Caring together
Creating a healthier future for children and young people

Sheffield Children's NHS
NHS Foundation Trust

Annual Report and Accounts 2020/21

• Outstanding patient care • Brilliant place to work • Leader in children's health

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Section One: Performance Report

Introduction

The purpose of this overview section of our Annual Report is to provide a short summary of the Trust, our purpose, history, the key risks to the achievement of our objectives and to outline our performance during the year.

I am delighted to present you with this year's Annual Accounts, which we have prepared against the background of an incredible year in Sheffield Children's history.

At the start of this financial year, we were still in the early stages of getting to grips with COVID-19 and its implications, with the World Health Organisation only declaring a pandemic three weeks before. Now COVID-19 – and its associated impacts like social distancing, masks and increased remote working – feel part of our everyday.

This adjustment hasn't happened simply by default, it has been a result of the concerted efforts of colleagues across the organisation. Everyone at Sheffield Children's has worked incredibly hard to alter the way we provide services, come up with creative solutions to challenges and adapted rapidly, keeping patients and families at the heart of what we do – even though they were experiencing difficulties in their own lives. Our colleagues understood the huge challenges our patients and families across the country were experiencing, and did everything they could to help families through. Our CARE values were on display every step of the way.

As a Board we have been immensely proud of our colleagues and their work over the past year. They went above and beyond at every turn. Simply continuing our existing services was a vast feat of multi-disciplinary working. We rapidly had virtual Outpatient appointments in place, while for those visiting our sites, Domestic colleagues stepped up their cleaning rotas, Estates provided new handwashing stations, screens and treatment spaces, new PPE champions ensured colleagues knew how to keep safe and clinicians found new ways of making services run smoothly, in a way that protected and reassured people. Other colleagues switched to home working, running vital support services like HR and finance from their kitchen tables. Some services, like Physio and Speech and Language, even turned to YouTube to continue their support for families, giving young people opportunities to continue developing their language skills and flexibility from home.

Adapting our current services would have been impressive enough, but Sheffield Children's didn't stop there. We started seeing patients from our neighbouring trusts, providing a sanctuary for 670 children and young people that needed emergency surgery and giving adult trusts more space to support COVID-19 patients. We built on the work we were doing with schools in the region, creating new training materials to help children and their families adjust to the world around them, and giving them tools to help them cope with their emotions. Through a series of web guides, families could access help to explain COVID-19 to children with Autism Spectrum Disorder or focus on mental health. Resources were also made available to families through the Sheffield Star and social media.

We also created child-friendly explainers, making national messages more relevant and less frightening for our patients. This included paper dolls to show what PPE would look like, our play specialist performing songs about handwashing and a giant card cut-out explaining how many therapy dogs makes up two metres. We were delighted that our explainers were used by a variety of other trusts around the country, helping children in a wide range of environments. We learned that some of our simple documents were also helpful in dementia care environments too.

We knew our colleagues needed to be supported through these difficult times, and used this as an opportunity to strengthen our health and wellbeing support. Colleagues were encouraged to seek support if they needed it, and were provided with a wide range of options to help them, which were promoted to them regularly, while supportive conversations with managers helped colleagues to explain how they were feeling, allowing us to make sure we knew how people were feeling and were responding appropriately. We've also made sure colleagues have been regularly thanked for their achievements – because they really deserve to get the credit for all they've achieved. Our surveys of colleagues – both the annual survey and the new monthly Pulse Survey we introduced - have shown that we've made positive steps forward. In the annual

Staff Survey the feedback was really positive, with more people telling us that they would recommend the Trust as a place to work; that they feel more supported with their health and wellbeing, and that communications between senior leaders and colleagues were more effective. In our March 2021 Pulse Survey, 92% of colleagues felt well informed (6.5% above the NHS average), 82% of colleagues felt well supported and 82% felt confident in local leaders (both 11% above the national average).

It was important for us to acknowledge that colleagues were experiencing an altered home as well as professional life. We deployed over 1,500 laptops across the Trust to enable colleagues to adapt. They did everything they could to continue despite issues with childcare, transport, home office space or wifi. Like others around the country, many of our colleagues sadly lost family members and friends during the year as a result of COVID-19 and our thoughts as a trust go to all those who've suffered during this year.

We also saw how some communities were at greater risk than others, in a year where the inequalities around us were laid bare. The unlawful killing of George Floyd in America and the reverberation this has had around the world was a real wake up call for the need to change. As a Board we committed to taking our own action on equality further, including planning a reciprocal mentoring programme and improving diversity of voices in our decision making. We also recognise the importance of collaboration with others outside of our organisation, and will be working with partners across our region and beyond to help bring lasting, meaningful change.

Through everything that has happened in the last year, we've continued to put the needs of our families first, finding solutions that will help us now, but also help us provide better care in the years ahead. This will include things like virtual appointments, which due to their popularity with families, will remain part of the way we provide care. We spoke to 4,200 families and 200 clinical colleagues about their experiences using virtual appointments, which helped us to shape changes in a way that worked for them, and are now working with schools to develop provision to support them more flexibly too.

This long term focus also led to us choosing to continue with our plans to create a new five-year strategy, Caring Together, which we launched in October 2020. This new strategy outlines our three main objectives for the years ahead – providing Outstanding Patient Care, being a Brilliant Place to Work and demonstrating that we are a Leader in Children's Health. As the work through COVID-19 detailed above shows, we've made strides towards achieving a lot of these aims, but we've also made strong progress in other areas too.

In 2020/21 we were working towards Outstanding Patient Care through strengthened relationships with other trusts in the region and are improving our care in the areas where more focus was required – for example by creating a new role, Lead Nurse for Learning Disabilities, and by setting up a Patient Information Project to improve access to clinical advice from home. We improved connections between teams and shared best practice through our first ever virtual Clinical Summit. Almost 700 colleagues attended sessions covering subjects like inclusion, quality improvement and supporting patients with additional needs.

We're making Sheffield Children's a Brilliant Place To Work by supporting our Equality Networks as they continue to grow, celebrating our colleagues in what they do and who they are, giving them a strong voice through new channels like the new monthly Pulse Survey and supporting them through their working lives – for example through the recently introduced Schwartz Rounds and the extension of our quarterly Open Meetings to allow people to join virtually.

And we've been a Leader in Child Health as we progress our plans with academia and private sector innovators for the most advanced child health technology centre in the world – to be built right here in Sheffield. We have also led the way with international conferences, such as the Child Health Technology Conference held in March 2021, and the International Stillbirth Conference which we are planning for 2023 – all helping to inform and develop the quality of care children and their families receive, wherever they are treated.

The incredible work of our national and international innovators was recognised in the Royal Honours, with Prof Sally Shearer (Director of Nursing and Acting Deputy Chief Executive) and Prof Marta Cohen (Head of the Department of Histopathology and Clinical Director of Pharmacy, Pathology, and Genetics) both receiving an OBE and Prof

Helen Rodd (Consultant in Paediatric Dentistry) receiving an MBE.

People like these truly are leaders in children's health, and we have many, many more at Sheffield Children's. In the years ahead, we hope we can do more to give voice to the leaders in our midst.

There are many people to thank for getting us through this year. Thank you to our colleagues and volunteers. Thank you to those of you who gave our colleagues or patients gifts, or who made us scrubs or face masks. Thank you to the patients and families, who have helped by adapting so well, by providing feedback to help us keep improving, and showing patience when – despite our best efforts – there have been disruptions to care.

During the pandemic, all trusts were asked to pause elective care and as we move into this year, a big priority for us will be to tackle waiting lists that have unfortunately increased significantly because of this necessary step. We've worked hard to minimise clinical risks associated with this and want to help families get the care they need as soon as possible. This is likely to include resolving our own lists, but also collaborating with other trusts to ensure patients across the region have equal access to care.

We have an ambitious strategy (you can read more at www.sheffieldchildrens.nhs.uk/about-us/caring-together/) and are excited about what lies ahead. For now I'd just like to say a huge thank you to everyone. You've been incredible.

Best wishes,

Ruth Brown
Acting Chief Executive and
Acting Accounting Officer

4 June 2021

John Somers, the Trust's chief executive, took time away from the Trust to deal with a personal matter during the latter part of 2020/21. In his absence, Ruth Brown has been covering his duties and has taken on the role of Acting Chief Executive and Acting Accounting Officer for the Trust.

Our history and statutory background

Sheffield Children's Hospital was first established in 1876. Since 1948 it has provided services under the NHS and, in 1992, it was established as an NHS trust.

On 1 August 2006, it became Sheffield Children's NHS Foundation Trust under the Health and Social Care (Community Health and Standards) Act 2003. Sheffield Children's NHS Foundation Trust is authorised to operate as a public benefit corporation under the National Health Service Act 2006.

The overall responsibility for running the Trust rests with the Board of Directors and the Council of Governors as the collective body through which directors explain and justify their actions.

Purpose and principal activities of the Trust

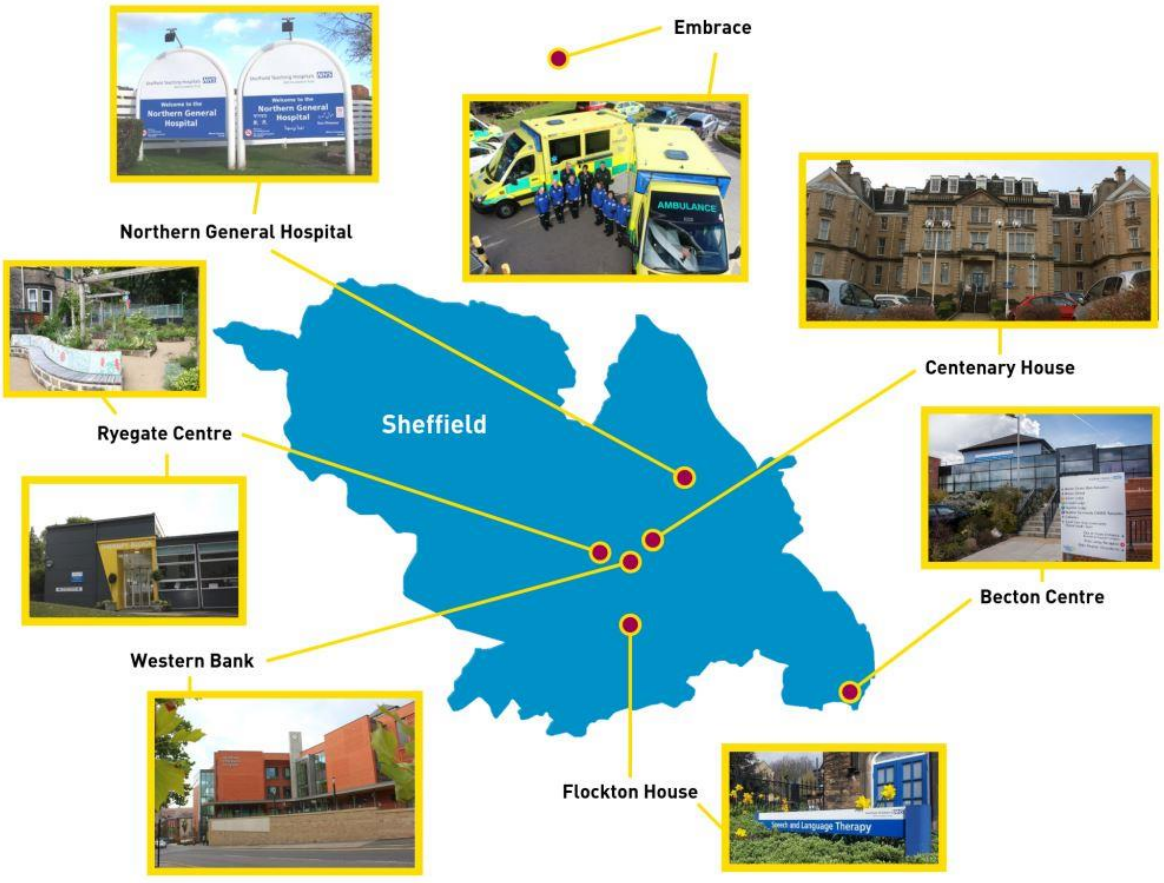
We are the only dedicated children's trust in the country that provides care for children and young people across community, mental health and acute specialist settings. The Trust offers a comprehensive approach to supporting children and families, with the aim to be at the forefront of best practice in delivering high quality and integrated care to children and young people.

Services are provided in a number of different locations. The majority of acute care is provided at the Sheffield Children's Hospital which is situated on Western Bank, a central location in the city. It is in close proximity to Sheffield's universities and many of the facilities offered by Sheffield Teaching Hospitals. Sheffield Children's community and mental health services are provided from a number of locations.

The Ryegate Children's Centre is situated a mile away from Sheffield Children's Hospital, in the south west of the city and provides a focus for the delivery of services to children with disabilities, including those with complex neuro-disability. Mental health and community services are provided from sites across the city of Sheffield, including Flockton House, Centenary House and the Becton Centre for Children and Young People.

Our services extend to care delivered directly in the home, with our Helena Nursing Team providing 24 hour respite care, advice, specialist nursing, and palliative care to children with complex neurological disabilities within their own homes.

We also host Embrace, an accredited critical care transport service based in Barnsley.



Overview of the Trust's Strategy

During 2020/21, we devoted considerable time to discussing our changing context and developed a new strategy and values to ensure that we can respond to the demands of our local, regional and national environment.

We developed this through meetings with the Trust Board, Executive Team, Management Board, Clinical Divisions, Research Division, Council of Governors and open staff meetings. The new strategy was launched at our virtual Clinical Summit in 2020.

Caring Together is the strategy that guides us in the way we make decisions at Sheffield Children's, to help us achieve our purpose of: ***providing a healthier future for children and young people.***

We have a vision for a future where children always receive outstanding care – wherever we see them, whatever we see them for. Care will be integrated and child-centred. We will work with children and their families to ensure pathways are designed around their needs.

We will take a leading role in improving regional, national and international child health through direct services, education, research, outreach and more. We will be an inclusive organisation, valuing diversity and treating everyone with respect. We will be driven by the needs of children and young people, and our colleagues will finish each day knowing the huge difference they've made.

Our three aims are:

- Providing **outstanding** patient care
- Being a **brilliant** place to work
- Being **leaders** in children's health

Importantly, our Strategy is underpinned by our CARE values. Developed by colleagues, these represent compassion, accountability, respect and excellence.

Our strategy is supported by a number of other, more detailed enabling strategies (including digital, estates, workforce, and a clinical strategy), which are under development.

Implementing the strategic direction for the Trust will include both short term actions that we need to take to recover from the Covid pandemic, and the longer term development of the organisation. The strategy includes how we will strengthen our own services, and how we will work in partnership with other organisations to improve care for the children that we serve.

Strategic partnerships

Sheffield Children's is actively involved in a number of strategic collaborations, the work of which has gained pace during 2020/21. Our partnership work with regional providers in South Yorkshire & Bassetlaw continues to be regarded as being amongst the most advanced in the country.

Our strategy 'Caring Together' supports our approach to partnership working and as a leader in paediatric services it is something the Trust sees as essential and is well placed to deliver as an integrated provider of physical and mental health services.

Partnership working has been an increasing priority for the NHS nationally over recent years, and has been one of the greatest strengths of the NHS during the response to the Covid pandemic. In February 2021 NHS England published proposals which will make partnership working a legal duty.

Sheffield Children's already has an active network of partnerships. We are building on these, and expanding the role the Trust plays as a specialist in children's care both locally and nationally.

At a local level, the Trust is a part of the local Accountable Care Partnership. This enables us to work with commissioners, local authorities, and other providers of mental health and community services to improve care for children in Sheffield.

The Trust is also supported by The Children's Hospital Charity whose work helps to raise significant amounts of funds for a number of important capital projects.

Across the Integrated Care System, the Trust hosts the paediatric Hosted Network of the acute trusts in South Yorkshire and Bassetlaw. This leads work to reduce inequalities in children's care. We are also forming a partnership with Doncaster and Bassetlaw Teaching Hospitals NHS Foundation Trust, working together to address waiting lists and build collaborations.

During Covid, when the District General Hospitals were under great pressure, Sheffield Children's provided emergency surgery for 670 children from across the whole of South Yorkshire and Bassetlaw. We also sent members of our staff out to the local District General Hospitals (DGHs), to help where this was most needed.

At a regional level, Sheffield Children's provides specialist services to patients across Yorkshire and the Humber.

During Covid we have worked together with colleagues in DGHs and other specialist paediatric centres across the region, to provide support with acute, specialist and intensive care for patients.

At a national level, the Trust is part of the Children's Alliance of specialist children's hospitals. We work together to share good practice and to advocate for the needs of children's services.

Charitable support

The Trust continues to receive support from The Children's Hospital Charity, which raises vital income to fund above and beyond standard NHS provision, supporting and enhancing the Trust's services and environment.

The Charity help to create a brilliant place to work for all at Sheffield Children's by working together with the Trust and funding four key areas: specialist medical equipment, research into the prevention and cure of childhood illnesses, new facilities to extend the range of treatment provided and improvements to the hospital environment. Artfelt, The Children's Hospital Charity's arts programme, continues to support the hospital through workshops and improving the hospital environment.

Despite the unprecedented economic hardship and widespread upheaval within the Charity sector because of the COVID-19 pandemic, The Children's Hospital Charity continued to support Sheffield Children's by adapting its fundraising events to a more virtual offering, developing and improving online giving opportunities and utilising Trust income such as NHS Charities Together.

Reasonable worst-case scenarios at the onset of the pandemic projected a fall in fundraising of up to 70%. Thanks to the hard work and creativity of the Charity Team, as well as the unwavering support of Trust staff and the

wider community, the fall has been closer to 40%.

Charity highlights over the last year have included:

- Launching a COVID-19 Emergency Appeal in Spring 2020, following the devastating outbreak of the Coronavirus pandemic. Funds were raised to support staff throughout the pandemic, and to fund specialist equipment. The Charity also funded changes to the hospital environment that were needed to support families that visited Sheffield Children's and Hospital staff.
- £158,600 was donated by NHS Charities Together, for staff and volunteer health and well-being initiatives.
- Successful marketing campaigns across social media and digital advertising platforms increased donations. Facebook donations rose as a result of engaging content and a switch to virtual fundraising events. The Charity also won £100,000 for its Cancer and Leukaemia Ward project from Persimmon Homes via a public vote, and expanded regular giving to the charity in year.
- The opening of a newly refurbished Fundraising Hub in the main outpatient department of the Western Bank site, thanks to a partnership with Kier Group. The project, which had an estimated value of £25,000, was completed free of charge thanks to the support of several businesses throughout the region. The Charity also re-launched its online shop. Even with Covid restrictions and closures, patients, parents and staff have continued to support the Trust through the Fundraising Hub on *and* offline, raising over £40,000.
- Throughout the pandemic, specialist research continued to be funded and included:

- A study to investigate salivary cortisone as an Adrenal Insufficiency Test in Children.
- A study to determine whether the way paracetamol is used in overweight and obese children is safe.
- The monitoring of children's physical activity following a diagnosis of childhood cancer.
- Research to examine whether robot-controlled, magnet-assisted capsule endoscopy is effective in children and cost-effective.

- An Exercise & Physical Activity Therapist, based at the Ryegate Centre was funded through the inspirational work of Captain Tobias, a young man with cerebral palsy who walked a marathon to raise money for the Charity and his school. The purpose of this post is to enable many other children, like Tobias, to achieve an exercise or physical activity goal.
- The annual snowflake appeal raised £275,000, equivalent to 10% of the cost for the proposed new Cancer and Leukaemia ward at Sheffield Children's Hospital. England Cricket Captain Joe Root and England International Footballer Esme Morgan also joined the Charity as patrons.
- The Charity facilitated the distribution of thousands of gifts in kind from over 300 pyjamas to Rose Cottage and SSU to well over 1,000 blankets to the Neonatal Surgical Unit (NSU), the Paediatric Critical Care Unit (PCCU) and our specialised children's mortuary, Rose Cottage.
- Work on the charity funded Integrated Theatres project began in April 2021 - converting nine operating theatres, which will dramatically improve the capture of endoscopic images during surgery. The specialist equipment will also enable operations to be broadcast internationally, helping surgeons across the world to learn from the world-class experts based in Sheffield.

Artfelt transforms the hospital's walls and spaces with bright art, helping children recover in an environment tailored to them. In 2020/21, they delivered numerous projects even throughout the pandemic, including Damien Hirst's 'Butterfly Rainbow' to show support for the NHS in the Coronavirus crisis. The work is made up of bands of coloured butterfly wings, one of the artist's best-known motifs, and the sales of a limited-edition run raised over £1.5m for NHS Charities Together. Sheffield Children's received one of the 50 panels which is on display in Outpatients.

Artfelt also worked with leading place maker Morag Myerscough to create a riot of colour for the Main Entrance at Sheffield Children's. Having previously worked on the hospital's en-suite bedrooms, the Charity commissioned Morag to enhance the status of the entrance and provide a welcoming, playful experience for patients visiting our Western Bank site. It looks glorious in the sun!

While not able to visit children for workshops, Artfelt switched to new virtual sessions under the banner “Artfelt Anywhere”. This used technology to fill the gap of not being able to deliver face to face workshops to children within the Hospital. Funding short films by artists and musicians, it aimed to bring the joy of creativity in a safe way and was made available to both patients and staff at Sheffield Children’s.

Art and craft activities were also funded for patients, delivered in self-contained packages for staff to handout. Creative activities, meditative yoga exercises and culture guides to online content were also sourced by Artfelt to help encourage staff mental wellbeing during this most difficult of times. These were made available online and sent by post to colleagues who were shielding.

Research and development

Research is core business for the Trust and remains a strategic priority. The past 12 months have been hugely challenging for all but with challenges come opportunities. The COVID-19 pandemic has shone a light on clinical research and shown the world how research can offer hope in the most challenging of times. We are extremely proud that we were able to continue to offer our patients and their families and carers the ability to access complex clinical trials and the opportunity to participate in COVID-19 Urgent Public Health (UPH) studies throughout the last year. There was a tremendous response too from our own staff who were keen to be involved in the SIREN (Sarscov2 Immunity & REinfection EvaluatioN) COVID-19 study.

The last 12 months have been the busiest ever on the Clinical Research Facility. In spite of the challenges presented to us over the last year (e.g. social distancing, remote working, sickness and isolation periods) the team in Research & Innovation has had a phenomenally successful year. As of the end of March 2021, we had recruited 1,792 patients, staff and healthy volunteers to our research. Of those, 980 were participants in COVID-19 UPH studies. Whilst many of our research studies were paused at the height of the pandemic, of the 321 studies registered with us, we have been able to support and re-open 54 of those. As part of the National Institute of Health Research (NIHR) RESTART programme, we are gradually re-opening all NIHR portfolio studies and expect all of our research to be open again through the first half of 2021/22.

Whilst our commercial portfolio suffered at the start of the pandemic as the pharmaceutical industry suspended or abandoned trials in the planning, we have seen some very successful commercial studies run through the last 12 months. Indeed, we found ourselves at the centre of a diabetes study that was unable to open anywhere else in the UK and so we became a referral centre for children with newly diagnosed Type1 Diabetes. We also continued to support commercial trials in the fields of neurology, bone metabolism, rheumatology, dermatology and allergy.

The diabetes trial, PROTECT (Recent-Onset Type 1 Diabetes Trial Evaluating Efficacy and Safety of Teplizumab) is one of our major successes of the last 12 months. Despite the pandemic we were able to ensure we could run this trial safely and effectively at the Trust. The trial is intense for both the participants and the staff. Delivering the study requires 12 days of consecutive intravenous infusions that need to start within 6 weeks of diagnosis and with regular follow up visits thereafter. Families have temporarily relocated to Sheffield, the only UK centre running the trial currently, in order to be able to take part and we have seen children referred to us from around the country and from overseas. To date we have recruited nine patients to this important trial.

We continue to support COVID19 UPH studies and will do so throughout the year ahead. We expect the focus of this research to move from the immediate health impact of the pandemic to the longer term impact COVID-19 will have on the physical and mental health of society.

Our portfolio of COVID-19 UPH studies was varied and wide reaching. We covered such areas as the effects of a pandemic on the health and wellbeing of NHS staff, the prevalence of infectious disease antibodies (including COVID-19) in children and young people and a range of innovative clinical trials such as RECOVERY (a national clinical trial that aims to identify treatments that may be beneficial for people hospitalised with suspected or confirmed COVID-19). Fortunately we have seen very few children admitted to hospital as a result of complications due to COVID-19 infection. Where children were admitted to our Trust or attended our Emergency Department we attempted to recruit them to UPH studies where appropriate. Over the last year we have seen a number of recruits to the DIAMONDS study (looking at the effect of diet on patients with type 2 diabetes), PRIEST (Pandemic Respiratory Infection Emergency System

Triage) and others. As a result we have recruited over 980 patients, staff and family members to UPH studies in the last 12 months and the work in this area will continue into 2021/22.

The SIREN study has been a great success here in the Trust and is an excellent example of how we can work with colleagues from both within our own Trust and from Sheffield Teaching Hospitals to deliver high profile research studies in Sheffield. Whilst logistically challenging to set-up, we formed an effective and efficient partnership between our colleagues in Laboratory Medicine at STH, our research delivery team and our clinical chemistry laboratory. This successful collaboration has so far enabled 321 members of Trust staff to participate in SIREN. The study saw staff have regular COVID-19 PCR (polymerase chain reaction) swabs and blood antibody tests taken in conjunction with fortnightly reports to the SIREN database on symptoms of and exposure to COVID-19. The study is led by Public Health England and will continue through 2021 to assess the effects the roll-out of the vaccine programme is having on COVID-19 reinfection rates in the NHS workforce. The study was quickly able to provide evidence that past infection provided some protection against reinfection. Shortly after the wide delivery of the COVID-19 vaccine across the NHS workforce in February 2021, the SIREN team published findings that healthcare workers were 72% less likely to develop infection after one dose of the vaccine, rising to 86% after the second dose.

Towards the end of 2020 we embarked on a project that sought to increase the participation in our research from patients and families/carers from ethnic communities. This project was funded by the Clinical Research Network for Yorkshire and the Humber (CRN) and initially ran for six months with the hope of an extension until the end of 2021. The Patient and Public Involvement and Engagement (PPIE) team built a network of contacts and links with key groups and community leaders to spread the research message and reach out to those who may not have easy access to research opportunities in our City. We are part of the 'NHS Sheffield Family BAME Inclusion in Research Group' that is formed of NHS partners across the city working together to increase the reach of clinical research in ethnic communities.

We were delighted to see awards for Research & Innovation added to the categories for last year's Star Awards. A number of individuals and research teams from around the Trust were nominated with the Achondroplasia Team winning the Research Team of the Year category and the Dermatology and Oncology & Haematology research teams being Highly Commended in this category. The individual researcher award went to Professor Mike Cork for his work in Paediatric Dermatology Research with Dr Paul Arundel and Dr Anton Meyer each receiving Highly Commended awards for their research programmes in Achondroplasia and Paediatric Critical Care respectively.

The NIHR Children and Young People MedTech Co-operative (NIHR CYP MedTech) is a national NIHR funded programme, hosted and led by our Trust which brings together seven NHS Trusts across the country to drive child health technology development in seven key 'themes' of child health. A new theme, Neonatal Technologies, was launched in January 2021 and will be led by Professor Don Sharkey at Nottingham University Hospitals NHS Trust.

NIHR (National Institute for Health Research) CYP MedTech (Children and Young People Medical Technology collaborative – which is hosted by Sheffield Children's) is fast becoming the go-to organisation for paediatric MedTech development in the country and recently launched its proof of concept programme (POC) which invited Theme leads to apply for between £5-10k to fund early stage research in priority areas to help generate new technology projects.

NIHR CYP MedTech is currently managing and collaborating on 42 multi-disciplinary projects involving teams of clinical experts. These projects span the innovation pipeline and involve collaborations with small-and-medium sized enterprises through to large multinational groups and include small proof of concept studies through to larger multi million pound research programmes. In the first two years, NIHR CYP MedTech leveraged £6 million in funding for child health technology, identified 114 unmet needs, ran eight national theme workshops, developed 178 partnerships and delivered 45 conference presentations as well as many other key activities.

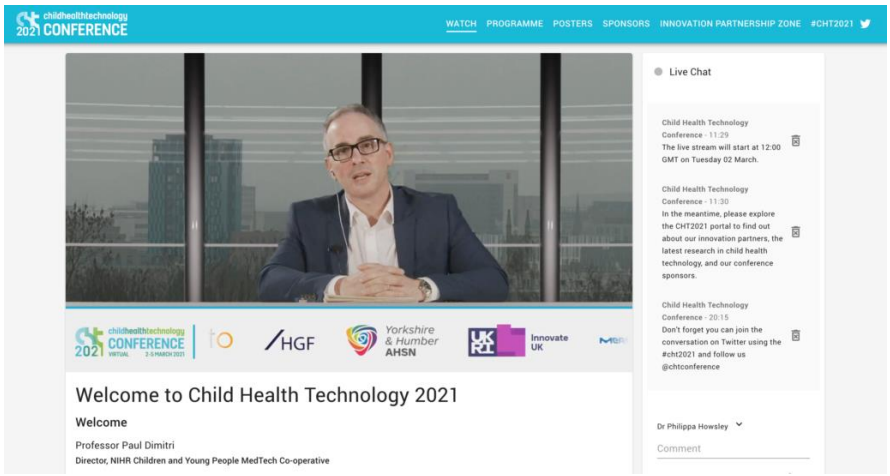
Recently the NIHR CYP MedTech team successfully delivered an international conference focused on child health technology following the cancellation of the event in 2020 due to the pandemic. Child Health Technology 2021 (CHT2021) was an incredible achievement and was delivered entirely in a

digital format. The event saw over 250 delegates (clinicians, academics, industry partners, designers, engineers, and patient representatives) from around the world attend.

TITCH (Technology Innovation Transforming Child Health) is a joint partnership between the NIHR Children and Young People MedTech Co-operative and the NIHR Devices for Dignity MedTech Co-operative (hosted by Sheffield Teaching Hospitals NHS Foundation Trust). The TITCH network was created in 2014 to bring together healthcare, academia, and industry from diverse backgrounds to work collaboratively to support the development and evaluation of child health technology.

During the past year, TITCH has received 22 novel innovation ideas and requests for collaboration have been received from industrial and clinical experts. The creation of a dedicated TITCH Industry Ambassador has supported 10 new collaborations between clinicians and small-and-medium sized enterprises seeking to develop new innovations for children and families.

The success of NIHR CYP MedTech and the TITCH network has also helped reinforce Sheffield as the go-to city for child health technology, demonstrated by the support received for the proposal to build the National Centre for Child Health Technology (CCHT). N-CCHT will form part of the Innovation Cluster at the Sheffield Olympic Legacy Park and will be the most advanced and largest child health technology centre in the world.



Left: Professor Paul Dimitri, Sheffield Children's Clinical Director for Research and Innovation and Director of NIHR Children and Young People MedTech Co-operative, launches the first ever Child Health Technology event on 2 March 2021.

Key issues, opportunities and risks that could affect the Foundation Trust in delivering its objectives and/or its future success and sustainability

Issues arising from the Covid-19 global pandemic

Covid-19 has had a significant and far-reaching impact on the Trust and its operations, performance, finances, workforce and patients.

While the direct impact on children and young people in terms of case numbers and deaths has, fortunately, been few in number the unquantifiable long-term consequences on their mental health, education and life chances are likely to be significant.

The legacy of Covid-19 on the Trust has resulted in some of the longest waiting times for treatment across South Yorkshire and Bassetlaw, as well as increased pressures on staff health and well-being, and lack of availability of charitable funding to ensure the achievement of key projects such as the construction of a helipad and the redevelopment of our Accident and Emergency Department.

Reducing our waiting times will be an intensive focus for the Trust during 2021-22. We will ensure that patients and their families receive regular information about their position on the waiting list and there will be careful clinical review of lists to make sure as far as possible that we minimise harm and identify children whose need means their treatment should be prioritised.

Financial stability

In an unusual financial year, which saw the ways in which we were funded change given the issues brought by the pandemic, we finished the year with a £3.1m surplus, this being £6.1m better than our original financial plan. This included achieving annualised efficiency improvements of £5.5m.

The Trust has an underlying deficit that it is working hard to reduce through a Financial Recovery Plan agreed by the Trust Board at the beginning of the financial year.

The Trust has a break-even financial plan for the first six months of the coming year, the time period for which national finances have currently been set, with plans to deliver efficiencies of at least £5m over the whole of 2021/22.

The scale of this financial challenge remains significant. A key factor in this savings programme will be the need to continue our transformation programme.

Bringing the Trust back into break even within a three-year period requires tight financial management and accountability controls and an ambitious transformational change programme which includes engagement work with clinicians and partners and around a dozen programme work-streams, with executive director lead responsibility.

The Trust recognises the need for financial stability as a key enabler for delivery of its key strategic aims; delivering outstanding patient care, creating a brilliant place to work and being a leader in children's health. Further detail on the Trust's Financial Recovery Plan is in the financial risk section of the Annual Governance Statement.

Maintaining quality of care

Maintaining quality in the face of the recent global pandemic, increased financial challenge, pressures on our workforce and a changing strategic environment will require focus on balancing risks to ensure that the quality of our patient care remains uncompromised.

Our quality governance and leadership structures support the Trust in ensuring that the quality of our care is being routinely monitored across all services; the quality governance arrangements to review and challenge performance and variation are described later in this report.

The Trust has maintained its CQC 'Good' rating throughout the year following the inspection of our services in early 2019 and a comprehensive action plan, led by the Executive Director of Nursing and Quality, is regularly monitored by the Executive Team and through Quality Committee.

A quality impact assessment process is in place overseen by our Executive Director of Nursing and Quality and Executive Medical Director and aligned to our transformation and recovery programme. This is to ensure that transformation plans do not carry any material risk to patient safety or quality of care.

Increasing mental health challenges

The pandemic will see significant and lasting consequences for children and young people's mental health, exacerbating the increasing need we were already seeing for inpatient beds across the region as well as the greater number of patients with mental health issues presenting on our acute hospital site.

In addition to these increasing day-to-day challenges, the Trust intends to play a key role in the future commissioning and provision of children and young people's mental health services by supporting a South Yorkshire and Bassetlaw-wide Mental Health Provider Alliance and by leading an NHS England sponsored CAMHS (Child and Adolescent Mental Health Services) Provider Collaborative with partners from the independent sector.

To do both will require significant and dedicated capacity of our Trust-wide leadership team, as well as investment in our mental health operations and infrastructure.

Clinical workforce shortages

A key challenge for the Trust is recruiting sufficient numbers of appropriately qualified clinical staff, particularly consultants and junior doctors, to be able to treat our growing number of patients.

The Trust, along with local, regional and national partners, implemented a workforce strategy to help address recognised shortages in some areas of the workforce and develop innovative solutions to appropriately fill these gaps. Progress is monitored against an action plan.

Other measures to make Sheffield Children's an attractive place to work include our People Plan, ensuring better and more focussed conversations between our managers and their teams during a new 'appraisal season' and a greater focus on staff engagement, managerial development and workplace well-being. This has already paid dividends with the Trust seeing some of its best ever Staff Survey scores in 2021 but there is more to do.

In relation to our nursing workforce, we continue to safely mitigate nurse vacancy levels through a proactive review of staffing to ensure that each ward area is staffed according to real-time need. The Trust is also one of a handful of trusts taking part in the NHS Improvement sponsored *Pathway to Excellence Programme®* aimed at supporting and coaching every nurse to be a leader.

Partnership working

Our external strategic landscape continues to be driven by government policy, focused on the importance of managing systems rather than organisations, recognising the need to integrate services around the needs of the patient and the importance of out-of-hospital care.

As the NHS stands at the foothills of significant structural change with statutory recognition of integrated care systems and changes to specialised commissioning expected in 2021/22, Sheffield Children's is already playing its part in this emerging landscape.

We will work with partners from across the public sector to support the changes at place and provider level and we have also reviewed our own strategy to ensure that we can position ourselves to take a leading role in the system's priorities and to be a Leader in Children's Health nationally.

Going concern

After making enquiries, the directors have a reasonable expectation that the services provided by Sheffield Children's NHS Foundation Trust will continue to be provided by the public sector for the foreseeable future.

For this reason, the directors have adopted the going concern basis in preparing the accounts, following the definition of going concern in the public sector adopted by HM Treasury's Financial Reporting Manual.

Performance overview

The Trust uses a comprehensive performance reporting framework to monitor and maintain focus on a wide range of indicators relating to quality, safe staffing, workforce and operational and financial performance.

Comprising a suite of monthly reports presented to the Trust Board, its committees, and executive director-level groups, information is triangulated to ensure controls are put in place to manage risks to the delivery of high quality care for patients. Within these reports exceptions in performance against targets are highlighted and action for improvement identified with supporting narrative. Due to the advent of the Covid-19 pandemic, a number of these reports have been amended to reflect indicators that were most relevant to the prevailing conditions. An example of this would be the inclusion of metrics on the clinical urgency of patients awaiting surgery.

Routine Board and executive review of delivery of agreed plans, together with the application of quality impact assessment tools, support focus on the balance between quality, safety, financial efficiency to ensure that patient care remains uncompromised.

Patient activity

The Covid-19 pandemic has resulted in a significant change in the number of patients we see (known as patient activity) completed within 2020-21. This is principally due to less demand for services and/or a reduced capacity of the Trust to deliver this activity as a result of increased workforce absence and social distancing restrictions. The method of delivery of a range of the Trust's outpatient delivery has also changed significantly with much more activity delivered on a non-face-to-face basis rather than the traditional, in person, appointment.

The NHS care provided by Sheffield Children's NHS Foundation Trust across all settings in 2020/21 totalled almost 18,000 admissions and more than 34,000 emergency department attendances. This is a drop from 25,000 admissions and c.59,000 emergency department admissions in the previous year. The number of Outpatient attendances also dropped from around 212,000 appointments in 2019/20 to slightly more than 195,000 attendances.

Fig: Trust activity by activity type

Activity type	2018/19	2019/20	2020/21	% change in last year
Total Elective Spells	18,622	18,463	12,843	-30%
Total Non-Elective Spells	6,068	6,109	5,052	-17%
Total Outpatient Attendances	209,959	212,043	194,882	-8%
Emergency Department Attendances	58,916	58,721	34,348	-42%
Mental Health Community Contacts	21,366	20,761	26,337	27%
Mental Health Inpatients	8,319	7,676	5,884	-23%
Community Contacts	164,382	145,968	112,408	-23%

Performance against operational targets

As a result of the Covid-19 pandemic much of the focus shifted from operational targets towards ensuring that the patient care delivered was safe and prioritised according to clinical need.

At the start of 2020/21, the Trust recorded two patients waiting over 52 weeks for first definitive treatment. By the end of the year this figure was in excess of 800 patients, a significant deterioration in the waiting times we were able to offer patients as a result of the pandemic. All of these patients have either been clinically reviewed as not in the highest categories of priority or have chosen to delay treatment.

Performance against the 18 weeks referral to treatment target dipped from 84.53% at the start of the year to 54% in July rising to around 65% by year end.

The Trust achieved the four hour Emergency Department target, seeing 97.5% of patients within four hours. However, attendances were over 40% lower than in the previous year as a result of the pandemic.

All cancer waiting targets applicable to the Trust have been met, with three of the four standards achieving 100%.

From a mental health perspective, the Trust saw a drop in referrals into its community Child and Adolescent Mental Health Services throughout the early stages of the pandemic. However in the final quarter of 2020/21 demand has increased significantly, above that in previous years. The same increase has been replicated in the demand for inpatient mental health beds, both in Sheffield and in the wider region. This is mainly relating to patients with eating disorders.

It is clear that managing the increasing waiting lists will be a major challenge for the whole NHS in 2021/22 and beyond. The Trust will work with system partners to create capacity and deliver new and effective patient pathways to facilitate the recovery from the COVID-19 pandemic and to minimise harm to patients from the increased waiting times. We will also strengthen governance of all our activity in this area during 2021/22.

During 2020/21 there were zero Trust attributable cases for *C.difficile* infection that were deemed as avoidable by the Clinical Commissioning Group. This is against a tolerance threshold of twelve for the year.

Fig: 2020/21 Operational performance

Performance Indicator	Target or Threshold	2018/19 Trust Performance	2019/20 Trust Performance	2020/21 Trust Performance
Maximum time of 18 weeks from point of referral to treatment for patients on an incomplete pathway	92%	92.88%	88.48%	65.25%
A&E: maximum waiting time of four hours from arrival to admission, transfer or discharge	≤ 95%	97.49%	97.12%	97.51%
Cancer: two-week maximum wait from referral to first seen - all urgent referrals (cancer suspected)	93%	100%	99.53%	99.49%
All cancers: 31-day wait from diagnosis to first treatment	96%	100%	100%	100%
All cancers: 31-day wait for second or subsequent treatment (surgery)	94%	100%	100%	100%
All cancers: 31-day wait for second or subsequent treatment (anti-cancer drug treatments)	98%	100%	100%	100%
C.difficile infection	12	0	0	0

Sustainable environment

Sheffield Children's NHS Foundation Trust acknowledges the potential impact that its activities may have on the environment and is committed to ensuring that effective environmental management and sustainable development become integral parts of our service provision.

In 2020 the Trust created its Board approved Green Plan. This plan demonstrates the Trust's commitment to sustainability, incorporating the requirements of the *NHS Delivering a Net Zero NHS* report and the *NHS Long Term Plan*.

The Green Plan has the ambition for the Trust *to be in the top 10 greenest NHS Providers in the country by 2025* and contains actions of how this will be achieved.

The Green Plan follows NHS England guidance and is split into ten areas of focus, these are:

- Corporate Approach
- Asset management and Utilities
- Travel and Logistics
- Adaptation
- Capital Projects
- Green Space and Biodiversity
- Sustainable Care Models
- Our People
- Sustainable Use of Resources
- Carbon/ Greenhouse Gases (GHG's)

Our Green Group, containing members from across different roles and functions within the Trust, will help to deliver the actions set out in the Green Plan. The success of the Green Plan will be demonstrated though carbon-net zero achievements and the Sustainable Development Assessment Tool (SDAT) score.

Equality of Service Delivery

We are committed to ensuring that services are accessible, appropriate and sensitive to the needs of the whole community, with a workforce representative at all levels of the population it serves.

The Trust has refreshed its commitment to being an inclusive employer and to eradicating discrimination in all its forms with specific actions in relation to WRES (NHS Workforce Race Equality Standard) including publication of a revised action plan informed by the Trust's BAME (Black, Asian and Minority Ethnic) and Ally Network Group; publication of a WDES (Workforce Disability Equality Standard) action plan developed with the Trust's disAbility network group; and support for the LGBT+ network.

The Trust is a member of Stonewall's Diversity Champions programme and NHS Employers' Diversity Partners Programme. During 2020 there has been a focus on development – for Board and senior leaders; recruitment with a particular focus on more diversity in Board appointments and Governor elections; and on creating a workplace culture that welcomes and celebrates diversity through a calendar of events, e.g Black History Month; LGBT History Month; International Day of People with Disabilities; International Women's Day; and inclusive communications.

In the Staff Survey theme for Equality, Diversity and Inclusion the Trust scored above average when compared with similar trusts.

As a service provider our services work closely with local Roma Slovak communities; we have established a Health Inequalities Group and developing an action plan; we are committed to restoring services inclusively in the wake of the Covid-19 pandemic; and plan to undertake equality impact assessments on all services. Work is also taking place on reducing digital poverty.

As part of the Trust's operational planning for 2020/21 on the back of the Covid-19 pandemic, the Trust is analysing its waiting lists, including for clinically prioritised cohorts, to identify disparities in relation to the bottom 20% by Index of Multiple Deprivation (IMD) and black and minority ethnic populations.

Furthermore, the Trust will be reviewing all of the indicators included within its Integrated Performance Report to assess whether there is a disproportionate impact on any particular cohort of the population. This will be developed into an action plan that will be managed by the recently formed Health Inequalities Group, chaired by the Executive Director lead for Health Inequalities.

Slavery and Human Trafficking Statement

We are committed to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part of our business.

We expect that our supply chains have suitable anti-slavery and human trafficking policies and processes.

Most of our purchases are against existing supply contracts or frameworks which have been negotiated under the NHS Standard Terms and Conditions of Contract which have the requirement for suppliers to have in place suitable anti-slavery and human trafficking policies and processes.

We expect each element in the supply chain to adopt at least 'one-up' due diligence on the next link in the chain as it is not always possible for us (and every other participant in the chain) to have a direct relationship with all links in the supply chain.

Our standard invitation to tender (ITT) documentation includes a standard question asking whether suppliers are compliant with section 54 (Transparency in supply chains etc.) of the Modern Slavery Act 2015. If they are, they are required to provide evidence. If they are not, they are required to provide an explanation as to why not. In addition, our standard contract contains the following provisions:

The Supplier warrants and undertakes that it will:

(i) comply with all relevant Law and Guidance and shall use Good Industry Practice to ensure that there is no slavery or human trafficking in its supply chains; and

(ii) Notify the Authority immediately if it becomes aware of any actual or suspected incidents of slavery or human trafficking in its supply chains;

(iii) At all times conduct its business in a manner that is consistent with any anti-slavery Policy of the Authority and shall provide to the Authority any reports or other information that the Authority may request as evidence of the Supplier's compliance with this Clause 10.1.29 and/or as may be requested or otherwise required by the Authority in accordance with its anti-slavery policy.

We expect all those in our supply chain and contractors to comply with our values. The Trust will not support or deal with any business knowingly involved in slavery or human trafficking.

Senior colleagues within our Procurement Team are duly qualified as Fellows of the Chartered Institute of Procurement and Supply and have passed the Ethical Procurement and Supply Final Test.

This statement is made pursuant to section 54 (1) of the Modern Slavery Act 2015 and constitutes the Trust's slavery and human trafficking statement for the current financial year.

Overseas operations

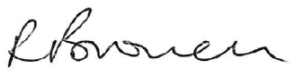
The Trust does not have any overseas operations.

Important events since the end of the financial year affecting the Foundation Trust

On 14th April 2021, it was confirmed that Ruth Brown would take on the role of Acting Chief Executive while John Somers continued to take time away from the Trust to deal with a personal matter.

This was followed by news that Professor Sally Shearer OBE would take on the role of Acting Deputy Chief Executive in addition to her substantive position as Executive Director of Nursing and Quality.

Craig Radford was also appointed Acting Executive Director of Operations.



Ruth Brown
Acting Chief Executive and
Acting Accounting Officer

4 June 2021

Section Two: Accountability Report

Directors' report

The Board of Directors is led by the Chair and comprises six other non-executive directors and six executive directors, including the Chief Executive.

The Directors' report is presented in the name of the directors of the Board of Directors. The individuals occupying position on the Board during 2020/21, together with their attendance at Trust Board meetings is listed as:

Sarah Jones, Trust Chair

Sarah was appointed as Trust Chair in September 2016, after holding a non-executive director role on the Board from August 2008.

Sarah is a trustee of The Children's Hospital Charity. As Trust Chair, Sarah also chairs the Council of Governors, Charities Committee and the Board Nominations and Remuneration Committee, as well as holding the post of Health and Well Being Guardian for the Trust. Sarah's current term of office expires on 30 August 2022.

Outside the Trust, Sarah is Chair of Realise, an independent learning provider which delivers apprenticeships and adult education programmes. Previously Sarah was CEO and then Deputy Chair of Learndirect, the UK's largest provider of skills, training and employment services. She is an MBA graduate and joined Learndirect with experience from BAE Systems.

Board Attendances in 2020/21: 12/12

Richard Chillery, Non-executive Director

Richard Chillery is a qualified clinical therapist with a background in child and adolescent mental health. He is currently Director of Operations at (The Bay) Lancashire & South Cumbria NHS Foundation Trust, having previously held the post of Operational Director for Children's and Countywide Community Services at Harrogate and District NHS Foundation Trust where he is accountable for the UK's largest provider of the Healthy Child Programme. He is also a Technical Advisor for Public Health England.

Previously, Richard has worked therapeutically with children, young people and families/carers with high and complex needs within a number of local authority multi-disciplinary teams, voluntary sector and CAMHS in the UK and was also a CAMHS team co-ordinator and clinical lead in New Zealand.

Richard has been until recently a practicing clinician and has held a number of senior clinical lead positions as well as operational roles. He holds an MA in Social Work and Non Directive Play Therapy, having lectured in both of these at Huddersfield University and York University. He is a graduate of a number of leadership programmes including the Nye Bevan with the NHS Leadership Academy.

Richard serves on the Trust's Quality Committee and Risk and Audit Committee as well as on panels convened under the Mental Health Act.

Board Attendances in 2020/21: 12/12

John Cowling, Non-executive Director (and Senior Independent Director)

John is a qualified chartered accountant. He was for many years a senior regional partner in the northern offices of PricewaterhouseCoopers and most recently, the partner in charge of the Sheffield office, until his retirement in June 2012. John is currently the Chair

of The Sheffield Museums and Galleries Trust and a non-executive director of The Sheffield Theatres Trust.

John was appointed to the Board of Directors on 1 October 2014 and he is the Senior Independent Director. John is the current Chair of the People and Performance Committee and a member of the Risk and Audit Committee and the Board Nominations and Remuneration Committee.

John's second term of office was approved by the Council of Governors in 2017 and ran to the end of September 2020. It was extended to September 2021 by the Governors at their meeting on 17 November 2020.

Board Attendances in 2020/21: 12/12

Jon Eggleton, Non-executive Director

Jon is currently a board advisor to a number of business start-ups. Up until November 2017 he was the UK Managing Director of United biscuits, having previously been Marketing Director.

Prior to that he held a number of senior marketing roles at Diageo, in both the UK and Singapore, and at HP Bulmer where he was a PLC board member.

Jon is married with two teenage children and is a University of Sheffield graduate.

Board Attendances in 2020/21: 12/12

Fatima Khan-Shah, Non-executive Director (commenced 1 December 2020)

Initially from Sheffield and now based in West Yorkshire, Fatima is known regionally and nationally for actively championing patient involvement, the recognition of carer support, leadership and diversity and inclusion. She is currently leading the West Yorkshire and Harrogate Health and Care Partnership Programmes for Personalised Care and for Unpaid Carers, which recently won a national award.

She also works nationally as a lay member on the NHS Assembly and the King's Fund and as a Board Member on the Yorkshire and Humber Academic Health Science Network. She has previously held roles with NHS England, Kirklees CCGs, Kirklees Council, Health Education England and Healthwatch.

Fatima commenced in her role on 1 December 2020 and sits on both the Quality Committee and the Charities Committee.

Board Attendances in 2020/21: 4/4

Peter Lauener, Non-executive Director and Deputy Chair

Until November 2017, Peter was Chief Executive of the Education and Skills Funding Agency, Interim Chief Executive of the Institute for Apprenticeships and a Board member of the Department for Education. He was then appointed as Interim Chief Executive of the Student Loans Company until October 2018.

Earlier in his career, Peter was Chief Executive of the Young People's Learning Agency and had several director roles in the Department for Children, Schools and Families and the Department for Education and Skills.

Peter is Chair of the Construction Industry Training Board and of the Newcastle College Group. He is also a trustee of Educators International, an overseas development charity. He was made a Companion of the Order of the Bath (CB) in 2004.

Peter is Deputy Chair of the Board and chair of the Risk and Audit Committee as well as a member of the People and Performance Committee and the Board Nominations and Remuneration Committee.

Board Attendances in 2020/21: 12/12

Patricia Mitchell, Non-executive Director

Patricia left her legal practice as a commercial litigator and partner in private practice in 2005 after 25 years working in London and Bristol.

After completing a sponsored MBA, Patricia joined the charity sector as a result of her role as the carer for a family member with Alzheimer's. Patricia worked for four years as the income generation manager for Alzheimer's Support before coming back to her roots in 2010 as Chief Executive Officer of Sheffield-based charity Neurocare, a role she undertook until June 2015. Both these roles involved her working closely with many different health providers in the public sector. She also served as a trustee for Age UK.

During 2020/21 Patricia was Chair of the Quality Committee and is a member of the Board Nominations and Remuneration Committee and Charities Committee. Patricia's current term ends in September 2021.

Board Attendances in 2020/21: 11/12

John Somers, Chief Executive

John was appointed as Chief Executive of Sheffield Children's NHS Foundation Trust in September 2016.

He has more than 20 years of Board-level experience in both the public and private sector. He joined the Trust as Chief Finance Officer in 2014 following senior NHS roles in Rotherham, Lincolnshire and Wakefield.

John is joint chair of the Children's Health and Well-Being Board in Sheffield and is the regional lead for the Children's Health Services work-stream of the Integrated Care System in South Yorkshire and Bassetlaw. John is also a Board member at Olympic Legacy Park Limited.

Board Attendances in 2020/21: 10/10

Ruth Brown, Deputy Chief Executive

Ruth joined Sheffield Children's as executive director of strategy and operations in 2017, bringing 32 years of NHS experience. In 2019 Ruth was appointed into the post of Deputy Chief Executive at the Trust and she is currently Acting Chief Executive whilst the CEO is away dealing with a personal matter. She is also a trustee on The Children's Hospital Charity. Ruth is experienced in leading complex change, promoting improved patient and colleague experience and leading collaborations within and across organisations.

Ruth has led the Trust response to the COVID-19 pandemic over the last year, working to ensure compassionate, appropriate and timely response to the challenges facing families, colleagues and the Trust as a whole. This includes creating opportunities for mutual aid with other healthcare partners, which helped support the care and treatment of children and young people from across the region and beyond.

She is responsible for the internal running of the Trust in her role as Deputy Chief Executive. Her executive portfolio includes operational performance and activity of services as well as the development of the Trust's strategic direction. She works closely with colleagues on the Executive Team and with partner organisations to develop the Trust's role in the Integrated Care System (ICS) across the region and Accountable Care Partnership (ACP) across the city.

Ruth previously held roles as Operations Director at Sheffield Teaching Hospitals NHS Foundation Trust, where she led the integration of community and acute services for adults and has held a wide range of provider and commissioner roles.

Board Attendances in 2020/21: 12/12

Nick Parker, Executive Director of People and Organisational Development (OD)

Nick joined Sheffield Children's NHS FT on 1 July 2019 as Director of People and OD.

He had previously been the Director of People and OD (formerly known as Director of HR and Workforce) at Airedale NHS FT, having joined the Trust in May 2010.

Nick's career prior to joining the NHS was in the public sector where he worked in a number of Government Departments in senior HR roles having progressed from his early career as a Jobcentre advisor and manager.

Nick is a Chartered Member of CIPD (The Chartered Institute of Personnel and Development) and has been a CIPD member for over 20 years. He has a Masters of Education (MEd) in Training and Development. Nick is currently the Management Side Chair of the Yorkshire and Humber Social Partnership Forum, and Vice Chair of the Yorkshire and Humberside HR Directors' Network.

Board Attendances in 2020/21: 11/12

Jeff Perring, Executive Medical Director

Jeff is a consultant intensivist in the PCCU (Paediatric Critical Care Unit) Department, a post he has held since 2002.

He was appointed into the role of Medical Director within the Trust in 2018. He is responsible for medical activity within the Trust and in particular the training and development of medical staff.

Jeff is central to the Trust's lead role for paediatric training in the area. Jeff works closely with the Director of Nursing and Quality on quality and patient safety.

Board Attendances in 2020/21: 12/12

Professor Sally Shearer OBE, Executive Director of Nursing and Quality

Sally is a registered children's nurse and has worked in the NHS for 40 years. She joined the Trust in October 2015, having previously managed children's acute and community services in London and Nottingham.

Sally has a MA from the University of Nottingham and has previously worked with the Nursing and Midwifery Council. She has a background in the education of the children and young people's workforce.

Sally is responsible for patient experience, children's safeguarding, infection control, clinical governance and regulatory compliance. Sally is also the professional lead for the nurses, health visitors and allied health professionals that work within our hospital, transport and community services.

Sally is currently Chair of the Association of Children's Chief Nurses.

Sally received an OBE in 2020 for services to Nursing.

Board Attendances in 2020/21: 12/12

John Williams, Executive Director of Finance

John joined Sheffield Children's as the Executive Director of Finance in July 2019, bringing 15 years of NHS experience.

John previously worked as Deputy Director of Finance at Chesterfield Royal Hospital NHS Foundation Trust, leading its Finance and Contracting Services. He has served periods as Acting Director of Finance and has also had senior roles at Derby Hospitals NHS Foundation Trust.

John is a graduate of Sheffield Hallam University, the NHS National Graduate Training Scheme and an Associate of the

Chartered Institute of Management Accountants.

Along with Trust finances John is also responsible for Estates and Procurement Services and leads the delivery of the Trust Green Plan.

Board Attendances in 2020/21: 12/12

Directors who served during the year, but who had left office before year end

Scott Green, Non-executive Director

Scott is a serving senior police officer and a graduate of the University of Sheffield and the University of Leicester.

Scott was appointed as a Non-Executive Director in April 2018 and a member of the Charities Committee, Board Nominations and Remuneration Committee and Quality Committee.

Scott stepped down from his role in August 2020 following his appointment as Assistant Chief Constable of Staffordshire Police.

Board Attendances in 2020/21: 4/5

Statement on the balance, completeness and appropriateness of the membership of the Board

In year assessment of the composition of the Board, in the context of current and anticipated issues and challenges impacting the Trust and the skills and qualities needed on the Board, has been made by the Board Nominations and Remuneration Committee. This is undertaken routinely as part of the process of considering appointments and reappointments to the Board.

In 2020/21 the balance and completeness of the Board was considered on recruitment to a non-executive director vacancy.

The executive directors and non-executive directors of the Board provide a balance and breadth of knowledge.

The Board comprises individuals with senior level experience in the public and private sectors, across a range of disciplines including clinical and patient care, finance, strategic and operational planning, marketing and communications, commercial development, corporate and clinical governance, risk management, system working, equality, diversity and inclusion, human resources and change management.

The Board is satisfied that its current membership enables it to function effectively.

Board members Register of Interests and Gifts and Hospitality

Company directorships and other declarations of interest or gifts and hospitality were declared by all Board members. The full register of interests is available on our website at https://www.sheffieldchildrens.nhs.uk/about-us/publications/

Taking into account the NHS Code of Governance, the Board considers the current Chair and all the non-executive directors to be 'independent'.

The Trust Chair, Ms Sarah Jones, is also Chair of Outreach Solutions Ltd and is a trustee of The Children's Hospital Charity. In the past year, she also took on the role of Chair of Realise, an education management company based in Sheffield.

The Chair is considered able to devote the appropriate time commitment to her role as Chair of the Trust.

Meetings of the Board of Directors and its committees

The Board of Directors is the decision-making body for the Trust's strategic direction and the overall allocation of resources. It delegates decision making for the operational running of the Trust to the Trust's executive directors. The Board takes decisions consistent with the approved strategy.

The Board set the Trust's strategic objectives for the year 2020/21, agreed the annual operating plan and provided leadership for the Trust, ensuring that the Trust exercises its functions effectively and delivers agreed goals and targets.

The Board also acts as the body through which assurance is provided. It ensures the Trust's statutory obligations, as well as its overall performance (including safety and quality), is of the standard expected and that, where appropriate, action is taken to ensure compliance with those standards, either directly or through its committee structure.

It delegates decision-making for the operational running of the Trust to the Executive Team in accordance with the scheme of delegation. This group has both clinical and management representation from across the Trust.

The Trust's scheme of delegation sets out matters which are reserved for the Board of Directors to decide. These relate to regulation and control, appointments, strategic and business planning and policy development, financial and performance reporting arrangements, audit arrangements and investment decisions.

In addition to holding 12 formal Board meetings during 2020/21, the Board held a joint meeting with the Council of Governors and two formal Board Development sessions. Due to the Covid-19 pandemic, all of these meetings were held virtually.

Development of the Board takes place in response to ongoing review of the effectiveness of its meetings, to outcomes from assessment of performance (both collectively and individually) as part of an annual appraisal system and through the formal review and agreement of a Board annual work programme.

During 2020/21 emphasis has been placed on Covid management as well as tackling some of the Trust's significant waiting lists. Review of the standing Board agenda, strengthening of formal delegation and reporting lines from its assurance committees and continuing the development of an integrated performance report are examples of in-year enhancement of Board effectiveness.

Each of the standing assurance committees of the Board is chaired by a non-executive director to enhance independent scrutiny and challenge and each committee chair reports formally to the Board; to confirm delivery of assurance or escalate matters as necessary.

The Board committee structure includes the statutory committees of Risk and Audit and Nominations and Remuneration, and also comprises Quality, People and Performance and Charities Committees.

These committees use mechanisms to report and refer matters between themselves. This integrated governance approach is also supported by arrangements for cross non-executive membership ensuring that an individual non-executive member is able to act as a conduit of information and assurance across two committees.

The Board keeps the performance of its committees under regular review and requires each committee to consider its performance and effectiveness during the year and sets development objectives for the year ahead.

In line with this, further work has taken place to embed committee exception reporting to the Board, to formalise referral of matters arising between committees and introduce the routine review of work. This development reflects the Board's response to governance best practice and continued regard to the Well-led Governance Framework.

In its role of overseeing the system of internal control and overall assurance process associated with managing risk, the Risk and Audit Committee annually reviews the terms of reference of aligned Board committees.

Risk and Audit Committee

The Risk and Audit Committee comprises at least three independent non-executive directors and is chaired by Peter Lauener.

The requirement for at least one of its members to have recent and relevant financial experience is met by John Cowling, a qualified accountant. It met five times during 2020/21. All of its meetings were held virtually.

Fig: Member attendance at meetings of the Risk and Audit Committee 2020/21

NED membership	Attendances
Peter Lauener, Chair	5 from 5
Richard Chillery	5 from 5
John Cowling	5 from 5
Jon Eggleton	2 from 2

The Committee provides the Board of Directors with an independent and objective review of the effectiveness of internal control and the underlying assurance processes associated with managing risk.

The Committee is responsible for commissioning and reviewing work from independent external and internal audit services, counter fraud services and other bodies as required.

The Trust's internal audit service is provided by 360 Assurance. Through detailed examination, evaluation and testing of Trust systems, this service plays a key role in the Trust's assurance processes.

Local counter fraud provision is also commissioned from 360 Assurance. The local counter fraud service supports the Trust to create an anti-fraud culture: deterring, preventing and detecting fraud, investigating suspicions that arise.

The Committee is responsible for making a recommendation to the Council of Governors on the appointment and removal of the external auditors.

In November 2016, following a formal selection process overseen by a joint working group drawn from governors and members of the Risk and Audit Committee, KPMG were appointed by the Council of Governors as the Trust's external auditor for a three year period commencing with the 2016/17 audit cycle (subject to annual satisfactory evaluation) with an option for two further one-year extensions.

On the basis of a positive assessment in September 2019, the Risk and Audit Committee presented a recommendation to governors that KPMG be reappointed as the Trust's external auditors for a further two years. This reappointment was confirmed at the November 2019 Council of Governors meeting.

The Committee routinely receives progress reports from KPMG, including updates on key emerging national issues / developments. The statutory audit fee for the 2020/21 audit was £75,500 plus VAT. External assurance on a Quality Report was not undertaken in 2020/21 due to the pandemic.

KPMG provides its services within the code of audit practice issued by the National Audit Office. The Risk and Audit Committee has delegated authority to commission additional investigative and advisory services.

No non-audit work has been carried out by the Trust's external auditors in 2020/21.

Meetings of the Risk and Audit Committee are attended by internal and external auditors, local counter fraud, the Chief Executive, Deputy Chief Executive and Executive Director of Finance, Head of Legal and Governance and Corporate Affairs.

Other directors and senior managers attend when invited by the Committee. The Trust Chair is invited to attend the meeting at which the annual accounts are presented. The Associate Director of Corporate Affairs is the Committee Secretary.

Both the internal and external auditors have the opportunity to meet with Risk and Audit Committee members in private (without executives present) to discuss any concerns relating to the performance of management.

Copies of the terms of reference of the Risk and Audit Committee can be obtained from the Corporate Affairs Office and are published on the Trust's website.

The following outlines the principal areas of review and significant issues considered by the Committee during 2020/21, reflecting the key objectives set out in its terms of reference.

Internal control and risk management

- Reviewing the Board Assurance Framework (BAF) prior to presentation to the Board and overseeing its ongoing development through its alignment with the Risk Appetite Statement agreed by the Board.

- Supporting the Board's focus on strategic risk by rotating consideration of the key

strategic risks featured on the BAF. Over its annual work cycle the Committee has discussed the majority of BAF risks by inviting Executive risk owners to present risks and mitigations for the Committee to assess whether the Board, through its own schedule of business and that of its committees, receives satisfactory, routine assurance around the mitigations in place.

- Reviewing the annual financial statements, with particular focus given to major areas of judgement and changes in accounting policies, and the basis of the Board's determination that the Trust remains a going concern.

- Receiving assurance from the Executive Risk Management Committee on all serious incidents and high rated risks, together with routine and exception-based reports from aligned Board committees, including the Quality Committee and People and Performance Committee. This allows the Committee to discharge its responsibility for providing assurance to the Trust Board in relation to all aspects of governance, risk management and internal control, forming the basis for the Annual Governance Statement.

Internal audit

- Agreeing at the start of the financial year the internal audit work plan for 2020/21 focused on providing assurance against identified risks which could impact on the achievement of the Trust's strategic objectives.

- Reviewing the findings of internal audit's work against this work plan which encompassed reviews across a range of areas including divisional governance and risk management, learning from incidents, general ledger and budgetary control, and payroll.

- Oversight of implementation of follow up recommendations to drive improvements in completion rates.

Local counter fraud

- Overseeing the annual counter fraud work plan and progress against identified areas for improvement through consideration of both routine progress reports and an annual report.

External audit

- Agreeing the external audit plan for 2020/21. This included an analysis of the External Auditor's assessment of significant audit risks, the proposed elements of the financial statements audit and its reporting timetable and other matters.
- Considering the key risks highlighted within the ISA (International Standard on Auditing) 260, around valuations of buildings, revenue recognition, management override of control and expenditure recognition.

The Chief Executive, as the Accounting Officer, is responsible for the preparation of the financial statements prior to them being audited by the External Auditors. These responsibilities are detailed within the statement of Accounting Officer's responsibilities and in the Independent Auditor's report.

The Risk and Audit Committee gives full consideration to any significant risks and areas of audit focus raised in the external audit plan.

Quality Committee

The Quality Committee of the Board has been established to enable the Board of Directors to obtain assurance that high standards of care are provided by the Trust and it obtains assurance, in particular, that:

- adequate and appropriate clinical governance structures, processes and controls are in place throughout the Trust to promote safety and excellence in patient care; and

- there is effective and efficient use of resources through evidence-based clinical practice.

The Committee is chaired by Patricia Mitchell, a non-executive director, and met 11 times during the year. Due to the ongoing Covid-19 pandemic, all of its meetings were held virtually.

Its core membership includes two further non-executive directors, the Chief Executive, the Executive Director of Nursing and Quality and the Executive Medical Director.

The Committee's work plan ensures routine attendance by sub-committee representatives including infection control, clinical governance

and safeguarding. This supports a planned programme of quarterly deep-dive reviews, which provide greater focus and assurance on quality and safety within clinical divisions.

The Committee has spent a large part of the year gaining assurance around Covid-related issues as well as overseeing progress against serious incidents. The Committee is also responsible for overseeing the development of the Trust's developing Clinical Strategy and monitoring progress on quality impact assessments.

Non-executives also attended divisional quality meetings on a rotational basis.

People and Performance Committee

The People and Performance Committee was established to provide the Board of Directors with in-year assurance concerning the development and delivery of the Trust's annual business plan.

The Committee undertakes a strategic advisory role in ensuring that the Trust develops effective long-term strategies in relation to people, information management and technology and capital. It ensures that financial plans address all identified business risks and opportunities and supports the provision of care and services whilst getting the best value for money and use of resources. The Committee provides oversight of the Trust's transformation programme.

The Committee met 11 times during 2020/21 and is chaired by John Cowling, a non-executive director. Due to the ongoing pandemic, all of its meetings were held virtually. Membership includes two additional non-executive directors, the Chief Executive, Deputy Chief Executive, Executive Director of Finance and the Executive Director of People and Organisational Development.

This year the Committee helped to drive delivery of the Trust's Financial Recovery Plan and People Plan, whilst continuing to monitor the Trust's performance and, in particular, the challenging waiting list position.

Each month the agenda alternates between finance, operational performance and people, ensuring the Committee provides a rounded focus in respect of its wide-ranging portfolio.

Charities Committee

The Board of Directors' Charities Committee met on four occasions in 2020/21. Due to the ongoing Covid-19 pandemic, all of its meetings were held virtually.

It comprises the Chair, two non-executives, the Chief Executive and Executive Director of Finance. The Associate Director of Communications and Charity Director for The Children's Hospital Charity attend in an advisory capacity.

The Committee is responsible for providing oversight on working relationships between the Trust and Charity and steer co-ordination of charity support in line with the Trust's own strategic aims, and ensure that adequate and appropriate governance structures, processes and controls are in place.

In the past year, the Committee has continued to ensure the senior leadership are obtaining appropriate levels of assurance about the charities that support the Trust's work.

Board Nominations and Remuneration Committee

The Board of Directors' Nominations and Remuneration Committee met five times during 2020/21. Due to the ongoing Covid-19 pandemic, all of its meetings were held virtually.

It comprises the Chair and non-executive members of the Board. The Chief Executive is also a member when the Committee considers non-pay related issues. The Executive Director of People and Organisational Development attends in an advisory capacity and the Associate Director of Corporate Affairs is the Committee Secretary.

The Committee is responsible for setting the remuneration and conditions of service for the Chief Executive and other executive directors (and, where applicable, senior managers on locally determined pay). In this respect its key objective is to ensure that the remuneration packages are sufficient to recruit and retain executive directors of the quality required for the successful operation of the Trust, while avoiding paying excessively for this purpose.

This Committee also leads the process for executive Board appointments, non-executive and executive succession planning and evaluating whether the Board has the right skills and experience to effectively lead the organisation.

Across the reporting year the Committee met to agree executive remuneration for 2020/21 and to agree that the Trust should benchmark against medium trusts on the NHSI/E framework for executive remuneration.

Further details are contained within the Remuneration Report.

Committee in Common

Sheffield Children's NHS Foundation Trust Committee in Common is a formal committee of the Board. The Committee's terms of reference were agreed by the Board in September 2017 and it meets every other month. Due to the Covid-19 pandemic, all of its meetings were held virtually.

It meets concurrently with the other NHS foundation trust committees in common in the Working Together Partnership to receive updates in relation to system wide matters.

Each committee comprises the respective chair and chief executive of that trust and has a scheme of matters delegated by the Board. Each committee may only make decisions in respect of the Trust of which it is part.

Non-executive membership of other Trust project working groups and committees

Peter Lauener, non-executive director, is currently the chair of a senior management working group looking at recovery of the Trust's waiting list position. The group reports directly into the People and Performance Committee.

Due to the enforced physical absence from the Trust during 2020/21, non-executive directors have attended virtual meetings of the Silver and Bronze commands on an invitational basis as well as senior nurse meetings and divisional quality meetings.

Non-executive directors attend the Trust's equalities forums on invitation from the Executive Director of People and Organisational Development.

Arrangements in place to ensure that the Trust's services are well led

The Board has undertaken routine annual self-assessments using Well-led guidance[1] and has used this to inform the continued development of its governance arrangements.

It has been one of the key instruments in informing reviews of the Board committee structure and supporting the development of quality governance arrangements to provide increased focus on quality.

It has helped to strengthen the underpinning quality assurance / reporting infrastructure at operational and executive levels through which the Trust is embedding ward-to-board arrangements in the quality agenda.

Our most recent Well-led self-assessment took place in December 2018. The Board's reflection brought into focus clear priorities for development action to further strengthen and evidence the arrangements we have to ensure services are well-led.

A CQC assessment of Well-led was undertaken in April 2019 when the Trust was rated 'Good'.

Material inconsistencies

There are no material inconsistencies to report between the annual governance statement, declarations to NHS Improvement, this annual report and reports by the CQC.

[1] Developmental reviews of leadership and governance using the well-led framework: guidance for NHS trusts and NHS foundation trusts, NHSI (June 2017)

Governors' report

As an NHS foundation trust, the Council of Governors has responsibility to represent the views and interests of the membership and partnership organisations, to hold the non-executive directors to account for the performance of the Board of Directors and to ensure that it is Well-led.

The Council of Governors consists of elected and nominated governors who provide an important link between the Trust, the population it draws its patients from and key stakeholder organisations, by sharing information and views that can be used to develop and improve Trust services.

The Council of Governors works with the Board of Directors to shape the future strategy of the organisation and is responsible for providing feedback from the membership and stakeholders on strategic developments at the Trust. It also should keep members and stakeholders informed about any developments at the Trust. At each council meeting governors receive a summary of key Trust communication messages for use in any dialogue they have with members of their constituencies.

The Trust keeps the Council of Governors fully informed on all aspects of the Trust's performance and seeks their advice on key service developments. This is done through formal council meetings, where a summary of the Board's business agenda remains a standing item on the agenda, and through working groups set up by the Council of Governors. Governors are also invited to sit on a number of Trust working groups.

The Council of Governors comprises elected and nominated Governors as shown below and has decision-making powers defined by statute. These powers are described in the Trust's Constitution and principally refer to:

- the appointment, removal and remuneration of the Trust Chair and non-executive directors on the Board;
- the appointment and removal of the Trust's external auditors;
- the approval of the appointment of the Chief Executive;
- receiving the foundation trust's annual accounts, any report of the auditor on the accounts, and the Annual Report.

While the Council of Governors is responsible for holding the Board and, in particular, the non-executive directors, to account and ensuring that it is acting in a way that means that the Trust will meet its obligations, it continues to remain the Board's responsibility to oversee the running of the Trust.
The Council of Governors met formally five times during 2020/21, in addition the Annual Members; Meeting. Due to the ongoing Covid-19 pandemic, all meetings were held virtually. A record is kept of the number of meetings attended by individual governors.

Governors are required to declare any interests which are relevant and material to the business of the Trust. These are then entered onto the publicly available register of interests which can be accessed from the Trust's website.

Composition of the Council of Governors 2020/21

There are 32 seats on the Council of Governors: 18 to represent public members, seven to represent staff members and seven appointed by partner organisations.

The table below sets out attendance by governors at Council of Governors meetings in 2020/21.

Fig: Public Governors (elected)

Name	Constituency	Term	Elected from	Attendance	Notes
John Adler	Sheffield	1st	Sept 2020	3 from 3	
Joanne Arch	Sheffield	1st	Sept 2019	4 from 5	
Scott Bailey	Rest of South Yorkshire	1st	Sept 2019	4 from 5	
Sam Broadbent	Sheffield	1st	Sept 2018	0 from 1	Resigned May 2020
Cathy Byrne	North Derbyshire	1st	Sept 2019	2 from 4	Resigned Nov 2020
Zander Cossham	Sheffield	1st	Sept 2020	1 from 3	Resigned Mar 2021
Gemma Flint	Sheffield	1st	Sept 2019	5 from 5	
Sue Gale	Sheffield	1st	Sept 2020	3 from 3	Partial term election
Teresa Gibson	Sheffield	1st	Mar 2021	0 from 0	Partial term election
Tracy Gill	Sheffield	1st	Sept 2019	4 from 5	Partial term election
Victoria Hartley	Rest of South Yorkshire	1st	Sept 2019	3 from 5	
Jenny Hamilton	Rest of England and Wales	1st	Sept 2020	3 from 3	
Vince Keddie	Sheffield	1st	Sept 2018	5 from 5	
Steve Kelly	Sheffield	1st	Sept 2019	5 from 5	
Rebecca Kent	Rest of South Yorkshire	2nd	Sept 2017	2 from 2	Not re-elected
Jessica Lipski	Rest of South Yorkshire	1st	Sept 2020	3 from 3	
Debbie Mander	Sheffield	1st	Sept 2017	0 from 3	Stood down at election
Ash Marshall	Sheffield	1st	Sept 2020	2 from 3	
Sue McFarlane	Sheffield	1st	Sept 2019	5 from 5	Partial term election
Charlotte Moore	Sheffield	1st	Sept 2019	5 from 5	
Ismail Mir	Rest of England and Wales	1st	Sept 2018	0 from 1	Resigned May 2020
Emma Packham	Sheffield	1st	Sept 2018	2 from 2	Resigned Sept 2020
Robert Peace	Rest of England and Wales	2nd	Sept 2020	5 from 5	Lead Governor
Mark Rooker	Sheffield	1st	Sept 2019	5 from 5	
Helen Smith	Sheffield	2nd	Sept 2017	2 from 2	Stood down at election

Fig: Staff Governors (elected)

Name	Constituency	Term	Elected from	Attendance	Notes
Dawn Blake	Nursing/midwifery	1st	Sept 2020	3 from 3	
Olayinka Fadahunsi	Medical/dental	1st	Sept 2020	3 from 3	
Andrew Garner	Nursing/midwifery	1st	Sept 2018	4 from 5	
Jacqueline Griffin	Non-clinical	3rd	Sept 2019	4 from 5	
Jack Hiscock	Non-clinical	1st	Sept 2018	5 from 5	
Anne Cecile-Hogg	Other clinical	1st	Sept 2019	5 from 5	
Kathryn Holden	Other clinical	2nd	Sept 2017	4 from 5	
Carrie MacKenzie	Medical/dental	2nd	Sept 2017	2 from 2	Not re-elected

Fig: Partner Governors (appointed)

Name	Partner Organisation	Appointed from	Attendance	Notes
Ruth Barley	Sheffield Hallam University	Sept 2015	2 from 3	
Nikki Bates	Sheffield CCG	Jun 2014	4 from 5	
Jackie Cole	Yorkshire Ambulance	Feb 2019	5 from 5	
Charlotte Elder	University of Sheffield	July 2018	5 from 5	
Viky Mercer	Sheffield Futures	March 2021	0 from 0	
Bethan Plant	Sheffield City Council	Sept 2017	5 from 5	
Dan White	Sheffield City Council	Feb 2019	4 from 5	Previously represented Sheffield Futures

Elections within the reporting period

Council of Governors' elections took place during summer 2020. Twenty-six nominations were received from people who wished to stand for election and all seats were contested.

Two of the 10 seats contested were won by candidates from ethnic minority backgrounds increasing the overall proportion of governors from such backgrounds from 3.2% to 9.7% (Trust workforce is 11.2%).

The new governors began their terms of office immediately after the annual members' meeting on 21 September 2020.

The overall turnout rate across all contested seats was 12.1 per cent, up from 9.4 per cent the previous year and 7.75 per cent in 2018.

Full details of the composition of the Council of Governors and of previous election results are posted on our website at:

www.sheffieldchildrens.nhs.uk/about-us/council-of-governors/.

In the event of an elected governor's seat falling vacant for any reason before the end of a term of office, it shall be filled by the second placed candidate in the last election held for that seat provided that the candidate achieved at least five per cent of the vote.

Lead Governor

The Council of Governors elects one of the governors to be 'Lead Governor'. The Lead Governor acts as the point of contact for NHSI/E should the regulator wish to contact the Council on an issue for which the normal channels of communication are not appropriate.

The current Lead Governor is Robert Peace.

The Lead Governor receives from governors any comments, observations and concerns expressed by governors regarding the performance of the Trust or its business, other than those expressed directly by governors at meetings of the Council of Governors. The Lead Governor regularly meets with the Chair.

In addition, the Lead Governor communicates with other governors by way of regular electronic correspondence and also meets on an ad-hoc basis with small groups of governors to discuss relevant matters.

Strengthening links between the Board and Governors and members

The Board of Directors continues to demonstrate a strong commitment to working in partnership with the Council of Governors, acknowledging the role of governors in encouraging openness and accountability between the Trust, patients, carers and the public.

Executive and non-executive directors are not members of the Council of Governors but have a standing invitation to attend all Council meetings to listen to the views of governors. The Chair of the Trust Board also chairs the Council of Governors and provides a link between the two, supported by the Trust Secretary. The Chair now also meets informally with governors after each board meeting.

Non-executive directors lead on the presentation and facilitation of relevant agenda items, providing the opportunity for governors to question the non-executive directors on the performance of the Board.

Fig: Attendance by directors at Council of Governors meetings in 2020/21

Name		Attendance
Ruth Brown	Deputy Chief Executive	5 from 5
Richard Chillery	Non-executive Director	5 from 5
John Cowling	Non-executive Director & Senior Independent Director	5 from 5
Jon Eggleton	Non-executive Director	2 from 5
Scott Green	Non-executive Director	2 from 2
Sarah Jones	Chair	5 from 5
Fatima Khan-Shah	Non-executive Director (from 1 December 2020)	1 from 1
Peter Lauener	Non-executive Director and Deputy Chair	5 from 5
Patricia Mitchell	Non-executive Director	5 from 5
Jeff Perring	Executive Medical Director	4 from 5
Nick Parker	Executive Director of People & OD	5 from 5
Sally Shearer	Executive Director of Nursing and Quality	5 from 5
John Somers	Chief Executive	4 from 4
John Williams	Executive Director of Finance	5 from 5

Board Directors attend the Annual Members' Meeting to liaise with members. This was held virtually on 13 September 2020. The Board and Governors also meet jointly at least annually, most recently in February 2021, as part of enabling governors to input into discussions relating to the Trust's future direction.

Trust Board meetings are held in public and there is an open invitation for public governor observers to attend Board committees to widen opportunities for governors to observe Trust Board business, supporting them in fulfilling their statutory duty of holding the Board of Directors to account and to inform their assessment of the performance of non-executive directors.

Governors are invited to take part in the Board's Back to the Floor programme by accompanying directors on visits to areas of the Trust. Feedback from these activities is shared at Council of Governors meetings and focus has been placed on more formally capturing learning points to feed into patient experience work streams.

There has also been continued focus on involving the Council of Governors in key developments and issues impacting the Trust. A summary of the involvement of governors in the activities of the Trust during 2020/21 includes:

- Involvement in the appointment of external audit services.
- Involvement in the 15 Steps Challenge.
- Participation in a session with the Board of Directors to discuss forward plans and the Trust's external strategic environment.
- Appointment process for a new non-executive director.
- Attendance at the Trust Board's committees.
- Involvement in the promotion of governor elections.
- Participation in the virtual Staff Awards.
- Holding a virtual Annual Members' meeting to formally receive the Trust's Annual Report and report of the auditor.
- Attending back to the floor visits to services with non-executive directors.
- Participation in a mock security exercise to test the Trust's security controls.
- Involvement in the Trust's Green Group and Daisy® accreditation programme.
- Invitation to formally input into the appraisal of the performance of the Trust Chair and the non-executive directors.

Membership report

The Trust is accountable to the population it serves and members of the public can be Members of the Trust. Members share their views and influence the way in which the Trust runs and develops its services. The Trust considers its membership to be a valuable asset, which helps guide its work and the decisions it makes, whilst also holding the organisation to account and ensuring we adhere to NHS values. It is one of the ways the Trust communicates with the public and staff.

The Trust has two membership categories:

- **Public**: residents over 14 years of age and living in the areas the Trust has specified as a public constituency (Sheffield, Rest of South Yorkshire, Rest of England and Wales and North Derbyshire). This is notwithstanding those that are individual members of one of the classes of the staff constituency.

- **Staff**: employees whose contract means that they can work for the Trust for longer than 12 months. Staff that are employed by other organisations and exercising functions on behalf of the Trust are also eligible to become members, such as university staff employed on an honorary contract.

Members are able to vote and stand for election to the Council of Governors and receive other incentives including invitation to the Annual Members' Meeting and other events and regular communication from the Trust on its activities.

Membership strategy

The Trust's membership numbers stayed roughly static this year, increasing by 122. In order to ensure that our membership is current, a routine data cleansing exercise of our membership database was conducted in each quarter during 2020/21 by our membership database provider, MES.

Our membership strategy centres on delivering a membership that is fully representative of the diverse communities the Trust provides services to, regardless of gender, race, disability, ethnicity, religion or any other groups covered under the Equality Act 2012. Our current membership broadly reflects the local and regional populations we serve. We continue to note the effectiveness of social media as a recruitment strategy and will continue to capitalise on this as a means to increase the coverage of our engagement activities in as cost effective a manner as possible.

Governors are regularly encouraged to participate in a varied Back to the Floor programme joining members of the Board in their visits to areas of the Trust. This provides an opportunity for engagement with patients and staff. Governors are also invited to be part of regional events attended by the Trust, allowing governors to engage with members and local people and hear their views first hand.

Our Board and Council of Governors will work together to ensure we can support ways to ensure the views of members and the public are taken into account in the reshaping of services to ensure that patients and local communities have access to appropriate, safe and high quality care. As in previous years, all members are invited to our Annual Members' Meeting (AMM).

Fig: Membership breakdown at 31 March 2021

constituency	sub-constituency		number of members	increase/ decrease from 2019/20
public membership	*in Sheffield*			
	Sheffield		5,326	+8
	out of Sheffield			
	Rest of South Yorkshire		1,319	+13
	North Derbyshire		413	0
	Rest of England & Wales		599	+19
		sub-total	**7,657**	**+40**
staff membership	medical and dental		441	+10
	other clinical		1,163	+43
	nursing		996	+12
	non clinical		1,070	+19
		sub-total	**3,670**	**+84**
		grand total	**11,327**	**+122**

Financial and other public interest disclosures

Cost allocation and charging requirements

The Trust has complied with the cost allocation and charging guidance issued by HM Treasury. There is no additional charge for materials made available to meet the needs of particular groups of people, e.g. in braille or other languages. The Trust does not charge a standard fee to comply with subject access requests, however where a request is manifestly unfounded or excessive, a reasonable fee to cover administrative costs is considered as per guidance set by the Information Commissioner's Office. The Trust does not impose any fees for responding to requests unless the amount of information exceeds appropriate limits.

Political donations

There are no political donations to disclose for the financial year 2020/21.

Employee benefits

Accounting policies for pensions and other retirement benefits are set out in note 9 of the accounts. Details of senior employees' remuneration can be found in the remuneration report section of this report.

Payment of creditors

Performance for the financial year is set out in the table below.

Fig: Better payment practice code table

	Expected Sign	Actual 31/03/21 YTD Number	Actual 31/03/21 YTD £'000
Non NHS			
Total bills paid in year	+	38,970	94,907
Total bills paid within target	+	35,683	84,910
Percentage of bills paid within target	%	**91.6%**	**89.5%**
NHS			
Total bills paid in year	+	3,305	20,554
Total bills paid within target	+	2,091	10,997
Percentage of bills paid within target	%	68.9%	53.5%
Total		-	-
Total bills paid in year	+	**42,005**	**115,461**
Total bills paid within target	+	**37,774**	**95,907**
Percentage of bills paid within target	%	**89.9%**	**83.1%**

Non-NHS income

Law requires that Trust income from the provision of goods and services for the purpose of the health service in England must be greater than its income from the provision of goods and services for any other purposes. In 2020/21, the Trust met this requirement, with 99 per cent (£240,863k) of the Trust's income generated by activities for the purpose of the health service in England.

Serious incidents involving data loss or confidentiality breach

The Trust takes its responsibility to keep personal data safe very seriously. Annual information governance training is mandated for all staff, in addition to role-specific training mandated for staff responsible for key data processing functions. The Trust is also required to annually certify the Trust's compliance with NHS information governance standards, a process which also includes mandated Internal Audit review.

Directors' consideration of this report

The Directors consider that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for patients, regulators and other stakeholders to assess the Trust's performance, business model and strategy.

Directors' Disclosure to Auditors

The Directors confirm that, as far as they are aware, there is no relevant audit information of which the Trust's auditors are unaware. The Directors have taken all steps they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Trust's auditors are aware of that information.

Remuneration report

The Remuneration Report outlines appointments and payments made to Trust Executive and Non-executive Directors in-year.

The Board of Directors delegates responsibility to a Board Nominations and Remuneration Committee to make decisions regarding the nomination, appointment, remuneration and conditions of service for executive directors including the Chief Executive.

This Committee only determines the reward package of executive directors and senior managers on locally-determined pay.

The vast majority of staff remuneration, including the first layer of management below board level, is determined in accordance with the national NHS pay framework, Agenda for Change. It is not currently anticipated that this will change.

Medical and dental staff are covered by separate national terms and conditions of service set by the Doctors and Dentists Review Body.

The setting of non-executive directors' remuneration is the responsibility of the Council of Governors' own Remuneration and Recruitment Committee.

The membership of the Board Nominations and Remuneration Committee comprises the Chair and all the non-executive directors.

During 2020/21, the Committee met five times and attendance at the meetings is set out in the figure below.

Fig: Board Nominations and Remuneration Committee membership attendance

Name	28-Apr-20	28-Jul-20	24-Nov-21	11-Feb-21	30-Mar-21
Sarah Jones, Chair	P	P	P	P	P
Richard Chillery, Non-executive Director	P	P	P	P	P
John Cowling, Non-executive Director	P	P	P	P	P
Jon Eggleton, Non-executive Director	P	P	P	P	P
Scott Green, Non-executive Director	P	P	N/A	N/A	N/A
Fatima Khan-Shah, Non-executive Director	N/A	N/A	N/A	P	P
Peter Lauener, Non-executive Director	P	P	P	P	P
Patricia Mitchell, Non-executive Director	P	P	P	P	P
John Somers, Chief Executive	P	P	A	A	A

Key: P = present; A = apologies; N/A = not required to attend.

Annual statement from the Chair of the Board Nominations and Remuneration Committee

In November 2020, the Board's Nominations and Remuneration Committee considered executive director remuneration for 2020/21.

The Committee agreed that an annual consolidated increase of 1.03% be awarded in line with the anticipated national guidance from NHSE/I. This was in line with the annual increase to Band 9 staff and was backdated to 1 April 2020.

In addition, in recognition of the organisation's increase in turnover >£200m, the Trust's VSM pay ranges would be aligned to a medium-sized trust on the NHSE/I framework. Any policy implications of this decision would be considered in 2021.

The current executive pay policy agreed in November 2017 is based on the following:

- Where appropriate to set specific objectives linked to executive remuneration for monitoring and measurement of performance against these objectives.
- When setting salary on appointment to executive director roles to adopt latest NHSI median salary indicator guidance for the relevant role.
- Where market conditions dictate, and the candidate demonstrates the relevant knowledge, skill and experience, to consider appointment to the upper quartile of the recommended salary range, agreeing stretching objectives commensurate with level of experience and the salary to which they are appointed.
- In cases where it is a candidate's first executive director post, to consider appointment on the lower quartile of the recommended salary range, setting appropriate development objectives with the expectation of progression to the median recommended salary point within a determined period.

The current policy has been used to make in-year adjustments to individual executive director remuneration. As noted, the agreed pay strategy provides a framework within which stretch and development objectives can be agreed to motivate, reward and retain executive directors.

In respect of individual decisions on executive pay, it was agreed in July 2020 that the Executive Director of Finance's remuneration would progress over the next two years from lower quartile to the median salary point on the NHSE/I executive salary framework (£125,000) following successful performance and development.

After the Chief Executive, John Somers, took time away from the Trust to deal with a personal matter in February 2021 it was agreed that in recognition of stepping in to cover the Chief Executive's duties, the Deputy Chief Executive's salary would be uplifted to £145,000, in addition to the on call allowance of £4,350 with effect from 15th February 2021. This was on the basis that there would be a further review at a date in April 2021 when the Trust was clearer about next steps and the length of cover required.

Monitoring and measurement of performance against objectives is undertaken through the annual performance review process undertaken by the Chair (where the objectives relate to the Chief Executive) or the Chief Executive (where the objectives relate to an executive director). The outcomes of this process are reported back to the Nominations and Remuneration Committee.

Sarah Jones
Chair of the Board Nominations and Remuneration Committee

4 June 2021

Senior managers' remuneration policy

The Trust is required to set out what constitutes the senior managers' remuneration policy in tabular format:

Fig: Senior manager's remuneration policy

Element	Policy
Base pay	Base pay is determined by using annual benchmarked data in order to attract and reward the right calibre of leaders to deliver the Trust's aims and priorities
Pension	Executive directors are able to join the standard pension scheme that is available to all staff
Remuneration related to performance	Specific objectives aligned to Trust aims and priorities are set where appropriate, linked to executive remuneration for monitoring and measurement of performance against these objectives.
On call payment	Board members receive on call payments in line with on call responsibilities
Benefits	The Trust operates a number of salary sacrifice schemes including childcare vouchers and a car lease scheme. These are open to all members of staff.
Travel expenses	Appropriate travel expenses are paid for business mileage
Declaration of gifts	As with all employees, executive and non-executive directors must declare any gifts or hospitality according to Trust policy

The Trust has paid certain senior managers more than £150,000[2] and believes that this is appropriate given the market conditions both at the time of appointment and at present.

Executive director appointments

There were no additional executive directors appointed to the Board in 2020/21.

However, Trust Chief Executive, John Somers, took time away from the Trust to deal with a personal matter from 15 February 2021 until the time of writing this report.

During this time his duties, including that of acting Accounting Officer, were covered Ruth Brown, Deputy Chief Executive.

The Council of Governors' Remuneration and Recruitment Committee

The Council of Governors has previously taken the decision to combine two committees to form a single Remuneration and Recruitment Committee.

Membership of the Committee during 2020/21 comprised of the Trust Chair and seven governors. The Executive Director of People and Organisational Development and the Associate Director – Corporate Affairs are invited to attend to provide advice to the Committee.

It meets annually, or as required, to recommend to the Council of Governors the nomination of appropriate candidates for the posts of non-executive director, including the Chair. The Committee also has responsibility for making recommendations to the Council of Governors with regard to the remuneration, and other terms and conditions of office, for the Chair and non-executive directors. The Committee is also responsible for overseeing Chair and non-executive appraisals.

The Committee's work plan for 2020/21 focused on the appointment of a new non-executive director on the Board. Fatima Khan-Shah was appointed with effect from 1 December 2020 following the departure of Scott Green at the end of August 2020.

Additionally, the Council of Governors approved extensions for John Cowling and Patricia Mitchell until September 2021.

Remuneration of non-executive directors

The Council of Governors did not change the amount of remuneration paid to non-executive directors during 2020/21.

The Committee uses externally sourced data to satisfy the Code of Governance requirement to undertake an independent market review exercise of non-executive director remuneration. The context for determining whether there was a need to make an annual uplift to non-executive director remuneration levels also includes consideration of pay awards given to other groups of NHS staff.

[2] The threshold set out in NHSI guidance (March 2018) above which NHS Foundation Trusts should make a disclosure.

Policy on diversity and inclusion

A new diversity and inclusion policy was due to be developed in 2019/20, as part of the Trust's People Plan but was delayed due to the Covid-19 pandemic. This policy will be used by the Trust's Nominations and Remuneration Committee and tied to the Trust's strategic aims.

Consultancy

The Trust expenditure on consultancy services in 2020/21 was £259k. This was for a range of activities including recruitment searches, advice and benchmarking.

Off payroll engagements

The Trust has no off-payroll engagements in relation to members of staff as a result of IR35 regulations which came into effect on 6 April 2017. The Trust has done a review of all such arrangements and is satisfied that it will remain in this position.

Exit packages

Ten staff exit packages (£352k) were paid out during the year 2020/21.

Annual Report on Remuneration

Current Remuneration and Pensions		Financial Year 1 April 20 - 31 March 21			
		Salary and Fees inc on-call	Taxable Benefits	Pension Related Benefits	Total
		Bands of £5,000	Total to the Nearest £100	Bands of £2,500	Bands of £5,000
Name	**Title**	**£'000**	**£'000**	**£'000**	**£'000**
John Somers	Chief Executive	195 – 200		52.5 – 55	250 – 255
Ruth Brown	Deputy Chief Executive and Executive Director of Strategy and Operations	130 – 135		47.5 – 50	180 – 185
Jeff Perring	Executive Medical Director	150 - 160		32.5 – 35	190 - 195
Nick Parker	Executive Director of People and Organisational Development	105 – 110		25 – 27.5	130 – 135
Sally Shearer	Executive Director of Nursing & Quality	115 – 120	6.3 – 6.4	7.5 – 10	130 – 135
John Williams	Executive Director of Finance	120 - 125		42.5 – 45	165 - 170
Sarah Jones	Chair	45 – 50			45 – 50
John Cowling	Non-executive Director	10 – 15			10 – 15
Scott Green (1)	Non-executive Director	5 – 10			5 – 10
Peter Lauener	Non-executive Director	10 – 15			10 – 15
Richard Chillery	Non-executive Director	10 – 15			10 – 15
Fatima Khan-Shah (2)	Non-executive Director	0 - 5			0 - 5
Jon Eggleton (3)	Non-executive Director	15 - 20			15 - 20
Patricia Mitchell	Non-executive Director	10 – 15			10 – 15

No directors received benefits in kind and the Foundation Trust made no contributions to stakeholder pensions

(1) Scott Green left the Trust on 31 Aug 2020

(2) Fatima Khan-Shah joined the Trust on 1 December 2020

(3) Jon Eggleton joined the Trust on 12 February 2020

(4) Three Executive Directors were reimbursed £354 for out of pocket expenses during the year (2019/20: Six Executive Directors were reimbursed a total of £2,060)

(5) One Director received taxable benefits of £6,305 during 2020/21 (2019/20: One Executive Director received taxable benefit of £4,799)

2019/20		Real increase in pension at pension age	Real increase in pension lump sum at pension age	Total accrued pension at pension age at 31 March 2020	Lump sum at pension age related to accrued pension at 31 March 2020	Cash Equivalent Transfer Value at 1 April 2019 (or start date if later)	Real increase in Cash Equivalent Transfer Value	Cash Equivalent Transfer Value at 31 March 2020
Name	**Title**	**Bands of £2.500**		**Bands of £5.000**		**Nearest £000**		
John Somers	Chief Executive	2.5 – 5	0	40 – 45	0	553	83	636
Ruth Brown	Deputy Chief Executive and Executive Director of Strategy & Operations	2.5 – 5	2.5 - 5	25 – 30	45 - 50	391	63	454
Jeff Perring	Executive Medical Director	2.5 – 5		65 - 70	175 - 180	1,404	95	1,499
Nick Parker (1)	Executive Director of People and Organisational Development	0 - 2.5		15 – 20		269	39	308
Sally Shearer	Executive Director of Nursing & Quality	0 - 2.5	2.5 - 5	55 – 60	165 - 170	1,244	77	1,321
John Williams (3)	Executive Director of Finance	2.5 – 5	0 – 2.5	25 - 30	45 - 50	291	43	334

Band of Highest Paid Director's Total Remuneration	**195 - 200**
Median Total	**30,615**
Remuneration Ratio	**6.45**

Note: NHS Pensions are using pension and lump sum data from their systems without any adjustment for a potential future legal remedy required as a result of the McCloud judgement. (This is a legal case concerning age discrimination over the manner in which UK public service pension schemes introduced a CARE benefit design in 2015 for all but the oldest members who retained a FinalSalary design.). We believe this approach is appropriate given that there is still considerable uncertainty on how the affected benefits within the new NHS 2015 Scheme would be adjusted in future once legal proceedings are completed.

2019/20 Comparatives

Current Remuneration and Pensions		Financial Year 1 April 19 - 31 March 20			
		Salary and Fees inc on-call	Taxable Benefits	Pension Related Benefits	Total
		Bands of £5,000	Total to the Nearest £100	Bands of £2,500	Bands of £5,000
Name	**Title**	**£'000**	**£'000**	**£'000**	**£'000**
John Somers	Chief Executive	185 – 190	0.1 – 0.2	102.5 – 105	290 – 295
Ruth Brown (1)	Deputy Chief Executive and Executive Director of Strategy and Operations	120 – 125		55 – 57.5	175 – 180
Jeff Perring	Executive Medical Director	150 - 155	0.2 – 0.3	387.5 – 390	535 - 540
Sally Shearer	Executive Director of Nursing & Quality	110 – 115	2.8 – 2.9	25 – 27.5	140 – 145
Nick Parker (2)	Executive Director of People and Organisational Development	80 – 85	0.1 – 0.2	37.5 – 40	120 – 125
Mark Smith (3)	Associate Director of Finance (former Chief Finance Officer)	30 – 35			30 – 35
John Williams (4)	Executive Director of Finance	85 - 90	0.1 – 0.2	97.5 – 100	180 - 185
Jane Clawson (5)	Interim Director of People and Organisational Development	20 – 25		52.5 – 55	75 - 80
Sarah Jones	Chair	45 – 50			45 – 50
John Cowling	Non-executive Director	10 – 15			10 – 15
Patricia Mitchell	Non-executive Director	10 – 15			10 – 15
Peter Lauener	Non-executive Director	10 – 15			10 – 15
Andy Baker	Non-executive Director	10 – 15			10 – 15
Scott Green	Non-executive Director	10 – 15			10 – 15
Richard Chillery (6)	Non-executive Director	10 – 15			10 – 15
Jon Eggleton (7)	Non-executive Director	0 - 5			0 - 5

No directors received benefits in kind and the Foundation Trust made no contributions to stakeholder pensions

(1) Ruth Brown was appointed Deputy Chief Executive and Executive Director of Strategy and Operations from 2 December 2019

(2) Nick Parker was appointed Executive Director of People and Organisational Development on 1 July 2019

(3) Mark Smith, left the position of Chief Finance Officer on 30/06/2019 and took on a role as Associate Director of Finance

(4) John Williams was appointed Executive Director of Finance from 1 July 2019

(5) Jane Clawson was interim Director of People and Organisational Development 1 April 2019 to 31 June 2019

(6) Richard Chillery commenced in post as Non-Executive Director from 1 June 2019

(7) Jon Eggleton commenced in post as Non-executive Director 12 February 2020

(8) Six Directors were reimbursed £2,060 for out of pocket expenses during the year (2018/19: 6 Directors reimbursed a total of £4,657)

2019/20		Real increase in pension at pension age	Real increase in pension lump sum at pension age	Total accrued pension at pension age at 31 March 2020	Lump sum at pension age related to accrued pension at 31 March 2020	Cash Equivalent Transfer Value at 1 April 2019 (or start date if later)	Real increase in Cash Equivalent Transfer Value	Cash Equivalent Transfer Value at 31 March 2020
Name	Title	Bands of £2,500		Bands of £5,000		Nearest £000		
John Somers	Chief Executive	5 – 7.5	0	35 – 40	0	456	97	553
Ruth Brown (1)	Deputy Chief Executive and Executive Director of Strategy & Operations	2.5 – 5	0 - 2.5	20 – 25	40 - 45	342	49	391
Jeff Perring	Executive Medical Director	15 – 17.5	45 - 50	60 - 65	175 - 180	993	411	1,404
Nick Parker (2)	Executive Director of People and Organisational Development	2 - 2.5		15 – 20		232	37	269
Sally Shearer	Executive Director of Nursing & Quality	0 - 2.5	2.5 - 5	50 – 55	160 - 165	1,167	77	1,244
Mark Smith (3)	Associate Director of Finance (former Chief Finance Officer)	0		25 – 30	55 - 60	476	(15)	461
John Williams (4)	Executive Director of Finance	5 – 7.5	7.5 - 10	20 - 25	40 - 45	226	65	291
Jane Clawson (5)	Interim Director of People and Organisational Development	2 – 2.5	2.5 - 5	20 - 25	40 - 45	349	56	405

(1) Ruth Brown was appointed Deputy Chief Executive and Executive Director of Strategy and Operations from 2 December 2019

(2) Nick Parker was appointed Executive Director of People and Organisational Development on 1 July 2019

(3) Mark Smith, left the position of Chief Finance Officer on 30/06/2019 and took on a role as Associate Director of Finance

(4) John Williams was appointed Executive Director of Finance from 1 July 2019

(5) Jane Clawson was interim Director of People and Organisational Development 1 April 2019 to 31 June 2019

Band of Highest Paid Director's Total Remuneration	**185 - 190**
Median Total	**30,401**
Remuneration Ratio	**6.24**

Note: The calculation for the Trust median salary and subsequent remuneration ratio has been updated to more accurately reflect the FTE of the staff base. As a result the 2019/20 comparator has been updated in line with the 2020/21 calculation.

The banded remuneration of the highest-paid director in Sheffield Children's NHS FT in the financial year 2020/21 was £195k - £200k (2019/20 was £185k - £190k). This was 6.45 times (2019/20 was 6.24 times) the median remuneration of the workforce, which was £30,615 (2019/20 was £30,401).

In 2020/21, three employee received remuneration in excess of the highest-paid director and in 2019/20, two employees were paid more.

Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions, employer national insurance contributions and the cash equivalent transfer value of pensions.

Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions, employer national insurance contributions and the cash equivalent transfer value of pensions.

There are no performance related bonuses in either 2020/21 or 2019/20.

There are no service contract obligations for the Trust with regards to senior managers.

The Trust has a risk based assessment as to whether assurance is required that the individuals are paying the right amount of tax, and, where necessary, that assurance has been sought. All individuals identified above, as with all off-payroll individuals do not hold any financial responsibly within the Trust. As a result of IR35 regulations which came into effect on 6th April 2017, the Trust has done a review of all such arrangements and is satisfied that it will remain compliant in the future.

Pension Scheme

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

Ruth Brown
Acting Chief Executive and Acting Accounting Officer

4 June 2021

Our People report

The people we employ and our volunteers of Sheffield Children's NHS Foundation Trust are the reason for our continued success. Our 3,700-plus people workforce is vital to ensuring we continue to deliver high quality care.

People in post

At the end of the year we had 3,641 people working in the Trust. This equated to 3,008 whole time equivalents. A breakdown of whole time equivalents by occupational group is listed below.

Fig: Number of employees (whole time equivalent basis)

	2020/21			2019/20
	Permanent	Other	Total	Total
Add Prof Scientific and Technical	179	20	**199**	**188**
Additional Clinical Services	387	37	**424**	**413**
Administrative and Clerical	635	50	**685**	**666**
Allied Health Professionals	174	18	**192**	**188**
Estates and Ancillary	177	6	**183**	**183**
Healthcare Scientists	115	5	**120**	**117**
Medical and Dental	176	185	**361**	**343**
Nursing and Midwifery Registered	820	20	**840**	**797**
Students	3	0	**3**	**5**
Total average numbers	**2666**	**342**	**3008**	**2900**

Please note: The above table excludes people on maternity leave and career break

Fig: Breakdown of total employees by gender

as at 31 Mar 2021	Female		Male	
Directors	5	36%	9	64%
All employees (including the above)	2973	82%	668	18%

Average annual sick days per full time employee for the year January to December 2020 was 12.7 days (compared to 13.8 days in the previous year). For the same period the Trust has reported a sickness absence rate of 3.3 per cent compared to 3.8 per cent in the previous year. The national average is 4.7 per cent.

This year has been like no other, as the Trust along with the rest of the NHS has responded to the Covid-19 pandemic. Our focus in doing so has been on the health and wellbeing of our people and we have developed a comprehensive approach covering both physical and mental health supported by the Trust's occupational health service; our workplace assistance programme and Trust Psychologists. In December the Trust launched Schwartz Rounds as a further method of supporting colleagues with the emotional aspects of providing healthcare. We anticipate that this focus on our people's wellbeing bring many benefits to colleagues and over time improve attendance across the Trust.

Staff costs.

Fig: Analysis of staff costs

	2020/21			2019/20
	Permanent £000	Other £000	Total £000	Total £000
Salaries and wages	124,108	8,333	**132,441**	**119,574**
Social security costs	12,265	-	**12,265**	**11,223**
Apprenticeship levy	586	-	**586**	**544**
Employer's contributions to NHS Pensions	22,017	-	**22,017**	**20,214**
Pension cost – others	61	-	**61**	**80**
Other post-employment benefits	-	-	-	-
Other employment Termination benefits	-	-	-	-
Temporary staff	-	3,170	**3,170**	**3,316**
Total gross staff costs	**159,037**	**11,503**	**170,540**	**154,951**
Recoveries in respect of seconded staff	-	-	-	
Total staff costs	**159,037**	**11,503**	**170,540**	**154,951**
Of which				
Costs capitalised as part of assets	611	-	**611**	**731**

Working with our people

In 2020 we published a refreshed People Plan to take account of the NHS People Plan. The plan has five key areas of focus to help the Trust become a brilliant place to work. The five themes are:

- *Supporting our people – health and well being*
- *Belonging - equality, diversity and inclusion*
- *Growing for the future – education and training, recruitment, talent management and apprenticeships;*
- *New ways of working – new roles, workforce planning; and*
- *Culture and Behaviour – embedding our values and leadership development*.

Statement of approach to colleague engagement

Colleague engagement is a priority for the Trust. It is a vital part of our ability to deliver consistently high quality clinical services; and is a key theme underpinning our People Plan.

The Trust has a well-established Joint Negotiating and Consultative Committee where policies and procedures are formally agreed in addition to seeking wider colleague views on a broad range of subjects that may affect them through their representatives. Over the last 18 months we have extended this arrangement to include fortnightly meetings between the Director of People and OD, the People and OD team and staff side to develop new ways of working and take forward work that is required outside of formal meetings. Similar arrangements exist with the Local Negotiating Committee, our trade union body that represents medical colleagues.

Another forum for consultation and feedback is our Council of Governors, membership of which includes staff representatives and this annual report outlines the involvement of governors in the review of our corporate objectives, plans for embedding our Trust values and the development of our quality priorities.

Colleague engagement has been a real area of focus during the pandemic, with regular updates from the Deputy Chief Executive, Executive Director newsletters and blogs and various ways colleagues have been able to be heard and put forward their ideas, through Bronze Command teams, Pulse Surveys and our equality network groups. In addition the Trust ran its first virtual Clinical Summit with a focus on wellbeing and inclusion; and it's first 'Countdown to Christmas' to encourage colleagues to re-connect and have some fun in the run up to Christmas.

The Trust's communication strategy supports effective communication with colleagues and patients, developing our brand as a Trust and supporting our strategy for improved engagement. One of its objectives is to improve internal communications channels and focus has been placed on the development of more effective use of web, the intranet and colleague apps.

Star Awards

Each year the hard work, commitment and dedication of our people is recognised through our annual Star Awards ceremony. This year we received a record number of nominations, but had to postpone the awards initially due to the pandemic. However, we were able to hold

the awards in the autumn virtually as part of the Clinical Summit.

National staff survey

We recently received the results of our 2020 staff survey. Our overall staff engagement score increased to 7.3 out of 10 .The results were really positive with the Trust being rated above average in nine out of the 10 themes when compared with similar Trusts and the best in one theme relating to safe environment bullying and harassment. The Trust also improved on six themes from the 2019 results. The Trust saw a 10% increase in the number of people feeling we take positive action on health and well-being and a 6% increase on senior management communication. Our full survey results are available at www.nhsstaffsurvey.co.uk

Supporting our colleagues

The Trust continues to provide education, learning and development opportunities for all colleagues. We have aligned our mandatory training with the Core Skills Framework along with other NHS trusts so we can streamline our mandatory training requirement and passport this between health care organisations. In March 2020 we had 86.4% compliance for core training against our stretch target of 90% having maintained this at or around 87% during the year and whilst responding to the pandemic.

We have focussed our training on having the skills to lead a difficult conversation and on team and individual resilience. We continue to focus resources on building leadership capacity and capability with the launch of our new leadership development hub and a development programme with coaching for our most senior leaders below Board level. The Executive Team have continued with their development programme and have begun to roll-out a talent management approach for senior leaders.

During the year we have revised our approach to personal development reviews with a move towards appraisals. Our new framework and guidance will be used for the first time in 2021 during the April to July appraisal season, with the focus on it being good to talk, and a good opportunity for review and development.

Speaking Up

Sheffield Children's has had a Freedom to Speak Up (FTSU) Guardian working across the Trust since March 2017. The FTSU Guardian builds on the Raising Concerns Policy, assists colleagues to speak up, encouraging local resolution, cultural change and wider learning around the Trust. Colleagues can contact the FTSU Guardian at any point before, during or after the process of 'speaking up'.

The Covid19 Pandemic and the switch to working from home saw much of the speaking up process move to being facilitated online. During the first lockdown in Spring 2020, numbers of concerns dropped, followed by an increase in Covid-19 related concerns around PPE. By the end of the Summer 2020, when some restrictions were eased, this upturn of concerns remained, with Covid-19 related issues moving onto social distancing and worker safety. This fully reflects the national trends reported by the National Guardian's Office.

Speaking Up was strengthened by the pandemic – staff felt enabled to tackle issues 'there and then' over patient and worker safety, instead of reporting the issues post incident. This level of positive challenge remains through the Trust and can be directly attributed to the assurity of raising concerns gained during new ways of working through the pandemic and a cultural shift to 'feeling safe' to speak up.

The national 'FTSU Index' measures all NHS Trusts FTSU provision based on the results of the Staff Survey. For the second year running, Sheffield Children's was the highest graded organisation in the city of Sheffield and also the South Yorkshire and Bassetlaw ICS in July 2020 in the national FTSU Index.

Activity in 2020/21 included:

- Trust Induction switched to an online and booklet format, completed by all new starters
- Clinical Summit presentation and FTSU information session with Q+A held for 300+ colleagues to access
- Increased publicity of FTSU role in 'All Staff' communications bulletins and Covid-19 resources
- Buddying arrangements established with Barnsley Hospital NHS Foundation Trust and Great Ormond Street Hospital for Children NHS Foundation Trust.
- National Paediatric Trust Network re-established with Guardians at other children's trusts

- National 'Speak Up' month promotion and colleague engagement held via Twitter campaign
- Member of Schwartz Rounds steering group and People Advisory Group for staff emotional and general support
- Regional FTSU Conference and National Guardian training events and webinar participation
- Papers presented to Trust Board and Risk and Audit Committee
- Emerging Themes meetings with Chair, Chief Executive and Senior Independent Director
- Whole Team training and advice seminars delivered online including non-clinical teams

During 2020/21, 93 concerns were raised via the FTSU Guardian. Themes included Covid-19 PPE and Social Distancing, perceptions of safe staffing levels, professional conduct, non-equitable application of policy/process and 1:1 communication between colleagues. Data shows a shift to higher reporting of concerns in the age group of 40-49 and also from Administration and Clerical colleagues alongside Nursing. Most concerns are received from colleagues from a White British ethnicity who are female – this reflects both the national data findings and the largest staff employee groups at the Trust. Group and team based concerns have also increased through the year, as have concerns from staff from non-white ethnic backgrounds.

Fig: Number of concerns per Directorate in 20/21:

	Trust Total
MEDicine	36
Surgery & Critical Care	32
Pharmacy, Diagnostics & Genetics	4
Child Well-being & Mental Health	7
Other	14
Trust Total	**93**

Volunteering

We continue with our successful volunteer service, though during the pandemic many of the volunteers have not been able to undertake duties or be on site. Some of our volunteers have been with us for many years; others come for one year and transfer their valuable experience to university, back into employment or onto other volunteering opportunities. Our volunteers work across all areas, including patient-facing and corporate roles and at any one time we have more than one hundred volunteers actively working within the Trust. Our volunteers are subject to the same stringent recruitment process and safeguarding checks as our employees and are easily identified by their red t-shirt uniform.

We recognise the valuable work of our volunteers through a specific volunteering category in our annual Star Awards. We also host an annual thank you event for our volunteers. We are one of a few NHS foundation trusts who have been accredited with the Investing in Volunteers (IIV) award.

Apprenticeships

Our apprenticeship programme enables the Trust to 'grow our own' talent, through attracting young people to the NHS including those who are looking for a career change. Our programme has been a continued success in 2020. We have increased our number of apprentices (from 50 to 70) during the year and expanded the range of apprenticeships to 27 covering levels 2 to 7. Apprenticeships now include existing staff developing in their role and enabling the Trust to succession plan and have an in-house solution to roles that are difficult to recruit to. We offer a variety of apprenticeships and are continuing to review and expand the type of apprenticeships offered to meet the demands of our services, and to take advantage of the opportunities provided by the apprenticeship levy.

Equality, Diversity and Human Rights

Belonging - Equality, Diversity and Inclusion is a key theme of our new People Plan. The Board receives regular updates on our work in this area and is keen to support our continued progress. In 2020 we reviewed our commitment to equality, diversity and inclusion of our workforce as well as our service provision.

We have developed our equality and inclusion networks and now have an active BAME and Ally network (title under review) which has contributed to Board development; a recent Board recruitment exercise as well as helping the Trust position its approach to WRES, Our Workforce Race Equality Scheme (WRES) action plan is a live document that addresses a number of issues raised through our staff survey results and other workforce data. Our Rainbow Badge scheme has had a big uptake across the Trust and this has connected with the launch of our internal colleague network. The Trust has also published its WDES and is working with the Trust's disability group to take forward actions.

Trade union facilities time

The Trust reports annually on its facilities time for trade union representatives in accordance with The Trade Union (Facility Time Publication Requirements) Regulations 2017

Table 1 - Relevant union officials

What was the total number of your employees who were relevant union officials during the relevant period?

Number of employees who were relevant union officials during the relevant period	*Full-time equivalent employee number*
20	3008.00

Table 2 - Percentage of time spent on facility time

How many of your employees who were relevant union officials employed during the relevant period spent a) 0%, b) 1%-50%, c) 51%-99% or d) 100% of their working hours on facility time?

Percentage of time	*Number of employees*
0%	5
1-50%	8
51%-99%	0
100%	1

Table 3 - Percentage of pay bill spent on facility time

Provide the figures requested in the first column of the table below to determine the percentage of your total pay bill spent on paying employees who were relevant union officials for facility time during the relevant period.

First Column	*Figures*
Provide the total cost of facility time	£41,417
Provide the total pay bill	£170,540,000
Provide the percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	0.02%

Table 4 - Paid trade union activities

As a percentage of total paid facility time hours, how many hours were spent by employees who were relevant union officials during the relevant period on paid trade union activities?

Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as: (total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100
99.32%

Compliance with NHS Foundation Trust Code of Governance

Sheffield Children's NHS Foundation Trust has applied the principles of the NHS Foundation Trust Code of Governance on a 'comply and explain' basis. The NHS Foundation Trust Code of Governance, most recently revised in July 2014, is based on the principles of the UK Corporate Governance Code issued in 2012.

The Board continues to seek to comply with the Code and through the Risk and Audit Committee has reviewed compliance against provisions of the Code.

The Board made the required disclosures within this Annual Report and considers it is compliant with the NHS Code of Governance, with the exception of paragraphs B6.2 and B.6.5.

Further details of how the Trust has applied the Code principles and complied with its provisions are set out here.

The responsibilities of both the Trust Board and the Council of Governors are also laid out in the Trust's Constitution which can be downloaded from: https://www.sheffieldchildrens.nhs.uk/about-us/publications/

Provision	Description	How the Trust complies	Assurance
A1.1	The board of directors should meet sufficiently regularly to discharge its duties effectively.	The board of directors holds part one and two board meetings each month. 'Part three' strategy sessions are also held.	Board timetable Board agenda
	There should be a schedule of matters specifically reserved for its decision.	The scheme of delegation details the matters reserved for the board of directors.	Scheme of delegation
	The schedule of matters reserved for the board of directors should include a clear statement detailing the roles and responsibilities of the council of governors (as described in section B).	A clear statement of the roles and responsibilities of the board of directors and the council of governors is included in the scheme of delegation and is based on legislation, the constitution, terms of authorisation and the latest guidance published by NHS Improvement.	Scheme of delegation
	This statement should also describe how disagreements between the council of governors and the board of directors will be resolved.	A clear statement explaining how disagreements between the council of governors and the board of directors will be resolved is included in the constitution.	Constitution

	The annual report should include this schedule of matters or a summary statement of how the board of directors and the council of governors operate, including a summary of the types of decisions to be taken by each of the boards and which are delegated to the executive management by the board of directors. These arrangements are to be kept under review at least annually.	The annual report details how the board of directors and the council of governors operate and includes a high-level statement of which types of decisions are taken by each of the bodies. The scheme of delegation details the decisions delegated by the board of directors to the executive management of the Trust.	Annual report Scheme of delegation
A1.2	The annual report should identify the chairperson, the deputy chairperson (where there is one), the chief executive, the senior independent director (see A 4.1) and the chairperson and members of the nominations, audit and remuneration committees.	The annual report identifies the chair, deputy chair, chief executive, senior independent director and the chair and members of the relevant committees.	Annual report
	It should also set out the number of meetings of the board and those committees and the individual attendance by directors.	A record is kept of the number and attendance of directors at board of directors meetings; it is included in the annual report. A record is also kept of the attendance of non-executive directors' at committee and board meetings.	Annual report
A5.3	The annual report should identify the members of the council of governors, including a description of the constituency or organisation that they represent, whether they were elected or appointed, and the duration of their appointments. The annual report should also identify the nominated lead governor. A record should be kept of the number of meetings of the board and the attendance of individual governors and it should be made available to members on request.	The annual report identifies the governors and the lead governor and includes a description of the constituency/organisation they all represent.	Annual report

B1.1	The board of directors should identify in the annual report each non-executive director it considers to be independent. The board should determine whether the director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement. The board of directors should state its reasons if it determines that a director is independent despite the existence of relationships or circumstances which may appear relevant to its determination, including if the director: • has been an employee of the NHS foundation trust within the last five years; • has, or has had within the last three years, a material business relationship with the NHS foundation trust either directly, or as a partner, shareholder, director or senior employee of a body that has such a relationship with the NHS foundation trust; • has received or receives additional remuneration from the NHS foundation trust apart from a director's fee, participates in the NHS foundation trust's performance-related pay scheme, or is a member of the NHS foundation trust's pension scheme; • has close family ties with any of the NHS foundation trust's advisers, directors or senior employees; • holds cross-directorships or has significant links with other directors through involvement in other companies or bodies; • has served on the board of the NHS foundation trust for more than six years from the date of their first appointment; or • is an appointed representative of the NHS foundation trust's university medical or dental school.	The non-executive directors are identified in the annual report. The board has considered the matter of those of its directors that it considers independent. None of the non-executive directors have been employed by the foundation trust prior to their appointment as non-executive directors. The interests declared by the non-executive directors are updated regularly, are available for inspection and are reported to board on an annual basis. The remuneration of the chair and non-executive directors is set by the council of governors and consists of the directors' fee. All directors are required to declare any close family ties with any of the foundation trust advisors, directors or senior managers. The directors declare such interests on the register of interests where they exist. The non-executive directors are required to undergo a re-appointment process every three years and thereafter are subject to annual re-election to ensure they remain independent.	Report to Board regarding independence of directors Annual report - NED biographies BoD declaration of interests Constitution

B1.2	At least half the board of directors, excluding the chairperson, should comprise non-executive directors determined by the board to be independent.	The board of directors comprises six executive directors including the Chief Executive and seven non-executive directors including the Chair.	Constitution Annual report
B1.4	The board of directors should include in its annual report a description of each director's skills, expertise and experience. Alongside this, in the annual report, the board should make a clear statement about its own balance, completeness and appropriateness to the requirements of the NHS foundation trust. Both statements should also be available on the NHS foundation trust's website.	The annual report includes a description of each director's expertise and experience. A statement about the board's own balance, completeness and appropriateness to the requirements of the NHS foundation trust has been agreed by the board, is in the annual report and is included on the Trust's website.	Annual report
B2.10	A separate section of the annual report should describe the work of the nominations committee(s), including the process it has used in relation to board appointments. The main role and responsibilities of the nominations committee should be set out in publicly available, written terms of reference.	The annual report describes the work of the council of governors' appointments and remuneration committee including the process for the appointments to the board.	Annual report
B3.1	For the appointment of a chairperson, the nominations committee should prepare a job specification defining the role and capabilities required including an assessment of the time commitment expected, recognising the need for availability in the event of emergencies. A chairperson's other significant commitments should be disclosed to the council of governors before appointment and included in the annual report. Changes to such commitments should be reported to the council of governors as they arise, and included in the next annual report. No individual, simultaneously whilst being a chairperson of an NHS foundation trust, should be the substantive chairperson of another NHS foundation trust.	A job description for the chairperson is prepared and agreed with the council of governors. The chair's other significant commitments are disclosed to governors and included in the annual report. The chair is not a chair of any other foundation trust.	The role specification of the chairperson BoD declarations of interests Annual report

B 5.6	Governors should canvass the opinion of their members, and for appointed governors the body they represent, on the NHS foundation trust's forward plan, including its objectives, priorities and strategy, and their views should be communicated to the board of directors.	Governors' views on the strategic direction were canvassed via a special workshop and fed back to directors. Views from members are canvassed through the Back to the Floor programme and regular emails. Future plans are shared in formal meetings while strategies are taken through committees (where governors are observers) prior to consideration at board of directors.	CoG agenda papers Board committee minutes Joint strategy session
B.6.1	The board of directors should state in the annual report how performance evaluation of the board, its committees, and its directors, including the chairperson, has been conducted, bearing in mind the desirability for independent assessment, and the reason why the NHS foundation trust adopted a particular method of performance evaluation.	Details of board, committee and director evaluation is provided in the annual report.	Annual report
B.6.2	Evaluation of the boards of NHS foundations trusts should be externally facilitated at least every three years. The evaluation needs to be carried out against the board leadership and governance framework set out by NHS Improvement. The external facilitator should be identified in the annual report and a statement made as to whether they have any other connection to the trust.	The Board has carried out two self-assessments with assistance from its internal auditors which have led to action plans that have been monitored at Board and its committees. There are plans for an externally facilitated review in 2021.	Reports of IA well-led reviews Report on timetable for Well Led review

B 6.5	Led by the chairperson, the council of governors should periodically assess their collective performance and they should regularly communicate to members and the public details on how they have discharged their responsibilities, including their impact and effectiveness on: • holding the non-executive directors individually and collectively to account for the performance of the board of directors. • communicating with their member constituencies and the public and transmitting their views to the board of directors; and • contributing to the development of forward plans of NHS foundation trusts. The council of governors should use this process to review its roles, structure, composition and procedures, taking into account emerging best practice. Further information can be found in NHS Improvement's publication: *Your statutory duties: A reference guide for NHS foundation trust governors*.	The council of governors reviewed its roles, structure, composition and procedures as part of the February 2019 review of the constitution. A wider effectiveness review was planned for 2020 but was impacted by the pandemic. This is now planned for 2021.	Review of constitution report
C 1.1	The directors should explain in the annual report their responsibility for preparing the annual report and accounts and state that they consider the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for patients, regulators and other stakeholders to assess the NHS foundation trust's performance, business model and strategy. There should be a statement by the external auditor about their reporting responsibilities. Directors should also explain their approach to quality governance in the Annual Governance Statement (within the annual report).	These requirements are met.	Annual report

C 2.1	The board of directors should maintain continuous oversight of the effectiveness of the NHS foundation trust's risk management and internal control systems and should report to members and governors that they have done so in the annual report. A regular review should cover all material controls, including financial, operational and compliance controls.	The board receives a regular report on the high level risks and board assurance. The BAF is reviewed each quarter while all operational risks above 20 are notified to board each month. The Trust's annual report includes an annual governance statement which sets out a review of the Trust's internal control processes.	Agenda papers for BoD Annual report
C 2.2	A trust should disclose in the annual report: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	Details in the annual report identify that an internal audit function is in place and gives brief details of its work during the year. Full details can be found in the reports presented to the Risk and Audit Committee (RAC).	Annual report RAC reports and minutes
C 3.5	If the council of governors does not accept the audit committee's recommendation, the board of directors should include in the annual report a statement from the audit committee explaining the recommendation and should set out reasons why the council of governors has taken a different position.	This has not arisen but if it were to happen the council of governors would follow this process.	--

C 3.9	A separate section of the annual report should describe the work of the committee in discharging its responsibilities. The report should include: • the significant issues that the committee considered in relation to financial statements, operations and compliance, and how these issues were addressed; • an explanation of how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or re-appointment of the external auditor, the value of external audit services and information on the length of tenure of the current audit firm and when a tender was last conducted; and • if the external auditor provides non-audit services, the value of the non-audit services provided and an explanation of how auditor objectivity and independence are safeguarded.	The work of the RAC is included in summary form in the annual report. The terms of reference are available on request.	Annual report Committee terms of reference
D 1.3	Where an NHS foundation trust releases an executive director, for example to serve as a non-executive director elsewhere, the remuneration disclosures of the annual report should include a statement of whether or not the director will retain such earnings.	The situation has not arisen but a disclosure would be made in the annual report if such a situation did occur.	Annual report
E 1.4	The board of directors should ensure that the NHS foundation trust provides effective mechanisms for communication between governors and members from its constituencies. Contact procedures for members who wish to communicate with governors and/or directors should be made clearly available to members on the NHS foundation trust's website and in the annual report.	Contact advice is included on the website and in the annual report. Governors have a range of mechanisms to communicate with members including the annual members meeting.	Annual report Website

E 1.5	The board of directors should state in the annual report the steps they have taken to ensure that the members of the board, and in particular the non-executive directors, develop an understanding of the views of governors and members about the NHS foundation trust, for example through attendance at meetings of the council of governors, direct face-to-face contact, surveys of members' opinions and consultations.	The board of directors provides a statement in the annual report of the steps taken by the board of directors in understanding the views of the governors.	Annual report
E 1.6	The board of directors should monitor how representative the NHS foundation trust's membership is and the level and effectiveness of member engagement and report on this in the annual report. This information should be used to review the trust's membership strategy, taking into account any emerging best practice from the sector.	The annual report provides detailed information on the Trust's membership and membership activities. The Trust's membership strategy is reviewed on a regular basis.	Annual report Membership strategy

NHS oversight framework

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

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

Based on information from these themes, providers are segmented from one to four, where 'four' reflects providers receiving the most support, and 'one' reflects providers with maximum autonomy.

A foundation trust will only be in segments three or four where it has been found to be in breach or suspected breach of its licence.

Segmentation

NHS England and NHS Improvement reviewed the Trust's performance and information available to it in the year and placed the Trust in Segment 3, due to being in suspected breach of licence having not met its financial control total in 2019/20.

This segmentation information is the Trust's position as at April 2021. Current segmentation information for NHS trusts and foundation trusts is published on the NHS Improvement website.

Ruth Brown
Acting Chief Executive
and Acting Accounting Officer

4 June 2021

Statement of accounting officer's responsibilities

Statement of the Chief Executive's responsibilities as the accounting officer of Sheffield Children's NHS Foundation Trust

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

NHS Improvement, in exercise of the powers conferred on Monitor by the NHS Act 2006, has given Accounts Directions which require Sheffield Children's 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 Sheffield Children's NHS Foundation Trust and of its income and expenditure, other items of comprehensive income and cash flows for the financial year.

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

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

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

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

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

Ruth Brown
Acting Chief Executive and Acting Accounting Officer
4 June 2021

Annual governance statement

Scope of responsibility

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

The purpose of the system of internal control

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

The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of Sheffield Children's NHS Foundation Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in Sheffield Children's NHS Foundation Trust for the year ended 31 March 2021 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

Leadership

The Board is responsible for reviewing the effectiveness of the system of internal control including systems and resources for managing all types of risk.

A robust board-approved risk management strategy and policy clearly sets out the accountability and reporting arrangements to the Board for the identification, evaluation and management of risk within the Trust.

This strategy provides the Board with assurance that appropriate structures are in place to assess and minimise risk within the organisation. It clarifies individual and collective responsibility for risk management; starting with the Chief Executive having overall responsibility, and delegation to named executive directors, with leadership further embedded by ownership at local level through managers taking responsibility for risk assessment and analysis to all staff within the organisation having a responsibility for the identification and reporting of risks and incidents.

The Risk Management Strategy also sets out the Trust's attitude to risk and includes guidance on risk identification, risk assessment, risk scoring and risk monitoring, as well as outlining the agreed principles for effective risk management within the Trust, along with clarity of roles of the Board committees and groups within the Trust executive sub-structure.

Incident reporting is openly encouraged through staff training and the Trust promotes open and honest reporting of incidents, risks and hazards through its incident reporting policy.

This is supported by a clear and structured process and the Trust can evidence a strong reporting culture and sharing of learning across the divisions and departments. Root cause analysis from serious incidents is routinely used to learn from incidents and tailor standard operating procedures.

The Trust is committed to using information such as trends in incidents, complaints and claims to continually enhance and improve its services and standards of patient care.

Internal audit reports and clinical audit work are used to provide assurance that changes to practice have become embedded. Major reports from healthcare regulators are used to identify learning from significant incidents. With Datix we are able to utilise the service level data we hold in real time relating to incidents, risks and complaints to enhance learning. The Quality Committee has oversight of serious incidents and a standing exception report on actions following serious incident investigations is monitored by the Risk and Audit Committee.

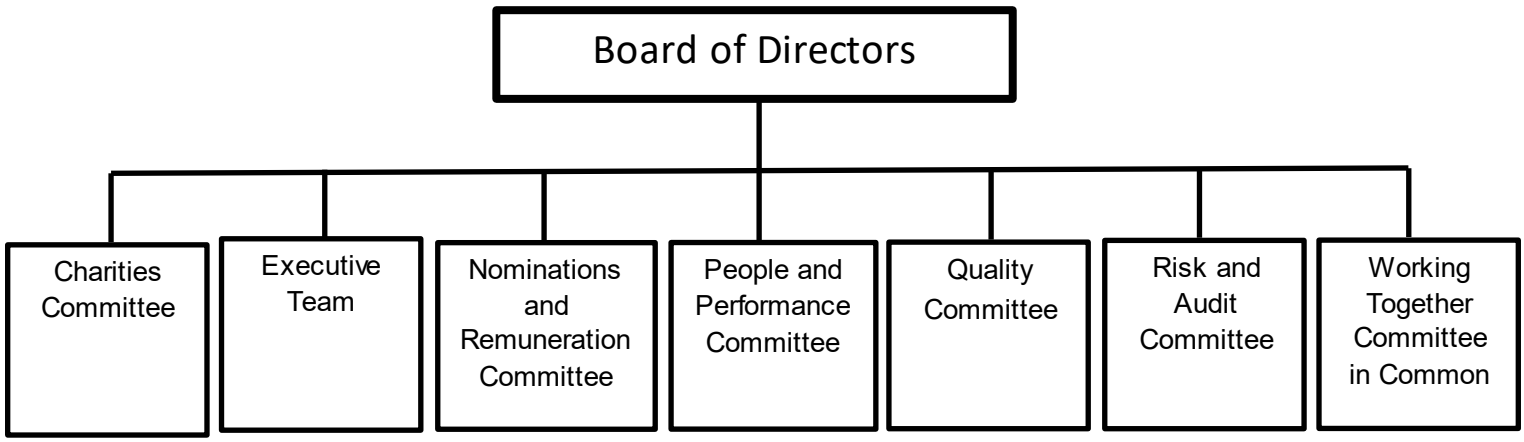
Evidence for compliance against NHS Resolution and Care Quality Commission (CQC) standards is held electronically and updated annually. Changes to National Institute of Clinical Excellence (NICE) guidance, national audit recommendations, information governance toolkit performance and the output from serious incidents are analysed and incorporated into policies and training.

As noted above, the Board has established a committee structure to provide assurance on and challenge to the Trust's risk management process. These integrated committees of the Trust Board are the key structures in ensuring quality, safety and management of risk and provide the mechanism for managing and monitoring risk throughout the Trust and reporting through to the Trust Board.

Each of the standing committees of the Board, other than Executive Team, is chaired by a Non-executive Director to enhance independent scrutiny and challenge and Committee chairs report formally to the Board; to confirm delivery of assurance or escalate matters as necessary.

Executive directors provide leadership on the management of key areas of risk commensurate with their roles and are represented across the Board committee structure.

Fig: Trust Board Committee structure



The Risk and Audit Committee oversees the system of internal control and overall assurance process associated with managing risk. It receives assurance from the Executive Risk Management Committee on all serious untoward incidents and routine and exception-based reports from aligned Board committees.

This allows this Committee to discharge its responsibility for providing assurance to the Trust Board in relation to all aspects of governance, risk management and internal control.

The composition of the Board as a whole remained stable with one change in year.

Impact of COVID-19

During the year, the Trust's operations were affected significantly by the impact from the COVID-19 global pandemic.

The Trust's established an incident command structure to enable a prompt repose within Emergency Planning, Response and Resilience (EPRR) best practise. This happened alongside specific working groups. Regular operational updates were provided to the Board.

The Board and its committees continued to meet virtually and gain assurance whilst risk and internal control systems adapted to the new environment with streamlined processes being put in place.

To date, the pandemic has not led to the emergence of any new significant control issues.

Financial risk

Following quarter three 2019/20 (January 2020), the Trust notified the regulator of a deteriorating financial position following early identification that it would be unable to achieve its stated financial plan for the year. In making this notification, the Trust followed the standard NHS protocol for notifying any expected changes to the forecast outturn. This deterioration in the Trust's financial position reflected difficulties in delivering recurrent cost efficiencies over recent years to the scale required to sustainably achieve the Trust's plans.

Whilst the Trust was able to partially mitigate the identified financial risks and achieved its restated forecast position, it did not achieve the initial plan. Subsequently during the recent financial year (2020/21) and as a consequence of the inability to achieve its financial plan in 2019/20, the Trust was found to be in suspected breach of its provider licence and agreed regulatory undertakings in relation to finance and use of resources. In November 2020, the Trust was notified of its move from Segment 2 to Segment 3 of the NHS Provider Oversight Framework.

In January 2020 the Trust engaged the support of PricewaterhouseCoopers (PwC) to carry out a review of the causes of the deficit and non-achievement of the 2019/20 plan and the establishment of an underlying financial baseline. The report recommended a number of actions in relation to financial planning, achieving recurring cost reductions and efficiency improvements and the development of a Financial Recovery Plan. A Plan was developed during the final quarter of 2019/20 and approved by the Trust Board in April 2020. It demonstrated that without mitigation the Trust would accumulate a significant underlying financial deficit.

The Plan incorporated the recommended actions within the PwC review and set out the key next steps to mitigate and deliver financial sustainability. This included a significant development of the transformation programme, strengthening financial governance arrangements, in part through weekly executive oversight and working with system partners. These actions were pre-dominantly implemented during the first quarter of 2020/21, setting the approach for the duration of the recovery period. The plan is actively discussed with NHS England and NHS Improvement and the Integrated Care System on a regular basis and is monitored internally by the People and Performance Committee and the Board of Directors monthly.

During 2020/21 the national financial framework changed in response to the national pandemic, resulting in a switch to a block contract income arrangement and providing additional financial support to help enable systems to achieve a break-even position. In addition, the Trust strengthened financial governance in response to the pandemic via the Incident Command Structure.

In the first twelve months of the Plan, the Trust delivered a surplus of £3.1m. The Financial Recovery Plan was implemented despite the pandemic and delivered recurrent annualised

financial improvements of £5.5m arising from the transformation programme, cost improvements and system working. The Trust is reviewing service line sustainability and re-imbursement with our commissioners across our lead Clinical Commissioning Group and with NHSE England Specialised Services. Through the Children's Hospital Alliance the Trust is working with NHS England and NHS Improvement to improve the aggregate funding and payment mechanisms for specialist paediatric activity following long-term concerns about the way in which these services are funded and therefore considered a driver of structural deficits. This is expected to conclude in time for 2022/23.

Over the next 12 months, the Trust will continue to focus on delivering the Plan to deliver financial sustainability and refresh the financial context within which it is based with regards to changing national financial frameworks, with a view to completing the undertakings and moving out of breach of licence.

Staff training and guidance on the management of risk

Risk management training and awareness is incorporated within the Trust's induction programme for new starters and is a key element of annual mandatory training for all staff. The frequency and level of risk management training is identified through training need assessments, which ensure that individual members of staff have the relevant training to equip them for their duties and level of responsibility.

Additionally, a range of policies are in place and available to staff via the Trust intranet which describe the roles and responsibilities in relation to the identification, management and control of risk. Staff are made aware of these policies and actively encouraged to access them to ensure that they understand their own roles and responsibilities in this area.

Risk management and the Board assurance framework

A robust and on-going risk management process, embedded across the organisation, is the basis for the Trust's system of internal control.

As referenced above, a comprehensive board-approved risk management strategy and policy clearly describe a structured and systematic approach to the identification, evaluation and control of risk. The document describes the Trust's overall risk management process, within which the operation of a Board Assurance Framework (BAF) and risk registers ensure that risk management is an integral part of clinical, managerial and financial processes across the Trust.

The Trust's risk appetite matrix has been defined by the Risk and Audit Committee and adopted by the Trust's Board of Directors. This clearly articulates what risks the Board is willing or unwilling to take in order to achieve the Trust's strategic objectives and defines tolerances for balancing different elements of risk, including patient safety, reputation, workforce, innovation and financial / value for money, based on how much, or little the Trust wishes to commit in terms of risk.

The definition of this risk appetite informs discussion of controls and assurances in place in relation to our key strategic risks set out within our BAF and will be a tool in the future consideration of service changes or investment decisions. The use of a single standard assessment tool to identify risks ensures a consistent approach is taken to the evaluation and monitoring of risk.

Using a grading matrix of likelihood and consequence to produce a risk score enables risks to be prioritised against other risks on risk registers. Low scoring risks (less than 12) are managed by the area in which they are found, while higher scoring risks are actively discussed at the Executive Risk Management Committee. Risk scores over 16 are reported to the Risk and Audit Committee and those over 20 to the Board of Directors.

To support reporting of risks from Ward to Board, the risk escalation process through our governance structure is defined within the risk management strategy, with top scoring risks being additionally reported to the Trust Board monthly. All risk control measures are identified, implemented and monitored to reduce the potential for adverse consequences.

The BAF is a mechanism for proactively assessing risk and control at the very highest level and provides the structure for the evidence to support the annual governance statement.

It focuses on a core set of broad overarching risks identified by the Board as risks to the achievement of the Trust's key strategic aims. Throughout the course of the year scrutiny is given to associated controls in place and sources of assurance through which the controls can be seen to be effectively working. This allows assessment by the Board of areas where gaps in control exist and consideration of any measures the Trust would wish to introduce to reduce identified risks.

The Risk and Audit Committee has continued, as a standing item on its agenda, to rotate the consideration and review of key BAF risks during the year. The BAF risks relating to mental health and quality of care in general are also deep dived each year by Quality Committee.

This has brought together, and documented, evidence that routine discussion relating to key strategic risks takes place across the wider agenda of the Trust Board and its committees. Where the Committee has not been able to satisfy itself that adequate discussion is taking place, these assurance gaps can be addressed within the work programme of the Board or its most appropriate committee.

As part of the ongoing use of the BAF, the Board's risk appetite statement has been utilised to review target risks scores for each BAF risk. This work ensures that the Board is clear on actions to be taken to reduce risk scores in line with agreed timelines.

Quality governance arrangements

The Trust's commitment to quality governance is embedded in its recently revised values and strategic aims, which clearly reference providing high quality patient experience and outcomes. The Board takes clear responsibility for ensuring the quality and safety of the Trust's services and ensuring that there are robust structures in place in relation to quality performance management and clear quality risk management processes/reporting mechanisms.

The Board committee arrangements for quality governance were reviewed during 2019 with ongoing work to strengthen the divisional governance processes now almost completely embedded. A wide staff engagement piece was also undertaken to inform the Trust Quality Strategy during 2019. This is now being progressed in a work programme that will align the responsibilities of our quality governance, transformation and organisational development departments to provide a road map for quality improvement across the organisation. This will also align to the emerging Clinical Strategy which will launch in 2021/22. Embedding of a clear, effective and transparent process for sharing the learning from complaints, serious incidents, audits, patient feedback, incidents and Trust quality priorities that cascade from the Board to the clinical and non-clinical areas further supports integrated governance reporting.

Policies for risk management, complaints management, Serious Incidents and Duty of Candour have all been reviewed during 2020/21, together with the risk management strategy and a refresh of the risk appetite matrix. Our policies will also reflect the changing national patient safety landscape as the learning from the national patient safety strategy pilots close.

The continued development of detailed quality governance reporting at divisional level allows quality metrics across risk management, patient experience and clinical effectiveness to be reported alongside performance and finance within the integrated performance report. Each month divisional performance review meetings are held where executive directors meet senior clinical and managerial staff from each division to review performance against a range of measures. Divisional performance scorecards containing in-month data and historical trends allow quality indicators to be triangulated alongside other performance measures to identify achievement and allow assessment on where improvement is necessary.

Observations of the quality of care are usually undertaken through a Back to the Floor programme where Trust Board members visit clinical and non-clinical departments to maintain an oversight on performance. These visits were interrupted by the Covid-19 pandemic but have recently recommenced with a 15 step challenge programme (https://www.england.nhs.uk/participation/resources/15-steps-challenge/) providing a valuable opportunity for members of the Board to discuss specific aspects of day-to-day challenges and ideas for improving patient experience and staff productivity. The Medical Director and the Director of Nursing and Quality also undertake a routine programme of walk-arounds which support Ward to Board

engagement and the identification of quality risks.

The Trust is also one of 14 NHS organisations in England to be undertaking the Pathway to Excellence® accreditation programme. This programme embeds the improvement of quality and measurement of key metrics at ward or department level through the establishment of Shared Decision Making Councils. Over the forthcoming year the team will also review the Nursing Quality Dashboard.

Monitoring of quality impact is aligned to the Transformation work-streams which were refreshed at the close of the last financial year. A standing item on the agenda of the Quality Committee is exception reporting in relation to quality impact assessments as a means of Board oversight of the quality impact assessment process. The quarterly divisional deep-dive reviews presented to the Quality Committee provide a further opportunity to assess the cumulative impact of schemes.

The Trust's quality impact assessment policy sets out an agreed process for assessing the impact on quality of cost improvement or service development plans.

Key elements of this policy are:

- clear guidelines for schemes that require a quality impact assessment;
- template project documentation which includes a description of the benefit to patients, quality indicators, patient safety issues to be considered, impact on clinical outcomes for consideration, impact on patient experience and any implications for the health, safety and performance of staff;
- where an adverse impact is identified, a risk assessment of the current position must be provided together with any controls taken to mitigate the risk. The risk assessment process follows the standard Trust format;
- risks are recorded and any projects with scores of 12 and over should be reviewed monthly;
- an overview of approved quality impact assessments are discussed at the monthly Quality Committee, with any high risks being discussed in full; and
- documentation with omitted information, lack of clarity or areas of clinical concern are not approved and are returned to the division for further work if appropriate.

The Trust last underwent a CQC Well Led inspection in April 2019 and is currently completing the outstanding actions on the plan submitted to the regulator in July 2019.

Quality of Performance Information

As part of our quality governance arrangements, a framework exists for the management and accountability of data quality. This is supported by a formal Data Quality Group which develops and prioritises a work programme each financial year that addresses data quality issues within the Trust. The work programme is presented for consideration by the Trust's Information Governance Committee which reports into the People and Performance Committee. Reports against agreed data quality standards include:

- completeness and accuracy of data submitted to the secondary uses service, including the use of that data under the payment by results system;
- comparison of data to externally produced data quality reports and to external benchmarking information;
- the accuracy of Trust's activity coding.

Reviews of data quality and the accuracy, validity and completeness of Trust performance information are also considered by the Risk and Audit Committee through in-year review of work undertaken by internal and external audit.

Registration with the Care Quality Commission (CQC)

The Trust is fully compliant with the registration requirements of the Care Quality Commission (CQC) and its current registration status is unconditional.

The Care Quality Commission has not taken enforcement action against the Trust during 2020/21.

CQC compliance

The last CQC inspection undertaken at the Trust was between 29th February 2019 and 4th April 2019. This involved inspections of four core services, Urgent and Emergency Care,

Surgery, Outpatients and Transition. A further inspection of specialist community child and adolescent mental health services and inpatient child and adolescent mental health services (CAMHS) was also undertaken. The 2019 process closed on 4th April 2019 following a three day 'well led' review. The Trust was rated as 'Good' in the report published on 18th July 2019. This included a rating of 'Good' for Well-led.

The Trust received a 'Requires Improvement' rating for the community Child and Adolescent Mental Health Services and also for the Safe domain on the acute site.

The Trust has responded to the issues raised by the CQC through the implementation of a comprehensive action plan, driven and closely monitored by Executive leads, reported upwards to the Trust Board and Quality Committee.

The organisation's major risks

The Board Assurance Framework (BAF) bases itself around an assessment of the Trust's future risk profile and describes the key risks which, if not managed, would impact on the Trust's ability to deliver its high-level strategic ambitions.

Each BAF risk consolidates a number of individual key current and future organisational risks. The mapping of relevant high level risks entered onto the Trust risk register identifies current risks which would impact on the delivery of strategic aims.

As at 31 March 2021, these risks can be categorised under the following 13 themes:

- Quality of care
- Financial stability
- Motivated, suitably trained and engaged workforce
- Recruitment and retention of staff
- Insufficient leadership capacity and capability
- Clinical service viability
- Engagement with partner organisations
- Clinical engagement
- IT infrastructure
- Being a 'well led' organisation
- Operational constraints and failure to deliver transformation
- Mental health provision
- Operational resilience

These risks are being mitigated through close monitoring, but will continue to be some of the risks for the organisation in the year ahead.

More details around the key risks that the Trust will seek to manage over the coming year in the context of our current financial and operating environment are outlined within the performance section of this annual report.

Compliance and validity of the NHS Foundation Trust condition 4 (FT Governance): Corporate Governance Statement

The Board annually considers the corporate governance statement with a view to confirming compliance with condition FT(4) of the provider licence. To assure validity of this statement, a schedule of evidence of compliance with each element of the declaration is prepared by the executive team for review by the Board prior to final sign off.

Each element of the corporate governance Board statement is presented alongside sources of assurances which include internal audit work, routine reports and papers to the Board and Trust practice. This documents any risks to compliance identified on the Board Assurance Framework / Risk Register and corresponding mitigating actions.

All statements were confirmed in the May 2021 review with no unmitigated risks to compliance identified.

The Trust believes that effective systems and processes are in place to maintain and monitor the following with the exception for the financial risk identified above and whereby measures have been taken during the course of the year through the Financial Recovery Plan:

- The effectiveness of governance structures.
- The responsibilities of directors and committees.
- Reporting lines and accountabilities between the Board, its committees and the executive team.
- The submission of timely and accurate information to assess risks to compliance with the Trust's licence.
- The degree and rigour of oversight the Board has over the Trust's performance.

Public involvement in risk management

The views of our public stakeholders are very important to the Trust. Learning from many varied sources external to the Trust enable the organisation to learn and develop practices in response to genuine need.

As a foundation trust the organisation aims to make best use of its membership and of its Council of Governors. We take opportunities to involve the public in all aspects of our business and all public Board documents are available on the Trust website at www.sheffieldchildrens.nhs.uk/about-us/board-of-directors.htm

We take opportunities to engage the Council of Governors to ensure that the Trust's operational strategy is being developed in line with membership expectations. Included routinely on Council meeting agendas are items on areas of risk.

The level of public and patient involvement in the development of our services provides assurance that the Trust is not operating in isolation and is putting the needs of children and their families at the centre of our services. This has been made more challenging by the Covid-19 pandemic as gatherings of people, or opportunities to invite others to review our facilities, have been limited.

Examples of where public stakeholders have been actively engaged by the Trust during 2020/21 in an effort to bring continuous improvement to the Trust include:

- seeking feedback from families who were referred from other hospitals in the region to the Trust for emergency surgery as part of the regional response to Covid 19.
- work undertaken between families of children with complex needs and the Trust Lead Nurse for Learning Disability to develop a hospital passport.
- gathering direct feedback from families on how we are managing to keep people safe during the pandemic, asking how we can make it even better for our young people and families.
- seeking feedback from families on the new 'virtual appointment' process that was rapidly implemented at the start of the pandemic. This helped to shape future developments.
- virtual presentation of patient stories at Trust Board meetings;
- quarterly Council of Governors meetings to review Trust operations and plans;
- Governor representation on the sub-Board assurance committees;
- Engagement with Local Authority Overview and Scrutiny Committee.

People strategies

Good workforce planning is having the right people with the right skills in the right place at the right time. The Trust has systems in place to manage short term operational workforce changes and service leaders risk assess concerns about staffing levels and escalate as necessary. The Trust has daily huddles and uses the Safe Care acuity tool daily. The Trust has improved systems to provide short-notice additional capacity with people that are suitably qualified, competent and safe through in-house bank developments and centrally control use of medical agency workers through a master vendor model.

Our nursing establishment is fully reviewed annually and has a six-monthly review. Any changes are quality impact assessed and the establishment is reported to the Board. Quality Committee, a committee of the Board, receives monthly safe staffing reports through the nursing dashboard and this is provided to the Board for information. Any proposed reduction in service as a result of staffing levels would be escalated to Executive Directors and reported to the Board.

As part of our workforce planning approach, and in response to national shortages in some clinical professions, we have made effective use of the apprenticeship levy to attract people to 'difficult to fill roles' such as operating department practitioners and clinical coders; introduced new roles, such as the trainee nursing associate, and developed our people into advanced roles, such as the advanced clinical practitioner. Each of these changes undergoes a quality impact assessment as part of the service change process. We have expanded the number of apprenticeships further from 15 to 27 over the last year and have increased our number of apprentices in post to 70 (our target is 70). We already have an established undergraduate programme for medical, nursing and allied health professional students, and have expanded our student numbers (for example, nursing has doubled to 90 students). We have maintained learning

and teaching support during the restrictions of the pandemic.

We have an annual workforce plan as part of our operational delivery planning cycle which considers our anticipated activity based on commissioning requirements, service developments and efficiency programmes.

In 2020 the Trust continued the implementation of our plan to extend our e-rostering tool to all colleagues and introduce the self-service element of our electronic staff record (ESR). In addition, we aim to move our establishment data under one workforce planning information tool.

Workforce planning and development is a key theme in our new People Plan and an additional area of focus is working with professional leads internally and with external partners to develop career pathways, developing further our governance structure for the implementation of new roles and exploring working across boundaries as a leader of children's services in the South Yorkshire and Bassetlaw Integrated Care System. Aligned to this, our People Plan also reflects our desire to increase and expand our focus on inclusion to ensure that all colleagues feel valued and part of the team. Our people plan includes our commitment to EDI (Equality, Diversity and Inclusion) internships, a new programme in development that will provide a platform and opportunity for colleagues to develop their career path with focussed support from the Trust. The programme will help the Trust increase opportunity for colleagues who find promotion and opportunity less accessible, and will help the Trust increase diversity in teams and across the Trust as a whole.

Information governance

Information governance is the responsibility of the Chief Information Officer, who is the Trust's designated senior information risk owner (SIRO), supported by a network of information assets owners who ensure the integrity of the systems.

The reporting and management of both data and security risks are supported by ensuring that all employees are reminded of their data security responsibilities through education and awareness. This includes mandated annual information governance training. Regular reminders and lessons learned are shared through staff communications.

In addition to mandatory staff training, a range of measures are used to manage and mitigate information risks, including: physical security, data encryption, access controls, audit trail monitoring, departmental checklists and spot checks. In addition, a comprehensive assessment of information security is taken annually as part of the Data Security and Protection Toolkit and further assurance is provided from internal audit and other reviews.

The effectiveness of these measures is reported to the Information Governance Committee. This includes details of any personal data-related serious incidents, the Trust's Data Security and Protection Toolkit assessment and reports of other information governance incidents and audit reviews.

There was one serious incident relating to information governance during the 2020/21 financial year.

Registers of interest

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

Pensions

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

Equality, diversity and inclusion

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

Environmental sustainability

The Trust has a Board approved Green Plan. This plan demonstrates the Trusts commitment to sustainability, incorporating the

requirements of the *NHS Delivering a Net Zero NHS* report and the *NHS Long Term Plan*.

Annual Quality Report (including Quality Accounts)

The directors are required under the Health Act 2009 and the National Health Service (Quality Accounts) Regulations 2010 (as amended) to prepare Quality Accounts for each financial year. Due to the Covid-19 pandemic, these are not included in this annual report but will be submitted by 30 June in line with the requirements of the Health Act 2009. In addition, the Trust is not required to meet any of the Quality Report requirements this year.

The 2020/21 quality accounts have not undergone the usual external assurance processes due to suspension arising from the Covid-19 pandemic.

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

Key processes are in place to ensure that resources are used economically, efficiently and effectively. In 2020/21 these have included:

- Development and implementation of a Financial Recovery Plan, (further explained under financial risks above) managed weekly through Executive Team and monthly through People and Performance Committee and Trust Board;
- monthly monitoring of delivery of a Board approved financial plan at Board and via a performance management / escalation framework incorporating divisional performance reviews led by the Executive Team;
- monthly reporting to the Trust Board on key performance indicators including finance, activity, quality and performance;
- participation in an external benchmarking club, which analyses the comparative resource use in paediatric centres;
- the scheme of delegation and reservation of powers approved by the Board sets out the decisions, authorities and duties delegated to officers of the Trust;
- standing financial instructions detail the financial responsibilities, policies and procedures adopted by the Trust. They are designed to ensure that an organisation's transactions are carried out in accordance with the law and Government policy in order to achieve probity, accuracy, economy, efficiency and effectiveness;
- robust competitive processes are used for procuring non-staff expenditure items. Above £35k, procurement involves competitive tendering;
- application of controls around the use of agency and temporary staffing;
- use of external agency to test the Trust's financial recovery plan;
- assessment of efficiency schemes for their impact on quality with local clinical ownership and accountability; and
- use of internal and external audit services to support governance arrangements to deliver economic, efficient and effective use of resources at the Trust.

The Trust Board has gained assurance from the Risk and Audit Committee in respect of financial and budgetary management across the organisation. The Risk and Audit Committee receives as standing items on its agenda reports regarding losses, special payments and compensations, write-off of bad debts and contingent liabilities.

The Trust has continued to embed enhanced governance and process around cash management overseen by a Cash Committee which meets monthly and reports into People and Performance Committee. Continued focus has been placed on overdue debts and there has been a push on settling outstanding amounts, which has yielded positive results.

In the context of work being undertaken in partnership with other organisations in Sheffield and the region to deliver high quality and sustainable services, the Trust recognises that its systems of control and arrangements for governance and the management of risk will need to continue to develop in the coming year, to reflect increasing cross-organisation and sector partnerships.

A Transformation Programme is in place. Further engagement work with managers and clinicians has helped identify savings plans

structured around programme work-streams, all with executive director lead responsibility.

Further information on the Trust's financial future regarding the going concern assessment is included within the body of this annual report.

Internal audit continue to review systems and processes in place during the year and publishes reports detailing specific actions to ensure the economy, efficiency and effectiveness of the use of resources is maintained. The outcome of these reports and the recommendations are also graded according to their perceived level of risk to the organisation, therefore assisting management action. These have included internal audit reports on governance and policy, financial reporting and systems and budgetary control. These have all been reported to the Risk and Audit Committee.

In accordance with NHS internal audit standards, the Head of Internal Audit is required to provide an overall annual opinion statement to the Trust, based upon and limited to the work performed on the overall adequacy and effectiveness of the Trust's risk management, control and governance processes. This is one component that is taken into account in making this annual governance statement.

The Trust has received a statement from its internal auditors that they are providing an opinion of significant assurance that there is a generally sound framework of governance, risk management and control designed to meet the organisation's objectives, and that controls are generally being applied consistently.

360 Assurance have given significant assurance on the element for follow up; this was largely achieved through the last quarter of the year. Although the Trust has generally had a robust follow up process, 360 will be monitoring this in 2021/22 to evaluate the progress being made to achieve an improved first follow up position.

During 2020/21, nine internal audit reports have been reported to the Risk and Audit Committee. No high risk issues have been identified from internal audit reports issued in 2020/21.

Internal audit work has been supplemented by the external audit reports which provide assurance on the Trust's arrangements for achieving economy, efficiency and effectiveness in its use of resources as part of the value for money element of its annual audit work.

The annual external audit review by KPMG, as stated in their Opinion and Annual Auditor's Report (and the ISA 260), provided an unmodified opinion on the Trust's financial statements.

In relation to the Value for Money opinion, the auditors identified one significant weakness in relation to financial sustainability. This weakness was in relation to the Trust having gone into suspected breach of its provider licence in year and, whilst positive actions were identified and delivered during the period, these were not in place for the entirety of the period.

The auditors noted that progress against the Financial Recovery Plan has been positive in year, but there remained a significant 'system' deficit identified in the Financial Recovery Plan and in the context of an uncertain funding regime the Trust needs to continue to work towards developing solutions to bridge this gap. The Trust will also need to continue to work upon embedding the positive actions taken in year to continue to drive a positive change in its financial performance.

The Board of Directors also received assurances on the use of resources from outside agencies including NHSI and the Care Quality Commission. NHSI requires the Trust to self-assess on a monthly basis.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, clinical audit and the executive managers and clinical leads within the NHS foundation trust that have responsibility for the development and maintenance of the internal control framework. I have drawn on the content of 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, the Risk and Audit Committee and Quality Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The system of internal control has been reviewed and modified in the past year. The Trust committee structure provides balance between the three areas of quality, finance and performance management, something which was recognised by the CQC in our recent inspection. Internal audit has been routinely used to clarify issues where assurance is required.

My review is also informed by:

- the Board Assurance Framework.
- regular executive reporting to Board and escalation processes through the Board committees.
- the processes in place for financial governance including the Financial Recovery Plan.
- audit reports prepared independently by both the internal and external audit agencies. In particular, the ISA audit highlight memorandum produced by KPMG, our external auditor.
- the published results of the NHS Oversight Framework.
- the Trust's compliance with annual performance indicators published by the Department of Health.
- the inspection report and progress made against recommendations following the CQC's announced visit in July 2019 and follow up visits.
- external validations and peer reviews.
- investigation reports and action plans following serious incidents and learning events and deep dive reviews.
- the Board of Directors' further consideration of the Well-led Framework based upon self-assessment work.
- responses to all formal complaints.
- patient surveys undertaken by an independent organisation.
- the results of the NHS Staff Survey.

Conclusion

The system of internal control has been in place in Sheffield Children's NHS Foundation Trust for the year ended 31 March 2021 and up to the date of approval of the annual report and accounts.

In summary, I am assured that the NHS Foundation Trust has an overall sound system of internal control in place, which is designed to manage the key organisational objectives and minimise the NHS Foundation Trust's exposure to risk.

There are no significant control issues identified, with the exception for the financial risk identified above and whereby measures have been taken, introduced predominantly in quarter one of the financial year, through the Financial Recovery Plan.

Recommendations for improvement to the internal control system have been made within internal audit limited assurance reports and we continue to review and update the governance assurance processes to further strengthen arrangements to ensure our services are well led.

The Board of Directors is committed to continuous improvement and enhancement of the system of internal control.

Signed

Ruth Brown
Acting Chief Executive and
Acting Accounting Officer

4 June 2021

Section Three: Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF GOVERNORS OF SHEFFIELD CHILDREN'S NHS FOUNDATION TRUST

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Sheffield Children's NHS Foundation Trust ("the Trust") for the year ended 31 March 2021 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Taxpayers Equity and Statement of Cash Flows, and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Trust's affairs as at 31 March 2021 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Accounts Direction issued under paragraphs 24 and 25 of Schedule 7 of the National Health Service Act 2006 and the Department of Health and Social Care Group Accounting Manual 2020/21.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Trust in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Directors have prepared the financial statements on the going concern basis as they have not been informed by the relevant national body of the intention to dissolve the Trust without the transfer of its services to another public sector entity. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Trust's business model and analysed how those risks might affect the Trust's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Trust's ability to continue as a going concern for the going concern period.

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of management, the Audit and Risk Committee, internal audit and inspection of policy documentation as to the Trust's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Trust's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Assessing the incentives for management to manipulate reported financial performance as a result of the need to achieve control totals delegated to the Trust by NHS Improvement.
- Reading Board and Audit and Risk Committee minutes.
- Using analytical procedures to identify any usual or unexpected relationships.
- Reviewing the Trust's accounting policies.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet delegated targets, we performed procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that variable elements of revenue, not included in the main 'block' contracts/funding are recorded in the wrong period and the risk that Trust management may be in a position to make inappropriate accounting entries.

In line with the guidance set out in Practice Note 10 Audit of Financial Statements of Public Sector Bodies in the United Kingdom we also recognised a fraud risk related to expenditure recognition, particularly in relation to the completeness of year-end accruals.

We did not identify any additional fraud risks.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included journals that might move income between NHS and Non-NHS categories, journals posted by infrequent users, and journals posted from cash to rarely used accounts.
- Assessing significant estimates for bias, in particular the estimates and key underlying assumptions with regards to the valuation of land and buildings.
- Assessing the completeness of disclosed related party transactions and verifying they had been accurately recorded within the financial statements.
- Sample testing revenue items, including significant accrued or deferred income to corroborating documentation or evidence.
- Reviewing the completeness of information provided by the Trust as part of the 'NHS Agreement of Balances' exercise to ensure consistency with the information in the accounts.
- Sample testing expenditure transactions around the period end, vouching to supporting external documentation to corroborate whether those items were recorded in the correct accounting period.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general sector experience and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Trust's regulatory and legal correspondence and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

As the Trust is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Trust is subject to laws and regulations that directly affect the financial statements including financial reporting legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Trust is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

We identified that in November 2020 Monitor (NHSI) communicated to the Trust that there was a suspected breach of its provider licence conditions, specifically licence conditions FT(4)(5)(a), (b) and (d). We note that this suspected breach has been disclosed within the Trust's Annual Report and Annual Governance Statement.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information; and

- in our opinion the other information included in the Annual Report for the financial year is consistent with the financial statements.

Annual Governance Statement

We are required to report to you if the Annual Governance Statement has not been prepared in accordance with the requirements of the NHS Foundation Trust Annual Reporting Manual 2020/21. We have nothing to report in this respect.

Remuneration and Staff Reports

In our opinion the parts of the Remuneration and Staff Reports subject to audit have been properly prepared in accordance with the NHS Foundation Trust Annual Reporting Manual 2020/21.

Accounting Officer's responsibilities

As explained more fully in the statement set out on page 64, the Accounting Officer is responsible for the preparation of financial statements that give a true and fair view. They are also responsible for: such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Trust without the transfer of its services to another public sector entity.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

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

Under the Code of Audit Practice, we are required to report if we identify any significant weaknesses in the arrangements that have been made by the Trust to secure economy, efficiency and effectiveness in its use of resources.

Our work identified one significant weakness in arrangements, relating to financial sustainability. This weakness is in relation to the Trust having gone into suspected breach of its provider licence in year (specifically licence conditions FT(4)(5)(a), (b) and (d) regarding governance arrangements for effective financial decision-making, management and control) and not having identified and enacted the required financial recovery plans for the entirety of the period.

We raised one recommendation to the Trust regarding the identified significant weakness. This recommendation asked the Trust to continue to develop, monitor and deliver upon the required changes to deliver the financial recovery plan, including continual assessment of the embeddedness of changes made. The Trust shall need to consider revisions to the financial

recovery plan as changes to the funding environment arise. This consideration should identify and escalate as early as possible any risks to achieving a financially sustainable position.

Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

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

Under Section 62(1) and paragraph 1(d) of Schedule 10 of the National Health Service Act 2006 we have a duty to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in the use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in the use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice and related statutory guidance having regard to whether the Trust had proper arrangements in place to ensure financial sustainability, proper governance and the use of information about costs and performance to improve the way it manages and delivers its services. Based on our risk assessment, we undertook such work as we considered necessary.

Statutory reporting matters

We are required by Schedule 2 to the Code of Audit Practice to report to you if:

- any reports to the Regulator have been made under paragraph 6 of Schedule 10 of the National Health Service Act 2006.
- any matters have been reported in the public interest under paragraph 3 of Schedule 10 of the National Health Service Act 2006 in the course of, or at the end of the audit.

We have nothing to report in these respects.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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

CERTIFICATE OF COMPLETION OF THE AUDIT

We certify that we have completed the audit of the accounts of Sheffield Children's 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.

Clare Partridge
for and on behalf of KPMG LLP
Chartered Accountants
Leeds

04 June 2021

Section Four: Annual Accounts

Sheffield Children's NHS
NHS Foundation Trust

Annual accounts for the year ended 31 March 2021

Foreword to the accounts

Sheffield Children's NHS Foundation Trust

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

Signed .....

Name **Ruth Brown**
Job title **Acting Chief Executive**
Date **4 June 2021**

Statement of Comprehensive Income

	Note	31 March 2021 £000	31 March 2020 £000
Operating income from patient care activities	3	204,002	179,833
Other operating income	4	40,519	34,514
Operating expenses	6, 8	(244,546)	(230,548)
Operating surplus/(deficit) from continuing operations		**(25)**	**(16,201)**
Finance income	11	5	144
Finance expenses	12	(1,081)	(1,137)
PDC dividends payable		(200)	(496)
Net finance costs		**(1,276)**	**(1,489)**
Other gains / (losses)	13	(37)	-
Surplus / (deficit) for the year from continuing operations		**(1,338)**	**(17,690)**
Other comprehensive income			
Will not be reclassified to income and expenditure:			
Impairments	7	(421)	(2,139)
Revaluations	17	975	774
Other reserve movements		84	4
Total comprehensive income / (expense) for the period		**(700)**	**(19,051)**

Adjusted financial performance to aid interpretation of the Financial Statements	31 March 2021	31 March 2020
Surplus / (deficit) for the period	(1,338)	(17,690)
Remove impact of asset impairments	4,452	17,594
Remove net impact of donated assets	262	320
Remove impact of prior year PSF post accounts allocation		(174)
Remove net impact of inventories received from DHSC group bodies for COVID response	(277)	
Adjusted financial performance surplus / (deficit)	**3,099**	**50**

Statement of Financial Position

	Note	31 March 2021 £000	31 March 2020 £000
Non-current assets			
Intangible assets	14	3,575	4,223
Property, plant and equipment	15	73,699	71,907
Receivables	20	675	575
Total non-current assets		**77,949**	**76,705**
Current assets			
Inventories	19	3,249	3,272
Receivables	20	11,199	22,195
Cash and cash equivalents	21	25,923	6,277
Total current assets		**40,371**	**31,744**
Current liabilities			
Trade and other payables	22	(22,090)	(18,005)
Borrowings	24	(2,303)	(2,309)
Provisions	26	(26)	(68)
Other liabilities	23	(3,611)	(1,338)
Total current liabilities		**(28,030)**	**(21,720)**
Total assets less current liabilities		**90,290**	**86,729**
Non-current liabilities			
Borrowings	24	(36,262)	(38,389)
Provisions	26	(1,869)	(1,206)
Total non-current liabilities		**(38,131)**	**(39,595)**
Total assets employed		**52,159**	**47,134**
Financed by			
Public dividend capital		47,708	41,983
Revaluation reserve		3,621	2,983
Income and expenditure reserve		830	2,168
Total taxpayers' equity		**52,159**	**47,134**

The notes on pages 7 to 48 form part of these accounts.

Signed

Name **Ruth Brown**
Position **Acting Chief Executive**
Date **4 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	**41,983**	**2,983**	**2,168**	**47,134**
Surplus/(deficit) for the year	-	-	(1,338)	**(1,338)**
Impairments	-	(421)	-	**(421)**
Revaluations	-	975	-	**975**
Public dividend capital received	5,725	-	-	**5,725**
Taxpayers' and others' equity at 31 March 2021	**47,708**	**3,621**	**830**	**52,159**

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	**40,996**	**4,350**	**19,852**	**65,198**
Surplus/(deficit) for the year	-	-	(17,690)	**(17,690)**
Other transfers between reserves	-	(2)	2	**-**
Impairments	-	(2,139)	-	**(2,139)**
Revaluations	-	774	-	**774**
Public dividend capital received	987	-	-	**987**
Other reserve movements	-	-	4	**4**
Taxpayers' and others' equity at 31 March 2020	**41,983**	**2,983**	**2,168**	**47,134**

Information on reserves

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

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

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

Statement of Cash Flows

	Note	31 March 2021 £000	31 March 2020 £000
Cash flows from operating activities			
Operating surplus / (deficit)		(25)	(16,201)
Non-cash income and expense:			
Depreciation and amortisation	6	5,560	4,815
Net impairments	7	4,452	17,594
Income recognised in respect of capital donations	4	(508)	(502)
(Increase) / decrease in receivables and other assets		10,682	(5,529)
(Increase) / decrease in inventories		23	19
Increase / (decrease) in payables and other liabilities		6,530	786
Increase / (decrease) in provisions		616	545
Other movements in operating cash flows		-	5
Net cash flows from / (used in) operating activities		**27,330**	**1,532**
Cash flows from investing activities			
Interest received		5	144
Purchase of intangible assets		(307)	(68)
Purchase of property, plant & equipment and investment property		(10,112)	(6,382)
Net cash flows from / (used in) investing activities		**(10,414)**	**(6,306)**
Cash flows from financing activities			
Public dividend capital received		5,725	987
Movement on loans from DHSC		(2,127)	(2,127)
Interest on loans		(1,082)	(1,132)
PDC dividend (paid) / refunded		214	(1,212)
Net cash flows from / (used in) financing activities		**2,730**	**(3,484)**
Increase / (decrease) in cash and cash equivalents		**19,646**	**(8,258)**
Cash and cash equivalents at 1 April - brought forward		**6,277**	**14,536**
Cash and cash equivalents at 31 March	21	**25,923**	**6,277**

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.

Accounting convention

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

Note 1.2 Going concern

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.

Note 1.3 Critical judgements in applying accounting policies

In the application of the Trust's accounting policies, management are required to make judgements, estimates and assumptions about carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from those estimates and thus the estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which they are revised if the revision affects that period only or in the period of the revision and subsequent periods if the revision affects both current and future periods.

Note 1.4 Sources of estimation uncertainty

Key sources of estimation uncertainty concerning the future at the end of the reporting period, that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are as follows:

Property, plant and equipment valuation

Assumptions used in the determination of the carrying value of the Trust estate and associated useful lives at the Statement of Financial Position date are based on the Royal Institution of Chartered Surveyors valuation standards insofar as these are consistent with the requirements of HM Treasury, the National Health Service and the Department of Health and Social Care. The Trust commissioned a property revaluation as at 31 March 2021, for further information see note 17. Capital charges for equipment are based on estimated asset lives upon recognition. Any estimate of asset lives may differ to the actual period the Trust utilises the asset but differences would be immaterial.

Provisions

Provisions are judgements made based on the best available information at the time. Once realised, there is a possibility that they may be different to the original estimate.

Clinician's pension liability

Clinicians who are members of the NHS Pension Scheme and who as a result of work undertaken in the tax year 2019/20 face a tax charge in respect of the growth of their NHS pension benefits above their pension savings annual allowance threshold will be able to have this charge paid by the NHS Pension Scheme. The Trust will make a contractually binding commitment to pay them a corresponding amount on retirement, ensuring that they are fully compensated in retirement for the effect of the 2019/20 Scheme Pays deduction on their income from the NHS Pension Scheme in retirement. The Trust has created a provision broadly equal to the tax charge owed by clinicians who want to take advantage of the 2019/20 commitment. At the reporting date, it is unclear how many and which clinicians this will involve. This will be offset by the commitment from NHS England and the Government to fund the payments to clinicians as and when they arise.

Overtime and holiday pay

Under UK law, almost all workers are entitled to 5.6 weeks' paid holiday a year. For those individuals working a 5-day week, this means that they are entitled to, at least, 28 days paid leave a year. The amount that the worker is paid is based on the amount that they are usually paid and is usually based on the average weekly pay from the previous 12 weeks. For workers who are paid a fixed amount for a fixed number of hours, the calculation of holiday pay is straightforward. It is more complex for those who work shift work or do not have a fixed number of hours each week. In the NHS, for staff working under agenda for change terms and conditions, holiday entitlements are set out in section 13 of the NHS terms and conditions of service handbook.

How the amount of holiday is calculated has been the subject of many recent employment tribunals and appeals. There are three cases that are of most relevance to the NHS, all relate to the inclusion of overtime in holiday pay calculations. The cases are 'Bear Scotland', 'Dudley MBC' and ' Flowers and others'. Whether NHS bodies are impacted by these cases will depend on what triggers the overtime and how overtime is paid for and managed. At the reporting date, the Trust has accrued a liability equal to the estimated value of the claim as a result of the aforementioned employment tribunals and appeals.

Note 1.5 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. Where performance obligations have been satisfied the associated credit terms will determine the timing of payment. Where performance obligations have been satisfied the associated credit terms will determine the timing of the payment.

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 were changed between 2019/20 and 2020/21 by NHS England / Improvement in response to the COVID-19 pandemic, 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 Integrated Care System 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 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.

Comparative period

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 benefited 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.

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.

Note 1.6 Revenue from research contracts

Where research contracts fall under IFRS15, revenue is recognised as and when performance obligations are satisfied. For some contracts, it is assessed that the revenue project constitutes one performance obligation over the course of the multi-year contract. In these cases it is assessed that the Trust's interim performance does not create an asset with alternative use for the Trust, and the Trust has an enforceable right to payment for the performance completed to date. It is therefore considered that the performance obligation is satisfied over time, and the Trust recognises revenue each year over the course of the contract. Some research income alternatively falls within the provisions of IAS 20 for government grants.

Note 1.7 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 1.8 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 1.9 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.

Note 1.10 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 1.11 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised where:

• it is held for use in delivering services or for administrative purposes
• it is probable that future economic benefits will flow to, or service potential be provided to, the Trust
• it is expected to be used for more than one financial year
• the cost of the item can be measured reliably
• the item has cost of at least £5,000, or
• collectively, a number of items have a cost of at least £5,000 and individually have cost of more than £250, where the assets are functionally interdependent, had broadly simultaneous purchase dates, are anticipated to have similar disposal dates and are under single managerial control.

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

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 – market value for existing use
- Specialised buildings – depreciated replacement cost on a modern equivalent asset basis.

For specialised assets, current value in existing use is interpreted as the present value of the asset's remaining service potential, which is assumed to be at least equal to the cost of replacing that service potential. Specialised assets are therefore valued at their depreciated replacement cost (DRC) on a modern equivalent asset (MEA) basis. An MEA basis assumes that 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.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees and, where capitalised in accordance with IAS 23, borrowings costs. Assets are revalued and depreciation commences when the assets are brought into use. Valuation of Trust assets is net of Value Added Tax (VAT) in line with guidance issued by the Royal Institute of Chartered Surveyors.

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.

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.

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

Revaluation gains and losses

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

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.

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.

Useful lives of property, plant and equipment

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

	Min life Years	Max life Years
Land	-	-
Buildings, excluding dwellings	10	55
Plant & machinery	5	15
Transport equipment	7	7
Information technology	5	5
Furniture & fittings	10	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. From April 2022 the requirement of IFRS 16 will require depreciation to be charged on all leases taken on to the Statement of Financial Position.

Note 1.12 Intangible assets

Recognition

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

Internally generated intangible assets

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

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

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.

Measurement

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

Subsequently intangible assets are measured at current value in existing use. Where no active market exists, intangible assets are valued at the lower of depreciated replacement cost and the value in use where the asset is income generating. Revaluation gains 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.

Useful lives of intangible 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
Information technology	5	5
Development expenditure	5	5
Software licences	5	5

Note 1.13 Inventories

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

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.

Note 1.14 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 1.15 Financial assets and financial liabilities

Recognition

Financial assets and financial liabilities arise where the Trust is party to the contractual provisions of a financial instrument, and as a result has a legal right to receive or a legal obligation to pay cash or another financial instrument. The GAM expands the definition of a contract to include legislation and regulations which give rise to arrangements that in all other respects would be a financial instrument and do not give rise to transactions classified as a tax by ONS.
This includes the purchase or sale of non-financial items (such as goods or services), which are entered into in accordance with the Trust's normal purchase, sale or usage requirements and are recognised when, and to the extent which, performance occurs, ie, when receipt or delivery of the goods or services is made.

Classification and measurement

Financial assets and financial liabilities are initially measured at fair value plus or minus directly attributable transaction costs except where the asset or liability is not measured at fair value through 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 and liabilities are classified as subsequently measured at amortised cost or fair value through income and expenditure.

Financial assets and financial liabilities at amortised cost

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

After initial recognition, these financial assets and financial liabilities are measured at amortised cost using the effective interest method less any impairment (for financial assets). The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

Interest revenue or expense is calculated by applying the effective interest rate to the gross carrying amount of a financial asset or amortised cost of a financial liability and recognised in the Statement of Comprehensive Income and a financing income or expense. In the case of loans held from the Department of Health and Social Care, the effective interest rate is the nominal rate of interest charged on the loan.

Impairment of financial assets
For all financial assets measured at amortised cost including lease receivables, contract receivables and contract assets, 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).

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.

At the Statement of Financial Position date, the Trust assesses whether any financial assets, other than those held at "fair value through income and expenditure" are impaired. Financial assets are impaired and impairment losses are recognised if, and only if, there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

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.

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 1.16 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. The lease liability, is de-recognised when the liability is discharged, cancelled or expires.

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 1.17 Provisions

The Trust recognises a provision where it has a present legal or constructive obligation of uncertain timing or amount; for which it is probable that there will be a future outflow of cash or other resources; and a reliable estimate can be made of the amount. The amount recognised in the Statement of Financial Position is the best estimate of the resources required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using HM Treasury's discount rates effective for 31 March 2021:

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

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

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

Early retirement provisions and injury benefit provisions both use the HM Treasury's pension discount rate of minus 0.95% in real terms.

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 26.1 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 1.18 Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets, but are disclosed in note 26.2 where an inflow of economic benefits is probable. Contingent liabilities are not recognised, but are disclosed in note 26.2, unless the probability of a transfer of economic benefits is remote.

Contingent liabilities are defined as:

• possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or

• present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

Note 1.19 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 1.20 Value added tax

Most of the activities of the Trust are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

Note 1.21 Foreign exchange

The functional and presentational currency of the Trust is sterling.

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

Where the Trust has assets or liabilities denominated in a foreign currency at the Statement of Financial Position date:

• monetary items are translated at the spot exchange rate on 31 March
• non-monetary assets and liabilities measured at historical cost are translated using the spot exchange rate at the date of the transaction and
• non-monetary assets and liabilities measured at fair value are translated using the spot exchange rate at the date the fair value was determined.

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

Exchange gains or losses on non-monetary assets and liabilities are recognised in the same manner as other gains and losses on these items.

Note 1.22 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 1.23 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 1.24 Gifts

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

Note 1.25 Early adoption of standards, amendments and interpretations

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

Note 1.26 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 Trust, in line with Department of Health and Social Care recommendations, will adopt and account for IFRS16 in the financial year 2022/23. Work on the implementation and impact of the standard began for the Trust in 2019/20 and will continue into the 2021/22 financial year in preparation for adoption in 2022/23.

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.

Other standards, amendments and interpretations

IFRS 14 Regulatory Deferral Accounts

The European Financial Reporting Advisory Group recommended in October 2015 that the Standard should not be endorsed as it is unlikely to be adopted by many EU countries. The standard applies to first time adopters of IFRS after 1 January 2016 and is therefore not applicable to DHSC group bodies.

IFRS 17 Insurance Contracts

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

Note 2 Operating Segments

The Trust Board, as the chief operating decision maker as defined by IFRS 8, consider that all of the Trust's activities fall under the single segment of 'Provision of Healthcare'. They consider that this is 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. No further segmental analysis is therefore required.

Note 3 Operating income from patient care activities

All income from patient care activities relates to contract income recognised in line with accounting policy 1.5

Note 3.1 Income from patient care activities (by nature)	2020/21 £000	2019/20 £000
Acute services		**Restated**
Block contract / system envelope income*	128,052	130,164
High cost drugs income from commissioners (excluding pass-through costs)	16,293	11,942
Other NHS clinical income	22,632	-
Mental health services		
Block contract / system envelope income*	16,926	16,427
Clinical partnerships providing mandatory services (including S75 agreements)	-	-
Other clinical income from mandatory services	149	-
Community services		
Block contract / system envelope income*	3,488	6,166
Income from other sources (e.g. local authorities)	9,009	7,935
All services		
Private patient income	13	90
Additional pension contribution central funding**	6,709	6,157
Other clinical income	731	952
Total income from activities	**204,002**	**179,833**

*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.

Note 3.2 Income from patient care activities (by source)

Income from patient care activities received from:	2020/21 £000	2019/20 £000
NHS England	126,134	117,164
Clinical commissioning groups	67,916	52,629
Other NHS providers	432	610
NHS other	198	-
Local authorities	9,009	8,886
Non-NHS: private patients	13	90
Non-NHS: overseas patients (chargeable to patient)	-	27
Injury cost recovery scheme	255	301
Non NHS: other	45	126
Total income from activities	**204,002**	**179,833**
Of which:		
Related to continuing operations	204,002	179,833
Related to discontinued operations	-	-

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

	2020/21	2019/20
	£000	£000
Income recognised this year	-	27
Cash payments received in-year	-	-

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	1,565	-	**1,565**	2,056	-	**2,056**
Education and training	6,688	-	**6,688**	5,772	-	**5,772**
Non-patient care services to other bodies (1)	2,560		**2,560**	7,187		**7,187**
Provider sustainability fund (2019/20 only)			**-**	824		**824**
Financial recovery fund (2019/20 only)			**-**	7,501		**7,501**
Marginal rate emergency tariff funding (2019/20 only)			**-**	1,472		**1,472**
Reimbursement and top up funding (2)	18,166		**18,166**			**-**
Income in respect of employee benefits accounted on a gross basis	6,974		**6,974**	6,392		**6,392**
Receipt of capital grants and donations (3)		508	**508**		502	**502**
Charitable and other contributions to expenditure (4)		2,241	**2,241**		-	**-**
Rental revenue from operating leases		339	**339**		343	**343**
Other income (5)	1,477	1	**1,478**	2,465	-	**2,465**
Total other operating income	**37,430**	**3,089**	**40,519**	**33,669**	**845**	**34,514**
Of which:						
Related to continuing operations			40,519			34,514
Related to discontinued operations			-			-

(1) Non-patient care services to other bodies consists of diagnostic test income and radiologist, physio and phlebotomy staffing support

(2) Block projected top-up (£9,881k), retrospective top-up (£6,482k), vaccination programme (£52k), lateral flow testing (£80k), loss of Non-NHS income funding (£1,671k)

(3) Donation of Integrated Theatres OR1 Probe from The Children's Hospital Charity (£469k) and donated equipment from DHSC for COVID response (£49k)

(4) DHSC PPE donated inventories ('push stock') and equipment below the capitalisation threshold

(5) Other income is inclusive of catering, car parking and clinical excellence award funding

Note 5 Additional information on contract revenue (IFRS 15) recognised in the period

	2020/21 £000	2019/20 £000
Revenue recognised in the reporting period that was included within contract liabilities at the previous period end	1,338	1,027

Note 5.1 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 £000	2019/20 £000
Income from services designated as commissioner requested services	196,549	172,634
Income from services not designated as commissioner requested services	47,972	41,713
Total	**244,521**	**214,347**

Note 5.2 Profits and losses on disposal of property, plant and equipment

The Trust disposed of equipment to the value of £37k in year (£0 in 2019/20) which was used in the provision of commissioner requested services - see note 13.

Note 5.3 Fees and charges

The Trust does not have any material fees or charges in 2020/21 (2019/20: £0).

Note 6 Operating expenses

	2020/21 £000	2019/20 £000
Purchase of healthcare from NHS and DHSC bodies (1)	5,225	5,779
Purchase of healthcare from non-NHS and non-DHSC bodies (2)	1,503	1,511
Staff and executive directors costs - see note 8	169,910	153,678
Remuneration of non-executive directors	142	138
Supplies and services - clinical (excluding drugs costs) (3)	16,691	15,471
Supplies and services - general (4)	2,516	1,981
Drug costs (drugs inventory consumed and purchase of non-inventory drugs) (5)	19,454	13,651
Inventories written down (6)	103	7
Consultancy costs	259	449
Establishment (7)	5,974	4,734
Premises	4,309	4,294
Transport (including patient travel)	1,032	1,126
Depreciation on property, plant and equipment - see note 15	4,605	4,411
Amortisation on intangible assets - see note 14	955	404
Net impairments - see note 17	4,452	17,594
Movement in credit loss allowance: contract receivables / contract assets (8)	354	75
Increase/(decrease) in other provisions - see note 26	515	144
Change in provisions discount rate(s) - see note 26	46	64
Audit fees payable to the external auditor		
audit services- statutory audit	76	62
other auditor remuneration (external auditor only)	-	2
Internal audit costs	89	100
Clinical negligence (9)	3,358	2,488
Legal fees	330	203
Insurance	326	270
Research and development	228	368
Education and training	911	774
Rentals under operating leases	1,127	618
Redundancy	19	-
Car parking & security	19	88
Hospitality	2	43
Losses, ex gratia & special payments	16	20
Other	-	1
Total	**244,546**	**230,548**
Of which:		
Related to continuing operations	244,546	230,548
Related to discontinued operations	-	-

(1) Inclusive of diagnostic tests, supplies and medical equipment from other DHSC bodies

(2) Inclusive of outsourced Pharmacy dispensing fees and Synergy healthcare service charges

(3) Includes utilisation of donated consumables (personal protective equipment)

(4) Includes the cost of donated equipment for COVID response below the capitalisation threshold

(5) Increased expenditure based on full year costs of new Cystic Fibrosis combination drug therapies and increased blood product and Neurology drug usage

(6) DHSC PPE donated inventories movement between deemed and market prices

(7) Increase in IT expenditure due to home working during the COVID-19 pandemic and telecom costs in year

(8) Movement now includes Injury Cost Recovery allowance for expected credit loss

(9) Increase in clinical negligence litigation insurance premiums in year

Note 6.1 Other auditor remuneration

	2020/21 £000	2019/20 £000
Other auditor remuneration paid to the external auditor:		
1. Audit of accounts of any associate of the Trust	-	-
2. Audit-related assurance services	-	2
3. Taxation compliance services	-	-
4. All taxation advisory services not falling within item 3 above	-	-
5. Internal audit services	-	-
6. All assurance services not falling within items 1 to 5	-	-
7. Corporate finance transaction services not falling within items 1 to 6 above	-	-
8. Other non-audit services not falling within items 2 to 7 above	-	-
Total	**-**	**2**

Note 6.2 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 £000	2019/20 £000
Net impairments charged to operating surplus / deficit resulting from:		
Loss or damage from normal operations	-	-
Over specification of assets	-	-
Abandonment of assets in course of construction	-	-
Unforeseen obsolescence	-	-
Loss as a result of catastrophe	-	-
Changes in market price	4,452	-
Other - see note 15	-	17,594
Total net impairments charged to operating surplus / deficit	**4,452**	**17,594**
Impairments charged to the revaluation reserve	421	2,139
Total net impairments	**4,873**	**19,733**

Note 8 Employee benefits

	2020/21 Total £000	2019/20 Total £000
Salaries and wages	132,441	119,574
Social security costs	12,265	11,223
Apprenticeship levy	586	544
Employer's contributions to NHS pensions	22,017	20,214
Pension cost - other	61	80
Other post employment benefits	-	-
Other employment benefits	-	-
Termination benefits	-	-
Temporary staff (including agency)	3,170	3,316
Total gross staff costs	**170,540**	**154,951**
Recoveries in respect of seconded staff	-	-
Total staff costs (1)	**170,540**	**154,951**
Of which		
Costs capitalised as part of assets	611	731

(1) Year on year pay increase relates to the following items: Agenda for Change pay inflation (£3,250k), Agenda for Change Incremental Drift (£614k), Annual Leave accrual (£1,532k), Care Day (£558k), investment in Mental Health Services (£1,375k), COVID additional pay costs (£2,549k), Consultant pay increase (£613k), Local Clinical Excellence Awards in Arrears (£626k), Investment in Capacity per Plan (£925k)

Note 8.1 Retirements due to ill-health

During 2020/21 there were 2 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 £140k (£80k 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 at 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.

c) Alternative pension schemes

As a result of "automatic enrolment", the Trust has taken steps to ensure those members of staff who are not eligible for the NHS Pension Scheme, are enrolled into a pension scheme. The Trust is a member of the government-operated National Employment Savings Trust (NEST) pension scheme. Since October 2013, a minority of Trust employees have joined this scheme.The Trust treats such pension arrangements as a defined contribution pension and as such, no actuarial assumptions are required to measure the obligation or the expense and there is not possibility of any actuarial gain or loss.

Note 10 Operating leases

Note 10.1 Sheffield Children's NHS Foundation Trust as a lessor

This note discloses income generated in operating lease agreements where Sheffield Children's NHS Foundation Trust is the lessor.

	2020/21	2019/20
	£000	£000
Operating lease revenue		
Minimum lease receipts (1)	339	343
Total	**339**	**343**

	31 March 2021	31 March 2020
	£000	£000
Future minimum lease receipts due:		
- not later than one year;	339	343
- later than one year and not later than five years;	391	716
- later than five years.	-	-
Total	**730**	**1,059**

(1) Significant lease arrangements include commerical retail space contracts

Note 10.2 Sheffield Children's NHS Foundation Trust as a lessee

This note discloses costs and commitments incurred in operating lease arrangements where Sheffield Children's NHS Foundation Trust is the lessee.

	2020/21	2019/20
	£000	£000
Operating lease expense		
Minimum lease payments (1)	1,127	618
Total	**1,127**	**618**

	31 March 2021	31 March 2020
	£000	£000
Future minimum lease payments due:		
- not later than one year;	1,092	540
- later than one year and not later than five years;	3,360	1,759
- later than five years.	2,697	-
Total	**7,149**	**2,299**
Future minimum sublease payments to be received	-	-

(1) Significant lease arrangements include buildings (NHS Property Services, Centenary House, EMBRACE, 1,3,5 Northumberland Rd., Northern General OPD and Claremont Crescent), equipment (1.5T MRI machine) and the Trust's Carbon Reduction Commitment arrangement

Note 11 Finance income

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

	2020/21	2019/20
	£000	£000
Interest on bank accounts (1)	5	144
Total finance income	**5**	**144**

(1) Reduction in receipt due to reduction in Government bank account interest rate

Note 12 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	1,076	1,127
Total interest expense	**1,076**	**1,127**
Unwinding of discount on provisions	5	10
Total finance costs	**1,081**	**1,137**

Note 13 Other gains / (losses)

	2020/21	2019/20
	£000	£000
Gains on disposal of assets	-	-
Losses on disposal of assets (1)	(37)	-
Total gains / (losses) on disposal of assets	**(37)**	**-**
Gains / (losses) on foreign exchange	-	-
Fair value gains / (losses) on investment properties	-	-
Fair value gains / (losses) on financial assets / investments	-	-
Fair value gains / (losses) on financial liabilities	-	-
Recycling gains / (losses) on disposal of financial assets mandated as fair value through OCI	-	-
Other gains / (losses)	-	-
Total other gains / (losses)	**(37)**	**-**

(1) Remaining NBV of in year disposals of equipment:

	2020/21
Asset	**£000**
Avantguard 1600 Bed	3
Eeg System	28
Cytovision System	2
Tosca	0
Telemetry	2
Masterscope Spriometer	2
	37

Note 14 Intangible assets - 2020/21

	Software licences £000	Total £000
Valuation / gross cost at 1 April 2020 - brought forward	**7,777**	**7,777**
Additions	307	**307**
Valuation / gross cost at 31 March 2021	**8,084**	**8,084**
Amortisation at 1 April 2020 - brought forward	**3,554**	**3,554**
Provided during the year	955	**955**
Amortisation at 31 March 2021	**4,509**	**4,509**
Net book value at 31 March 2021	**3,575**	**3,575**
Net book value at 1 April 2020	**4,223**	**4,223**

Note 14.1 Intangible assets - 2019/20

	Software licences £000	Total £000
Valuation / gross cost at 1 April 2019 - as previously stated	**4,973**	**4,973**
Additions	68	**68**
Reclassifications	2,736	**2,736**
Valuation / gross cost at 31 March 2020	**7,777**	**7,777**
Amortisation at 1 April 2019 - as previously stated	**3,150**	**3,150**
Provided during the year	404	**404**
Amortisation at 31 March 2020	**3,554**	**3,554**
Net book value at 31 March 2020	**4,223**	**4,223**
Net book value at 1 April 2019	**1,823**	**1,823**

Note 15 Property, plant and equipment - 2020/21

	Land	Buildings excluding dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Valuation/gross cost at 1 April 2020 - brought forward	**3,478**	**52,932**	**2,339**	**25,002**	**23**	**11,555**	**693**	**96,022**
Additions	-	3,564	1,865	1,719	85	3,099	-	**10,332**
Impairments charged to SOCI as a result of downwards revaluation	-	(4,452)	-	-	-	-	-	**(4,452)**
Reversals of impairments	-	-	-	-	-	-	-	**-**
Revaluations upwards to reserve	-	1,059	-	-	-	-	-	**1,059**
Revaluations downwards to reserve	-	(421)	-	-	-	-	-	**(421)**
Reclassifications	-	2,474	(2,955)	58	-	423	-	**-**
Transfers to / from assets held for sale	-	-	-	-	-	-	-	**-**
Disposals / derecognition	-	-	-	(4,547)	-	-	-	**(4,547)**
Valuation/gross cost at 31 March 2021	**3,478**	**55,156**	**1,249**	**22,232**	**108**	**15,077**	**693**	**97,993**
Accumulated depreciation at 1 April 2020 - brought forward	**-**	**1,360**	**-**	**17,322**	**10**	**6,261**	**522**	**25,475**
Provided during the year (1)	-	1,379	-	1,401	2	1,783	40	**4,605**
Disposals / derecognition (2)	-	(1,360)	-	(4,510)	-	-	-	**(5,870)**
Accumulated depreciation at 31 March 2021	**-**	**1,463**	**-**	**14,213**	**12**	**8,044**	**562**	**24,294**
Net book value at 31 March 2021	**3,478**	**53,693**	**1,249**	**8,019**	**96**	**7,033**	**131**	**73,699**
Net book value at 1 April 2020	**3,478**	**52,932**	**2,339**	**7,680**	**13**	**5,294**	**171**	**71,907**

(1) Depreciation charges include £769k relating to donated assets

(2) Disposal of carried forward depreciation on buildings due to revaluation

Note 15.1 Property, plant and equipment - 2019/20

	Land	Buildings excluding dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Valuation / gross cost at 1 April 2019 - as previously stated	**3,128**	**71,293**	**3,146**	**24,695**	**9**	**9,958**	**649**	**112,878**
Additions	-	2,308	1,929	307	14	1,597	44	**6,199**
Impairments	-	(17,594)	-	-	-	-	-	**(17,594)**
Revaluations upwards to reserve	350	424	-	-	-	-	-	**774**
Revaluations downwards to reserve	-	(2,139)	-	-	-	-	-	**(2,139)**
Reclassifications	-	-	(2,736)	-	-	-	-	**(2,736)**
Valuation/gross cost at 31 March 2020	**3,478**	**54,292**	**2,339**	**25,002**	**23**	**11,555**	**693**	**97,382**
Accumulated depreciation at 1 April 2019 - as previously stated	**-**	**1,713**	**-**	**15,779**	**9**	**4,798**	**478**	**22,777**
Provided during the year	-	1,360	-	1,543	1	1,463	44	**4,411**
Disposals / derecognition	-	(1,713)	-	-	-	-	-	**(1,713)**
Accumulated depreciation at 31 March 2020	**-**	**1,360**	**-**	**17,322**	**10**	**6,261**	**522**	**25,475**
Net book value at 31 March 2020	**3,478**	**52,932**	**2,339**	**7,680**	**13**	**5,294**	**171**	**71,907**
Net book value at 1 April 2019	**3,128**	**71,293**	**3,146**	**8,916**	**-**	**5,160**	**171**	**91,814**

Note 16 Donations of property, plant and equipment

The Trust has received capital donations of £508k in year (2019/20: £502k). This includes donation of the Integrated Theatres OR1 Probe from The Children's Hospital Charity (£469k) and donated equipment from DHSC for COVID response (£49k).

Note 17 Revaluations of property, plant and equipment

All land and buildings are revalued using professional valuations in accordance with IAS 16 to ensure that property is stated at fair value. The default frequency of these valuations is currently every five years, in accordance with the FT ARM. However, interim valuations are also carried out as deemed appropriate by the Trust. Valuations are performed by professionally qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisals and Valuation Manual.

In recent years the following work has taken place in respect of valuation of Trust estate (land and buildings) as part of the annual report and accounts cycle;

- In 2018/19 the Trust commissioned a full on-site valuation of its land and buildings, which was undertaken by independent valuers Cushman & Wakefield

- For the Trusts 2019/20 valuation, Cushman & Wakefield were instructed to perform a desktop valuation of Trust owned land and buildings in collaboration with QE Facilities. The engagement of QE Facilities served to benefit from significant experience and expertise in hospital design, utilising more granular site and performance information and ensuring the Trust had the most accurate reflection of market values and asset lives.

- For the current reporting period 2020/21, the Trust has again instructed the valuation team at Cushman & Wakefield to carry out a detailed desktop valuation of its land and buildings estate

The valuation undertaken by the Trust is based on a Depreciated Replacement Cost methodology. This approach assumes assets would be replaced with a modern equivalent and not a building of identical design, though with an equal existing service potential. A modern equivalent may be smaller in size to the existing asset, due to technological advances in plant and machinery for example. A resulting net increase in the year on year valuation of the Trust's assets can be seen in note 15. This valuation reflects economic conditions and location factor appropriate to the region at the valuation date. All asumptions made by QE Facilities in 2019/20 remain unchanged for the 2020/21 valuation work.

The valuation exercise was carried out in January 2021 with a valuation date of 31 March 2021. It should be noted that in 2019/20 the valuer declared a ‘material valuation uncertainty’ in the valuation report. This was on the basis of market uncertainty caused by COVID-19. Consequently, less certainty – and a higher degree of caution – was attached to our valuation than would normally be the case. For the year ending 2020/21, Trust valuers have not declared a material uncertainty on valuations in the healthcare sector as a result of COVID-19 given the role of NHS estate during the pandemic. The Trust still feels it pertinent to keep the valuation of its estate under frequent review. The values provided in the valuation report have been used to inform the measurement of property assets at valuation in these financial statements.

Note 18 Property, plant and equipment financing - 2020/21

	Land	Buildings excluding dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2021								
Owned - purchased	3,478	50,135	1,021	4,653	96	6,865	13	**66,261**
Owned - donated/granted	-	3,558	228	3,366	-	168	118	**7,438**
NBV total at 31 March 2021	**3,478**	**53,693**	**1,249**	**8,019**	**96**	**7,033**	**131**	**73,699**

Note 18.1 Property, plant and equipment financing - 2019/20

	Land	Buildings excluding dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2020								
Owned - purchased	3,478	48,110	2,139	4,255	13	5,043	29	**63,067**
Owned - donated/granted	-	4,822	200	3,425	-	251	142	**8,840**
NBV total at 31 March 2020	**3,478**	**52,932**	**2,339**	**7,680**	**13**	**5,294**	**171**	**71,907**

Note 19 Inventories

	31 March 2021 £000	31 March 2020 £000
Drugs	702	583
Consumables	2,547	2,689
Total inventories	**3,249**	**3,272**
of which:		
Held at fair value less costs to sell	-	-

Inventories recognised in expenses for the year were £35,897k (2019/20: £29,371k). Write-down of inventories recognised as expenses for the year were £103k (2019/20: £7k).

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 £2,194k 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 20 Receivables

	31 March 2021 £000	31 March 2020 £000
Current		
Contract receivables (1)	9,451	20,492
Allowance for impaired contract receivables / assets (2)	(570)	(216)
Prepayments (non-PFI)	960	917
PDC dividend receivable	502	716
VAT receivable	856	286
Total current receivables	**11,199**	**22,195**
Non-current		
Other receivables (3)	675	575
Total non-current receivables	**675**	**575**
Of which receivable from NHS and DHSC group bodies:		
Current	7,382	18,767
Non-current	675	575

(1) Reduction in contract receivables balance due to NHS payment regime in place during 2020/21. Payment of contract income received one month in advance and cleared by the end of the financial year. During 2019/20 period 12 receivables cleared in April 2020 (period one of 2020/21). Prior year balances also included bonus PSF funding which did not form part of the 2020/21 NHS funding regime.

(2) 2020/21 inclusive of Injury Cost Recovery allowance for expected credit losses

(3) Clinicians who are members of the NHS Pension Scheme and face an annual allowance tax charge for work undertaken in 2019/20 can elect to have this charge paid by the NHS Pension Scheme. The employing Trust will make a contractually binding commitment to pay a corresponding compensated amount on retirement to offset the impact on their pension. The Trust has provided for this future obligation in note 22, which will be nationally funded and as such a receivable asset has been recognised with NHS England.

Note 20.1 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	**216**	**-**	**141**	**-**
New allowances arising (1)	354	-	-	-
Changes in existing allowances	-	-	75	-
Allowances as at 31 Mar 2021	**570**	**-**	**216**	**-**

(1) Inclusive of Injury Cost Recovery allowance froM expected credit losses

(2) IFRS 9 requires the recognition of impairments on an expected losses basis for financial assets that are debt instruments measured at amortised cost or at fair value through other comprehensive income. The Trust uses the HM Treaury mandated 'simplified approach' to calculate allowances. Allowances for credit losses are calculated as probability weighted losses expected from credit loss events occurring within a defined period. For instance, 12-month expected credit losses are the total losses expected from any event occurring in the next twelve months, whilst lifetime expected credit losses are the total losses expected from any event occurring within the lifetime of the financial asset. For financial assets with a term of less than twelve months, these are the same.

Note 21 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 2020	**6,277**	**14,536**
Net change in year	19,646	(8,258)
At 31 March	**25,923**	**6,277**
Broken down into:		
Cash at commercial banks and in hand	60	-
Cash with the Government Banking Service	25,863	6,277
Total cash and cash equivalents as in SoFP	**25,923**	**6,277**

Note 21.1 Third party assets held by the Trust

Assets such as cash and cash equivalents belonging to third parties are not recognised in the accounts since the Trust has no beneficial interest in them. The Trust held no such assets in year.

Note 22 Trade and other payables

	31 March 2021 £000	31 March 2020 £000
Current		
Trade payables	10,329	11,072
Capital payables	457	829
Accruals	8,118	3,196
Social security costs	1,908	1,850
Other taxes payable	1,309	1,176
PDC dividend payable	200	-
Other payables (1)	(231)	(118)
Total current trade and other payables	**22,090**	**18,005**
Of which payables from NHS and DHSC group bodies:		
Current	4,975	5,998

(1) Balances relate to control accounts predominantly relating to staff salary sacrifice schemes awaiting clearance

Note 22.1 Early retirements in NHS payables above

There are no early retirements included in NHS payables for 2020/21 (2019/20: £0)

Note 23 Other liabilities

	31 March 2021 £000	31 March 2020 £000
Current		
Deferred income: contract liabilities (1)	3,611	1,338
Total other current liabilities	**3,611**	**1,338**

(1) Movement predominantly represents an increase in deferred Research and Innovation income in year

Note 24 Borrowings

	31 March 2021 £000	31 March 2020 £000
Current		
Loans from DHSC	2,303	2,309
Total current borrowings	**2,303**	**2,309**
Non-current		
Loans from DHSC (1)	36,259	38,386
Obligations under finance leases	3	3
Total non-current borrowings	**36,262**	**38,389**

(1) A loan facility of £8 million was arranged with the Independent Trust Financing Facility (formerly Foundation Trust Financial Facility) in 2009/10 to fund a new mental health services development. £1 million was drawn down in 2009/10 and a further £4 million was drawn down in 2011/12. The loan repayment terms were renegotiated prior to the second drawdown and the remainder of the loan is now repayable over 20 years, commencing in January 2014. Previously, the loan was repayable over 25 years commencing in July 2011.

Additional loan facilities, again with the Independent Trust Financing Facility were agreed, to assist with funding the construction of the new hospital wing development. The first facility is up to a sum of £25 million, repayable over 25 years. A further £10 million loan to cover additional costs related to the project were also secured and subsequently drawn down in 2015.

The Independent Trust Financing Facility also agreed to the provision of a loan facility for a further £10m drawn down by the Trust in April 2017 for capital programme support.

Note 24.1 Reconciliation of liabilities arising from financing activities - 2020/21

	Loans from DHSC £000	Finance leases £000	Total £000
Carrying value at 1 April 2020	**40,695**	**3**	**40,698**
Cash movements:			
Financing cash flows - payments and receipts of principal	(2,127)	-	**(2,127)**
Financing cash flows - payments of interest	(1,082)	-	**(1,082)**
Non-cash movements:			
Application of effective interest rate	1,076	-	**1,076**
Carrying value at 31 March 2021	**38,562**	**3**	**38,565**

Note 24.2 Reconciliation of liabilities arising from financing activities - 2019/20

	Loans from DHSC	Finance leases	Total
	£000	£000	£000
Carrying value at 1 April 2019	**42,827**	**3**	**42,830**
Cash movements:			
Financing cash flows - payments and receipts of principal	(2,127)	-	**(2,127)**
Financing cash flows - payments of interest	(1,132)	-	**(1,132)**
Non-cash movements:			
Application of effective interest rate	1,127	-	**1,127**
Carrying value at 31 March 2020	**40,695**	**3**	**40,698**

Note 25 Finance leases

Note 25.1 Sheffield Children's NHS Foundation Trust as a lessor

The Trust has not entered into any finance leases as a lessor

Note 25.2 Sheffield Children's NHS Foundation Trust as a lessee

Obligations under finance leases where the Trust is the lessee.

	31 March 2021	31 March 2020
	£000	£000
Gross lease liabilities	**9**	**9**
of which liabilities are due:		
- not later than one year;	-	-
- later than one year and not later than five years;	-	-
- later than five years.	9	9
Finance charges allocated to future periods	(6)	(6)
Net lease liabilities	**3**	**3**
of which payable:		
- not later than one year;	-	-
- later than one year and not later than five years;	-	-
- later than five years.	3	3

Note 26 Provisions for liabilities and charges analysis

	Pensions: early departure costs (1)	Pensions: injury benefits (1)	Legal claims (2)	Other (3)	Total
	£000	£000	£000	£000	£000
At 1 April 2020	**2**	**390**	**57**	**825**	**1,274**
Transfers by absorption	-	-	-	-	**-**
Change in the discount rate	-	46	-	-	**46**
Arising during the year	0	6	2	617	**625**
Utilised during the year	-	(2)	(44)	-	**(46)**
Reclassified to liabilities held in disposal groups	-	-	-	-	**-**
Reversed unused	(1)	(10)	-	-	**(11)**
Unwinding of discount	-	5	-	-	**5**
At 31 March 2021	**1**	**435**	**15**	**1,442**	**1,893**
Expected timing of cash flows:					
- not later than one year;	-	10	15	**-**	**25**
- later than one year and not later than five years;	1	45	-	**-**	**46**
- later than five years.	(0)	380	-	**1,442**	**1,822**
Total	**1**	**435**	**15**	**1,442**	**1,893**

(1) Calculated based on information provided by the NHS Business Services Authority - Pensions Division. There are uncertainties surrounding these provisions as the amounts incorporate assumptions made concerning the life expectancy of the individuals.

(2) Legal claims is in respect of employer's liability and public liability cases made against the Trust. This figure is based on information provided by NHS Resolution which represents the Trust's best assessment of likely future costs associated with processing claims. The eventual settlement costs and legal expenses may be higher or lower than that provided.

(3) Provisions for anticipated dilapidations costs on short leasehold property have increased in year following further external review (£517k) and there has also been an increase in the consultants pension tax liability in year (£100k) (see note 1.4)

Note 26.1 Clinical negligence liabilities

At 31 March 2021, £52,319k was included in the provisions of NHS Resolution in respect of clinical negligence liabilities of Sheffield Children's NHS Foundation Trust (31 March 2020: £55,223k).

Note 26.2 Contingent assets and liabilities

	31 March 2021 £000	31 March 2020 £000
Value of contingent liabilities		
NHS Resolution legal claims	(8)	(31)
Gross value of contingent liabilities	**(8)**	**(31)**
Amounts recoverable against liabilities	-	-
Net value of contingent liabilities	**(8)**	**(31)**

Quantified contingencies represent the consequences of losing all current third party legal claim cases, however, the likelihood of this is considered remote. Note 26 quantifies those cases whichhave been provided for where it is considered more likely that liabilities will crystallize.

Contingent liabilities in relation to future pension payments due to Trust staff remain unquantifiable; the volume and value of which are not yet known to the Trust. Such liabilities will be offset by DHSC contingent assets.

Note 27 Contractual capital commitments

	31 March 2021 £000	31 March 2020 £000
Property, plant and equipment	-	-
Intangible assets	-	-
Total	**-**	**-**

The Trust has a significant capital works programme commencing in 2021/22, notably relating to the Ward 6 (Oncology) and Emergency Department schemes. Contracts for these schemes are currently being drafted and as such do not, as at 31st March 2021, yet form contractual capital commitments.

Note 28 Financial instruments

Note 28.1 Financial risk management

International Financial Reporting Standard 7 (IFRS 7) requires disclosure of the role that financial instruments have had during the period in creating and changing the risks a body faces in undertaking its activities. Due to the continuing service provider relationship that the Trust has with Clinical Commissioning Groups (CCGs) and the way those CCGs are financed, the Trust is not exposed to the degree of financial risk faced by business entities. Also, financial instruments play a much more limited role in creating and changing risk than would be typical of listed companies, to which the financial reporting standards mainly apply. The Trust has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change risks facing the Trust in undertaking its activities.

The Trust's treasury management operations are carried out by the Finance department, within parameters defined formally in the Standing Financial Instructions and policies agreed by the Board of Directors. Trust treasury activity is subject to review by the Trust's internal auditors.

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

Credit Risk
Credit risk is the risk of financial loss to the Trust if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Trust's trade receivables. As the majority of the Trust's income comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The carrying amount represents the maximum credit exposure.

Interest Rate Risk
All of the Trust's financial liabilities carry nil or fixed rates of interest. In addition, the only element of the Trust's financial assets that is currently subject to a variable rate is cash held in the Foundation Trust's main bank accounts and in a short term deposit account. The Trust therefore has a low exposure to risk of significant fluctuations in interest rates.

Liquidity risk
The Trust's operating costs are incurred under contracts with Clinical Commissioning Groups and other NHS or Government bodies, which are financed from resources voted annually by Parliament. The Trust funds its capital expenditure from internally generated resources or loans. All major capital expenditure is supported by detailed financial assessment including the assessment of cash flow requirements and impact on liquidity and any funding is within the Trust's prudential borrowing limit, as set by NHS Improvement. The Trust is not,

Note 28.2 Carrying values of financial assets

Carrying values of financial assets as at 31 March 2021	Held at amortised cost	Total book value
	£000	£000
Trade and other receivables excluding non financial assets	8,881	**8,881**
Cash and cash equivalents	25,923	**25,923**
Total at 31 March 2021	**34,804**	**34,804**

Carrying values of financial assets as at 31 March 2020	Held at amortised cost	Total book value
	£000	£000
Trade and other receivables excluding non financial assets	20,276	**20,276**
Cash and cash equivalents	6,277	**6,277**
Total at 31 March 2020	**26,553**	**26,553**

Note 28.3 Carrying values of financial liabilities

Carrying values of financial liabilities as at 31 March 2021	Held at amortised cost	Total book value
	£000	£000
Loans from the Department of Health and Social Care	38,562	**38,562**
Obligations under finance leases	3	**3**
Trade and other payables excluding non financial liabilities	18,667	**18,667**
Provisions under contract	1,457	**1,457**
Total at 31 March 2021	**58,689**	**58,689**

Carrying values of financial liabilities as at 31 March 2020	Held at amortised cost	Total book value
	£000	£000
Loans from the Department of Health and Social Care	40,695	**40,695**
Obligations under finance leases	3	**3**
Trade and other payables excluding non financial liabilities	14,979	**14,979**
Provisions under contract	1,274	**1,274**
Total at 31 March 2020	**56,951**	**56,951**

Note 28.4 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 £000	31 March 2020 restated* £000
In one year or less	20,997	17,357
In more than one year but not more than five years	14,784	13,593
In more than five years	22,908	26,001
Total	**58,689**	**56,951**

* This disclosure has previously been prepared using discounted cash flows. The comparatives have therefore been restated on an undiscounted basis.

Note 29 Losses and special payments

	2020/21		2019/20	
	Total number of cases Number	Total value of cases £000	Total number of cases Number	Total value of cases £000
Losses				
Cash losses	-	-	-	-
Fruitless payments and constructive losses	-	-	-	-
Bad debts and claims abandoned	-	-	-	-
Stores losses and damage to property	-	-	-	-
Total losses	**-**	**-**	**-**	**-**
Special payments				
Compensation under court order or legally binding arbitration award	8	11	8	12
Extra-contractual payments	-	-	-	-
Ex-gratia payments	3	-	16	-
Total special payments	**11**	**11**	**24**	**12**
Total losses and special payments	**11**	**11**	**24**	**12**
Compensation payments received		-		-

No individual items exceeding £300,000 were incurred in 2020/21 (2019/20: £0). These losses are reported on an accruals basis.

Note 30 Related parties

The Department of Health (DoH) is regarded as a related party. During the year, the Trust has had a significant number of material transactions with the DoH, and with other entities for which the DoH is regarded as the parent. These entities include NHS England, Clinical Commissioning Groups, NHS Foundation Trusts, NHS Trusts, NHS Litigation Authority, NHS Business Services Authority and NHS Purchasing and Supply Agency. The main NHS entities the Trust considers related parties are:

Sheffield Clinical Commissioning Group (CCG)
NHS England / Improvement
Sheffield Teaching Hospitals NHS Foundation Trust

The total value of receivables and payables balances held with related parties as at 31 March 2021 is:

	2020/21 Receivables £000	2019/20 Receivables £000
Department of Health	-	-
Other NHS bodies	6,873	11,657
Other bodies (including WGA Bodies)	867	1,952
	7,740	**13,609**

	2020/21 Payables £000	2019/20 Payables £000
Other NHS bodies	4,531	5,997
Other bodies (including WGA Bodies)	5,581	5,029
	10,112	**11,026**

In addition, the Trust has had a number of material transactions with other government departments and other central and local government bodies. The majority of these transactions have been with HM Revenue and Customs (including National Insurance Fund), NHS Pension Scheme and Sheffield City Council.

For the 2020/21 reporting period no member of the Trust Board, key management personnel or parties related to them has undertaken any material transactions with Sheffield Children's NHS Foundation Trust. Details of Directors' remuneration, pension benefits and declarations of interests can be found within the Annual Report.

During the year the Trust also received revenue and capital funding from The Children's Hospital Charity, a registered charity that mainly supports the work of the Sheffield Children's NHS Foundation Trust and its reputation as a regional centre of excellence for the research, prevention and cure of childhood illnesses. In the year ended 31 March 2021, the charity raised an, as yet, unaudited total of £2,600k (legacies and accruals not yet finalised at the reporting date) (2019/20: £3,800k) and the Trust recognised donated income of £469k (2019/20: £502k) from the charity. The Trust's Deputy Chief Executive and Chair plus two clinicians remain on the board of charity Trustees.

The Trust Board, via Risk and Audit Committee, is in agreement that the Trust does not have control over either the Children's Hospital Charity or Sheffield Hospitals Charitable Trust and, as a result, consolidation of these charities has not taken place for 2020/21 in line with IAS 27.

Note 31 Events after the reporting date

There are no material events after the reporting period to disclose.

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