current assets		**775,469**	**196,810**
Current assets			
Inventories	16	23,358	6,826
Receivables	17	57,950	38,031
Cash and cash equivalents	18	135,008	5,116
Total current assets		**216,316**	**49,973**
Current liabilities			
Trade and other payables	19	(201,057)	(54,618)
Borrowings	21	(8,802)	(61,103)
Provisions	22	(8,645)	(542)
Other liabilities	20	(8,097)	(734)
Total current liabilities		**(226,601)**	**(116,997)**
Total assets less current liabilities		**765,185**	**129,786**
Non-current liabilities			
Trade and other payables	19	(2,616)	-
Borrowings	21	(158,940)	(4,508)
Provisions	22	(10,116)	(1,798)
Other liabilities	20	(10,324)	(937)
Total non-current liabilities		**(181,996)**	**(7,243)**
Total assets employed		**583,188**	**122,543**
Financed by			
Public dividend capital		655,460	111,982
Revaluation reserve		206,507	38,077
Income and expenditure reserve		(278,779)	(27,516)
Total taxpayers' equity		**583,188**	**122,543**

The notes on pages 111 to 174 form part of these accounts.

Clare Panniker
Chief Executive

30 June 2021

Statement of Changes in Equity for the year ended 31 March 2021

	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' and others' equity at 1 April 2020 - brought forward	£000	£000	£000	£000
Surplus/(deficit) for the year	111,982	38,077	(27,516)	122,543
Transfers by absorption: transfers between reserves	-	-	(55,608)	(55,608)
Other transfers between reserves	83,105	117,013	(200,118)	-
Transfers by absorption: transfers between reserves	-	(4,463)	4,463	-
Impairments	-	(30,320)	-	(30,320)
Revaluations	-	86,200	-	86,200
Public dividend capital received	460,373	-	-	460,373
Taxpayers' and others' equity at 31 March 2021	**655,460**	**206,507**	**(278,779)**	**583,188**

Statement of Changes in Equity for the year ended 31 March 2020

	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' and others' equity at 1 April 2019 - brought forward	107,098	38,077	(27,847)	117,328
Surplus/(deficit) for the year	-	-	330	330
Public dividend capital received	4,884	-	-	4,884
Taxpayers' and others' equity at 31 March 2020	**111,982**	**38,077**	**(27,516)**	**122,543**

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 for the year ended 31 March 2021

	Note	2020/21 £000	2019/20 £000
Cash flows from operating activities			
Operating surplus / (deficit)		(66,685)	3,704
Non-cash income and expense			
Depreciation and amortisation	6.1	38,178	10,292
Net impairments	7	103,846	-
Income recognised in respect of capital donations	4	(9,856)	(111)
Amortisation of PFI deferred credit		(516)	-
(Increase) / decrease in receivables and other assets		74,408	(8,408)
(Increase) / decrease in inventories		(2,664)	(125)
Increase / (decrease) in payables and other liabilities		23,988	4,967
Increase / (decrease) in provisions		9,935	686
Net cash flows from/(used in) operating activities		**170,634**	**11,005**
Cash flows from investing activities			
Interest received		4	305
Purchase of intangible assets		(300)	(553)
Purchase of PPE and investment property		(77,222)	(17,357)
Receipt of cash donations to purchase assets		5,623	-
Net cash flows used in investing activities		**(71,895)**	**(17,605)**
Cash flows from financing activities			
Public dividend capital received		460,373	4,884
Repayment of loans from DHSC	23.2	(408,042)	(3,777)
Repayment of other loans	23.2	8,185	(423)
Capital element of finance lease rental payments	23.2	(3,205)	(1,295)
Capital element of PFI, LIFT and other service concession payments	23.2	(4,743)	-
Interest on loans		(1,886)	(922)
Other interest		(9)	-
Interest paid on finance lease liabilities		(429)	(250)
Interest paid on PFI, LIFT and other service concession obligations		(11,272)	-
PDC dividend (paid) / refunded		(15,249)	(2,091)
Net cash flows from/(used in) financing activities		**23,723**	**(3,874)**
Increase/(decrease) in cash and cash equivalents		**122,462**	**(10,473)**
Cash and cash equivalents at 1 April - brought forward		**5,116**	**15,589**
Cash and cash equivalents transferred under absorption accounting	28	7,430	-
Cash and cash equivalents at 31 March	**18.1**	**135,008**	**5,116**

Notes to the Accounts

Note 1 Accounting policies and other information

Note 1.1 Basis of preparation

NHS Improvement, in exercising the statutory functions conferred on Monitor, has directed that the financial statements of the Trust shall meet the accounting requirements of the Department of Health 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 2020/21 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 1.1.2 Prior period comparators

As outlined in the foreword in April 2020 Southend University Hospital NHS Foundation Trust acquired Basildon & Thurrock University Hospitals NHS Foundation Trust and Mid Essex Hospital Services NHS Trust and at the same point changed it's name to Mid and South Essex NHS Foundation Trust. As a result the assets, liabilities and ongoing operational income and expenditure form part of these accounts from this date. For full details see note 29.

All comparisons represent a material change as they relate to the Southend University Hospital NHS Foundation Trust only.

Note 1.2 Going concern

These accounts have been prepared on a going concern basis. The financial reporting framework applicable to NHS bodies, derived from the HM Treasury Financial Reporting Manual, defines that the anticipated continued provision of the entity's services in the public sector is normally sufficient evidence of going concern. The directors have a reasonable expectation that this will continue to be the case. In coming to this conclusion we have considered opening cash balances, revenue and capital funding streams for the coming year and our exposure to loan facilities which need to be repaid.

Note 1.3 Interests in other entities

Joint ventures
Joint ventures are arrangements in which the trust has joint control with one or more other parties, and where it has the rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method.

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.

Revenue from NHS contracts

The accounting policies for revenue recognition and the application of IFRS 15 are consistently applied. The contracting arrangements in the NHS changed between 2019/20 and 2020/21 affecting the application of the accounting policy under IFRS 15. This difference in application is explained below.

2020/21

The main source of income for the Trust is contracts with commissioners for health care services. In 2020/21, the majority of the trust's income from NHS commissioners was in the form of block contract arrangements. During the first half of the year the trust received block funding from its commissioners. For the second half of the year, block contract arrangements were agreed at a Sustainability and Transformation Partnership level. The related performance obligation is the delivery of healthcare and related services during the period, with the trust's entitlement to consideration not varying based on the levels of activity performed.

The Trust has received additional income outside of the block and system envelopes to reimburse specific costs incurred and other income top-ups to support the delivery of services. Reimbursement and top-up income is accounted for as variable consideration at the point of notification.

Comparative period (2019/20)

In the comparative period (2019/20), the trust's contracts with NHS commissioners included those where the trust's entitlement to income varied according to services delivered. A performance obligation relating to delivery of a spell of health care was generally satisfied over time as healthcare was received and consumed simultaneously by the customer as the Trust performed it. The customer in such a contract was the commissioner, but the customer benefitted as services were provided to their patient. Even where a contract could be broken down into separate performance obligations, healthcare generally aligned with paragraph 22(b) of the Standard entailing a delivery of a series of goods or services that were substantially the same and had a similar pattern of transfer. At the year end, the Trust accrued income relating to activity delivered in that year, where a patient care spell was incomplete. This accrual was disclosed as a contract receivable as entitlement to payment for work completed was usually only dependent on the passage of time.

Financial recovery fund (FRF) and Provider Sustainability Fund (PSF)

In 2019/20, the Provider Sustainability Fund and Financial Recovery Fund enabled 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 at the point of notification.

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 1.5 Other forms of income

Grants and donations

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

Apprenticeship service income

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

Note 1.6 Expenditure on employee benefits

Short-term employee benefits

Salaries, wages and employment-related payments such as social security costs and the apprenticeship levy are recognised in the period in which the service is received from employees. The cost of annual leave entitlement earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry-forward leave into the following period.

Pension costs

NHS Pension Scheme
Past and present employees are covered by the provisions of the two NHS Pension Schemes. Both schemes are unfunded, defined benefit schemes that cover NHS employers, 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 scheme is accounted for as though it is a defined contribution scheme: 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 and when 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.

Further information is provided in note 9 to the accounts.

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
- forms part of the initial setting up of a new building or refurbishment, irrespective of the individual costs.

Where a large asset, for example a building, includes a number of components with significantly different asset lives, eg, 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 (ie operational assets used to deliver either front line services or back office functions) are measured at their current value in existing use. Assets that were most recently held for their service potential but are surplus with no plan to bring them back into use are measured at fair value where there are no restrictions on sale at the reporting date and where they do not meet the definitions of investment properties or assets held for sale.

Revaluations of property, plant and equipment are performed with sufficient regularity to ensure that carrying values are not materially different from those that would be determined at the end of the reporting period. Current values in existing use are determined as follows:

- Land and non-specialised buildings – alternate site value
- Specialised buildings – depreciated replacement cost on a modern equivalent asset basis.

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

Valuation guidance issued by the Royal Institute of Chartered Surveyors states that valuations are performed net of VAT where the VAT is recoverable by the entity. This basis has been applied to the trust's Private Finance Initiative (PFI) scheme where the construction is completed by a special purpose vehicle and the costs have recoverable VAT for the trust.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees. 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 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' cease 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 the criteria in IFRS 5 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 and the assets are not revalued, except where the 'fair value less costs to sell' falls below the carrying amount. Assets are de-recognised when all material sale contract conditions have been met.

Property, plant and equipment which is to be scrapped or demolished does not qualify for recognition as 'held for sale' and instead is retained as an operational asset and the asset's 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.

In 2020/21 this includes assets donated to the trust by the Department of Health and Social Care as part of the response to the coronavirus pandemic. As defined in the GAM, the trust applies the principle of donated asset accounting to assets that the trust controls and is obtaining economic benefits from at the year end.

Note 1.8.5 Private Finance Initiative (PFI) transactions

PFI transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's FReM, are accounted for as 'on-Statement of Financial Position' by the trust. In accordance with HM Treasury's FReM, the underlying assets are recognised as property, plant and equipment, together with an equivalent liability. Subsequently, the assets are accounted for as property, plant and equipment and/or intangible assets as appropriate.

The annual contract payments are apportioned between the repayment of the liability, a finance cost, the charges for services and lifecycle replacement of components of the asset. The element of the annual unitary payment increase due to cumulative indexation is treated as contingent rent and is expensed as incurred.

The service charge is recognised in operating expenses and the finance cost is charged to finance costs in the Statement of Comprehensive Income.

Lifecycle replacement

Components of the asset replaced by the operator during the contract ('lifecycle replacement') are capitalised where they meet the Trust's criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at their fair value.

The element of the annual unitary payment allocated to lifecycle replacement is pre-determined for each year of the contract from the operator's planned programme of lifecycle replacement. Where the lifecycle component is provided earlier or later than expected, a short-term accrual or prepayment is recognised respectively.

Where the fair value of the lifecycle component is less than the amount determined in the contract, the difference is recognised as an expense when the replacement is provided. If the fair value is greater than the amount determined in the contract, the difference is treated as a 'free' asset and a deferred income balance is recognised. The deferred income is released to operating income over the shorter of the remaining contract period or the useful economic life of the replacement component.

Assets contributed by the Trust to the operator for use in the scheme

Assets contributed for use in the scheme continue to be recognised as items of property, plant and equipment in the NHS Trust's Statement of Financial Position.

Other assets contributed by the NHS Trust to the operator

Assets contributed (e.g. cash payments, surplus property) by the NHS Trust to the operator before the asset is brought into use, which are intended to defray the operator's capital costs, are recognised initially as prepayments during the construction phase of the contract. Subsequently, when the asset is made available to the NHS Trust, the prepayment is treated as an initial payment towards the finance lease liability and is set against the carrying value of the liability.

On initial recognition of the asset, an equivalent deferred income balance is recognised, representing the future service potential to be received by the NHS Trust through the asset being made available to third party users. The balance is subsequently released to operating income over the life of the concession on a straight-line basis.

Note 1.8.6 Useful lives of property, plant and equipment

Useful lives reflect the remaining life of an asset based on the latest valuations received from the valuer. The range of useful lives are shown in the table below:

	Min life Years	Max life Years
Land	-	-
Buildings, excluding dwellings	25	75
Dwellings	25	75
Plant and machinery	5	15
Transport equipment	7	7
Information technology	5	10
Furniture and fittings	5	10

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.

Software

Software which is integral to the operation of hardware, eg 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, eg 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. Revaluations gains and losses and impairments are treated in the same manner as for property, plant and equipment. An intangible asset which is surplus with no plan to bring it back into use is valued at fair value where there are no restrictions on sale at the reporting date and where they do not meet the definitions of investment properties or assets held for sale.

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 economic life of intangiable assets

Useful lives reflect the total life of an asset and not the remaining life of an asset. The range of useful lives are shown in the table below:

	Min life Years	Max life Years
Software licences	5	10

Note 1.10 Inventories

Inventories are measured at current cost which, whilst not consistent with IAS2, is considered to be a close approximation to the lower of cost and net realisable value and will not lead to a materially mis-stated amount for the value of inventories.

In 2020/21, the Trust received inventories including personal protective equipment from the Department of Health and Social Care at nil cost. In line with the GAM and applying the principles of the IFRS Conceptual Framework, the Trust has accounted for the receipt of these inventories at a deemed cost, reflecting the best available approximation of an imputed market value for the transaction based on the cost of acquisition by the Department. A corresponding benefit has also been recognised in donated income.

Note 1.11 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 1.12 Financial assets and financial liabilities

Note 1.12.1 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 ONS.

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

Note 1.12.2 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 classified as subsequently measured at amortised cost.

Financial assets and financial liabilities at amortised cost

Financial assets and financial liabilities at amortised cost are those held with the objective of collecting contractual cash flows and where cash flows are solely payments of principal and interest. This includes cash equivalents, contract and other receivables, trade and other payables, rights and obligations under lease arrangements and loans receivable and payable.

After initial recognition, these financial assets and financial liabilities are measured at amortised cost using the effective interest 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, the Trust recognises an allowance for expected credit losses.

The Trust adopts the simplified approach to impairment for contract and other receivables, contract assets and lease receivables, measuring expected losses as at an amount equal to lifetime expected losses. For other financial assets, the loss allowance is initially measured at an amount equal to 12-month expected credit losses (stage 1) and subsequently at an amount equal to lifetime expected credit losses if the credit risk assessed for the financial asset significantly increases (stage 2).

Provision is made for expected credit losses based on past experience. The GAM advises annually on the amount to be provided against Injury Costs Recovery Scheme (ICRS) debts.

For financial assets that have become credit impaired since initial recognition (stage 3), expected credit losses at the reporting date are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

Expected losses are charged to operating expenditure within the Statement of Comprehensive Income and reduce the net carrying value of the financial asset in the Statement of Financial Position.

Note 1.12.3 Derecognition

Financial assets are de-recognised when the contractual rights to receive cash flows from the assets have expired or the Trust has transferred substantially all the risks and rewards of ownership.

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

Note 1.13 Leases

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

The trust as a lessee

Finance leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the trust, the asset is recorded as property, plant and equipment and a corresponding liability is recorded. The value at which both are recognised is the lower of the fair value of the asset or the present value of the minimum lease payments, discounted using the interest rate implicit in the lease. The implicit interest rate is that which produces a constant periodic rate of interest on the outstanding liability.

The asset and liability are recognised at the commencement of the lease. Thereafter the asset is accounted for an item of property plant and equipment.

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

Operating 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.

The trust as a lessor

Finance leases

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

Operating leases

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

Note 1.14 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 rates published and mandated by HM Treasury.

Clinical negligence costs

NHS Resolution operates a risk pooling scheme under which the trust pays an annual contribution to NHS Resolution, which, in return, settles all clinical negligence claims. Although NHS Resolution is administratively responsible for all clinical negligence cases, the legal liability remains with the Trust. The total value of clinical negligence provisions carried by NHS Resolution on behalf of the trust is disclosed at note 25.2 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 1.15 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 public dividend capital dividend. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the trust during the financial year. Relevant net assets are calculated as the value of all assets less the value of all liabilities, with certain additions and deductions as defined by the Department of Health and Social Care.

This policy is available at **https://www.gov.uk/government/publications/guidance-on-financing-available-to-nhs-trusts-and-foundation-trusts.**

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 the audit of the annual accounts.

Note 1.16 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 1.17 Corporation tax

The activities of the Trust are limited to healthcare and the provision of services associated with healthcare, and therefore, the Trust has determined that it has no liability from corporation tax.

Note 1.18 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. However, they are disclosed in a separate note to the accounts in accordance with the requirements of HM Treasury's FReM.

Note 1.19 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 is compiled directly from the losses and compensations register which reports on an accrual basis with the exception of provisions for future losses.

Note 1.20 Transfers of functions from other NHS bodies

For functions that have been transferred to the trust from another NHS body, the transaction is accounted for as a transfer by absorption. The assets and liabilities transferred are recognised in the accounts using the book value as at the date of transfer. The assets and liabilities are not adjusted to fair value prior to recognition. The net gain/loss corresponding to the net assets/liabilities transferred is recognised within income/expenses, but not within operating activities.

For property, plant and equipment assets and intangible assets, the cost and accumulated depreciation / amortisation balances from the transferring entity's accounts are preserved on recognition in the trust's accounts. Where the transferring body recognised revaluation reserve balances attributable to the assets, the trust makes a transfer from its income and expenditure reserve to its revaluation reserve to maintain transparency within public sector accounts.

Note 1.21 Early adoption of standards, amendments and interpretations

No new accounting standards or revisions to existing standards have been early adopted in 2020/21.

Note 1.22 Standards, amendments and interpretations in issue but not yet effective or adopted

IFRS 16 Leases

IFRS 16 Leases will replace IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease and other interpretations and is applicable in the public sector for periods beginning 1 April 2022. The standard provides a single accounting model for lessees, recognising a right of use asset and obligation in the statement of financial position for most leases: some leases are exempt through application of practical expedients explained below. For those recognised in the statement of financial position the standard also requires the remeasurement of lease liabilities in specific circumstances after the commencement of the lease term. For lessors, the distinction between operating and finance leases will remain and the accounting will be largely unchanged.

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

On transition to IFRS 16 on 1 April 2022, the trust will apply the standard retrospectively with the cumulative effect of initially applying the standard recognised in the income and expenditure reserve at that date. For existing operating leases with a remaining lease term of more than 12 months and an underlying asset value of at least £5,000, a lease liability will be recognised equal to the value of remaining lease payments discounted on transition at the trust's incremental borrowing rate. The trust's incremental borrowing rate will be defined by HM Treasury. Currently this rate is 0.91% but this may change between now and adoption of the standard. The related right of use asset will be measured equal to the lease liability adjusted for any prepaid or accrued lease payments. For existing peppercorn leases not classified as finance leases, a right of use asset will be measured at current value in existing use or fair value. The difference between the asset value and the calculated lease liability will be recognised in the income and expenditure reserve on transition. No adjustments will be made on 1 April 2022 for existing finance leases.

For leases commencing in 2022/23, the trust will not recognise a right of use asset or lease liability for short term leases (less than or equal to 12 months) or for leases of low value assets (less than £5,000). Right of use assets will be subsequently measured on a basis consistent with owned assets and depreciated over the length of the lease term.

The implementation date for IFRS 16 in the NHS was revised to 1 April 2022 in November 2020. Due to the need to reassess lease calculations, together with uncertainty on expected leasing activity in from April 2022 and beyond, a quantification of the expected impact of applying the standard in 2022/23 is currently impracticable. However, the trust does expect this standard to have a material impact on non-current assets, liabilities and depreciation.

Note 1.23 Critical judgements in applying accounting policies

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

Property, plant and equipment valuation

Critical judements have been applied in accounting for specialised buildings specifically in relation to the valuation assumptions. Further details are in note 14.

Non Consolidation of Charitable Funds

International Accounting Standard number 27 (IFRS10) requires production of consolidated accounts where there is a parent/subsidiary relationship. IFRS10 defines a subsidiary as an entity that is controlled by another entity. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Trust is Corporate Trustee of the Charitable Fund and meets the definition of control.

Materiality is an overriding consideration in preparation of the accounts. The international Accounting Standards Board (IASB) states that "Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements".

The net assets of the charitable Fund are less that 1% of the Trust net assets. Charitable income is less than 0.5% of Trust income. The Directors therefore consider that the significant amount of work which would be necessary to consolidate the accounts of the Charitable fund with those of the Trust is not justified on the grounds of materiality.

Non consolidation of Joint Venture

Joint ventures are arrangements in which the Trust has joint control with one or more other parties, and where it has the rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method, where the value of the Trust's investment is recorded under investments.

The Trust holds a 51% share of each of Facilities First LLP and Pathology First LLP. These entities are jointly controlled by the Trust and Integrated Pathology Partnerships (Ipp). The arrangements are treated as a joint venture and are accounted for using equity accounting, such that 51% of the surplus / (deficit) made is included in the Trust's Statement of Comprehensive Income and 51% of the net assets of the Joint Venture are included in the Statement of Financial Position of the Trust.

A critical judgement has been applied to not prepare Group statements as the initial consideration in the Joint Venture is £nil. The amounts to be included under equity accounting is also £nil. As such there are no material changes to the statements.

Note 1.24 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:

Property, plant and equipment valuation

The Trust considers that the valuation of property, plant and equipment assets poses a significant risk relating to estimates and assumptions about their carrying value. To mitigate the risk of material misstatement, the Trust engages the professional services and advice of a professional RICS qualified valuer as detailed in note 14. The qualified valuer is recognised as a suitable provider of a range of valuation and surveying services to public sector bodies and their estimates can be relied upon in respect of these services, including estimates of the remaining useful economic lives of property assets.

The key assumptions that are most likely to affect the valuations are:

Cost data: The Valuer uses actual cost data where it is available however this is adjusted to reflect price changes since the construction date and any differences between those costs and the costs that would be incurred in constructing the modern equivalent asset. Where actual cost data is not available the valuer relies on published construction price data. Published price data is an estimate of the costs that would be incurred in constructing a modern equivalent asset and may differ to the costs that would actually be incurred in practice. If the cost data were 5% higher this would have an impact on the value of specialised properties recorded in the Statement of Financial Performance of an increase of £23.9 million.

Adjustments for obsolescence: Once the cost of constructing a modern equivalent asset has been determined an adjustment is made to reflect the difference between the modern equivalent and the actual asset being valued. This adjustment is made by the valuer based on their knowledge and experience, it takes into account physical deterioration, functional obsolescence and economic obsolescence. Had the adjustment for obsolescence been 2% higher that the valuer assumed, this would have an impact on the value of specialised properties recorded in the Statement of Financial Performance of a decrease of £9.6m.

The valuer also reviewed the useful economic lives of the Trust buildings. Useful economic lives reflect the total life of an asset and not the remaining life of an asset. The range of remaining useful economic lives by category of an asset are detailed in note 1.8.6.

Note 2 Operating Segments

All of the Trust's activities are in the provision of healthcare, which is an aggregate of all the individual specialty components included therein, and the large majority of the healthcare services provided occur at the one geographical main site. Similarly, the large majority of the Trust's revenue originates with the UK Government. The majority of expenses incurred are payroll expenditure on staff involved in the production or support of healthcare activities generally across the Trust together with the related supplies and overheads needed to establish this production. The business activities which earn revenue and incur expenses are therefore of one broad combined nature and therefore on this basis one segment of 'Healthcare' is deemed appropriate.

The operating results of the Trust are reviewed monthly by the Trust's chief operating decision maker which is the overall Trust Board and which includes senior professional non-executive directors. The Board of Directors review the financial position of the Trust as a whole in their decision making process, rather than individual components included in the totals, in terms of allocating resources. This process again implies a single operating segment under IFRS 8.

The finance report considered by the Board of Directors contains summary figures for the whole Trust together with graphical line charts relating to different total income activity levels, and directorate expense budgets with their cost improvement positions. Likewise only total balance sheet positions and cashflow forecasts are considered for the whole Trust. The Board of Directors as chief operating decision maker therefore only considers one segment of healthcare in its decision-making process.

The single segment of 'Healthcare' has therefore been identified consistent with the core principle of IFRS 8 which is to enable users of the financial statements to evaluate the nature and financial effects of business activities and economic environments.

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)

	2020/21	2019/20
	£000	£000
Acute services		
Block contract / system envelope income*	953,336	199,842
High cost drugs income from commissioners (excluding pass-through costs)	3,748	38,181
Other NHS clinical income	141,078	74,404
All services		
Private patient income	2,496	331
Additional pension contribution central funding**	28,963	8,334
Reimbursement and top up funding	119,321	-
Other clinical income***	11,813	1,689
Total income from activities	**1,260,755**	**322,781**

* As part of the coronavirus pandemic response, transaction flows were simplified in the NHS and providers and their commissioners moved onto block contract payments at the start of 2020/21. In the second half of the year, a revised financial framework built on these arrangements but with a greater focus on system partnership and providers derived most of their income from these system envelopes. Comparatives in this note are presented to be comparable with the current year activity. This does not reflect the contracting and payment mechanisms in place during the prior year.

** The employer contribution rate for NHS pensions increased from 14.3% to 20.6% (excluding administration charge) from 1 April 2019. Since 2019/20, NHS providers have 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.

*** Other clinical income includes income for maternity pathways, overseas patients, NHS Injury scheme and funding for digital aspirant.

Note 3.2 Income from patient care activities (by source)

	2020/21	2019/20
	£000	£000
Income from patient care activities received from:		
NHS England	347,550	72,852
Clinical commissioning groups	907,298	245,610
Other NHS providers	455	-
NHS other	15	-
Local authorities	445	319
Non-NHS: private patients	2,496	331
Non-NHS: overseas patients (chargeable to patient)	770	340
Injury cost recovery scheme	241	1,082
Non NHS: other	1,485	2,247
Total income from activities	**1,260,755**	**322,781**
Of which Related to continuing operations	1,260,755	322,781

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

	2020/21	2019/20
	£000	£000
Income recognised this year	770	340
Cash payments received in-year	206	340
Amounts added to provision for impairment of receivables	597	268
Amounts written off in-year	857	5

Note 4 Other operating income

	2020/21			2019/20		
	Contract income	Non-contract income	Total	Contract income	Non-contract income	Total
	£000	£000	£000	£000	£000	£000
Research and development	3,402	-	3,402	1,223	-	1,223
Education and training	30,350	2,551	32,901	8,553	-	8,553
Non-patient care services to other bodies	6,957	-	6,957	1,704	-	1,704
Provider sustainability fund (2019/20 only)	-	-	-	5,985	-	5,985
Financial recovery fund (2019/20 only)	-	-	-	11,461	-	11,461
Marginal rate emergency tariff funding (2019/20 only)	-	-	-	3,747	-	3,747
Receipt of capital grants and donations	-	9,856	9,856	-	111	111
Charitable and other contributions to expenditure	-	16,549	16,549	-	271	271
Rental revenue from operating leases	-	59	59	-	59	59
Amortisation of PFI deferred income/credits	-	516	516	-	-	-
Other income	7,985	-	7,985	9,646	-	9,646
Total other operating income	**48,694**	**29,531**	**78,225**	**42,319**	**441**	**42,760**
Of which Related to continuing operations	-	-	78,225	-	-	42,760

Note 5.1 Additional information on contract revenue (IFRS 15) recognised in the period

All revenue recognised in the year arises from contract obligations satisfied within year (2019/20 £481k).

Note 5.2 Transaction price allocated to remaining performance obligations

Revenue from existing contracts allocated to remianing performance obligations is nil.

The trust has exercised the practical expedients permitted by IFRS 15 paragraph 121 in preparing this disclosure. Revenue from (i) contracts with an expected duration of one year or less and (ii) contracts where the trust recognises revenue directly corresponding to work done to date is not disclosed.

Note 5.3 Income from activities arising from commissioner requested services

Under the terms of its provider licence, the trust is required to analyse the level of income from activities that has arisen from commissioner requested and non-commissioner requested services. Commissioner requested services are defined in the provider licence and are services that commissioners believe would need to be protected in the event of provider failure. This information is provided in the table below:

	2020/21	2019/20
	£000	£000
Income from services designated as commissioner requested services	1,246,446	320,761
Income from services not designated as commissioner requested services	14,309	2,020
Total	**1,260,755**	**322,781**

Note 6.1 Operating expenses

	2020/21	2019/20
	£000	£000
Purchase of healthcare from NHS and DHSC bodies	3,823	2,906
Purchase of healthcare from non-NHS and non-DHSC bodies	49,741	19,800
Staff and executive directors costs	803,444	223,662
Remuneration of non-executive directors	266	159
Supplies and services - clinical (excluding drugs costs)	105,762	27,279
Supplies and services - general	15,864	4,138
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	97,518	41,199
Consultancy costs	11,388	623
Establishment	11,009	4,733
Premises	56,627	8,144
Transport (including patient travel)	2,483	289
Depreciation on property, plant and equipment	35,048	9,138
Amortisation on intangible assets	3,130	1,154
Net impairments	103,846	-
Movement in credit loss allowance: contract receivables/contract assets	1,893	681
Increase/(decrease) in other provisions	6,862	30
Change in provisions discount rate(s)	184	37
Audit fees payable to the external auditor		
audit services- statutory audit**	91	52
other auditor remuneration (external auditor only)	-	6
Internal audit costs	254	84
Clinical negligence	40,919	11,056
Legal fees	988	380

Insurance	660	359
Research and development	3,585	-
Education and training*	30,493	864
Rentals under operating leases	2,410	870
Redundancy	189	27
Charges to operating expenditure for on-SoFP IFRIC 12 schemes (e.g. PFI / LIFT)	5,520	-
Hospitality	986	-
Losses, ex gratia and special payments	505	175
Other services, eg external payroll	1,055	-
Other	9,122	3,992
Total	**1,405,665**	**361,837**
Of which Related to continuing operations	1,405,665	361,837

* In the prior year this expenditure was included as part of staff and executive director costs. The prior year has not been revised on the basis that it is not material.

** The audit fee is stated on a gross basis. The amount NET of VAT is £76k.

Note 6.2 Other auditor remuneration

	2020/21	2019/20
	£000	£000
Other auditor remuneration paid to the external auditor:	-	-
2. Audit-related assurance services	-	6
Total	**-**	**6**

Note 6.3 Limitation on auditor's liability

The limitation on auditor's liability for external audit work is £1 million (2019/20: £1 million).

Note 7 Impairment of assets

	2020/21	2019/20
	£000	£000
Net impairments charged to operating surplus/deficit resulting from:		
Abandonment of assets in course of construction	509	-
Changes in market price	103,337	-
Total net impairments charged to operating surplus/deficit	**103,846**	**-**
Impairments charged to the revaluation reserve	30,320	-
Total net impairments	**134,166**	**-**

During the financial year 2020/21 a full revaluation of the Trust's Land and Property has been done to ensure consistency within the valuation. The Trust appointed Montagu Evans LLP as an independent valuer.

Of the impairment relating to the revaluation £118.2m relates to the buildings and £13.9m relates to land.

A further £0.5m has been impaired in relation to design fees for building projects.

Note 8 Employee benefits

	2020/21	2019/20
	Total	Total
	£000	£000
Salaries and wages	634,977	169,176
Social security costs	64,285	17,465
Apprenticeship levy	3,002	830
Employer's contributions to NHS pensions*	95,358	27,453
Pension cost - other	208	-
Temporary staff (including agency)	42,353	9,340
Total gross staff costs	**840,183**	**224,264**
Recoveries in respect of seconded staff	(2,409)	-
Total staff costs	**837,774**	**224,264**
Of which Costs capitalised as part of assets	4,967	575
Costs recognised within operating expenditure	832,807	223,689

* Pension contributions increased to 20.6%, 6.3% of the increase was funded by NHS England.

Note 8.1 Retirements due to ill-health

During 2020/21 there were 9 early retirements from the trust agreed on the grounds of ill-health (2 in the year ended 31 March 2020). The estimated additional pension liabilities of these ill-health retirements is £273k (£44k in 2019/20).

These estimated costs are calculated on an average basis and will be 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 2021, is based on valuation data as 31 March 2020, updated to 31 March 2021 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

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

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019 to 20.6% of pensionable pay. The 2016 funding valuation was also expected to test the cost of the Scheme relative to the employer cost cap that was set following the 2012 valuation. In January 2019, the Government announced a pause to the cost control element of the 2016 valuations, due to the uncertainty around member benefits caused by the discrimination ruling relating to the McCloud case.

The Government subsequently announced in July 2020 that the pause had been lifted, and so the cost control element of the 2016 valuations could be completed. The Government has set out that the costs of remedy of the discrimination will be included in this process. HMT valuation directions will set out the technical detail of how the costs of remedy will be included in the valuation process. The Government has also confirmed that the Government Actuary is reviewing the cost control mechanism (as was originally announced in 2018). The review will assess whether the cost control mechanism is working in line with original government objectives and reported to Government in April 2021. The findings of this review will not impact the 2016 valuations, with the aim for any changes to the cost cap mechanism to be made in time for the completion of the 2020 actuarial valuations.

National Employment Savings Scheme (NEST)

NEST is a defined contribution pension scheme that was created as part of the government's workplace pensions reforms under the Pensions Act 2008.

10.1 Finance expenditure

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

	2020/21	2019/20
	£000	£000
Interest expense:		
Loans from the Department of Health and Social Care	728	913
Finance leases	429	402
Interest on late payment of commercial debt	5	-
Main finance costs on PFI and LIFT schemes obligations	7,236	-
Contingent finance costs on PFI and LIFT scheme obligations	4,049	-
Total interest expense	**12,447**	**1,315**
Unwinding of discount on provisions	(64)	38
Other finance costs	6	-
Total finance costs	**12,389**	**1,353**

Note 10.2 The late payment of commercial debts (interest) Act 1998/ Public Contract Regulations 2015

	2020/21	2019/20
	£000	£000
Amounts included within interest payable arising from claims made under this legislation	4	-

Note 11.1 Intangible assets - 2020/21

	Software licences	Intangible assets under construction	Total
	£000	£000	£000
Valuation/gross cost at 1 April 2020 - brought forward	10,632	-	10,632
Transfers by absorption	25,066	1,227	26,293
Additions	300	-	300
Impairments	-	(141)	(141)
Reclassifications	(195)	(45)	(240)
Valuation/gross cost at 31 March 2021	**35,803**	**1,041**	**36,844**
Amortisation at 1 April 2020 - brought forward	8,167	-	8,167
Transfers by absorption	16,473	-	16,473
Provided during the year	3,130	-	3,130
Reclassifications	(19)	-	(19)
Amortisation at 31 March 2021	**27,751**	**-**	**27,751**
Net book value at 31 March 2021	8,052	1,041	9,093
Net book value at 1 April 2020	2,465	-	2,465

Note 11.2 Intangible assets - 2019/20

	Software licences	Intangible assets under construction	Total
	£000	£000	£000
Valuation/gross cost at 1 April 2019 - as previously stated	10,079	-	10,079
Additions	553	-	553
Valuation/gross cost at 31 March 2020	**10,632**	**-**	**10,632**
Amortisation at 1 April 2019 - as previously stated	7,013	-	7,013
Provided during the year	1,154	-	1,154
Amortisation at 31 March 2020	**8,167**	**-**	**8,167**
Net book value at 31 March 2020	2,465	-	2,465
Net book value at 1 April 2019	3,067	-	3,067

Note 12.1 Property, plant and equipment - 2020/21

	Land	Buildings excluding dwellings	Dwellings	Assets under construction*	Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Valuation/gross cost at 1 April 2020 - brought forward	19,885	132,448	7,375	4,541	61,238	159	34,306	4,736	264,688
Transfers by absorption	64,556	426,800	16,598	13,459	80,613	287	39,706	6,668	648,687
Additions	-	19,297	42	69,142	19,533	27	5,227	47	113,315
Impairments	(13,899)	(152,443)	(2,606)	(369)	(3,330)	-	(2,052)	142	(174,557)
Revaluations	(113)	73,266	6,205	-	-	-	-	-	79,358
Reclassifications	10	5,413	(221)	(6,514)	8,643	(149)	(5,779)	(1,275)	128
Disposals/derecognition	-	-	-	-	(416)	-	-	-	(416)
Valuation/gross cost at 31 March 2021	**70,439**	**504,781**	**27,393**	**80,259**	**166,281**	**324**	**71,408**	**10,318**	**931,203**
Accumulated depreciation at 1 April 2020 - brought forward	-	4,326	277	-	35,891	159	28,192	2,995	71,840
Transfers by absorption	-	17,195	594	-	56,146	253	31,138	5,314	110,640
Provided during the year	-	19,375	522	-	10,280	8	4,549	314	35,048
Impairments	-	(37,163)	-	-	(3,516)	-	-	147	(40,532)
Reversals of impairments	-	2,939	(882)	-	-	-	(2,057)	-	-
Revaluations	-	(6,317)	(525)	-	-	-	-	-	(6,842)
Reclassifications	-	94	14	-	7,107	(150)	(5,949)	(1,209)	(93)
Disposals/derecognition	-	-	-	-	(414)	-	-	-	(414)
Accumulated depreciation at 31 March 2021	**-**	**449**	**(0)**	**-**	**105,494**	**270**	**55,873**	**7,561**	**169,647**
Net book value at 31 March 2021	70,439	504,332	27,393	80,259	60,787	54	15,535	2,757	761,556
Net book value at 1 April 2020	19,885	128,122	7,098	4,541	25,347	-	6,114	1,741	192,848

* Assets under construction include works to increase capacity in A&E at both Southend and Broomfield Hospitals, the acquisition and installation of diagnostic equipment and the refurbishment of maternity wards at Basildon Hospital.

Note 12.2 Property, plant and equipment - 2019/20

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Valuation/gross cost at 1 April 2019 - as previously stated	19,885	119,958	7,347	4,025	50,616	159	32,426	5,122	239,538
Prior period adjustments	-	-	-	-	-	-	-	-	-
Valuation / gross cost at 1 April 2019 - restated	19,885	119,958	7,347	4,025	50,616	159	32,426	5,122	239,538
Transfers by absorption	-	-	-	-	-	-	-	-	-
Additions	-	9,657	28	5,269	7,347	-	1,830	1,053	25,184
Reclassifications	-	2,833	-	(4,753)	3,309	-	50	(1,439)	-
Disposals/derecognition	-	-	-	-	(34)	-	-	-	(34)
Valuation/gross cost at 31 March 2020	**19,885**	**132,448**	**7,375**	**4,541**	**61,238**	**159**	**34,306**	**4,736**	**264,688**
Accumulated depreciation at 1 April 2019 - as previously stated	-	0	-	-	32,887	159	26,766	2,924	62,736
Provided during the year	-	4,246	277	-	3,038	-	1,426	151	9,138
Reclassifications	-	80	-	-	-	-	-	(80)	-
Disposals/derecognition	-	-	-	-	(34)	-	-	-	(34)
Accumulated depreciation at 31 March 2020	**-**	**4,326**	**277**	**-**	**35,891**	**159**	**28,192**	**2,995**	**71,840**
Net book value at 31 March 2020	19,885	128,122	7,098	4,541	25,347	-	6,114	1,741	192,848
Net book value at 1 April 2019	19,885	119,958	7,347	4,025	17,729	-	5,660	2,198	176,802

Note 12.3 Property, plant and equipment financing - 2020/21

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2021									
Owned - purchased	70,439	361,731	13,625	75,154	49,420	54	15,094	2,757	588,274
Finance leased	-	1,452	6,729	-	4,514	-	347	-	13,042
On-SoFP PFI contracts and other service concession arrangements	-	138,811	7,039	-	-	-	-	-	145,850
Off-SoFP PFI residual interests	-	-	-	-	-	-	-	-	-
Owned - donated/granted	-	2,338	-	5,105	6,854	-	94	-	14,391
NBV total at 31 March 2021	**70,439**	**504,332**	**27,393**	**80,259**	**60,788**	**54**	**15,535**	**2,757**	**761,557**

Note 12.4 Property, plant and equipment financing - 2019/20

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2020									
Owned - purchased	19,885	126,998	1,218	4,541	20,147	-	5,402	1,722	179,913
Finance leased	-	242	5,880	-	3,812	-	599	-	10,533
On-SoFP PFI contracts and other service concession arrangements	-	-	-	-	-	-	-	-	-
Off-SoFP PFI residual interests	-	-	-	-	-	-	-	-	-
Owned - donated/granted	-	882	-	-	1,388	-	113	19	2,402
NBV total at 31 March 2020	**19,885**	**128,122**	**7,098**	**4,541**	**25,347**	**-**	**6,114**	**1,741**	**192,848**

Note 13 Donations of property, plant and equipment

During the year donations made by Mid & South Essex Charitable Fund were utilised to purchase a number of items of medical equipment and make improvements to clinical areas.

Note 14 Revaluations of property, plant and equipment

There was a valuation on 31 March 2021 of land, buildings and dwellings. This was carried out by Montagu Evans LLP, a RICS approved surveyor.

The valuation is prepared under International Financial Reporting Standards (IFRS) which requires the statement of assets at Fair Value. Within this broad definition, assets should be valued at Market Value (MV) or Market Value in Current Use which will use either an income model (also known as Existing Use Value (EUV)) or, if no market exists for a property, which may be rarely sold or it is a specialised asset, a cost model (also known as depreciated replacement cost (DRC)).

The majority of the buildings owned by the Trust are specialised assets which have been valued on a DRC approach. This methodology assumes a modern equivalent asset (MEA) approach with replacement buildings being of the same floor area as those existing and offering the same service potential. Non-specialised assets and land has been valued on an income basis using the Existing Use Value (comparative) approach.

In determining the relevant methodology, reliance has been placed on the RICS Valuation - Global Standards 2020 which came into effect on 31 January 2020 and the RICS Valuation – Global Standards 2017 – UK National Supplement, which came into effect on 14 January 2019. The UK supplement replaced the earlier RICS Valuation – Professional Standards UK January 2014 (revised April 2015).

Componentisation has been calculated on the basis of grouped components to provide indicative guidance on their average remaining lives. Accordingly, a policy identifying building components in three broad categories has been adopted for accounting purposes: Building Structure, Engineering and External Works.

In assessing the depreciation of a building straight line depreciation is adopted from 100% at completion of construction to zero, once their life span has been met.

In line with the guidance issued by NHS Improvement and supported by the National Audit Office (NAO) in respect of the interpretation of MEA replacement facilities, and noting the specialist and non-acute nature of Basildon hospital, on a MEA basis Basildon hospital would not be re-provided in its current location in view of the significantly high land costs in one of Essex's prime residential areas. In assessing an alternative location the Trust has considered the hospitals breath of catchment of patients and therefore more rural and less developed town in the surrounding area of Essex, Rayleigh, has been identified as being appropriate for a MEA facility. This would meet its delivery and service potential requirements as well as providing the least expensive alternative location. For the hospital sites at Southend, Broomfield, Maldon and Braintree the valuer assessed the current location and land value, and potential alternative locations which would be within a geographic proximity to deliver the services to the community. The assessment concluded that there was no marked premium for the current locations as they were not prime residential locations and therefore the valuation based on the current location would not be materially different to that on a suitable alternative site.

Note 15 Disclosure of interests in other entities

The Trust holds a 51% share of each of Facilities First LLP and Pathology First LLP. These entities are jointly controlled by the Trust and Integrated Pathology Partnerships (Ipp). The arrangements are treated as a joint venture and are accounted for using equity accounting, such that 51% of the surplus/(deficit) made is included in the Trust's Statement of Comprehensive Income and 51% of the net assets of the Joint Venture are included in the Statement of Financial Position of the Trust.

Joint ventures are arrangements in which the Trust has joint control with one or more other parties, and where it has the rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method, where the value of the Trust's investment is recorded under investments. Group statements have not been prepared as the initial consideration in the Joint Venture is £nil. The amounts to be included under equity accounting is also £nil. As such there are no material changes to the statements.

In 2020/21 the two partnerships traded only with the Trust and broke even. They are not expected to show a profit until they begin trading with third party customers. As at 31 March 2021, the value of their assets is not considered material and, therefore, they are not consolidated in the accounts.

	Facilities First	Pathology First	Combined	Combined
	2020/21	2020/21	2020/21	2019/20
	£000	£000	£000	£000
Profit and Loss Account				
Turnover	16,382	14,772	31,154	26,727
Cost of sales	(16,362)	(14,673)	(31,035)	(26,667)
Gross Profit	**20**	**99**	**119**	**60**
Operating expenditure	(20)	(99)	(119)	-
Profit/(loss) before tax	**-**	**-**	**-**	**-**
Trust's share of profit/(loss) in Statement of Comprehensive income	**-**	**-**	**-**	**-**
Statement of Financial Position				
Current assets	288		288	3,860
payables - amounts due within one year	(288)		(288)	(3,860)
Net Assets/(Liabilities)	**-**	**-**	**-**	**-**
Share of net assets/(liabilities) recognised in the Statement of Financial Position	**-**	**-**	**-**	**-**

Note 16 Inventories

	31 March 2021	31 March 2020
	£000	£000
Drugs	7,496	3,145
Consumables	15,647	3,580
Energy	78	52
Other	137	49
Total inventories	**23,358**	**6,826**
Of which Held at fair value less costs to sell	-	-

Inventories recognised in expenses for the year were £166,761k (2019/20: £68,478k). Write-down of inventories recognised as expenses for the year were £0k (2019/20: £0k).

In response to the COVID-19 pandemic, the Department of Health and Social Care centrally procured personal protective equipment and passed these to NHS providers free of charge. During 2020/21 the Trust received £15,726k of items purchased by DHSC.

These inventories were recognised as additions to inventory at deemed cost with the corresponding benefit recognised in income. The utilisation of these items is included in the expenses disclosed above.

Note 17.1 Receivables

	31 March 2021	31 March 2020
	£000	£000
Current		
Contract receivables	48,674	40,278
Allowance for impaired contract receivables/assets	(6,195)	(3,024)
Prepayments (non-PFI)	9,673	-
PDC dividend receivable	1,942	1
VAT receivable	1,501	733
Other receivables	2,355	43
Total current receivables	**57,950**	**38,031**
Non-current		
Contract receivables	2,808	-
Contract assets	-	1,003
Allowance for impaired contract receivables/assets	(630)	(219)
Prepayments (non-PFI)	341	-
Other receivables	2,301	713
Total non-current receivables	**4,820**	**1,497**
Of which receivable from NHS and DHSC group bodies: Current	31,727	32,917
Non-current	2,301	713

Note 17.2 Allowances for credit losses

	2020/21		2019/20	
	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 - brought forward	3,243	-	2,562	-
Transfers by absorption	3,643	204	-	-
New allowances arising	1,989	-	681	-
Reversals of allowances	(96)	-	-	-
Utilisation of allowances (write offs)	(1,954)	(204)	-	-
Allowances as at 31 Mar 2021	**6,825**	**-**	**3,243**	**-**

Note 17.3 Exposure to credit risk

The Trust has no sinificant exposure to credit risk as the majority of the Trust's revenue comes from contracts with other NHS bodies.

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.

	2020/21	2019/20
	£000	£000
At 1 April	5,116	15,589
Transfers by absorption	7,430	-
Net change in year	122,462	(10,473)
At 31 March	**135,008**	**5,116**
Broken down into:		
Cash at commercial banks and in hand	48	118
Cash with the Government Banking Service	134,960	4,998
Total cash and cash equivalents as in SoFP and SoCF	**135,008**	**5,116**

Note 18.2 Third party assets held by the trust

Mid and South Essex NHS Foundation 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 2021	31 March 2020
	£000	£000
Bank balances	9	-
Total third party assets	**9**	**-**

Note 19.1 Trade and other payables

	31 March 2021	31 March 2020
	£000	£000
Current		
Trade payables	31,666	11,471
Capital payables	54,195	13,264
Accruals	77,229	20,415
Receipts in advance and payments on account	140	-
Social security costs	17,281	4,799
Other taxes payable	-	9
Other payables	20,546	4,660
Total current trade and other payables	**201,057**	**54,618**
Non-current		
Receipts in advance and payments on account	2,616	-
Total non-current trade and other payables	**2,616**	**-**
Of which payables from NHS and DHSC group bodies: Current	8,469	15,494

Note 19.2 Early retirements in NHS payables above

There were no payments for early retirements during 2020/21 (2019/20 - none).

Note 20 Other liabilities

	31 March 2021	31 March 2020
	£000	£000
Current		
Deferred income: contract liabilities	7,581	734
Deferred PFI credits/income	516	-
Total other current liabilities	**8,097**	**734**
Non-current		
Deferred income: contract liabilities	-	937
Deferred PFI credits/income	10,324	-
Total other non-current liabilities	**10,324**	**937**

Note 21.1 Borrowings

	31 March 2021	31 March 2020
	£000	£000
Current		
Loans from DHSC	1,887	59,319
Other loans	423	423
Obligations under finance leases	1,940	1,361
Obligations under PFI*	4,552	-
Total current borrowings	**8,802**	**61,103**
Non-current		
Loans from DHSC	14,073	-
Other loans	8,820	635
Obligations under finance leases	4,030	3,873
Obligations under PFI*	132,017	-
Total non-current borrowings	**158,940**	**4,508**

* See note 24 for full details of PFI schemes

Note 21.2 Reconciliation of liabilities arising from financing activities - 2020/21

	Loans from DHSC	Other loans	Finance leases	PFI schemes	Total
	£000	£000	£000	£000	£000
Carrying value at 1 April 2020	59,319	1,058	5,234	-	65,611
Cash movements:					
Financing cash flows - payments and receipts of principal	(408,042)	8,185	(3,205)	(4,743)	(407,805)
Financing cash flows - payments of interest	(1,886)	-	(429)	(7,236)	(9,551)
Non-cash movements:					
Transfers by absorption	365,841	-	3,941	141,312	511,094
Application of effective interest rate	728	-	429	7,236	8,393
Carrying value at 31 March 2021	**15,960**	**9,243**	**5,970**	**136,569**	**167,742**

Note 21.3 Reconciliation of liabilities arising from financing activities - 2019/20

	Loans from DHSC	Other loans	Finance leases	PFI schemes	Total
	£000	£000	£000	£000	£000
Carrying value at 1 April 2019	63,105	1,481	6,321	-	70,907
Cash movements:					
Financing cash flows - payments and receipts of principal	(3,777)	(423)	(1,295)	(4,743)	(5,495)
Financing cash flows - payments of interest	(922)	-	(250)	(7,236)	(1,172)
Non-cash movements:					
Application of effective interest rate	913	-	402	141,312	1,315
Other changes	-	-	56	7,236	56
Carrying value at 31 March 2020	**59,319**	**1,058**	**5,234**	**-**	**65,611**

Note 22.1 Provisions for liabilities and charges analysis

	Pensions: early departure costs	Pensions: injury benefits	Legal claims	Other	Total
	£000	£000	£000	£000	£000
At 1 April 2020	1,171	71	385	713	2,340
Transfers by absorption	3,281	1,322	231	1,716	6,550
Change in the discount rate	98	86	-	-	184
Arising during the year	1,138	624	217	9,345	11,324
Utilised during the year	(462)	(98)	(65)	(19)	(644)
Reclassified to liabilities held in disposal groups	-	-	(197)	197	-
Reversed unused	(482)	(23)	(246)	(178)	(929)
Unwinding of discount	(45)	(19)	-	-	(64)
At 31 March 2021	**4,699**	**1,963**	**325**	**11,774**	**18,761**
Expected timing of cash flows:					
- not later than one year;	452	98	324	7,771	8,645
- later than one year and not later than five years;	1,839	402	-	2,040	4,281
- later than five years.	2,408	1,463	1	1,963	5,835
Total	**4,699**	**1,963**	**325**	**11,774**	**18,761**

Early departure costs are calculated in accordance with NHS Pensions Scheme rules based on age, salaries and length of service of employees effected.

Injury benefits relate to benefits due to staff who have left the employment of the Trust.

Legal claims relate to on going insurance claims against the Trust's employee liability insurance and public liability insurance.

Other provisions include the following:-

Clinicians pension tax

Temporary medical staff holiday pay

Costs in relation to an onerous lease

Employment tribunal claims subject to final hearings

Note 22.2 Clinical negligence liabilities

At 31 March 2021, £782,200k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of Mid and South Essex NHS Foundation Trust (31 March 2020: £125,307k).

Note 23 Contractual capital commitments

	31 March 2021	31 March 2020
	£000	£000
Property, plant and equipment	13,119	13,129
Total	**13,119**	**13,129**

Note 24 On-SoFP PFI

The PFI schemes below transferred to the Trust as part of the acquisition of Mid Essex Hospital Services NHS Trust on 1st April 2020.

Staff Accommodation Scheme - Broomfield Hospital Site
During 2005/06, contracts were concluded by Mid Essex Hospital Services NHS Trust under the Private Finance Initiative (PFI) with Swan Housing Association Limited for the construction and provision of staff residential accommodation including the management of the accommodation and other related services, i.e. cleaning, estates, etc.

The PFI scheme was approved by the NHS Executive and HM Treasury. Following an assessment of the scheme, in the light of HM Treasury's "Technical Note 1 (revised) How to account for PFI transactions", in the Trust's opinion the scheme was accounted for off of the Statement of Financial Position. Given the change to IFRS this has now been reconsidered under IFRIC 12 and in the Trust's opinion the scheme should now be accounted for on the Statement of Financial Position.

Under the contract Trust staff have the first option on the accommodation. However, where they do not require the property there is a priority list of alternative public sector workers to whom the accommodation may be offered.

The only payment that the Trust makes under the scheme is for those on-call rooms and medical student rooms that the Trust wishes to rent. All rental income is paid directly to the operator, Swan Housing Association.

New staff accommodation has been constructed by Swan Housing Association Limited on the Broomfield Hospital Site. This accommodation will transfer to the Trust at nil cost at the end of the 35 year initial concession period, which commenced in 2007/08 when the property construction was completed.

In the event of Operator default, the Trust has the option to re-tender the contract or pay a termination sum determined by an expert valuer.

Broomfield Hospital Facilities Scheme
During 2007/08, contracts were concluded under the Private Finance Initiative (PFI) with By Chelmer PLC for the construction and provision of hospital facilities including the provision of related services, i.e. estates maintenance, etc.

The PFI scheme was approved by East of England Strategic Health Authority, the Department of Health and HM Treasury. Following an assessment of the scheme, in the light of HM Treasury's "Technical Note 1 (revised) How to account for PFI transactions", in the Trust's opinion the scheme was to be accounted for off balance sheet. However, HM Treasury determined that government bodies shall account for infrastructure PFI schemes where the government body controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement as service concession arrangements, following the principles of the requirements of IFRIC 12.

The Trust therefore recognised the PFI asset as an item of property, plant and equipment together with a liability to pay for it when it was handed over in August 2010. The services received under the contract are recorded as operating expenses.

The substance of the contract, which will run for 33 years, is that the Trust has a finance lease. The Trust makes monthly repayments to reduce the liability and for services received.

Braintree Community Hospital
The PFI contract is with GH Braintree Limited. For the same reasons as the existing PFI scheme this was considered to be shown on balance sheet. The Trust therefore recognised an asset as an item of property, plant and equipment together with a liability. The services received under the contract are recorded as an operating expense.

The substance of the contract, which will run until 2040, is that the Trust has a finance lease. The Trust makes monthly repayments to reduce the liability and for services received.

The information below is required by the Department of Heath for inclusion in national statutory accounts.

Note 24.1 On-SoFP PFI

The following obligations in respect of the PFI are recognised in the statement of financial position:

	31 March 2021	31 March 2020
	£000	£000
Gross PFI	**230,409**	**-**
Of which liabilities are due		
- not later than one year;	11,573	-
- later than one year and not later than five years;	54,323	-
- later than five years.	164,513	-
Finance charges allocated to future periods	(93,840)	-
Net PFI	**136,569**	**-**
- not later than one year;	4,552	-
- later than one year and not later than five years;	22,854	-
- later than five years.	109,164	-

Note 24.2 Total on-SoFP PFI

Total future commitments under these on-SoFP schemes are as follows:

	31 March 2021	31 March 2020
	£000	£000
Total future payments committed in respect of the PFI	**642,105**	**-**
Of which payments are due:		
- not later than one year;	22,668	-
- later than one year and not later than five years;	122,163	-
- later than five years.	497,274	-

Note 24.3 Analysis of amounts payable to service concession operator

This note provides an analysis of the unitary payments made to the service concession operator:

	31 March 2021	31 March 2020
	£000	£000
Unitary payment payable to service concession operator	**22,246**	**-**
Consisting of:		
- Interest charge	7,236	-
- Repayment of balance sheet obligation	4,743	-
- Service element and other charges to operating expenditure	5,520	-
- Capital lifecycle maintenance	698	-
- Contingent rent	4,049	-
Total amount paid to service concession operator	**22,246**	**-**

Note 25 Financial instruments

Note 25.1 Financial risk management

IFRS 7, Financial Instruments, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the continuing service provider relationship that the Trust has with local Clinical Commissioning Groups and the way those Clinical Commissioning Groups are financed, the Trust is not exposed to the degree of financial risk faced by the business entities. Also financial instruments play a much more limited role in creating or changing risk than would be of listed companies to which IFRS 7 mainly applies. 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 within the Trist'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
The majority of the Trust's customers are Clinical Commissioning Groups and NHS England. As such, credit risk in this area is considered to be linked to disputes over activity rather than the customers' ability to pay. Other customers have an appropriate credit check or settle via cash or using major credit cards before activity is undertaken (where clinical priorities allow). Where debtors exceed any agreed credit terms appropriate provision is made against that class of debt; full details of these provisions are given in note 17.2.

Liquidity risk
The Trust's net operating costs are incurred under annual service contracts with Clinical Commissioning Groups and NHS England, which are financed from resources voted annually by Parliament. The Trust also largely finances its capital expenditure from funds made available from Government under an agreed borrowing limit. The Trust is not, therefore, exposed to significant liquidity risks.

Interest - Rate Risk
The Trust's borrowings to support the deficit trading position are from the Department of Health at government borrowing rates, these are marginally above UK base rates. All existing borrowings from the DoH are fixed interest rates.

Where the Trust's Financial Assets and Liabilities are subject to floating interest rates these are all based on the prevailing Base Rate. The Trust therefore has low exposure to interest rate fluctuations.

As per note 25.3, the Trust has recognised financial liabilities in respect of PFI's of £136.6m following the acquisition of Mid Essex Hospital Services NHS Trust. Whilst these liabilities are recognised in the financial statements at amortised cost, the repayments to the PFI operators are indexed by RPI and so the Trust is exposed to price risk in respect of the fair value of future cash flows. As noted in accounting policy 1.8.5, the RPI element of the cash flow is accounted for as a contingent rental as and when it falls due.

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 therefoire has low exposure to currency rate fluctuations.

Note 25.2 Carrying values of financial assets

	Held at amortised cost	Held at fair value through I&E	Held at fair value through OCI	Total book value
	£000	£000	£000	£000
Carrying values of financial assets as at 31 March 2021				
Trade and other receivables excluding non financial assets	46,532	-	-	46,532
Cash and cash equivalents	135,008	-	-	135,008
Total at 31 March 2021	**181,540**	**-**	**-**	**181,540**

	Held at amortised cost	Held at fair value through I&E	Held at fair value through OCI	Total book value
	£000	£000	£000	£000
Carrying values of financial assets as at 31 March 2020				
Trade and other receivables excluding non financial assets	37,074	-	-	37,074
Cash and cash equivalents	5,116	-	-	5,116
Total at 31 March 2020	**42,190**	**-**	**-**	**42,190**

Note 25.3 Carrying values of financial liabilities

	Held at amortised cost	Held at fair value through I&E	Total book value
	£000	£000	£000
Carrying values of financial liabilities as at 31 March 2021			
Loans from the Department of Health and Social Care	15,960	-	15,960
Obligations under finance leases	5,970	-	5,970
Obligations under PFI	136,569	-	136,569
Other borrowings	9,243	-	9,243
Trade and other payables excluding non financial liabilities	183,636	-	183,636
Total at 31 March 2021	**351,378**	**-**	**351,378**

	Held at amortised cost	Held at fair value through I&E	Total book value
	£000	£000	£000
Carrying values of financial liabilities as at 31 March 2020			
Loans from the Department of Health and Social Care	59,319	-	59,319
Obligations under finance leases	5,234	-	5,234
Other borrowings	1,058	-	1,058
Trade and other payables excluding non financial liabilities	48,552	-	48,552
Total at 31 March 2020	**114,163**	**-**	**114,163**

Note 25.4 Maturity of financial liabilities

The following maturity profile of financial liabilities is based on the contractual undiscounted cash flows. This differs to the amounts recognised in the statement of financial position which are discounted to present value.

	31 March 2021	31 March 2020 restated*
	£000	£000
In one year or less	200,343	112,431
In more than one year but not more than five years	70,297	3,443
In more than five years	180,122	1,714
Total	**450,762**	**117,588**

* In the prior year this disclosure was prepared using discounted cash flows in error. The comparatives have been restated on an undiscounted basis.

Note 26 Losses and special payments

	2020/21		2019/20	
	Total number of cases	Total value of cases	Total number of cases	Total value of cases
	Number	£000	Number	£000
Losses				
Cash losses**	1	803	-	-
Bad debts and claims abandoned	365	1,575	3	5
Stores losses and damage to property	4	152	4	157
Total losses	**370**	**2,530**	**7**	**162**
Special payments				
Compensation under court order or legally binding arbitration award	2	37	-	-
Extra-contractual payments*	1	405	-	-
Ex-gratia payments	57	69	20	13
Total special payments	**60**	**511**	**20**	**13**
Total losses and special payments	**430**	**3,041**	**27**	**175**
Compensation payments received		-		-

* There was one case individually over £300k. This case related to the cancellation fees of an order placed for ventilator equipment. The order was placed at the start of the COVID -19 pandemic when there was a significant risk around national supply lines and predicted requirments. The order was later cancelled following materially lower than predicted ventilated patient activity and actions by the national ventilator programme to assure the Trust that if needed it's ventilator requirements would be forfilled via a central route.

** Following a criminal investigation and sucessful prosecution of a former member of staff for fraud the Trust are pursing recovery of losses. The loss relates to prior years but has not previously been reported due to the investigation.

Note 27 Related parties

The Trust is a corporate body established by the Secretary if State. The Independent Regulator of NHS Foundation Trusts (Monitor operating as NHSI) and other Foundation trusts are considered related parties. DHSC is regarded as a related party as it exerts influence over a number of financial and operating policies of the Trust. The Trust had a significant number of transactions with the DHSC and with entities for which the DHSC is regarded as the parent department.

In addition, the Trust has had a number of material transactions with other Government Departments and other central and local Government bodies.

The Trust has also received £518k from Mid and South Essex Charitable Trust to purchase capital assets (2019/20 £382k). The Trust is the Corporate Trustee of this charity and therefore it is considered a related party.

During the year non of the Board Members, Governors or members of the key management staff or parties related to them has undertaken any material transactions with the Trust.

Due to the national COVID-19 emergency, a number of our employees have enabled contacts, or brokered discussions for the Trust with potential PPE suppliers. Where these discussions have led to a transaction, there have been no occasions where our employees have had an interest in the supplying entity. However, for transparency, we have sought declarations of interest where their involvement had been more extensive in facilitating a purchase.

Significant transactions with value greater than £1m have been with the following:

During 2020/21:

Foundation Trusts
Essex Partnership University NHS Foundation Trust
North East London NHS Foundation Trust

English NHS Trusts
Bart's Health NHS Trust
The Princess Alexandra Hospital NHS Trust

Clinical Commissioning Groups
NHS Basildon and Brentwood CCG
NHS Castle Point and Rochford CCG
NHS Havering CCG
NHS Mid Essex CCG
NHS North East Essex CCG
NHS Southend CCG
NHS Thurrock CCG
NHS West Essex CCG
NHS England

NHS Resolution
Department of Health
Health Education England

During 2019/20:

Foundation Trusts
Essex Partnership University NHS Foundation Trust
North East London NHS Foundation Trust

English NHS Trusts
Bart's Health NHS Trust
The Princess Alexandra Hospital NHS Trust

Clinical Commissioning Groups
NHS Basildon and Brentwood CCG
NHS Castle Point and Rochford CCG
NHS Havering CCG
NHS Mid Essex CCG
NHS North East Essex CCG
NHS Southend CCG
NHS Thurrock CCG
NHS West Essex CCG
NHS England

NHS Resolution
Department of Health
Health Education England

In addition, the Trust has had a number of transactions with other government departments and other central and local government bodies during 2021/21 and 2019/20. Significant transactions have been with:

HM Revenue & Customs
NHS Pension Scheme
National Insurance Fund
Essex County Council
Southend Borough Council

Note 28 Transfers by absorption

Following NHS Improvement (and Secretary of State for Mid Essex Hospital Services NHS Trust) approval in March 2020 the Trust acquired Basildon & Thurrock University Hospitals NHS Foundation Trust and Mid Essex Hospital Services NHS Trust on 1st April 2020 and changed it's name from Southend University Hospital NHS Foundation Trust to Mid and South Essex Foundation NHS Trust.

In line with the requirements of the DH GAM 2020/21, the assets and liabilities were transferred to the Trust's Statement of Financial Position at book value and were not adjusted to fair value prior to recognition.

A gain on transfer by absorption of £37,482k is recognised in the SOCI and is equal to the book value of the net assets transferred on the date of acquisition.

The value of assets and liabilities acquired is below.

	£000
Assets	
Property, plant and equipment	538,048
Intangible assets	9,820
Contract receivables and other assets	95,926
Inventories	13,868
Cash	7,430
Total assets transferred	**665,092**
Liabilities	
Current trade and other payables	(96,058)
Other liabilities	(13,908)
Borrowings	(511,094)
Provisions	(6,550)
Total liabilities transferred	**(627,610)**
Total net assets transferred	**37,482**

Note 29 Events after the reporting date

The financial statements were authorised for issue by the Trust Board on 30 June 2021. Where events take place before this date provided information about conditions existed at 31 March 2021, the figures in the Financial Statements and notes have been adjusted in all material respects to reflect the impact of this information.

There have been no subsequent events.