University Hospitals of North Midlands NHS Trust

Extraordinary Trust Board (Open)

Meeting held on Tuesday 23rd June 2020 at 1.00 pm to 2.00 pm via Microsoft Teams

AGENDA

Time	No.	Agenda Item	Purpose	Lead	Format
13:00	**PROCEDURAL ITEMS**				
5 mins	1.	Chair's Welcome, Apologies and Confirmation of Quoracy	Information	Mr D Wakefield	Verbal
	2.	Declarations of Interest	Information	Mr D Wakefield	Verbal
13:05	**GOVERNANCE**				
10 mins	3.	Audit Committee Assurance Report (18-06-20)	Assurance	Prof G Crowe	Enclosure
15 mins	4.	2019/20 Annual Report and Annual Governance Statement	Approval	Miss C Rylands	Enclosure
30 mins	5.	2019/20 Annual Accounts	Approval	Mr M Oldham	Enclosure
	DATE AND TIME OF NEXT MEETING				
	6.	**Wednesday 8th July 2020, 9.30 am, via videoconference**			

Audit Committee Chair's Highlight Report to Board

18th June 2020

1. Highlight Report

Matters of Concern or Key Risks to Escalate	Major Actions Commissioned / Work Underway
• The Committee welcomed the revised Board Assurance Framework (BAF), whilst recognising that it was due to be presented to Committees, with the outcome of discussions to be considered by the Board in July. The Committee recommended the Board to consider whether the key risks and heat map was consistent with reality. • The Committee reflected on how Covid-19 was shown within the BAF and asked other Committees to consider this further, particularly that one of the biggest issues was infection control. It was recognised that a larger assurance piece of work was being undertaken in relation to infection control which was to be provided to the Quality Governance Committee • The Committee considered the performance summary within the Annual Report and challenged whether further narrative was required in terms of the performance summary and impact of Covid-19, although it was recognised that this was referred to within the introductions from both the Chair and Chief Executive. • In terms of the Audit Findings Report it was highlighted that External Audit could not attend the recommended number of stock takes due to Covid-19 and therefore were unable to get assurance and will issue a qualified opinion due to limitation of scope.	• Within the BAF, work was to be undertaken to consider the gap between current risk status and risk appetite and whether this was framed correctly, recognising the current level and reality. In addition, to keep under review if current strategies would close the gap or greater tolerance was required • The Risk Appetite Statement was to be reviewed and considered by Committees in coming months • The 'third line of defence' independent controls and assurances articulated on the BAF were to be further strengthened • BAF Risk 8 to be reconsidered, in terms of length of the descriptions when based to the level of information provided on other risks • To make amendments to the Annual Report before submission to the Trust Board; page 1, to change the title of key risks to reflect the actual risk, to incorporate internal audit comments, to include biography for Mr Bytheway, to clarify the going concern statement and to confirm the pension figures within the remuneration report.
Positive Assurances to Provide	**Decisions Made**
• The impact of COVID 19 on the market valuation had been challenged and an additional disclosure had been made in the accounts to reflect a material uncertainty this would be referenced to the audit opinion. • In terms of Going Concern further work was to be undertaken; an updated cash flow forecast had been provided and this was to be peer reviewed by the auditors prior to their conclusion. The Committee recognised that the necessary standards were being applied in a fair and appropriate way whilst taking into account management responses.	• The BAF was approved and the Committee supported the framework and approach which captured the key risks and would be considered by the Committees and the Board • The Annual Report and Annual Governance Statement were approved subject to minor amendments and was recommended for approval to the Trust Board. • The Audit Findings Report was approved • The Annual Accounts were approved and recommended for approval to the

• One non-material misstatement had been identified following which the disclosure in the accounts had been updated, which would be referred to within the opinion as an emphasis of matter. It was noted that this related to accrued income for partly completed spells, which would be reported as an unadjusted misstatement and would be highlighted in letter of representation. The Committee confirmed it was comfortable with this approach. • In terms of the Value for Money conclusion, the Trust had previously been issued with an adverse opinion, and this year an improved qualified 'except for' conclusion had been reached, due to the improvement in the financial position whilst recognising that this had not sufficiently moved forward to remove the qualification completely	Trust Board • The Committee agreed not to adjust for the non-material misstatement in the accounts.

Comments on the Effectiveness of the Meeting

- The Committee recognised the impact on the business cycle during Covid-19 and it was agreed to confirm the timing of items which had been deferred
- The Committee felt the meeting worked well, areas of the agenda were adhered to and discussed and the discussions showed appropriate check and challenge

2. Summary Agenda

No.	Agenda Item	Purpose	No.	Agenda Item	Purpose
1.	Board Assurance Framework	Approval	3.	Audit Findings Report and Letter of Representation	Approval
2.	Annual Report 2019/20 & Annual Governance Statement	Approval	4.	2019/20 Audited Annual Accounts	Approval

3. 2019 / 20 Attendance Matrix

Attended | **Apologies & Deputy Sent** | **Apologies**

Members:			Apr	June	Jul	Oct	Jan
Prof G Crowe	GC	Non-Executive Director (Chair)					
Mr P Akid	PA	Non-Executive Director					
Ms S Belfield	SB	Non-Executive Director					
Attendees:			Apr	June	Jul	Oct	Jan
Mr A Bostock	AB	Internal Audit					
Mr R Chidlow	RC	Internal Audit					
Ms N Combe	EM/NC	External Audit					
Mrs N Hassall	NH	Deputy Associate Director of Corporate Governance					
Mr M Oldham	MO	Chief Finance Officer					
Mr R Percival	RP	External Audit					
Mrs S Preston	SP	Strategic Director of Finance					
Miss C Rylands	CR	Associate Director of Corporate Governance					
Mr S Stanyer	SS	LCFS					

In addition, Mrs Bullock, Chief Executive, Mrs Morrey External Audit and Mrs Taylor, NeXT Director were in attendance.

University Hospitals of North Midlands NHS Trust

Executive Summary

Meeting:	Extraordinary Trust Board	**Date:**	23rd June 2020
Report Title:	Annual Report	**Agenda Item:**	4.
Author:	Claire Rylands, Associate Director of Corporate Governance		
Executive Lead:	Tracy Bullock, Chief Executive		

Purpose of Report:

Assurance		**Approval**	✓	**Information**	

Impact on Strategic Objectives (positive or negative):			Positive	Negative
SO1		Provide safe, effective, caring and responsive services	✓	
SO2		Achieve NHS constitutional patient access standards	✓	✓
SO3		Achieve excellence in employment, education, development and research	✓	
SO4		Lead strategic change within Staffordshire and beyond	✓	
SO5		Ensure efficient use of resources	✓	

Executive Summary:

Situation

The Annual Report 2019/20 is enclosed for approval of the Trust Board, ahead of signing by the Chief Executive and Chief Finance Officer and submission to the Secretary of State via NHSIE.

Background

The Annual Report has been written in accordance with the Group Accounting Manual (GAM) which is issued annually by the Department of Health and Social Care. The Annual Governance Statement (AGS) which is contained within the Annual Report is written in accordance with NHSIE requirements.

It should be noted that GAM was reviewed in light of Covid-19; this resulted in some changes to the statutory requirements which included an extension to the timeframe for submission, the option to omit the Performance Report and the option to omit sickness absence data.

The Annual Report has been consulted upon with the Executive Team and was approved by the Audit Committee on 18th June 2020.

Assessment

The Annual Report has been reviewed by our External Auditors, Grant Thornton, who highlighted some inaccuracies with data contained within the Staff Report and requested some additional disclosures in relation to auditable content. There were also some queries raised in relation to disclosure of taxable benefits and pay multiples. All of these points were resolved ahead of presentation to the Audit Committee.

In addition, the Annual Report and more specifically, the AGS was reviewed by our Internal Auditors, KPMG. Their feedback identified a revision to the wording of their conclusion of the Review of Financial Controls, the assurance rating associated with the review of the EASY System and an addition to the statement regarding Data Security and Protection Toolkit. As these points were received on the day of Audit Committee, it was noted at that meeting that the changes would be made ahead of submission to the Trust Board.

The Audit Committee was assured that the Annual Report had been developed in accordance with

statutory requirements. In considering the content of the Annual Report, the following comments were made:

- Further detail should be included when describing the organisations key risks
- A biography for the Chief Operating Officer should be included
- Consideration should be given as to featuring the Rainbow Badge more prominently
- The Going Concern statement should be revisited in light of challenge made against the initial statement
- Pension numbers for the Chief Executive should be reviewed

In addition, it was highlighted after the meeting that the financial ratings within the Performance Summary did not match the finance information, and therefore these have been updated to reflect the actual ratings.

It can be confirmed that all of the points raised by the Audit Committee have been addressed within the enclosed final version of the Annual Report.

Key Recommendations:

The Board is asked to approve the Annual Report 2019/20.

NHS

University Hospitals of North Midlands NHS Trust

We love our values

Together

Compassion

Safe

Improving

Annual Report

2019 / 2020

Chair's Foreword

There is little question that the past year will be remembered primarily for the devastating impact of Covid-19. Across the country the personal and family tragedies inflicted upon thousands of people across the UK were truly heart-breaking. Our sympathies and condolences go out to every single person affected by this terrible disease.

It is times such as this though, that we all need hope and heroes to look to and take our lead from. We should all be extremely proud of the way the NHS family in our two hospitals and beyond responded to the challenges posed by the virus and our heroes did indeed emerge - in their thousands! Their courage, resilience and care helped everyone and we owe them a huge debt of gratitude and we can be proud that the values of the NHS were very much in evidence throughout a very difficult time. I thank them all.

Of course as we look back at 2019/20 we need to take a little time-out and recall that, before the pandemic struck, we achieved some remarkable things. Our new Chief Executive, Tracy Bullock, started with us in April 2019 and, together with her new team, set about instilling a new sense of belief amongst everyone in the organisation. Throughout the year a greater focus on patient care and experience has been evidenced and our staff satisfaction ratings have all improved. We have also been working closely with our wider system partners as part of the Staffordshire Shadow Integrated Care System and we are already seeing the benefits of alignment between our GPs, Commissioners, Community Partners and Local Authorities.

In addition, we are also part of the newly formed Provider Alliance in Staffordshire, breaking down any potential barriers between us and working to improve the journey of patients between our respective services.

As an organisation, we are always keen to hear directly from patients and I was particularly pleased that patients were willing to come to each of our Board meetings and tell us of their experiences in our care. Their stories are enlightening. Although not always comfortable for us to listen to, they highlighted the areas we needed to focus on to improve our service. Thanks to each and every one of them.

We are also proud of a number of notable achievements. In recognition of our children's services we formally opened the Staffordshire Children's Hospital in Stoke. Bringing together over 100 services for children it is now designated a specialist centre.

We also partnered with Keele University as part of the Keele Deal for Health, using their expertise to help us improve health outcomes across our localities. We continued to invest heavily, spending over £26m on systems, estates and medical equipment. Our new modular wards, initially commissioned towards the end of 2018/19 operated throughout the year and helped ensure we maintained bed capacity throughout the year.

In operational terms we saw record numbers of patients attend our Emergency Department and although our waiting times were longer than we would like, we saw welcome improvements on the previous year.

Our Patient Led Assessment of Care (PLACE) rose again and were amongst the best in the country, paying testimony to the wonderful efforts and contributions of all our staff. I must also recognise and congratulate the entire Trust for the way it enabled us to get to grips with our financial issues. Placed in Financial Special Measures in 2018 everyone has worked really hard and we should be delighted to note that at the end of March 2020 we actually recorded just over a £5m surplus. Coming on the back of a £64m deficit last year this is nothing short of herculean and I am grateful to everyone involved.

This coming year now poses many new and considerable challenges. The Restoration and Recovery of our services will be planned carefully. We must do nothing that impacts on patient safety and we may all need to adapt to new ways of accessing services or different ways of working. We have an ambitious agenda involving further capital investment, improvements in patient care, research and development, a review of clinical services and further opportunities for staff development. All of this will need to be balanced carefully with the need to build public confidence in returning to our hospital settings and guaranteeing their absolute safety.

Finally, it should be noted that, at the beginning of last summer, we hosted a recognition event, 'A Night Full of Stars'. I have no doubt that our Trust is full of stars who will see us through this coming year. Many thanks to all our staff and patients.

David Wakefield
Chairman

Contents

Part A: Performance Report Overview

In this overview, we provide you with:

- a **statement from the Chief Executive**, providing a summary of how we have performed during 2019/2020
- an **introduction to our organisation**, covering what we do, the services we provide and our organisational structure
- an overview of our **2025 Vision,** our key objectives and our values
- a summary of **key risks** that we have identified and managed during 2019/2020
- an explanation of what is meant by **'going concern'** and what its adoption meant for us during the year
- a **summary of performance** highlighting what has gone well for us and where we need to focus our efforts to improve

Statement from the Chief Executive

Welcome to our Annual Report for the year 2019/2020, and what a year it has been! Having joined the organisation on 1st April 2019, I have been Chief Executive at UHNM for just over a year now and I have thoroughly enjoyed every minute of it.

I have spent a lot of my time visiting the many wards and departments across both of our hospitals and I have been hugely impressed by the quality of care, dedication of staff and the innovative ways in which services are delivered to our patients.

The year ended with us completely transforming the way we do things as a result of the Covid-19 pandemic and I have been overwhelmed with the professionalism, flexibility and positive attitudes from our staff. They have developed and implemented new ways of working and have been innovative and creative in finding solutions to sometimes seemingly impossible problems. Our heavy involvement in training and education has also reaped benefits during this time, in terms of the interim medical students and nurses who we were able to recruit to support the Covid-19 effort; and the Trust's fantastic recruitment to Covid-19 clinical trials was also recognised by the Prime Minister, Boris Johnson.

Whilst we are fortunate to have escaped some of the levels of pressure seen in other part of the country; with the support of our partners within the system and beyond, I am confident that our planning will provide us with the capacity needed to continue to provide safe and quality care should it become necessary to utilise. Covid-19 will continue to bring further challenges for us throughout 2020/21 and beyond but I have no doubt that together, we will come through and I look forward to seeing how the 'new NHS' evolves.

Despite this, 2019/20 was a year of great achievements for UHNM and many of those achievements are highlighted within this report. Having come into the year with a deficit of £64m, it is remarkable that we were able to achieve just over a £5m surplus as we closed our accounts at year end. This is thanks to the tireless efforts of our teams in identifying and delivering efficiencies whilst ensuring that we maintain quality.

Whilst we started to see the fruits of our Urgent Care Improvement Programme in January and February 2020, our Covid-19 preparations meant that we were required to reconfigure our Emergency Department to allow for the safe management of suspected or positive patients. It is disappointing that we have not been able to achieve sustained improvement in this area and as we move into restoration and recovery of services, our urgent care performance is a key priority for us and we will be receiving support from external experts in our improvements during 2020/21.

It is pleasing to report zero patients waiting over 52 weeks for their treatment; this has been the result of proactive monitoring and escalation via our central validation team. However, there remain some challenges to be addressed in our Referral to Treatment (RTT) pathway and we have introduced enhanced governance arrangements for that purpose.

We have seen an increase in urgent referrals to our cancer pathways which have placed pressure on our ability to achieve our 62 day cancer targets. This is disappointing but I am confident that we have introduced the necessary measures to address capacity delays in order to make the improvements needed in this area. However, I am pleased to report that we were able to continue with the treatment of all cancer patients during the Covid-19 pandemic and that capacity within the independent sector was made available for us to do so.

Our workforce is our greatest asset as without them, we would not be able to provide the care we do for our patients. We have had challenges throughout the year in terms of our achievement of statutory and mandatory training and our staff appraisal rates; these were further impacted upon by the pandemic and it became necessary for us to relax some of the timeframes for completion, in line with national guidance. However, I am clear that we must do everything we can to recover our position in this regard and our Director of Human Resources is leading on our People Plan in order to ensure this.

All in all, it's been another very challenging year for us but one that has made me very proud to be Chief Executive. I hope you enjoy reading this Annual Report.

Tracy Bullock
Chief Executive

About Us

University Hospitals of North Midlands NHS Trust was formed in November 2014 following the integration of University Hospital of North Staffordshire NHS Trust and Mid Staffordshire NHS Foundation Trust. We have two hospitals, Royal Stoke University Hospital and County Hospital, and we are very proud of both.

We are a large, modern Trust in Staffordshire, providing services in state of the art facilities. We provide a full range of general hospital services for approximately 900,000 people locally in Staffordshire, South Cheshire and Shropshire. We employ around 11,000 members of staff and we provide specialised services for a population of 3m, including neighbouring counties and North Wales.

We are one of the largest hospitals in the West Midlands and have one of the busiest Emergency Departments in the country, with an average of nearly 15,000 patients attending each month across both of our sites. Many emergency patients are brought to us from a wide area by both helicopter and land ambulance because of our Major Trauma Centre status; as we are the specialist centre for the North Midlands and North Wales.

As a University Hospital, we work very closely with our partners at Keele and Staffordshire University and we are particularly proud of our Medical School, which has an excellent reputation. We also have strong links with local schools and colleges. As a major teaching Trust, we hold a large portfolio of commercial research, which provides us with a source of income. Our research profile also enables us to attract and retain high quality staff.

Our specialised services include cancer diagnosis and treatment, cardiothoracic surgery, neurosurgery, renal and dialysis services, neonatal intensive care, paediatric intensive care, trauma, respiratory conditions, spinal surgery, upper gastro-intestinal surgery, complex orthopaedic surgery and laparoscopic surgery.

We have a range of formal and informal mechanisms in place to facilitate effective working with key partners across the local economy. These include participation in partnership boards which bring together health, social care, independent and voluntary sector organisations across Staffordshire.

We help drive improvements across the wider health and care economy, through our leadership roles in the Staffordshire and Stoke on Trent Sustainability and Transformation Plan - Together We're Better.

We look to involve our service users in everything we do, from providing feedback about the services we provide, to helping shape our priorities. This work is co-ordinated by our Patient Experience Team.

Our Vision, Values & Strategic Objectives

Our 2025 Vision was developed to set a clear direction for the organisation to become a world class centre of clinical and academic achievement and care. One in which our staff all work together with a common purpose to ensure patients receive the highest standard of care and the place in which the best people want to work.

To achieve the 2025 Vision we must respond to the changing requirements of the NHS as they emerge and operate in ever more challenging times. This means that we have to think further than the here and now and continue to look beyond the boundaries of our organisation for inspiration. Our involvement in the STP is crucial in enabling us to move towards our vision and to become a sustainable provider of healthcare services.

Our Strategic Objectives

Our Vision is underpinned by 5 key Strategic Objectives (SO):

SO1	**Provide safe, effective, caring and responsive services**
SO2	**Achieve NHS constitutional patient access standards**
SO3	**Achieve excellence in employment, education, development and research**
SO4	**Lead strategic change within Staffordshire and beyond**
SO5	**Ensure efficient use of resources**

Our Values

We continue to encourage a compassionate culture through our values, which identify the attitude and behavioural expectations of our staff.

Together	• We are a team • We are appreciative • We are inclusive
Compassion	• We are supportive • We are respectful • We are friendly
Safe	• We communicate well • We are organised • We speak up
Improving	• We listen • We learn • We take responsibility

Our full 2025 Vision is available via our website: www.uhnm.nhs.uk .

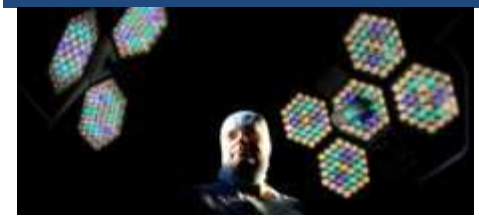
How we Provide Care

Our organisational structure features 4 clinical Divisions and 2 non-clinical Divisions. Each clinical Division is led by a Divisional Chair, providing medical leadership, an Associate Chief Nurse, providing clinical leadership and an Associate Director responsible for its management. The non-clinical Divisions are led by Executive Directors. These 6 Divisions are as follows:

- **Medical Division**
- **Specialised Division**
- **Children, Women and Diagnostics Division (CWD)**
- **Surgical Division**
- **Estates, Facilities and Private Finance Initiative (PFI) Division**
- **Central Functions Division**

Below provides an overview of the services provided by each of these Divisions:

Surgical Division



- Emergency Surgery
- General Surgery
- Urology
- Specialised Surgery
- Anaesthetics
- Theatres
- Critical Care
- Sterile Services
- Pain Management

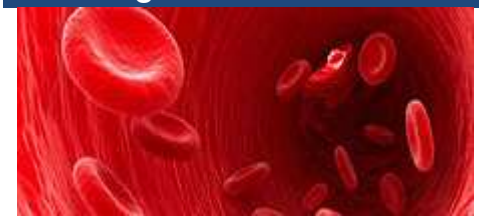
Medical Division

- Gastroenterology
- Endoscopy
- Respiratory
- Infectious Diseases
- Emergency Department
- Acute Medicine
- Elderly Care
- Diabetes
- General Medicine
- Renal

Specialised Division

- Cardiology
- Neurosciences
- Trauma & Orthopaedics
- Neurosurgery
- Cardiothoracic
- Stroke
- Neurology
- Neurophysiology

Children, Women & Diagnostics Division



- Pharmacy
- Pathology
- Clinical Technology
- Imaging
- Outpatients
- Bereavement Services
- Obstetrics & Gynaecology
- Child Health
- Haematology
- Oncology
- Medical Physics
- Immunology

Central Functions Division

- Finance
- Communications
- Information Management & Technology
- Human Resources
- Nursing
- Operations
- Corporate Governance
- Strategy & Planning
- Performance & Information
- Quality, Safety & Compliance
- Transformation
- Research and Development
- Supplies & Procurement

Estates, Facilities and PFI Division

- Estates Operations
- Estates Capital Development
- Facilities Management
- PFI Contract Management
- Estates Governance, Compliance and Administration
- Sustainability and Transformation
- Clinical Technology
- Land and Property

Key Issues and Risks

Our risk management framework enables us to identify, assess and manage any risks which might threaten the achievement of our objectives.

These 'strategic risks' are monitored by our Board and Committees on a quarterly basis, via the Board Assurance Framework (BAF).

Throughout 2019/20, we identified a total of 23 risks which might compromise the achievement of our Strategic Objectives. By the end of the year, this had reduced to 19 risks in total, with 5 of these being assessed as 'extreme' as shown here.

Further details on risk and the Board Assurance Framework can be found later within this report, in our Annual Governance Statement.

EXTREME RISK SUMMARY				
No.	SO	Summary Risk	Score	Change
1		Retention of unoccupied and deteriorating Royal Infirmary posing risk to public safety	25	→
2		Mismatch between capacity and demand and the impact on flow through the Emergency Department / 4 hour A&E performance	20	→
3		Insufficient capital to meet IM&T requirements	16	→
4		Inability to protect the organisation from a cyber-attack	15	→
5		Failure of the phone system at County Hospital	15	→

Going Concern

International Accounting Standard 1 requires the Board to assess, as part of the accounts preparation process, the Trust's ability to continue as a going concern. Paragraphs 4.11 and 4.16 of the Department of Health and Social Care Group Accounting Manual identify that the continuation of the service is sufficient evidence of going concern. The financial statements should be prepared on a going concern basis unless there are plans for, or no realistic alternative other than, the dissolution of the Trust without the transfer of its services to another entity within the public sector. In preparing the financial statements the Board of Directors has considered the Trust's overall financial position against the requirements of IAS1.

In 2018/19 the Trust reported a deficit of £63.607 million (which included £10.6 million in respect of the final outcome of expert determination on disputes with commissioners relating to income included in the 2017/18 accounts).

The Trust's financial performance in 2019/20 is a £5.231 million surplus. This includes £32.0 million of funding through the Provider Sustainability Fund (PSF), Financial Recovery Fund (FRF) and the Marginal Rate Emergency Tariff (MRET), which was available as the Trust signed up to its control total.

As at 31 March 2020, the Trust has received cash support for its revenue position of £195.9 million an increase of £8.0 million a result of the later than expected receipt of support funding, delaying the 2019/20 repayment. The intention would have been to repay this in early 2020/21. As a result the Trust held a higher than planned cash balance at the year end, however this enabled the Trust to make prompt payments to suppliers in line with Treasury guidance in relation to the COVID-19 outbreak.

However on 2 April 2020, the Department of Health and Social Care (DHSC) and NHS England and NHS Improvement announced reforms to the NHS cash regime for the 2020/21 financial year. During 2020/21 existing DHSC interim revenue and capital loans as at 31 March 2020 will be extinguished and replaced with the issue of Public Dividend Capital (PDC) to allow the repayment. The affected loans totalling £197.4 million (including interim capital loan of £1.5 million) are classified as current liabilities within these financial statements. As the repayment of these loans will be funded through the issue of PDC, this does not present a going concern risk for the Trust.

The Trust's draft financial plan for 2020/21 forecasts the delivery of a breakeven position after taking into consideration the impact of £13.5 million funding through the Financial Recovery Fund (FRF) which is

available as the Staffordshire STP has agreed to its control total deficit of £99.0 million. The draft plan includes CIP savings of £37.25 million which consist of £25 million internal savings and £12.25 million share of system efficiencies. The plan also includes £24.8 million deficit support funding (£9.9 million from DHSC and £14.9 million from NHS Stafford & Surrounds CCG) as in the previous three years. Confirmation that this funding will be received by the Trust in 2020/21 has not yet been received from the other bodies; however funding has been received in the previous three years.

The phasing of the draft revenue plan does not necessitate further revenue cash borrowing due to the payment in advance of the FRF support and expectation that the DHSC and NHSE deficit support will be paid on a quarterly basis.

The Trust draft financial plan for 2020/21 was to be confirmed in a final plan to be submitted in April 2020, however as a result of the Covid 19 outbreak all NHS financial plans have been put on hold and for the first four months of 2020/21 the Trust will be funded to cover the average cost incurred in the winter period of 2019/20. This cost base has been increased for inflation but has not been reduced for efficiency savings or increased for any planned activity growth. Cash payments are being made to Trusts in advance on this basis along with the costs of any additional expense incurred in response to managing the Covid 19 outbreak. This will ensure that there is sufficient cash available to provider Trusts to cover costs incurred in the first four months of 2020/21. NHSEI have not set out the funding position post July 2020, however for modelling purposes it has been anticipated that the Trust will return to the 2020/21 draft financial plan should there be a return to operational normality.

Whilst the Trust has made good progress in addressing the underlying deficit which is currently supported by non recurrent allocations it is still recognised that without this on-going support that it may take some time before it can achieve financial balance on a sustainable basis. Prior to the impact of COVID-19 the Trust board have considered a five year plan which will continue this improvement in the underlying deficit. The Board of Directors has carefully considered the principle of “going concern” and the Directors have concluded that the Trust will be able to meet its obligations as they fall due for the foreseeable future. However given the uncertainties around the duration of the interim financial arrangements due to COVID 19 (and the subsequent financial arrangements), and their impact on the financial sustainability (profitability and liquidity) of the Trust there is a material uncertainty which may cast doubt about the ability of the Trust to continue as a going concern.

Nevertheless, the Directors have concluded that assessing the Trust as a going concern remains appropriate. All Commissioning Contract values have been agreed for 2020/21 prior to the special payment arrangements put in place for COVID-19. Once these special arrangements are lifted it is anticipated that the local CCG Contract for 2020/21 will be finalised using the Intelligent Fixed Payment System’ and the Contract with Specialised Commissioning (NHS England) will be arranged via an Aligned Incentive Agreement (similar to a block with additional incentive payments).There are no discontinued operations. Similarly no decision has been made to transfer services or significantly amend the structure of the organisation at this time. The Board of Directors also has a reasonable expectation that the Trust will have access to adequate resources in the form of support from the Department of Health (NHS Act 2006 s42a) to continue to deliver the full range of mandatory services for the foreseeable future.

Subject to the receipt of the revenue funding within the 2020/21 financial plan, the Directors consider that this provides sufficient evidence that the Trust will continue as a going concern for the foreseeable future. On this basis, the Trust has adopted the going concern basis for preparing the accounts and has not included the adjustments that would result if it were unable to continue as a going concern. The assessment accords with the statutory guidance contained within the Department of Health and Social Care Group Accounting Manual.

Performance Summary

The following provides a summary of our performance during 2019/20, against the key metrics which are included in our Integrated Performance Report. These are broken down into the domains of:

- Financial rating
- Operational performance
- Organisational Health
- Caring
- Safe

	No.	Indicator	Target	2018/19 Performance	2019/20 Performance
Financial Rating	1.	Capital service capacity	4	4	4
	2.	Liquidity (days)	4	4	4
	3.	Income and expenditure margin	2	4	2
	4.	Distance from financial plan	-	4	1
	5.	Agency spend	1	1	2
Operational Performance	**No.**	**Indicator**	**Target**	**2018/19 Performance**	**2019/20 Performance**
	1.	A&E 4 hours waiting time	95%	81.5%	78.20%
	2.	Cancer 62 days from urgent GP referral	85%	81.8%	71.27%
	3.	Cancer 62 days from screening programme	90%	87.8%	84.58%
	4.	Diagnostic waits under 6 weeks	99%	98.6%	98.18%
	5.	RTT incomplete	92%	78.9%	80.10%
	6.	Duty of Candour	100%	100%	100%
	7.	Theatre Utilisation	85%	81.0%	79.7%
	8.	Outpatient Utilisation	97%	53.1%	66.9%
	9.	12 hour trolley breaches	0	3	601
Organisational Health	**No.**	**Indicator**	**Target**	**2018/19 Performance**	**2019/20 Performance**
	1.	Executive Team Turnover	n/a	25.26%	30.8%
	2.	Turnover rate	<11%	7.46%	8.57%
	3.	Proportion of temporary staff (month 12 snapshot)	n/a	6.47%	6.75%
	4.	Sickness absence rate	<3.39%	4.48%	4.69%
	5.	Appraisal rate	95%	91.67%	75.94%
	6.	Agency costs as a % of total pay costs (month 12 snapshot)	n/a	4.52%	4.09%
	7.	NHS Staff Survey (annual) NB: different scoring criteria used in 2017/18 to 2018/19	n/a	6.80	6.90
	8.	Statutory and Mandatory Training	95%	92.02%	90.73%
	9.	Staff Friends and Family Test (FFT): % recommended as a place to work	>61%	44.51%	56.86%
Caring	**No.**	**Indicator**	**Target**	**2018/19 Performance**	**2019/20 Performance**
	1.	Mixed sex accommodation breaches	0	0	0
	2.	Written complaints rate (per 10,000 spells)	n/a	27.97	30.64
	3.	FFT - % inpatient recommendations	95%	98.0%	98.3%
	4.	FFT - % A&E recommendations	95%	69.6%	67.5%
	5.	FFT - % maternity recommendations	95%	98.99%	99.3%
	6.	Staff FFT – % recommended as a place to receive care	>61%	81.40%	82.17%
Safe	**No.**	**Indicator**	**Target**	**2018/19 Performance**	**2019/20 Performance**
	1.	Clostridium Difficile – infection number	81	56	116
	2.	Avoidable MRSA cases	0	1	0
	3.	Never Events	0	6	6
	4.	Falls resulting in harm	n/a	863	629
	5.	Medication errors (rate per 10,000 bed days)	n/a	41.6	43.2
	6.	Pressure ulcers – hospital acquired (category 2)	99	96	51
	7.	Pressure ulcers – hospital acquired (category 3)	39	47	31
	8.	Pressure ulcers – hospital acquired (category 4)	0	0	1
	9.	Emergency C Section Rate as % total births	n/a	13.46%	14.47%
	10.	VTE risk assessments	95%	94.4%	93.7%

Key Highlights of 2019/20

In this section we provide you with some of our key highlights of the year, setting out just some of the work we've been doing to achieve our Strategic Objectives during 2019/20:

World Class Surgical Robot

The surgical system consists of a four-arm robot connected to a remote console which the surgeon operates while seated. Foot pedals are used for control, and 3-D displays provide a unique depiction of the surgical field.

February 2020 saw the exciting installation of the latest and most advanced generation of surgical robot, providing our patients with the very latest in surgical care.

The 'Da Vinci Xi' is the second surgical robot to be used at our Royal Stoke site, making us the only Trust in the West Midlands to have two robots and the latest robotic technology. Together they will radically improve the treatment of our urology, general surgery and gynaecology patients.

The robot is the most advanced in its range and the surgical system provides a surgeon with a cutting edge set of instruments to use in performing robotic assisted minimally invasive surgery.

Sky Ceilings in Critical Care

Kind hearted supporters of our Charity helped to improve the experience of patients and staff by funding the installation of a number of luminous 'sky ceilings' within our Critical Care Unit.

The ceilings, funded by an £80, 000 grant from our charity simulate moving date and night time sky scenes providing natural light in an area of the unit that had now windows.

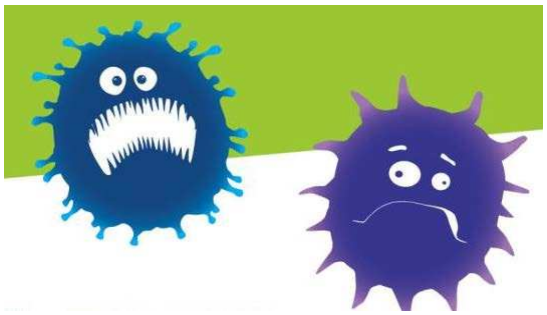
There is strong evidence to support that access to daylight and the day and night cycle reduces delirium, stress and anxiety which is commonly seen in intensive care patients.

Flu Fighters

We were delighted with our Infection Prevention Team and our army of flu vaccinators for vaccinating more than 89% of our entire workforce against flu.

Our vaccinators worked throughout both of our hospital sites to help protect staff and patients with Chief Executive Tracy Bullock, herself a trained nurse, lending a hand in administering the vaccinations.

It is very important that our patients and members of the public feel safe and secure when they come into hospital and this year saw the highest ever number of staff vaccinated at UHNM.



Our Environment

For a second consecutive year, we exceeded the national average in all eight of the patient-led assessments of the care environment (PLACE) indicators at both of our hospital sites at Royal Stoke and County Hospital.

The assessments see local people go into hospitals as part of teams to see how the environment supports patient's privacy, dignity, food, cleanliness and general building maintenance.

The assessments take place every year and results show how hospitals are performing nationally and locally.

"We've never seen such dedicated staff in every single area and although the areas are very busy, every single ward greeted us with a friendly and welcome smile."

Theme Park for our Children

In January 2020 we were delighted to have teamed up with Alton Towers Resort and the dedicated children's charity for Merlin Entertainments, Merlin's Magic Wand, to create a vibrant, truly unique and welcoming space for thousands of youngsters visiting the Children's Centre at Royal Stoke University Hospital.

This new, exciting and colourful entrance foyer was created by Merlin's in-house creative specialists and features an iconic flume boat from the theme park for children and families to enjoy, as well as an interactive wall play feature and immersive theming inspired by Alton Towers Resort.

Improved Vascular Patient Care

Our vascular patients are now being treated and discharged more quickly, thanks to the innovative work of the specialist nursing team.

The team created a 'complex dressing clinic' to help facilitate a more timely discharge and patient flow within our surgical division. The initiative helped to save more than £40,000 and has contributed to successful patient discharges.

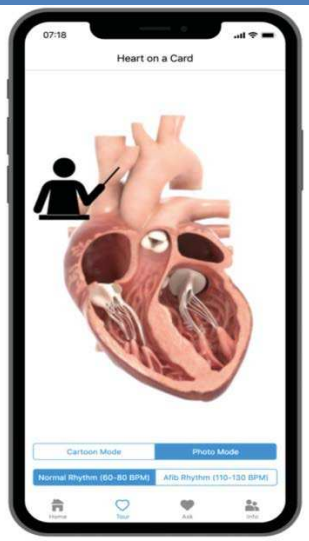
The clinic has also proven to be beneficial to the patient pathway and reducing inpatient hospital stays.

The team were invited to present the initiative at the Society for Vascular Nursing's Annual Conference in Manchester.

Educational Apps

Two new educational apps on Atrial Fibrillation were developed with support from our clinicians.

Using augmented reality, the apps show how to check your pulse and explain about atrial fibrillation.



The apps can be downloaded onto any smart device. 'Know my Beat' helps the general public check their own pulse and identify if they are at risk of atrial fibrillation. The app also features health care professionals who outline what atrial fibrillation is and what treatments are available.

The second app is called 'Know my Heart' and is targeted at patients and healthcare professionals to understand the diagnosis and treatment of atrial fibrillation. The app uses augmented reality to show an interactive 3D heart with an information guide on atrial fibrillation, clot formation and stroke prevention.

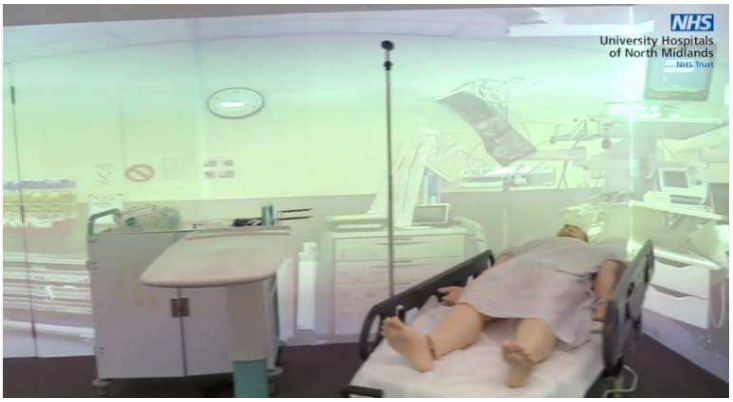
"We are exploring novel innovative ways to inform our patients and the general public how to check their pulses and to learn about atrial fibrillation and stroke prevention."

Extended Reality Laboratory

We are the first in the country to open an extended reality medical training facility in a new state of the art training laboratory. The purpose built Extended Reality Laboratory has become part of a new Patient Safety Centre in the Postgraduate Medical and Education Centre at County Hospital.

The laboratory was opened in May 2019 by Chief Executive Tracy Bullock and MP Jeremy Lefroy and has been described as the 'future of simulation'.

It allows any setting to be projected onto blank walls taking away the need for lengthy set up when providing simulated training in a ward, emergency resuscitation area or pre-hospital environment for example.



"We have been using simulation to train healthcare professionals for several years but our new Extended Reality Laboratory takes it to the next level."

Healthy Teeth Campaign

Our fantastic Consultant Orthodontist, Karen Juggins has led an initiative which is known as #keepstokesmiling which has seen a series of billboards being set up across the city.

The campaign aims to help educate young people in Stoke-on-Trent about the damaging effects of too much sugar on the teeth. The billboards have been specially designed by students at Newcastle under Lyme College and Stafford College and are part of a wide array of tools being used by hospital and local health partners to tackle the growing problem of tooth decay in the younger generation.

"Grossly decayed teeth in children and young adults is one of Stoke's biggest dental health problems. We are thrilled that our campaign is being given such a fantastic boost with the billboards."

Lung Health 'MOT'

Hundreds of patients in Stoke-on-Trent are set to benefit from our new lung health screening programme, which has received national recognition.

'MOT' for your lungs will look for general signs of poor lung health and also extend wider than the respiratory system to include tests for atrial fibrillation for sleep apnoea, as well as risk assessments for stroke and heart attacks.

The programme is being run in partnership with 'Together We're Better' and West Midlands Cancer Alliance on a pilot basis across selected GP practices, with the intention to extend if successful.

"One of the difficulties with lung cancer is that patients tend to present when it's too late. We want to really help the people of Stoke by being proactive and reaching out to them."

Supporting our Armed Forces

In November 2019 we were recognised by Defence Minister Ben Wallace for the outstanding support for the Armed Forces community by being awarded an Employer Recognition Scheme Gold Award. We were presented with our award at the National Army Museum in London.

The Ministry of Defence's Employer Recognition Scheme Gold Awards represent the highest badge of honour available to those that employ and support those who serve, veterans and their families.

Forefront of 24/7 Stroke Service

Our pioneering Mechanical Thrombectomy service is now featured in a new national guide to support other organisations to develop similar services across the UK.

Our life saving service is highlighted in the guide 'Mechanical Thrombectomy for acute ischaemic stroke: an implementation guide for the UK' on the Oxford Academic Health Science Network.

"It was an honour to be asked to contribute to such an important guide and highlight our work. We have been at the forefront of providing Mechanical Thrombectomy since 2009 and it has benefitted hundreds of patients since its launch."

New Linac Benefits Patients

Our new Linear Accelerator machine was installed in June 2019, providing Stereotactic Ablative Radiotherapy, a more intensive form of treatment which only causes minimal damage to surrounding organs.

The linac machine, which cost £1.7m has enabled clinicians to treat smaller tumours in areas of the body that were previously difficult to access and therefore improve change of survival and quality of life.

"The new machine is cutting edge technology and means we can offer even more effective care to our patients."

World's First Smart Implant

In June 2019 we undertook the world's first ever smart implant procedure for patients with heart failure.

The cutting edge Cardiac Resynchronisation Therapy (CRT) implant uses technology to connect to an app on a phone or tablet.

Cardiac Resynchronisation Therapy is a treatment for patients with heart failure and improves their shortness of breath. While this particular sort of therapy has been around since the late 1990's, the new smart implant allows clinicians to monitor their patients remotely using state of the art Smart Synch technology.

"We were the first centre to implant Smart Synch technology in pacemakers and to now be the first to offer CRT is a great honour and one we are really proud of."

Our Children's Hospital

We have built a reputation through our children's services for providing first class health services for a range of common childhood problems, injuries and conditions.

Therefore, on 11th March 2020 we were delighted to hold the formal launch of our Staffordshire Children's Hospital at Royal Stoke.

Young patients are at the heart of our services for children and we are proud to have everything needed to make sure they and their families feel as welcome and as comfortable as possible. We provide a dedicated children's emergency department, two intensive care units, two wards, as well as an outpatients area and a child development centre. Indoor and outdoor play areas, classrooms, cafes and coffee shops are all provided and have facilities which cater for children from across the area and beyond.

Young patients using our services also have access to specialist clinical teams and their expertise, who care for children with complex conditions or medical problems. Many of these speciality areas at Staffordshire Children's Hospital at Royal Stoke are at the forefront of treatment in the UK which has led to a growing international reputation for excellence.

Our Children's hospital is a centre of excellence in many disciplines, more than a regional children's centre and in many specialities equal to more well-known children's hospitals in their cities, including those in London.

"Without the awesome care and staff at UHNM I would not be alive today. UHNM is an amazing hospital and I can only say thank you.

It is great that children like me can access so many specialist services at our local hospital, closer to home."

Staffordshire Children's Hospital at Royal Stoke

We were thrilled to have the backing and support from our Prime Minister Boris Johnson, who took time out of his busy schedule to show his support for our launch celebrations.

We also received messages from television presenter Angelica Bell, Stoke City Footballer Ryan Shawcross and one of our long term patients.

A Centre of Excellence - Our Awards

Celebrating our Staff June 2019

Key to our 2025Vision is to be a world class centre of clinical and academic achievement and care – where our staff work together to ensure our patients receive the highest standard of care and one where the best people want to work.

In June 2019 we held our annual staff awards evening 'A Night Full of Stars'. It was a huge success and here we present our winners.

Hospital Hero
Dr Amit Arora

Rising Star
Hannah Lees

Behaviour to Inspire
Sadie Clayton

UHNM Charity Award
Dr Indira Natarajan

Employee of the Year
Janis Maginnis

Apprentice of the Year
Jason Dutton

Volunteer of the Year
David Thorley

Leader of the Year
Susan Thomson

Clinical Team of the Year
Acute Rehabilitation Trauma Unit

Bright Idea Award
Head and Neck Cancer Team

Wellbeing Initiative
ED Wellbeing Team

Non Clinical Team of the Year
Fire Safety and Admin Teams

Community Rapid Intervention Service (CRIS)

The Community Rapid Intervention Service (CRIS) is an integrated service provided by ourselves and our colleagues at Midlands Partnership NHS Foundation Trust (MPFT) for patients at risk of needing an admission to hospital.

The service is provided across North Staffordshire and offers a professional helpline for GP's, Care Homes, West Midlands Ambulance Service, community teams and domiciliary care teams to refer patients for care within their own home.

A team of specially trained Advanced Nurse Practitioners see patients in their own home within two hours of referral and are then supported by medical management from a UHNM consultant as part of a virtual ward.

During the second week of January 2020 alone, the team received more than 100 calls and reviewed 75 patients in their own home, 65 of whom were able to stay at home with a medical management plan supporting them to get better.

Smart with your Heart

We are also working closely with MPFT as well as three digital companies, using their new, commercially available technology to provide online resources and support to help patients with heart failure understand and manage their condition with confidence.

'Smart with your Heart', helps prevent people with chronic long term heart failure from needing a visit to the Emergency Department and from being readmitted to hospital.

Feedback from patients during the first three months of the project showed that 79% of participants did not need to visit A&E and 74% did not need to see their GP. Patients also reported they were more confident in managing their own health at home.

Red Bag Scheme

The Red Bag Scheme was introduced to help with the transfer of patients between care homes in Staffordshire and Stoke on Trent and ourselves at UHNM.

The red bag scheme is a simple but effective way of improving communication between home and hospital and also makes life easier for the patient.

The bags were funded by our UHNM Charity and are being used to ensure that personal belongings, medication and documentation are kept together and are transferred smoothly from care home to hospital, and back.

The bag stays with the patient from the moment they leave the home until they return once they have been discharged from the hospital. It contains standardised information about the resident and a section for personal belongings, such as glasses and hearing aids.

The project involves ourselves, Staffordshire care homes, Staffordshire Clinical Commissioning Groups and West Midlands Ambulance services.

Keele University

By partnering with our local organisations we can continue to support, develop and build our workforce through offering high quality education, training and research opportunities.

Keele UNIVERSITY

Keele University is a key strategic partner of ours and we are particularly proud of our partnership with their Undergraduate Medical School in the delivery of our 'Bachelor of Medicine' and 'Bachelor of Surgery' courses, which have been a huge success:

100% **Final year 'pass' rates**

Excellent clinical teaching as evidenced by feedback from students and the 'UHNM Clinical Teacher of the Year'

Strong engagement in the UHNM / Keele Liaison Committee which provides a joint forum for discussion / decisions

Purple Pen Policy introduced for final year students when transcribing patient prescriptions

Medical students trained at UHNM **252**

3rd **Rated nationally in 'The Guardian' League Table**

Collaboration between the Dean, Medical Director and Clinical Directors, teaching is now clearly identified in many consultant job plans

Simulation training is available for our medical students and provides a great opportunity to prepare them for a junior doctor role within a realistic environment

Other key successes to our partnership with Keele include:

- One of our Consultant Head and Neck Surgeons is also the lead for postgraduate surgical training and has opened a number of fantastic training opportunities for junior surgeons in the West Midlands, including a regular anatomy teaching programme for every Core Surgical Trainee in the region – this has resulted in an increased pass rate for the exam.
- We are part of the 'Keele Deal' Workforce Development Programme based on Workforce Development, Research and Development and Service Transformation
- Our nursing team supports pre-registration Nursing and Midwifery students on placements and a preceptorship programme for newly qualified registered staff.
- Leading the Trainee Nursing Associates (TNA) pilot and development of our registered nurses with postgraduate training offers. The team also works with Staffordshire University and the Open Universities, providing placements, along with accommodating elective / non-assessed placements from a number of universities across England.
- Our Allied Health Professionals leads such as Pharmacy and Radiography work closely with Keele to support our current and future workforce.

PFI Partnership Working

We are very proud of our partnership working with our PFI partners, Project Co, Sodexo, Siemens and KCOM which is recognised at a national level as being exemplary.

During 2019 we welcomed a number of visitors on site, including senior Government Officials from the Cabinet Office and from HM Treasury, as well as Sodexo Global Leaders, who came to observe first-hand the partnership in practice.

As a result of their award winning approach to collaborative working, representatives from the Estates, Facilities and PFI Division, have been invited by NHSIE to present at National Conferences and produce case studies to showcase what has been collectively achieved.

To celebrate the achievements, we held an **Annual Partnership Day** in December 2019. The day was a huge success, recognising the achievements in 2019 as well as areas of focus for 2020. A keynote speech was delivered by Simon Corben, Director and Head of Profession, NHS Estates; NHSIE. Simon described how delighted he was to attend the day and how impressed he was with what had been collectively achieved and the drive for continual improvement.

In addition, we have received some fantastic feedback from a variety of visits undertaken during the year:

Sodexo Global Executive Visit, 13th May 2019

We welcomed Sodexo Global Leaders from France, Sweden, Finland, Benelux, Ireland, UK, US, Canada, Brazil, Chile, Italy, Spain and the Asia-Pacific region on site on the 13th May who were keen to see first-hand the Estates and Facilities Services delivered and the partnership in place between Sodexo and UHNM. The team were extremely complimentary about what they observed on the day reflected in the following feedback:

"The whole team were impressed by the quality and scale of the services provided at Royal Stoke and the strong client relationships. You really do have a flagship hospital and what came across so strongly was the genuine and demonstrable pride, passion and enthusiasm for doing what you do. The good work you are doing at Royal Stoke is spreading across the globe".

Private and Public Sector National Awards 2019

At the annual awards ceremony for Private and Public Sector Partnership Awards at London Hilton Park Lane on Thursday, 9th May 2019, we were presented with an award to recognise the best in Public and Private Sector Partnerships.

"It was lovely to see UHNM showcased on the night and is testament to the dedication and commitment of all partners and all UHNM staff involved in ensuring UHNM's PFI partnerships continue to go from strength to strength".

Lorraine Whitehead, Director of Estates, Facilities and PFI

Cabinet Office Supplier Relationship Management Programme (SSRM)

Our Estates, Facilities and PFI Division and private sector partners Sodexo, are taking part in a Supplier Relationship Management Programme (SSRM), led by the Cabinet Office and were asked by the Cabinet Office to host a visit to the Royal Stoke site, to showcase the partnership in practice and all that has been achieved.

The visit took place on Thursday, 9th January 2020 and was attended by Melinda Johnson, Department of Health and Social Care Commercial Director and representatives from her team, alongside senior representatives from the Cabinet Office and NHSIE. Formal feedback from the visit was extremely positive:

"We welcomed the opportunity to visit Royal Stoke University Hospital and see first-hand the excellent collaborative work you have been doing to improve service delivery and patient care, both from an NHS and Sodexo perspective. The feedback from all of us is extremely positive. We really enjoyed the warm welcome, and the great pride shown by everyone we met in their work. One of the key observations was that Sodexo and Trust staff worked so closely that it seemed like you were all part of the same team. We were particularly inspired by the young people on Project Search and the support they get is incredible. Melinda has spoken about the Sodexo PFI relationship with RSUH a few times, it's a great story. Our Commercial Director General is very impressed by the feedback, and has asked for some more detailed briefing from us to highlight your SSRM journey and collaborative approach".

Melinda Johnson, DHSC Commercial Director

Patient Experience and Feedback

We really value the feedback that we receive from our patients, their carers and families. We hear 'patient stories' at our Trust Board each month, which provide us with an opportunity to understand what it was like being a patient in our care and whether there is anything we learn from.

We take every opportunity to learn about how we can make the experience better for our patients and so it's great when we receive positive feedback from them – and it provides a real boost for our staff. Here is just a snippet of the fantastic feedback we've received during 2019/20.

NHS University Hospitals of North Midlands NHS Trust

"Just a note to say how wonderful all the staff were on Ward 223 when I spent a week and a half there recently. In particular, a nurse, Tom Poole, was exceptional in ensuring my stay was comfortable. Thanks again to all the consultants and staff who looked after me."

- STEPHEN -

NHS University Hospitals of North Midlands NHS Trust

"Recently my daughter gave birth to my grandson and we were supported by a very kind midwife called Gill. Theatre staff were all very kind and supportive. Another person I would like to mention is a lady called Jasmine – massive thanks to her. Being in hospital is a very distressing time and so it is wonderful when you encounter staff who make it that much easier!"

- RUTH -

NHS University Hospitals of North Midlands NHS Trust

"I would just like to send my sincere thanks and express how amazing the staff were in Pre-Ams at County Hospital. They were very friendly and helpful, they were lovely. I would be very grateful if you could pass on my thanks and give them my gratitude. They were amazing. Many thanks."

- ELIZABETH -

NHS University Hospitals of North Midlands NHS Trust

"I want to compliment staff in A&E and the MRU at County Hospital for the speedy and professional way I was dealt with. I was seen very quickly by the Triage nurse and was kept informed of the progress of tests.

I can't praise the staff highly enough for their professional manner and for the care they demonstrated to both me and my wife during our stay."

- PAUL -

Staff Development and Wellbeing

We value all of our staff and the important part they play in our hospitals. We know that by investing and supporting our staff, in their wellbeing and their development, we are rewarded with staff who do their very best for our patients.

A key role of our People and Organisational Development Team is to do just that, and here we share some of the fantastic work that they have been doing during 2019/20.

Wellbeing Events	We hosted two Wellbeing Events in collaboration with Team Prevent in June and October 2019. Both events were well attended and with a range of stalls we engaged with our staff around specific elements of support such as wellbeing checks, lifestyle monitoring, counselling service, health eating, fitness and yoga.
Time to Change	In September 2019 our Chief Executive and Director of Human Resources signed an Employer Pledge as an action to end mental health discrimination. We demonstrate senior level buy in and ensure that resources are available to staff to make mental health part of a normal topic of conversation.
Wellbeing Ambassadors	In September 2019 leaders from across the Trust were invited to act as a point of contact and become ambassadors for wellbeing within their Division. They drive the wellbeing elements of Divisional People Plans and help with the implementation of corporate activities.
Dragons Den	In February 2020 our Wellbeing Ambassadors were asked to pitch wellbeing initiatives for a £5000 grant from our Staff Good Causes fund to a panel of executives. This event was a fantastic success and plans are underway to launch these initiatives.
Menopause Event	In January 2020 we hosted our first menopause event supported by Fidelma O'Mahoney, Consultant Obstetrician and Gynaecologist. In preparation for the event, 'Menopause in the Workplace' was written and launched through our communications. It was a huge success and we have further plans for 2020/21.
Healthworks Accreditation	This is an initiative by Stoke-on-Trent City Council to ensure that the City is a 'Great and Healthy Place to Work'. The work to attain accreditation has commenced. There are ten categories in the award ranging from leadership to health eating and living.
CISM	We have over 300 Critical Incident Stress Management (CISM) trained practitioners. This is a brief short intervention that allows staff to offer support to colleagues. It is a structured form of support involving a range of skills. Staff can be trained on either a one day or a three day 'defusing skills' session.
Money and Pensions	We have provided free financial wellbeing advice for staff, including a two day event hosted by the Money and Pensions Service and our Human Resources Department. This was attended by over 250 staff members and further opportunities to attend similar events are now available.
Understanding Complex Response to Trauma	Delivered by 'No One Left Out', three sessions were delivered in February / March 2020 which cover understanding the impact of complex trauma, how it may present and how to respond. 20 staff members accessed the training with a further 45 places being available in 2020 / 21.

Apprenticeships

Our Apprenticeship Programme provides a route into a variety of careers with us and is an excellent opportunity to earn a salary, gain work experience and gain nationally recognised qualifications.

Our apprentices are given a training agreement with an approved work-based Learning Provider.

The apprenticeship is a combination of theory and practice, with much of the learning being assessed here with us in the workplace.

During 2019/20, **195** Apprentices have worked for us in a variety of clinical and non-clinical roles

In February 2020 we participated in the celebrations of National Apprenticeship week

We undertook a number of activities including filming of apprentices and leaders to promote apprentice opportunities

We have undertaken 'Career Walkabouts' at Royal Stoke in partnership with Staffordshire University to promote leadership apprenticeships

Health Education England Funded Projects

We have participated in a number of projects which have supported our patients and staff which have included:

- **Supporting Improvements to our Nursing Workforce**
- **Healthy Lifestyles for our patients**
- **Recommended Summary Plan for Emergency Care and Treatment training**
- **Pharmacy Volunteer Programme**

Training and Transformation

- Frailty training has supported health and care workers across Staffordshire with over 250 delegates trained. Training is being reviewed and changed and will be delivered to an audience of unregistered, registered and advanced individuals.
- Child/young people behavioural pathway/s in North Staffordshire – working with our partners to streamline the referral pathway and identifying training needs.
- Pain services – supporting our pain management clinical lead with making improvements to the referral pathway by connecting with North Staffordshire Combined Healthcare NHS Trust and Midlands Partnership NHS Foundation Trust.
- Supported the first Allied Health Professional conference across Staffordshire.
- Supported a number of overseas doctors to come into the Trust and observe how the NHS works locally
- Provided primary care training for GP Practices in localities to support a number of patient pathways

Work Experience and Widening Participation

We have continued to build upon the strong partnerships we have with our education partners in schools, colleges and universities, connecting to communities, inspiring young people and creating opportunities.

Here we provide some of our joint achievements during 2019/20

We placed over 600 individuals on work placements across the Trust

We developed the 'Step into UHNM' programme for secondary schools aged 15 years to provide an opportunity to experience working within the Trust

We implemented our Palliative and End of Life Care programmes, which included a combination of teaching in the Trust and placement opportunities. The students were all graduating from college and will hopefully go into university or want to work within healthcare.

We held a Young People's conference working in collaboration with our local NHS partners in promoting NHS careers and future workforce engagement

We have supported the Employers Network with work based placements for Special Education Needs students

We led on the Staffordshire NHS Careers event at Stafford Showground which saw over 25 Staffordshire schools and over 500 students attending

We participated in the Armed Forces Veterans Champion Training

We have developed plans as part of the Whole Population Health programme to disseminate oral health resources into more secondary schools within Staffordshire

We have supported St Thomas Moore secondary school with mentoring students who want to pursue a career in healthcare

As part of Cornerstone Employers we have supported young people with a range of work-based opportunities within health to increase knowledge, skills and confidence

Research and Innovation

We recruit thousands of patients per year into studies led by internationally renowned researchers in a variety of areas from novel interventions and drugs to device innovations which aim to improve quality of life and outcomes for our patients. Research nurses and midwives work alongside clinicians, multidisciplinary teams and support services to identify potential research participants, discuss trials with patients and provide care throughout the studies.

Ranked in the top 15% of research active Trusts, we work in partnership with Keele University to deliver ground breaking studies that can help patients all over the world.

During 2019/20:

- We had more than 350 open studies by the end of the year across a wide range of specialities and we recruited over 1000 patients to these studies.
- We continued to support the management and evaluation of the £1.2m Innovate UK Heart Failure Test Bed which uses digital technology to improve early detection of deteriorating health in heart failure.
- We continued our support of the 'FLiP-GD2' study which aims to determine whether women with gestational diabetes mellitus have a higher risk of developing full diabetes.
- Our Academic Development Team submitted 10 grant applications to external funders (value in excess of £4m) and received funding for two of these with the remaining subject to review.
- One of our Emergency Department doctors was awarded £15,000 to undertake a project aiming to improve patient flow and enable services to more easily flex to patient demand.
- We were successful in a bid for £96,000 from the Clinical Research Network Improvement and Innovation Strategic fund to develop an accreditation programme that recognises organisations according to their degree of engagement with patients and public during the research process.

Some of our notable successes are highlighted below:

OPTIMA (early breast cancer study): We were the top recruiting site out of 93 UK sites.

MUSICALE (treatment of multiple sclerosis): We hit our recruitment target within 75 days of opening.

REST (ventilation in respiratory failure): Ranked 2nd out of 33 sites for recruitment to the trial.

RAACENO (asthma attacks in children): 2nd highest recruiting site to the largest UK wide trial.

PostGas (motor neurone disease): We achieved our recruitment target 9 months earlier than planned.

SANDWICH (sedating / weaning children): 100% compliance mark – far exceeding our target.

TRITON (irritable bowel): We are the top recruiting centre to this study.

IMREAL (safety of Atezolizuzab): We recruited the first patient in the UK to this trial.

BESS (infants with bronchiolitis): We recruited the second patient in the UK to this trial.

TUDCA-ALS (motor neurone disease): We recruited the first patient in the North Midlands region,

Part B: Performance Analysis

How we measure performance

Our performance management framework, including Performance Management Review process, provides us with a means of reporting, monitoring, reviewing and improving organisational performance and quality outcomes from 'ward to board'. The framework includes national metrics as set out within NHS Improvement's Single Oversight Framework (SOF), contractual reporting requirements for commissioners and internal Trust measures that align with our strategy and objectives.

Within the SOF there are 5 constitutional standards, this means they are set out within the NHS Constitution as standards which we pledge to achieve. Whilst pledges are not legally binding, they represent a commitment by the NHS to provide comprehensive high quality services. These standards are:

- 4 hour target
- Diagnostic six week waits
- Referral to Treatment (RTT) – 18 weeks
- All cancer 62 day waits
- 62 day waits from screening service referral

The framework enables reporting of regular reports to clinical teams/Divisions, groups and committees, with an overview maintained by the Trust Board. Individual performance targets are overseen by a nominated Executive Director. Where performance or quality metrics are not on target, divisional/directorate teams and corporate leads provide recovery plans, including trajectories for improvement and action planning.

A series of triggers have been identified by our regulators which range from 'maximum provider autonomy' to 'special measures'. These triggers are used to identify potential concerns and as a consequence of our financial position, we have remained within the category of 'special measures' (segment 4) for financial reasons during 2019/20.

Assurance

An Integrated Performance Report is reported on a monthly basis to the Trust Board, with our Performance and Finance Committee, Quality Governance Committee and People and Transformation Committee taking a lead for oversight and scrutiny on different aspects of performance. These arrangements provide assurance across the Trust and to commissioners and regulators. The report identifies exceptions, including positive exceptions where performance has outperformed usual tolerances, or where a target has been failed.

During 2019/20 we have been developing our Integrated Performance Report, taking into account available best practice and with support and guidance from our regulators at NHSIE. Our new report will be launched in 2020/21. This will transform the way we use and view our data; Statistical Process Control methodology is being introduced to key performance metrics, giving a more intelligent and insightful way to review performance and give assurance to the Board.

Care Excellence Framework

Our Care Excellence Framework (CEF) is a unique, integrated framework of measurement, clinical observation, patient and staff interviews and benchmarking. This includes an internal accreditation system that provides assurance from ward to board based on the 5 Care Quality Commission (CQC) domains of caring, safety, effectiveness, responsiveness and well led. The CEF was established in 2016 and is used in

all areas of the organisation, providing a comprehensive vehicle to move us from being 'requires improvement' towards 'good/outstanding'.

The CEF is supported by a bespoke IT system, acting as a data warehouse to store a suite of measures, with the ability to triangulate and present high level and granular information at ward/departmental level, therefore ensuring that ward visits are intelligence driven and tailored. Managers are able to interrogate the system and benchmark themselves against others.

Every ward has at least one CEF visit per year, reviewing all domains and receives ad hoc visits throughout the year to seek assurance on specific domains. The CEF is delivered in a supportive style, fostering a culture of learning, sharing and improving with reward and recognition for improvement.

Benchmarking

Local and national benchmarking information adds intelligence and insight to performance management processes, enabling performance to be analysed and improvements identified in respect of quality, productivity and efficiency.

Risk Management

Our risk management framework provides a mechanism by which uncertainty associated with the delivery of key performance indicators can be identified, overseen and managed. Such risks are identified at an operational level by our Divisional and Directorate Teams and where appropriate, escalated for the attention of the Executive Team via the Performance Management Review Process.

In addition, one of our Strategic Objectives is associated with the achievement of NHS constitutional targets. The Board Assurance Framework is the mechanism by which risks which threaten the achievement of our strategy are identified. Therefore, when developing and reviewing the Board Assurance Framework, members of the Executive Team are required to assess risk of non-delivery of key targets and where identified, these are reported to the Board accordingly.

Financial Performance Review

In 2019/20 the Trust agreed a financial plan with NHSIE to deliver a year break even position. Within this plan the Trust was required to achieve cost improvement programme (CIP) savings of £40m and would receive £24.8m of deficit support relating to the integration of County Hospital. The Trust was able to agree to the Control Total set by NHSIE for 2019/20 and as a result of meeting requirements received £32m of Provider Sustainability, Financial Recovery and Core Marginal Rate for Emergency Admissions (MRET) Funding in 2019/20.

At the end of the financial year the Trust had a surplus of £5.2m against the planned break even position. This was mainly as a result of one off underspends against nursing and administrative budgets.

The Trust set itself a challenging in year CIP target for 2019/20 of £40m, equal to 4.9% of costs in the plan. Of the £40m target the Trust was able to make £36m of savings in year. The main areas of savings related to reductions in workforce expenditure, specifically from premium pay reductions and skill mix efficiencies. Improvements were also made in outpatient utilisation schemes, various income opportunities, and efficiencies from procurement and other non-pay savings.

At the end of 2018/19 the local health economy, comprising of commissioners and providers within the Staffordshire and Stoke on Trent STP, agreed to develop a payment mechanism for 2019/20 that would reduce the risk of contractual disputes and promote the agenda to work collectively on ensuring efficiencies are achieved to reduce the system wide deficit. As a result of this the Intelligent Fixed Payment System came into place in 2019/20 whereby the local providers were funded in relation to their cost base. This has been successful in 2019/20 and the arrangement will continue in 2020/21. The Trust has agreed a similar arrangement in 2020/21 with NHS England who commission specialised services from UHNM.

The 2020/21 Financial Plan shows a further improvement in the financial position from 2019/20. The Trust is again planning a break even financial position with a requirement of a CIP delivery in year of £37.25m, which includes £25m of internal savings and £12.25m of system wide savings. The Trust plans to achieve the proposed NHSIE Financial Improvement Trajectory (FIT) of a break even position in 2020/21. The Trust has submitted a financial plan to achieve the FIT break even position in 2020/21 which includes receipt of £13.5m Financial Recovery funding.

The Board of UHNM is the Corporate Trustee for the UHNM Charity. Charitable income received for the year from donations, legacies and investments amounted to £1.2m. During the year £1.1m was spent on advanced medical equipment, staff development, high quality research and enhancing the hospital environment.

Statement of Comprehensive Income Account: Year Ended 31 March 2020

	2019/20		2018/19	
	£'000	%	£'000	%
Revenue from patient care activities	723,279	86%	632,512	89%
Other operating revenue	117,357	14%	81,326	11%
Total revenue	**840,636**	**100%**	**713,838**	**100%**
Operating expenses	(826,612)	97%	(764,617)	97%
Operating surplus / (deficit)	**14,024**	**2%**	**(50,779)**	**(7%)**
Other gains and losses	40	(0%)	77	(0%)
Surplus / (deficit) before interest	**14,064**	**2%**	**(50,702)**	**(7%)**
Investment revenue	299	(0%)	248	(0%)
Finance costs	(24,190)	3%	(20,604)	3%
Surplus / (deficit) for the financial year	**(9,827)**	**(1%)**	**(71,058)**	**(10%)**
Public dividend capital dividends payable	0	0%	(1,380)	0%
Retained surplus / (deficit) for the year	**(9,827)**		**(72,438)**	

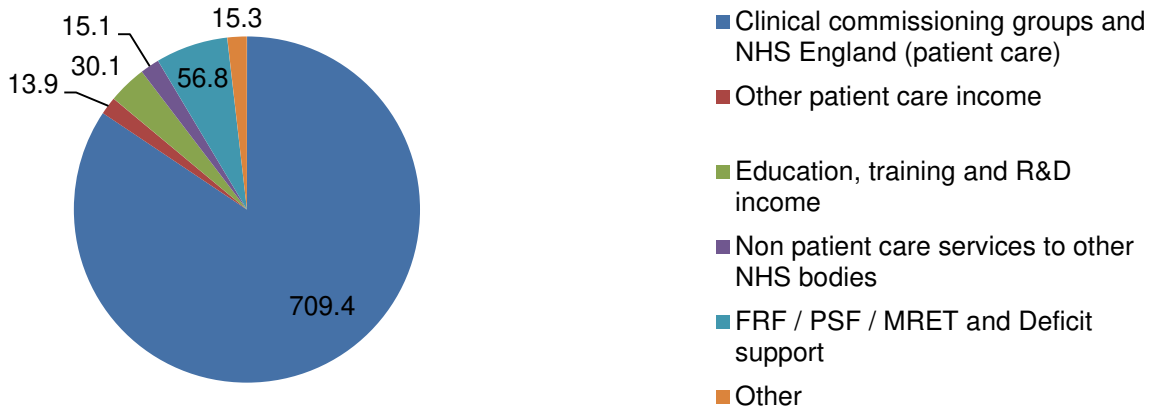
Performance against Breakeven Duty

	2019/20	2018/19
	£'000	£'000
Retained support / (deficit) under IFRS	(9,827)	(72,438)
Impairments	15,057	9,585
Adjustments for donated asset/gov't grant reserve elimination	1	(754)
Actual surplus under UK GAAP	**5,231**	**(63,607)**

Revenue Income

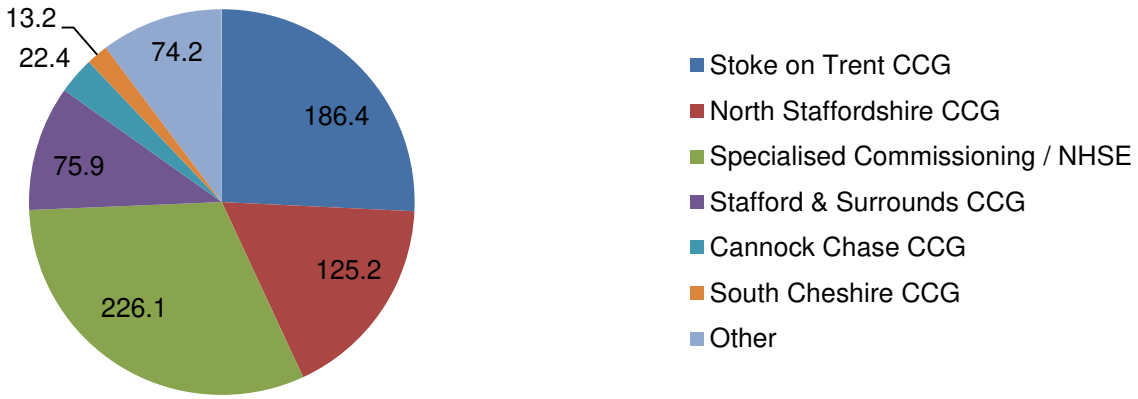
Income in 2019/20 totalled £840.6m. The majority of the Trust's income (£709.4m, 84.4%) was delivered from Clinical Commissioning Groups and NHS England in relation to healthcare services provided to patients during the year. Other operating revenue relates to services provided to other Trusts, training and education and miscellaneous fees and charges.

Summary of Total Income 2019/20



	2019/20	2018/19
	£m	£m
Clinical Commissioning Groups and NHS England (patient care)	709.4	612.1
Other patient care income	13.9	20.4
Education, training and R&D income	30.1	29.7
Non patient care services to other NHS bodies	15.1	12.2
FRF / PSF / MRET and Deficit support	56.8	24.8
Other	15.3	14.6
Total revenue	**840.6**	**713.8**

Summary of Income from CCG's & NHSIE 2019/20



	2019/20		2018/19	
	£m	%	£m	%
Stoke on Trent CCG	186.4	26%	169	27%
North Staffordshire CCG	125.2	17%	113	18%
Specialised Commissioning / NHSIE	226.1	31%	220	35%
Stafford and Surrounds CCG	75.9	10%	83	13%
Cannock Chase CCG	22.4	3%	20	3%
South Cheshire CCG	13.2	2%	12	2%
Other	74.2	10%	16	3%
Total revenue from patient care	**723.3**	**100%**	**633**	**100%**

	2019/20	2018/29	% Change
	£m	£m	%
Revenue from patient care activities	**723.3**	**632.5**	**14%**
Other revenue:			
Medical school (SIFT)	7.4	7.4	(0%)
Junior doctor training (MADEL)	13.7	13.6	1%
WDD funding	4.0	3.9	2%
Research and development	3.5	4.0	(12%)
Non patient care services to other NHS bodies	15.1	12.2	24%
Other Income	73.7	40.2	83%
Total other revenue	**117.4**	**81.3**	**44%**
Total revenue	**840.6**	**713.8**	**18%**

Operating Expenditure

Staff costs at £506.0m represent 61% of the Trusts operating expenditure with clinical supplies and services non pay costs representing a further 19%. A summary of operating expenditure is shown in the table below.

In accordance with the requirement to ensure that the carrying value of land and buildings are not materially misstated the Trust commissioned an independent valuer to carry out an interim valuation exercise in March 2020. This resulted in a reduction in value of £17m in the carrying value of the assets at 31 March 2020 and reflects a decrease in the location factor applied relating to the Staffordshire area and a small increase in the building price indices.

Summary of Operating Expenditure	2019/20	2018/19	% change
	£m	£m	%
Staff costs	506.0	466.7	8%
Other costs	76.3	71.2	7%
Clinical supplies and services	154.1	147.5	4%
Depreciation	28.5	27.6	3%
Premises costs	26.1	21.4	22%
Clinical negligence	20.6	20.6	(0%)
Total operating expenditure before impairments	**811.6**	**755.0**	**7%**
Impairments	15.1	9.6	57%
Total operating expenditure	**826.6**	**764.6**	**8%**

Performance Indicators

The measure of the overall financial performance of the Trust can be expressed using NHSIE's Single Oversight Framework (SOF). This consists of 5 financial metrics where a score of 1 is the highest score and 4 is the lowest score.
The metrics and scores are:

- Capital service cover rating - score 4 (18/19 score 4)
- Liquidity rating - score 4 (18/19 score 4)
- I&E margin rating - score 2 (18/19 score 4)
- I&E margin: distance from financial plan - score 1 (18/19 score 4)
- Agency rating - score 2 (18/19 score 1)

Overall use of resources - score 4 (18/19 score 4)

The Trust will default to an overall score of 4 as it remains in Financial Special Measures.

Capital

Of the capital funding in 2019/20, £17.9m was generated internally from the depreciation of assets and this is predominantly allocated to the replacement of medical equipment, ICT systems and the refurbishment of the Trust's buildings and estate. In addition the Trust was awarded central capital funding totalling £4.1m for a number of investments including IT investments, diagnostic equipment, safety of the Royal Infirmary site and a small amount for items relating to Covid-19 equipment costs. The main areas of capital expenditure are as set out below:

Capital Spend	2019/20 £'000
Medical Assets	
CT Scanner Replacements	1,441
Pathology Tracker	510
Pulmonary Function Testing Equipment	368
Linear Accelerator Replacement Works	348
Paediatric Intensive Care Ventilators	232
Infusion Devices / Syringe Pumps	154
Other Medical Asset Replacement	2,751
Total Medical Assets:	**5,804**
ICT Schemes	
Laboratory Information System	1,833
Microsoft Licences	1,791
Windows 10 Upgrade	1,153
Electronic Prescribing (EPMA)	565
Electronic Patient Letters	400
Cyber Security	388
County Telephone System	331
Robotic Process Automation	224
Sharepoint Upgrade	199
ICT Equipment Replacement	1,165
Total ICT Schemes:	**8,049**
Estates and General Works	
Replacement of Heating Pipework	795
Fire Alarms and Fire Compliance	539
Emergency Lighting Replacement	289
Estates site Maintenance Works	3,267
PFI Lifecycle	1,689
PFI Equipment refresh	1,530
Total Estates & PFI Schemes:	**8,109**
Total	**21,962**

Environmental Matters/Sustainability

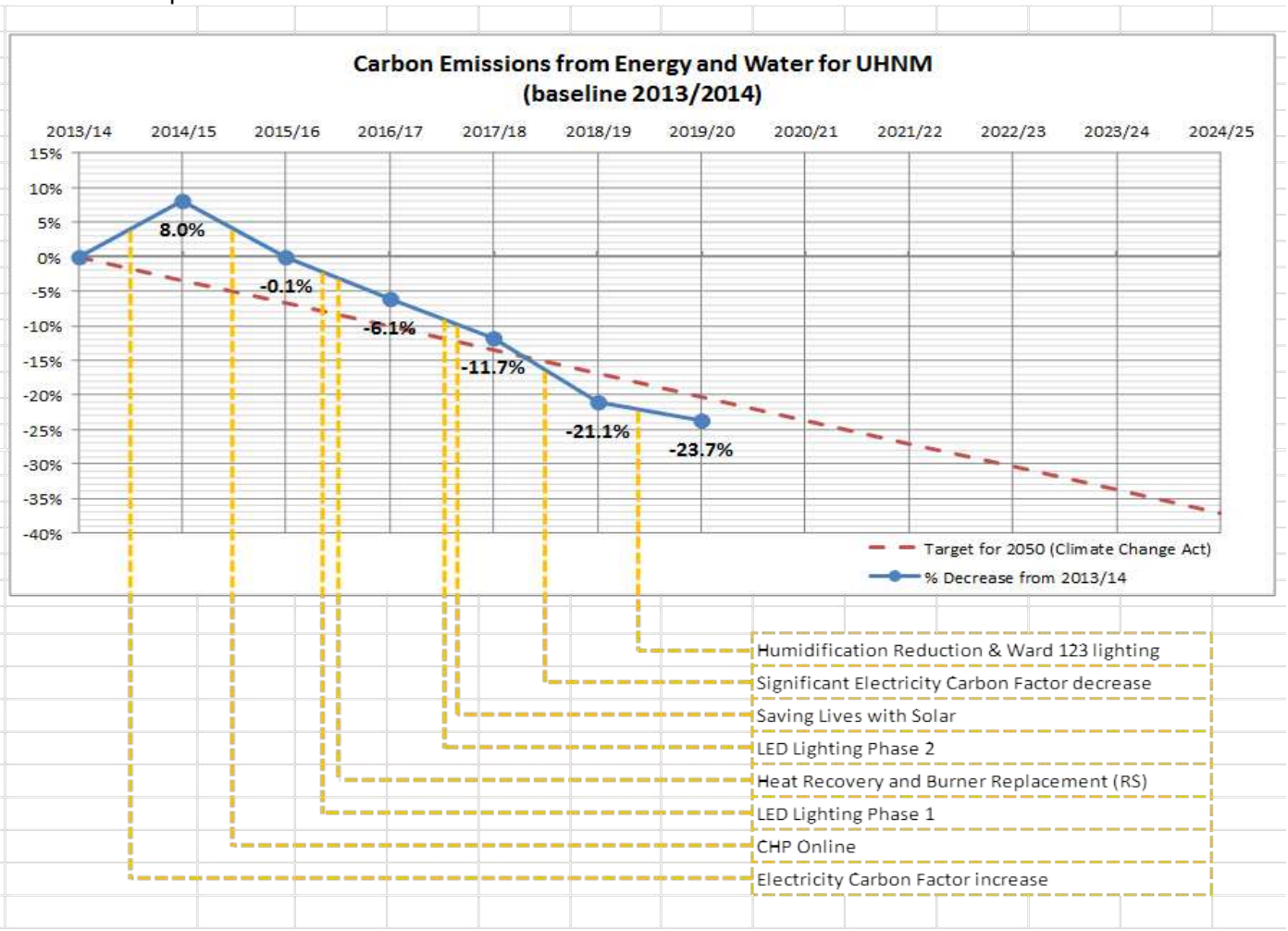
During 2019/20 the sustainability agenda has undergone a refresh in order to ensure both alignment to the numerous, new policy and legislative drivers that compel us to transition into a sustainable, low-carbon Trust and that our plans will deliver excellence in sustainability performance.

Pivotal to this process, has been the production of the 2020-2025 Sustainable Development Management Plan (SDMP) 'Our 2025 Vision: Our Sustainable Future', which provides a comprehensive refresh of the previous SDMP. The Trust Board approved SDMP provides a 5-year strategic approach, whilst simultaneously setting out detailed plans and actions, both required to deliver the vision.

Government Target - Progress

As outlined within the SDMP, we have has committed to contributing to reducing all greenhouse gas emissions to net zero by 2050, in line with the NHS, public health and social care system and UK Climate Change Act target (2019).

The graph below outlines our progress to date on aligning to the 2050 trajectory, factoring in the impact of energy and water efficiency initiatives. Whilst good progress is being made, with time this will become increasingly difficult. Going forwards, the sustainability team will also report on the impact of wider projects, such as transport and waste.



Energy and Water Initiatives

Ward 123 LED Lighting

Lighting in Ward 123 at Royal Stoke was upgraded to high efficiency LEDs. Getting these installed alongside other refurbishment works kept costs down. The new lights will save over five tonnes of CO_2 emissions per year, and produce better quality light.

Artificial Intelligence Trial

We successfully applied for County Hospital to be part of an NHS England funded pilot scheme, to use cutting-edge Artificial Intelligence in Energy Management. This technology should help us to identify energy waste and potential savings.

Restaurant Lighting Control

Lighting in the 'Moments' restaurant at Royal Stoke was designed to be always on. Controls have been added so that the lights will only be on when the restaurant is occupied, and the lights near the windows will go off when it's bright outside.

Reduced Humidification

Ventilation equipment in many areas of the PFI Main Building at Royal Stoke used steam injection to increase the humidity of the air. Following a full year trial, this function can now be removed from most areas, saving 176 tonnes of CO_2 emissions per year.

RO Water Recovery

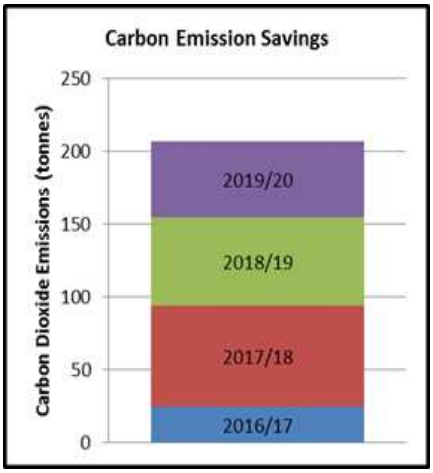
As part of the process of sterilising the water supply system for the Renal department at County Hospital, large quantities of extremely pure RO (reverse osmosis) water was being dumped to drain. This is now being recovered for use in steam boilers.

Air-source Heat Pumps

High efficiency air-source heat pumps have been installed in the new Transport cabins at Royal Stoke. Gap-funded from the energy budget, this heating solution is up to four times more efficient than the basic electric heaters in the original design.

Saving Lives with Solar - Community Energy Scheme

In 2016, we delivered a ground-breaking community energy scheme, named '*Saving Lives with Solar'*. The scheme seeks to prevent readmissions of vulnerable patients whose health conditions are at risk of being exacerbated by living in a cold and damp home.



The scheme (through the performance of solar panels) accumulates an annual 'community fund' which is spent on alleviating fuel poverty in Staffordshire. This is currently being achieved through a unique partnership whereby Staffordshire charity 'Beat the Cold' deliver an intervention for Respiratory and Elderly patients, within their homes. In 2019/20 90 patient referrals were made.

In addition to clinical sustainability, the scheme is also contributing to financial and environmental sustainability through off-grid solar energy generation and associated carbon savings.

The Trust is delighted to report that the scheme has been shortlisted for a 2020 BMJ award. Further announcements will be made later in 2020.

Sustainable Travel and Improving Air Quality

We recognise that, as a major traffic generator, it has an impact on local air quality. As such, we are working in partnership with Staffordshire County Council and Stoke on Trent City Council to promote the 'air aware' campaign.

Travel Plans (2020-2025) have been produced for both Hospital sites which provide a comprehensive refresh of the previous Travel Plans. The Travel Plans provide a framework for implementing site specific measures to facilitate more sustainable ways of travel.

As outlined within the Travel Plans, we are committed to supporting its patients, staff and visitors to access the Hospital sites by public transport and in doing so make a positive contribution to the local community and the environment. In order to improve the experience of those who use public transport we have purchased two new bus shelters (together with seating and timetable information) to be situated on the Royal Stoke Hospital main road. Installation will occur in April 2020.

Tracy Bullock, Chief Executive
DATE

Part C: Accountability Report

Corporate Governance Report

Directors' Report – Our Board

The Trust Board is responsible for the running of our Trust. As our corporate decision making body it considers key strategic and managerial issues; is responsible for setting our vision and strategy and overseeing the way our organisation operates.

The Board met 12 times during the year and consists of the Chair, 6 Executive Directors including the Chief Executive and 6 Non-Executive Directors. A number of other Directors also sit on the Board but do not have voting rights. David Wakefield is Chair of the Trust.

During 2019/20 and up to the signing of the Annual Report and Accounts, the composition of the Trust Board included all Directors shown below:

Non-Executive Directors

David Wakefield, Chairman

David was appointed as chair for a four year term of office on 3 April 2018. David is a qualified accountant and has held several senior executive posts, including Commercial Finance Director for Royal Mail.

He has also held a number of non-executive directorships, including the Chair at other NHS Trusts.

In addition to being Chair of the Trust Board, David chairs the Nominations and Remuneration Committee and is a regular attendee of the Performance and Finance Committee, due to the organisation being in Financial Special Measures.

Gary Crowe, Non-Executive Director / Vice Chair

Professor Gary Crowe was appointed in September 2018 for an initial two year term. He is a University Professor of Innovation Leadership, attending Keele Management School and Loughborough University. He previously held senior commercial positions in strategy, business transformation and risk and financial management as a director and management consultant in the private services sector.

Gary holds a number of external board appointments and is a qualified Chartered Banker and Fellow of a number of professional organisations and learned societies.

Gary is Chair of the Audit Committee and the Transformation and People Committee. He is a member of the Nominations and Remuneration Committee and up until a review of membership in January 2020 was a member of the Performance and Finance Committee.

Andrew Hassell, Non-Executive Director / Senior Independent Director (SID)

Professor Andrew Hassell was appointed in April 2017. He is Head of the School of Medicine at Keele University and is a Consultant Rheumatologist at the Haywood Hospital. He represents the University as a Non-Executive Director on the Board. As well as his clinical and academic activities, Andrew is chairman of the Haywood Foundation, a local charity committed to improving the lives of people with arthritis and related conditions.

Andrew also holds the role of Senior Independent Director, which includes designated non-executive responsibility for our 'Freedom to Speak Up' process.

Andrew is a member of the Quality Governance Committee and a member of the Charity Committee.

Leigh Griffin, Non-Executive Director

Dr Leigh Griffin was appointed in September 2018 for an initial two year term. He has spent 12 years as an NHS Chief Executive and has worked in consultancy practice, specialising in the provision of advice to health systems on transformation, integrated care and population health management.

Leigh has worked in commissioning and commissioning support units during his career and brings a wealth of NHS experience.

Leigh is Chair of the Charity Committee, a member of the Performance and Finance Committee and Transformation and People Committee and up until a review of membership in January 2020 was also a member of the Quality Governance Committee.

Sonia Belfield, Non-Executive Director

Sonia Belfield was appointed in July 2016 for a two year term and reappointed for a second term in July 2018. Sonia is a commercially focussed Human Resources Director who has operated at Board level for over 10 years within a number of different sectors. Sonia is a Chartered Member of the Institute of Personnel and Development and holds a master's degree in Occupational Psychology (Psychology of Work) as well as being a qualified mediator. Sonia also holds a post as a Governor for Reaseheath College in Nantwich.

Sonia is Chair of the Quality Governance Committee and a member of the Audit Committee, Nominations and Remuneration Committee and the Transformation and People Committee. Up until a review of the governance structure, Sonia was also chair of the Professional Standards and Conduct Committee and a member of the Performance and Finance Committee.

Peter Akid, Non-Executive Director

Peter Akid was appointed in September 2018 for an initial two year term. He began his NHS career in 2005 as Chief Executive of the Greater Manchester Procurement Hub and over the first five years took the organisation from strength to strength.

Prior to joining the NHS, Peter held a number of key positions in strategic and operational procurement, both in the public and private sectors.

Peter is a member of the Chartered Institute of Purchasing and Supply and the Chartered Institute of Logistics and Transport. He is also a member of the Royal Institute of Chartered Surveyors.

Peter is Chair of the Performance and Finance Committee and a member of the Nominations and Remuneration Committee, Charity Committee and the Audit Committee.

Ian Smith, Non-Executive Director

Ian Smith was appointed in April 2019 for an initial two year term of office. Ian joined the Trust, having retired from his role as senior coroner for Stoke-on-Trent and North Staffordshire after 15 years in post. He had previously been the deputy coroner for Walsall from 1984 until appointed coroner in 2001 (both part time posts).

Ian graduated from Sheffield University with a law degree in 1974 followed by his professional qualifications at the College of Law in Chester, and then articles with Addison, Cooper, Jesson and Co, Walsall. After he became qualified as a solicitor, he became a partner at Addison, Cooper, Jesson & Co in 1980 and ultimately became the senior partner in the merged firm of Addison O'Hare. He had been both Secretary and President of Walsall Law Society.

Ian is a member of the Quality Governance Committee.

Executive Directors

Tracy Bullock, Chief Executive

Tracy joined us as Chief Executive in April 2019 having qualified as a nurse in 1987 at Bolton Hospitals NHS Trust and throughout her 18 years there she progressed through a variety of roles of increasing responsibility. Tracy also held a seconded role undertaking investigations and reviews for the Commission for Health Improvement, the Health Care Commission and more latterly the Care Quality Commission, until 2019.

In 2006, Tracy joined Mid Cheshire Hospitals NHS Foundation Trust as Director of Nursing and Quality and was subsequently given the responsibilities of Chief Operating and then Deputy Chief Executive until becoming the Chief Executive in October 2010.

Tracy is a member of the Performance and Finance Committee and the Charity Committee.

Helen Ashley, Director of Strategy & Transformation / Deputy Chief Executive

Helen Ashley joined us in 2016 following nearly seven years as Chief Executive at neighbouring Burton Hospitals NHS Foundation Trust. Helen studied social policy and administration at the University Hospital of Nottingham before spending six years as Director of Finance/Deputy Chief Executive at Erewash Primary Care Trust. Helen left this role to become Director of Corporate Development at Burton Hospitals before becoming Chief Executive.

Having joined the NHS as a graduate regional finance trainee and qualifying as a Chartered Management Accountant, Helen has a strong finance background.

Helen is a member of the Performance and Finance Committee, Transformation and People Committee and Charity Committee and is an attendee at the Audit Committee.

John Oxtoby, Medical Director

John Oxtoby was appointed as Medical Director in April 2017, having originally joined us as a Consultant in radiology and nuclear medicine in 1996. His areas of clinical practice are nuclear medicine diagnosis, general radiology, vascular ultrasound and thyroid imaging. He has significant medical management duties and is also our Caldicott Guardian.

After qualifying in 1984, he undertook broad based medical training in the UK and New Zealand between 1984 and 1990.

John is a member of the Quality Governance Committee, Performance and Finance Committee and Charity Committee. Until changes to the governance structure he was also a member of the Professional Standards and Conduct Committee.

Michelle Rhodes, Chief Nurse

Michelle joined us in September 2019 as our Chief Nurse. Michelle qualified as a Registered Nurse from Nottingham School of Nursing in 1989. Since that time she has worked in acute and community settings in Nottingham, Leicester, Staffordshire, Lincolnshire and now back to Staffordshire and Stoke.

Michelle worked as a Director of Commissioning and Executive Nurse in Nottingham City PCT, as Chief Operating Officer at Nottingham University Hospitals NHS Trust and as Interim Chief Operating Officer for Mid Staffordshire NHS Foundation Trust and Director of Operations and Director of Nursing & DIPC at Lincolnshire Hospitals.

Michelle is a member of the Quality Governance Committee, Transformation and People Committee and the Charity Committee.

Ro Vaughan, Director of Human Resources

Ro Vaughan was appointed as Director of Human Resources in December 2014, having acted in the role for a period prior to that. She has a masters in Human Resources leadership and extensive experience of human resources gained in roles within the acute hospital setting and the strategic health authority.

Ro is a fellow of the Chartered Institute of Personnel and Development with over 20 years' experience of complex organisational change management, workforce planning and leadership and organisational development.

Ro is a member of the Transformation and People Committee, Quality Governance Committee and Charity Committee. Until changes to the governance structure Ro was also a member of the Performance and Finance Committee and the Professional Standards and Conduct Committee. Ro is also an attendee of the Nominations and Remuneration Committee in an advisory capacity.

Mark Oldham, Chief Finance Officer

Mark joined us in June 2019 as an experienced Director of Finance having moved from Mid Cheshire Hospitals NHS Foundation Trust where he served 10 years as their Finance Director. Originally joining the NHS from Local Government in 1990 Mark has 30 over years' experience in both the acute and community sector in a wide range of finance roles.

Mark is a member of the Chartered Institute of Public Finance Accountants and has also undertaken further study with the NHS Leadership Academy in respect of Executive Director Development programme.

Mark is a member of the Performance and Finance Committee, Transformation and People Committee, Charity Committee and an attendee of the Audit Committee.

Paul Bytheway, Chief Operating Officer

Paul joined us in 2019 from Portsmouth Hospitals NHS Trusts where he held the position of Chief Operating Officer. Paul came to the NHS after qualifying in Wolverhampton as a nurse in 1995. He moved to London and specialised in emergency department nursing before moving into general management in 2002. Paul remains registered as a nurse and enjoys spending time on 'shadow shifts' with teams across the organisation. Paul has a wide variety of experience, built up from general management roles.

Paul is a member of the Performance and Finance Committee, Quality Governance Committee, Transformation and People Committee and Charity Committee.

Other Directors

Mark Bostock, Director of Information Management and Technology (IM&T)

Mark Bostock joined us from Informatics Merseyside in 2013, an NHS shared service providing Information Management and Technology Services. Mark has worked in NHS IT for over 23 years.

Having worked as a Software Developer and IT Manager for the German engineering organisation Continental, Mark joined the NHS in the mid 1990's and has previously held Director of IM&T roles in Acute and Mental Health Trusts in Preston, Manchester and Liverpool.

Lorraine Whitehead, Director Estates, Facilities & Private Finance Initiative

Lorraine was appointed as Director of Estates, Facilities and PFI in 2017, having worked in the Trust for many years, commencing as an administrative trainee in Trust Headquarters in 1987. Exposure to the executive agenda gave her an appetite to pursue senior management in the NHS as a career path. Lorraine subsequently worked in various managerial roles at all levels before becoming a Deputy Director.

Lorraine has a masters in Facilities Management and is an expert on PFI contract management, having provided HM Treasury and the Private Finance Unit with a case study on her experience and supporting the Department of Health with a review of national guidance on public/private sector contract management.

Naomi Duggan, Director of Communications

Naomi joined us in November 2015 and has a vast amount of experience from both the public and private sectors. She has held senior roles at British Coal, ASDA and Oldham Metropolitan Borough Council. Her NHS career began at Tameside and Glossop Primary Care Trust in 2008 as Director of Public Affairs with Board responsibility for all aspects of strategic communication and engagement. Naomi was appointed as Director of Communications and Engagement at NHS Greater Manchester in 2012.

Naomi has an MBA and is a member of the Chartered Institute of PR. She has provided consultancy support in offering strategic communications and board advice on a number of complex health economy wide transformational projects.

Andrew Butters, Director of Business Development (retired July 2019)

Before moving into his post of Director of Business Development in 2015, which he held until his retirement in July 2019, Andrew worked as Project Director, responsible for the integration of Royal Stoke and County Hospitals. He has over 20 years' experience working at Board level within the NHS with skills in strategy development and implementation, project management, general management and finance.

Prior to joining us, he undertook a range of Chief Executive/director level roles in the NHS and also spent 15 years working in the private sector.

Our Committees

Our governance structure provides the Board with a means of scrutiny and assurance on the key components of our business. During 2019/20 we have undertaken a review of our committee structure which led to the establishment of a Transformation and People Committee. Our Professional Standards and Conduct Committee has become an executive group which reports to the Board through the Transformation and People Committee.

Our committees report directly into the Trust Board, each of which is chaired by a Non-Executive Director. Their effectiveness is reviewed on an annual basis, along with their terms of reference and membership.

Following our review in January 2020, our Committees are:

Audit Committee

The Audit Committee monitors and reviews the establishment and maintenance of an effective system of integrated governance, risk management and internal control across clinical and non-clinical activities.

Performance and Finance Committee

The Performance and Finance Committee monitors and provides assurance to the Board on the performance and achievement of our financial and operational plans, including recovery.

Quality Governance Committee

The Quality Governance Committee monitors and provides assurance to the Board on the performance and achievement of our Quality Strategy. This includes patient safety, patient experience and effectiveness.

Nomination and Remuneration Committee

This is a non-executive only committee that determines the remuneration and terms of service arrangements for executive directors and very senior managers.

Transformation and People Committee

The Transformation and People Committee monitors and provides assurance to the Board on the performance and achievement of People, Research and Innovation and our Transformation Strategies.

Charity Committee

The Charity Committee ensures that charitable funds are managed in line with agreed policies on investment, fundraising and disbursement

Declaration of Interests

Our Standards of Business Conduct Policy defines a conflict of interest as ‘a set of circumstances by which a reasonable person would consider that an individual’s ability to apply judgement or act, in the context of delivering, commissioning, or assuring taxpayer funded health and care services is, or could be, impaired or influenced by another interest they hold’.

A process of registration is in place which requires decision-making staff to declare any interests and is overseen by the Audit Committee. In accordance with national expectations, this information is made available publicly via our website www.uhnm.nhs.uk .

Details of company directorships and other significant interests declared by members of the Board during 2019/20 were as follows:

Director	Interests Declared
Peter Akid, Non-Executive Director	• Non-Executive Director for BCAS Medical 1 Dec 18 to date • Owner of Peter Akid Ltd (Business consultancy) – current clients are NHS SBS / Oxygen Finance. 25 May 18 to date
Helen Ashley, Director of Strategy and Transformation	*Nothing to declare*
Sonia Belfield, Non-Executive Director	Group Human Resources Director – September 2018 to present
Mark Bostock, Director of Information Management & Technology	*Nothing to declare*
Tracy Bullock, Chief Executive	*Nothing to declare*
Paul Bytheway, Chief Operating Officer	St John's Ambulance – County Privy
Gary Crowe, Non-Executive Director	• Stafford Railway Building Society • Keele University • Non-Executive Director, The Dudley Group NHS Foundation Trust (July 19 to present) • Non-Executive Director, Human Tissue Authority (September 19 to present)
Naomi Duggan, Director of Communications	Director of Duggan Creative Limited, 2014 to present
Leigh Griffin, Non-Executive Director	• Manage Leigh Griffin Ltd (health and care consultancy business) - providing coaching to NHS Directors (not UHNM), supporting GP consortia development (not UHNM) • Advisor for IBM Watson Health as a Consultant on Population Health Management, Integrated Care and system transformation
Andrew Hassell, Non-Executive Director	• Head of School of Medicine, Keele University • Rheumatologist at Haywood Hospital (Midlands Partnership NHS Foundation Trust)
Mark Oldham, Chief Finance Officer	*Nothing to declare*
Michelle Rhodes, Chief Nurse	*Nothing to declare*
Ian Smith, Non-Executive Director	• Assistant Coroner at Staffordshire (South) • Judicial College Course Director
Rosemary Vaughan, Director of Human Resources	*Nothing to declare*
David Wakefield, Chair	• Non-Executive Director, Crown Commercial Service • Non-Executive Director, Ofqual
Lorraine Whitehead, Director of Estates, Facilities & PFI	*Nothing to declare*
Andrew Butters, Director of Business Development	*Nothing to declare*
Rob Cooper, Chief Finance Officer	*Nothing to declare*
Elizabeth Rix, Chief Nurse	*Nothing to declare*

Data Security and Protection

For the period between April 2019 and March 2020 there have been no incidents reported to the Information Commissioner's Office (ICO). Further details regarding Data Security and Protection can be found within the Annual Governance Statement.

Executive Director's Statement

Each Executive Director knows of no information which would be relevant to the auditors, for the purposes of their audit report, and of which the auditors are not aware. In addition each Executive Director has taken all steps they ought to have taken, to make themselves aware of any such information and to establish that the auditors are aware of it.

Statement of Accountable Officer's Responsibilities

Statement of Chief Executive's Responsibilities as the Accountable Officer of the Trust

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

These include ensuring that:

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

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

To the best of my knowledge and belief, I have properly discharged the responsibilities set out in my letter of appointment as an Accountable Officer.

Tracy Bullock, Chief Executive
DATE

Statement of the Responsibilities in Preparation of the Financial Statements

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

In preparing those accounts, directors are required to:

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust and to enable them to ensure that the accounts comply with the requirements outlined in the above mentioned direction of the Secretary of State.

They are also responsible for safeguarding the assets of the Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

By order of the Board.

Tracy Bullock, Chief Executive
DATE

Mark Oldham, Chief Finance Officer
DATE

Annual Governance Statement 2019/20

Scope of Responsibility

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

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of policies, aims and objectives of the Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the University Hospitals of North Midlands NHS Trust for the year ended 31 March 2020 and up to the date of approval of the annual report and accounts.

Capacity to Handle Risk

Leadership of the Risk Management Process
The Trust's Risk Management policy sets out the Chief Executive's overarching responsibility for risk management, and defines key leadership roles in respect of the risk management process, including:

- Chief Executive as Executive Lead for Risk Management
- Executive Directors, responsible for identification and management of risks which may threaten the achievement of our Strategic Objectives, via the Board Assurance Framework and corporate risk register
- Associate Director of Corporate Governance, responsible for development and review of our policy, provision of education, training and expertise, facilitation of risk reporting at a corporate level including the Board Assurance Framework and monitoring compliance with risk management processes
- Divisional Chairs, Associate Chief Nurses and Risk Management Facilitators for leadership and implementation of risk management at a Divisional level

Training and Equipping of Staff to Manage Risk
An ongoing programme of Risk Management Training, using a 'workshop' based approach is available to all staff. Whilst open to all, this is targeted at those with specific roles in risk assessment and management. The sessions are led by the Associate Director of Corporate Governance.

These 'action based' learning sessions walk candidates through the risk management process, providing clarity on expectations for risk assessment, escalation and oversight. The programme is specifically designed to equip staff with the knowledge needed to implement the Risk Management Policy and provides opportunities to put their skills into practice through practical exercises. Evaluated feedback has evidenced this to be a successful approach. The training programme has been modified during 2019/20 and covers:

- Background and introduction, providing context to the establishment of the risk management improvement programme, including external, regulatory and Internal Audit findings
- The Risk Management Policy, including definitions of risk, risk management and the purpose of risk registers
- Step by step guide on the risk management process, encompassing identification of risk, describing risk, scoring risk and risk appetite

- Controls, assurances and action planning
- Escalation and oversight of risk

The training materials also share examples of good practice, to facilitate learning. To monitor compliance with the Risk Management Policy, a programme of quarterly audits are in place. These are reported to the Executive Risk Oversight Group and provide recommendations for improvement.

The Risk and Control Framework

Key Elements of the Risk Management Policy
The Risk Management Policy provides a clear framework for the management of risk, covering a number of key elements, including:

Identification of risk via a 'dual' approach:
- Proactive risk identification focusses on our objectives and involves the consideration of any risks which may threaten their achievement
- Reactive risk identification is undertaken in the event of an adverse incident or ongoing issue which requires consideration of a related future risk (i.e. recurrence of an adverse incident)

Evaluation of risk is undertaken through utilisation of a risk scoring matrix. We use a national tool, which we have modified in respect of data security. Risk is evaluated using the following components of scoring:
- Likelihood of the event occurring
- Impact or consequence of the event occurring

Existing controls are identified as part of the risk assessment process and gaps in control are identified as part of action planning. Controls are described as any measure designed to reduce likelihood and/or impact of risk; the implementation of which should inform rescoring.

Existing assurances are identified as part of the risk assessment process. Assurances can be internal or external and when being described, we set out the source of assurance, time period to which it relates and outcome of the assurance (either positive or negative). Sources of assurance are used to inform rescoring of risk.

Risk Appetite has been considered by the Board during 2019/20 and has resulted in the development of a Risk Appetite Statement which was introduced via the Board Assurance Framework during quarters 3 and 4. Risk Appetites levels have been determined by the Executive Team, around the following key themes:
- Quality
- Regulation and Compliance
- Reputation
- People and Resource
- Information Communication and Technology
- Finance and Efficiency
- Health and Safety

Levels of risk appetite range from 'no appetite' to 'high appetite' and these are defined as follows:

LEVELS OF RISK APPETITE	
No Appetite	We are not prepared to accept uncertainty of outcomes for this type of risk.
Low Appetite	We accept that a low level of uncertainty exists but expect that risks are managed to a level that may not substantially impede the ability to achieve objectives.
Moderate Appetite	We accept a moderate level of uncertainty but expect that risks are managed to a level that may only delay or disrupt achievement of objectives, but will not stop their progress.
High Appetite	We accept a high level of uncertainty and expect that risks may only be managed to a level that may significantly impede the ability to achieve objectives.

The Risk Appetite Statement will continue to be developed as our risk management processes continue to mature.

Board Assurance Framework
The Board Assurance Framework provides the structure and process for the Board to focus on the management of key strategic risks which might compromise the achievement of our Strategic Objectives.

During 2019/20, our Board Assurance Framework has continued to be strengthened, building upon feedback from the Board and its Committees and recommendations made by Internal Audit, the Care Quality Commission and NHS England / Improvement through their Well Led Supportive Development Review.

The Board Assurance Framework is considered by the Board and its committees on a quarterly basis. Committee agendas are aligned to the Board Assurance Framework although it is recognised that there is a need to further strengthen these links.

Some of the key developments to the Board Assurance Framework during the year have been:

- Prompts for Committees to consider when scrutinising the Board Assurance Framework
- Introduction of the 'Three Lines of Defence' model

Risk management and the Board Assurance Framework have again been reviewed by Internal Audit during 2019/20, who concluded their report with a 'significant assurance with minor improvements' rating. The review recognised the improvements made in respect of the Board Assurance Framework and highlighted a number of areas of good practice. Areas for development through our improvement programme will provide further focus on compliance with the Risk Management Policy at a divisional level, through audit, training and support.

Quality Governance
Our corporate quality governance arrangements are led jointly by the Chief Nurse and Medical Director. During the year, we asked NHS England and Improvement to review these arrangements, including the arrangements within our clinical divisions, as part of a Well Led Supportive Developmental Review.

As a result of the review, we have streamlined and simplified our structure during 2019/20; implementation and refinement of these revised arrangements will continue into 2020/21. Our quality governance structure is illustrated here.

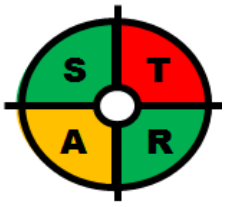
Assurance Map
The purpose of the Assurance Map is to identify the framework of key sources of internal and external reports which the Board and its Committees reply upon when seeking assurance against key organisational objectives and performance indicators.

The Assurance Map is aligned to the business cycles of the Board and its Committees, ensuring that a broad range of performance information and assurance is assessed on a regular basis.

Our Well Led Supportive Developmental Review made recommendations regarding further development of the Assurance Map and this work has commenced during quarter 4 of 2019/20 although will continue into 2020/21.

How the Quality of Performance Information is Assessed
The quality of performance information is assessed through our internal validation processes, which vary dependent upon the indicator.

During 2019/20, we have strengthened our internal validation processes through the introduction of the 'STAR' Assurance Model. This model was developed in collaboration with Data Quality teams across a number of NHS Trusts, along with NHS Digital and the East and West Midlands Academic Health Science Networks.



The STAR model provides the following framework of 'assurance domains', with each domain having a series of questions which are used to attribute a score to the quality of data:

- **S** – Sign off and validation
- **T** – Timely and complete
- **A** – Audit and accuracy
- **R** – Robust systems and data capture

The STAR Assurance Indicator is then used to identify data which has been quality assured through this methodology.

Our Internal Auditors also review the quality of our data as part of their annual programme of work. During 2019/20, their Data Quality review focussed upon a number of key indicators:

- STAR process arrangements
- Venous Thromboembolism Risk Assessments
- Diagnostic Waits
- Cancer Waits
- Appraisals

The concluded with an assessment of significant assurance with minor improvement opportunities for three of these indicators and partial assurance for venous thromboembolism and diagnostic waits. We have an action plan in place to address the recommendations arising from this review and these will be monitored by the Audit Committee throughout 2020/21.

We have continued to face difficulties with the accuracy and reliability of our elective waiting list information following the 'go live' of our IT system in 2016/17. This presented data quality concerns around the reporting of our 18 week Referral to Treatment (RTT) performance and has featured as a key risk for us during the year, within the Board Assurance Framework, corporate and divisional risk registers.

Improving the quality and validity of this information has been a key strand of our Planned Care Improvement Programme. Our RTT recovery plan focusses on informatics software support to give clinicians and administrative teams the tools to access timely, accurate and relevant information to ensure operational delivery of key organisational priorities, a review of training and validation support infrastructure together with capacity and demand planning.

During 2019/20 we have seen an improvement in performance against the RTT target, with an average of 80% delivery from October 2018 and this is set to continue during 2020/21.

Assurance against CQC Registration Requirements
The Care Excellence Framework (CEF), as described within the 'Performance Analysis' section of our Annual Report, is the core means by which we measure compliance with CQC standards on a routine basis. The CEF is used to inform the way we measure progress against our CQC Action Plan and provides the ability to triangulate information and assurance from ward to board. We were inspected by the Care Quality Commission during 2019/20 and their report concluded with 'Requires Improvement' along with two 'Section 31' section 31 notices being imposed upon us. We have made significant progress against the recommendations made as a result of their findings.

In addition, our Clinical Audit team have also undertaken a number of audits as part of the 2019/20 programme as a means of assessing compliance and providing assurance against a number of specific CQC requirements. These have been shared with the Quality and Safety Forum and the Quality Governance Committee via quarterly Compliance and Effectiveness Reports and action plans are overseen by the Clinical Audit Department.

Risks to Data Security

Our Trust Policy for Data Protection, Security and Confidentiality sets out at a high level the framework in place to preserve the security of information and information systems, including confidentiality, integrity and availability. The Trust Policy for Data Protection, Security and Confidentiality is just one of a number of policies in place to ensure the governance of information.

With the introduction of the General Data Protection Regulations (GDPR), our Data Protection Officer has led a detailed programme of work during 2019/20 to ensure the management of risk associated with data security, in accordance with our Risk Management Policy. Breaches in data security are classified as an adverse incident and are managed in accordance with our Incident Reporting Policy.

Incidents and risks associated with data security are overseen by the Information Governance Steering Group, which is chaired by the Medical Director/Caldicott Guardian. This group is also responsible for monitoring compliance with the Data Security and Protection Toolkit.

During 2019/20, our Internal Auditors have reviewed our assessment of compliance with the Data Security and Protection Toolkit and have concluded with a partial assurance with improvement required. The review was undertaken ahead of the initial planned submission date of our toolkit, of 31st March 2020, however, the impact of Covid-19 meant a deferral for submission to 30th September. This has provided additional time for us to evidence our compliance with the toolkit standards. The review focussed on the revised data security standards and found that our systems and processes were consistent with our peers. We have a programme of improvement in place to address the findings of our auditors and we will be working on implementation of this programme throughout 2020/21 ahead of our submission of the Data Security and Protection Tooklit.

Risks Related to the Uncertainty of Brexit

A number of steps were taken throughout the year, to respond to the national EU Exit Operational Readiness Guidance and more specific guidance relating to medicines, supplies, research and workforce, and reported to Committees and the Trust Board.

The Chief Operating Officer was identified as Senior Responsible Officer (SRO) for EU Exit preparation and being responsible for providing information returns to NHS England and Improvement, reporting emerging EU Exit related problems and ensuring that the organisation has updated business continuity plans to factor in all potential 'no deal' exit impacts.

Returns were submitted to NHS England as required, to provide assurance on the Trust's preparedness for a no-deal exit. This included a detailed self-assessment, comprising 65 questions associated with a number of key, nationally set themes. Other returns sought confirmation that risk assessments and business continuity plans specifically in relation to services commissioned for public health, i.e. breast cancer screening, bowel cancer screening, being covered in our readiness preparations.

In addition, a series of risk assessments were undertaken and action plans developed to provide a means of monitoring progress against the specific action points.

Our Brexit Risk and Assurance Group was established to oversee a co-ordinated and timely response during 2019/20 to any further requirements associated with a 'no-deal' exit, as and when necessary, ensuring that Board is sighted on any risks and associated action required.

Major Risks

Major risks are defined as those which could threaten the achievement of our Strategic Objectives (SO) and are managed in accordance with our Risk Management Policy. This includes clinical risk and these are overseen by the Trust Board and its Committees through the Board Assurance Framework. As stated

earlier, the Board Assurance Framework is updated on a quarterly basis, capturing both in year and future risks.

Each risk assessment includes an action plan which identifies how the risk will be managed, through the implementation of additional controls focussed upon reducing likelihood and/or impact of risk. Risk management outcomes are assessed through the identification and review of key sources of assurance, which are aligned to the Assurance Map. Assurance descriptions feature three components; the source of assurance, the time period to which it relates and the outcome of assurance. Outcomes are also assessed through tracking any movement in risk level during the course of the year and this information is presented in the Board Assurance Framework.

Aligned to the Board Assurance Framework, the Board have determined the following to be the organisations major in year and future risks:

2019/20 Risks

Summary of Risk	Key Risk Management / Mitigation	Monitoring
If the Trust is unable to reduce its cost base recurrently within the context of the intelligent fixed payment mechanism, then the Trust may fail to deliver its control total for 2019 / 20 and future years, resulting in an inability to achieve financial sustainability .	• Service line reviews being undertaken with Divisions to identify additional saving opportunities • Performance management via monthly Performance Management Reviews • Develop 2019/20 pipeline into deliverable CIP schemes	• 2019/20 Board Assurance Framework • Monthly finance report provided to Committees and the Board • Monthly CIP report provided to Performance and Finance Committee
If there is insufficient workforce supply to ensure the safety and sustainability of clinical services, including 7 day services, then patient safety may be compromised.	• Targeted recruitment campaigns and open days to attract new employees, particularly focussing on hard to fill posts • Developing the recruitment and selection skills of managers to include values based assessment of techniques and improve recruitment processes • Strategy for Nursing Associates and similar posts to 'Grow our Own' • Action plan to achieve 7 day services compliance	• 2019/20 Board Assurance Framework • Chief Executive's Reports including appointments summary • 7 day services Board Assurance provided to the Quality Assurance Committee • Workforce performance report provided to Performance and Finance Committee / Transformation and People Committee
If the system is unable to work in partnership to ensure the delivery of sustainable services then demand may not be appropriately managed resulting in compromised service provision to our patient population.	• STP/ICS workstreams with improvement plans including unplanned and planned care • Senior representation on the majority of workstreams including programme leadership for Urgent and Emergency / Planned Care	• 2019/20 Board Assurance Framework • Regular monitoring within the Executive Team, Trust Board and via system governance arrangements

A Board Seminar was held at the beginning of 2020 to consider the strategic risks for inclusion within the Board Assurance Framework for 2020/21. As a result of those discussions, the following were identified as strategic risk themes with the intention to further develop these into a revised 2020/21 Board Assurance Framework. However, as the situation with Covid-19 emerged, a brief pause on their development was agreed due to the uncertainty which surrounded the national pandemic.

Further work is being undertaken to revisit these risks in light of Covid-19 and this will be closely scrutinised by the Board and its Committees throughout the course of 2020/21.

High Level Strategic Risk Theme	Additional Links / Context	Scrutiny Committee
Harm Free Care	Including Urgent Care, Patient Experience	Quality Governance Committee
Infrastructure to Deliver Compliant Services	Estate, IT / Cyber Threat, Medical Devices, Capital Availability	Performance and Finance Committee
Leadership / Culture and Delivery of Trust Values / Aspirations	Multiple impacts including links to R&I Strategy	Transformation and People Committee
Sustainable Workforce	Workforce Supply – all types (i.e. nursing / medical / admin / AHP)	Transformation and People Committee
System Working	Horizontal / Vertical Integration, Specialised & Tertiary Services, Geographical Isolation	Transformation and People Committee
Financial Sustainability	Scale of Cost Improvement Programme, TSA / PFI Legacy Issues	Performance and Finance Committee
Development / Delivery of Clinical Strategy	Capacity / Demand, NHS Constitutional Targets	Transformation and People Committee

Summary of Board Assurance Framework at Quarter 4 2019/20

SO	Summary Risk Title	3 Lines of Defence					Risk Level
		1st Line of Defence		2nd Line of Defence		3rd Line of Defence	
		Controls	Assurances	Controls	Assurances		
	Inability to deliver harm free care to our patients	✓	✓	✓	✓	✓	High 9
	Inability to protect the organisation from a cyber-attack	✓	✓	✓	✗	✓	Ext 15
	Inability to ensure compliance with Fire Safety Regulations	✓	✓	✓	✓	✓	High 10
	Transfer of patients from County Hospital	✓	✓	✓	✗	✓	High 10
	Mismatch between capacity and demand and the impact on flow through the Emergency Department / 4 hour A&E performance	✓	✓	✓	✓	✓	Ext 20
	Mismatch between capacity and demand and the impact on elective care waiting times	✓	✓	✓	✓	✗	High 12
	Impact on UHNM of a no deal Brexit	✓	✓	✓	✓	✓	Low 3
	Inability to ensure sustainable recruitment of workforce	✓	✓	✓	✓	✓	High 9
	Inability to ensure our staff are engaged and we are able to retain them	✓	✓	✓	✓	✓	High 12
	Inability to deliver 7 Day Services	✓	✗	✓	✓	✓	High 10
	Lack of infrastructure to deliver the Research & Innovation Strategy	✓	✗	✓	✓	✓	High 12
	Inability to deliver system led priorities	✓	✗	✓	✓	✗	High 12
	Failure to achieve the Financial Plan	✓	✗	✓	✓	✗	High 8
	Failure of the phone system at County Hospital	✓	✓	✓	✓	✗	Ext 15
	Loss of Network (KCOM)	✓	✓	✓	✓	✓	Low 3
	Failure to deliver our annual Statutory and Lifecycle Maintenance Programme	✓	✗	✓	✓	✓	Mod 6
	Insufficient capital to meet estate requirements	✓	✗	✓	✓	✓	High 9
	Retention of unoccupied and deteriorating Royal Infirmary posing risk to public safety	✓	✓	✓	✓	✓	Ext 25
	Insufficient capital to meet IM&T requirements	✓	✓	✓	✓	✓	Ext 16

NHS Improvement's Well Led Framework

Care Excellence Framework

During the year we have continued to use our Care Excellence Framework as the mechanism by which we assess whether our services are 'well led'. This involves a self-assessment at ward/department level using a tool which is based upon Care Quality Commission requirements. The outcome of the self-assessment is validated by the visiting team as part of a Care Excellence Visit and this forms part of the overall rating for the ward/department.

During 2019/20, a number of Care Excellence Visits to wards and departments have been undertaken. However, some were suspended as a result of the Covid-19 situation. The following provides a breakdown of outcomes for the 'well-led' element of those visits:

Well Led Outcome	No. Wards/Departments
Platinum	4
Gold	27
Silver	28
Bronze	0

Board Self-Assessment

In May 2019, the Trust Board held a Time Out, providing opportunity for members to engage in a facilitated discussion focussing on the key features of effective boards, whilst reflecting on what works well and where improvements could be made. During this session, the Board also undertook a self-assessment against the Well Led Framework and identified key areas for Board Development, which sat within the following broad themes:

- Strategy
- Governance
- Performance and Information
- Culture and Behaviours

The self-assessment was undertaken against the Key Lines of Enquiry (KLOE) set out within the NHSIE / CQC Well Led Framework. This process engaged all Board members in the identification of internal and external sources of assurance to evidence compliance against each of the KLOE's, identification of areas for action and an assessment of the current assurance rating, aligned to the scale used by our Internal Auditors.

This programme brings together those outputs, providing a framework for Board Development which has been delivered through the course of 2019/20. The Board Development Programme has been recognised by our regulators as comprehensive and has been shared with partner organisations seeking to adopt best practice.

Supportive Developmental Review by NHSIE

During 2019/20 we asked our regulators at NHS Improvement to undertake a supportive developmental review against the Well Led Framework. This comprehensive process involved a desktop review of Board / Committee and Divisional papers, meeting observations, 1-1 interviews and focus groups with a range of staff. The findings were shared with the Board; this included areas of good practice and areas for improvement. We have used these findings to inform our Board Development Programme and made improvements in relation to our Board Assurance Framework, Corporate Governance Structure and Integrated Performance Report as a result.

Corporate Governance/NHS Provider Licence

The Board is committed to achieving high standards of integrity, ethics and professionalism across all areas of activity. Fundamental to this is our commitment to support the highest standards of corporate governance within the statutory framework; underpinned by a range of key corporate governance policies which are reviewed and updated as required. These policies include:

- Standards of Business Conduct

- Counter Fraud and Anti-Bribery and Corruption
- Standing Orders, Standing Financial Instructions and Scheme of Delegation

The Board subscribes to the NHS Code of Conduct and Code of Accountability and has adopted the Nolan Principles, as set out within our Rules of Procedure (Corporate Governance Framework).

NHS Trusts are subject to oversight by NHS Improvement, which uses the Single Oversight Framework for this purpose. The Single Oversight Framework bases its oversight on the NHS provider licence. During 2019/20, the Trust has remained in 'segment 4 – Special Measures', therefore receiving 'mandated support for significant concerns', in respect of our financial position; a significant risk for us which has featured within our Board Assurance Framework throughout the course of the year.

We are legally obliged to meet certain licence conditions and NHS Improvement has directed that NHS Trusts must self-certify compliance with licence conditions 'G6 and FT4'. The Board is required to undertake a self-assessment against these conditions on an annual basis, having regard to guidance issued by NHS Improvement and where necessary identify actions to mitigate risks to compliance.

An assessment against these conditions was undertaken by the Board and it was determined that compliance could be confirmed against requirements relating to:

- Principles, systems and standards of good corporate governance being in place, in addition to acting upon national guidance in relation to corporate governance
- Effective Board and Committee structures being in place with clear reporting lines between the Board, Committees and Executive Team
- In relation to quality of care, sufficient capability at Board level to provide effective organisational leadership; effective planning and decision-making processes; accurate, comprehensive, timely and up to date information being provided to the Board; active engagement on quality of care with patients, staff and other stakeholders; clear accountability for quality of care
- Responsibilities, capacity and capability of Board members

However, compliance could not be confirmed against other aspects of the declarations relating to:

- Compliance with the conditions of the licence, any requirements from the NHS Acts and NHS Constitution.
- Systems and processes in place to ensure compliance with the duty to operate efficiently, economically and effectively; timely and effective scrutiny and oversight by the Board of operations; compliance with health care standards; effective financial decision-making, management and control; obtaining and disseminate accurate, comprehensive, timely and up to date information for Board and Committee decision-making; identifying and managing material risks to compliance with the conditions of the Licence; generating and monitoring delivery of business plans and ensuring compliance with all applicable legal requirements.

This was on the basis that the Trust had failed to deliver a number of constitutional targets including Referral to Treatment (RTT), 4 hour standard and cancer 62 day standard, although plans were in place to improve performance against the targets in 2019/20. In addition, whilst progress had been made, the Trust continued to be in Financial Special Measures. Going forwards, the Trust approved a plan for 2019/20 which aimed to deliver a break-even position and was able to confirm a control total.

Equality and Diversity

Our Equality and Diversity policy aims to promote equality and diversity and value the benefits this brings. It is our aim to ensure that all staff feel valued and have a fair and equitable quality of working life. Equal opportunities and the embracing of diversity are central to everything we do as an organisation to create a workplace in which people feel valued, treating people fairly and with dignity and respect at all stages of the employment process from recruitment to termination of employment; access to learning and development and career progression.

Our policy ensures that Equality Impact Assessments are integrated into core Trust business, including on services, organisation change and on appropriate policies/procedures. These are monitored by our Human Resources Directorate.

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

Incident Reporting
Our policy for Reporting and Management of Incidents aims to provide, so far as is reasonable practicable, an environment which is free from risks to health and safety. Our staff are required to behave in a manner which will not pose a risk to their or anyone else's health and safety.

Our policy is designed to openly encourage that all adverse incidents and near miss events are promptly reported, accurately documented, properly investigated and any learning shared and acted upon. Serious Incidents where there are opportunities for Trust wide learning are reviewed by our Risk Management Panel which is chaired by our Deputy Medical Director. Analysis and trends associated with adverse incident reporting is monitored at various levels within our quality governance framework, including a high level analysis to the Trust Board.

Whilst work has been undertaken to make further improvements to our incident reporting processes and investigation during 2019/20, this continues to be a key area of focus going into 2020/21.

Developing Workforce Safeguards
NHSIE published 'Developing Workforce Safeguards' in October 2018, with recommendations to support Trusts in making informed, safe and sustainable workforce decisions. Through implementation of these recommendations, the aim is to provide assurance to the Board that workforce decisions promote safety and so comply with Care Quality Commission standards.

The Quality Governance Committee has considered a gap analysis against each of the recommendations; this identified the key strategies and systems in place to provide assurance that staffing processes are safe, sustainable and effective, including:

- Workforce Plan, developed at a corporate level, built up from each directorate/service
- An assessment against the national 'Workforce Planning Toolkit'
- 'Safer Nursing Care Tool' to measure patient dependency
- Regular 'workforce challenge' meetings
- SafeCare module of the HealthRoster system, in use across all adult inpatient clinical areas
- Trust Policy for Duty Rota Administration and Staff Rostering which covers Nursing, Midwifery and Allied Health Professionals
- Staffing Assurance Dashboard, used to generate monthly reports to the Quality Assurance Committee
- MedicOnline system, to record and book consultant and other grade doctors, along with policies and procedures for booking medical locums and reviewing rotas
- Nurse Bank and Locum on Duty systems, to cover unfilled shifts/unplanned challenges
- Quality Impact Assessment
- Care Excellence Framework
- Operational Plan 2018/19
- Incident reporting and escalation

The gap analysis was initially undertaken in January 2019 and reviewed towards the end of 2019/20; this included an assessment of compliance against a range of requirements, summarised below:

Requirement	Assessment
Safe Staffing	**Partially Compliant**
Workforce Planning	**Partially Compliant**
Deployment of Staff	**Partially Compliant**

Evidence Based Tools and Data	**Partially Compliant**
Professional Judgement	**Partially Compliant**
Board Reporting / Assurance	**Compliant**

Where the analysis concluded with an assessment of 'partially compliant', it identified where compliance is being strengthened through improvement of key systems and processes. A particular area for focused improvement is in relation to systems and processes for Allied Health Professionals, which whilst they exist, require further development. Further development of the Quality Impact Assessment process, to ensure it is aligned to the NHSIE model is also being undertaken.

The Trust is not fully compliant with the registration requirements of the Care Quality Commission. This is as a result of two Section 31 conditions being imposed following the 2019 inspection. However, significant work has been undertaken to address the concerns raised and a decision is awaited from the CQC as to whether these conditions can be removed.

Conflicts of Interest
The Trust has published on its website an up-to-date register of interests, including gifts and hospitality, for decision-making staff (i.e. staff at Band 8a and above) within the past twelve months, as required by the 'Managing Conflicts of Interest in the NHS' guidance.

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

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

Covid-19
Towards the end of 2019/20 we were impacted upon by the Covid-19 pandemic which saw us, along with the rest of the county, move into a major incident. In response to this we made a number of changes to our governance and risk management arrangements in order to enable our Executive Team to focus upon the many challenges which the pandemic brought about whilst ensuring that we maintain effective oversight and scrutiny. These changes include:

- Development and approval of interim Terms of Reference for the Board and its Committees, allowing for meetings to be held virtually, non-urgent items of business being deferred where necessary and where appropriate, some items for approval being conducted via email. A full record of any decisions taken in this way was captured via a formal record.
- Decisions taken by the Executive Team were captured at daily 'Huddle' meetings with those of significance being formally reported to the Board via the Chief Executive's report.
- An adaptation of our control environment which saw the establishment of daily Executive Huddle, Tactical, Workforce and Clinical meetings taking place which fed through to a daily 'Gold Command' meeting for consideration of any matters requiring escalation or approval.
- Establishment of an Incident Control Centre as the single point of contact at a corporate level for escalation of risks / issues internally and externally.
- At an operational level, each Division established their own incident management 'cell', providing day to day response and mitigation of operational risk. Each Division is represented on the Tactical Group where any escalations / mitigations are raised.
- A refresh and implementation of business continuity plans aligned to an overarching Covid Pandemic Plan.

- Closer working with system partners and beyond in order that additional capacity could be made available within the community, if required.
- Daily briefings to Non-Executive members of the Board to enable them to remain up to date and to provide challenge as necessary. These were complimented by a weekly virtual meeting with the Chief Executive and Associate Director of Corporate Governance.
- Enhanced 'SitRep' reporting to our regulators, as required.
- Development of a Covid-19 'Board Assurance Framework' which set out the key areas of risk, along with key controls / assurances and appropriate scrutiny Committee.

These arrangements have remained in place as we moved into the new financial year; however, a review of governance arrangements has commenced with a view to resuming 'business as usual' as far as possible, whilst enhancing governance associated with our plans for restoration and recovery.

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

We entered the financial year with a deficit of £63.6m and the Board agreed a financial plan for 2019/20, which included a cost improvement programme (CIP) target of £40.0m. The plan built on the previous year following the Trust being placed in Financial Special Measures in March 2017 due to a worsening financial position at that time, post integration with Mid Staffordshire NHS Foundation Trust in 2014. Substantial progress has been made to stabilise our position and to develop a new culture of financial rigour and operational efficiency, through strengthened financial controls, and The Trust has in 2019/20 exceeded its expectations and delivered a £5.2M surplus prior to technical impairment costs, however we still recognise that we have further work to do with an underlying deficit of £43.7as we enter 2020/21. During the year Deloitte continued to support the Trust in developing and supporting the delivery of the recovery plan. At the same time the Trust has strengthened its processes and capability and going forward we are able to support these agendas internally.

Throughout the course of the year, delivery of our financial plan has been subject to scrutiny and oversight each month via the Performance and Finance Committee and the Board and externally by our regulators, through regular Progress Review Meetings and attendance at key Committees.

We have a range of key financial policies in place, which are designed to ensure that the Trust's financial transactions are carried out in accordance with the law and with Government policy in order to achieve probity, accuracy, economy, efficiency and effectiveness.

Our services are organised into 6 Divisions and are managed through a devolved structure, which is governed by our Scheme of Delegation, defining all key roles and responsibilities. Each Division has dedicated financial and human resources input to support delivery of their plans.

We maintain a strong focus on performance management, as a means by which clinical Divisions are held to account for the delivery of financial and other performance targets. Performance is monitored through our monthly performance management review process, which is chaired by an Executive Director.

Our approach to cost improvement is project based, overseen by our Programme Management Office. In order to ensure delivery of our Financial Recovery Plan, our governance structure includes the Financial Recovery Programme Board at an executive level with board level oversight and scrutiny via the Finance and Performance Committee. Whilst we have continued to embed our governance and oversight arrangements in respect of savings delivery during 2019/20, the scale of our financial challenge has meant that a number of non-recurrent savings schemes have been identified, which we recognise creates a further challenge for the next financial year. However we are seeing significant improvements from previous years with the underlying deficit reducing.

During 2019/20, our Internal Auditors have reviewed our key financial systems and controls in relation to expenditure and concluded with 'significant assurance with minor improvements required'. A number of recommendations, which will remain a focus throughout 2020/21.

Our external auditors give an expert and independent opinion on whether our financial statements are a true and fair view of the Trust's financial position at the end of the financial year. They also provide an expert and independent opinion on whether the financial statements comply with relevant laws. In carrying out their audit, they must have regard to aspects of corporate governance and securing economy, efficiency and effective use of resources.

We had a planned break-even position in 2019/20, however due to previous years deficits we breached the requirement under section 30 of the Local Audit and Accountability Act 2014 to achieve break-even taking one year against another over a three year rolling period. As such, our External Auditors made a referral to the Secretary of State for Health in May 2017 which remains in place in 2019/20. This referral was made under Section 30 of the 2014 Act.

We recognise that this position is set within the context of a wider sustainability gap across the local health and social care economy. To address this challenge, work remains on-going with our system partners, via the Sustainability and Transformation Partnership.

Information Governance

Information governance breaches are reported via our incident management system. The Information Governance Team continues to monitor and review incidents to ensure these are investigated and where deemed serious, a root cause analysis is undertaken. For the period between April 2019 to March 2020 there were no incidents which we were required to report to the Information Commissioner's Office (ICO).

Data Quality and Governance

The Department of Health and Social Care has issued guidance to NHS Trusts on the form and content of annual Quality Accounts.

The Chief Nurse is responsible for the preparation of our Annual Quality Account. This is developed in consultation with internal and external stakeholders and is reviewed in draft form by the Quality and Safety Oversight Group and the Quality Governance Committee who have a key role in scrutinising whether it represents a balanced view.

All performance data is subject to a series of controls to ensure the quality and accuracy of information, which include pre-validation, data quality review and executive sign off.

The Audit Committee's role is to consider the rigour and processes for identifying and defining the services to be reported and the improvements planned, as well as the processes for compiling and interpreting the data used as indicators of performance. The Quality Account is subject to external audit and the findings are reported to the Audit Committee. The Audit Committee then reports to the Trust Board on the robustness of the processes behind the Quality Accounts. However, given the situation with Covid-19, there have been changes to the requirements for the Quality Account for 2019/20 and as a result the requirement for external audit has been excluded.

Due to the particular challenges we have faced with our elective waiting time data, we have continued to deliver a targeted programme of validation of our patient tracking lists (PTL's) to support improvements to the accuracy of our reporting, specifically in relation to the Referral to Treatment target.

Review of Effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, clinical audit and the executive managers and clinical leads within the NHS Trust who have responsibility for the development and maintenance of the internal control framework. I have drawn on the information provided in this annual report and other performance information available to me. My review is also informed by comments made by the external auditors in their management letter and other reports. I

have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee and the Quality Governance Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

2019/20 Internal Audit Programme

KPMG LLP were appointed as our Internal Auditors, as of 29th July 2016. At the beginning of 2019, they engaged members of the Executive Team in the scoping of areas to be reviewed as part of the 2019/20 Internal Audit Plan. The plan was presented to the Audit Committee in April 2019 and was based upon a risk analysis of our operations, aligned to our Board Assurance Framework. The plan covered an assessment of controls across a range of strategic, clinical, operational and financial areas and was designed to add value and deliver assurance required by the Audit Committee in the production of the Head of Internal Audit opinion. Upon completion, the plan was reported to the Audit Committee with the following findings:

Assignment	Conclusion
Programme Management Office Governance	Significant Assurance with Minor Improvement Opportunities
Procurement	Significant Assurance with Minor Improvement Opportunities
EASY System	Significant Assurance
Stock Management – Pharmacy	Significant Assurance with Minor Improvement Opportunities
Private Finance Initiative Contract Management	Significant Assurance with Minor Improvement Opportunities
Board Assurance Framework and Risk Management	Significant Assurance with Minor Improvement Opportunities
Financial Controls	Significant Assurance with Minor Improvement Opportunities
Data Security and Protection Toolkit	Partial Assurance with Improvement Required
Clinical Audit (advisory)	n/a - Advisory
Data Quality Review	Partial Assurance with Improvement Required
Temporary Staff Management (Medical Staff)	Significant Assurance with Minor Improvement Opportunities

Head of Internal Audit Opinion

The Head of Internal Audit (HoIA) is required to provide an annual opinion in accordance with the Public Sector Internal Audit Standards, based upon and limited to the work performed, on the overall adequacy and effectiveness of the Trust's risk management, control and governance processes (i.e. the system of internal control). This is achieved through a risk based programme of work, agreed with management and approved by the Audit Committee, which can provide assurance, subject to the inherent limitations described below.

The basis for forming the opinion is as follows:

- An assessment of the design and operation of the underpinning aspects of the risk and assurance framework and supporting processes;
- An assessment of the range of individual assurances arising from risk based internal audit assignments that have been reported throughout the year. This assessment has taken account of the relative materiality of these areas and;
- An assessment of the process by which the organisation has assurance over registration requirements with regulators.

The overall opinion for the period 1 April 2019 to 31 March 2020 is as follows:

'Significant assurance with minor improvements required' can be given on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.'

The Trust's Assurance Framework does reflect the Trust's key objectives and risks and is regularly reviewed by the Board. The Executive reviews the Assurance Framework on a quarterly basis and the Audit Committee reviews whether the Trust's risk management procedures are operating effectively.

We issued two 'partial assurance' report and no 'no assurance' opinions in respect of our 2019/20 assignments. The partial assurance reports related to the following subjects:

Data Security and Protection Toolkit – we assessed 20 of the 40 assertions within the toolkit as part of the increasing information governance agenda. At the time of our review we identified that five assertions were still to be completed ahead of the submission deadline but considered five to be overstated and requiring additional work and/or evidence to justify completion.

Data Quality – within our data quality reporting we made an assessment of partial assurance for two key performance indicators reviewed: VTE and Diagnostic waits.

We raised one high risk recommendation in the period which relate to:

Data Security and Awareness training – the Trust had reported significantly improved performance of 90% of employees were up to date with training requirements. However, from the audit trail provided, there appeared to be data quality issues with the training report which therefore raises concerns over the accuracy of the data being recorded and reported. We were unable to ascertain what percentage of new starters since April 2019 had completed Data Security Awareness Training as the report provided did not show HR start dates for all staff.

This does not prevent us from issuing significant with minor improvements assurance as the organisation is implementing the recommendations raised as a result of our work to address the issues identified.

Conclusion

As Accountable Officer, my review concludes that there have been some key achievements during the year 2019/20 and I have been assured by the positive conclusions reached by our Internal Auditors in respect of our:

- Programme Management Office Governance
- Procurement
- EASY System
- Stock Management – Pharmacy
- Private Finance Initiative Contract Management
- Board Assurance Framework and Risk Management
- Temporary Staff Management (Medical Staff)

As our Head of Internal Audit Opinion confirms, we have made considerable improvements in the effectiveness of our framework of governance, risk management and control, which is demonstrated through our improved assurance rating when compared to our previous ratings.

I am therefore assured that there is a generally sound system of internal control and in conclusion, there are no significant internal control issues which have been identified.

Tracy Bullock, Chief Executive
DATE

Modern Slavery Act Declaration

Section 54 of the Modern Slavery Act 2015 requires our organisation to prepare a 'slavery and human trafficking statement' for each financial year, setting out the steps that have been taken during the year to ensure that slavery and human trafficking is not taking place in its supply chains or its own business.

Anti-Slavery Statement

This statement, made pursuant to section 54(1) of the Modern Slavery Act 2015, sets out the approach taken by University Hospitals of North Midlands NHS Trust to understand all potential modern slavery risks related to its business, and the actions undertaken to mitigate any such risks during the financial year ended 31 March 2020.

Our Board is committed to delivering high standards of corporate governance and a key element of this is managing the Trust in a socially responsible way. We are committed to preventing slavery and human trafficking in our corporate activities and through our supply chains and we expect the same high standards from those parties with whom we engage. During the course of the year, we have emphasised our commitment through a number of mechanisms:

Recruitment and Selection

Our policies and procedures in relation to recruitment and selection of staff ensure that we comply with all employment, equalities and human rights legislation. This includes the prevention of slavery and human trafficking.

Safeguarding Arrangements

Modern Slavery was identified as a separate category of abuse in the Care Act 2014 and as such sits within our safeguarding agenda for adults who have care and support needs. Our policy and procedures in relation to safeguarding refer to Modern Slavery including Human Trafficking and identifies possible indicators for staff to lookout for and sets out the procedure of how to raise safeguarding concerns.

We deliver mandatory safeguarding awareness training to all staff which includes identifying Modern Slavery as a category of abuse. In addition to this we provide an enhanced level of safeguarding training to all of our qualified clinical staff which discusses in more depth the categories of abuse including Modern Slavery.

Supply Chain

Our Supply Chain is made up of a number of large multi-national companies, Small to Medium Enterprises (SME's) and small local suppliers who make up a total of 3926 live suppliers to the Trust at this current time. The location of supplier premises and manufacture locations are spread globally but the vast majority are situated in the European Union, where it is estimated that several hundred thousand people work for the aforementioned suppliers although not all these people work on UHNM related goods and services.

We have ensured that Anti-Slavery related provision is contained in both our Standard Terms and Conditions of Purchase which are issued with every Purchase Order and all tender documentation issued by the Trust.

Due to the nature of our business and our approach to governance and risk management, we assess that there is low risk of slavery and human trafficking in our business and supply chains. However we will continue to periodically review the effectiveness of our relevant policies, procedures and associated training to ensure that the risk remains low.

We do not have key performance indicators in relation to slavery or human trafficking as any instance would be expected to be a breach of law, our supplier standards and/or our local policies and therefore acted upon accordingly.

Remuneration and Staff Report

Remuneration Report

Remuneration and terms of service for Executive Directors (i.e. Board voting and non-voting members), the Chief Executive and posts assigned to the 'Very Senior Manager framework' are agreed, and kept under review by the Trust Nominations and Remuneration Committee.

This Committee monitors and evaluates the annual performance of individual directors, with the advice of the Chief Executive.

The annual work programme for the Committee includes evidence based review and benchmarking of Executive Director salaries in comparison to national lower and upper quartile benchmarks. This exercise is undertaken in order to maintain awareness of arrangements in other organisations, which may be of relevance and any changes to Executive Director salaries are considered by the Committee on receipt of this information.

Where there is a vacancy in a permanently established post, it is usual practice to make a permanent appointment. All senior managers have a notice period of three months and Executive Directors have a notice period of six months. Non-Executive Directors are appointed with NHS Improvement on fixed-term contracts, which may be renewed. Compensation for early termination of Executive Directors provides payment in lieu of notice, except in cases of summary/immediate dismissal. Any termination payments which fall outside the standard provisions of the Contract of Employment must be approved internally by the Committee. Severance packages which fall outside the standard provisions of the Contract of Employment must be calculated using standard guidelines and any proposal to make payments outside of the current guidelines are subject to the approval of HM Treasury, via NHS Improvement.

Salaries and Allowances

The table below sets out the amounts awarded to all Board members and where relevant, the link between performance and remuneration. There have been no performance pay or bonuses paid to any of the Directors in either financial year. The remuneration information disclosed in the tables below have been subject to audit.

	2019/20				2018/19			
Board Member	**Salary** (bands of £5,000) £000	**Expense Payments** (taxable) total to nearest £100 £	**All pension related benefits** (bands of £2,500) £000	**Total:** (bands of £5,000) £000	**Salary** (bands of £5,000) £000	**Expense Payments** (taxable) total to nearest £100 £000	**All pension related benefits** (bands of £2,500) £000	**Total:** (bands of £5,000) £000
Current Voting Board Members:								
Tracy Bullock **Chief Executive**	215-220		537.5-540	755-760				
Paul Bytheway **Chief Operating Officer**	120-125		57.5-60	180-185				
Mark Oldham **Chief Finance Officer**	145-150		90-92.5	235-240				
John Oxtoby **Medical Director**	225-230			225-230	210-215			210-215
Michelle Rhodes **Chief Nurse**	70-75			70-75				

Board Member	2019/20 Salary (bands of £5,000) £000	2019/20 Expense Payments (taxable) total to nearest £100 £	2019/20 All pension related benefits (bands of £2,500) £000	2019/20 Total: (bands of £5,000) £000	2018/19 Salary (bands of £5,000) £000	2018/19 Expense Payments (taxable) total to nearest £100 £000	2018/19 All pension related benefits (bands of £2,500) £000	2018/19 Total: (bands of £5,000) £000
Ro Vaughan **Director of HR**	130-135		17.5-20	150-155	125-130		15-17.5	140-145
David Wakefield **Chairman**	60-65			60-65	55-60			55-60
Peter Akid **Non-Executive Director**	5-10	1.9		10-15	0-5			0-5
Sonia Belfield **Non-Executive Director**	5-10			5-10	5-10			5-10
Gary Crowe **Non-Executive Director**	5-10	1.6		10-15	0-5			0-5
Leigh Griffin **Non-Executive Director**	5-10	0.4		5-10	0-5			0-5
Andrew Hassell **Non-Executive Director**	5-10			5-10	5-10			5-10
Ian Smith **Non-Executive Director**	5-10	0.4		5-10				
Previous Voting Board Members:								
Helen Ashley					160-165		45-47.5	205-210
Stephen Burgin					0-5			0-5
Jean Challiner					5-10			5-10
Paula Clark					180-185			180-185
Robert Cooper					80-85	2.6		85-90
John Marlor					0-5			0-5
Elizabeth Rix*	15-20			15-20	85-90			85-90
Patricia Rowson	50-55			50-55				
Andrew Smith					0-5			0-5
Jonathan Tringham**								
Nicholas Young					0-5			0-5

* Liz Rix retired and returned during 2018/19 leading to a reduction in her remuneration and pension related benefits

**Jonathan Tringham is on the payroll of another local NHS employer and the cost is transferred to UHNM. The total cost paid for the one month remuneration as a Director in 2018/19 was £10-15k and for the two months in 2019/20 was £25-30k, however these figures also include the employers contributions, overheads and non-taxable expenses.

- There has been no performance pay or bonuses paid to any of the Directors in either financial year.
- The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20, less the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights. This value does not represent an amount that will be received by the individual. It is a calculation that is intended to convey to the reader of the accounts, an estimation of the benefit that being a member of the pensions scheme could provide.
- All taxable expenses paid during the year were in relation to home to work mileage claims.
- The information disclosed above has been subject to audit.

Exit Packages for Staff Leaving in 2019/20

Exit Package Cost Band (including any special payment element)	2019/20 Number of compulsory redundancies	2019/20 Number of other departures agreed	2019/20 Total number of exit packages by cost band	2018/19 Number of compulsory redundancies	2018/19 Number of other departures agreed	2018/19 Total number of exit packages by cost band
Less than £10,000	10	0	**10**	1	4	**5**
£10,001-£25,000	15	0	**15**	5	11	**16**
£25,001-£50,000	8	0	**8**	2	5	**7**

	2019/20			2018/19		
Exit Package Cost Band (including any special payment element)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
£50,001-£100,000	3	0	**3**	3	3	**6**
£100,001 - £150,000	0	0	**0**	0	0	**0**
£150,001 - £200,000	0	0	**0**	1	0	**1**
>£200,000	0	0	**0**	0	0	**0**
Total number of exit packages by type	**36**	**0**	**36**	**12**	**23**	**35**
Total resource cost (£'000)	**785**	**0**	**785**	**533**	**595**	**1128**

- Redundancy and other departure costs have been paid in accordance with standard NHS terms and conditions
- This disclosure reports the number and value of exit packages agreed with staff during the year.
- The remuneration information disclosed in the tables above have been subject to audit.

Pension Benefits

	2019/20							
Board Member	Real increase / (decrease) in pension at age 60 (bands of £2,500)	Real increase / (decrease) in pension lump sum at age 60 (bands of £2,500)	Total accrued pension at age 60 as at 31 March 2020 (bands of £5,000)	Lump sum at age 60 related to accrued pension at 31 March 2020 (bands of £5,000)	Cash Equivalent Transfer Value as at 1 April 2019	Real increase in Cash Equivalent Transfer Value	Cash Equivalent Transfer Value as at 31 March 2020	Employers contribution to stakeholder pension
	£000	£000	£000	£000	£000	£000	£000	£000
Tracy Bullock	22.5-25	57.5-60.0	100-105	250-255	1,520	525	2,081	
Paul Bytheway	2.5-5	2.5-5	45-50	95-100	657	43	747	
John Oxtoby			60-65	180-185	1,438	9	1,487	
Mark Oldham	5-7.5	5-7.5	65-70	160-165	1,133	86	1,289	
Michelle Rhodes			35-40	110-115	859		810	
Rosemary Vaughan	0-2.5	5-7.5	60-65	180-185	1,303	52	1,411	

- As Non-Executive members do not receive pensionable remuneration, there will be no entries in respect of pensions for Non-Executive members.
- The pensions information disclosed in the table above has been subject to audit.

Cash Equivalent Transfer Value (CETV)

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures and the other pension details include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in CETV reflects the increase in CETV effectively funded by the employer. This calculation does not take account of any increase due to inflation or contributions paid by the employee.

Pay Multiples

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

The banded remuneration of the highest paid director in the Trust in the financial year 2019/20 was £225,000 to £230,000 (2018/19 was £210,000 to £215,000).

This is based on a full time equivalent, annualised calculation. This was 9 times (2018/19: 8 times) more than the median remuneration of the workforce, which was £26,520 (2018/19 £25,163).

In 2019/20, 3 employees (2018/19 13 employees) received remuneration in excess of the highest paid director. The range of staff remuneration during 2019/20 was £5,000 - £10,000 to £315,000 - £320,000 (2018/19 £0 - £5,000 to £320,000 - £325,000).

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

Consultancy

Expenditure on consultancy services for the year 2019/20 was £3.4m, compared to £3.9m in 2018/19.

Off Payroll Engagements

As part of the Treasury's Annual Reporting Guidance 2012-13, Government Departments are required to report information relating to off-payroll engagements. Therefore NHS bodies are required to include information on any such engagements allowing for consolidation.

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

Off Payroll Engagement Longer than 6 Months	Number
Number of existing engagements as of 31 March 2020	0
Of which, the number that have existed:	
for less than one year at the time of reporting	0
for between one and two years at the time of reporting	0
for between 2 and 3 years at the time of reporting	0
for between 3 and 4 years at the time of reporting	0
for 4 or more years at the time of reporting	0

All existing off-payroll engagements have at some point been subject to a risk based assessment as to whether assurance is required that the individual is paying the right amount of tax.

For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020, for more than £245 per day and that last longer than 6 months:

New Off-payroll Engagements	Number
No. of new engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020	0
Of which, the number that have existed:	
that fall under the remit of IR35	0
that do not fall under the remit of IR35	0
Number engaged directly (via PSC contracted to department) and are on the departmental payroll	0
Number of engagements reassessed for consistency / assurance purposes during the year	0
Number of engagements that saw a change to IR35 status following the consistency review	0

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

Board Member / Senior Official Off-payroll Engagements	Number
Number of off-payroll engagements of board members, and/or senior officers with significant financial responsibility, during the financial year	0
Total number of individuals on payroll and off-payroll that have been deemed 'board members, and/or, senior officials with significant financial responsibility', during the financial year. This figure must include both on payroll and off-payroll engagements.	0

Staff Report

As a large acute Trust we face many challenges. In order to meet those challenges and seize opportunities for the future it is essential that we have the right people in the right jobs with the right skills mix at the right time. Our People Strategy supports all that we do to attract, recruit, develop, retain, support and reward our staff and teams to meet our future goals and aspirations. The Human Resources Department has a major role in driving the people agenda but it requires each and every one of us to play our part in making UHNM a great and successful place to work.

Here we provide an analysis of our 2019/20 staff numbers and costs.

Our Workforce

At 31 March 2020, we had a workforce of 9656.43 WTE (10,941 headcount). This is excluding bank workers and honorary contracts. Our staffing is made up of a variety of roles and pay scales and provides an overview of our workforce.

Senior Managers

Analysis of our senior managers is listed below:

	Headcount		WTE	
Pay scale	**Female**	**Male**	**Female**	**Male**
Band 8a	84	33	80.45	32.60
Band 8b	27	6	26.80	6.00
Band 8c	9	7	8.32	7.00
Band 8d	6	5	6.00	5.00
Band 9	1	1	1.00	1.00
Senior Manager	21	14	20.31	13.85
Director	6	2	6.00	2.00
Grand total	**154**	**68**	**148.87**	**67.45**

Staff Numbers

Staff Group*	Full Time Equivalents (WTE)		
	Permanent	**Fixed Term Temporary**	**Total**
Professional Scientific and Technical	369.99	1.99	**371.97**
Clinical Services	2085.69	93.83	**2179.52**
Administrative and Clerical	1675.15	77.63	**1752.77**
Allied Health Professionals	484.94	7.20	**492.14**
Estates and Ancillary	454.83	5.80	**460.63**
Healthcare Scientists	281.58	7.81	**289.39**
Medical and Dental	570.53	607.31	**1177.84**
Nursing and Midwifery Registered	2884.73	47.42	**2932.15**
Grand total:	**8807.44**	**848.99**	**9656.43**

*excludes bank, agency and staff out on secondment.

Staff Costs

	Full Time Equivalents (WTE)		2019/20 Total £000	2018/19 Total £000
	Permanent £000	Other £000		
Salaries and wages	359,460	24,534	**383,994**	**370,076**
Social security costs	33,378	2,480	**35,858**	**34,777**
Apprenticeship levy	1,844	-	**1,844**	**1,799**
Employer's contributions to NHS pensions	62,911	1,580	**64,491**	**43,481**
Pension cost - other	84	9	**93**	**55**
Other post-employment benefits	-	-	**-**	**-**
Other employment benefits	-	-	**-**	**-**
Termination benefits	-	-	**-**	**763**
Temporary staff		18,385	**18,385**	**17,338**
Total gross staff costs	**457,677**	**46,988**	**504,665**	**468,289**
Recoveries in respect of seconded staff			**-**	**-**
Total staff costs	**457,677**	**46,988**	**504,665**	**468,289**
Of which				
Costs capitalised as part of assets	696	-	**696**	**1,566**

Staff Composition

Staff Group	Part Time			Full Time		Total
	Male	Female	Undeclared	Male	Female	
Director	0	0	0	2	6	**8**
Senior Managers (Band 8a – 9)	2	22	0	64	126	**214**
Other employees	463	4427	0	1877	3952	**10719**
Grand total:	**465**	**4449**	**0**	**1943**	**4084**	**10941**

- The information disclosed in the tables above has been subject to audit.

Sickness Absence

The sickness rate at 31 March 2020 (cumulative for the 12 months from 1 April 2010 to 31 March 2020) was 4.69% (4.48% at 31st March 2018).

Staff Policies applied during the Financial Year

Our People Strategy outlines how we will lead and support staff to achieve our 2025Vision and sets out our aims to provide a positive work environment that promotes an open, supportive and fair culture which helps our staff to do their job to the best of their ability and ensure delivery of high quality care.

We have a number of policies in place to ensure that as an organisation, we fulfil our obligations under equality, diversity and human rights legislation. We want staff to work to the very highest standards, to be able to communicate openly in an organisation which respects people's views, and values individuals and teams. We encourage and recognise high performance in a results-driven environment and will support individual and team development to deliver the organisations goals.

We know that excellent staff experience leads to excellent patient experience and improved patient outcomes. The People Strategy is supported by the Trust's workforce plan, and is aligned to both the learning and education strategy and the organisational development strategy.

We operate a full suite of HR policies, 47 in total, covering the whole employee life cycle. These can be made available to the public and our website http://www.uhnm.nhs.uk, provides guidance on how to access them.

- HR08 **Recruitment and Selection Policy**: We believe that unlawful discrimination is unacceptable and we are committed to recruiting staff in accordance with our Equality and Diversity Policy. Applicants are selected solely on objective, job related criteria and their ability to do the job applied for with no discrimination on the grounds of ethnic origin, nationality, disability, gender, gender reassignment, marital status, age, sexual orientation, trade union activity or political or religious beliefs. We provide appropriate assistance to ensure equality for all.
- For Appointments Advisory Committees to recruit to permanent Consultant posts, all members of the panel are required to have received training in Equal Opportunities.
- HS17 **Occupational Health Policy** - The role of occupational health is to help protect and promote the health and wellbeing of staff in the workplace. Workplace Health Assessment checks are also carried out to provide advice to managers, where necessary, on employee needs or any reasonable adjustments required to the work environment or structure in accordance with the Equality Act 2010.
- HR12 **Equality and Diversity Policy**: As a major employer and service provider we are committed to building a workforce which is valued and whose diversity reflects the community it serves, enabling it to deliver the best possible healthcare service to those communities
- Appropriate mandatory training is provided to ensure that staff and managers understand their responsibilities under the Policy. Equality, diversity and inclusion themes are integrated into other Trust learning and development programmes as appropriate
- The principles of the **Equal Opportunities Policy** are incorporated into the Trust's Corporate Induction course and included in all local induction packages for newly appointed employees. This is also included in statutory and mandatory training as outlined in Trust policy HR53 **Statutory, Mandatory and Best Practice and the Training Needs Analysis**. All training should be recorded within staff personal record ideally on our electronic staff record.

Equality and Diversity

As a major employer, we are committed to building a workforce which is valued and whose diversity reflects the community we serve, so that we can deliver the best possible healthcare to those communities. We want everyone who comes into contact with us to be treated fairly, with respect, dignity and compassion. We are proud of our diverse community of staff, patients, their friends and families and the communities we serve and our Equality and Diversity Inclusion Programme aims to ensure we are delivering this commitment.

Our Equality and Diversity Policy takes into account legislation and guidelines issued by the Equality and Human Rights Commission on compliance with the Equality Act 2010. We aim to ensure that all patients, applicants, employees, contractors, agency staff and visitors receive appropriate treatment and are not disadvantaged by conditions or requirements which cannot be shown to be justified. This is particularly on the grounds of a protected characteristic as defined in the Act.

Some key developments during 2019/20 are illustrated below:

Rainbow Badge Launch

September 2019 saw the launch of our Rainbow Badge Initiative, supported by UHNM Charity. Wearing the badge is a way to show that we are an open, non-judgemental place for staff, patients and their families who identify as LGBT+. Over 200 staff are now wearing the badge.

Inclusivity Video for Values Week

We were proud to celebrate the diversity of our staff and the importance of inclusion by creating a video for #living the values week during July. Watch the video via https://vimeo.com/347099668

Black History Month

The highlight of our October 2019 Black History Month celebrations was one of our Black and Ethnic Minority (BAME) Staff Network members and Staffordshire Stepping Up graduate Muhamad Jallow sharing his inspirational story of his journey growing up in Africa to becoming a diagnostic radiographer at UHNM with our Trust Board.

Disability

Our Disability Network helped develop a new tool to support our staff with a disability. The Plan is a living record where our staff can store any information relevant to them which may be difficult to discuss with their line manager.

Wear Red Day

We were delighted to see lots of colleagues wearing red on 18th October to show support for the annual 'Show Racism the Red Card' initiative. Our BAME Staff Network Members were on hand with fun activities to promote the day.

Staff Networks Showcase Event

Our Staff Networks (LGBT+, BAME and Disability) showcased their important work to support a diverse and inclusive workplace at a showcase event on 24 February, sponsored by our Charity. The event was a great way to celebrate the diversity of our staff and to talk about issues that matter to our colleagues from protected groups.

Health and Safety

We have a duty under the Health & Safety at Work Act (1974), and other Health and Safety legislation, to ensure, so far as is reasonably practicable, the health, safety and welfare of employees, and those persons who are not employees who might be affected by our activities.

During 2019/20, our Health and Safety Team have been involved in a number of initiatives and projects aimed at improving health and safety across the organisation. Some key highlights include:

- A review of the existing Committee structure has been undertaken to provide executive level oversight to support a more assurance driven approach with an operational health and safety group to review the local issues within the Divisions.
- An alternative approach has been undertaken for the risk assessment of the service yards, introducing a tiered system to give an overview of the environment with tier 2 assessment being completed for the activities undertaken within the area
- A review of the safer sharps process has been undertaken to determine the level of understanding of the processes in place for reporting of incidents. This has led to an increase in the information that is circulated for staff within the Trust.
- A full review of the Health and Safety Management System has been undertaken to ensure that the processes that are in place are still viable to enable compliance within the Trust. An improvement plan has been developed with changes being identified to the policy structure and training delivery methods.
- Improvements to the investigation of RIDDOR incidents with the implementation of a much concise RCA template tailored specifically to health and safety incidents to enable the learning to be captured and disseminated within a timely manner.

Trade Unions

We have a formal agreement in place with the Trade Unions representing our workforce, which is set out within our Trust Policy for Recognition and Collective Bargaining Arrangements. This outlines our involvement of recognised trade unions and details the consultative framework designed to facilitate harmonious industrial relations. We are committed to working in partnership to achieve these and have agreed systems in place which grants employees with time off for trade union duties.

In order to enable industrial relations to be conducted in an orderly and structured manner, a 'Joint Staff Side' is recognised as the main body through which all industrial matters are considered.

signature
Tracy Bullock, Chief Executive
DATE

Part D: Financial Statements

A commentary on our financial position is included earlier in this report in our headline finances. The following pages are our Summary Financial Statements.

The Statement of Comprehensive Income shows how much money we earned and how we spent it. The main source of our income is clinical commissioning groups, with which we have agreements to provide services for their patients.

Our biggest expense is on the salaries and wages of our staff. On average during this year we employed the equivalent of 9,697 full-time staff (compared with 9,631 18/19). The actual number of people working for the Trust is more because some staff work part-time (therefore, the full-time equivalent is less).

We also spend money buying services from other parts of the NHS, mainly ambulance transport for our patients.

We buy clinical and general supplies, maintain our premises, some of the costs of which are payable to our PFI partner, and pay for gas and electricity, rent and rates. We also allow for depreciation, the wearing out of buildings and equipment which need to be replaced.

Our Statement of Financial Position summarises our assets and liabilities. It tells us the value of the land, buildings and equipment we own and of supplies we hold in stock for the day to day running of the hospital. It also shows money owed to us and the money we owe to others, mainly for goods and services received but not yet paid for. Under International Financial Reporting Standards it also shows buildings and equipment that are legally owned by our PFI partner and related borrowings which will be settled through the unitary payments we make over the term of the PFI contracts.

The Better Payment Practice Code shows how quickly we pay our bills.

Statement of Comprehensive Income for the Year Ended 31 March 2020

	2019/20 £000	2018/19 £000
Operating income from patient care activities	723,279	632,512
Other operating income	117,357	81,326
Operating expenses	(826,612)	(764,617)
Operating surplus/(deficit) from continuing operations	**14,024**	**(50,779)**
Finance income	299	248
Finance expenses	(24,190)	(20,604)
Public dividend capital dividends payable	0	(1,380)
Net finance costs	**(23,891)**	**(21,736)**
Other gains / (losses)	40	77
Surplus/(deficit) for the year	**(9,827)**	**(72,438)**
Other Comprehensive Income		
Impairments	0	0
Revaluations	(2,006)	(23,119)
Total comprehensive income / (expense) for the period	**(11,833)**	**(95,557)**
Financial Performance for the year		
Surplus/(deficit) for the year	**(9,827)**	**(72,438)**
Add back I&E impairments	15,057	9,585
Less capital donations	1	(754)
Reported NHS financial position	**5,231**	**(63,607)**

Statement of Financial Position as at 31 March 2020

	2019/20 £000	2018/19 £000
Non-current assets:		
Property, plant and equipment	483,001	504,042
Intangible assets	24,489	22,106
Trade and other receivables	385	0
Total non-current assets	**507,875**	**526,148**
Current assets:		
Inventories	13,268	12,793
Trade and other receivables	49,621	40,943
Other current assets	0	0
Cash and cash equivalents	26,743	8,389
Total current assets	**89,632**	**62,125**
Total assets	**597,507**	**588,273**
Current liabilities		
Trade and other payables	(74,793)	(59,101)
Provisions	(6,708)	(3,254)
Borrowings	(207,986)	(23,429)
Total current liabilities	**(289,487)**	**(85,784)**
Non-current assets less net current liabilities	**308,020**	**502,489**
Non-current liabilities		
Provisions	(1,154)	(885)
Borrowings	(276,568)	(461,984)
Other liabilities	0	0
Total non-current liabilities	**(277,722)**	**(462,869)**
Total Assets Employed:	**30,298**	**39,620**
FINANCED BY:		
Public Dividend Capital	409,653	407,142
Income and expenditure reserve	(476,222)	(466,395)
Revaluation reserve	96,867	98,873
Total Taxpayers' Equity:	**30,298**	**39,620**

Statement of Cash Flows for the Year Ended 31 March 2020

	2019/20 £000	2018/19 £000
Cash Flows from Operating Activities		
Operating surplus/ (deficit)	14,024	(50,779)
Non-cash income and expense:		
Depreciation and amortisation	28,519	27,627
Net impairments	15,057	9,585
Income recognised in respect of capital donations	(901)	(1,582)
(Increase)/decrease in inventories	(475)	(111)
(Increase)/decrease in receivables and other assets	(13,711)	29,236
Increase/(decrease) in payables and other liabilities	16,700	(13,445)
Increase/(decrease) in provisions	3,723	(442)
Net cash generated from / (used in) operating activities	**62,936**	**89**
Cash flows from investing activities		
Interest received	299	248
Purchase of intangible assets	(7,845)	(3,110)
Purchase of property, plant and equipment	(16,027)	(34,422)
Sales of property, plant and equipment	40	114
Receipt of capital donations to purchase capital assets	901	1,582
Net Cash Inflow/(Outflow) from Investing Activities	**(22,632)**	**(35,588)**
Cash flows from financing activities		
Public dividend capital received	2,511	16,840
Movement on loans from the Department of Health and Social Care	9,422	43,099
Movement on other loans	(294)	(293)
Other capital receipts	0	0
Capital element of finance lease rental payments	(503)	(456)
Capital element of PFI, LIFT and other service concession payments	(9,706)	(5,712)
Interest paid on finance lease liabilities	(121)	(145)
Interest paid on PFI, LIFT and other service concession obligations	(16,287)	(14,187)
Other interest paid	(7,561)	(6,387)
PDC dividend (paid) / refunded	589	(1,517)
Net cash generated from / (used in) financing activities	**(21,950)**	**31,242**
Increase / (decrease) in cash and cash equivalents	**18,354**	**(4,257)**
Cash and cash equivalents at 1 April - brought forward	**8,389**	**12,646**
Cash and cash equivalents at 31 March	**26,743**	**8,389**

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

	Pubic Dividend Capital (PDC) £000	Revaluation Reserve £000	Income and Expenditure Reserve £000	Total £000
Taxpayers equity at 1 April 2019 - brought forward	407,142	98,873	(466,395)	**39,620**
Surplus/(deficit) for the year			(9,827)	**(9,827)**
Revaluations		(2,006)		**(2,006)**
Public dividend capital received cash	2,511			**2,511**
Other reserve movements	0	0	0	**0**
Taxpayers equity at 31 March 2020	**409,653**	**96,867**	**(476,222)**	**30,298**

Better Payment Practice Code

Measure of Compliance	2019/20		2018/19	
	Number	£000	Number	£000
Total non NHS trade invoices paid in the year	167,860	539,904	131,200	458,888
Total non NHS trade invoices paid within target	158,101	501,736	122,292	431,386
Percentage of non NHS trade invoices paid within target	94.2%	92.9%	93.2%	94.0%
Total NHS trade invoices in the year	4,762	63,633	3,703	31,601
Total NHS trade invoices paid within target	3,805	53,073	2,962	21,086
Percentage of NHS trade invoices paid within target	79.9%	83.4%	80.0%	66.7%

The Better Payment Practice Code requires the Trust to aim to pay all undisputed invoices by the due date or within 30 days of receipt of goods or a valid invoice, whichever is later.

The Trust has not signed up to the Prompt Payments Code.

Cumulative Breakeven Position

Year	Turnover	Surplus / (Deficit)
1997/98	152,393	(1,199)
1998/99	165,535	(1,246)
1999/00	182,744	1,279
2000/01	193,823	1,225
2001/02	212,576	18
2002/03	235,801	4
2003/04	257,641	3
2004/05	295,327	41
2005/06	299,619	(15,059)
2006/07	333,855	311
2007/08	393,915	3,990
2008/09	371,299	3,008
2009/10	408,938	5,312
2010/11	418,078	4,141
2011/12	426,319	1,050
2012/13	473,558	235
2013/14	475,330	(19,301)
2014/15	623,835	3,782
2015/16	702,917	(26,936)
2016/17	739,279	(27,773)
2017/18	696,630	(69,717)
2018/19	713,838	(63,607)
2019/20	840,636	5,231
Cumulative Breakeven Position:		**(195,208)**

Carrying Amount versus Market Value of Land

The Trust's land was valued as at 31 March 2020 at £14.3m. These values are reflected in the Trust's Statement of Financial Position.

Our External Auditor

To demonstrate that we are running our Trust properly we are required to publish a number of statements which are signed by our Chief Executive on behalf of our Trust Board. These statements cover our financial affairs as well as a number of other aspects of managing our Trust.

Our external auditor also checks our accounts and other aspects of our work and we are required to publish statements from them confirming that they are satisfied with what we have done. These formal statements are reproduced on these pages and the directors confirm that they know of no information which would be relevant to the auditors for the purposes of their report which has not been disclosed.

Our accounts are externally audited by Grant Thornton to meet the statutory requirements of the Department of Health. They received fees of £108,000 for the financial statements audit (including audit of the Annual Report and Annual Governance Statement).

Pension Costs

Past and present employees are covered by the provisions of the NHS Pension Scheme. The scheme is an unfunded defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. As a consequence it is not possible for our Trust to identify our share of the underlying scheme assets and liabilities. Therefore the scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme for the accounting period.

Full Accounts

A full set of audited accounts for University Hospitals of North Midlands NHS Trust is available on request or can be viewed and downloaded on our website www.uhnm.nhs.uk.

Certificate on Summarisation Schedules

Trust Accounts Consolidation (TAC) Summarisation Schedules for University Hospitals of North Midlands NHS Trust.

Summarisation schedules numbers TAC01 to TAC34 and accompanying WGA sheets for 2019/20 have been completed and this certificate accompanies them.

Finance Director Certificate

1. I certify that the attached TAC schedules have been compiled and are in accordance with:
   - the financial records maintained by the NHS Trust
   - accounting standards and policies which comply with the Department of Health and Social Care's Group Accounting Manual and
   - the template accounting policies for NHS Trusts issued by NHS Improvement, or any deviation from these policies has been fully explained in the Confirmation questions in the TAC schedules.
2. I certify that the TAC schedules are internally consistent and that there are no validation errors.
3. I certify that the information in the TAC schedules is consistent with the financial statements of the NHS Trust

signature
Mark Oldham, Chief Finance Officer
DATE

Chief Executive Certificate

1. I acknowledge the attached TAC schedules, which have been prepared and certified by the Finance Director, as the TAC schedules which the Trust is required to submit to NHS Improvement.
2. I have reviewed the schedules and agree the statements made by the Director of Finance above.

signature
Tracy Bullock, Chief Executive
DATE

Executive Summary

Meeting:	Extraordinary Trust Board	**Date:**	23rd June 2020
Report Title:	2019/20 Audited Annual Accounts	**Agenda Item:**	5
Author:	Sarah Preston, Strategic Director of Finance, David Roper, Deputy Chief Accountant – Accounts & Reporting		
Executive Lead:	Mark Oldham, Chief Financial Officer		

Purpose of Report:					
Assurance		**Approval**	✓	**Information**	

Alignment to Strategic Objectives:			
SO1		Provide safe, effective, caring and responsive services	✓
SO2		Achieve NHS constitutional patient access standards	✓
SO3		Achieve excellence in employment, education, development and research	✓
SO4		Lead strategic change within Staffordshire and beyond	✓
SO5		Ensure efficient use of resources	✓

Summary of Report, Key Points for Discussion including any Risks:

The audited annual accounts can be seen as attached.

Since approval at the Audit Committee on 18th June, amendments have been made to the going concern statement as highlighted at the Committee.

The deadline for submission of the audited accounts to NHS England and NHS Improvement is the 25th June 2020.

Key Recommendations:

The Trust Board is asked to receive and approve the audited annual accounts.

Provider accounts- single entity accounts

Inputs

MARSID	NORTHMIDLANDS
Name of provider	University Hospitals of North Midlands NHS Trust
Provider status	Trust
Date of year end	31/03/2020
Start of current year	01/04/2019
Comparative year end	31/03/2019
Start of comparative year	01/04/2018
Year for financial reporting	2019/20
Year for comparative year	2018/19
Year for year end	2020
Year for comparative year	2019
Opening Year	2018
Next financial year	2020/21
Date of approval of financial statements	23/06/2020

University Hospitals of North Midlands NHS Trust

Annual accounts for the year ended 31 March 2020

Statement of Comprehensive Income for the year ended 31 March 2020

	Note	2019/20 £000	2018/19 £000
Operating income from patient care activities	3	723,279	632,512
Other operating income	4	117,357	81,326
Operating expenses	7, 9	(826,612)	(764,617)
Operating surplus/(deficit) from continuing operations		**14,024**	**(50,779)**
Finance income	12	299	248
Finance expenses	13	(24,190)	(20,604)
PDC dividends payable		-	(1,380)
Net finance costs		**(23,891)**	**(21,736)**
Other gains / (losses)	14	40	77
Surplus / (deficit) for the year		**(9,827)**	**(72,438)**
Other comprehensive income*			
Will not be reclassified to income and expenditure:			
Revaluations	18	(2,006)	(23,119)
Total comprehensive income / (expense) for the period		**(11,833)**	**(95,557)**
Adjusted financial performance (control total basis):**			
Surplus / (deficit) for the period		(9,827)	(72,438)
Remove net impairments not scoring to the Departmental expenditure limit	15.1 & 16.1	15,057	9,585
Remove I&E impact of capital grants and donations		1	(754)
Adjusted financial performance surplus / (deficit)		**5,231**	**(63,607)**

*Other Comprehensive Income shows other non-cash net gains/(losses) that are not included as either operating revenue or expenditure, and as such does not impact on the financial outturn of the Trust.

** During the 2019/20 financial year the Trust has revalued its property assets. This has resulted in a net impairment charge to expenditure of £15.057 million and which is included within the operating surplus/(deficit) for the year. However impairment charges (or reversal of previous impairment) are not considered to be within the scope of financial performance measured against the Trust's control total and are excluded as per the disclosure above.

The notes on pages 3 to 59 form part of this account

Statement of Financial Position as at 31 March 2020

	Note	31 March 2020 £000	31 March 2019 £000
Non-current assets			
Intangible assets	15	24,489	22,106
Property, plant and equipment	16	483,001	504,042
Receivables	20	385	-
Total non-current assets		**507,875**	**526,148**
Current assets			
Inventories	19	13,268	12,793
Receivables	20	49,621	40,943
Cash and cash equivalents	21	26,743	8,389
Total current assets		**89,632**	**62,125**
Current liabilities			
Trade and other payables	22	(69,184)	(54,150)
Borrowings	24	(207,986)	(23,429)
Provisions	26	(6,708)	(3,254)
Other liabilities	23	(5,609)	(4,951)
Total current liabilities		**(289,487)**	**(85,784)**
Total assets less current liabilities		**308,020**	**502,489**
Non-current liabilities			
Borrowings	24	(276,568)	(461,984)
Provisions	26	(1,154)	(885)
Total non-current liabilities		**(277,722)**	**(462,869)**
Total assets employed		**30,298**	**39,620**
Financed by			
Public dividend capital		409,653	407,142
Revaluation reserve		96,867	98,873
Income and expenditure reserve		(476,222)	(466,395)
Total taxpayers' equity		**30,298**	**39,620**

The notes on pages 8 to 59 form part of these accounts.

The financial statements on pages 3 to 59 were approved by the Board on 23 June 2020 and signed on its behalf by

Position **Chief Executive**
Date **23 June 2020**

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	**407,142**	**98,873**	**(466,395)**	**39,620**
Surplus/(deficit) for the year	-	-	(9,827)	**(9,827)**
Revaluations	-	(2,006)	-	**(2,006)**
Public dividend capital received**	2,511	-	-	**2,511**
Taxpayers' and others' equity at 31 March 2020	**409,653**	**96,867**	**(476,222)**	**30,298**

Statement of Changes in Equity for the year ended 31 March 2019

	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' and others' equity at 1 April 2018 - brought forward	**390,302**	**122,021**	**(393,986)**	**118,337**
Surplus/(deficit) for the year	-	-	(72,438)	**(72,438)**
Revaluations	-	(23,119)	-	**(23,119)**
Public dividend capital received**	16,840	-	-	**16,840**
Other reserve movements	-	(29)	29	**-**
Taxpayers' and others' equity at 31 March 2019	**407,142**	**98,873**	**(466,395)**	**39,620**

** The increase in Public Dividend Capital of £2.511 million in 2019/20 relates to capital funding received for;
- Health Service Lead Investment (HSLI) Provider Digitalisation Programme £1.267 million
- Imaging funding £1.184 million
- Other £0.06 million

The increase in Public Dividend Capital of £16.840 million in 2018/19 relates to capital funding for a number of projects;
- Modular Wards £8.82 million
- Linear Accelerators £3.46 million
- Electronic Prescribing & Medicines Administration Programme £2.19 million
- Health Service Lead Investment (HSLI) Provider Digitalisation Programme £2.09 million
- other £0.28 million

Reconciliation of movement on retained earnings to adjusted deficit

	£000
Net movement in retained earnings for the year	(9,827)
Impairments excluded from financial performance	(15,057)
Adjustments in respect of donated gov't grant asset reserve elimination	(1)
Adjusted financial performance surplus	5,231
Total	**(9,827)**

Information on reserves

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

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

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

Statement of Cash Flows for the year ended 31 March 2020

	Note	2019/20 £000	2018/19 £000
Cash flows from operating activities			
Operating surplus / (deficit)		14,024	(50,779)
Non-cash income and expense:			
Depreciation and amortisation	7.1	28,519	27,627
Net impairments	8	15,057	9,585
Income recognised in respect of capital donations	4	(901)	(1,582)
(Increase) / decrease in receivables and other assets		(13,711)	29,236
(Increase) / decrease in inventories		(475)	(111)
Increase / (decrease) in payables and other liabilities		16,700	(13,445)
Increase / (decrease) in provisions		3,723	(442)
Net cash flows from / (used in) operating activities		**62,936**	**89**
Cash flows from investing activities			
Interest received		299	248
Purchase of intangible assets		(7,845)	(3,110)
Purchase of Property, Plant and Equipment		(16,027)	(34,422)
Sales of Property, Plant and Equipment		40	114
Receipt of cash donations to purchase assets		901	1,582
Net cash flows from / (used in) investing activities		**(22,632)**	**(35,588)**
Cash flows from financing activities			
Public dividend capital received		2,511	16,840
Movement on loans from DHSC		9,422	43,099
Movement on other loans		(294)	(293)
Capital element of finance lease rental payments		(503)	(456)
Capital element of PFI service concession payments		(9,706)	(5,712)
Interest on loans		(7,561)	(6,387)
Interest paid on finance lease liabilities		(121)	(145)
Interest paid on PFI service concession obligations		(16,287)	(14,187)
PDC dividend (paid) / refunded		589	(1,517)
Net cash flows from / (used in) financing activities		**(21,950)**	**31,242**
Increase / (decrease) in cash and cash equivalents		**18,354**	**(4,257)**
Cash and cash equivalents at 1 April - brought forward		**8,389**	**12,646**
Cash and cash equivalents at 31 March	21	**26,743**	**8,389**

Notes to the Accounts

Note 1 Accounting policies and other information

Note 1.1 Basis of preparation

The Department of Health and Social Care has directed that the financial statements of the Trust shall meet the accounting requirements of the Department of Health and Social Care Group Accounting Manual (GAM), which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the GAM 2019/20 issued by the Department of Health and Social Care. The accounting policies contained in the GAM follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the GAM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of the Trust for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below. These have been applied consistently in dealing with items considered material in relation to the accounts.

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

International Accounting Standard 1 requires the Board to assess, as part of the accounts preparation process, the Trust's ability to continue as a going concern. Paragraphs 4.11 and 4.16 of the Department of Health and Social Care Group Accounting Manual identify that the continuation of the service is sufficient evidence of going concern. The financial statements should be prepared on a going concern basis unless there are plans for, or no realistic alternative other than, the dissolution of the Trust without the transfer of its services to another entity within the public sector. In preparing the financial statements the Board of Directors has considered the Trust's overall financial position against the requirements of IAS1.

In 2018/19 the Trust reported a deficit of £63.607 million (which included £10.6 million in respect of the final outcome of expert determination on disputes with commissioners relating to income included in the 2017/18 accounts).

The Trust's financial performance in 2019/20 is a £5.231 million surplus. This includes £32.0 million of funding through the Provider Sustainability Fund (PSF), Financial Recovery Fund (FRF) and the Marginal Rate Emergency Tariff (MRET), which was available as the Trust signed up to its control total.

As at 31 March 2020, the Trust has received cash support for its revenue position of £195.9 million an increase of £8.0 million a result of the later than expected receipt of support funding, delaying the 2019/20 repayment. The intention would have been to repay this in early 2020/21. As a result the Trust held a higher than planned cash balance at the year end, however this enabled the Trust to make prompt payments to suppliers in line with Treasury guidance in relation to the COVID-19 outbreak.

However on 2 April 2020, the Department of Health and Social Care (DHSC) and NHS England and NHS Improvement announced reforms to the NHS cash regime for the 2020/21 financial year. During 2020/21 existing DHSC interim revenue and capital loans as at 31 March 2020 will be extinguished and replaced with the issue of Public Dividend Capital (PDC) to allow the repayment. The affected loans totalling £197.4 million (including interim capital loan of £1.5 million) are classified as current liabilities within these financial statements. As the repayment of these loans will be funded through the issue of PDC, this does not present a going concern risk for the Trust.

The Trust's draft financial plan for 2020/21 forecasts the delivery of a breakeven position after taking into consideration the impact of £13.5 million funding through the Financial Recovery Fund (FRF) which is available as the Staffordshire STP has agreed to its control total deficit of £99.0 million. The draft plan includes CIP savings of £37.25 million which consist of £25 million internal savings and £12.25 million share of system efficiencies. The plan also includes £24.8 million deficit support funding (£9.9 million from DHSC and £14.9 million from NHS Stafford & Surrounds CCG) as in the previous three years. Confirmation that this funding will be received by the Trust in 2020/21 has not yet been received from the other bodies; however funding has been received in the previous three years.

The phasing of the draft revenue plan does not necessitate further revenue cash borrowing due to the payment in advance of the FRF support and expectation that the DHSC and NHSE deficit support will be paid on a quarterly basis.

The Trust draft financial plan for 2020/21 was to be confirmed in a final plan to be submitted in April 2020, however as a result of the Covid 19 outbreak all NHS financial plans have been put on hold and for the first four months of 2020/21 the Trust will be funded to cover the average cost incurred in the winter period of 2019/20. This cost base has been increased for inflation but has not been reduced for efficiency savings or increased for any planned activity growth.

Cash payments are being made to Trusts in advance on this basis along with the costs of any additional expense incurred in response to managing the Covid 19 outbreak. This will ensure that there is sufficient cash available to provider Trusts to cover costs incurred in the first four months of 2020/21. NHSEI have not set out the funding position post July 2020, however for modelling purposes it has been anticipated that the Trust will return to the 2020/21 draft financial plan should there be a return to operational normality.

Whilst the Trust has made good progress in addressing the underlying deficit which is currently supported by non recurrent allocations it is still recognised that without this on-going support that it may take some time before it can achieve financial balance on a sustainable basis. Prior to the impact of COVID-19 the Trust board have considered a five year plan which will continue this improvement in the underlying deficit. The Board of Directors has carefully considered the principle of “going concern” and the Directors have concluded that the Trust will be able to meet its obligations as they fall due for the foreseeable future. However given the uncertainties around the duration of the interim financial arrangements due to COVID 19 (and the subsequent financial arrangements), and their impact on the financial sustainability (profitability and liquidity) of the Trust there is a material uncertainty which may cast doubt about the ability of the Trust to continue as a going concern

Nevertheless, the Directors have concluded that assessing the Trust as a going concern remains appropriate. All Commissioning Contract values have been agreed for 2020/21 prior to the special payment arrangements put in place for COVID-19. Once these special arrangements are lifted it is anticipated that the local CCG Contract for 2020/21 will be finalised using the Intelligent Fixed Payment System’ and the Contract with Specialised Commissioning (NHS England) will be arranged via an Aligned Incentive Agreement (similar to a block with additional incentive payments).

There are no discontinued operations. Similarly no decision has been made to transfer services or significantly amend the structure of the organisation at this time. The Board of Directors also has a reasonable expectation that the Trust will have access to adequate resources in the form of support from the Department of Health (NHS Act 2006 s42a) to continue to deliver the full range of mandatory services for the foreseeable future.

Subject to the receipt of the revenue funding within the 2020/21 financial plan, the Directors consider that this provides sufficient evidence that the Trust will continue as a going concern for the foreseeable future. On this basis, the Trust has adopted the going concern basis for preparing the accounts and has not included the adjustments that would result if it were unable to continue as a going concern. The assessment accords with the statutory guidance contained within the Department of Health and Social Care Group Accounting Manual.

Note 1.3 Consolidation

The divergence from the Government Financial Reporting Manual (FReM) that NHS Charitable Funds are not consolidated with NHS Trust's own financial statements has been removed. Under the provisions of IFRS 10 Consolidated Financial Statements, those Charitable Funds that fall under common control with NHS bodies should be consolidated within the entity's financial statements. The Trust has a Charitable Fund, the 'UHNM Charity' that falls under the definition of common control. Common control is defined within IFRS 10 as "the power to govern the financial and operational policies of an entity so as to obtain benefits from its activities". Control is presumed to exist where a parent owns directly or indirectly more than half of the voting power of an entity, including where a body acts as a corporate trustee. The Trustees of the Charitable Fund are all members of the Trust Board. The purpose of an NHS Charity is to assist NHS patients, and HM Treasury view this as the "benefit" link as per the IFRS 10 guidance. The Trust has reviewed the financial statements of the 'UHNM Charity' and it is deemed that the income, expenditure, assets and liabilities of the Charitable Fund are not material. IAS 1 Presentation of Financial Statements states that specific disclosure requirements set out in individual standards or interpretations need not be satisfied if the information is not material. The consolidation of the Charitable Fund would not have a material impact on the financial statements of the Trust and has therefore not been consolidated into the Trust's financial statements.

Note 1.4 Revenue from contracts with customers

Where income is derived from contracts with customers, it is accounted for under IFRS 15. The GAM expands the definition of a contract to include legislation and regulations which enables an entity to receive cash or another financial asset that is not classified as a tax by the Office of National Statistics (ONS).

Revenue in respect of goods/services provided is recognised when (or as) performance obligations are satisfied by transferring promised goods/services to the customer and is measured at the amount of the transaction price allocated to those performance obligations. At the year end, the Trust accrues income relating to performance obligations satisfied in that year. Where the Trust's entitlement to consideration for those goods or services is unconditional a contract receivable will be recognised. Where entitlement to consideration is conditional on a further factor other than the passage of time, a contract asset will be recognised. Where consideration received or receivable relates to a performance obligation that is to be satisfied in a future period, the income is deferred and recognised as a contract liability.

Revenue from NHS contracts

The main source of income for the Trust is contracts with commissioners for health care services. A performance obligation relating to delivery of a spell of health care is generally satisfied over time as healthcare is received and consumed simultaneously by the customer as the Trust performs it. The customer in such a contract is the commissioner, but the customer benefits as services are provided to their patient. Even where a contract could be broken down into separate performance obligations, healthcare generally aligns with paragraph 22(b) of the Standard entailing a delivery of a series of goods or services that are substantially the same and have a similar pattern of transfer. At the year end, the Trust accrues income relating to activity delivered in that year, where a patient care spell is incomplete. This accrual is disclosed as a contract receivable as entitlement to payment for work completed is usually only dependent on the passage of time.

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

Where the Trust is aware of a penalty based on contractual performance, the Trust reflects this in the transaction price for its recognition of revenue. Revenue is reduced by the value of the penalty.

The Trust receives income from commissioners under Commissioning for Quality and Innovation (CQUIN) schemes.

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

Revenue from research contracts

Where research contracts fall under IFRS 15, revenue is recognised as and when performance obligations are satisfied. For some contracts, it is assessed that the revenue project constitutes one performance obligation over the course of the multi-year contract. In these cases it is assessed that the Trust's interim performance does not create an asset with alternative use for the Trust, and the Trust has an enforceable right to payment for the performance completed to date. It is therefore considered that the performance obligation is satisfied over time, and the Trust recognises revenue each year over the course of the contract. Some research income alternatively falls within the provisions of IAS 20 for government grants.

Education and Training

The Trust receives income from Health Education England for Education (HEE) and training of medical and non medical trainees. Revenue is in respect of training provided and is recognised when performance obligations are satisfied when training has been performed. All performance obligation are undertaken within the financial year and is as agreed and invoiced to HEE.

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.

Provider sustainability fund (PSF) and Financial recovery fund (FRF)

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

Note 1.5 Other forms of income

Grants and donations

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

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.

Other income

Income from the sale of non-current assets is recognised only when all material conditions of sale have been met, and is measured as the sums due under the sale contract.

Note 1.6 Expenditure on employee benefits

Short-term employee benefits

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

Pension costs

NHS Pension Scheme

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Both schemes are unfunded, defined benefit schemes that cover NHS employer, general practices and other bodies, allowed under the direction of Secretary of State for Health and Social Care in England and Wales. The scheme is not designed in a way that would enable employers to identify their share of the underlying scheme assets and liabilities. Therefore, the 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 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 1.7 Expenditure on other goods and services

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

Note 1.8 Property, plant and equipment

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.

Subsequent expenditure

Subsequent expenditure relating to an item of property, plant and equipment is recognised as an increase in the carrying amount of the asset when it is probable that additional future economic benefits or service potential deriving from the cost incurred to replace a component of such item will flow to the enterprise and the cost of the item can be determined reliably. Where a component of an asset is replaced, the cost of the replacement is capitalised if it meets the criteria for recognition above. The carrying amount of the part replaced is de-recognised. Other expenditure that does not generate additional future economic benefits or service potential, such as repairs and maintenance is charged to the Statement of Comprehensive Income in the period in which it is incurred.

Measurement

Valuation

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

Assets are measured subsequently at valuation. Assets which are held for their service potential and are in use (i.e. operational assets used to deliver either front line services or back office functions) are measured at their current value in existing use. Assets that were most recently held for their service potential but are surplus with no plan to bring them back into use are measured at fair value where there are no restrictions on sale at the reporting date and where they do not meet the definitions of investment properties or assets held for sale.

Revaluations of property, plant and equipment are performed with sufficient regularity to ensure that carrying 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.

All land and buildings are restated to current value using independent professional valuations in accordance with IAS16 at least every five years, with interim revaluations carried out annually also by independent professional valuers. The full asset valuation includes a full site inspection by the professional valuer whilst interim valuations only include a site inspection where deemed necessary due to significant changes in the year. The last full asset valuations were undertaken at the prospective valuation date at 1st April 2016 which included a site visit in early 2016. An interim valuation was carried out at 31 March 2020 which included a review of capital expenditure, market conditions and asset lives.

Valuations are carried out by professionally qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual.

The property valuations are carried out primarily on the basis of (DRC) for specialised operational property (e.g. NHS patient treatment facilities) and Existing Use Value (EUV) for non-specialised operational property. The value of land for existing use purposes is assessed at EUV. For non-operational land including surplus land, the valuations are carried out at Market Value.

The Department of Health has adopted the Modern Equivalent Asset (MEA) approach for its DRC valuations rather than the previous identical replacement method. The MEA approach used to value the property will normally be based on the cost of a modern equivalent asset that has the same service potential as the existing asset and then adjusted to take account of obsolescence. In the past, functional obsolescence has not been reflected in asset valuations for the NHS.

Functional obsolescence examines a building's design or specification and whether it may no longer fulfil the function for which it was originally designed or whether it may be much more basic than the MEA. The asset will still be capable of use but at a lower level of efficiency than the MEA, or may be capable of modification to bring it up to a current specification. Other common causes of functional obsolescence include advances in technology or legislative change. The obsolescence adjustment will reflect either the cost of upgrading, or if this is not possible, the financial consequences of the reduced efficiency compared with the modern equivalent.

The Trust's PFI assets have been valued using the modern equivalent asset method at depreciated replacement cost excluding VAT. By excluding VAT the Trust is accurately reflecting the depreciated replacement cost as a replacement asset would also be funded by PFI and, by the nature of the contract, have VAT recovered. This valuation is the same methodology as in the prior year.

The MEA approach incorporates the Building Cost Information Service Index to determine an increase or decrease in building costs which impact on the asset valuation.

Additional alternative Open Market Value figures have only been supplied for operational assets scheduled for imminent closure and subsequent disposal.

The carrying values of PPE are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

The Trust's land and building valuation was carried out by the Trust's current valuer DVS, on a MEA "Optimised Alternative Site" method valuation, and applied on 1st April 2016, with an interim valuation at 31 March 2020.

The valuation has been undertaken having regard to IFRS as applied to the UK public sector and in accordance with HM Treasury guidance. The Trust has valued its land and buildings at fair value - non-specialised assets at existing use value and specialised operation assets at depreciated replacement cost.

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.

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

Depreciation

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

Property, plant and equipment which have 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 all of the following criteria are met. The sale must be highly probable and the asset available for immediate sale in its present condition.

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

Property, plant and equipment which is to be scrapped or demolished does not qualify for recognition as 'held for sale' and instead is retained as an operational asset and the asset's useful life is adjusted. The asset is de-recognised when scrapping or demolition occurs.

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.

Private Finance Initiative (PFI) transactions

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

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

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

The lifecycle replacement element of the Unitary payment is capitalised where this meets the definition of capital expenditure as set out in 1.8.

PFI Asset

The PFI assets are recognised as property, plant and equipment, when they come into use. The assets are measured initially at fair value or, if lower, at the present value of the minimum lease payments, in accordance with the principles of IAS 17. Subsequently, the assets are measured at current value in existing use.

PFI liability

A PFI liability is recognised at the same time as the PFI assets are recognised. It is measured initially at the same amount as the initial value of the PFI assets and is subsequently measured as a finance lease liability in accordance with IAS 17.

An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the period, and is charged to 'Finance Costs' within the Statement of Comprehensive Income.

The element of the annual unitary payment that is allocated as a finance lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

An element of the annual unitary payment increase due to cumulative indexation is allocated to the finance lease. In accordance with IAS 17, this amount is not included in the minimum lease payments, but is instead treated as contingent rent and is expensed as incurred. In substance, this amount is a finance cost in respect of the liability and the expense is presented as a contingent finance cost in the Statement of Comprehensive Income.

Lifecycle replacement

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

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

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

Assets contributed by the NHS trust to the operator for use in the scheme

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

Other assets contributed by the NHS trust to the operator

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

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	15	80
Dwellings	20	80
Plant & machinery	5	15
Transport equipment	4	7
Information technology	3	10
Furniture & fittings	5	15

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

Note 1.9 Intangible assets

Recognition

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

Internally generated intangible assets

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

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

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

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

Amortisation

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

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
Software licences	2	15

Note 1.10 Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is measured using the first in, first out (FIFO) method. This is considered to be a reasonable approximation to the fair value due to the high turnover of stocks.

Note 1.11 Cash and cash equivalents

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

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

Note 1.12 Financial assets and financial liabilities

Recognition

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

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

Classification and measurement

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

Financial assets or financial liabilities in respect of assets acquired or disposed of through finance leases are recognised and measured in accordance with the accounting policy for leases described below.
Financial assets are classified as subsequently measured at amortised cost.
Financial liabilities classified as subsequently measured at amortised cost.

Financial assets and financial liabilities at amortised cost

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

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

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

Financial assets measured at fair value through other comprehensive income

Financial assets and financial liabilities at “fair value through income and expenditure” are financial assets or financial liabilities held for trading. A financial asset or financial liability is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges.

The Trust does not hold Financial assets and financial liabilities at "fair value through income and expenditure"

Impairment of financial assets

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

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.

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 1.13 Leases

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

The trust as a lessee

Finance leases

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

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

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

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially in other liabilities on the statement of financial position and subsequently as a reduction of rentals on a straight-line basis over the lease term. Contingent rentals are recognised as an expense in the period in which they are incurred.

Leases of land and buildings

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

The trust as a lessor

Finance leases

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

Operating leases

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

Note 1.14 Provisions

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

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

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

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

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

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

Clinical negligence costs
NHS Resolution operates a risk pooling scheme under which the Trust pays an annual contribution 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 26.2 but is not recognised in the Trust's accounts.

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

Note 1.15 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 27 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in note 27, 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 1.16 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, except for
(i) donated and grant funded assets,
(ii) average daily cash balances held with the Government Banking Services (GBS) and National Loans Fund (NLF) deposits, excluding cash balances held in GBS accounts that relate to a short-term working capital facility, and
(iii) any PDC dividend balance receivable or payable.

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

Note 1.17 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 1.18 Third party assets
Assets belonging to third parties in which the Trust has no beneficial interest (such as money held on behalf of patients) are not recognised in the accounts.. However, they are disclosed in a separate note to the accounts in accordance with the requirements of HM Treasury's FReM.

Note 1.19 Losses and special payments
Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way that individual cases are handled. Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis.

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

Note 1.20 Early adoption of standards, amendments and interpretations

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

Note 1.21 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 2021. The standard provides a single accounting model for lessees, recognising a right of use asset and obligation in the statement of financial position for most leases: some leases are exempt through application of practical expedients explained below. For those recognised in the statement of financial position the standard also requires the remeasurement of lease liabilities in specific circumstances after the commencement of the lease term. For lessors, the distinction between operating and finance leases will remain and the accounting will be largely unchanged.

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

On transition to IFRS 16 on 1 April 2021, the Trust will apply the standard retrospectively with the cumulative effect of initially applying the standard recognised in the income and expenditure reserve at that date. For existing operating leases with a remaining lease term of more than 12 months and an underlying asset value of at least £5,000, a lease liability will be recognised equal to the value of remaining lease payments discounted on transition at the trust's incremental borrowing rate. The Trust's incremental borrowing rate will be a rate defined by HM Treasury. Currently this rate is 1.27% but this may change between now and adoption of the standard. The related right of use asset will be measured equal to the lease liability adjusted for any prepaid or accrued lease payments. For existing peppercorn leases not classified as finance leases, a right of use asset will be measured at current value in existing use or fair value. The difference between the asset value and the calculated lease liability will be recognised in the income and expenditure reserve on transition. No adjustments will be made on 1 April 2021 for existing finance leases.

For leases commencing in 2021/22, the Trust will not recognise a right of use asset or lease liability for short term leases (less than or equal to 12 months) or for leases of low value assets (less than £5,000). Right of use assets will be subsequently measured on a basis consistent with owned assets and depreciated over the length of the lease term.

The Trust is in the process of updating its Asset Register system, which is currently used to record Non-Current Assets, to include Right of Use Assets. This will allow the calculation of a liability and asset for existing leases as well as accounting for new leases as they are implemented. The Trust's 5 year capital plans will include Capital Resource cover for new leases at the value of the lease liability.

The Trust has estimated the impact of applying IFRS 16 in 2021/22 on the opening statement of financial position and the in-year impact on the statement of comprehensive income and capital additions as follows:

	£000
Estimated impact on 1 April 2021 statement of financial position	
Additional right of use assets recognised for existing operating leases	19,383
Additional lease obligations recognised for existing operating leases	(19,383)
Changes to other statement of financial position line items	-
Net impact on net assets on 1 April 2021	**-**
Estimated in-year impact in 2021/22	
Additional depreciation on right of use assets	(4,736)
Additional finance costs on lease liabilities	(217)
Lease rentals no longer charged to operating expenditure	4,916
Other impact on income / expenditure	-
Estimated impact on surplus / deficit in 2021/22	**(37)**

The estimated increase in capital additions for new leases commencing in 2021/22 are net yet known.

The discount rate used in the calculations above is assumed at 1.27%. Where a fully signed lease document is not in place assumptions have been made on the length of the lease based on the Trust's expectation of continuing to use the property.

Other standards, amendments and interpretations

The HM Treasury FReM does not require the following of any other Standards and Interpretations to be applied in 2019-20

IFRS 14 Regulatory Deferral Accounts. Applies to first time adopters of IFRS after 1 January 2016. 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.

IFRIC 23 Uncertainty over Income Tax Treatments. Application required for accounting periods beginning on or after 1 January 2019.

Note 1.22 Critical judgements in applying accounting policies

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

Income recognition

It is the Trust's accounting policy to recognise income when performance occurs. In some instances the income that the Trust receives is not readily attributable to performance or the achievement of certain targets cannot readily be ascertained. The key judgements in relation to income recognition are detailed below at 1.23.

The Trust's financial performance in 2019/20 is a £5.231 million surplus. This includes an in-year benefit of £8.638m in respect of the outcome of the final 2018/19 contract position as a result of the move from a Payment by Results based contract to a Fixed Payment one for Staffordshire CCGs . The value is not material, and therefore, it is the Trust's view that this is not a material transaction and will not be accounted for as a prior period adjustment.

Estate Valuation

The Trust's management have elected to have a desk top valuation of the Trust's land and buildings as at 31 March 2020. This option was elected as providing the best assurance that the values are not materially misstated at the balance sheet date. The value of the Trust's Land, buildings and dwellings as at 31 March 2020 is £417,823,000. If the Trust's management had not revalued the estate, at 31 March 2020 the value of Land, Buildings and Dwellings would have been £445,874,000.

The Trust obtains valuations for its land, buildings and dwellings from a qualified independent valuer. These valuations are performed at a point in time and take into account conditions and circumstances relevant to that date. In future years, conditions may change resulting in uplifts or impairments being required to the value of land, buildings and dwellings. The valuation has been completed based on the depreciated replacement cost and the remaining useful economic life of the assets.

The valuation exercise was carried out in early 2020 with a valuation date of 31 March 2020. The outbreak of Covid-19, declared by the World Health Organisation as a global pandemic on 11 March 2020, has impacted on global financial markets. On 18 March 2020, the RICS published guidance to the profession in relation to material valuation uncertainty in response to Covid -19 impact on individual markets. Further RICS guidance – Impact of Covid-19 on Valuation - was issued on 2 April 2020.

The Trusts independent valuer has therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. At the valuation date, the valuer has considered that less weight can be attached to previous market evidence for comparison purposes, to inform opinions of value. The current response to COVID-19 has resulted in an unprecedented set of circumstances on which the valuer has had to base a judgement.

Consequently, less certainty – and a higher degree of caution – should be attached to the valuation than would normally be the case. Although the valuer having declared this material valuation uncertainty, the valuer has continued to exercise professional judgement in providing the valuation and this remains the best information available to the Trust.

The Trust would consider a movement of greater than 2.5% in the total land and buidling asset value to constitute a material misstatement at 31 March 2020.

The view of the Trust's independent valuer is that there has been no diminution identified in the public sector's on-going requirement for the Trusts' operational assets nor reduction in their on-going remaining economic service potential as a result of the incidence of Covid-19. A key factor in determining the asset valuation is building costs and specifically the BCIS cost indices. The view from BCIS and the Trusts independent valuer is that it is too early for Covid-19 related issues to impact on BCIS indices published and adopted in the valuation at 31 March 2020.

The uncertainty explained above relates to the estimated cost of replacing the service potential, rather than the extent of the service potential to be replaced. It is possible that the COVID-19 pandemic will affect the Trust's future assessment of what would be required in a modern equivalent asset, but as yet there is insufficient evidence to affect the assumptions used in the valuation.

The Trust will continue to liaise with its external valuer in 2020/21 in order to determine if a reassessment of the asset value is required before 31 March 2021 when a full valuation is required under the Trust's accounting policy.

PFI Assets

The Trust's PFI scheme is deemed under International Financial Reporting Standards to be classed as on Statement of Financial Position on the basis that the asset is under the control of the Trust and all risks and rewards sit with the Trust. This is deemed to be a critical judgement that impacts on the financial statements.

The Trust's PFI assets have been valued using the modern equivalent asset method at depreciated replacement cost excluding VAT. By excluding VAT the Trust is accurately reflecting the depreciated replacement cost of the PFI assets. Our judgement is based on the assumption that any replacement assets would be funded by the current PFI provider, which is a requirement under the PFI project contract agreement. In these circumstances, by the nature of the contract, VAT would be recoverable by the Trust.

Operating leases/finance leases
The Trust has two buildings which are leased to a third party. The Trust has deemed that this is an operating lease where the risks and rewards of the asset remain with the Trust and as such are recognised on the Trust's Statement of Financial Position as assets. This is deemed to be a critical judgement as if the transaction was deemed to be a finance lease the assets would not be reflected in the Statement of Financial Position and the property, plant and equipment balance would be £15,549,116 lower if these assets were not included.

Note 1.23 Sources of estimation uncertainty

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

Income recognition
In 2008/09 the requirement to account for patient care spells that were in progress but not complete as at 31 March was introduced. The value put on this activity is estimated using an average tariff, rather than the specific tariff relevant for each patient. The total value of the accrual for patient care is £6,153,000 and therefore a change of 1% between the average tariff applied and the actual tariff due would affect income assumptions by £61,530.

In 2013/14 the Payment by Results (PbR) rules regarding maternity pathways changed. The key element of this change is that the Commissioners make one payment per pregnancy covering the whole of the maternity pathway at the point at which the woman first presents for treatment. As providers of the treatment, the Trust defers the element of income which has been received in advance of the care being provided. The Trust estimates the income to be deferred based on the number of weeks of maternity care remaining for the patients who have attended the Trust. The Trust estimates the average antenatal phase for each patient and calculates the proportion of the antenatal phase which has not been completed by 31 March 2020 based on the average antenatal phase. The Trust then defers this element of income. The value of income deferred relating to maternity pathway is £3,024,625 and therefore a change of 1% to the value deferred would affect the income assumptions by £30,246.

Valuation of liabilities
As at 31 March 2020 the Trust recognised £39,445,000 of accruals and deferred income within trade and payables liability. The Trust's management has made the best estimate of the value of the liability based on information available at the reporting date. The value of these accruals may differ from the values estimated and since the value is high a difference of only 1% between the estimate and actual value would result in a change to the Trust's expenditure of £394,450. However, since none of the accruals are individually material and the Trust has provided at the most likely value (rather than with a bias towards a more or less favourable outturn) it is unlikely that the difference between actual and estimated values would be significant.

The Trust has obtained professional advice where applicable for the value that should be recognised in respect of provisions and contingent liabilities. The value of these liabilities is uncertain and values are likely to differ from those estimated. A difference of 1% between the estimated provision and actual value would result in a change to the Trusts position of £78,620. However, the Trust has provided at what it estimates the likely value would be based on information available.

Valuation of assets
As at 31 March 2020 the Trust recognised contract receivables assets of £44,052,000. The Trust reviews and provides where necessary for income invoices in line with the requirements of IFRS 9. For RTA accruals this is at the prescribed rate of 21.79%. The Trust's management carries out a review for other debtors and applies a forward looking approach to the income the Trust may not receive. The Trust's management considers that this is a reasonable estimate of the value of asset.

PFI
The Trust uses appropriate estimations to allocate the annual unitary payment into the relevant component parts. The Trust obtained professional advice at the beginning of the PFI contract to review and allocate the payments appropriately as set out in note 29.

Inventory
The Trust's inventory balance of £13.268m is material to the Trust's accounts. The Trust is satisfied that its inventory balance is presented fairly in all material respects: the Trust has an inventory policy which sets out the frequency that stock takes are required along the procedure for carrying out a stock take and the documentation to be completed, including appropriate sign off of the stock-take. However the restrictions on movement in the United Kingdom in March 2020 meant that the Trust's auditor was unable to attend all of the relevant year-end inventory counts. The Trust was unable to perform all of its planned year-end inventory counts due to the impact of Covid-19, and the auditor has been unable to gain sufficient audit evidence from alternative procedures. The auditor has therefore been unable to complete the procedures required by auditing standards, and is required to issue a qualified opinion. We are aware that a number of trusts in the country are affected by the same issue in 2019/20 and we understand NHS Improvement will disclose the extent to which this has impacted the sector in its consolidated provider accounts when published later in 2020. The auditors opinion on the financial statement remains unmodified in all other respects.

Note 2 Operating Segments

IFRS 8 requires reporting entities to separate out the financial performance of each segment of the business, on the basis reported to the Chief Operating Decision Maker (CODM). The Trust considers that the Trust Board is the CODM of the organisation. The Trust Board receives financial performance data for the Trust as one 'healthcare' segment and makes decisions on this basis.

	Healthcare Per SOCI		Healthcare Reported to Trust Board		Healthcare Variance	
	2019/20	2018/19	**2019/20**	2018/19	**2019/20**	2018/19
	£000s	£000s	£000s	£000s	£000s	£000s
Income	840,935	714,086	821,269	714,086	19,666	0
Pay costs	(503,969)	(466,723)	(484,303)	(466,723)	(19,666)	0
Non pay costs	(331,735)	(310,970)	(331,735)	(310,970)	0	0
Reported breakeven performance	5,231	(63,607)	5,231	(63,607)	0	0
Net Assets:						
Segment net assets	30,298	39,620	30,298	39,620	0	0

The financial performance of the Trust is reported to Board on a breakeven basis. A reconciliation of the Trust's breakeven performance to the retained surplus/(deficit) reported in the Statement of Comprehensive Income.

The difference of £19.666 million above relates to the accounting for the employer contribution rate for NHS pensions increased from 14.3% to 20.6% (excluding administration charge) from 1 April 2019. For 2019/20, NHS providers continued to pay over contributions at the former rate with the additional amount being paid over by NHS England on providers' behalf. The full cost and related funding have been recognised in these accounts however the income and pay costs reported to Board reflect only the amount paid over by the Trust.

Note 3 Operating income from patient care activities

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

Note 3.1 Income from patient care activities (by nature)	2019/20 £000	2018/19 £000
Acute services		
Elective income	120,513	119,108
Non elective income	232,355	203,045
First outpatient income	38,741	37,648
Follow up outpatient income	30,847	28,528
A & E income	27,780	23,460
High cost drugs income from commissioners (excluding pass-through costs)	60,814	53,143
Other NHS clinical income	189,380	160,050
All services		
Private patient income	1,477	1,214
Agenda for Change pay award central funding*	-	6,316
Additional pension contribution central funding**	19,666	-
Other clinical income	1,706	-
Total income from activities	**723,279**	**632,512**

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

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

Note 3.2 Income from patient care activities (by source)

Income from patient care activities received from:	2019/20 £000	2018/19 £000
NHS England	251,295	215,308
Clinical commissioning groups	458,098	396,833
Department of Health and Social Care	-	6,316
Other NHS providers	-	7
NHS other	184	1,186
Non-NHS: private patients	1,477	1,214
Non-NHS: overseas patients (chargeable to patient)	358	644
Injury cost recovery scheme	3,420	3,737
Non NHS: other	8,447	7,267
Total income from activities	**723,279**	**632,512**

Other non NHS revenue mainly relates to income received from NHS bodies within Wales which are classified as non NHS as such bodies are outside NHS England.

Income for 2019/20 in note 3.1 (other NHS clinical income) and note 3.2 (NHS England & Clinical commissioning groups) includes an in-year benefit of £8.638m in respect of the outcome of the final 2018/19 contract position as a result of the move from a Payment by Results based contract to a Fixed Payment one for Staffordshire CCGs .

Income from NHS England includes £1.1m in respect of funding of the costs and loss of income by 31 March 2020 relating to the COVID-19 outbreak.

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

	2019/20 £000	2018/19 £000
Income recognised this year	358	644
Cash payments received in-year	157	118
Amounts added to provision for impairment of receivables	165	187
Amounts written off in-year	295	-

Note 4 Other operating income

	2019/20			2018/19		
	Contract income £000	Non-contract income £000	Total £000	Contract income £000	Non-contract income £000	Total £000
Research and development	3,497	-	**3,497**	3,959	-	**3,959**
Education and training	25,708	942	**26,650**	25,694	-	**25,694**
Non-patient care services to other bodies	15,138	-	**15,138**	12,169	-	**12,169**
Provider sustainability fund (PSF)	15,851	-	**15,851**	-	-	**-**
Financial recovery fund (FRF)	11,917	-	**11,917**	-	-	**-**
Marginal rate emergency tariff funding (MRET)	4,232	-	**4,232**	-	-	**-**
Receipt of capital grants and donations	-	901	**901**	-	1,582	**1,582**
Charitable and other contributions to expenditure	-	356	**356**	-	330	**330**
Support from the Department of Health and Social Care for mergers*	-	9,900	**9,900**	-	9,900	**9,900**
Rental revenue from operating leases	-	1,173	**1,173**	-	1,014	**1,014**
Other income***	12,842	14,900	**27,742**	11,778	14,900	**26,678**
Total other operating income	**89,185**	**28,172**	**117,357**	**53,600**	**27,726**	**81,326**

* Support from the Department of Health and Social Care for mergers relates to additional income received as transitional support for the Mid Staffordshire NHS Foundation Trust integration. The funding received is £9.9m from the DHSC.

***Other non-contract operating incomes relates to funding received of £14.9 million from NHS England for deficit funding in 2019/20 (£14.9m in 2018/19).

**A breakdown of Other contract income is show in the table below:

	2019/20 £000	2018/19 £000
Car Parking income	3,860	3,520
Catering	160	205
Pharmacy sales	59	56
Staff accommodation rental	552	839
Contribution to the costs of the modular theatre and wards	2,290	2,874
Other income not identified above	5,921	4,284
Total	12,842	11,778

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

	2019/20	2018/19
	£000	£000
Revenue recognised in the reporting period that was included in contract liabilities at the previous period end	904	2,167

Note 5.2 Transaction price allocated to remaining performance obligations

Revenue from existing contracts allocated to remaining performance obligations is expected to be recognised:	31 March 2020 £000	31 March 2019 £000
within one year	6,153	6,196
after one year, not later than five years	-	-
after five years	-	-
Total revenue allocated to remaining performance obligations	**6,153**	**6,196**

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

Note 6.1 Fees and charges

HM Treasury requires disclosure of fees and charges income. The following disclosure is of income from charges to service users where income from that service exceeds £1 million and is presented as the aggregate of such income. The cost associated with the service that generated the income is also disclosed.

	2019/20	2018/19
	£000	£000
Income	3,860	3,520
Full cost	(2,432)	(2,464)
Surplus / (deficit)	**1,428**	**1,056**

Note 7.1 Operating expenses

	2019/20 £000	2018/19 £000
Purchase of healthcare from NHS and DHSC bodies	9,286	9,538
Purchase of healthcare from non-NHS and non-DHSC bodies	3,546	3,047
Staff and executive directors costs	501,159	462,509
Remuneration of non-executive directors	121	107
Supplies and services - clinical (excluding drugs costs)	71,684	73,406
Supplies and services - general	7,800	6,810
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	82,775	74,094
Inventories written down	373	410
Consultancy costs	3,364	3,861
Establishment	5,359	4,585
Premises	26,107	21,414
Transport (including patient travel)	3,786	3,287
Depreciation on property, plant and equipment	23,914	24,581
Amortisation on intangible assets	4,605	3,046
Net impairments	15,057	9,585
Movement in credit loss allowance: contract receivables / contract assets	383	152
Audit fees payable to the external auditor		
audit services- statutory audit	108	90
other auditor remuneration (external auditor only)	-	7
Internal audit costs	233	171
Clinical negligence	20,597	20,556
Legal fees	227	107
Insurance	134	87
Research and development	2,810	3,451
Education and training	2,413	1,114
Rentals under operating leases	4,377	3,095
Redundancy	-	763
Charges to operating expenditure for on-SoFP IFRIC 12 schemes (PFI)	34,091	32,839
Car parking & security	723	738
Hospitality	45	31
Other	1,535	1,136
Total	**826,612**	**764,617**

Expenditure of £1 million has been incurred by the Trust (and included in the table above) by 31 March 2020 in relation to the COVID-19 outbreak.

Note 7.2 Other auditor remuneration

	2019/20 £000	2018/19 £000
Other auditor remuneration paid to the external auditor:		
1. Audit of quality accounts	-	7
Total	**-**	**7**

Due to the impact of COVID-19 it has been mandated that there will not be an audit of quality accounts in 2019/20, therefore no fee for this is included in 2019/20.

Note 7.3 Limitation on auditor's liability

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

Note 8 Impairment of assets

	2019/20 £000	2018/19 £000
Net impairments charged to operating surplus / deficit resulting from:		
Unforeseen obsolescence	30	14
Changes in market price	15,027	8,701
Other	-	870
Total net impairments charged to operating surplus / deficit	**15,057**	**9,585**

The impairments relate to the impact of the interim valuation of the Trusts land and building assets at 31 March 2020. Impairments are due to a reduction in the value of a number of the Trusts building assets where no revaluation reserve balance exists.

The downward revaluation is mainly a result of an decrease in the Staffordshire location factor during 2019/20. The location factor is one of the indicators considered by the external valuer in determining the valuation of the Trust's buildings.

Note 9 Employee benefits

	2019/20 Total £000	2018/19 Total £000
Salaries and wages	383,994	370,076
Social security costs	35,858	34,777
Apprenticeship levy	1,844	1,799
Employer's contributions to NHS pensions	64,491	43,481
Pension cost - other	93	55
Termination benefits	-	763
Temporary staff (including agency)	18,385	17,338
Total gross staff costs	**504,665**	**468,289**
Recoveries in respect of seconded staff	-	-
Total staff costs	**504,665**	**468,289**
Of which		
Costs capitalised as part of assets	696	1,566

The employer contribution rate for NHS pensions increased from 14.3% to 20.6% (excluding administration charge) from 1 April 2019. For 2019/20, NHS providers continued to pay over contributions at the former rate with the additional amount being paid over by NHS England on providers' behalf. The full cost and related funding have been recognised in these accounts and the increase included above for this change is £19.666 million.

Note 9.1 Retirements due to ill-health

During 2019/20 there were 2 early retirements from the trust agreed on the grounds of ill-health (4 in the year ended 31 March 2019). The estimated additional pension liabilities of these ill-health retirements is £191k (£297k in 2018/19).

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

Note 10 Pension costs

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

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

a) Accounting valuation

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

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

b) Full actuarial (funding) valuation

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

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

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

Note 11 Operating leases

Note 11.1 University Hospitals of North Midlands NHS Trust as a lessor

This note discloses income generated in operating lease agreements where University Hospitals of North Midlands NHS Trust is the lessor.

The Trust receives rental income from commercial retail outlets within the Hospital reception areas and from rental of buildings owned by the Trust.

	2019/20 £000	2018/19 £000
Operating lease revenue		
Minimum lease receipts	1,173	1,014
Total	**1,173**	**1,014**

	31 March 2020 £000	31 March 2019 £000
Future minimum lease receipts due:		
- not later than one year;	473	448
- later than one year and not later than five years;	1,086	986
- later than five years.	473	429
Total	**2,032**	**1,863**

Note 11.2 University Hospitals of North Midlands NHS Trust as a lessee

This note discloses costs and commitments incurred in operating lease arrangements where University Hospitals of North Midlands NHS Trust is the lessee.

As part of the preparation for the implementation of IFRS 16 the Trust has re-examined items of expenditure that could be classed as leases. Consequently the operating lease disclosure note has been reviewed and now incorporates buildings (including some staff accommodation), equipment, vehicles and community room hires. The remaining terms of these leases vary significantly from a few months to several years. Where formal lease arrangements are not in place (e.g. for community rooms) an estimate has been made. All values included in the accounts are calculated on the remaining lease term at the current monthly lease payment.

	2019/20 £000	2018/19 £000
Operating lease expense		
Minimum lease payments	4,377	3,095
Total	**4,377**	**3,095**

	31 March 2020 £000	31 March 2019 £000
Future minimum lease payments due:		
- not later than one year;	2,409	3,166
- later than one year and not later than five years;	5,597	5,639
- later than five years.	1,055	-
Total	**9,061**	**8,805**

Of the future minimum lease payments of £9.061m (£8.8m 2018/19), £5.5m relate to lease payments relating to buidlings (£6.1m 2018/19) and £3.6m to other leases (£2.7m 2018/19).

Note 12 Finance income

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

	2019/20 £000	2018/19 £000
Interest on bank accounts	299	163
Other finance income	-	85
Total finance income	**299**	**248**

Note 13.1 Finance expenditure

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

	2019/20 £000	2018/19 £000
Interest expense:		
Loans from the Department of Health and Social Care	7,782	6,272
Finance leases	121	145
Main finance costs on PFI scheme obligations	7,664	7,828
Contingent finance costs on PFI scheme obligations	8,623	6,359
Total interest expense	**24,190**	**20,604**
Total finance costs	**24,190**	**20,604**

The interest expense has increased in 2019/20 due to the full year impact of the 2018/19 revenue cash borrowing using the Department of Health's Uncommitted Single Currency Interim Revenue Support Facility Agreement. The total borrowing at 31 March 2020 is £195.9 million. The interest rate paid by the Trust in the year is between 1.5% and 6%. The Trust had interim capital borrowing of £1.5 million at 31 March 2020.

Note 13.2 The late payment of commercial debts (interest) Act 1998 / Public Contract Regulations 2015

	2019/20 £000	2018/19 £000
Compensation paid to cover debt recovery costs under this legislation	2	3

Note 14 Other gains / (losses)

	2019/20 £000	2018/19 £000
Gains on disposal of assets	40	77
Total other gains / (losses)	**40**	**77**

Note 15.1 Intangible assets - 2019/20

	Software licences	Intangible assets under construction	Total
	£000	£000	£000
Valuation / gross cost at 1 April 2019 - brought forward	**39,826**	**102**	**39,928**
Additions	6,468	690	**7,158**
Reclassifications	(528)	(12)	**(540)**
Valuation / gross cost at 31 March 2020	**45,766**	**780**	**46,546**
Amortisation at 1 April 2019 - brought forward	**17,822**	**-**	**17,822**
Provided during the year	4,605	-	**4,605**
Reclassifications	(370)	-	**(370)**
Amortisation at 31 March 2020	**22,057**	**-**	**22,057**
Net book value at 31 March 2020	**23,709**	**780**	**24,489**
Net book value at 1 April 2019	**22,004**	**102**	**22,106**

Information and technology assets are the only category of intangible asset held by the Trust.

Intangible assets are not subject to a formal revaluation as amortised historic cost is deemed to be a reasonable proxy for fair value. In 2018/19 the Trust re-assessed the on-going benefit to the Trust of the health records intangible asset and accounted for this as a revaluation, the entries are shown in the above below.

For 2019/20 the Trust has assessed that there have not been any changes to the on-going benefit to the Trust of these assets and therefore there have been no revaluation or impairment entries.

Note 15.2 Intangible assets - 2018/19

	Software licences	Intangible assets under construction	Total
	£000	£000	£000
Valuation / gross cost at 1 April 2018 - as previously stated	**36,628**	**-**	**36,628**
Additions	4,890	102	**4,992**
Impairments	(885)	-	**(885)**
Revaluations	(898)	-	**(898)**
Reclassifications	366	-	**366**
Disposals / derecognition	(275)	-	**(275)**
Valuation / gross cost at 31 March 2019	**39,826**	**102**	**39,928**
Amortisation at 1 April 2018 - as previously stated	**18,003**	**-**	**18,003**
Provided during the year	3,046	-	**3,046**
Impairments	(15)	-	**(15)**
Revaluations	(2,937)	-	**(2,937)**
Disposals / derecognition	(275)	-	**(275)**
Amortisation at 31 March 2019	**17,822**	**-**	**17,822**
Net book value at 31 March 2019	**22,004**	**102**	**22,106**
Net book value at 1 April 2018	**18,625**	**-**	**18,625**

Note 16.1 Property, plant and equipment - 2019/20

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Valuation/gross cost at 1 April 2019 - brought forward	**14,260**	**424,078**	**2,093**	**3,931**	**133,193**	**701**	**29,805**	**8,953**	**617,014**
Additions	-	5,154	-	3,208	10,335	-	1,048	21	**19,766**
Revaluation - operating expenses	-	(20,313)	-	-	(83)	-	-	-	**(20,396)**
Reversals of impairments	-	151	-	-	-	-	-	-	**151**
Revaluations - revaluation reserve	-	(8,035)	-	-	-	-	-	-	**(8,035)**
Reclassifications	-	435	-	(3,749)	2,271	-	1,575	8	**540**
Disposals / derecognition	-	-	-	-	(15,831)	-	(13,221)	-	**(29,052)**
Valuation/gross cost at 31 March 2020	**14,260**	**401,470**	**2,093**	**3,390**	**129,885**	**701**	**19,207**	**8,982**	**579,988**
Accumulated depreciation at 1 April 2019 - brought forward	**-**	**-**	**-**	**-**	**84,398**	**701**	**21,559**	**6,314**	**112,972**
Provided during the year	-	11,129	35	-	9,403	-	2,979	368	**23,914**
Revaluation - operating expenses	-	(5,085)	-	-	(53)	-	-	-	**(5,138)**
Reversals of impairments	-	(50)	-	-	-	-	-	-	**(50)**
Revaluations - revaluation reserve	-	(5,994)	(35)	-	-	-	-	-	**(6,029)**
Reclassifications	-	-	-	-	-	-	370	-	**370**
Disposals / derecognition	-	-	-	-	(15,831)	-	(13,221)	-	**(29,052)**
Accumulated depreciation at 31 March 2020	**-**	**-**	**-**	**-**	**77,917**	**701**	**11,687**	**6,682**	**96,987**
Net book value at 31 March 2020	**14,260**	**401,470**	**2,093**	**3,390**	**51,968**	**-**	**7,520**	**2,300**	**483,001**
Net book value at 1 April 2019	**14,260**	**424,078**	**2,093**	**3,931**	**48,795**	**-**	**8,246**	**2,639**	**504,042**

Included within the land value is £100,000 (£100,000 2018/19) relating the land at the Royal Infirmary site with has been identified as a surplus asset. There are restrictions on this site which would prevent access to the market at the reporting date and as a result the land has been valued at market value through applying an adaptation of IAS16, rather than being valued at fair value under IFRS13. The land has been revalued at current use and to take in to consideration demolition costs.

Note 16.2 Property, plant and equipment - 2018/19

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Valuation / gross cost at 1 April 2018 - as previously stated	**19,235**	**449,252**	**2,030**	**3,307**	**127,132**	**701**	**24,610**	**8,806**	**635,073**
Additions	-	14,912	-	3,777	8,357	-	3,408	117	**30,571**
Impairments	(4,975)	(4,929)	-	-	(149)	-	-	-	**(10,053)**
Revaluations	-	(35,806)	63	-	-	-	-	-	**(35,743)**
Reclassifications	-	649	-	(3,153)	321	-	1,787	30	**(366)**
Disposals / derecognition	-	-	-	-	(2,468)	-	-	-	**(2,468)**
Valuation/gross cost at 31 March 2019	**14,260**	**424,078**	**2,093**	**3,931**	**133,193**	**701**	**29,805**	**8,953**	**617,014**
Accumulated depreciation at 1 April 2018 - as previously stated	**-**	**-**	**-**	**-**	**77,041**	**701**	**19,350**	**5,655**	**102,747**
Provided during the year	-	11,755	34	-	9,924	-	2,209	659	**24,581**
Impairments	-	(1,204)	-	-	(134)	-	-	-	**(1,338)**
Revaluations	-	(10,551)	(34)	-	-	-	-	-	**(10,585)**
Disposals / derecognition	-	-	-	-	(2,433)	-	-	-	**(2,433)**
Accumulated depreciation at 31 March 2019	**-**	**-**	**-**	**-**	**84,398**	**701**	**21,559**	**6,314**	**112,972**
Net book value at 31 March 2019	**14,260**	**424,078**	**2,093**	**3,931**	**48,795**	**-**	**8,246**	**2,639**	**504,042**
Net book value at 1 April 2018	**19,235**	**449,252**	**2,030**	**3,307**	**50,091**	**-**	**5,260**	**3,151**	**532,326**

Note 16.3 Property, plant and equipment financing - 2019/20

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2020									
Owned - purchased	14,260	202,062	-	2,309	37,157	-	5,827	2,272	**263,887**
Finance leased	-	-	2,093	-	1,040	-	-	-	**3,133**
On-SoFP PFI contracts service concession arrangements	-	196,467	-	853	9,990	-	1,645	-	**208,955**
Owned - government granted	-	-	-	-	249	-	39	-	**288**
Owned - donated	-	2,941	-	228	3,532	-	9	28	**6,738**
NBV total at 31 March 2020	**14,260**	**401,470**	**2,093**	**3,390**	**51,968**	**-**	**7,520**	**2,300**	**483,001**

Note 16.4 Property, plant and equipment financing - 2018/19

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2019									
Owned - purchased	14,260	215,286	-	3,694	36,225	-	6,495	2,628	**278,588**
Finance leased	-	-	2,093	-	834	-	-	-	**2,927**
On-SoFP PFI contracts service concession arrangements	-	205,796	-	75	7,843	-	1,683	-	**215,397**
Owned - government granted	-	-	-	-	180	-	51	-	**231**
Owned - donated	-	2,996	-	162	3,713	-	17	11	**6,899**
NBV total at 31 March 2019	**14,260**	**424,078**	**2,093**	**3,931**	**48,795**	**-**	**8,246**	**2,639**	**504,042**

Note 17 Donations of property, plant and equipment

The UHNM Charity donated £753,000 (£1,502,000 in 2018/19) of assets to the Trust in 2019-20 in respect of assets acquired in the financial year. The Trust has also acquired £148,000 (£80,000 in 2018/19) in respect of Government Granted assets.

Note 18 Revaluations of property, plant and equipment

Valuations are carried out by professionally qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual. The valuation information at 31 March 2020 was carried out by a qualified independent from the District Valuation Service.

As set out in the accounting policies the Department of Health has adopted the Modern Equivalent Asset (MEA) approach for its DRC valuations rather than the previous identical replacement method. The MEA approach used to value the property will normally be based on the cost of a modern equivalent asset that has the same service potential as the existing asset and then adjusted to take account of obsolescence. In the past, functional obsolescence has not been reflected in asset valuations for the NHS.

Functional obsolescence examines a building's design or specification and whether it may no longer fulfil the function for which it was originally designed or whether it may be much more basic than the MEA. The asset will still be capable of use but at a lower level of efficiency than the MEA, or may be capable of modification to bring it up to a current specification. Other common causes of functional obsolescence include advances in technology or legislative change. The obsolescence adjustment will reflect either the cost of upgrading, or if this is not possible, the financial consequences of the reduced efficiency compared with the modern equivalent.

The MEA approach incorporates the Building Cost Information Service Index to determine an increase or decrease in building costs which impact on the asset valuation. The Trust's land and building valuation was carried out by the Trust's current valuer DVS, on a MEA "Optimised Alternative Site" method valuation.

The valuation has been undertaken having regard to IFRS as applied to the UK public sector and in accordance with HM Treasury guidance.

All land and buildings are restated to current value using independent professional valuations in accordance with IAS16 at least every five years, with interim revaluations carried out annually also by independent professional valuers. The full asset valuation includes a full site inspection by the professional valuer whilst interim valuations only include a site inspection where deemed necessary due to significant changes in the year. The last full asset valuations were undertaken at the prospective valuation date at 1st April 2016 which included a site visit in early 2016. An interim valuation was carried out at 31 March 2020 which included a review of capital expenditure, market conditions and asset lives.

The value of land, buildings and dwelling assets provided by the valuer at 31 March 2020 was £417,573,056 and is reflected in note 16.1. This reflects a decrease of £22.8m from the previous desk top valuation at 31 March 2019 and reflects a decrease in the location factor applied relating to the Staffordshire area offset by an increase in the building price indices.

The difference of £250,000 to note 16.1 relates to valuation of Wilfred Place which is valued separately to the asset valuation due to being held for sale, it was anticipated that this sale would have been complete prior to 31 March but was delayed due to the COVID-19 outbreak.

The outbreak of Covid-19, declared by the World Health Organisation as a global pandemic on 11 March 2020, has impacted on global financial markets. On 18 March 2020, the RICS published guidance to the profession in relation to material valuation uncertainty in response to Covid -19 impact on individual markets. Further RICS guidance – Impact of Covid-19 on Valuation - was issued on 2 April 2020.

The Trusts independent valuer has therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. At the valuation date, the valuer has considered that less weight can be attached to previous market evidence for comparison purposes, to inform opinions of value. The current response to COVID-19 has resulted in an unprecedented set of circumstances on which the valuer has had to base a judgement.

The view of the Trust's independent valuer is that there has been no diminution identified in the public sector's on-going requirement for these operational assets nor reduction in their on-going remaining economic service potential as a result of the incidence of Covid-19. A key factor in determining the asset valuation is building costs and specifically the BCIS cost indices. The view from BCIS and the Trusts independent valuer is that it is too early for Covid-19 related issues to impact on BCIS indices published and adopted in the valuation at 31 March 2020.

The Trust will continue to liaise with its external valuer in 2020/21 in order to determine if a reassessment of the asset value is required before 31 March 2021 when a full valuation is required under the Trust's accounting policy.

The useful economic life of an asset is determined individually for each asset, but generally falls within the following range:

	Min Life Years	Max Life Years
Buildings	15	80
Dwellings	20	80
Plant & Machinery	5	15
Transport Equipment	4	7
Information Technology	3	10
Furniture & Fittings	5	15

The asset life relating to buildings and dwellings are provide as part of the independent valuation of the Trusts assets by the external valuer.

The Trust leases two buildings which are used for medical education to Keele University. The following values within the property, plant and equipment and expense disclosures relate to these buildings:

	2019/20 £000	2018/19 £000
Gross carrying amount	16,205	15,795
Additions	0	0
Depreciation in period	(491)	(468)
Revaluation/(impairment)	(165)	878
Net Book Value	**15,549**	**16,205**

Note 19 Inventories

	31 March 2020 £000	31 March 2019 £000
Drugs	4,880	4,127
Consumables	8,252	8,527
Energy	136	139
Total inventories	**13,268**	**12,793**

Inventories recognised in expenses for the year were £157,195k (2018/19: £151,943k). Write-down of inventories recognised as expenses for the year were £373k (2018/19: £410k).

The Trust's inventory balance of £13.268m is material to the Trust's accounts. The Trust is satisfied that its inventory balance is presented fairly in all material respects: the Trust has an inventory policy which sets out the frequency that stock takes are required along the procedure for carrying out a stock take and the documentation to be completed, including appropriate sign off of the stock-take. However the restrictions on movement in the United Kingdom in March 2020 meant that the Trust's auditor was unable to attend all of the relevant year-end inventory counts. The Trust was unable to perform all of its planned year-end inventory counts due to the impact of Covid-19, and the auditor has been unable to gain sufficient audit evidence from alternative procedures. The auditor has therefore been unable to complete the procedures required by auditing standards, and is required to issue a qualified opinion. We are aware that a number of trusts in the country are affected by the same issue in 2019/20 and we understand NHS Improvement will disclose the extent to which this has impacted the sector in its consolidated provider accounts when published later in 2020. The auditors opinion on the financial statement remains unmodified in all other respects.

Note 20.1 Receivables

	31 March 2020 £000	31 March 2019 £000
Current		
Contract receivables	45,496	32,748
Allowance for impaired contract receivables / assets	(2,620)	(2,742)
Prepayments (non-PFI)	5,038	4,719
PFI lifecycle prepayments	-	4,060
PDC dividend receivable	-	589
VAT receivable	1,707	1,569
Total current receivables	**49,621**	**40,943**
Non-current		
Other receivables	385	-
Total non-current receivables	**385**	**-**
Of which receivable from NHS and DHSC group bodies:		
Current	29,301	18,458
Non-current	385	-

Following the application of IFRS 15 from 1 April 2018, the Trust's entitlements to consideration for work performed under contracts with customers are shown separately as contract receivables and contract assets. This replaces the previous analysis into trade receivables and accrued income.

Note 20.2 Allowances for credit losses

	2019/20		2018/19	
	Contract receivables and contract assets	All other receivables	Contract receivables and contract assets	All other receivables
	£000	£000	£000	£000
Allowances as at 1 April - brought forward	**2,742**	**-**	**-**	**3,003**
Impact of implementing IFRS 9 (and IFRS 15) on 1 April 2018			3,003	(3,003)
New allowances arising	383	-	-	-
Changes in existing allowances	-	-	152	-
Utilisation of allowances (write offs)	(505)	-	(413)	-
Allowances as at 31 Mar 2020	**2,620**	**-**	**2,742**	**-**

The implementation of IFRS 9 remove the use of this delayed recognition (credit losses) and requires the adoption of a forward looking expected loss model. The Trust has reviewed the likelihood non receipt of income for, overseas patients, private patients, payroll reclaims and other commercial income and agree the probability to use for the recognition of doubtful debts. For RTA accruals the Trust has used the prescribed rate of 21.79% (21.89% in 2018/19). The Trust's management considers that this is a reasonable estimate of the value of asset.

The increase or decrease for allowance for credit losses is reviewed on a monthly basis and increased or decreased dependent upon the Trusts view receivables deemed to be potentially at risk of being collected in full.

Note 20.3 Exposure to credit risk

Because the majority of the Trust's revenue comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2020 are in receivables from customers, as disclosed in the trade and other receivables note.

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.

	2019/20 £000	2018/19 £000
At 1 April	**8,389**	**12,646**
Net change in year	18,354	(4,257)
At 31 March	**26,743**	**8,389**
Broken down into:		
Cash at commercial banks and in hand	6	6
Cash with the Government Banking Service	26,737	8,383
Total cash and cash equivalents as in SoFP	**26,743**	**8,389**
Total cash and cash equivalents as in SoCF	**26,743**	**8,389**

Note 21.1 Third party assets held by the trust

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

	31 March 2020 £000	31 March 2019 £000
Bank balances	7	5
Total third party assets	**7**	**5**

Note 22.1 Trade and other payables

	31 March 2020 £000	31 March 2019 £000
Current		
Trade payables	11,881	15,580
Capital payables	4,529	5,537
Accruals	33,344	17,250
Social security costs	10,517	9,846
Other payables	8,913	5,937
Total current trade and other payables	**69,184**	**54,150**

Included within other payables is £6,292,000 (£5,937,000 in 2018/19) in relation to outstanding pension contributions at the year end.

Of which payables from NHS and DHSC group bodies:		
Current	14,807	6,745
Non-current	-	-

Following adoption of IFRS 9 on 1 April 2018, loans are measured at amortised cost. As a result of the accrued interest for DHSC interim revenue and capital loans is is now included in the carrying value of the loan at note 24.

Note 23 Other liabilities

	31 March 2020 £000	31 March 2019 £000
Current		
Deferred income: contract liabilities	5,609	4,951
Total other current liabilities	**5,609**	**4,951**

Note 24.1 Borrowings

	31 March 2020 £000	31 March 2019 £000
Current		
Loans from DHSC	197,409	13,680
Other loans	16	293
Obligations under finance leases	521	376
Obligations under PFI service concession contracts	10,040	9,080
Total current borrowings	**207,986**	**23,429**
Non-current		
Loans from DHSC	-	174,221
Other loans	-	17
Obligations under finance leases	1,383	1,895
Obligations under PFI service concession contracts	275,185	285,851
Total non-current borrowings	**276,568**	**461,984**

On 2 April 2020, the Department of Health and Social Care (DHSC) and NHS England and NHS Improvement announced reforms to the NHS cash regime for the 2020/21 financial year. During 2020/21 existing DHSC interim revenue and capital loans as at 31 March 2020 will be extinguished and replaced with the issue of Public Dividend Capital (PDC) to allow the repayment. Given this relates to liabilities that existed at 31 March 2020, DHSC has updated its Group Accounting Manual to advise this is considered an adjusting event after the reporting period for providers. Outstanding interim loans totalling £197,409 million as at 31 March 2020 in these financial statements have been classified as current as they will be repayable within 12 months.

Note 24.2 Reconciliation of liabilities arising from financing activities - 2019/20

	Loans from DHSC	Other loans	Finance leases	PFI schemes	Total
	£000	£000	£000	£000	£000
Carrying value at 1 April 2019	**187,901**	**310**	**2,271**	**294,931**	**485,413**
Cash movements:					
Financing cash flows - payments and receipts of principal	9,422	(294)	(503)	(9,706)	**(1,081)**
Financing cash flows - payments of interest	(7,561)	-	(121)	(7,664)	**(15,346)**
Non-cash movements:					
Additions	-	-	136	-	**136**
Application of effective interest rate	7,647	-	121	7,664	**15,432**
Carrying value at 31 March 2020	**197,409**	**16**	**1,904**	**285,225**	**484,554**

Note 24.3 Reconciliation of liabilities arising from financing activities - 2018/19

	Loans from DHSC	Other loans	Finance leases	PFI schemes	Total
	£000	£000	£000	£000	£000
Carrying value at 1 April 2018	**143,572**	**603**	**2,644**	**300,663**	**447,482**
Cash movements:					
Financing cash flows - payments and receipts of principal	43,099	(293)	(456)	(5,712)	**36,638**
Financing cash flows - payments of interest	(6,387)	-	(145)	(7,828)	**(14,360)**
Non-cash movements:					
Impact of implementing IFRS 9 on 1 April 2018	1,364	-	-	-	**1,364**
Additions	-	-	83	-	**83**
Application of effective interest rate	6,272	-	145	7,828	**14,245**
Other changes	(19)	-	-	(20)	**(39)**
Carrying value at 31 March 2019	**187,901**	**310**	**2,271**	**294,931**	**485,413**

Note 25 Finance leases

Note 25.1 University Hospitals of North Midlands NHS Trust as a lessor

The Trust has no finance leases where it acts as lessor.

Note 25.2 University Hospitals of North Midlands NHS Trust as a lessee

Obligations under finance leases where the trust is the lessee.

	31 March 2020 £000	31 March 2019 £000
Gross lease liabilities	**2,106**	**2,727**
of which liabilities are due:		
- not later than one year;	605	638
- later than one year and not later than five years;	1,323	1,765
- later than five years.	178	324
Finance charges allocated to future periods	(202)	(456)
Net lease liabilities	**1,904**	**2,271**
of which payable:		
- not later than one year;	521	376
- later than one year and not later than five years;	1,245	1,582
- later than five years.	138	313

The Trust has a finance lease for one building. The final repayment will be made in 2025.

The lease liability in the Trust's Statement of Financial Position is £1,904,000 split between £521,000 due in less than one year and £1,383,000 due in more than one year.

In relation to property the liability represents the sum of the rental payments due in respect of the property (£1,005,000) less the element deemed to be interest (£95,000) which is recognised as an expense in the year that the payment is made.

The Trust has finance leases for pathology equipment and printers. The final repayments will be made in 2022.

In relation to these leases the liability represents the sum of the rental payments due in respect of the equipment (£1,101,000) less the element deemed to be interest (£107,000) which is recognised as an expense in the year that the payment is made.

Note 26.1 Provisions for liabilities and charges analysis

	Pensions: early departure costs	Legal claims	Equal Pay (including Agenda for Change)	Redundancy	Other	Total
	£000	£000	£000	£000	£000	£000
At 1 April 2019	**976**	**289**	**835**	**1,212**	**827**	**4,139**
Arising during the year	**-**	47	-	1,119	4,018	**5,184**
Utilised during the year	(116)	-	-	(785)	(8)	**(909)**
Reversed unused	**-**	**-**	**-**	(263)	(289)	**(552)**
At 31 March 2020	**860**	**336**	**835**	**1,283**	**4,548**	**7,862**
Expected timing of cash flows:						
- not later than one year;	91	336	835	1,283	4,163	**6,708**
- later than one year and not later than five years;	344	-	-	-	385	**729**
- later than five years.	425	-	-	-	**-**	**425**
Total	**860**	**336**	**835**	**1,283**	**4,548**	**7,862**

The Trust has provided £860,000 (2018-19: £976,000) in respect of post employment pension obligations for twenty three former employees.

The Trust has provided £336,000 (2018-19: £289,000) in respect of legal cases. Of this £127,000 relates to current employment legal cases and £209,000 relates to the insurance excess on public and employer liability cases being administered by the NHS Litigation Authority. In all cases the timing and the value of the payments are uncertain and the Trust has provided based on the advice provided by legal advisors and the NHS Litigation Authority.

The Trust has provided £5,383,000 (2018-19: £1,662,000) in respect of additional costs in relation to income, pay and operating costs where the Trust has deemed there to be a risk and a qualifying providing event which is likely to result in the Trust incurring future cash outflows as a result of past events. These are classified under Equal Pay and Other.

The Trust has provided £1,283,000 (2018-19: £1,212,000) in respect of redundancy costs.

Note 26.2 Clinical negligence liabilities

At 31 March 2020, £309,556k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of University Hospitals of North Midlands NHS Trust (31 March 2019: £253,220k).

Note 27 Contingent assets and liabilities

	31 March 2020 £000	31 March 2019 £000
Value of contingent liabilities		
Other	(111)	(118)
Gross value of contingent liabilities	**(111)**	**(118)**
Amounts recoverable against liabilities	-	-
Net value of contingent liabilities	**(111)**	**(118)**

The above relates to the member contingent liability relating to the excess due on clinical negligence cases covered by the NHS Litigation Authority.

Note 28 Contractual capital commitments

	31 March 2020 £000	31 March 2019 £000
Property, plant and equipment	648	52
Intangible assets	1,312	4,846
Total	**1,960**	**4,898**

The property, plant and equipment capital commitments relate to a number of on-going estates projects such as the Royal Infirmary demolition project, fire alarm replacement programme and life replacement.

The intangible assets capital commitments relate mainly to schemes funded through PDC capital in 2020/21 for Health Service Lead Investment (HSLI) Provider Digitalisation Programme.

Note 29 On-SoFP PFI service concession arrangements

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

The main scheme covering the redevelopment of the Royal Stoke (formerly City General) site, facilities management services, PACS equipment, a managed equipment service and network and communications equipment

The Trust retains its existing estate at the Royal Stoke (formerly City General) site in addition to new buildings covered by the PFI scheme.

The main PFI contract ends in August 2044. A monthly unitary payment will be paid up to that point. Historically, bullet payments have been made to reduce the monthly unitary payment. The unitary payment is subject to annual increases in line with RPI. Services are subject to market testing every 7 years. The arrangement requires the operator to deliver services to the Trust in accordance with the service delivery specification. Non delivery of quality or performance can lead to a reduction in the service charge being paid by the Trust. The Trust retains step in rights should the contractor fail to meet minimum standards as set out within the contract. Under IFRIC 12 the asset is treated as an asset of the trust. The substance of the contract is that the trust has a financial lease and payments comprise 2 elements – imputed finance lease charges and service charges. Details of the imputed finance lease charges are included within the table below.

Note 29.1 On-SoFP PFI service concession arrangement obligations

University Hospitals of North Midlands NHS Trust has the following obligations in respect of the finance lease element of on-Statement of Financial Position PFI schemes:

	31 March 2020 £000	31 March 2019 £000
Gross PFI service concession liabilities	**388,234**	**405,601**
Of which liabilities are due		
- not later than one year;	17,439	16,742
- later than one year and not later than five years;	66,696	68,074
- later than five years.	304,099	320,785
Finance charges allocated to future periods	(103,009)	(110,670)
Net PFI service concession arrangement obligation	**285,225**	**294,931**
- not later than one year;	10,040	9,080
- later than one year and not later than five years;	39,791	40,100
- later than five years.	235,394	245,751

Note 29.2 Total on-SoFP PFI service concession arrangement commitments

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

	31 March 2020 £000	31 March 2019 £000
Total future payments committed in respect of the PFI service concession arrangements	**2,106,986**	**2,163,995**
Of which payments are due:		
- not later than one year;	63,450	61,767
- later than one year and not later than five years;	270,066	262,901
- later than five years.	1,773,470	1,839,327

Of the total future commitments £131,304,000 (2018/19 £134,524,000) are in relation to the lifecycle and equipment elements of PFI schemes.

The future obligations discloses the total payments the Trust is committed to paying in respect of the on SOFP PFI, the future payments are inflated at the inflation rate included within the operators model. The actual payments may change as they are based on actual inflation.

The future obligations disclosed are based on the judgement that a number of change orders where the operator provides additional equipment are likely to be required for the duration of the contract, however the Trust is only contractually committed for the specific period of each change order (generally 4 years).

Note 29.3 Analysis of amounts payable to service concession operator

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

	2019/20	2018/19
	£000	£000
Unitary payment payable to service concession operator	**64,260**	**61,018**
Consisting of:		
- Interest charge	7,664	7,828
- Repayment of balance sheet obligation	9,873	5,712
- Service element and other charges to operating expenditure	34,091	32,839
- Capital lifecycle maintenance	4,009	4,220
- Contingent rent	8,623	6,359
- Addition to lifecycle prepayment	-	4,060
Total amount paid to service concession operator	**64,260**	**61,018**

Note 30 Financial instruments

Note 30.1 Financial risk management

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

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

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

Interest rate risk
The Trust may borrow from government for revenue financing subject to approval by NHS Improvement at rates set by the Department of Health (the lender).

Credit risk
Because the majority of the Trust's revenue comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2020 are in receivables from customers, as disclosed in the trade and other receivables note.

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

Note 30.2 Carrying values of financial assets

IFRS 9 Financial Instruments was applied retrospectively from 1 April 2018 in the tables below

Carrying values of financial assets as at 31 March 2020	Held at amortised cost	Held at fair value through I&E	Held at fair value through OCI	Total book value
	£000	£000	£000	£000
Trade and other receivables excluding non financial assets	42,876	-	-	**42,876**
Cash and cash equivalents	26,743	-	-	**26,743**
Total at 31 March 2020	**69,619**	**-**	**-**	**69,619**

Carrying values of financial assets as at 31 March 2019	Held at amortised cost	Held at fair value through I&E	Held at fair value through OCI	Total book value
	£000	£000	£000	£000
Trade and other receivables excluding non financial assets	30,006	-	-	**30,006**
Cash and cash equivalents	8,389	-	-	**8,389**
Total at 31 March 2019	**38,395**	**-**	**-**	**38,395**

Note 30.3 Carrying values of financial liabilities

IFRS 9 Financial Instruments was applied retrospectively from 1 April 2018, the carrying values of financial liabilities can be seen in the tables below;

Carrying values of financial liabilities as at 31 March 2020	Held at amortised cost	Held at fair value through I&E	Total book value
	£000	£000	£000
Loans from the Department of Health and Social Care	197,409	-	**197,409**
Obligations under finance leases	1,904	-	**1,904**
Obligations under PFI service concession contracts	285,225	-	**285,225**
Other borrowings	16	-	**16**
Trade and other payables excluding non financial liabilities	52,301	-	**52,301**
Total at 31 March 2020	**536,855**	**-**	**536,855**

Carrying values of financial liabilities as at 31 March 2019	Held at amortised cost	Held at fair value through I&E	Total book value
	£000	£000	£000
Loans from the Department of Health and Social Care	187,901	-	**187,901**
Obligations under finance leases	2,271	-	**2,271**
Obligations under PFI service concession contracts	294,931	-	**294,931**
Other borrowings	310	-	**310**
Trade and other payables excluding non financial liabilities	38,367	-	**38,367**
Total at 31 March 2019	**523,780**	**-**	**523,780**

Note 30.4 Maturity of financial liabilities

	31 March 2020 £000	31 March 2019 £000
In one year or less	260,286	61,503
In more than one year but not more than two years	9,237	87,721
In more than two years but not more than five years	31,623	128,492
In more than five years	235,709	246,064
Total	**536,855**	**523,780**

Note 30.5 Fair values of financial assets and liabilities

IFRS 7 requires the Trust to disclose the fair value of financial liabilities. The PFI scheme is a non-current Financial Liability where the fair value is likely to differ from the carrying value. The Trust has used the discount rate of 3.70% provided within the GAM in order to calculate the fair value of the liability. Based on the discount rate included in the GAM which it stipulates to be used in the calculation, the fair value of the liability would be £282,928,000 (£292,780,000 in 2018/19).

Note 31 Losses and special payments

	2019/20		2018/19	
	Total number of cases Number	**Total value of cases £000**	**Total number of cases Number**	**Total value of cases £000**
Losses				
Bad debts and claims abandoned	232	456	-	-
Stores losses and damage to property	4	365	3	412
Total losses	**236**	**821**	**3**	**412**
Special payments				
Compensation under court order or legally binding arbitration award	3	1	-	-
Ex-gratia payments	58	21	25	10
Total special payments	**61**	**22**	**25**	**10**
Total losses and special payments	**297**	**843**	**28**	**422**
Compensation payments received		-		-

Note 32 Related parties

The Trust's Register of Interests shows that a number of individuals employed or contracted by the Trust in roles of significant influence are also employed or contracted in roles of significant influence by other organisations. The income received relates mainly to the purchase by the UHNM Charity of equipment that enhances the service provided by the Trust. For practical purposes these purchases are administered via the Trust's established ordering and payment procedures with the UHNM Charity reimbursing the cost to the Trust. The charitable and other contributions to revenue expenditure income disclosed in Note 4 relates to services provided by the Trust to the UHNM charity, i.e. the running of the Appeals Dept. Details of related party transactions with such parties detailed below are disclosed as they are deemed to be material to UHNM Charity:

	2019/20			
Related party	Payments to Related Party	Receipts from Related Party	Payables	Receivables
	£'000	£'000	£'000	£'000
Human Tissue Authority	23	-	-	-
The Dudley Group NHS Foundation Trust	-	110	-	18
Macmillan Cancer Support	-	2	-	2
HM Coroners Of South Staffordshire	-	36	-	2
Haywood Rheumatism Research & Development Foundation	-	52	-	-
Keele University	2,154	1,124	15	267

	2018/19			
Related party	Payments to Related Party	Receipts from Related Party	Payables	Receivables
	£'000	£'000	£'000	£'000
Keele University	3,132	1,905	86	148

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

2019/20	2018/19
Betsi Cadwaladr UHB	Betsi Cadwaladr UHB
Central Midlands Commissioning Hub	Cheshire, Warrington And Wirral Area Team Dental
Department of Health and Social Care	Cheshire, Warrington And Wirral Area Team Screening
Health Commission Wales	Department of Health and Social Care
Health Education England	Health Commission Wales
Mid Cheshire Hospitals NHS Foundation Trust	NHS Birmingham Cross City CCG
Midlands Partnership Foundation Trust	NHS Business Services Authority
NHS Birmingham & Solihull CCG	NHS Cannock Chase CCG
NHS Business Services Authority	NHS Dudley CCG
NHS Cannock Chase CCG	NHS East Staffordshire CCG
NHS Cannock Chase CCG Dental Services	NHS Eastern Cheshire CCG
NHS Coventry & Rugby CCG	NHS England Specialised
NHS Dudley CCG	NHS Litigation Authority
NHS East Staffordshire CCG	NHS North Derbyshire CCG
NHS Eastern Cheshire CCG	NHS North Staffordshire CCG
NHS England Specialised	NHS Redditch And Bromsgrove CCG

NHS Herefordshire CCG
NHS Litigation Authority
NHS Derby and Derbyshire CCG
NHS North Staffordshire CCG
NHS North Staffordshire CCG Dental Services
NHS Sandwell And West Birmingham CCG
NHS Shropshire CCG
NHS South Cheshire CCG
NHS South East Staffs And Seisdon Peninsular CCG
NHS Stafford And Surrounds CCG
NHS Stafford And Surrounds CCG Dental Services
NHS Stoke On Trent CCG
NHS Stoke On Trent CCG Dental Services
NHS Telford And Wrekin CCG
NHS Vale Royal CCG
NHS Walsall CCG
NHS West Cheshire CCG
NHS Wigan Borough CCG
NHS Wolverhampton CCG
North Midlands Screening Services
North Staffordshire Combined Healthcare NHS Trust
Powys Teaching LHB
Royal Wolverhampton NHS Trust
Shrewsbury and Telford Hospital NHS Trust
Shropshire And Staffordshire Area Team Screening Services
Virgin Care - East Staffs
NHS Sandwell And West Birmingham CCG
NHS Shropshire CCG
NHS Solihull CCG
NHS South Cheshire CCG
NHS South East Staffs And Seisdon Peninsular CCG
NHS South Worcestershire CCG
NHS Southern Derbyshire CCG
NHS Stafford And Surrounds CCG
NHS Stoke On Trent CCG
NHS Telford And Wrekin CCG
NHS Vale Royal CCG
NHS Walsall CCG
NHS West Cheshire CCG
NHS Wolverhampton CCG
NHS Wyre Forest CCG
North Staffordshire Combined Healthcare NHS Trust
Shrewsbury and Telford Hospital NHS Trust
Shropshire And Staffordshire Area Team Dental
Shropshire And Staffordshire Area Team Screening
Staffordshire & Stoke on Trent Partnership NHS Trust
The Mid Cheshire NHS Foundation Trust
Virgin Care - East Staffs

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, National Insurance Fund and the NHS Pension scheme.

The Trust has also received revenue and capital payments from the UHNM Charity and all of the Trustees are also members of the Trust board. In 2019-20 the total amount received from the UHNM Charity was £1,493,548 (2018-19: £2,016,355). At the end of the year £431,143 (2018-19: £786,387) was outstanding and is included within trade and other receivables.

Note 33 Events after the reporting date

On 2 April 2020, the Department of Health and Social Care (DHSC) and NHS England and NHS Improvement announced reforms to the NHS cash regime for the 2020/21 financial year. During 2020/21 existing DHSC interim revenue and capital loans as at 31 March 2020 will be extinguished and replaced with the issue of Public Dividend Capital (PDC) to allow the repayment. Given this relates to liabilities that existed at 31 March 2020, DHSC has updated its Group Accounting Manual to advise this is considered an adjusting event after the reporting period for providers. Outstanding interim loans totalling £197,409 million as at 31 March 2020 in these financial statements have been classified as current as they will be repayable within 12 months.

Note 34 Better Payment Practice code

Non-NHS Payables	2019/20 Number	2019/20 £000	2018/19 Number	2018/19 £000
Total non-NHS trade invoices paid in the year	167,860	539,904	131,200	458,888
Total non-NHS trade invoices paid within target	158,101	501,736	122,292	431,386
Percentage of non-NHS trade invoices paid within target	94.2%	92.9%	93.2%	94.0%
NHS Payables				
Total NHS trade invoices paid in the year	4,762	63,633	3,703	31,601
Total NHS trade invoices paid within target	3,805	53,073	2,962	21,086
Percentage of NHS trade invoices paid within target	79.9%	83.4%	80.0%	66.7%

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

Note 35 External financing limit

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

	2019/20 £000	2018/19 £000
Cash flow financing	(16,924)	57,735
Finance leases taken out in year	-	100
External financing requirement	**(16,924)**	**57,835**
External financing limit (EFL)	2,146	60,487
Under / (over) spend against EFL	**19,070**	**2,652**

Note 36 Capital Resource Limit

	2019/20 £000	2018/19 £000
Gross capital expenditure	26,924	35,563
Less: Disposals	-	(35)
Less: Donated and granted capital additions	(901)	(1,582)
Charge against Capital Resource Limit	**26,023**	**33,946**
Capital Resource Limit	26,023	35,031
Under / (over) spend against CRL	**-**	**1,085**

Note 37 Breakeven duty financial performance

	2019/20 £000
Adjusted financial performance surplus / (deficit) (control total basis)	5,231
Remove impairments scoring to Departmental Expenditure Limit	-
Breakeven duty financial performance surplus / (deficit)	**5,231**

Note 38 Breakeven duty rolling assessment

	1997/98 to 2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Breakeven duty in-year financial performance		5,312	4,141	1,050	235	(19,301)	3,782	(26,936)	(27,773)	(69,717)	(63,607)	5,231
Breakeven duty cumulative position	(7,625)	(2,313)	1,828	2,878	3,113	(16,188)	(12,406)	(39,342)	(67,115)	(136,832)	(200,439)	(195,208)
Operating income		408,938	418,078	426,319	473,558	475,330	623,835	702,917	739,279	696,630	713,838	840,636
Cumulative breakeven position as a percentage of operating income		(0.6%)	0.4%	0.7%	0.7%	(3.4%)	(2.0%)	(5.6%)	(9.1%)	(19.6%)	(28.1%)	(23.2%)

The Trust has a statutory duty to break even on a cumulative basis.

In 2015/16 the Trust submitted a deficit plan of £16,823,000 and achieved a deficit of £26,936,000. Due to the cumulative deficit forecast the Trust's external auditors were required to refer the Trust in accordance with section 30 of the Local Audit and Accountability Act 2014 to the Secretary of State for Health informing him that the Trust was not expected to meet its statutory duty to break-even over a 3 year period. This referral was made on 12 May 2015.

In 2017/18 the Trust prepared a budget with a deficit position of £68,933,000, the control total was not agreed with NHS Improvement. In 2017/18 the Trust has reported a deficit of £69,717,000. As at 31 March 2018, the Trust has received cash support for its revenue position of £101,760,000 in 2017/18 and £41,812,000 over the preceding two years. The Trust's financial plan for 2018/19 forecast a deficit of £44,802,000 necessitating further revenue cash borrowing. As a result of the Trust delivering a significant negative variance against the planned control total in 2016/17 and planning a deficit for 2017/18 the Trust was placed in Financial Special Measures which required the Trust to develop a robust high-level recovery plan which is service quality assured. The recovery was agreed by the Trust Board and NHS Improvement. Financial Special Measures for the Trust became effective on 24 March 2017 and remains in place until NHS Improvement determines that the trust has met agreed criteria to exit Financial Special Measures.

Due to the significant deterioration in the Trust's financial performance and forecast position, the Trust's auditors issued a further section 30 referral to the Secretary of State for Health on 22 May 2017 reporting that the Trust's expenditure is likely to continue to exceed income for the foreseeable future.

The Trust reported a deficit of £63,607,000 in 2018/19 against the planned deficit of £44,802,000, of which £10,600,000 related to the result of an expert determination on disputes with Commissioners relating to 2017/18. In 2018/19 the Trust received further cash support of £43,099,000 for it's revenue position.

The Trust's financial performance in 2019/20 is a £5.231,000 surplus. This includes £32,000,000 of funding through the Provider Sustainability Fund (PSF), Financial Recovery Fund (FRF) and the Marginal Rate Emergency Tariff (MRET), which was available as the Trust signed up to its control total.

The Trust's draft financial plan for 2020/21 forecasts the delivery of a breakeven position after taking into consideration the impact of £13,500,000n funding through the Financial Recovery Fund (FRF) which is available as the Staffordshire STP has agreed to its control total deficit of £99.0 million. The draft plan includes CIP savings £37,250,000 which consist of £25,000,000 internal savings and £12,250,000 share of system efficiencies. The plan also includes £24,800,000 deficit support funding (£9,900,000 from DHSC and £14,900,000 from CCGs) as in the previous three years. Confirmation that this funding will be received by the Trust in 2020/21 has not yet been received from the other bodies; however funding has been received in the previous three years.

The Trust draft financial plan for 2020/21 was to be confirmed in a final plan to be submitted in April 2020, however as a result of the Covid 19 outbreak all NHS financial plans have been put on hold and for the first four months of 2020/21 the Trust will be funded to cover the average cost incurred in the winter period of 2019/20. This cost base has been increased for inflation but has not been reduced for efficiency savings or increased for any planned activity growth.

Cash payments are being made to Trusts in advance on this basis along with the costs of any additional expense incurred in response to managing the Covid 19 outbreak. This will ensure that there is sufficient cash available to provider Trusts to cover costs incurred in the first four months of 2020/21. NHSEI have not set out the funding position post July 2020, however for modelling purposes it has been anticipated that the Trust will return to the 2020/21 draft financial plan should there be a return to operational normality.