South Tees Hospitals
NHS Foundation Trust

South Tees Hospitals NHS Foundation Trust
Annual Report and Accounts 2020/21

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

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Annual Report, 2020/21

1. Performance Report

The purpose of the performance report is to provide an overview of South Tees Hospitals NHS Foundation Trust (the Trust), its purpose and history. The Chief Executive's and Chairman's perspective is included together with the key issues and associated risks to the delivery of our objectives.

Overview by Interim Joint Chairman

As Interim Joint Chairman for South Tees Hospitals NHS Foundation Trust, I am proud to present our annual report for 2020/21.

I wish to express profound thanks to Sue Page and all the staff of the Trust for their outstanding work during last year. I also wish to pay tribute to Alan Downey who was Chair of the Trust until February (2021) and led the Board with great dedication to deliver improvements in care to the communities we serve.

May I also record my thanks to Ada Burns our Vice Chair, the Board of the Trust and Angela Seward our Lead Governor and the Council of Governors for the generous support they have given me as Interim Joint Chairman. I would also like to pay tribute to our former Lead Governor Plym Auty how sadly passed away in January 2021. Plym was a tireless supporter of South Tees Hospitals NHS Foundation Trust and a steadfast champion for our patients and service users, their families and carers.

This report offers the opportunity to reflect on the year gone by – celebrating the Trust's successes and achievements and recognising our opportunities to build on and further improve healthcare services for our population.

Our patients and service users, as ever remain at the centre of all that we do. The past year tackling COVID-19 has presented the greatest challenges our Trust and the NHS has ever faced, but our staff have risen to the occasion magnificently and adapted our delivery of care, including the very successful vaccination programme.

We aim to ensure that our population continues to be supported during this recovery period and that together with our partners, we develop the care we provide beyond COVID-19.

My interim tenure with South Tees Hospitals NHS Foundation Trust is shared with North Tees and Hartlepool NHS Foundation Trust. In January 2021, the two organisations announced the transition to a Joint Chair whilst continuing to operate as two separate statutory organisations. The process of recruitment of a substantive Joint Chair is now underway.

This closer collaboration has included establishing a joint strategic board – bringing members of our two boards together to agree key common priorities and joint actions which will enable both trusts more effectively to:

- Work with local communities and partners to help improve the health and wellbeing of the populations they serve.
- Tackle the historical health and care inequalities that COVID-19 has exacerbated.
- Play a leading role in helping to bring inward investment into the Tees Valley and North Yorkshire.
- Strengthen recruitment and retention.

Our investment and support for the wellbeing of our staff continues to be a strong focus for us all. The ongoing success of the Trust in the current climate, and our recovery is thanks to all of our dedicated staff. Every colleague at South Tees Hospitals NHS Foundation Trust to

their great credit has gone the extra mile to provide excellent, compassionate care to all our patients.

The Trust working within the Integrated Care Partnership of organisations in Tees Valley and North Yorkshire, is in the coming years committed to an even more collaborative approach to provide high quality and improved healthcare outcomes for all of our patients.

South Tees Hospitals NHS Foundation Trust strives to grow stronger - clinically, digitally and financially - delivered by the outstanding ability of our people. I am therefore very confident in the Trust's ability to continue going from strength to strength for the populations we serve.

Signed: 

Date: 29.6.21

Neil Mundy
Interim Joint Chairman

Overview by Chief Executive

I am pleased to introduce the 2020/2021 Quality Report as Chief Executive of South Tees Hospitals NHS Foundation Trust.

We have some of the most talented and experienced surgeons, physicians, nurses and other clinicians in the country, but a report published by the Care Quality Commission in July 2019 found that too many did not always feel properly involved in discussions about changes to our services.

Since October 2019, we have been empowering our clinicians to make the decisions around how we allocate our resources and deliver care – supported by the wealth of experience and professional knowledge that exists within our operational, estates, human resources and other administrative and support teams.

This is so important– not just for our local communities in Teesside and North Yorkshire but for patients across the North East and beyond who rely on us as a major cancer, tertiary and regional trauma centre.

We have done this through our Clinical Policy Group (CPG) which draws its membership from our clinical directors, nursing and allied health professional leaders, chief medical officer, executive team, operational managers, chairs of staff-side, our senior medical staff forum and our BMA representative.

Our CPG has created ten clinically-led improvement collaboratives (service groups) - natural care communities of surgeons, physicians, nurses, midwives, scientists, allied health professionals and administrative and support colleagues, which have come together to make their services even better for our patients.

At the heart of our clinical collaboratives is our Leadership and Safety Academy which encompasses our patient safety faculty and provides a range of support, including leadership and management training, quality improvement skills, team and service support, coaching and human factors training.

This clinically-led approach has been at the heart of our response to COVID-19 and the overriding goal set by our experienced clinicians has been to help keep colleagues, patients and service users safe.

During the last year, our clinicians have treated more than 3,000 patients with COVID-19 and it is testament to the hard work and dedication of our fantastic colleagues that, at the same time, they delivered almost 23,000 operations, including over 14,500 planned surgeries for patients whose needs have been equally urgent.

Our laboratory colleagues were amongst the first in the country to develop round the clock on-site testing for COVID-19 and James Cook was one of the world's first COVID vaccination centres.

Our significant contribution to the COVID-19 effort is a mark of our determination to remain at the forefront of clinical research as a driver of safe, quality care. Alongside our commitment to research, our position as one country's highest ranked medical training organisations, and as a Top 100 Apprenticeship Employer, characterises our commitment to our people and communities.

By enabling clinicians to come together to shape and deliver the care they want for their patients, we were rated by our colleagues in the 2020 NHS Staff Survey as the most improved Trust in the country.

This clinically-led approach will continue to be at the heart of our recovery over the course of 2021/22

Signed: 

Date: 29.6.21

Sue Page CBE
Chief Executive

Introduction to South Tees Hospitals NHS Foundation Trust

Getting good NHS services is the most important things to more than 1.5 million patients, service users, carers and families in the Tees Valley, North Yorkshire and beyond who depend and rely on them. It is the most important thing to everyone who works at South Tees NHS Hospitals Foundation Trust too.

We are an anchor tertiary provider – delivering world-class cardiothoracic, spinal, cochlear implant, neurosciences, gynaecology and urology care for patients across the region – and one of only three hospital trusts in the UK operating three robotic surgical systems. Our major trauma centre sees half of all trauma cases in the North East and Cumbria.

As a major cancer, tertiary and regional trauma centre, The James Cook University Hospital provides more than 37 different specialities all on one site.

Our role as an anchor tertiary provider is crucial in ensuring that specialist care is available to patients across our region and that health inequalities are not exacerbated in our local patient populations.

Construction of a new £5 million diagnostic hub is underway at Friarage Hospital in Northallerton which serves communities across the Dales and Teesside, and our primary care hospital wards and community NHS teams provide care for patients across South Tees and Hambleton and Richmondshire.

South Tees was one of first Trusts in the UK to develop the state-of-the-art cancer treatment stereotactic ablative radiotherapy (SABR) and we are one of only three hospital trusts in the UK operating three robotic surgical systems and have the ability to train other surgeons.

Since bringing cardiothoracic surgery to Teesside in 1993, we've carried out almost 40,000 cardiothoracic operations and implanted more than 11,000 pacemakers.

We are an international flagship site for transcatheter aortic valve implantation (TAVI), an advanced procedure in which a team of specially trained consultants replace narrowed heart valves without the need for open heart surgery.

We were also the first trust in the UK to use a new implantable device for patients who suffer from back pain.

Our mission, vision values and behaviours

Our mission – Safety and Quality First

As a clinically-led organisation, the safety and wellbeing of our patients, service users and staff, underpinned by the quality of the care we provide, is at the heart of our mission. It is what matters most to people who use our services. Alongside our influence on wider determinants of health, this is our core organising principle.

Our vision

We will continue to empower our clinicians to take the decisions about how we manage our resources and deliver safe, quality care across our hospitals and services for children, adults, families and our communities. In doing so, we will deliver the highest standards of patient-centred healthcare to communities in the North East of England, North Yorkshire and beyond.

Our values and behaviours – The South Tees Way

The values and behaviours of our nurses, midwives, doctors, allied health professionals, scientific teams, administrative, support staff and volunteers have been instrumental in helping our services to meet the challenges presented by COVID-19. They are the words we want our patients, service users and colleagues to be able to use to describe how it feels to receive care or work in our hospitals and services.

- **Respectful**
  I am respectful because I listen to others without judgement. I promote equality and diversity and treat others as I wish to be treated. By holding myself and others to account I demonstrate my professionalism and integrity to my colleagues.

- **Supporting**
  I am supportive because I acknowledge the contribution of my colleagues. I support my colleagues and our trainees to develop themselves in order to deliver the best possible care to our patients and families. Being part of a team requires me to be honest, available and ready to help others and myself.

- **Caring**
  I am caring because I show kindness and empathy to others through the delivery of individual and high quality care to our patients, families and my colleagues.

Our strategic intent and objectives

Our singular focus will be the delivery of safe, quality care.

As a major cancer, tertiary and regional trauma centre, and the largest provider of secondary and community care for the populations we serve, we will achieve this by continuing to empower our clinicians to make the decisions around how we allocate our resources and deliver care.

Through empowering our clinicians, we will continue to deliver our clinically-led plan to get back to our best by:

Stabilising care

- Providing focused support to specialities through our Leadership and Safety Academy.
- Making it easier for patients who are ready to leave hospital, and for those who are waiting to come into hospital.

Sustaining care

- Growing elective care at the Friarage.
- Wrapping community services around our hospitals and primary care.
- Enabling tertiary services to thrive and grow at The James Cook University Hospital.

Connecting care

- Ensuring that we work as one health and care system: delivering safe, quality care in a joined-up way ‘without organisational boundaries.

Caring for our communities

- Anchored in the communities we serve, we will positively contribute to our local area and influence the wider determinants of health by working as a good partner, seeking to be a leader in bringing inward investment into the Tees Valley and North Yorkshire, widening access to employment, continuing to reduce our environmental impact and thus supporting healthy and prosperous people and places.

Our strategic objectives

We have five strategic objectives to help us deliver on our mission, vision and values:

- Best for safe, clinically effective care and experience.
- A great place to work.
- A centre of excellence, for core and specialist services, research, digitally-supported healthcare, education and innovation in the North East of England, North Yorkshire and beyond.
- Deliver care without boundaries in collaboration with our health and social care partners.
- Make best use of our resources.

Patient and service user experience

Our patients and service users are at the heart of everything we do. We strive to continually provide the highest standard of experience of care to every patient and service users. We proactively seek their feedback to identify good practice and implement improvements where necessary to ensure we are meeting their patients expectations and the expectations of their their carer or family.

Patient experience surveys are available in all inpatient areas via iPads. Patients attending outpatient appointments or using emergency care services receive a text message or email to provide their feedback. This supports the collection of real-time feedback to improve the patient and service user experience while it is still relevant or they are still receiving care. This assures patients and service users that their feedback is listened to and acted upon. There is also the opportunity for patients and service users to provide feedback about their care to the Patient Experience Team / Patient Advice and Liaison Service (PALS) who work to support a timely response.

The Trust is also an active participant in the 'Ask Listen Do' campaign, which ensures patients with a learning disability are provided with help and support to raise and concerns and provide feedback.

We invite patients and service users to share their stories at our Trust Board meetings and other internal meetings to allow colleagues to hear their experience first-hand. The benefits of this apporoach for those providsing and receiving care is profound. Patient experience is integral to the multidisciplinary teams across the Trust to facilitate shared learning and improvements.

The Trust works collaboratively with external partners, such as, Tees Esk and Wear Valleys NHS Foundation Trust, Healthwatch South Tees and Redcar and Cleveland, North East NHS Independent Complaints Advocacy Service, Carers Together and Age Concern to ensure we hear from all of our patients and service users, particularly those from difficult to reach groups.

Complaints

During 2020/21 the Trust received 291 formal complaints – a 47 per cent reduction on the previous year. The reduction in complaints activity was due to the COVID-19 pandemic. NHS England & Improvement instituted place a 'pause' to the NHS complaints process to allow staff to be utilised to support the clinical staff. However, the Trust continued to respond to all complaints recieved during the pandemic.

Due to the COVID-19 pandemic, national complaints data has only been released up to Q2 of 2020/21. The Trust has a rate of 13.2 in Q1 and 20.7 in Q2 (number of complaints per 10,000 finished consultant episodes), which compares favourably to the national average of 38.3 complaints per 10,000 finished consultant episodes.

This is also a reduction from 21.2 complaints per 10,000 finished consultant episodes in 2019/20.

Figure 1 – Rate of formal complaints received into the Trust by month

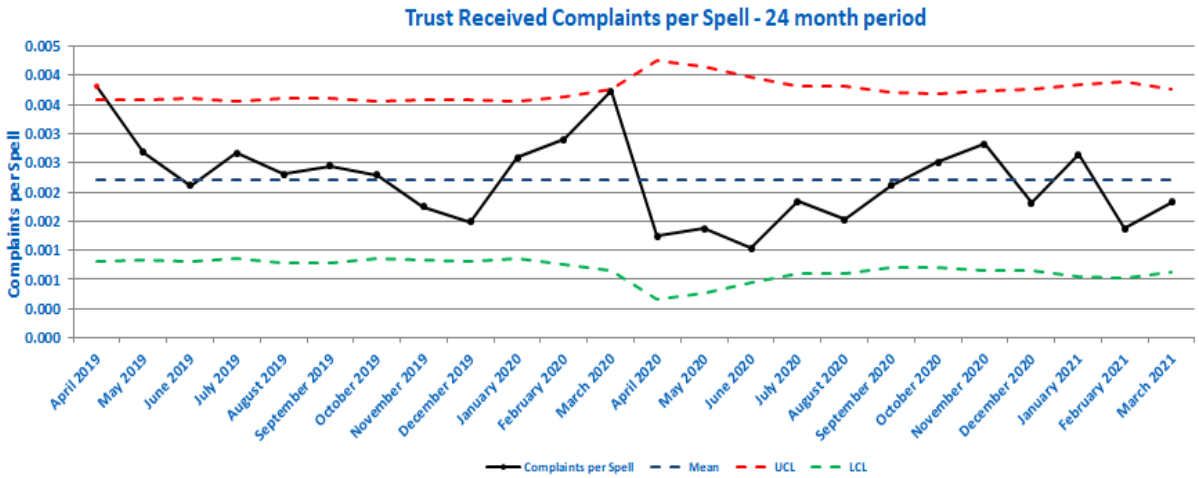


Figure 1 shows that the average number of formal complaints received each month was 24. All written complaints are triaged on receipt and the subjects of the complaint are identified. There were 338 complaints closed in 2020/21 compared to 470 in 2019/20.

In 2020/21, 39 per cent of complaints were unsubstantiated, 57 per cent partially substantiated and 19 per cent were substantiated. Data from NHS Digital for the North East and Yorkshire region for Q2 shows 42.6 per cent were unsubstantiated, 34.5 per cent partially substantiated and 22.9 percent were substantiated.

Patient Advice and Liaison Service (PALS)

Contacts to PALS also reduced during the pandemic.

The Trust received 1,709 PALS contacts (advice/enquiry/concerns) in 2020/21 which is a recduction 2,512 received in 2019/20. The majority of the PALS contacts were logged as a concern, which are then forwarded to the appropriate clinician to respond to the complainant within the agreed ten working day timeframe as per the Trust policy. Table 2 shows the number of PALS received by month.

Table 2 – Total number of PALS received 2020/21

	April 2020	May 2020	June 2020	July 2020	August 2020	September 2020	October 2020	November 2020	December 2020	January 2021	February 2021	March 2021	2020/21 YTD
PALS (Advice)	29	31	33	38	20	34	19	24	15	20	12	27	302
PALS (Enquiry)	19	21	26	37	34	24	59	32	27	40	28	21	368
PALS (Concern)	48	52	66	73	115	123	133	111	66	75	95	82	1039
South Tees Hospitals NHS Foundation Trust	96	104	125	148	169	181	211	167	108	135	135	130	1709

The main themes identified related to ‘communication’ and aspects of clinical treatment. The Patient Experience Sub Group has commissioned a Task & Finish Group to undertake a ‘deep dive’ into communications.

Patient Surveys

- **Sentiment analysis of patient and service user feedback from surveys**

There are currently 26 seperate patient surveys utilised by the Trust. These include inpatient, outpatient, emergency depatment, maternity and community surveys. Patients and service users have the opportunity to provide their free-text comments on all of the surveys.

The majority of comments received from patient surveys are positive. Wards and departments have access to their data to discuss and share at ward/departmental meetings. Any comments that are negative are actioned in the department and a 'you said, we did' board has been created to share at ward/department level.

- **Family and Friends Test (FFT)**

Patients and service users are also invited to complete the NHS Friends and Family Test. Wards and departments access their own information and are able to review and action the feedback received.

Staff experience

The Trust's annual NHS staff survey was conducted in the autumn of 2020 and colleagues rated the Trust as the most improved in the country.

The results came a year after the 2019 NHS Staff Survey which showed a steep drop in a number of areas, including the proportion of colleagues who said they would recommend the trust as a place to work, and who felt patient care was the organisation's number one priority.

In the interventing period leading up to the 20230 NHS Staff Survey, the Trust underwent a number of significant changes. Our Clinical Policy Group now makes the decisions on how we allocate our resources and deliver care, and this clinically-led approach has been at the heart of the way we have met the enormous challenge of COVID-19 and our goal of helping to keep patients, service users and colleagues safe.

In addition, staff-side colleagues helped to create a 'you said, we did' list of practical changes, including our STAR awards.

During 2020/21, colleagues across the Trust also helped to develop a new set of values and behaviours which we want our patients and colleagues to be able to use to describe how it feels to receive care or work at South Tees Hospitals NHS Foundation Trust.

The results from the 2020 NHS Staff Survey showed significant improvements. For example the results show a substantial increase in the number of colleagues who feel patient care is the organisation's number priority and would recommend the Trust as a place to work

Equality of service delivery to different group

The NHS is for everyone. Anyone needing the NHS should receive the same high quality care every time they receive services. However, we know that some people in our communities can experience barriers or judgement when using NHS services.

South Tees Hospitals NHS Foundation Trust recognises the problems that patients and service users could face, including language barriers, support to access services or stigma regarding accessing mental health services. Understanding our patient and service user needs is our priority and it helps us to ensure our services are accessible, safe and inclusive for everyone.

The Trust is committed to identifying, understanding and overcoming any barriers for our patients and service users. This ensures that the way we work and the services we offer are respond inclusively to cultural, physical and social differences.

As a public sector organisation, we embed equality, diversity, inclusion and human rights into all activities. Through our commitment to delivering equality of service the Trust has commissioned a Hospital Interventions Liaison Team (HILT) to work with some of our most vulnerable and at-risk patient and service user groups. The HILT targets support for patients and service users with alcohol and substance misuse issues - working collaboratively with public health and local community treatment services.

Throughout our COVID-19 response we have looked for evidence of disproportionate impact on specific groups, both of COVID-19 itself and other conditions. For example we monitored COVID-19 admission rates and mortality by postcode, age and ethnicity and shared this information with local Public Health colleagues to support targeted action. We monitored cancer referrals by postcode and highlighted those areas with disproportionate reductions to the Cancer Network.

We have completed an initial review of our patient waiting list with regard to inequalities. The review shows that for the factors of Age, Sex, Ethnicity & Deprivation the profile of the waiting list has not changed from March 2019 to March 2021. For these factors the profiles of any patients waiting over 18 weeks or 52 weeks is not different to the overall patient waiting list. This suggests that our elective response to COVID-19 has not disproportionately disadvantaged any particular patient groups.

Engaging with stakeholders

Anchored in the communities we serve, we work to contribute to our local area and influence the wider determinants of health by operating as a good partner, seeking to be a leader in bringing inward investment into the Tees Valley and North Yorkshire, widening access to employment, continuing to reduce our environmental impact and thus supporting healthy and prosperous people and places.

Stakeholder engagement is central to this work and our building of strong partnerships and relationships. Stakeholder segmentation is used to identify and facilitate partnership working between stakeholders and the Trust. This is further segmented to determine priorities and capacity requirements for effective engagement with individual stakeholder groups.

Subsidiary undertakings

The Trust created a Limited Liability Partnership (LLP) in May 2016 to act a body through which research funds could be managed. The LLP is called South Tees Institute of Learning, Research and Innovation LLP. The company was dormant during 2020/21 and will not be consolidation as part of the Trust Group for the financial year to 31 March 2021.

Limited Liability Partnerships must have two members (partners) at all times. To ensure compliance with this requirement, South Tees Hospitals NHS Foundation Trust also created a Limited Liability Company in May 2016. The LLC is called South Tees Healthcare Management Limited.

Together, the Trust and South Tees Healthcare Management Limited are the members (partners) of South Tees Institute of Learning, Research and Innovation LLP.

When setting up this arrangement in 2016, the Trust intended for South Tees Healthcare Management Limited to remain dormant and act as one of the members (partners) of South Tees Institute of Learning, Research and Innovation LLP.

When changes to the provision of the Trust's outpatient pharmacy took place in 2019, South Tees Healthcare Management Limited was chosen to enable outpatient pharmacy services to be placed back under the control of the Trust as a wholly owned subsidiary. The operations of this company were consolidated and are reported in the Group position at 31 March 2021.

Key issues and risks

In order to maintain a strong system of governance, the Board of Directors regularly review the key issues and risks that may undermine the achievement of the Trust's strategic objectives. The matters outlined below are those that the Board of Directors considers to be of particular significance to the Trust:

- **Access targets**

Treating more than 3,000 patients with COVID-19 has inevitably had an impact on the Trust's ability to meet constitutional access targets. Recovery is a clinically-led process with the risk managed through the Trust's Clinical Policy Group and reported each month through the Trust's Board.

- **Quality targets**

All services that the Trust provides are reviewed through our Quality and Safety Committee. In addition, the Trust's Leadership and Safety Academy was established in 2020/21. Encompassing our patient safety faculty, the Leadership and Safety Academy provides a range of support, including leadership and management training, quality improvement skills, team and service support, coaching and human factors training.

- **Financial sustainability**

South Tees Hospitals NHS Foundation Trust entered into a Private Finance Initiative (PFI) scheme in 1999 to enable the re-location of its Middlesbrough services onto a single site - creating The James Cook University Hospital in its current location. The PFI was part of a first tranche of NHS schemes.

The revenue costs of the James Cook PFI were £45 million in 2020/21. In addition, 'life-cycle' costs (mandatory annual maintenance charges built into the PFI scheme) are required to be paid each year from the Trust's capital budget.

The total annual payments (revenue and capital) by the Trust for the James Cook PFI scheme are now £57 million per year. The PFI scheme is now adding approximately £18-20 million each year to the Trust's expenditure compared to a hospital provided through public capital/borrowing. This additional cost broadly equates to the Trust's underlying structural deficit.

Going concern

The Trust has prepared its 2020/21 accounts on a going concern basis. The financial reporting framework applicable to NHS bodies, derived from the HM Treasury Financial Reporting Manual, defines that the anticipated continued provision of the entity's services in the public sector is normally sufficient evidence of going concern. For that reason, the Trust continues to adopt the going concern basis in preparing the accounts.

The day to day operations of the Trust are funded from agreed contracts with NHS commissioners with funds provided in advance in 2020/21 to meet demands on liquidity. The uncertainty in the current economic climate has been in part mitigated by implied contracts with Clinical Commissioning Groups and NHS England for a further year with payments starting for 2021/22 in early April. The Trust's budget and expenditure plans are prepared using national guidance on tariff and inflationary factors with income based on agreements with Commissioners.

The Trust recorded a financial performance deficit in 2020/21 of £11.1 million as agreed in discussions with NHS England/Improvement (NHSE/I) and the regional ICP. The balance sheet shows net current assets of £21.4 million with all loans from the Department of Health and Social Care (DHSC) now repaid mainly through a centrally provided Public Dividend Capital (PDC) allocation as detailed below. The Group has utilised support, in the form of specific and emergency PDC, amounting to £35.6 million to fund its capital programme in 2020/21.

The operational stability of the Trust is dependent on the Trust delivering the 2021/22 financial position. At present, however, the planning process for 2021/22 has been modified with the ongoing pressure from COVID and it is anticipated that this position will be reviewed in the summer of 2021. The Trust during the first half of 2021 will be funded to support a break even position for the ICP overall. During the financial year the Trust received advance funding from NHS England and Commissioners which included a monthly block payment (£49.2 million) and a top up payment (£1.9 million). These arrangements and those in place for the start of 2021/22 will continue to ensure the Trust's financial position is stable. At 31 March 2021 the Trust's closing cash position amounted to £57.4 million..

The Group has not been notified by any relevant national body of any intention to dissolve the Group or to transfer services to another public sector body. In April 2020, DHSC and NHSE&I announced reforms to the NHS cash regime for the 2020/21 financial year. This announcement confirmed that during 2020/21, existing DHSC interim revenue and capital loans as at 31 March 2020 will be extinguished and replaced with the issue of PDC to allow the repayment.

The value of the affected Interim Support loans amounted to £144.6 million and these were repaid in September 2020. The remaining Financing Facility Loans amounting to £12.2 million were fully repaid by the Trust in March 2021. As the repayment of the Interim Support loans was funded through the issue of PDC, this did not present a going concern risk for the Trust. The Group also believes that if further funding support was required in 2021/22 this would be made available. As with any Trust placing reliance on the DHSC for financial support, the directors continue to acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on the above factors the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Better Payment Practice Code

Unless other terms are agreed, we are required to pay our creditors within 30 days of the receipt of goods or a valid invoice, whichever is later. This is to ensure that we comply with the Better Payment Practice Code. The Trust's performance against this metric is shown as follows:

Non NHS	NHS
Target: 95%	Target: 95%
Result by number: 94.4%	Result by number: 86.2%
Result by value: 95.0%	Result by value: 89.3%

The relatively small number and high value of NHS invoices means that a small number of late paid NHS invoices can result in dramatic shifts in the percentage paid on time. A detailed breakdown of the figures is shown below:

	2020/21		2019/20	
	Number	£000	Number	£000
Total non NHS trade invoices paid in the year	85,346	417,215	91,162	360,318
Total non NHS trade invoices paid within target	81,068	393,740	72,631	314,921
% of non NHS trade invoices paid within target	95.0%	94.4%	79.7%	87.4%
Total NHS trade invoices paid in the year	3,580	23,372	3,159	33,244
Total NHS trade invoices paid within target	3,085	21,017	2,158	27,720
% of NHS trade invoices paid within target	86.2%	89.3%	68.3%	83.4%

Interest paid under the Late Payment of Commercial Debts (Interest) Act 1998 amounted to £324.

Freedom to Speak Up Guardian

Freedom to Speak Up is a national requirement that has the potential to improve patient and service user outcomes and experience. In addition it can improve the working experience of our staff, thereby increasing retention and job satisfaction.

In August 2020, the Trust introduced a new model into the Freedom to Speak up Guardian framework and a team of four Guardians were introduced which has increased visibility, awareness and accessibility.

A wide range of data is collected by the Guardians. The information collected and collated in 2020/21 reflects the significant positive impact the new model for speaking up has had for colleagues, patients and service users.

Sustainability and the Environment

Despite the COVID-19 pandemic work has progressed with regards to sustainability and the environment. There have been some significant achievements, one of which is the Trust's 'Green Plan'. From 2017 the Trust has been utilising an annual Sustainable Development Management Plan (SDMP) which has now been superseded by a requirement for a more robust Green Plan.

The Green Plan has been introduced through the NHS Standards Contract 2021, which all NHS Trusts must have in place by 31st March 2021. It is to be approved by, and reviewed annually, by the Trust Board. This document has a five year time scale and aims to assist in cutting carbon emissions to net zero by 2050. The intention of the Green Plan is to make South Tees Hospitals a leader in carbon management not only in the local community but also in the North of England.

The South Tees Green Plan is in two parts. Part 1 details our organisational vision and strategy, the Trust's objectives, and its commitments; whilst Part 2 is the Action Plan. The Action Plan details the main objectives over the next five years, and how they will be achieved. Some of these are easily attainable however there are other objectives which may take time. In addition to this the Action Plan is a working document whereby new initiatives will be added as identified by the Trust's Greener NHS Group or through other resources.

Areas covered by the Plan are focused on:

- Working Collaboratively
- Resources
- Procurement and Raw materials
- Waste
- People
- Journeys
- Green Spaces

There has been a recent amendment to the Plan which links it in with the expectations required of ISO 14001:2015 Environmental Management Plan, which will be re-certified in June 2021.

The Trust's mission statement towards its commitment to sustainability and the environment remains unchanged:

'South Tees Hospitals NHS Foundation Trust is one of the largest trusts in the North of England and as such is one of the principle healthcare providers and employers. To that end it is imperative that the Trust accepts its responsibility towards the environmental impact it creates by reacting to climate change, and exploiting every opportunity to improve social, economic, and environmental sustainability. As a trust we have a moral duty of care to ensure we function in the best interests of the local community and as so improve the health and wellbeing of all.'

Clinical Waste

The COVID-19 pandemic has had a dramatic effect on the waste(s) the Trust produces. This is mostly through the increased disposal of Personal Protective Equipment (PPE). Despite this the Trust has worked closely with its PFI and adapted disposal systems ensuring that all waste is removed off site in a safe and compliant manner for final disposal.

2. Accountability Report

Director's report

The Board of Directors – role and responsibility

Our Board of Directors ('the Board') functions according to corporate governance best practice. The Board operates as a unitary Board with collective accountability for all aspects of Trust performance, from clinical quality to financial performance and sustainability. Key responsibilities of the Board are:

- Setting the strategic direction whilst taking into account the views of the Council of Governors
- Ensuring adequate systems and processes are in place to deliver the Annual Operational Plan
- Ensuring that services provided are safe, and clean, and that personal care is provided to patients
- Ensuring robust governance systems and processes are in place supported by an effective assurance framework that supports sound systems of internal control
- Ensuring rigorous performance management to ensure the Trust achieves local and national targets
- Measuring and monitoring efficiency and effectiveness
- Continuous improvement
- Exercising its powers established under statue, as described in the Constitution which is available at: www.southtees.nhs.uk

The Board is led by the Chair, Neil Mundy and the Executive Team is led by Sue Page, Chief Executive Officer. During the year, the Board agreed to create a new strategic board, which will bring members of South Tees Hospitals NHS Foundation Trust and North Tees & Hartlepool NHS Trust Boards together to tackle common issues that affect both trusts. To help take forward the ambitious agenda, the two trusts are to create a new joint chair role. The recruitment process for a permanent joint chair started in March and will conclude in the summer of 2021.

The Board sets the strategic direction within the context of NHS priorities, allocates resources, monitors performance against organisational objectives, ensures that clinical services are safe, of a high quality, patient-focused and effective, ensures high standards of clinical and corporate governance and, along with the Council of Governors, engages members and stakeholders to ensure effective dialogue with the communities we serve.

The Board of Directors is responsible for exercising all of the powers of the Trust; however, has the option to delegate these powers to senior management and other committees. The Board has several committees which support the seeking of assurance in relation to quality, performance and risk management throughout the Trust.

These committees are: Audit Committee; Quality Assurance Committee; Finance and Investment Committee; Risk Committee, Remuneration Committee and Workforce Committee.

The Trust has a Scheme of Delegation which outlines when approval for a decision is required from the Board or one of its committees, such as for a high-value business case, and decisions which the Executive team are permitted to make without further approval. The Board of Directors is jointly responsible for scrutinising and constructively challenging the performance of the Trust to ensure we deliver our strategy, continuously improve and deliver high quality care.

Board composition

The Board is comprised of five Executive Directors and eight Non-Executive Directors, including a Non-Executive Chair. The size of the Board is considered to be sufficient and the balance of skills and experience appropriate for the current requirements of the business.

Board members undergo an appraisal process which includes consideration of how an individual's contribution is aligned to our values: Respectful, Caring, Supportive. The Chief Executive leads the annual evaluation of each Executive Director and Directors, and the results of evaluations are summarised and reported to the Non-Executive Directors at the Remuneration Committee.

The Chair and Non-Executive Directors are appointed by the Nomination Committee, which is comprised solely of Governors and the Senior Independent Director, for terms of office of up to three years and may seek reappointment in line with the provisions set out in the NHS Foundation Trust Code of Governance ('the Code'). All of the Non-Executive Directors are considered to be independent in character and in judgement.

Additional assurance of independence and commitment for those Non-Executive Directors serving longer than six years is achieved via a rigorous annual appraisal and review process in line with the recommendations outlined in the Code. The Executive Directors and Directors are appointed by the Remuneration Committee on behalf of the Board of Directors. All Directors are appointed on permanent contracts and undertake an annual appraisal process to ensure that the focus of the Board remains on the patient and delivering safe, high quality, patient-centred care.

The composition of the Board over the year is set out on the following page and includes details of background, committee membership and attendance. The performance of the Board as a whole is reviewed on an annual basis by undertaking a self-assessment of the effectiveness of the Board of Directors, subsidiary Boards and Board of Directors' committees.

Board of Director Meetings

The Board held ten meetings during 2021/21 - all in public with a small element of business conducted in private due to the confidential nature of business to be discussed.

Board of Directors Profiles

Non-executive Directors

Neil Mundy – (Interim Joint Chairman)

Neil has extensive experience in executive, non-executive and trustee roles in the public, private and voluntary sectors, over 20 years of which has been with the NHS. He is currently convener for the NHS Integrated Care System for the North East and North Cumbria and has previously served as the chair of South Tyneside NHS Foundation Trust and as a non-executive director for Northumbria Healthcare NHS Foundation Trust.

Appointed 2 February 2021 for six months as Interim Joint Chairman

Ada Burns – Non-executive Director/Deputy Chair

Ada has had a lengthy career in local government and public policy. She worked for 25 years in London in roles focused on housing and regeneration. In 2005 Ada was appointed Chief Executive of Darlington Borough Council, a position she held until 2018. During her time in Darlington Ada was instrumental in the development of the Tees Valley Mayoral Combined Authority, and had a particular interest in programmes to address health inequalities. Ada is a Governor and Resources Committee Chair for Teesside University, Vice Chair of the New Local Government Network (NLGN), and a Director of a Community Arts Centre.

Appointed 1 October 2019 for a three year term

Richard Carter-Ferris – Non-executive Director

Richard is a Chartered Accountant and an experienced finance professional having worked at a senior level in a number of large businesses. Richard's previous roles included Director of Internal Audit at Asda Wal-Mart, Global Financial Controller for GE Plastics, Finance Director of National Express East Coast and Finance Director of Vantage Airport Group. He is a self-employed consultant proving financial and non-executive support to a range of clients.

Appointed 1 August 2015 for a three year term
Reappointed 1 August 2018 for a further three year term
Reappointed for one additional year to 31 July 2022

David Heslop – Non-executive Director

David has decades of experience developed in the finance and insurance industry. David became Director for the Teacher's Pension Scheme at Capita in 2015. Prior to joining Capita, David was a Chief Operating Officer for the Pension Protection Fund and had a 20 year career at Aviva, one of the UK's largest insurance and savings groups. David read statistics at City University and is a Fellow of the Royal Statistic Society and the Institute of Actuaries.

Appointed 1 August 2015 for a three year term
Reappointed 1 August 2018 for a further three year term

Mike Ducker – Non-executive Director

Mike has over 30 years' experience in the petrochemicals manufacturing industry on Teesside with ICI, Huntsman and SABIC. Mike has worked across a broad range of functions from Operations to Human Resources within the Tees Valley, and spent 10 years as the Chairman of the SABIC UK Pension Fund. He is a Trustee of two UK charities, and an advisor to the UK Government on Chemicals Sector Resilience. Mike lives near Thirsk, North Yorkshire.

Appointed 1 February 2018 for a three year term
Reappointed for second three year term to 31 January 2024

Debbie Reape – Non-executive Director/ Senior Independent Director

Debbie is a registered general nurse and a registered sick children nurse who has worked in the NHS for 38 years in a number of senior nursing and management roles. Debbie joined the Trust as a Non-executive Director following on from her retirement in 2017 from Northumbria Healthcare NHS Trust where her last role was as Executive Director of Nursing. Debbie lives in Newcastle Upon Tyne and has one son.

Appointed 1 November 2018 for a three year term

Maria Harris - Non-executive Director

Maria is a chartered manager with over 25 years' experience in customer service and operations roles across a variety of private sector industries including retail banking. As part of the team who launched the UK's first digital bank based in Durham, she now provides consultancy services to a number of fintech companies as well as being a non-executive director with United Trust Bank.

Appointed 3 December 2020 for a three year term

David Jennings - Non-executive Director

David is a qualified accountant and auditor with 36 years' experience drawn mainly from local government and NHS organisations. He was, until August 2020, an NHS non-executive director with Tees, Esk and Wear Valleys NHS Foundation Trust. In 2018 he completed seven years as a senior finance professional with a Teesside local authority covering finance, IT, assets and the strategic capital programme. Prior to that, he had spent 27 years working for the Audit Commission, as a district auditor and latterly as a senior inspector.

Appointed 3 December 2020 for a three year term

David Redpath - Associate Non-executive Director

With roots firmly in the North East, David has enjoyed over 20 years in technology leadership and advisory roles around the world. His most recent role as a senior executive partner at research and advisory company Gartner sees him act as strategic advisory to multiple public and private companies in the UK. Prior to this David performed several CIO roles in different industries and served as a non-executive director at Newcastle Building Society and the Nation Union of Students. Married with two children and living in County Durham, David joined the board in January 2021.

Appointed 3 December 2020 for a two year term

Alan Downey – Chairman

Appointed as Chair Designate from 1 January 2018 and
Chairman from 1 April 2018 for a three year term
Resigned as Chairman on 2 February 2021

Mrs Maureen Rutter – Non-executive Director/Senior Independent Director

Appointed 2 September 2013 for a three year term
Re-appointed 1 September 2016 for a further three year term
Re-appointed for one additional year to 30 August 2020
Term of office ended 30 August 2021

Executive Directors

Sue Page – Interim Chief Executive Officer

Sue has worked in the NHS for more than 30 years as Chief Executive in London, Cumbria, the North East and Liverpool. She has led hospital and community trusts, with a particular focus on improving organisations and leading them through significant change. Sue has previously worked in the northern NHS region, leading hospital and community services in Northumberland and North Tyneside from 1990 to 2005, resulting in the creation of Northumbria Healthcare NHS Foundation Trust in 1998. She also ran NHS Cumbria for seven years from 2006 to 2013 and received a CBE for services to the NHS in 2000.

Appointed Interim Chief Executive Officer on 1 October 2019
Appointed as permanent Chief Executive Officer on 1 July 2020

Rob Harrison – Managing Director

Rob joined the trust in 2020 from Harrogate and District NHS Foundation Trust, where he served as Chief Operating Officer for ten successful years. Robert holds a postgraduate diploma in Health Service Management from the University of Birmingham and a bachelor's degree in Applied Biochemistry from the University of Liverpool and worked in the Pharmaceutical research prior to joining the NHS Graduate Management Training Scheme. He subsequently held NHS management positions in Lancashire, Merseyside and Cheshire, prior to moving to Harrogate in 2010

Appointed on 1 September 2020 (voting member of the Board from 1 November 2020)

Dr Michael Stewart – Chief Medical Officer

Michael is a consultant cardiologist and was appointed chief medical officer in 2021. Most recently, he served as director of cardiovascular services at Auckland District Health Board. Prior to this Michael worked as a cardiologist at South Tees Hospitals NHS Foundation Trust from 1996 to 2018 where he also held medical leadership roles.

Appointed 1 February 2021

Dr Hilary Lloyd – Chief Nurse

Dr Hilary Lloyd was appointed chief nurse in 2021. Hilary qualified in 1989 and has held a number of nursing posts including acute health care, education and research. Most recently she served as the director of nursing, midwifery and quality at Gateshead NHS Foundation Trust.

Appointed 1 March 2021

Chris Hand – Chief Finance Officer

Chris is a qualified accountant with over 20 years' experience in NHS financial management, including 13 years at Northumbria Healthcare NHS Foundation Trust. Most recently, Chris served as the executive director of finance at Northumberland County Council.

Appointed 1 March 2021

David Chadwick – Medical Director

Stepped down as Medical Director on 31 August 2020

Adrian Clements – Medical Director

Stepped down as Medical Director on 31 October 2020

Steven Mason – Director of Finance

Stepped down as Director of Finance on 28 February 2021

Sath Nag – Medical Director

Stepped down as Medical Director on 31 January 2021

Gill Hunt – Director of Nursing

Stepped down as Director of Nursing on 30 November 2020

Deirdre Fowler – Interim Director of Nursing

From 1 April 2020 to 15 January 2021

Moira Angel – Interim Director of Nursing

From 15 January 2021 to 1 March 2021

Attendance at Board meetings

Non-executive Directors		Total number attended	% attendance
Mr A Downey	Chairman (to 2 February 2021)	9/9	100%
Ms A Burns	Non-executive Director & Vice Chair	9/10	90%
Ms D Reape	Non-executive Director & SID from 31 August 2020	10/10	100%
Mr D Heslop	Non-executive Director	10/10	100%
Mr R Carter-Ferris	Non-executive Director	10/10	100%
Mr M Ducker	Non-executive Director	9/10	90%
Ms M Harris	Non-executive Director (from 1 January 2021)	2/2	100%
Mr D Jennings	Non-executive Director (from 1 January 2021)	2/2	100%
Mr D Redpath	Associate Non-executive Director (from 1 January 2021)	2/2	100%
Mr N Mundy	Interim Joint Chairman (from 2 February 2021)	1/1	100%
Mrs M Rutter	Non-executive Director & SID (to 30 August 2020)	4/4	100%
Executive Directors			
Mrs D Fowler	Interim Director of Nursing & Midwifery From 1 April 2020 to 15 January 2021	8/8	100%
Mr A Clements	Medical Director (to 31 October 2021)	6/6	100%
Dr S Nag	Medical Director (to 31 January 2021)	8/9	89%
Mr S Mason	Director of Finance 28 February 2021	9/9	100%
Ms S Page	Chief Executive	9/10	90%
Mr R Harrison	Managing Director from 1 September 2020	5/5	100%
Mrs M Angel	Interim Director of Nursing 15 January 2021 to 1 March 2021	1/1	100%
Dr M Stewart	Chief Medical Officer from 1 February 2021	1/1	100%
Dr H Lloyd	Chief Nurse from 1 March 2021	1/1	100%
Mr C Hand	Chief Finance Officer from 1 March 2021	1/1	100%
Mr D Chadwick	Medical Director (to 31 August 2020)	4/4	100%
Mrs G Hunt	Director of Nursing & Quality (to 30 November 2020)	1/1	100%

Declaration of Interests of the Board of Directors

An annual review of the Board of Director's Register takes place alongside the annual review of the Fit and Proper Person Regulation assessment. This is in addition to any changes to Directors interests declared at the next routine meeting following the change to their interests.

The Board of Directors has a standing agenda item which requires Executive and Non-executive Directors to declare any interest in relation to agenda items and any changes to their declared interests.

The Register of Board interests is available for public inspection via the trust's website.

Foundation Trust Membership

We involve our Governors who represent the members from South Tees Hospitals NHS Foundation Trust's (STHFT) constituent areas in developing our forward plans. By involving Governors in designing services and improving care we ensure that the views of local people are being heard and we enhance the experience of patients, carers, visitors and staff.

In May 2009 our original membership was established and since then we have worked to maintain and engage with our representative membership. By engaging with members and the public ensures that the views of local people and those further afield are taken into account; this helps to improve the experience of our patients, visitors and staff.

During 2020/21 the Governor Task and Finish Group for the Constitution met and made recommendations to the Council of Governors concerning changes to meet legal and regulatory requirements as well as changes to membership constituent areas.

Our membership consists of public, patients/carers and staff and is described in more detail below:

Public members

We have 4,297 public members covering Middlesbrough, Redcar and Cleveland, Hambleton and Richmondshire and the remainder of the United Kingdom.

Public membership	Number of members (31 March 2021	Eligible membership
Age (years)		
16-21	1	23,117
22-59	1,730	197,875
66+	2,405	118,360
Unknown	161	-

A member of the public who is 16 years of age or over and lives within STHFT's public constituent areas or who has been a patient and/or carer within the last ten years can become a member of our Trust for one of the following areas:

- Middlesbrough
- Redcar and Cleveland
- Hambleton and Richmondshire
- Rest of England
- Patient and/or Carer

Staff members

When joining STHFT a staff member on a contract of more than 12 months automatically becomes a member unless they choose to opt out. This staff constituency also includes: Endeavour SCH Plc; Serco; Middlesbrough Council Hospital Social Work Team; and Cambridge Perfusion Services.

The tables below provide details of STHFT's membership:

Constituency	Actual 31 March 2021	Actual 31 March 2020
Staff	9,685	8,626

Public Constituency	Actual 31 March 2021	Actual 31 March 2020
Middlesbrough	1,175	1,193
Redcar and Cleveland	1,172	1,194
Hambleton and Richmondshire	1,113	1,135
Rest of England	307	307
Patient and/or Carers	530	542

We communicate and engage with our members, patients, carers and volunteers through a variety of channels, these include:

- STHFT website
- Digital media
- Local media
- Annual Members' meetings

As part of the on-going work across the Tees Valley we have worked closely with our partnership organisations, including Specialised Commissioning, Middlesbrough Council, Redcar and Cleveland Council, North Yorkshire Council, our CCGs Durham University, Newcastle University, Teesside University, Healthwatch and many other organisations across the third sector. We have plans to engage further with all our membership and key stakeholders.

Further information on membership and how to communicate with Governors can be found on our website: www.southtees.nhs.uk/about/membership or email: stees.foundation.trust@nhs.net

Council of Governors

Our Council of Governors has a membership of 33; five represent Middlesbrough; five Redcar and Cleveland; five Hambleton and Richmondshire; one Rest of England; two Patient and/or Carers; three staff; and 12 represent our partner organisations.

The Council of Governors directly represents members of the public, staff, and other stakeholders and forms an integral part of our governance structure.

The Council of Governors has a number of statutory duties. The Governors appoint the Non-executive Directors, including the Chairman, to STHFT's Board of Directors. They also have a key role in holding Non-executive Directors individually and collectively to account for the performance of the Board whilst representing the interests of STHFT's members.

The Council of Governors collectively has responsibility for supporting STHFT in taking account of the views of its members when developing forward plans and services. Our Governors were engaged with the formation of STHFT's operational plan for 2021/22.

Other statutory duties of the Council of Governors include:

- Appointment and removal of the Chairman and other Non-executive Directors
- Approving the appointment of the Chief Executive
- Deciding the remuneration of the Chairman and Non-executive Directors
- Appointment and removal of STHFT's External Auditors
- Receiving STHFT's Annual Report and Annual Accounts
- As necessary make recommendations and/or approving revisions to STHFT's Constitution
- Approval of significant transactions;
- Approval of an application by the Foundation Trust to enter into a merger, acquisition, separation or dissolution
- Review of STHFT's membership and engagement arrangements

There were a number of changes to the Council of Governors during 2020/21 including elections that were held. Details of the composition and changes that occurred are described in the following table:

Governor	Constituency	Term of Office	Number of Terms	Term due to end/ended	Council of Governor Meeting Attendance
Public Elected Governors					
Ann Arundale	Middlesbrough	3 years	2	November 2022	5/11
Rebecca Hodgson	Middlesbrough	3 years	2	November 2022	11/11
Jean Milburn	Middlesbrough	3 years	2	March 2024	9/11
Yvonne Bytheway	Middlesbrough	3 years	1	November 2022	11/11
Alison Munkley	Middlesbrough	3 years	1	March 2021	5/11
Barbara Hewitt	Redcar and Cleveland	3 years	2	March 2024	0/11
Allan Jackson	Redcar and Cleveland	3 years	3	March 2024	9/11
John Race	Redcar and Cleveland	3 years	3	March 2021	11/11
Jon Winn	Redcar and Cleveland	3 years	1	May 2022	3/11
Jennifer Rutland	Redcar and Cleveland	3 years	1	May 2022	4/11
Plym Auty	Hambleton and Richmondshire	3 years	3	February 2021 – **passed away**	9/9
Janet Crampton	Hambleton and Richmondshire	3 years	2	November 2022	7/11
David Hall	Hambleton and Richmondshire	3 years	1	March 2021	5/11
Sue Young	Hambleton and Richmondshire	3 years	1	March 2023	9/11
Mike Holmes	Hambleton and Richmondshire	3 years	2	November 2022	11/11
Emma Vinton	Rest of England	3 years	1	July 2020 - **resigned**	2/2
Angela Seward	Rest of England	3 years	3	November 2022 – **reinstated July 2020**	7/9
Tink Wedgwood-Jones	Patient/Carer	3 years	1	March 2021	0/11
David Bennett	Patient/Carer	3 years	1	May 2022	11/11
Staff Elected Governors					
Jonathan Broughton		3 years	3	May 2022	7/11
Steve Bell		3 years	1	May 2022	11/11
Martin Fletcher		3 years	1	May 2022	7/11

Appointed/Partnership Governors

Governor	Partner Organisation	Date appointed	Council of Governor meeting attendance
Erik Scollay	Middlesbrough Council	January 2017	0/11
Cllr Caroline Dickinson	North Yorkshire Council	July 2017	5/11
Patrick Rice	Redcar and Cleveland Council	August 2019	0/11
Dr Philip Warwick	Durham University	June 2020	8/9
Prof Stephen Jones	Newcastle University	January 2016	8/11
Prof Stephen Cummings	Teesside University	October 2020	8/11
Dr Susy Cook	Teesside University	September 2020 – Stood down	4/6
Lee O'Brien	Carer Organisation	February 2020	7/11
Paul Crawshaw	Healthwatch Organisation	February 2015	0/11
Lisa Bosomworth	Appointed substitute for Healthwatch Organisation	May 2019	9/11

Council of Governor Meetings

From 1 April 2020, the Council of Governors met on 10 occasions which included five meetings held in public and six meetings held in private:

- 2 June 2020
- 21 July 2020
- 22 September 2020
- 10 November 2020
- 12 January 2021
- 9 March 2021

Council of Governor Committees

The Council of Governors delegates some of its powers to Committees of Governors and these matters are described within STHFT's Constitution which includes the Nomination Committee.

Further details on the workings of the Nomination Committee can be found within the Remuneration Report.

The Council of Governors established other groups including the Membership and Engagement Committee as mentioned previously in this section of the report, Annual Operating Plan Group, the Constitution Working Group, Quality Account Group, Smoke Free Working Group. Due to the restrictions during COVID Governors were unable to participate in Governor Drop-in sessions across outpatient departments.

In line with NHS trusts across England, the Trust received letters from Amanda Pritchard, Chief Operating Officer, NHS England & NHS Improvement, in relation to reducing burden and releasing capacity at NHS providers.

The letters contained details on setting out guidance to free-up management capacity and resources together. Governors were kept up to date with all guidance received and as a result of COVID-19 all Council of Governor meetings were carried out via Microsoft Teams.

Governor training and development

During the year Governors have been provided with access to a range of training and development opportunities to further support them in their role. These included inductions and learning and educational sessions held prior to Council of Governor meetings.

There are a number of ways members of STHFT and members of the public can communicate with the Council of Governors:

Telephone: 01642 854151

Email: stees.foundation.trust@nhs.net

Write to your Governor at:
Membership Office
South Tees Hospitals NHS Foundation Trust
The Murray Building
James Cook University Hospital
Marton Road
Middlesbrough

The Board of Directors relationship with the Council of Governors

The Board of Directors and Council of Governors seek to work together effectively in their respective roles. During the year, the Lead Governor has worked closely with the Chairman and Company Secretary to review all relevant issues which are taken into consideration to produce agendas for meetings of the Council of Governors. The Executive and Non-executive Directors were invited to attend meetings as observers and take part when required.

The Trust's Governors are encouraged to attend the Board meetings held in public to gain a broader understanding of discussion taking place at Board level, to observe the decision making processes and to understand how Non-executive Directors challenge and support Executive Directors.

Declaration of Interests of the Council of Governors

All Governors are required to comply with the Council of Governors Code of Conduct which includes a requirement to declare any interests that may result in a potential conflict in their role as Governor of STHFT. At every meeting of the Council of Governors there is a standing agenda item which requires Governors to make known any interest in relation to agenda items and any changes to their declared interests. The Register of Governors' interests is held by the Company Secretary and is available for public inspection via the following address:

Membership Office, South Tees Hospitals NHS Foundation Trust The Murray Building, The James Cook University Hospital, Marton Road, Middlesbrough, TS4 3BW

Nomination Committee

The Nomination Committee consists of public, staff and co-opted governors. The Committee is chaired by the Trust Chair, with the exception of instances in which the appointment and performance of the Chair are to be discussed.

The Senior Independent Director is invited to the Committee to provide support and advice along with the Director of Human Resources and Company Secretary. At times when the Chairman's terms of office or performance appraisal is being considered the Chair would withdraw from the meeting.

The Committee is responsible for taking forward recommendations to the Council of Governors concerning the appointment or re-appointment of the Chairman and Non-executive Directors prior to the conclusion of their terms of office. In making a recommendation, the Committee reviews each individual's annual review documentation to consider how they have performed as a Non-executive Director and on the knowledge, skills and experience that they contribute to the Board of Directors. As part of this process, the Committee monitors the collective performance of the Board of Directors and considers the balance between the need for continuity, and the need to progressively refresh the Trust Board as advised within the NHS Foundation Trust Code of Governance.

In compliance with the code, the Non-executive Directors were subject to a formal rigorous review which included the following elements:

- A review of the appraisal documentation for the previous 12 months
- Confirmation from the Chair that he considers the Non-executive Directors to be independent or the mitigating actions to ensure the effectiveness of the Board is not compromised
- Confirmation from the Chief Executive that she considers the Non-executive Directors to be independent and confirmation of continuing constructive challenge and scrutiny
- Review of the skills mix of the Board of Directors

During the 2020/21 period Maureen Rutter left her position as a Non-executive Director with the Trust. This left two vacancies on the Trust Board and as such, the Board undertook a review of its composition and skill mix and consequently, two new Non-executive Directors were appointed; Maria Harris and David Jennings and a new Associate Non-executive Director David Redpath.

The Committee recommended these appointments to the Council of Governors which were subsequently approved. The Committee met on four occasions during the period of the 1 April 2020 to 31 March 2021 to address the performance, appointment and re-appointment of the Non-executive Directors:

Non-executive Directors		Total number attended	% attendance
Mr A Downey	Chairman (to 2 February 2021)	4 / 4	100%
Ms D Reape	Non-executive Director & SID (SID from 1 September 2020)	1 / 1	100%
Mrs M Rutter	Non-executive Director & SID (to 30 August 2020)	1 / 2	50%
Mrs P Auty	Public Governor	3 / 4	75%
Mr J Broughton	Staff Governor	2 / 4	50%
Mr M Holmes	Public Governor	4 / 4	100%
Mr P Crawshaw	Appointed Governor	1 / 4	25%
Mr D Hall	Public Governor	3 / 4	75%

During 2020/21 the Council of Governors through the Nomination Committee agreed and had oversight on the following:

- Recommended the reappointment for a further term of office for Mr Ducker and Mr Downey
- Recommend the appointment and remuneration of Ms Ada Burns as Vice Chair
- Recommended the extension of one further year for Mr Richard Carter-Ferris
- Considered the succession plan for the Board and recommended to the Council of Governors the engagement of a recruitment company to support the recruitment of additional Non-executive Directors
- Received a report on the Non-executive Director appraisals

Service Contracts

Non-executive Directors serve for three year terms of office and serve a maximum of six years subject to satisfactory performance (with additional years approved subject to satisfactory performance on an annual basis).

The Council of Governors consider and set terms of office for Non-executive Directors beyond that to meet the needs of STHFT whilst taking into account NHS Improvement's guidance. Further details on each of the Non-executive Directors can be found in the Director's Report within this Annual Report.

NHS Improvement's Well Led Framework

During 2019/20 the Board carried out self-review against the Well Led Framework. An action plan was developed with updates received by the board in 2020/21 and work continues to deliver the outcomes agreed by the Board.

Statutory statement required within the Directors Report

South Tees Hospitals NHS Foundation Trust has complied with the cost allocation and charging requirements set out in the HM Treasury and Office of Public Sector Information guidance.

A statement describing adoption of the Better Practice Code is included within the Annual Accounts. Section 43(2A) of the NHS Act 2006 (as amended by the Health and Social Care Act 2012) requires that income from the provision of goods and services for the purposes of the health service in England must be greater than its income for the provision of goods and services for any other purpose. The Trust can confirm it has met these requirements. Note 3 to the accounts confirm that the Trust does not have income from fees and charges where the full cost exceeds £1 million.

All Directors of the Trust have undertaken to abide by the provisions of the Code of Conduct for Board level Directors; this includes ensuring that, at the time that this Annual Report is approved:

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

The provisions of the Code of Conduct also require each Director to confirm, they have undertaken all the steps that they ought to have taken as a Director in order to do the things mentioned above and:

- Made such enquiries of their fellow Directors and of the company's auditors for that purpose; and
- Taken such other steps (if any) for that purpose, as are required by their duty as a Director of the company to exercise reasonable care, skill and diligence.

Annual Remuneration Report

Annual Statement on Remuneration

We present on behalf of the Board of Directors' Remuneration Committee the Trust's Remuneration Report for the financial year ending on 31st March 2021. The Remuneration Committee is a committee of the Board and is responsible for the recruitment, succession planning and remuneration of the Executive Directors and other senior managers.

In accordance with NHS Improvement's Annual Reporting Manual, the following remuneration report includes:

- Our Senior Managers' Remuneration Policy; and
- Our Annual Report on remuneration.

Major Decisions on Remuneration in 2020/21:

The Trust Remuneration Committee aims to ensure that Executive Director remuneration is set appropriately. The Committee takes into account relevant market conditions to ensure Executive Directors are remunerated appropriately and that their pay is reasonable and comparable to other Executive Director pay. The Committee was assured that salaries above the threshold displayed within the Remuneration table within the Accountability Report are reasonable and comparable to other Executive Director pay.

After careful consideration of national guidance, benchmarking and satisfactory appraisals, the Committee decide what level of increase in remuneration is appropriate to ensure any increase is fair and reflects benchmarking of Executive pay across the NHS. During 2020/21 the Committee:

- Approved the Chief Executive and Senior Leadership Remuneration Review
- Approved the extension of appointment and remuneration for a number of interim appointments including the Chief Executive, Chief Operating Officer, Head of Governance, Director of Communications, Director of Clinical Development and Director of Planning & Recovery
- Considered and supported their decision to end the pension policy with effect from 31 July 2020
- Approved the appointment and remuneration of the Managing Director, Company Secretary & Head of Governance, Director of Communications, Chief Operating Officer, Chief Finance Officer, Chief Medical Officer and Chief Nurse
- Received a report on the performance of the Senior Leadership Team and Chief Executive
- Considered three cases for additional employment

The Remuneration Committee fulfil their responsibilities and report to the Board of Directors.

Signed: 

Date: 29.6.21

Sue Page
Interim Chief Executive & Accounting Officer

Signed: 

Date: 29.6.21

Neil Mundy
Interim Joint Chairman

Senior Managers' Remuneration Policy

The Chief Executive and Executive Directors receive a fixed salary which is reviewed annually and determined by independent benchmarking against NHS organisations throughout the country with the use of NHS Provider benchmarking information, NHS Annual Reports and Accounts and knowledge of job descriptions, person specifications and market pay. Executive Directors are substantive employees and their contacts can be terminated by either party giving notice ranging between three and nine months. For the purpose of this Remuneration Report only voting members of the Board are considered as 'senior managers'.

Senior Manager Remuneration and Benefits

The authority and responsibility for controlling major activities is retained by the statutory Board of Directors who have voting rights. This includes the voting Executive and voting Non-executive Directors (including the Chairman).

Pension arrangements for the Chief Executive and Executive Directors are in accordance with reference to NHS Pension Scheme, the Accounting Policies for Pensions and relevant benefits are set out in the following tables:

Directors' costs table 2020/21 *(subject to audit)*

Figures below are for the 12 month period from 1 April 2020 to 31 March 2021 for comparison purposes a table showing figures for the prior year is also included.

	2020/21					
Name and title	**Salary & fees (in bands of £5k)**	**Taxable benefits (total to the nearest £100)**	**Performance-related bonuses (in bands of £5k)**	**Long-term performance-related bonuses (in bands of £5k)**	**All pension-related benefits (in bands of £2.5k)**	**Total**
	£000	**£00**	**£000**	**£000**	**£000**	**£000**
Alan Downey (1) Chairman	40-45	-	-	-	-	40-45
Neil Mundy (2) Joint Chair	10-15	-	-	-	-	10-15
David Heslop Non-executive Director	15-20	-	-	-	-	15-20
Richard Carter-Ferris Non-executive Director	15-20	-	-	-	-	15-20
Amanda Hullick (3) Deputy Chair and Non-executive Director	-	-	-	-	-	-
Maureen Rutter (4) Senior Independent Director and Non-executive Director	5-10	-	-	-	-	5-10
Ada Burns Non-executive Director	15-20	-	-	-	-	15-20
Debbie Reape Non-executive Director	15-20					15-20
Michael Ducker Non-executive Director	15-20	-	-	-	-	15-20
Maria Harris (5) Non-executive Director	0-5	-	-	-	-	0-5
David Redpath (6) Non-executive Director	0-5	-	-	-	-	0-5
David Jennings (7) Non-executive Director	0-5	-	-	-	-	0-5
Sue Page (8) Chief Executive	235-240	19	-	-	-	240-245
Siobhan McArdle (9) Chief Executive	-	-	-	-	-	-
Robert Harrison (10) Managing Director	85-90	-	-	-	70-72.5	155-160
Steven Mason (11) Director of Finance	155-160	-	-	-	22.5-25	180-185
Chris Hand (12) Chief Finance Officer	10-15	-	-	-	52.5-55	65-70
Gill Hunt (13) Director of Nursing	80-85	-	-	-	25-27.5	105-110
Mike Stewart (14) Medical Director	30-35	-	-	-	-	30-35
David Chadwick (15) Medical Director	80-85	-	-	-	-	80-85
Adrian Clements (16) Medical Director	130-135	-	-	-	-	130-135
Andrew Owens (17) Medical Director	-	-	-	-	-	-
Sath Nag (18) Medical Director	185-190	-	-	-	27.5-30	215-220
Ellen Fowler (19) Director of Nursing	110-115	-	-	-	100-102.5	210-215
Hilary Lloyd (20) Director of Nursing	10-15	-	-	-	75-77.5	85-90
Band of Highest Paid Director's Total Remuneration in £000s (excluding redundancy payments and payments in lieu of notice)	**235-240**					

(1) Alan Downey left the Trust on 2 February 2021.
(2) Neil Mundy was appointed to the Joint Chair on 2 February 2021.
(3) Amanda Hullick left the Trust on 31 March 2020.
(4) Maureen Rutter left the Trust on 30 August 2020.
(5), (6) and (7) Maria Harris, David Redpath and David Jennings were appointed to the Trust on 1 January 2021.
(8) Sue Page was appointed on a permanent basis to the role of Chief Executive on 1 July 2020
(9) Siobhan McArdle left the Trust on 30 September 2019.
(10) Robert Harrison was appointed to the Trust on 1 September 2020.
(11) Steven Mason stepped down as voting board director on 28 February 2021
(12) Chris Hand was appointed to the Trust on 1 March 2021.
(13) Gill Hunt left the Trust on 31 October 2020.
(14) Michael Stewart was appointed to the Trust on 1 February 2021.
(15) David Chadwick resigned as Medical Director and stepped down as voting board director on 31 August 2020
(16) Adrian Clements Stepped down from Deputy Chief Executive role on 31 December 2019
Resigned as Medical Director on 30 October 2020 and stepped down as voting board director on 30 October 2020
(17) Andrew Owens resigned as Medical Director on 31 December 2019 and stepped down from the Board
(18) Sath Nag Resigned as Medical Director and stepped down as voting director on 31 January 2021
(19) Deirdre Fowler left the Trust on 15 January 2021.
(20) Hilary Lloyd was appointed to the Trust on 1 March 2021.
(21) Moira Angel was appointed as Interim Director of Nursing from 15 January 2021 to 28 February 2021

Directors' costs table 2019/20

Name and title	2019/20					
	Salary & fees (in bands of £5k)	Taxable benefits (total to the nearest £100)	Performance-related bonuses (in bands of £5k)	Long-term performance-related bonuses (in bands of £5k)	All pension-related benefits (in bands of £2.5k)	Total
	£000	£00	£000	£000	£000	£000
David Heslop	15-20	-	-	-	-	15-20
Non-executive Director						
Richard Carter-Ferris	15-20	-	-	-	-	15-20
Non-executive Director						
Amanda Hullick (1)	20-25	-	-	-	-	20-25
Deputy Chair and Non-executive Director						
Maureen Rutter	15-20	-	-	-	-	15-20
Senior Independent Director and Non-executive Director						
Steven Mason	180-185	-	-	-	-	180-185
Director of Finance						
Gill Hunt	140-145	-	-	-	50-52.5	195-200
Director of Nursing						
Siobhan McArdle (2)	380-385	-	-	-	22.5-25	405-410
Chief Executive						
Sue Page (3)	110-115	52	-	-	-	115-120
Interim Chief Executive						
David Chadwick (4)	195-200	2	-	-	-	195-200
Medical Director						
Adrian Clements (5)	265-270	2	-	-	60-62.5	330-335
Medical Director						
Andrew Owens (6)	175-180	-	-	-	60-62.5	240-245
Medical Director						
Sath Nag	230-235	-	-	-	20-22.5	250-255
Medical Director						
Jake Tompkins (7)	-	-	-	-	-	-
Non-executive Director						
Alan Downey	50-55	-	-	-	-	50-55
Chairman						
Ada Burns (8)	5-10	-	-	-	-	5-10
Non-executive Director						
Debbie Reape	15-20					15-20
Non-executive Director						
Michael Ducker	15-20	-	-	-	-	15-20
Non-executive Director						
Band of Highest Paid Director's Total Remuneration in £000s (excluding redundancy payments and payments in lieu of notice)	**265-270**					

(1) Amanda Hullick left the Trust on 31 March 2020
(2) Siobhan McArdle left the Trust on 30 September 2019. A payment of £179,792.63 was made in lieu of notice together with a payment representing 3 months' pay in the sum of £59,930.88 and a payment in the sum of £21,838.98 in relation to contractual liabilities;
(3) Sue Page appointed to the Trust on an interim basis on 1 October 2019
(4) David Chadwick undertook a retire and return on 21 August 2019
(5) Adrian Clements resigned as Deputy Chief Executive on 31 December 2019
(6) Andrew Owens resigned as Medical Director on 31 December 2019 and stepped down from the Board
(7) Jake Tompkins left the Trust on 31 March 2019
(8) Ada Burns was appointed to the Trust on 1 October 2019
The figures for Taxable Benefits relate to lease cars and accommodation costs

* In accordance with NHS Improvement's NHS Foundation Trust Annual Reporting Manual s2.37, disclosure is now shown where one or more senior managers are paid more than £150,000. This is the threshold used in the Civil Service for approval by the Chief Secretary to the Treasury, as set out in guidance issued by the Cabinet Office and is considered a suitable benchmark above which NHS foundation trusts should disclose. Every salary approved by the remuneration committee has been appropriately externally benchmarked and salary levels set to ensure we are attracting the right skills and competencies.
** In accordance with NHS Improvement's NHS Foundation Trust Annual Reporting Manual s2.48, where the calculations for Pension-Related Benefits result in a negative value the result should be reported as zero.

The information included above for pension benefits has been supplied by NHS Pensions.

Pension Information

Notes to Senior Managers remuneration and Pension benefits *(subject to audit)*

The figures below are for the 12 month period from 1 April 2020 to 31 March 2021:

	Real increase in pension at pension age	Real increase to pension lump sum at pension age	Total accrued pension at pension age at 31 March 2021	Lump sum at pension age related to accrued pension at 31 March 2021	Cash equivalent transfer value at 1 April 2020	Real increase in cash equivalent transfer value	Cash equivalent transfer value at 31 March 2021	Employer's contribution to stakeholder pension
Executive Directors	Bands of £2,500	Bands of £2,500	Bands of £5,000	Bands of £5,000	£000s	£000s	£000s	£000s
Robert Harrison Managing Director	2.5-5	2.5-5	35-40	65-70	446	44	510	0
Steven Mason Director of Finance	0-2.5	0	30-35	80-85	621	26	673	0
Chris Hand Chief Finance Officer	0-2.5	5-7.5	25-30	55-60	352	46	406	0
Adrian Clements Medical Director	0-2.5	0	80-85	175-180	1,516	0	1,566	0
Sath Nag Medical Director	2.5-5	0	45-50	90-95	762	25	820	0
Gill Hunt Director of Nursing	0-2.5	0	60-65	155-160	1,139	33	1,203	0
Ellen Fowler Director of Nursing	5-7.5	15-17.5	40-45	130-135	834	115	978	0
Hilary Lloyd Director of Nursing	2.5-5	10-12.5	45-50	140-145	919	95	1,031	0

The comparative figures for the 12 month period from 1 April 2019 to 31 March 2020 are as follows:

	Real increase in pension at pension age	Real increase to pension lump sum at pension age	Total accrued pension at pension age at 31 March 2020	Lump sum at pension age related to accrued pension at 31 March 2020	Cash equivalent transfer value at 1 April 2019	Real increase in cash equivalent transfer value	Cash equivalent transfer value at 31 March 2020	Employer's contribution to stakeholder pension
Executive Directors	Bands of £2,500	Bands of £2,500	Bands of £5,000	Bands of £5,000	£000s	£000s	£000s	£000s
Gill Hunt Director of Nursing	2.5-5	0-2.5	55-60	155-160	1,039	55	1,139	0
Siobhan McArdle Chief Executive	0-2.5	0	15-20	0	216	16	248	0
Adrian Clement Medical Director	5-7.5	2.5-5	75-80	180-185	1,377	61	1,516	0
Sath Nag Medical Director	0-2.5	0	40-45	90-95	707	17	762	0
Andrew Owens Medical Director	2.5-5	2.5-5	50-55	115-120	905	56	1,017	0

Notes to Senior Managers remuneration and Pension benefits

A Cash Equivalent Transfer (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 the disclosure applies. The CETV figures, and from 2004-2005 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.

Fair Pay Multiple

As a NHS Foundation Trust, the Trust is required to disclose the relationship between the remuneration of the highest paid Executive Director in their organisation and the median remuneration of the organisation's workforce (this excludes one-off severance payments and pension related benefits). For this Trust, Executive Directors are deemed those with voting rights on the Board, as disclosed in the salary table above. In 2020/21 the highest paid Director in the Trust is the Chief Executive (in 2019/20 the highest paid Director was the Medical Director).

The banded remuneration of the highest paid Director at the Trust in 2020/21 was £237,500 (2019/20 £267,500). This was 9.8 times (2019/20 11.5 times) the median remuneration of the workforce, which was £24,157 (2019/20 £23,339).

This exercise has included all staff employed by the Trust during the financial period, regardless of whether they were still employed at 31 March 2021. The remuneration figures used are based on Trust employees including locum staff, the Trust's in-house nurse, clerical bank staff and excludes external agency staff.

In 2020/21, four employees received remuneration in excess of the highest paid Director (three employees in 2019/20). Remuneration ranged from £18,005 to £290,255 (2019/20 £17,652 to £320,498). Total remuneration includes salary, non-consolidated performance-related pay, benefits in kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions. The starting point for the ranges for the financial periods is based on the minimum agenda for change pay scales.

	2020/21	2019/20
	£	£
Medium remuneration	24,157	23,339
Banded remuneration of highest paid director	237,500	267,500
Ratio between median remuneration and the mid-point of the banded remuneration of the highest paid director	9.8	11.5

Expenditure on consultancy

In 2020/21, expenditure on consultancy was £0.596 million (2019/20 £0.792 million). Consultancy expenditure in the year related mainly to support in developing and delivering the Trust's Financial Improvement Programme.

Staff exit packages

In 2020/21, the Trust did not pay any exit packages for members of staff.

Governors' expenses

In accordance with STHFT's Constitution Governors are eligible to claim expenses for travel at rates determined by STHFT. Out of the Council of Governor membership there were five Governors who claimed expenses which totalled £70.

Directors' expenses

In 2020/21, there were three individuals who held the office of Director at the Trust with a total of £16,189 in expenses paid to those Directors. All costs paid related to the reimbursement of travel, subsistence costs and course expenses. Details of remuneration and benefits in kind can be found within the remuneration table.

Analysis of staff costs *(subject to audit)*

Details of the costs of our workforce are available within Note 5 of the Financial Statements. The note includes information to support employee expenses and details of the monthly average of people employed by the Trust.

Off-payroll engagements

Executive Director approval is required for all off-payroll engagements and STHFT reports to NHS Improvement as required in line with national requirements. Board approval via recommendations from the Remuneration Committee is required by any off-payroll Board member engagement.

Highly paid off-payroll worker engagements as at 31 March 2021 earning £245 per day or greater:	
Number of existing engagements as of 31 March 2021 of which:	1
Number that have existed for less than one year at time of reporting	1
Number that have existed for between one and two years at time of reporting	0
Number that have existed for between two and three years at time of reporting	0
Number that have existed for between three and four years at time of reporting	0
Number that have existed for four or more years at time of reporting	0

The Audit Committee

The Audit Committee has been chaired by Richard Carter-Ferris since September 2015. In compliance with the Code, we have ensured that the committee is chaired by a Non-executive Director with recent and relevant financial experience.

The Audit Committee met eight times during the year. Standing attendees to the Committee include: Director of Finance; Deputy Director of Finance; representatives of internal and external audit; and others where required.

Meeting attendance for 2020/21 is shown in the table below:

Non-executive Directors	Total number attended	% attendance
Richard Carter-Ferris	5/5	100%
Ada Burns	1/1	100%
Debbie Reape	5/5	100%

The Committee is responsible for providing the Board with advice and recommendations on matters which include the effectiveness of the framework of controls in the Trust, the adequacy of the arrangements for managing risk and how they are implemented, the adequacy of the plans of our auditors and how they perform against them, the impact of changes in accounting policy and the Committee's review of the Annual Accounts.

The Committee met its responsibilities during 2020/21 by:

- Reviewing our Assurance Framework;
- Reviewing any risk and internal control-related disclosures, such as the Annual Governance Statement;
- Reviewing the work and findings of Internal Audit, including the Internal Audit annual plan;
- Reviewing the work and findings of External Audit;
- Reviewing the work and findings of the Local Counter Fraud Officer;
- Reviewing the process by which clinical audit is undertaken in the organisation;
- Monitoring the extent to which our external auditors undertake non-audit work having reference to the Auditors Guidance Note 1 (AGN01) "General Guidance Supporting Local Audit"
- Reviewing the 2020/21 Financial Statements and Annual Report, prior to submission to the Board and NHS Improvement;
- Seeking assurance that the financial statements have been appropriately compiled on a going concern basis;
- Reviewing and approving the Trust's Standing Financial Instructions and Scheme of
- Delegation
- Receiving assurance regarding Cyber Security, PFI lifecycle
- Reviewing Trust policies such as; the Fraud, Bribery and Corruption policy and the Standards of Business Conduct policy
- Approving the Register of Interests for the Trust Board of Directors
- Seeking assurance in relation to the Trust's compliance with regulatory changes
- Reviewed the schedule of losses and compensations, the annual fraud report and provided assurance to the Board following each of its meetings

The Committee is content that the objectivity and independence of the auditor was not compromised by any of these additional assignments and that these services are allowed services under AGN01.

The duty to appoint the External Auditors lies with the Council of Governors. A panel of Governors, supported by Trust officers and the Chair of the Audit Committee is established to oversee the procurement of external audit services regarding the appointment and retention of the external auditor. Following a tendering exercise, the Council of Governors approved the appointment of the Trust's external auditor, Mazars.

In October 2020 the Committee undertook a review of its own effectiveness, based on a survey of members and attendees. Members were satisfied with the way the Committee was operating and a small number of considerations are identified in the report.

In the review of internal audit and management assurance reports, Audit Committee identified significant fragility of the IM&T infrastructure, alongside the need to develop digital technology solutions. Further to this the Finance and Investment Committee and Board reviewed and supported a priority investment case for an Electronic Patient Record solution (subject to capital funding availability) to stabilise and transform the IM&T infrastructure.

Charitable Funds Committee

The Charitable Funds Committee has continued to meet during 2019/20 for the on-going management of charitable funds on behalf of the Corporate Trustees.

NHS Trust Code of Governance

The NHS Foundation Trust Code of Governance contains guidance on good corporate governance. NHS Improvement, as the healthcare sector regulator, is keen to ensure that NHS Foundation Trusts have the autonomy and flexibility to ensure their structures and processes work well for their individual organisations, whilst making sure they meet overall requirements.

For this reason, the Code is designed around a "comply or explain" basis. NHS Improvement recognises that departure from the specific provisions of the Code may be justified in particular circumstances, and reasons for non-compliance with the Code should be explained.

South Tees Hospitals NHS Foundation Trust has applied the principles of the NHS Foundation Trust Code of Governance on a 'comply or explain' basis. The NHS Foundation Trust Code of Governance, most recently revised in July 2014, is based on the principles of the UK Corporate Governance Code issued in 2012. There are other disclosures and statements (mandatory disclosures) that we are required to make, even where we are fully compliant. The mandatory disclosures have already been made within the main text of the Annual Report and page references are therefore provided below.

NHS Foundation Trusts are required to provide (within their Annual Report) a specific set of disclosures in relation to the provisions within Schedule A of the Code of Governance. We are compliant with these provisions and in compliance with the Code, a supporting explanation for each required provision is provided within the table below.

Provision reference	Compliance evidence
A.1.1.	The Board meetings monthly in public (10/12). There is an annual cycle of business which sets out matters reserved for its decision. Standing Orders of the Board and Council of Governors, Scheme of Delegation, and Standing Financial Instructions. The annual report outlines the role of the board and COG.
A.1.2.	The Board of Directors role and responsibilities, identifies the Chair, Vice Chair, CEO and Senior Independent Director. Details of the number of meetings and attendance for the Board, Council of Governors, Nomination Committee, Remuneration Committee and Audit committee is included in the annual report
A.3.1.	The Board of Directors considers all Non-Executive Directors of the Trust to be independent. Further detail is provided within the Directors' report of the Annual Report
B.1.1.	The Board of Directors considers all Non-Executive Directors of the Trust to be independent. Further detail is provided within the Directors' report
B.2.1.	A nominations committee is in please made up of members of the council of governors. This is described in the annual report. The Chairman chairs the committee. Terms of reference are in place explaining the role.
B.2.4.	The annual report describes the work of the nomination committee in relation to Board appointments. This includes diversity. An external search company was used for recent NED appointments and this needs to be included in the annual report.
B.3.1.	For the previous chairman a job description including time commitment was drafted. Significant commitments were disclosed before appointment and interests are included in the annual report.
B.3.2.	A service contract setting out the conditions of appointment for NEDs are included in their personal files. Registers of interest are disclosed and updated routinely. This is available on the Trust website.
B.6.1.	The Annual Governance Statement, details how the performance of the Board and its committees has been conducted.
B.6.2.	An external facilitator has not been used.
B.7.1.	The Nomination Committee consider the appointment or reappointment of Non-executive Directors of the board. They consider appropriate information including biographical details to enable them take an informed decision on their appointment
B.7.2.	The nomination committee consider the terms of office for Nonexecutive Directors and make recommendations to the council of governors on their reappointment
C.1.1.	The Director's explanation of responsibility in relation to the preparation of the Annual Report and Accounts is detailed in the statement of the Chief Executive's responsibilities as the Accounting Officer of South Tees Hospitals NHS Foundation Trust The Director's approach to quality governance is detailed in the Annual Governance Statement
C.1.2	Annual Governance Statement details the review of effectiveness of the Trust's internal controls.
C.1.3.	A going concern audit is undertaken annually by the external auditor and reported to the Audit committee and in the accounts.
C.2.1.	Annual Governance Statement details the review of effectiveness of the Trust's internal controls.

C.2.2.	The Annual Governance Statement details how the Trust's internal audit function is structured and the role that it performs.
C.2.3.	The Annual Governance Statement details the Trusts risk management and internal control systems.
C.3.3.	The terms of reference for the audit committee include the role and delegated authority by the board.
C.3.6.	The Audit committee reviews annually the effectiveness of the internal audit activities and reports to the Audit Committee.
C.3.7	Following a tendering exercise, The Council of Governors approved the appointment of Mazars for a period of five years, effective from 1 April 2020
C.3.8	A report from the Audit committee is included in the annual report in terms of discharging its responsibilities.
D.1.2	Two Exec Directors (one voting) released to be non-executive directors. Full disclosure and approval within Rem Com.
D.2.1	The Trust has established a remuneration committee which is made up of all Non-executive Directors of the Board. The terms of reference are reviewed annually along with its effectiveness and it is clear what has been delegated to it by the Board. The Board has used recruitment consultants and this will be declared in the Annual Report
E.1.2.	There is a visibility programme for the board to allow them to seek the views of staff. In terms of public and members this is done through the council of governor meetings. Contact procedures for members who wish to communicate with Governors are available to members on the Trust's website. A dedicated email address is provided to support our members and the public to contact Trust Governors.

NHS Improvement's Single Oversight Framework

Single Oversight Framework

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

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

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

Segmentation

The Trust is currently in segment 3 – '*Mandated Support'* which includes segmentation support for providers within this segment as described below:

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

Staff Report

Information relating to workforce statistics (staff sickness) can also be found at https://digital.nhs.uk/data-and-information/publications/statistical/nhs-workforce-statistics

Our workforce is made up from a broad range of clinically registered professions and support roles and we value everyone for the part they play in delivering high quality care to our patients through our one team approach.

Part of South Tees Hospital NHS Foundation Trust's ongoing vision is to be recognised nationally as one of the best NHS Trusts in which to work and for excellence in quality, patient safety, patient experience and continuous improvement. To achieve this it is key we support our people to recognise and reward performance.

As part of this vision, through extensive working in partnership with staff and Trade Union colleagues, we have developed a new set of Trust values and behaviours, which are aligned to the NHS People Plan Core Values.

We continue to strive for improved performance in all areas of people and performance management and focus our knowledge and expertise on supporting managers to deliver high quality leadership.

Workforce Statistics

Headcount	2020/21	2019/20
Bank	306	61
Fixed Term Temp	787	608
Locum	35	36
Permanent	8693	8198
Total	9821	8903

FTE	2020/21	2019/20
Bank*	0	0
Fixed Term Temp	676.48	541.25
Locum	2.37	3.37
Permanent	7544.51	7128.4
Total	8223.35	7673.02

*0 FTE as all bank staff hold zero hours contracts

Headcount - Age Group	2020/21	2019/20
16 - 20	74	57
21 - 25	679	546
26 - 30	1211	1060
31 - 35	1251	1041
36 - 40	1156	1090
41 - 45	1191	1084
46 - 50	1219	1198
51 - 55	1243	1179
56 - 60	1079	997
61 - 65	566	517
66 - 70	117	103
71 & above	35	31
Total	9821	8903

FTE - Age Group	2020/21	2019/20
16 - 20	63.13	50.81
21 - 25	630.97	512.89
26 - 30	1050.87	971.36
31 - 35	1055.18	898.36
36 - 40	964.27	929.27
41 - 45	1009.96	953.21
46 - 50	1024.85	1050.27
51 - 55	1069.70	1037.47
56 - 60	857.40	809.94
61 - 65	405.55	380.04
66 - 70	74.98	63.11
71 & above	16.49	16.29
Total	8223.35	7673.02

Gender Profile

The breakdown below includes information about staff at the end of the year.

Headcount - Gender	2020/21	2019/20
Female	8001	7295
Male	1820	1608
Grand Total	9821	8903

FTE - Gender	2020/21	2019/20
Female	6656.65	6194.55
Male	1566.70	1478.47
Grand Total	8223.35	7673.02

Health and Wellbeing

We have taken an integrated approach to promote a holistic health and wellbeing strategy, working with a range of partners to assist staff make healthier choices and to address the bio psychosocial factors that affect health.

There are a number of factors that affect staff wellbeing and this can be partly attributed to the fact that work can often be physically, emotionally and psychologically demanding. In addition, for many of our staff, our services operate for 24 hours a day, 365 days of the year. Financial and social wellbeing also play a key part in maintaining good mental health.

Taking into account all of the above factors, we developed a Health and Wellbeing Strategy which is underpinned by five strategic objectives, these include:

- Developing positive environments
- Ensuring our policies and practices support health and wellbeing
- Supporting a healthy body for all
- Encouraging a healthy mind and reducing stigma associated with mental health
- Promoting and supporting financial wellbeing

This year (2020/21) has been a year like no other, with the outbreak of COVID and the declaration of a worldwide pandemic in March 2020.This has had one of the greatest impacts on the NHS in its history and in particular upon our amazing and dedicated workforce. Never before has the need to support our colleagues' health and wellbeing been such an essential element of our People Plan.

As a Trust we recognised at an early stage that people's overall health and wellbeing would be placed under significant pressure. In light of this, we had to quickly adapt our original plan and created an interim COVID Health and Wellbeing Strategy. This developed into a reactive phase followed by a recovery phase.

The following was put into place:

- Introduced access to COVID testing on site from the beginning of March 2020 for staff and their household members.
- Invested in recruiting additional psychological support services via the appointment of additional psychologists and counsellors.
- Line managers undertook health and wellbeing conversations with staff with the option of referral to Occupational Health for more specialist support.

- Managers and teams provided daily support through daily team huddles, pre-briefs and debriefs.
- COVID risk assessments were undertaken for all BAME staff and staff that were classed as Shielding, Clinically Vulnerable or Extremely Clinically Vulnerable, as well as all pregnant staff. This included a wellbeing phone call to check-in proactively on concerns relating to both mental and physical wellbeing including reviewing the staff members' current deployment in work or a home setting.
- Weekly calls from Occupational Health team to all staff who have been affected by a COVID positive result and those who have been identified with Long COVID.
- Introduced 'wobble rooms' to provide a safe space for staff to take some time out and deal with the difficult situations that have arisen as a result of COVID.
- Helplines set up offering advice on COVID testing, counselling and psychological support.
- Access to a range of free wellbeing apps covering a wide variety of wellbeing issues including sleep issues, mindfulness, suicide prevention.
- Set up both a Hardship Fund and an Advance of Pay process to support financial wellbeing.
- Introduced Project Wingman which is a charity founded in March 2020 in direct response to the COVID -19 pandemic. The purpose of Wingman was to explore how grounded aircrew could support NHS staff during the current health crisis. Wingman provided the Trust with airline crew into our hospital sites to look after our staff during their breaks in dedicated lounges
- Provision of free hot food and drinks including meals for nightshift staff.

We were mindful when developing our strategy that poor mental health accounts for 23 per cent of all ill health in England and affects more than one in four of the population at any one time.

Working with Staff Side colleagues, we introduced a range of temporary and permanent people policy changes. These included:

- Changes to the attendance policy to ensure absence related to COVID-19 would not be considered in any absence management processes.
- Readjustment of the annual leave policy enabling the carry forward of annual leave.
- Development and implementation of agile working arrangements, including development of an agile working policy, in partnership with Staff Side colleagues.
- Full implementation of flexible working arrangements.
- Protecting pay and allowances for all temporarily redeployed and shielding staff.
- Free car parking.

As we move towards a recovery phase from COVID we have further developed a Health and Wellbeing Strategy. The focuses in this stage are:

- Ensure rest and recuperation are prevalent and incorporated into daily working life
- Support those staff who have been working from home, either on an agile or health related basis, back to work ensuring they feel safe and secure in their return
- Health and wellbeing initiatives, which include continued support to staff who are vulnerable due to health conditions
- Psychological support through departmental joint working which includes the occupational health, infection control, human resource and psychology departments
- Staff engagement – renewed focus on the staff engagement network which incorporates representatives from all staff groups and grades

To support this we have a number of activities which have commenced or are in the planning stages for rollout during the next year.

On top of this amazing work our Occupational Health team has continue to provide normal business and usual activities including physiotherapy services, annual health campaigns and roll out of the flu vaccination which achieve a 92.50 per cent take up this year, which is our best ever take up utilising a creative and fun campaign. Due to COVID-19 restrictions the team has utilised new and creative approaches to deliver their services including the roll out of wellbeing videos.

Sickness Absence

The Trust is committed to promoting and maintaining the health, safety and welfare of all staff and encourage the workforce to have good wellbeing, to live healthily and to achieve a good work life balance. Our Absence Management Policy and processes are designed to provide a framework to assist in the health and wellbeing of our employees and to promote a healthy workforce and provide efficient patient, safe and effective patient care.

We have continued to focus on sickness absence and have made significant improvement to the support we provide to managers, ensuring that both long and short term sickness is managed in accordance with the sickness absence policy.

We continue to work in close partnership with the Occupational Health Department and have developed case management forums to ensure that both staff and management are supported throughout the absence period, with a view to retaining, returning and rehabilitating staff into the workplace.

In additional to general occupational health advice and provision, we are working in partnership with a number of professional bodies offering support and counselling services and actively encourage staff to seek the help and support they need to aid their recovery.

In 2020/2021 the average sickness absence rate for South Tees Hospitals NHS Foundation Trust was 4.06% which is a decrease of 0.71% on the previous year. The COVID-19 associated absence rate has fluctuated during the year and stands at 2 per cent as of 31 March 2021.

Developing a Sustainable Workforce

Workforce Planning

- Improving our approach to workforce planning with a focus on developing succession plans for the medical and nursing workforce to provide a better understanding of the skill gap in the current workforce and how to bridge that gap;
- Improving our approach to risk and governance by establishment a Senior Workforce Committee to focus on nursing workforce and related staffing, skill and capacity issues;
- Attendance at various staff forums, including the People Committee, Senior Nurse Leadership Committee and Health and Wellbeing Committee ensure we understand the current staffing pressures and concerns and enable us to provide advice and support as the need arises.

Employee Engagement

Development of a Staff Engagement Strategy that makes South Tees the best place to work by building trust, involvement and a sense of common purpose and identity. To achieve this we are now delivering a range of initiatives focused on four key objectives:

- Creating a sense of pride and belonging in our organisation.
- Review our values and define the supporting behaviours.
- Develop our employer offer and employee experience.
- Recognise and celebrate success and ensure our people feel valued.

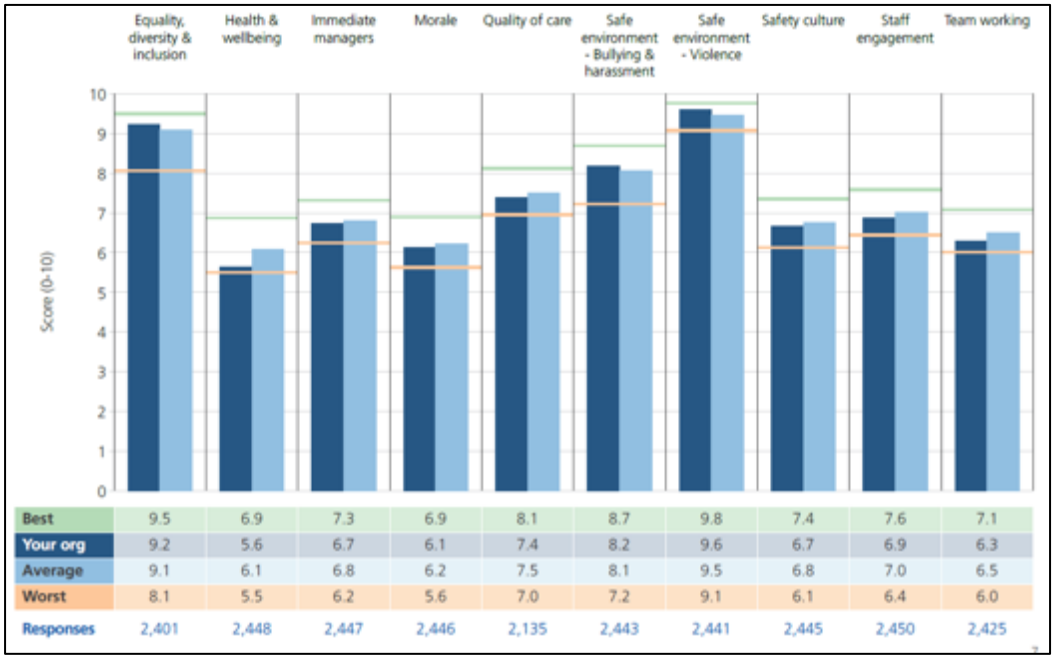
A key part of understanding and creating a sense of pride in our organisation has been achieved through undertaking the staff survey and developing and delivery improvement action plans in partnership with staff and staff side colleagues.

Staff survey - 2020

The annual staff survey was launched in October 2020 provided an opportunity to feedback on their experiences and to enable the Trust to check progress against key areas identified in previous surveys. The national benchmark findings of the surveys have been reviewed at a senior trust level, a summary of the finding was communicated to staff the same day in the CEO Briefing.

The results from 2020 NHS Staff Survey show significant improvements. For example there has been a significant increase in the number of colleagues who feel patient care is the organisation's number priority and would recommend the trust as a place to work.

Theme	2019 score	2019 respondents	2020 score	2020 respondents	Statistically significant change?
Equality, diversity & inclusion	**9.2**	2226	**9.2**	2401	Not significant
Health & wellbeing	**5.2**	2243	**5.6**	2448	↑
Immediate managers †	**6.5**	2248	**6.7**	2447	↑
Morale	**5.7**	2236	**6.1**	2446	↑
Quality of care	**7.1**	2015	**7.4**	2135	↑
Safe environment - Bullying & harassment	**8.1**	2222	**8.2**	2443	Not significant
Safe environment - Violence	**9.5**	2226	**9.6**	2441	↑
Safety culture	**6.2**	2232	**6.7**	2445	↑
Staff engagement	**6.5**	2249	**6.9**	2450	↑
Team working	**6.2**	2227	**6.3**	2425	Not significant



	Equality, diversity & inclusion	Health & wellbeing	Immediate managers	Morale	Quality of care	Safe environment - Bullying & harassment	Safe environment - Violence	Safety culture	Staff engagement	Team working
Best	9.5	6.9	7.3	6.9	8.1	8.7	9.8	7.4	7.6	7.1
Your org	9.2	5.6	6.7	6.1	7.4	8.2	9.6	6.7	6.9	6.3
Average	9.1	6.1	6.8	6.2	7.5	8.1	9.5	6.8	7.0	6.5
Worst	8.1	5.5	6.2	5.6	7.0	7.2	9.1	6.1	6.4	6.0
Responses	2,401	2,448	2,447	2,446	2,135	2,443	2,441	2,445	2,450	2,425

Since the previous survey the Trust has undergone a number of significant changes that we have made together. The Trust's Clinical Policy Group makes the decisions on how we allocate our resources and deliver care, and this clinically-led approach has been at the heart of the way we have met the enormous challenge of COVID-19 and our goal of helping to keep patients, service users and one another safe.

In addition, staff-side colleagues helped to create a 'you said, we did' list of practical changes, including our STAR (South Tees Appreciation Report) awards.

The Trust will engage with the Clinical Collaboratives to review the staff survey data, developing in partnership action and implement plans and monitoring processes.

Significant work was undertaken during 2020 to redefine the Trust's values and develop a set of behaviours that would underpin these. This work involved engagement exercise with a range of staff across the Trust.

This has resulted in the development of our core values which are:

- Respect
- Caring
- Supportive

As a result of this work a number of the Trust's people management policies have been subject of review to integrate a range of processes which will enable us to attract, develop and retain a workforce that support and align themselves to those core values. The key processes we have been developing include recruitment and selection, induction and appraisal process.

As part of improving our employee experience we have relaunched our Freedom to Speak Up team who have spent time communicating what their role is and building trust and confidence across the workforce to ensure staff feel able to speak up on issues of concern in particular around bullying and harassment and civility and respect.
This has encouraged staff to feel confident in speaking up and the number of contacts made to the team has increased significantly since its introduction. The Freedom to Speak Up team meet regularly with both HR and Staff Side to ensure there is a consistent and fair approach.

Working in partnership with staff side we have reviewed both our dignity at work and disciplinary processes in line with the concept pf a 'Just Culture', were we focus more on identifying cause and resolution as opposed to a blame culture. Paramount to this is ensuring that we adapt lessons learnt and transfer these lessons to improve our working environment and encourage respectful and caring behaviour between colleagues. This has resulted in a significant reduction in staff progressing into formal dignity at work and disciplinary procedures.

We continue to celebrate success during these challenging times through continuation of the STAR awards. In recognition of the continued commitment from staff throughout the COVID-19 pandemic, and by way of a special thank you, a South Tees People Medal was awarded to all colleagues as well as an extra day of annual leave.

Social Economic Responsibility

We continue to support the local community and widen the accessibility of learning and development through the apprenticeship levy offering new starters and staff a vocational route to enter and progress within the organisation.

Apprenticeships are available for both newly recruited and existing members of staff. Apprenticeships offer staff the opportunity to up-skill or open up career progression opportunities. Currently the Trust has active apprentices:

	2019/20	2018/19
Active apprentices as at 31 March	258	247

Prospect Programme - The Prospect Programme is a 12 week in-depth work placement programme, which provides hands on skills in an NHS setting. The programme consists of one week induction and 11 weeks' work placement. Volunteers work 30 hours a week over four days (Monday, Tuesday, Thursday, and Friday). During the placement, there is also a half-day session each week of teaching or support for the volunteers. The main benefits for volunteers include in-depth, hands on learning and an opportunity to learn all elements of relevant entry level job roles.

We offer graduates, through the Graduate Management Scheme, the opportunities to develop knowledge and skills operationally and strategically within their chosen field.

Recruitment

Recruitment and retention of staff remains a challenge in key areas such as anaesthetists, critical care, acute medical physicians, radiologists, neuroradiology, interventionists and nursing. We continue to hold nurse recruitment days and these have been successful with 380 new nurse appointments. In addition, we appointed 19 consultants between April 2020 and March 2021

In an attempt to maximise our employee offer, we have reviewed and developed our staff exit date process, developed our on-boarding procedures and ensured flexible working policies are implemented consistently and fairly across all professions.

During the reporting year we have held a number of targeted recruitment campaigns which included:

- Headhunting approach
- Developed our relationship with key master vendor clients
- Continued our international recruitment campaign for nurses and we have welcomed 20 nurses from overseas
- Targeted registered student nurses and return to practice nurses via specific open days and strong relations with local universities.

Day Nursery

Playdays Nursery is an excellent onsite facility, offering quality and flexible childcare for our staff's children whilst they are at work, which remained open during COVID. It was awarded a 'good' rating following our recent Ofsted inspection. Nursery fees are competitive in comparison to other local nurseries, offering our NHS staff assurance that their children are being cared for to a high standard.

Equality, Diversity and Inclusion (EDI)

The Trust's strategic organisational goals are supported by the Equality Diversity and Inclusion (EDI) Steering Group, chaired by the Director of Human Resources and reporting to the People Committee and the Trust Board.

The Trust continues to follow to the duties of the Equality Act 2010, which legally protects people from discrimination in the workplace and in wider society, and the Public Sector Equality Duty which supports the following:

- Better health outcomes
- Improved patient access and experience
- A represented and supported workforce
- Inclusive leadership

The Trust has re-established the Equality, Diversity and Inclusion Steering Group with membership representatives from across departments, staff side and members of advocacy, to embed equality, diversity and inclusion across the organisation.

The Trust EDI objectives are:

- Becoming a leading organisation for promotion of opportunity and diversity, for challenging discrimination, and for promoting equalities of opportunities in employment and the services we provide.
- Creating an organisation which recognises the contribution of all staff, and which is supportive, fair and free from discrimination.
- Ensuring our staff have a positive experience at work, are offered opportunities to meet their full potential, and demonstrate the Trust's values.
- Ensuring that our Trust is regarded as a model employer.

Headcount - Gender	2020/21	2019/20
Female	8001	7295
Male	1820	1608
Grand Total	9821	8903

FTE - Gender	2020/21	2019/20
Female	6656.65	6194.55
Male	1566.70	1478.47
Grand Total	8223.35	7673.02

Headcount - Religious Belief	2020/21	2019/20
Atheism	1345	979
Buddhism	30	23
Christianity	4552	3848
Do not wish to disclose	2558	3084
Hinduism	101	85
Islam	239	198
Judaism	4	3
Other	817	633
Sikhism	16	11
Undefined	159	39
Grand Total	9821	8903

FTE - Religious Belief	2020/21	2019/20
Atheism	1145.56	883.1
Buddhism	25.9	20.54
Christianity	3846.44	3335.88
Do not wish to Disclose	2077.17	2572
Hinduism	86.69	78.24
Islam	210.05	182.93
Judaism	2.96	2.96
Other	697.29	559.32
Sikhism	13.8	10
Undefined	117.50	28.07
Grand Total	8223.35	7673.02

The Trust EDI Steering Group meets monthly and now includes the Patient Experience Lead and integrates work from other local strategies (i.e. health and wellbeing, education, learning and development) to ensure our patients and carers have a positive experience.

The work of the group has included the development of EDI network groups, providing a forum for individuals to come together, to share ideas, raise awareness of challenges and provide support to each other. The network groups identified so far are:

- Lesbian, Gay, Bisexual and Transgender Networks (LGBT+)
- Black Asian Minority Ethnic Network (BAME)
- Disability and Long Term Health Network (including Mental Health Network)
- Faith Network

We are also creating a Women's network group following a very successful celebration of International Women's Day. This day resulted in a number of events which included:

- Intranet message providing overview of International Women's Day
- Access to national all day Webinar event hosted by the NHS Chief People Officer
- On the day an all-female shift was arranged in the Critical Care Team hosting a Teams event that will link to social media.
- Launch of a 'Loose Women' style video of a number of our female medical colleagues providing personal insight into both their current experiences during COVID plus their careers with links to issues around work life balance.
- Launching an art competition focused on the theme of 'Inspirational Women' – this event will also cut across and equally provides support to our wellbeing agenda.

As a result, a number of senior female medical colleagues are planning to develop a Women's network with a view to promoting positive action to encourage more female senior clinicians to submit applications for the senior positions across the Trust.

From the start of 2021 a new calendar of EDI awareness events has been launched which includes LGBTQ+ history month, Chinese New Year through a cultural food experience, Commonwealth Day and Autism Awareness week.

The Trust's commitment to EDI and associated training has continued to develop learning and continue the commitment to ensure staff are free from discrimination, feel equally supported in career progression and opportunities and report the same levels of satisfaction with their role at the Trust. There is a focus on dignity at work training, as a mandatory requirement for all staff, which can be completed online.

The Leadership Development Team has developed a series of modular style training packages, for new and aspiring managers, which includes recruitment and selection, appraisal, sickness absence management and discipline and grievance. Integrated into these sessions is unconscious bias training.

The EDI Steering Group have been offered places on these sessions to act as a critical friend and provide feedback to ensure they support the EDI objectives.

The Trust has reviewed its Workforce Race Equality Scheme and data, to support further the EDI action planning. The Trust's Workforce Disability Equality Scheme and supporting information is being used to underpin and provide an evidence base in the development of the Health and Wellbeing Strategic Plan.

The Trust was successful in securing funding from the NHS Leadership Academy Programme to introduce a programme of Reciprocal Mentoring. Following initial meetings with national and regional representatives from the Leadership Academy a project implementation plan has been developed to establish 20 pairs of mentors. Each pair will consistent of a BAME colleague and a member of the Trust's Senior Leadership team.

We are the first Trust in our region to take part in the Reciprocal Mentoring Programme which will include 20 BAME colleagues to work in partnership with our BAME networks in providing a positive influence on our current and future workforce and services. The following underpins the Reciprocal Mentoring Programme:

- a mutually beneficial relationship where participants learn from each other and improve their professional performance, holding each other accountable and providing encouragement and feedback on their goals.
- a systemic intervention designed to enable change that leads to greater equity of outcomes across the whole organisation.
- mentors are partners who provide support in developing each other's ability to make significant improvements in equity.
- The programme is designed to last for up to 18 months and requires a long term commitment to working in partnership to influence change for our workforce.

The Trust has committed to working partnership as part of a North East and North Cumbria, EDI and regional pilot on reviewing and, where necessary, improving recruitment and selection practices. The programme is divided into six action areas which have been identified nationally as areas requiring improvement in approach to recruitment and selection to embed good practice regarding EDI.

The Trust continues to work in partnership with regional colleagues regarding the new regional Integrated Care System (ICS) strategic projects and work with public sector and educational colleagues.

Relationships with Trades Unions

We have strong partnership working with Trades Unions colleagues, with a Partnership Agreement which supports the following aims:

1. Promotes close co-operation between staff and managers within the Trust by providing a forum in which all matters affecting staff can be discussed and relevant information passed on. This includes NHS policies and strategies, Trust operational and financial performance, key Trust service strategies, objectives and projects e.g. Corporate level / large scale change management projects.

2. Provides opportunities for joint problem-solving in relation to issues affecting the well-being of employees and the efficient operation of the organisation. It is recognised good practice that management and staff side will consult on any significant decision that is likely to affect staff members.

3. Supports consultation in relation to key changes in our HR policies.

The Joint Partnership Committee (JPC) is attended by both management and Staff Side colleagues meeting on a monthly basis. Additionally, weekly meetings are held between Staff Chair and Senior HR colleagues and attended by the Chief Executive on a monthly basis.

The NHS and Trust continues to be a changing and challenging environment with both management and Staff Side recognising that their interests are mutually compatible with the aim of preserving jobs, supporting the quality of services and improving patient care and the patient experience.

In 2020/21 management and staff side colleagues have worked in partnership to develop and implement strategies, policies and actions in relation to the ongoing COVID-19 pandemic.

Staff Side Colleagues attended both Strategic and Tactical meetings and are involved in the Trust's Clinical Policy Group. Human Resources and Staff Side have developed their partnership and meet on a regular basis to discuss operational and strategic areas of work and any further support required for our staff.

Trade Union Facilities Time Publication requirements

As a public sector employer there is a legal requirement to report and publish information on facility time for your employees who are trade union representatives.

The 30 September 2020 deadline was extended from 31 July 2020. The Trust submitted the Government data following collection of the data from staff side colleagues and presentation at the Trust's Joint Partnership Committee.

Employment Policies

The Joint Partnership Committee ensures that HR policies and procedures are fit for purpose, reflective of any changes to employment law and support equality and diversity within the workplace. The JPC also provides Staff Side with an opportunity to be updated regarding other policies that are led by other corporate areas e.g. Freedom to Speak Up; Raising Concerns at Work policy. In 2020/21, the Joint Partnership Committee (JPC) approved 11 policies which were then ratified by Operational Management Board (OMB) or more recently Clinical Policy Group (CPG)

These policies included:

- Annual Leave and Bank Holiday Policy
- Education and Learning Policy
- Relocation Policy
- Nursing and Midwifery Revalidation Policy
- Facilities Agreement For Accredited Representatives Of All Recognised Trade Unions And Professional Organisations
- Notice Period Policy for Staff Employed under Agenda for Change Conditions of Service
- Probationary Periods Policy
- Volunteering and Work Experience Policy
- Trust Code of Conduct
- Honorary Contract

EPRR Assurance

The NHS England Core Standards for EPRR are the minimum standards which NHS organisations must meet for emergency preparedness and response. The Trust is required to undertake an annual self-assessment against the core standards to provide assurance to NHS England that robust and resilience EPRR arrangements are maintained within the Trust.

Following completion of the 2020/21 self-assessment process, the Trust was able to declare **substantial compliance** against the EPRR core standards.

Domain	No of standards	Fully compliant	Partially compliant
Governance	6	6	0
Duty to assess risk	2	2	0
Duty to maintain plans	14	11	3
Command and control	2	2	0
Training and exercising	3	3	0
Response	7	7	0
Warning and informing	3	3	0
Co-operation	4	3	1
Business continuity	9	8	1
CBRN	14	14	0
Total	**64**	**59**	**5**

COVID-19

Following the declaration of a level 4 national incident on 30 January 2020 an internal command structure was implemented to provide strategic leadership and direction plus tactical management and co-ordination in line with the Trust's incident response arrangements. Daily command meetings have been held throughout the past 12 months and the Trust incident co-ordination centre (ICC) has been operational seven days a week since 2 March 2020.

The Trust has maintained regular liaison with multi-agency partners through the Cleveland Local Resilience Forum (LRF) Tactical and Strategic Co-ordination Group meetings.

EPRR priorities for the coming year will include continuing to support the response to and recovery from COVID-19 and identifying learning to be incorporated into future response arrangements.

Health and Safety Policies

Regulation 5 of The Management of Health & Safety Regulations sets out that organisations must have suitable arrangements in place for their undertakings. South Tees Hospitals NHS Foundation Trust fulfils this obligation by providing a number of specific health and safety related policies.

The Trust's policies have been introduced and constantly developed as part of an ongoing commitment to its statutory and moral obligations.

All of the Trust's health and safety policies have a systemic approval route via the Health and Safety Sub Group and the Quality Assurance Committee ensuring key stakeholders, including staff-side colleagues, have the opportunity to contribute to policy development.

Examples of these policies include

- Health & Safety policy
- Fire Policy
- Working with Display Screen equipment Policy
- New and Expectant Mothers Policy
- Medical Gas Safety Policy
- Slips Trips & Falls Policy
- Control of Substances Hazardous to Health (COSHH) Policy

Application of the Modern Slavery Act

The Modern Slavery and Human Trafficking Act 2015 Act established a duty for commercial organisations to prepare an annual slavery and human trafficking statement to include the steps the organisation has taken during the year to ensure that slavery and human trafficking is not taking place in any of its supply chains or in any part of its own business.

Our Trust is the largest in the Tees Valley and we are fully aware of the responsibilities it bears towards patients, employees and the local community. Our senior procurement team regularly monitor and review its supply base and are all suitably qualified and uphold to the Chartered Institute of Purchasing and Supply code of conduct.

All members of our staff have a personal responsibility for the successful prevention of slavery and human trafficking with the procurement department taking lead responsibility for the supply chain.

Income disclosures

In 2020/21, the Trust met the requirement that income from the provision of goods and services for the purposes of the Health Service in England must be greater than its income from the provision of goods and services for any other purposes as defined under section 43(2A) of the NHS Act 2006 (as amended by the Health and Social Care Act 2012).

All net income from the provision of goods and services for other purposes has been re-invested back into frontline healthcare for the benefit of patients.

Quality and Clinical Governance

The Care Quality Commission (CQC) has a role to ensure that health and social care services that are provided are done so safely, effectively, compassionately, and are of the highest quality. The CQC is responsible for monitoring, inspecting and regulating services to ensure they meet core standards of quality and safety and publish their findings to help people choose their care provider. During 2019/20, the CQC carried out a planned unannounced inspection of urgent and emergency care, medical, surgical and diagnostics services provided at the Trust.

In addition a further announced inspection took place between 5 to 7 February 2019 where the CQC looked at the quality of leadership at the trust and how well the trust managed the governance of its services. Finally on the 21 to 23 February 2018 a further unannounced inspection of critical care was undertaken. They published their findings, on their website on 2 July 2019. The overall rating for the Trust is ‘Requires Improvement’. A detailed improvement plan is in place to address all of the actions identified by the CQC in their report. The Trust is fully compliant with the registration requirements of the Care Quality Commission.

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Accounting Officer's Responsibilities

Statement of the Chief Executive's Responsibilities as the Accounting Officer of South Tees Hospitals NHS Foundation Trust (STHFT)

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

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

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

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

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

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

Signed: 

Date: 29.6.21

Sue Page CBE
Chief Executive & Accounting Office

Annual Governance Statement

Scope of Responsibility

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

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of South Tees Hospitals NHS Foundation Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in South Tees Hospitals NHS Foundation Trust for the year ended 31 March 2021 and up to the date of approval of the annual report and accounts.

Capacity to Handle Risk

Within the Trust, overall responsibility for risk management is held by the Chief Executive in line with the Trust Scheme of Reservation and Delegation. The Chief Executive discharges this responsibility as follows:

The Chief Nurse and Chief Medical Officer are responsible for clinical risk management and this is discharged within the Quality and Safety Team.

The Director of Estates and Facilities and Company Secretary are responsible for non-clinical risk management.

Executive Directors and Directors who attend the Board have delegated responsibility for managing risks in accordance with their portfolios as reflected in their job descriptions. For example, the Chief Finance Officer has executive responsibility for financial governance and associated financial risks.

Centres and Corporate Directorates manage risk registers in accordance with the Trust Risk Management Policy and part of the Trust DATIX system.

The Corporate Risk Register is a collated summary of the risks identified as being the high-level risks to the Trust, as set out in the Risk Management Policy. These are the operational risks of 16 and above.

The Company Secretary maintains the Corporate Risk Register; however, all of the individual risks are identified to the relevant centre, corporate directorate and Director.

The Senior Leadership Team (SLT) routinely reviews the Corporate Risk Register. SLT holds centres and corporate directorates to account for timely and appropriate management of clinical and non-clinical risk, ensuring the Trust has effective systems for the management of risk registers.

The Trust continues to hold regular Risk Validation Group meetings whose role is to review locally approved new and existing risks scored as 16 and above; validate the risk score and grade; scrutinise and challenge the adequacy of the risk description, the controls and the mitigating action plan; and to consider any cross-cutting issues and the implications for risk aggregation.

The Trust has a Risk Management Committee which is chaired by a Non-Executive Director which meets quarterly and oversees the systems and processes for risk in the Trust.

The Audit Committee is tasked with reviewing the establishment and maintenance of an effective system of integrated governance, risk management and internal control, across the whole of the organisation's activities (both clinical and non-clinical), that supports the achievement of the organisation's objectives.

The trust has a Board Assurance Framework (BAF) which is maintained by the Company Secretary but which is a Board owned document.

The Trust Risk Management Policy sets out the responsibilities for the effective implementation of risk management arrangements in the Trust. For example, Operational Risk Owner, Operations Director, Quality Business Partners (QBPs), Ward/Department Managers and Departmental Risk Assessor are responsible for ensuring effective systems for risk management in their areas. This includes identifying competent staff to lead on risk management and being familiar with the Risk Management Policy, and having attended training. The policy includes detailed guidelines on the use of DATIX and how to complete risk assessments on the system. There are also face to face training sessions for staff on managing risk.

The risk and control framework

The Risk Management Policy provides a framework for managing risks across the Trust and is consistent with best practice and Department of Health guidance. The policy provides a clear, structured and systematic approach to the management of risks to ensure that risk assessment is an integral part of clinical, managerial and financial processes across the organisation. The policy sets out the role of the Trust Board and its committees together with the individual responsibilities of the Chief Executive, Executive Directors and all staff, in managing risk.

Risk management by the Trust board is underpinned by four (4) interlocking systems of internal control:

- The Board Assurance Framework
- Corporate Risk Register (informed by centres, corporate directorates and team)
- Audit Committee
- Annual Governance Statement

The *Board Assurance Framework* (BAF) sets out the key risks to the Trust's strategic objectives together with the controls in place to mitigate the risks and the assurance that can be evidenced relating to their control.

The Board has overall responsibility for ensuring systems and controls are in place, sufficient to mitigate risks which may threaten the achievement of the Trust's objectives.

The Board achieves this primarily through the work of its sub-committees, through use of Internal Audit and other independent inspection and by systematic collection and scrutiny of performance data to evidence the achievement of the objectives.

The BAF is designed to provide the Board with a simple but comprehensive method for the effective and focussed management of principal risks to Trust objectives. The Board defines the principal risks and ensures that each is assigned to a Lead Director as well as to a Lead Committee:

- The Lead Director is responsible for assessing any principal risks assigned to them by the Board and for providing assurance as to the effectiveness of primary risk controls to the Lead Committee
- The role of the Lead Committee is to review the Lead Director's assessment of their principal risks, consider the range of assurances received as to the effectiveness of primary risk controls, and to recommend to the Lead Director any changes to the BAF to ensure that it continues to reflect the extent of risk exposure at that time
- The Audit Committee is responsible for reviewing the whole BAF in order to provide assurance to the Board that principal risks are appropriately rated and are being effectively managed; and for advising the Board as to the inclusion within the BAF of additional risks that are of strategic significance

During 2020/21 the Board refreshed its BAF. The Trust Board has received and reviewed the Board Assurance Framework four times throughout the year. The Assurance Framework does reflect the Trust's key objectives and risks and is reviewed on at least a quarterly basis by the Board. The proforma Board Assurance Framework Document complies with HM Treasury Guidance on Assurance Frameworks.

The major risks identified and monitored through the BAF during the year related to:

Strategy

1.1 - A fundamental breakdown in one or more strategic partnerships, resulting in long term disruption to plans for transforming local health and care services
1.3a - Risk of further breaches to condition 4 of the Trust provider licence could result in further enforcement undertakings and licence conditions
1.3b - Prolonged adverse publicity or regulatory attention resulting in a fundamental loss of confidence in the Trust amongst regulators, partner organisations, patients, staff and the general public
1.4 - A major incident (cyber-attack, critical infrastructure failure, supply chain failure etc) resulting in temporary hospital closure or a prolonged disruption to the continuity of care services across the Trust, which also impacts significantly on the local health service community
1.5 Risk to Trusts ability to delivery strategic objectives due to diversion of resources of all types required to manage the COVID19 19 pandemic, leading to: Failure to deliver constitutional standards; Associated reduced / compromised outcomes; Patient Harm; Reduced patient experience; Increased costs; Failure to meet financial trajectories; Workforce issues such as stress, recruitment and retention

Quality

2.1 (1) - An infection outbreak (such as influenza; norovirus; infections resistant to antibiotics and Clostridium difficile) may result in avoidable patient harm and could adversely impact on delivery of key performance indicators
2.1 (2) -. Due to gaps in compliance in medication practice there is a risk of avoidable patient harm leading to reputational damage
2.2 - Risk that failure to comply with the regulations / regulators could lead to restrictions on service provision leading to reputational damage and/or financial penalties
2.3 - Ability to learn from Serious Incidents, complaints, clinical audits and external reviews to improve on quality and patient safety

Operations

3.1 - A sustained, exceptional level of demand for services that overwhelms capacity resulting in a prolonged, widespread reduction in the quality of patient care and repeated failure to achieve constitutional standards, with possible harm to patients
3.2 - Risk of ability to deliver the national access target of 92% for 18 weeks RTT and achievement of the March 19 WTL by March 2020 due to gaps in workforce increasing demand, transfer of activity from CDDFT, reduction in weekend working and premium pay.
3.3 - Risk of ability to deliver the national access target of 85% for 62 Day Cancer Standard
3.4 - Risk that patients deteriorate or actual harm materialises due to patients being moved from list to accommodate cancelled surgical procedures due to inadequate capacity in critical care

Finance

4.1 - Lack of robust financial information and grip and control may result in poor financial governance and decision making lead to the inability to deliver the annual control total impacting on cash flow and long term sustainability as a going concern
4.4 - Underdeveloped informatics infrastructure compromises ability to deliver safe, responsive and efficient patient care
4.6 - Current estate, lack of capital investment in equipment, IT and infrastructure compromises the ability to consistently deliver safe, caring, responsive and efficient patient care. Potential impact on delivery of service, backlog maintenance, unplanned equipment failure leading to a patient safety risk.

Workforce

5.1 - Demographic changes, shifting cultural attitudes to careers, capacity and capability of staff combined with employment market factors resulting in critical workforce gaps in some clinical and non-clinical services
5.2- Ineffective engagement with the workforce may result in low staff morale, leading to poor outcomes & experience for patients; less effective team work; reduced compliance with policies and standards; high levels of staff absence; and high staff turnover.
5.4 - Failure to comply with national guidance regarding funded establishments could impact on the quality and safety of patient care and / or regulatory action

The *Corporate Risk Register* is a collated summary of the risks identified as being the high-level risks to the Trust, as set out in the Risk Management Policy. These are the operational risks of 16 and above. Each Centre and Corporate Directorate has in place risk registers which are overseen by the Risk Validation Group, SLT and Risk Committee. It directs management focus to the mitigation of significant risks. During the year operational risk to the delivery of ophthalmology services and gastroenterology services were identified due to capacity and demand and the Trust worked with its regulators including NHSE/I and CQC, CCG and other partners in reducing the risk. As a result of this work the Trust received notification from NHSE/I in February 2021 that a decision had been reached to stand down the Quality Board for South Tees Hospitals NHS Foundation Trust. This was on the basis of members being satisfied that the actions taken by the Trust / across the system have sufficiently mitigated the risk. Ongoing quality monitoring has returned to business as usual with the CCG and CQC.

The Audit Committee is responsible for scrutinising the overall systems of internal control (clinical and non-clinical) and for ensuring the provision of effective independent assurance via internal audit, external audit and local anti-fraud services.

The Audit Committee reports to the Board via a Chair's log after every meeting and annually on its work via the Annual Report of the Audit Committee in support of the *Annual Governance Statement*, specifically commenting on the fitness for purpose of the BAF, the completeness and extent to which risk management is embedded in the Trust and the integration of governance arrangements.

The Audit Committee also assesses its own effectiveness, what it has accomplished and whether it has fulfilled its responsibilities along with that of the Board sub committees.

The Trust Board and its sub committees have taken an active role in the improvement of risk management processes. This has included the alignment of Board Assurance Framework to the Board sub committees and agreed schedules of review of the risks at each.

The Trust Board is responsible for setting the risk appetite of the organisation as described in the Risk Management Policy. Risk Appetite is defined as 'the amount of risk the organisation is prepared to accept, tolerate, or be exposed to at any point in time.' It allows the board to take considered risks and to seek assurance that risks of any grade in areas of low tolerance are being managed, rather than focussing predominately on high rated risks.

In 30 January 2020 the first phase of the NHS's preparation and response to COVID-19 was triggered with the declaration of a Level 4 National Incident. A decision was taken on 28 February by the Trust to mobilise command and control arrangements from 2 March.

To ensure a coordinated response to managing this type of incident the Trust instigated the Emergency Preparedness Strategy command and control structure.

The Trust considered its governance structures for managing risk and set up a time limited team group to provide strategic direction, coordination between organisational and external assurance in order to provide a local response to COVID-19.

To support this group, and to maintain control over decision making, the Trust standing orders and standing financial instructions were reviewed and emergency powers delegated to the group from the Trust Board.

Business continuity plans were reviewed across the Trust and implemented as appropriate to manage the incident. A new BAF risk was identified and a risk register for COVID-19 was developed.

A new Trust committee was established to provide assurance to the board, enhancing trust and confidence in the ethical governance and actions of the Incident Management Team. The group provides reassurance to the Board that ethics and integrity are embedded within the Trust and that the Incident Management Team are following due process. The group is responsible for keeping key relevant risks under review and monitoring mitigation activities and controls.

The Trust routinely reviewed the governance arrangements to manage the incident and stepped the processes up and down during the 2020/21 period to effectively manage the incident.

Quality Governance Arrangements

The Trust has robust and effective quality governance arrangements which include:

- a Tier 1 Quality Assurance Committee with sub-committees focusing on patient experience, safety and clinical excellence
- an annual clinical audit programme which is approved at Quality Assurance Committee and Audit Committee

- all Serious Incidents and Never Events are subject to root cause analysis and are reported to the Quality Assurance Committee for discussion and understanding of the learning from the event and shared with SLT and CPG
- all staff are encouraged to report incidents and learning is shared across the organisation
- Freedom to Speak Up Guardians are visible across the whole of the organisation
- the Trust Board is assured by minutes and a report from the Chair of the Quality Assurance Committee
- the Board Assurance Framework provides assurance against the strategic objectives of Delivering excellence in patient outcomes and experience.

The Trust is continuing to work to embed the enhanced quality governance measures through the introduction during 2020 of an accountability framework maintaining a focus on strong governance and leadership across quality, finance and clinical care ensuring that there is clinically led management decision-making, as close as possible to the point of care delivery.

Following the Trust's last CQC inspection in July 2019, where it received an overall rating of 'requires improvement' a monthly update is provided to the Quality Assurance Committee and Trust Board on the progress and sustainability made against the 26 'must do' recommendations and 22 'should do recommendations. During 2020/21 a series of confirm and challenge sessions have been held with operational and director leads, which have facilitated discussions relating to evidence, action plans, assurance and risk. Work has also commenced on preparing the organisations for our next CQC inspections, which we anticipate will be at some point during the next financial year.

The Trust is committed to promoting equality and human rights and valuing diversity in all areas of South Tees Hospitals NHS Foundation Trust. It does this by ensuring that Quality & Equality Impact Assessments are integrated into core business ensuring due regard to the aims of the Equality Act at the point when decisions are made. The purpose of a Quality & Equality Impact Assessment (QEIA) is to improve the work of the Trust by making sure it does not discriminate and that, where possible, promotes equality.

The Quality & Equality Impact Assessment (QEIA) focuses on systematically assessing and recording the likely equality impact of an activity or policy. There is a focus on assessing the impact on people with protected characteristics. This involves anticipating the consequences of activities on these groups and making sure that, as far as possible, any negative consequences are eliminated or minimised and opportunities for promoting equality are maximised.

The QEIA is carried out by completing a form, drawing on existing research, monitoring information and consultation. Once this has been completed, action plans can be drawn up and any decisions to change the delivery of an activity or policy can be made. During the COVID 19 pandemic, many QEIA's have been submitted and considered as part of the Trusts response to the crisis and as rapid change and transformation has taken place. Regular updates have also been provided to QAC.

Well Led

The Trust Board development programme sets out the process by which it will assess itself against the NHS Improvement's well led framework as part of the Trust's journey of improvement. The Board has carried out self-review against the Well Led Framework in December 2019. An action plan was developed and work continues to deliver the outcomes agreed by the Board. The plan is a key aspect of the improvement plan for the Trust.

During 2020/21 the Trust was subject to regulatory oversight by NHSE/I and CQC which included a risk summit, Quality Board and Board to Board meetings.

As a result of the work the Trust had undertaken with regard to the management of risk and quality issues it received notification from NHSE/I in February 2021 that a decision had been reached to stand down the Quality Board for South Tees Hospitals NHS Foundation Trust. This was on the basis of members being satisfied that the actions taken by the Trust / across the system have sufficiently mitigated the risk. Ongoing quality monitoring has returned to business as usual with the CCG and CQC.

Compliance with NHS Provider Licence

Since 2017/18, NHS Trusts have been required to make an annual statement of confirmation in relation to compliance with elements of the NHS Provider Licence as follows:

- G6 – Meeting the requirements of the licence and the NHS Constitution, and having implemented effective arrangements for the management of risk
- FT4 – Relates to corporate governance arrangements covering systems and processes of corporate governance in place and effective; effective Board and Committee arrangements; compliance with healthcare standards; effective financial decision making; sufficient capability and capacity at Board and all levels in the organisation; accountability and reporting lines.

The Trust Board confirmed that it has taken all precautions necessary to comply with the licence, NHS Acts and NHS Constitution (Condition G6). That it has not complied with the required governance arrangements Condition FT4(8) and has a reasonable expectation that required resources will be available to deliver designated services Condition CoS7(3).

Data quality and governance

Annual Quality Account

In view of the COVID-19 pandemic and associated national response, amendments to the regulations for Quality Accounts have been concluded by the Department of Health and Social Care. In line with the Foundation Trust Annual Reporting Manual for 2020/21, the Trust has not prepared a Quality Report to be included as part of this Annual Report. However, the Trust will prepare a separate Quality Account for 2020/21 which will be made available later in the year.

Governance and leadership

We have a developed an integrated performance report based on national guidance which provides the organisation with one version of the truth and is discussed in detail at the board and board Sub committees. Work has commenced on developing a collaborative and directorate IPR following the same principles and will be embed in the Trust in the first two quarters of 2021/22. Furthermore, national guidance from the Department of Health Medical Director that Boards of Directors should review all their services over a reasonable period has placed a commitment on Board of Directors to review all services over a three-year period based on five quality domains that are safety, effectiveness, caring, responsive and well led.

Policies

We have put controls in place to ensure the quality of care provided. This is not an exhaustive list but key policies include:

- Reporting and management of incidents including SI policy
- Freedom to speak up policy
- Complaints policy and procedure

We have an extensive range of clinical governance policies and these are reviewed at appropriate intervals but no later than three years to ensure our operating policies reflect the best practice.

Systems and processes

There is a system and process to report the quality indicators for services to the Board of Directors which is currently being developed to align the new Clinical Collaborative structure. On a monthly basis the Finance and Investment Committee review the areas of performance in detail and an appropriate action plan agreed. Furthermore each of the board Sub Committees reviews their element of the integrated performance report. The clinical audit plan reports on the performance of the national and local clinical audits at quarterly intervals to the Quality Assurance Committee and includes any key risk areas and associated action plans. The internal and clinical audit plans are also aligned to the Board's Assurance Framework. Patient experience is collected through MARIDIAN with all services having access to real time patient experience data. South Tees Accreditation System has been developed and implementation has commenced with a roll out plan to accredit all areas in the next 12 months. We have developed our quality priorities in conjunction with the council of Governors and our service which are agreed and reported to the Board.

People and skills

The Trust has created a Leadership and Safety Academy which is supporting individual service areas which have been identified as requiring support and focus by providing bespoke training and expertise to improve their service areas. Quality improvement training has been rolled out across the organisation as has patient safety investigation training. The Trust has identified Patient Safety Champions and staff and the Board have made safety promises which will be used to inform our quality and safety strategy for the coming years. Leadership and development programmes have been established and are being delivered to our leaders at all levels across the organisation to support our new operational Collaborative structure.

The results from 2020 NHS Staff Survey show significant improvements. For example there has been a significant increase in the number of colleagues who feel patient care is the organisation's number priority and would recommend the trust as a place to work.

Data use and reporting

There are robust systems in place to report clinical prioritisation and clinical harm reviews in line with national guidance. The roll out of DATIX cloud has been ongoing throughout the year which will see the system fully embedded from July 2021.

In March 2021, the Trust rolled out the Electronic Staff Record which was chosen as the system to be used going forward to complete statutory and mandatory e-learning.

The Trust is embarking on a transformation project to move from a manual to an electronic validation process for the management of patient pathways. The key benefits of moving to an electronic system include:

- A single, trusted source of accurate, validated data
- In-built data quality and data governance processes
- Snapshots of position for insight and historical use
- Data lineage from source systems throughout the data supply chain
- Daily tracking of key metrics
- Detailed audits and error logs
- Comprehensive patient tracking and validation workflow

The transformation project is in the early stages testing in two specialties and is expected to be rolled out across the trust over the next 18 months. The Business drivers for this project include:

- Meet RTT Recovery Plans
- Increased Visibility and access to ‘Real time’ waiting list
- Owned at Directorate level
- Ability to forecast and plan for demand
- Mitigate risks of 'losing' patient pathways
- Improve patient experience
- Support clinical decision making

Workforce and Pension

The Trust is continually working towards the recommendations for Developing Workforce Safeguards by reporting of biannual nursing and midwifery, theatres, accident and emergency and community nurse staffing to the Board. During COVID these reviews have not been completed in the normal way, although staffing has been a high focus with three times weekly senior nursing staffing reviews against professional judgement templates. Ward Managers and Matrons have conducted a look forward for all staffing on Mondays and Fridays and a weekly look back at Critical Care and ED to ensure safe staffing. Safer Nursing Care Tools have been obtained under licence and are being utilised for staffing establishment reviews. AHP colleagues contribute to joint papers where appropriate to do so.

The Trust continues to utilise Allocate SafeCare to give a real time helicopter view of nurse staffing at least twice a day with an Associate Director of Nursing and Matrons, staff are redeployed daily to meet patient need. The Trust also utilises Allocate’s e-Rota system for analysis of compliance of junior doctor rotas and for exception reporting.

The Trust has supported student nurses, midwives and AHP’s to deploy into paid placements during the year to support workforce pressures and maintain progression of programmes to allow qualification on time. Return to the NHS staff have contributed and supported throughout the year and our volunteer response has been outstanding to maintain patient safety and staff well-being.

AHP establishments are being reviewed and will be added in to available software for monitoring. Leads currently review teams’ establishment and staff availability to provide safe deployment to meet patients’ needs. Monthly reports are now provided collaboratively with nursing colleagues. Our external bank is provided by NHS Professionals and will be utilised to rapidly recruit nursing staff during the COVID-19 period.

In line with the 2016 junior doctors’ contract, the Trust has appointed a Guardian of Safe Working who reports quarterly to the People Committee and to the Trust Board on junior doctor rota compliance, vacancies and exception reporting themes. A Junior Doctors’ Forum is now well established as per the contract terms and conditions; and engagement with this forum has improved considerably on an ongoing basis

The Trust is part of a regional collaborative bank for junior medical grade staff as well as having our own local bank of doctors. The Trust also has a master vendor arrangement for agency doctors via HCL.

For junior grade medical staff, fill rates via bank are high with minimal agency usage. Agency usage for senior grade doctors is reviewed on a regular basis with a view to moving long term agency locums onto substantive contracts with the Trust.

Monthly safe staffing reporting through UNIFY was suspended in March 2020 and dynamic staffing reviews undertaken in real time to allow for the segregation of COVID and Non COVID patient pathways and plans for surge and super surge activity. Quality impact assessment (QIA) was undertaken for planned staffing for COVID and Non COVID areas led by the Director of Nursing and Quality and Medical Director and these have been reviewed on a regular basis.

The Executive Chief Nurse has sponsored the Head of Professions to attend the CNO Safe Staffing Fellowship Programme and will mentor them throughout the programme to ensure any learning is embedded within the organisation.

'E-rostering Levels of Attainment' will be reviewed annually for all staff groups and will be reported through the Workforce Assurance Group, reporting to the Workforce Committee and escalating / reporting to Board as required.

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

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

Care Quality Commission

During 2019/20, the CQC carried out a planned unannounced inspection of urgent and emergency care, medical, surgical and diagnostics services provided at the Trust. In addition a further announced inspection took place between 5 to 7 February 2019 where the CQC looked at the quality of leadership at the Trust and how well the Trust managed the governance of its services. Finally on the 21 to 23 February 2020 a further unannounced inspection of critical care was undertaken. The CQC published its findings on their website on 2 July 2019. The overall rating for the Trust is 'Requires Improvement'. A detailed improvement plan is in place to address all of the actions identified by the CQC in their report. The Trust is fully compliant with the registration requirements of the Care Quality Commission.

Register of Interests

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

Trust Board

The Trust is governed by the Trust Board comprising of eight Non-Executive Directors including the Chairman and one Associate Non-Executive Director, and five Executive Directors, including the Chief Executive.

The changes made to the Board during 2020/21 included the permanent appointment of Sue Page as Chief Executive, the appointment of a Chief Medical Officer, Chief Nurse and Chief Finance Officer replacing both permanent and interim Executive post holders.

Ada Burns, Non-Executive Director was appointed as Vice Chair, David Jennings and Maria Harrison were appointed as Non-Executive Directors and David Redpath as Associate Non-Executive Director.

Finally Neil Mundy was appointed as Interim Joint Chairman with North Tees & Hartlepool NHS Trust.

Leavers included Alan Downey, Chairman, Maureen Rutter, Non-Executive Director, Sath Nag, Medical Director, David Chadwick Medical Director, Adrian Clements Medical Director, Steven Mason Finance Director, Gill Hunt Director of Nursing and Deirdre Fowler Interim Director of Nursing & Midwifery.

All changes were approved by the Nomination and Remuneration Committees and endorsed by the Council of Governors and Board of Directors.

The overarching governance framework for the Trust is set out in detail in the Standing Orders, Standing Financial Instructions and the Scheme of Reservation and Delegation. The Corporate Governance Structure, Board Committee Terms of Reference, Standing Orders and Standing Financial Instructions were reviewed during the year to ensure the governance framework reflects the organisation of the trust and maintains internal control.

The Board has overall responsibility for determining the future direction of the Trust and ensuring delivery of safe and effective services in accordance with legislation and principles of the NHS. The Trust Board also ensures that the organisation complies with relevant regulatory standards.

The Trust Board consider performance against national priorities set out in the NHS Improvement Single Oversight Framework for NHS Providers, which sets out how NHS Improvement works alongside Trusts to support the delivery of high quality and sustainable services for patients. The Trust continues to be rated as '3' on the NHS Improvement Finance Score Metric where 1 is the highest score with 4 the lowest. An overall score of 4 or 3 indicates that support may be required.

Performance is reported and discussed monthly in the Trust board meeting and its Sub Committees.

Sustainable Development

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

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

The financial plan is approved by the Board of Directors and submitted to NHSE/I our independent regulator (in exercising its powers conferred by Monitor). The process for approving the plan involves the ICS and regional NHSE/I teams to coordinate strategic and transformational submissions. This plan includes forward projections and is monitored by the Finance & Investment Committee with key performance indicators and financial sustainability metrics also reviewed monthly by the Senior Leadership Team and the Board of Directors at each of its meetings.

In 2020/21 the planning process was suspended following the outbreak of the COVID-19 pandemic and this culminated in April 2020 with the Trust receiving advance funding from NHS England and its Commissioners. This included a monthly block payment (£49.2 million) and a top up payment amounting to £1.9 million with the Trust being funded to a break even position. These arrangements are also in place for the start of 2021/22 and this will continue to ensure the Trust's financial position is stable.

The Group's (excluding the South Tees Hospitals Charity) recorded an adjusted financial performance deficit in 2020/21 of £11.1 million as agreed in discussions with NHS England/Improvement (NHSE/I) and the regional ICP. At 31 March the Trust's closing cash position amounted to £57.4 million.

The Group's (excluding the Charity) deficit within the annual accounts of £17.4 million reconciles to the financial performance deficit of £11.1 million by adjusting for the impairment of assets £9.2 million, donations towards capital expenditure £3.9 million, depreciation on donated assets £2.1 million and DHSC centrally procured inventories for COVID response £1.1 million.

The lack of available capital funding represents a major risk to the Trust given a prolonged period of reduced capital expenditure. The Trust is seeking emergency capital funding in 2021/22 via NHSE/I and reviewing/prioritising all capital expenditure bids to minimise clinical and organisational risk. The Trust and Endeavour (PFI Provider) have worked throughout 2019/20 and 2020/21 to collectively understand the position of the life cycle programme and reconcile the respective accounting within each organisation.

The DHSC and NHSE/I announced reforms to the NHS cash regime for 2020/21 and issued Public Dividend Capital (PDC) to enable providers to repay all existing Interim Revenue and Capital loans. The impact to the Trust of this announcement amounted to £144.6 million and this support helped the Trust to repay the loans in September. Although this borrowing was funded by PDC in 2020/21, the Trust will continue to be dependent on on-going support in order to meet its financial obligations. The remaining loans held by the Trust, relating to Capital Financing Facility Loans utilised between 2010 and 2013, were repaid by the Trust in March. At 31 March 20201, the Trust does not have any long term liabilities other than those that relating to the PFI and finance lease obligations.

Financial governance arrangements are managed within the corporate governance framework which includes Standing Orders, Standing Financial Instructions and a Scheme of Delegation. Financial governance is supported by internal and external audit to ensure economic, efficient and effective use of resources and is monitored by the Audit Committee.

The Trust's Internal Auditor (PwC) has drafted the Audit Opinion on the adequacy and effectiveness of governance, risk management and control. Their annual opinion for the year ending 31 March 2021 is 'Generally Satisfactory with some Improvements Required' which is an improvement on the 2019/20 audit opinion 'Substantial Improvement Required'. In total, eleven reports have been issued to the Trust, of which two were graded as High risk, six were graded as Medium risk and two were graded as Low risk. The two High risk reports concerned Recruitment and the DSP toolkit and work is underway to address these.

Information Governance

Information Governance is assessed as part of the annual national process of submitting compliance with the NHS Data Security and Protection Toolkit (DSPT), which is based upon the National Data Guardians 10 Data Security Standards. The content of the DSP Toolkit is aimed at providing assurance around technical aspects of cyber security, information security and data protection compliance.

Unlike the older IG Toolkits 3 tiered system, the 2020/21 DSPT submission is assessed against compliance with 42 assertion areas which are comprised of over 130 pieces of evidence, 110 of these are mandatory.

Due to the impact of COVID-19 the submission dates have been moved to the 30th June 2021.

The Trust maintains an action plan regarding compliance which is monitored at the bi-monthly Information Governance Steering Group and reported to the Trusts Senior Information Risk Owner (SIRO) as well as being reviewed by the annual DSPT Internal audit review – the findings of which are monitored and discussed at the Trusts Audit and Risk Committee.

Last year's submission (2019/20) was confirmed as "Standards Not Met – Plan Agreed" with four outstanding items of the 110 requirements – although compliance was not ultimately achieved during the year (and these areas remain non-compliant in the 2020/21 submission) the plan was regularly updated and submitted to NHS Digital.

The Trust's Internal Auditors, PricewaterhouseCoopers (PWC), performed an internal audit review on compliance with the DSPT standards. The review this year was based on a nationally defined set of areas within the DSPT submission, and these have highlighted the following areas of risk associated with:

- Compliance with DSPT submission and the current level of evidence.
- Patching Management implementation
- Recovery objectives are not currently defined
- Annual Penetration testing
- User access control issues
- DPIA Approvals

At the time of their Audit (March 2021), the Trust's DSP Toolkit tracker concluded that 1 sub-assertion has been marked as 'complete' out of 41 mandatory sub-assertions, with the remaining 40 being noted as 'in progress' or requiring documentation updates.

Currently 102 of the 110 requirements have been met and the action plan will be submitted to NHS digital to update the Trusts compliance which will be "Standards Not Fully Met - Plan Agreed". Information on the final submission due in June 2021 will be included in next year's Quality Accounts.

Review of Effectiveness

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

Conclusion

In conclusion, the Trust had the following significant internal control issues in 2020/21:

1) CQC

During 2019/20, the CQC carried out a planned unannounced inspection of urgent and emergency care, medical, surgical and diagnostics services provided at the Trust. In addition a further announced inspection took place between 5 to 7 February 2019 where the CQC looked at leadership and how well the Trust managed the governance of its services. Finally on the 21 to 23 February 2019 a further unannounced inspection of critical care was undertaken. They published their findings, on its website on 2 July 2019. The overall rating for the Trust is 'Requires Improvement'.

The Trust Board considered and accepted the findings and agreed a detailed action plan to address the recommendations which has been submitted to CQC. Delivery of the action plan is overseen by an Oversight Group and a small Huddle Group meets daily to review and challenge sources of evidence. Routine updates are provided to the Quality Assurance Committee and Trust Board.

Throughout 2020/21 the Trust continued to hold a series of confirm and challenge sessions with operational and Director leads. These sessions have focussed on the 'must do' recommendations and have facilitated discussions relating to evidence, action plans, assurance and risk.

At the end of March 2021 there were a total of 153 detailed actions which were devised from the original 49 must and should do requirements. 106 actions have been completed; 1 is fully embedded; 42 are expected to deliver and 4 are currently off track. Of the 49 overall actions, 1 must do action is currently rated red which relates to mandatory training requirements.

2) Provider Licence Additional Restrictions

On the 30 October 2019, the trust received notification of "Intent to modify Additional Licence Condition". This was following a board to board meeting on the 17 October 2019 with NHS England / Improvement. NHS Improvement identified continuing concerns around finance, governance and quality at the trust which include:

a) governance arrangements
b) financial governance at the Trust, including control of revenue and capital expenditure and the Trust's inability to develop and deliver a financial recovery plan to demonstrate financial stability and quantify financial risk;
c) operational concerns relating to quality and safety at the Trust, particularly in relation to critical care, as highlighted in the CQC inspection report dated 2 July 2019.

In April 2021 the Trust were notified that The North East and Yorkshire Regional Support Group (RSG) made the decision to the remove of s.111 additional licence conditions relating to a and c above and to update the s.106 enforcement undertakings to align with the current challenges faced.

With regard to a) and c) this was agreed for the following reasons:

1. The Licensee has made improvements through the strengthening of board and management capacity capability alongside making equivalent improvements to its governance systems and processes.
2. The improvements made include the appointment of a substantive Chief Executive officer in March 2020 alongside the appointment of a Managing Director in July 2020 and a new Medical Director.
3. The Trust is also now chaired via a joint appointment with North Tees and Hartlepool NHS Foundation Trust which provides strong opportunities for ensuring sustainable health and care services across the Tees Valley system.
4. The above leadership changes have already demonstrated their impact through both the improved grip and control of organisational performance as well as progressing key strategic transformation plans in the Tees Valley system including the clinical services strategy work.

In relation to item b) an updated s.106 enforcement undertakings were set out which now only cover finance.

3) Staff Survey

The annual staff survey was launched in October 2020 and provided an opportunity for staff to feedback on their experiences. The results from 2020 NHS Staff Survey show significant improvements.

Since the previous survey the Trust has undergone a number of significant changes. The Trust's Clinical Policy Group makes the decisions on how we allocate our resources and deliver care, and this clinically-led approach has been at the heart of the way we have met the enormous challenge of COVID-19.

In addition, staff-side colleagues helped to create a 'you said, we did' list of practical changes, including our STAR awards. Significant work was undertaken during 2020 to redefine the Trust's values and develop a set of behaviours that would underpin these. This work involved engagement exercises with a range of staff across the Trust.

A number of the Trust's people management policies have been subject of review to integrate a range of processes which will enable us to attract, develop and retain a workforce that support and align themselves to those core values. The key processes we have been developing include those relating to recruitment and selection, induction and appraisal.

We have relaunched our Freedom to Speak Up team who have spent time communicating what their role is and building trust and confidence across the workforce to ensure staff feel able to speak up on issues of concern in particular around bullying and harassment and civility and respect. Working in partnership with staff side we have reviewed both our dignity at work and disciplinary processes in line with the concept of a 'Just Culture', where we focus more on identifying cause and resolution as opposed to a blame culture. Paramount to this is ensuring that we adapt lessons learnt and transfer these lessons to improve our working environment and encourage respectful and caring behaviour between colleagues. This has resulted in a significant reduction in staff progressing into formal dignity at work and disciplinary procedures.

We continue to celebrate success during these challenging times through continuation of the STAR awards. In recognition of the continued commitment from staff throughout the COVID-19 pandemic, and by way of a special thank you, a South Tees People Medal was awarded to all colleagues as well as an extra day of annual leave.

4) Constitutional targets

Treating more than 3,000 patients with COVID-19 has inevitably had an impact on the Trust's ability to meet constitutional access targets. In order to address this area of concern the Trust has established a recovery meeting that considers outpatient and diagnostics, inpatient, elective and non-elective pathways and meets three times a week. Detailed recovery and improvement trajectories are developed at service and clinical team level and considered by the recovery meeting. Updates are provided to CPG and SLT routinely. A clinical strategy and improvement group has been establish which aims to refresh the Trust improvement plan and have oversight on behalf of the Trust board and SLT/ CPG of progress on delivery, risk to delivery and monitoring plans.

Signed: 

Chief Executive

Date: 29.6.21

Sue Page CBE
Chief Executive & Accounting Officer

Independent auditor's report to the Council of Governors of South Tees Hospitals NHS Foundation Trust

Report on the audit of the financial statements

Qualified opinion on the financial statements

We have audited the financial statements of South Tees Hospitals NHS Foundation Trust ('the Trust') and its subsidiaries ('the Group') for the year ended 31 March 2021 which comprise the Group Statement of Comprehensive Income, the Trust and Group Statements of Financial Position, the Trust and Group Statements of Changes in Taxpayers' Equity, the Trust and Group Statements of Cash Flows, and notes to the financial statements, including the summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted and adapted by HM Treasury's Financial Reporting Manual 2020/21 as contained in the Department of Health and Social Care Group Accounting Manual 2020/21, and the Accounts Direction issued under the National Health Service Act 2006.

In our opinion, the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Trust and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Accounting Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Trust's or the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this report.

Other information

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

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

We are also required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit and Risk Committee which we consider should have been disclosed.

We have nothing to report in these regards.

Responsibilities of the Accounting Officer for the financial statements

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

The Accounting Officer is required to comply with the Department of Health and Social Care Group Accounting Manual 2020/21 and prepare the financial statements on a going concern basis, unless the Trust is informed of the intention for dissolution without transfer of services or function to another entity. The Accounting Officer is responsible for assessing each year whether or not it is appropriate for the Trust and Group to prepare financial statements on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Trust and Group, we identified that the principal risks of non-compliance with laws and regulations related to the National Health Service Act 2006 (as amended by the Health and Social Care Act 2012), and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Accounting Officer's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and the Audit and Risk Committee the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Trust and Group which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit and Risk Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit and Risk Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Accounting Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the NAO in April 2021.

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

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

Matter on which we are required to report by exception

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

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

Significant weakness in arrangements	Recommendation
In October 2019 the Trust received notification of an "Intent to modify Additional Licence Condition" from NHS Improvement. This identified concerns around finance, governance and quality. Whilst the Trust was notified of the removal of additional licence conditions relating to governance, quality and safety in April 2021 concerns remain around finance. This includes control of revenue and capital expenditure and the Trust's failure to develop and deliver a financial recovery plan to demonstrate financial stability and quantify financial risk. In our view, this issue represents a significant weakness in arrangements in relation to financial sustainability and how the Trust plans and manages its resources to ensure it can continue to deliver its services.	The Trust should continue to take action in response to the issues raised by regulators in relation to financial planning, management and control to appropriately manage financial risk and demonstrate financial sustainability. In particular, it needs to develop and implement a comprehensive financial recovery plan, supported by robust financial control and monitoring processes. Arrangements for challenging and scrutinising financial risks and performance, including escalation arrangements, should be revisited to ensure they remain 'fit for purpose' and drive the required improvements.

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

Responsibilities of the Accounting Officer

The Chief Executive as Accounting Officer is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the Trust's use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

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

We are required by Schedule 10(1) of the National Health Service Act 2006 to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Code of Audit Practice

In our opinion:

- the parts of the Remuneration and Staff Report subject to audit have been properly prepared in accordance with the requirements of the NHS Foundation Trust Annual Reporting Manual 2020/21; and
- the other information published together with the audited financial statements in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the NHS Foundation Trust Annual Reporting Manual 2020/21; or
- the Annual Governance Statement is misleading or is not consistent with our knowledge of the Trust and Group and other information of which we are aware from our audit of the financial statements; or
- we refer a matter to the regulator under Schedule 10(6) of the National Health Service Act 2006; or
- we issue a report in the public interest under Schedule 10(3) of the National Health Service Act 2006.

We have nothing to report in respect of these matters.

Use of the audit report

This report is made solely to the Council of Governors of South Tees Hospitals NHS Foundation Trust as a body in accordance with Schedule 10(4) of the National Health Service Act 2006. Our audit work has been undertaken so that we might state to the Council of Governors of the Trust those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council of Governors of the Trust as a body for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness is its use of resources.

Cameron Waddell

Key Audit Partner
For and on behalf of Mazars LLP

The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

June 2021

Audit Completion Certificate issued to the Council of Governors of South Tees Hospitals NHS Foundation Trust for the year ended 31 March 2021

In our auditor's report dated 30 June 2021 we explained that the audit could not be formally concluded until we had completed the work necessary to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness is its use of resources.

This work has now been completed.

No matters have come to our attention since 30 June 2021 that would have a material impact on the financial statements on which we gave our unqualified opinion.

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

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

In our auditor's report dated 30 June 2021 we reported that we had identified one significant weakness in the Trust's arrangements for the year ended 31 March 2021. We have no further matters to report in this respect.

Certificate

We certify that we have completed the audit of South Tees Hospitals NHS Foundation Trust in accordance with the requirements of chapter 5 of part 2 of the National Health Service Act 2006 and the Code of Audit Practice.

Cameron Waddell

Key Audit Partner For and on behalf of Mazars LLP
The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF
12 August 2021

South Tees Hospitals
NHS Foundation Trust

Accounts

For the year 1 April 2020 to 31 March 2021

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2021

		GROUP		TRUST	
	NOTE	**2020/21 £000**	2019/20 £000	**2020/21 £000**	2019/20 £000
Operating income	3	**764,160**	659,025	**762,889**	658,219
Operating expenses	4	**(765,146)**	(671,136)	**(763,819)**	(669,903)
OPERATING DEFICIT		**(986)**	(12,111)	**(930)**	(11,684)
FINANCE COSTS:					
Finance income		**190**	470	**7**	209
Finance costs - financial liabilities	7.1	**(14,494)**	(16,869)	**(14,494)**	(16,869)
Finance costs - unwinding of discount on provisions	22	**(25)**	(11)	**(25)**	(11)
PDC dividends payable		**(2,071)**	0	**(2,071)**	0
NET FINANCE COSTS		**(16,400)**	(16,410)	**(16,583)**	(16,671)
(Loss) / Gain on disposal of assets		**319**	(173)	**319**	(173)
Movement in fair value of other investments	13	**932**	(755)	**0**	0
DEFICIT FOR THE YEAR		**(16,135)**	(29,449)	**(17,194)**	(28,528)
Other comprehensive Expenditure					
Will not be reclassified to income and expenditure:					
Impairments	7.2	**(1,685)**	(1,324)	**(1,685)**	(1,324)
Revaluation gains on property, plant and equipment	7.2	**759**	111	**759**	111
Other reserve movements		**0**	0	**0**	0
TOTAL OTHER COMPREHENSIVE EXPENDITURE		**(926)**	(1,213)	**(926)**	(1,213)
TOTAL COMPREHENSIVE EXPENDITURE		**(17,061)**	(30,662)	**(18,120)**	(29,741)

The notes on pages 5 to 43 form part of these accounts.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

		GROUP		TRUST	
		31 March 2021	31 March 2020	**31 March 2021**	31 March 2020
	NOTE	**£000**	£000	**£000**	£000
Non-current assets					
Property, plant and equipment	8	**232,987**	210,552	**232,987**	210,552
Intangible assets	9	**11,917**	5,457	**11,917**	5,457
Trade and other receivables	16	**1,766**	2,001	**1,766**	2,001
Other investments	13	**6,039**	5,107	**0**	0
Total non-current assets		**252,709**	223,117	**246,670**	218,010
Current assets					
Inventories	14	**13,054**	12,773	**12,492**	11,836
Trade and other receivables	16	**43,528**	79,807	**44,533**	80,151
Cash and cash equivalents	15	**59,664**	5,848	**57,380**	3,423
Total current assets		**116,246**	98,428	**114,405**	95,410
Total assets		**368,955**	321,545	**361,075**	313,420
Current liabilities					
Trade and other payables	17	**(90,100)**	(43,828)	**(89,157)**	(41,614)
Borrowings	18	**(3,727)**	(150,226)	**(3,727)**	(150,226)
Provisions	22	**(1,011)**	(699)	**(1,011)**	(699)
Total current liabilities		**(94,838)**	(194,753)	**(93,895)**	(192,539)
Total assets less current liabilities		**274,117**	126,792	**267,180**	120,881
Non-current liabilities					
Borrowings	18	**(89,333)**	(105,292)	**(89,333)**	(105,292)
Provisions	22	**(591)**	(753)	**(591)**	(753)
Total non-current liabilities		**(89,924)**	(106,045)	**(89,924)**	(106,045)
Total assets employed		**184,193**	20,747	**177,256**	14,836
Financed by taxpayers' equity:					
Public dividend capital		**347,622**	167,083	**347,622**	167,083
Income and expenditure reserve		**(230,641)**	(213,841)	**(230,485)**	(213,850)
Revaluation reserve		**33,643**	35,127	**33,643**	35,127
Other reserves		**26,476**	26,476	**26,476**	26,476
Others' equity					
Charitable fund reserve	12	**7,093**	5,902	**0**	0
Total taxpayers' equity		**184,193**	20,747	**177,256**	14,836

The notes on pages 5 to 43 form part of these accounts.

The financial statements on pages 1 to 43 were approved by the Audit Committee on 15 June 2021 and signed on its behalf by:

Signed: ..... (Director of Finance) Date: 29 June 2021

Signed: ..... (Chief Executive) Date: 29 June 2021

STATEMENT OF CHANGES IN TAXPAYERS' AND OTHER EQUITY FOR THE YEAR ENDED 31 MARCH 2021

	Public Dividend Capital (PDC)	Income and Expenditure Reserve	Revaluation Reserve	Other reserves	Trust total	South Tees Healthcare Management Ltd	Charitable funds reserve	Group total
	£000	£000	£000	£000	£000	£000	£000	£000
Taxpayers' equity at 1 April 2019	161,609	(185,322)	36,340	26,476	39,103	0	6,832	45,935
Impact of implementing IFRS9 on opening reserves	0	0	0	0	0	0	0	0
Changes in taxpayers' equity for 2019/20								
(Deficit)/ Surplus for the year	0	(28,527)	0	0	(28,527)	8	(930)	(29,449)
Revaluation gains and impairment losses on property, plant and equipment.	0	0	(1,213)	0	(1,213)	0	0	(1,213)
Total comprehensive (expense) / income for the year	0	(28,527)	(1,213)	0	(29,740)	8	(930)	(30,662)
Public dividend capital received	5,474	0	0	0	5,474	0	0	5,474
Public dividend capital repaid	0	0	0	0	0	0	0	0
PDC adjustment for cash impact of legacy transfer	0	0	0	0	0	0	0	0
Other transfers between reserves	0	0	0	0	0	0	0	0
Taxpayers' equity at 31 March 2020	167,083	(213,849)	35,127	26,476	14,837	8	5,902	20,747
Taxpayers' equity at 1 April 2020	167,083	(213,849)	35,127	26,476	14,837	8	5,902	20,747
Adjustment to opening position at 1 April 2020	0	0	0	0	0	0	(32)	(32)
Changes in taxpayers' equity for 2020/21								
(Deficit)/Surplus for the year	0	(17,194)	0	0	(17,194)	(164)	1,223	(16,135)
Revaluation gains and impairment losses on property, plant and equipment.	0	0	(926)	0	(926)	0	0	(926)
Total comprehensive expense for the year	0	(17,194)	(926)	0	(18,120)	(164)	1,223	(17,061)
Public dividend capital received	180,539	0	0	0	180,539	0	0	180,539
Public dividend capital repaid	0	0	0	0	0	0	0	0
Other transfers between reserves	0	558	(558)	0	0	0	0	0
Taxpayers' equity at 31 March 2021	347,622	(230,485)	33,643	26,476	177,256	(156)	7,093	184,193

Note: Additional PDC received by the Trust during the year related to funding from the Department of Health and Social Care for investment in the Friarage Hospital, Accident and Emergency, Critical Care, COVID response, E-Prescribing, Endoscopy and Health Sector Led Investment on Haematology and Digitisation. The amount shown as 'Other Reserves' represents the value of assets transferred to South Tees Hospitals NHS Foundation Trust following the acquisition of the former Northallerton Health Services NHS Trust, over and above the value of Public Dividend Capital repayable on dissolution of that Trust.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2021

		GROUP		TRUST	
	NOTE	**2020/21 £000**	2019/20 £000	**2020/21 £000**	2019/20 £000
Cash flows from operating activities					
Operating (deficit)/ surplus from continuing operations		**(986)**	(12,111)	**(930)**	(11,684)
Non-cash income and expense					
Depreciation and amortisation	4	**19,041**	14,537	**19,041**	14,537
Net impairments	4	**9,171**	11,912	**9,171**	11,912
Decrease /(Increase) in trade and other receivables		**36,846**	20,165	**34,953**	18,965
(Increase) / Decrease in inventories	14	**(281)**	(407)	**(281)**	530
(Decrease) / Increase in trade and other payables		**33,368**	(22,350)	**35,356**	(23,396)
Increase / (Decrease) in provisions	22	**125**	11	**125**	11
Other movements in operating cash flows		**(145)**	(20)	**(4)**	(304)
Net cash generated from operations		**97,139**	11,737	**97,431**	10,571
Cash flows from investing activities					
Interest received		**158**	209	**7**	209
Purchase of intangible assets	9	**(736)**	(1,866)	**(736)**	(1,866)
Purchase of property, plant and equipment	8	**(40,565)**	(22,932)	**(40,565)**	(22,932)
Donated assets from DHSC for COVID		**(3,111)**	0	**(3,111)**	0
Sales of property, plant and equipment		**445**	0	**445**	0
Net cash used in investing activities		**(43,809)**	(24,589)	**(43,960)**	(24,589)
Cash flows from financing activities					
Public dividend capital received		**180,539**	5,474	**180,539**	5,474
Loans received		**0**	35,980	**0**	35,980
Loans repaid		**(159,260)**	(11,644)	**(159,260)**	(11,644)
Capital element of finance lease rental payments		**(572)**	(689)	**(572)**	(689)
Capital element of private finance initiative obligations		**(2,399)**	(1,906)	**(2,399)**	(1,906)
Interest on loans	7	**(637)**	(2,889)	**(637)**	(2,889)
Interest element of finance leases	7	**(165)**	(348)	**(165)**	(348)
Interest element of private finance initiative obligations	7	**(13,919)**	(13,576)	**(13,919)**	(13,576)
PDC dividend paid		**(3,101)**	948	**(3,101)**	948
Net cash used in financing activities		**486**	11,350	**486**	11,350
Decrease in cash and cash equivalents		**53,816**	(1,502)	53,957	(2,668)
Cash and cash equivalents at 1 April		**5,848**	7,350	**3,423**	6,091
Cash and cash equivalents at 31 March	15	**59,664**	5,848	**57,380**	3,423

NOTES TO THE ACCOUNTS

1. Accounting policies

NHS Improvement, in exercising the statutory functions conferred on Monitor, is responsible for issuing an accounts direction to NHS Foundation Trusts under the NHS Act 2006. NHS Improvement has directed that the accounts of NHS Foundation Trusts shall meet the accounting requirements of the Department of Health and Social Care Group Accounting Manual (DHSC GAM), which shall be agreed with HM Treasury and the Secretary of State. Consequently, the following accounts have been prepared in accordance with the DHSC GAM 2020/21 issued by the Department of Health and Social Care. The accounting policies contained in that manual follow International Financial Reporting Standards (IFRS) and HM Treasury's Financial Reporting Manual to the extent that they are meaningful and appropriate to NHS Foundation Trusts, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the DHSC GAM permits a choice of accounting policy, the accounting policy which 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 by the Trust are described below. They have been applied consistently during the financial year when dealing with items considered material in relation to the accounts.

1.1 Accounting convention

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

1.2 Basis of consolidation

NHS Charitable Fund

The Trust is the corporate trustee to South Tees Hospitals Charity and Associated Funds which is registered with the Charity Commission, registration number 1056061. The Trust has assessed its relationship to the charitable fund and determined it to be a subsidiary as the Trust has the power to govern the financial and operating policies of the charitable fund to obtain benefits from its activities for the Trust, its patients and its staff.

The charitable fund's statutory accounts are prepared to 31 March and in accordance with the UK Charities Statement of Recommended Practice (SORP) which is based on UK Financial Reporting Standard (FRS) 102. On consolidation, adjustments have been made to the charity's income, expenditure, assets and liabilities to:

- recognise and measure them in accordance with the Trust's accounting policies; and
- eliminate in full all intra-group transactions and balances.

1.2.1 Alignment to accounting policies

The accounting policies and accounts of the charitable fund have been reviewed and are consistent with those of the Trust apart from the charitable fund's accounting policies on funds and investments. Details of the accounting policies that are different and have been aligned to those of the Trust are outlined below:

Fund balances

Funds held by the charitable fund can be both restricted and un-restricted. Donations come in for specific funds and each fund has its own objectives/purpose. If a general donation is made and no specific fund is identified then the monies will be paid into the General Purpose Fund, which is used to benefit patients and staff of the Group and Trust. Funds specific to wards or departments are held as un-restricted designated funds. Legacies and donations received for a specific purpose or 'trust' are recorded and accounted for as restricted funds.

Investments

Investments are stated at market value as at the balance sheet date. The Consolidated Statement of Financial Position includes the net gains and losses arising on revaluation and disposals throughout the year.

Further information covering the nature and value of the consolidation of the charitable fund is included in Note 12 to the Accounts.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.2.1 Alignment to accounting policies (continued)

Other subsidiaries

Subsidiary entities are those over which the Trust is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The income, expenses, assets, liabilities, equity and reserves of subsidiaries are consolidated in full into the appropriate financial statement lines. The capital and reserves attributable to minority interests are included as a separate item in the Statement of Financial Position.

The Trust formed 2 subsidiaries, the South Tees Institute of Learning, Research and Innovation LLP and South Tees Healthcare Management Limited. The financial year end of both companies is 31 March and this will be the fourth year end for both companies. Operations within South Tees Institute of Learning, Research and Innovation LLP are currently dormant and due to limited transactions within this company in 2020/21 the company has not been consolidated on the basis of materiality.

South Tees Healthcare Management Limited

This company started operations on 6 October 2019 and the financial statements for the year to 31 March 2021 are consolidated in these accounts. The subidiaries accounting policies are aligned with the Trust and the amounts included have been adjusted during consolidation with inter-entity balances and transactions eliminated on full on consolidation.

1.3 Critical accounting judgements and key sources of estimation in applying the Trust's accounting policies

In the application of the Group and Trust's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates and the estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised. The estimates and assumptions that have a significant risk of causing a material adjustment to the accounts are highlighted below:

a) Incomplete inpatient and critical care spells - the Trust no longer accounts for income accruals relating to inpatient and critical care spells that are part-completed at the year end. This exercise ceased in the NHS during 2020/21.

b) Asset valuation and indices - the valuation of land and buildings is based on building cost indices and location factors provided by and used by Cushman and Wakefield in their valuation work. These indices are based on an indication of trend of accepted tender prices within the construction industry as applied to the Public Sector.

c) Basis of PP&E valuation - Specialised property is valued at depreciated replacement cost. The cost of VAT has been excluded from the full trust estate specialised property valuations from 1 April 2014. The Trust estate is predominently PFI assets. This significant managment judgement was made on the basis that:
(i) the majority of the James Cook Hospital is currently under a PFI arrangement and the Trust recovers the VAT on the Unitary Payment. When the Trust recognised the property as an asset in 2009/10 in its first IFRS-based accounts it appropriately excluded VAT from the initial measurement of Fair Value.
(ii) The majority of non-PFI assets relate to the Friarage Hospital, which transferred to the Trust in 2006. The Friarage Hospital would have formed part of the PFI development if it had been part of the Trusts assets at the date of the development.
(iii) The Trust considers that when, in the future, it procures a significant replacement of its estate, it would do so through a PFI arrangement and expects to recover the VAT on the PFI payments. (iv) The Trust will set up a subsidiary undertaking or will utilise the subsidiary of North Tees Hospitals NHS Foundation Trust to undertake the investment. The Trust has received confirmation that this service can be provided and taken appropriate guidance that the Trust will be able to recover VAT on capital projects.
d) Basis of asset impairments - an assessment is made each year as to whether an asset has suffered an impairment loss.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.3 Critical accounting judgements and key sources of estimation in applying the Trust's accounting policies (continued)

e) Private Finance Initiative (PFI) schemes - as part of the South Tees Hospitals PFI scheme, the Group and Trust is required to pay the operator for lifecycle replacement assets. A judgement has been made that payment for the assets is accounted for in line with the operator's model over the life of the scheme. Where there is a variation between the model and the timing of actual asset replacement, the variation is dealt with as a prepayment. The prepayment is reversed at the point when asset replacement occurs. This requires an ongoing assessment as to whether the prepayment is fully recoverable or whether it requires impairment.

1.3.1 Going concern

These accounts have been prepared on a going concern basis. The financial reporting framework applicable to NHS bodies, derived from the HM Treasury Financial Reporting Manual, defines that the anticipated continued provision of the entity's services in the public sector is normally sufficient evidence of going concern. The directors have a reasonable expectation that this will continue to be the case and the financial statements have been prepared on a going concern basis.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.3.2 Key sources of estimation uncertainty

The amounts included within Provisions, Note 22, are based upon advice from relevant external bodies, including the NHS Litigation Authority and NHS Pensions Agency.

On 31 March 2021 Land and Buildings were revalued using the Modern Equivalent Valuation methodology by Cushman and Wakefield (who is an appropriately qualified member of the Royal Institute of Chartered Surveyors). From 1 April 2014 these valuations did not include VAT. (note 1.3)

It is impracticable to disclose the extent of the possible effects of an assumption or another source of estimation uncertainty at the end of the reporting period. On the basis of existing knowledge, outcomes within the next financial year that are different from the assumption around the valuation of our land, property, plant and equipment could require a material adjustment to the carrying amount of the asset or liability recorded in note 8.

1.4 Income

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).

Income in respect of goods or services provided is recognised when and to the extent that, performance obligations are satisfied and is measured at the fair value of the consideration receivable. 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 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.

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

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

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

The Group and 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 e.g. by an insurer. The Group and Trust recognises the income when it receives notification from the Department of Work and Pension's Compensation Recovery Unit that the individual has lodged a compensation claim. The income is measured at the agreed tariff for the treatments provided to the injured individual, less a provision for unsuccessful compensation claims and doubtful debts.

Research and development income is recognised when the conditions attached to the grant are met. Education and training income is recognised either in equal instalments over the financial year or if the income can be identified with specific expenditure, in line with the expenditure.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.4 Income (continued)

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 under the sale contract.

The value of the benefit received when the Trust accesses funds from the Government's apprenticeship service are recognised as income in accordance with IAS 20, Accounting for Government Grants. Where these funds are paid directly to an accredited training provider, non-cash income and a corresponding non-cash training expense are recognised, both equal to the cost of the training funded.

1.5 Employee benefits

1.5.1 Short-term employee benefits

Salaries, wages and employment-related payments 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 accounts to the extent that employees are permitted to carry forward leave into the following period. This is in line with guidance issued by NHSE/I in response to untaken annual leave through the COVID pandemic.

1.5.2 Pension costs

NHS Pension Scheme

Past and present employees are covered by the provisions of the NHS Pensions 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. The scheme is 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, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period. Employer's pension cost contributions are charged to operating expenses as and when they become due.

For early retirements, other than those due to ill health, the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to operating expenses at the time the Group and Trust commits itself to the retirement, regardless of the method of payment.

1.6 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 and inventories unused at the end of the financial year.

1.7 Property, plant and equipment

1.7.1 Recognition

Property, plant and equipment is capitalised if:

- 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 will be supplied to, the Group and 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 a cost of at least £5,000; or
- collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- Items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.7 Property, plant and equipment (continued)

Where a large asset, for example a building, includes a number of components with significant cost and different asset lives, the components are treated as separate assets and depreciated over their own useful economic lives.

1.7.2 Valuation

All property, plant and equipment are measured initially at cost, representing the cost 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. All assets are measured subsequently at current value. Land and buildings used for the Group and Trust's services or for administrative purposes are stated in the Statement of Financial Position at their re-valued amounts, being the current value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Current values are determined as follows:

- Land and non-specialised buildings (dwellings) – market value for existing use; or
- Specialised buildings – depreciated replacement cost.

A standard approach to depreciated replacement cost valuations has been adopted based on HM Treasury guidance and the concept of Modern Equivalent Asset (MEA) Valuations. The valuation included in the Statement of Financial Position at 31 March 2021 is based on an alternative site MEA valuation, undertaken specifically in accordance with the HM Treasury guidance which states that such valuations are an option if the Group and Trust's service requirements can be met from the alternative site. The valuation has been adjusted from 1 April 2014 to exclude VAT in line with existing VAT regulations on recovery from the cost of construction (in line with the existing PFI arrangement on the James Cook Site).

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees but not borrowing costs, which are recognised as expenses immediately, as allowed by IAS 23 for assets held at fair value. Assets are re-valued and depreciation commences when they are brought into use.

Professional valuations are carried out by Cushman and Wakefield. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual in so far as these terms are consistent with the agreed requirements of the Department of Health and HM Treasury. Asset lives were reviewed by Cushman and Wakefield as at 1 April 2019.

1.7.3 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 will flow to the Trust or Group 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 written off. 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.

1.7.4 Depreciation

Freehold land is considered to have an infinite life and is not depreciated. Otherwise, depreciation is charged to write off the costs or valuation of property, plant and equipment on a straight line basis over their remaining useful economic lives, in a manner consistent with the consumption of economic or service delivery benefits.

The estimated useful life of an asset is the period over which the Group and Trust expects to obtain economic benefits or service potential from the asset. This is specific to the Group and Trust and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease term. See note 8.4 for further information on asset lives.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.7 Property, plant and equipment (continued)

1.7.5 Revaluation gains and losses

Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse a revaluation impairment previously recognised in operating expenses, in which case they are recognised in operating income.

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".

1.7.6 Impairments

In accordance with the Department of Health group Accounting Manual, impairments that are due to a loss of economic benefits or 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 arising from a loss of economic benefit or service potential is reversed when, and to the extent that, the circumstances that gave rise to the loss is reversed. Reversals are recognised in operating expenses to the extent that the asset is restored to the carrying amount it would have had if the impairment had never been recognised. Any remaining reversal is recognised in the revaluation reserve. Where, at the time of the original impairment, a transfer was made from the revaluation reserve to the income and expenditure reserve, an amount is transferred back to the revaluation reserve when the impairment reversal is recognised.

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

1.8 Intangible assets

1.8.1 Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of being sold separately from the rest of the Group and Trust's business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the Group and Trust; where the cost of the asset can be measured reliably, and where the cost is at least £5,000 and where the asset has a life of 1 year or more.

1.8.2 Software

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

1.8.3 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.

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

Revaluation gains and losses and impairments are treated in the same manner as for property, plant and equipment.

An intangible asset which are surplus with no plan to bring it back into use is valued at fair value under IFRS 13, it it does not meet the requirements of IAS 40 or IFRS 5.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.8 Intangible assets (continued)

1.8.4 Amortisation

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

1.9 Donated, government grant and other funded assets

Donated and grant funded non-current assets are capitalised at their fair value on receipt. These are valued, depreciated and impaired as described above for purchased assets. The donation/grant is credited to income at the same time that the asset is capitalised, unless the donor has imposed a condition that the future economic benefits embodied in the grant/donation are to be consumed in a manner specified by the donor, in which case, the donation/grant is deferred within liabilities and is carried forward to future financial years to the extent that the condition has not yet been met. The donated and grant funded assets are subsequently accounted for in the same manner as other items of property, plant and equipment.

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

1.10 Revenue government and other grants

Government grants are grants from government bodies other than revenue from NHS bodies for the provision of services. Grants from the Department of Health, including those from the Big Lottery Fund, are accounted for as Government Grants. Where the Government Grant is used to fund revenue expenditure, it is taken to the Statement of Comprehensive Income to match the expenditure.

1.11 Leases

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

1.11.1 Finance lease

Where substantially all risks and rewards of ownership of a leased asset are borne by the Group and Trust, the asset along with the corresponding liability is recorded at the commencement of the lease as property, plant and equipment. The value that both are recognised at 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 annual rental is split between the repayment of the liability and a finance cost to achieve a constant rate of finance over the life of the lease. The annual finance cost is calculated by applying the implicit interest rate to the outstanding liability and is charged to Finance Costs in the Statement of Comprehensive Income. The lease liability is de-recognised when the liability is discharged, cancelled or expires.

1.11.2 Operating leases

Other leases are regarded as operating leases and the rentals are charged to operating expenses on a straight-line basis over the lease term. Operating lease incentives received are added to the lease rentals and charged to operating expenses over the life of the lease.

1.11.3 Leases of Land and Buildings

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

1.12 Private Finance Initiative (PFI) transactions

HM Treasury has determined that government bodies shall account for infrastructure PFI schemes where the government body controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement as service concession arrangements, as interpreted in HM Treasury's Financial Reporting Manual and following the principles of the requirements of IFRIC 12. The PFI asset is recognised as an item of property, plant and equipment at its fair value together with a financial liability to pay for it in accordance with IAS 17.

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

a) Payment for the fair value of services received;

b) Payment for the PFI asset, including finance costs; and

c) Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

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

1.12.1 Services received

The fair value of services received in the year is recorded under the relevant expenditure headings within 'operating expenses'.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.12 Private Finance Initiative (PFI) transactions (continued)

1.12.2 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 in accordance with the principles of IAS 17. Subsequent measurements to fair value are kept up to date in accordance with the Group and Trust's approach for each relevant class of asset in line with the principles of IAS 16.

1.12.3 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 fair 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.

1.12.4 Lifecycle replacement

Components of the asset replaced by the operator during the contract ('lifecycle replacement') are capitalised where they meet the Group and 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 liability or prepayment will be recognised.
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.

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

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

1.12.6 Other assets contributed by the Trust to the operator

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

1.13 Inventories

Inventories are valued at the lower of cost or net realisable value. Provision is made for obsolete, slow moving and defective stock whenever evidence exists that a provision is required.
In 2020/21, the Trust received inventories including personal protective equipment from the Department of Health and Social Care at nil cost. In line with the GAM and applying the principles of the IFRS Conceptual Framework, the Trust has accounted for the receipt of these inventories at a deemed cost, reflecting the best available approximation of an imputed market value for the transaction based on the cost of acquisition by the Department.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.14 Cash and cash equivalents

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

1.15 Provisions

Provisions are recognised when the Group and Trust has a present legal or constructive obligation as a result of a past event, it is probable that the Group and Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision in the Statement of Financial Position is the best estimate of the expenditure required to settle the obligation, taking into account the risks and uncertainties. Where the effect of the time value of money is significant, the estimated risk adjusted cash flows required to settle the obligation are discounted using 3 real time HM Treasury discount rates that range from minus 0.02% in the short term to 1.99% for long term cash flow expectations. This excludes early retirement provisions and injury benefit provisions which both use the HM Treasury's pension discount rate of minus 0.95% in real terms (2019/20, minus 0.5%).
When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursements will be received and the amount of the receivable can be measured reliably.

1.15.1 Clinical negligence costs

NHS Resolution operates a risk pooling scheme under which the Group and Trust pays an annual contribution and NHS Resolution, in return, settles all clinical negligence claims. The contribution is charged to expenditure. Although NHS Resolution are administratively responsible for all clinical negligence cases, the legal liability remains with the Group and Trust. The total value of clinical negligence provisions carried by NHS Resolution on behalf of the Group and Trust is disclosed at Note 22 but is not recognised in the Group and Trust's accounts. Since financial responsibility for clinical negligence cases transferred to NHS Resolution, the only charge to operating expenditure in relation to clinical negligence in 2020/21 relates to the contribution to the Clinical Negligence Scheme for Trusts.

1.15.2 Non-clinical risk pooling

The Group and Trust participates in the Property Expenses Scheme and the Liabilities to Third Parties Scheme. Both are risk pooling schemes under which the Group and 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 as and when they become due.

1.16 Climate Change Levy

The Climate Change Levy replaced the Carbon Reduction Commitment Energy Efficiency (CRC) scheme in 2018/19. Expenditure on the Climate Change Levy is recognised in the Statement of Comprehensive Income as incurred, based on the prevailing chargeable rates for energy consumption.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.17 Financial Instruments and financial liabilities

1.17.1 Recognition

Financial assets and financial liabilities which arise from contracts for the purchase or sale of non-financial items, which are entered into in accordance with the Group's normal purchase, sale or usage requirements, are recognised when the Group becomes party to the financial instrument contract or when performance occurs i.e. when receipt or delivery of the goods or services is made.

Financial assets are initially recognised at fair value plus or minus directly attributable transaction costs for financial assets not measured at fair value through profit or loss. Fair value is taken as the transaction price, or otherwise determined by reference to quoted market prices, where possible, or by 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 are described in policy 1.11.1.

1.17.2 De-recognition

All financial assets are de-recognised when the rights to receive cash flows from the assets have expired or the Group has transferred substantially all of the risks and rewards of ownership. Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

1.17.3 Classification and measurement

The Group currently holds financial assets 'at fair value through profit and loss in the form of Investments. Other financial assets are held at amortised costs. The Group does not hold any financial liabilities 'at fair value through profit and loss or any 'available for sale' financial assets that would require a fair value calculation and adjustment to the income statement.

1.17.4 Loans and receivables

Loans and receivables are non-derivative financial assets and liabilities with fixed or determinable payments which are not quoted in an active market. They are included in current assets and non-current and current liabilites. After initial recognition, they are measured at amortised cost, less any impairment. The Group's outstanding NHS borrowings, NHS and non-NHS receivables balances, accrued income and cash and cash equivalents have been classified as financial instruments and further information is available in Note 23.

1.17.5 Financial liabilities

All other financial liabilities, after initial recognition, are measured at amortised cost using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash payments through the expected life of the financial liability or, when appropriate, a shorter period, to the net carrying amount of the financial liability. They are included in current liabilities except for amounts payable more than 12 months after the Statement of Financial Position date, which are classified as long-term liabilities. The Group does hold instruments that would fall into this category in the form of finance leases and the PFI Scheme (see Accounting Policy 1.11 and 1.12 for further information). The Group's outstanding NHS and non-NHS payables balances have been classified as financial instruments and further information is available in Note 23.

Interest on financial liabilities carried at amortised cost is calculated using the effective interest method and charged to Finance Costs. Interest on financial liabilities taken out to finance property, plant and equipment is not capitalised as part of the cost of those assets.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.17.6 Impairment of financial assets

At the end of the reporting period, the Group assesses whether any financial assets carried at amortised cost should be impaired. Financial assets are impaired and recognised as a loss allowance representing expected credit losses on the financial instrument if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset which has an impact on the estimated future cash flows of the asset.

The Trust has adopted the simplified approach to impairment, in accordance with IFRS 9, and measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses. For other financial assets, the loss allowance is measured at an amount equal to lifetime expected credit losses if the credit risk on the financial instrument has increased significantly since initial recognition, and otherwise at an amount equal to 12-month expected credit losses. The loss is recognised in the Statement of Comprehensive Income and the carrying amount of the asset is reduced through the creation of a provision for impairment of receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through expenditure to the extent that the carrying amount of the receivable at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

1.18 Value Added Tax

Most of the activities of the Group 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.

1.19 Foreign currencies

The Group's functional currency and presentational currency is sterling. A transaction which is denominated in a foreign currency is translated into sterling at the spot exchange rate ruling on the date of the transaction. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the spot exchange rate on 31 March. Resulting exchange gains and losses for either of these are recognised in the Group's income or expense in the period in which they arise.

1.20 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Group and Trust has no beneficial interest in them. However, details of third party assets are disclosed in Note 26 to the accounts in accordance with the requirements of HM Treasury's Financial Reporting Manual.

1.21 Public Dividend Capital (PDC) and PDC dividend

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 Trust. At any time the Secretary of State can issue new PDC to, and require repayments of PDC from, the Trust. PDC is recorded at the value received. HM Treasury has determined that PDC is not a financial instrument within the meaning of IAS 32 and 39.
An annual charge, reflecting the cost of capital utilised by the Group and Trust, is payable to the Department of Health as PDC dividend. The charge is calculated at the real 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 donated assets, average daily cash balances held with the Government Banking Services (GBS), excluding cash balances held in GBS accounts that relate to a short-term working capital facility, the value of funded investment in COVID assets, assets under construction for nationally directed schemes and any PDC dividend balance receivable or payable. In accordance with the requirements laid down by the Department of Health and Social Care, 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 thus calculated is not revised should any adjustment to net assets occur as a result of the audit of the annual accounts.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.22 Losses and Special Payments

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

Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis, including losses which would have been made good through insurance cover had NHS Foundation Trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). However, the note on losses and special payments is compiled directly from the losses and compensations register which reports amounts on an accruals basis with the exception of provisions for future losses.

1.23 Accounting standards that have been issued but have not yet been adopted

The DHSC GAM does not require the following IFRS Standards and interpretations to be adopted in 2020/21. These Standards are still subject to HM Treasury FReM adoption.

- IFRS 14 Regulatory Deferral Accounts (not EU endorsed and applies to first time adopters of IFRS after 1 January 2016. Therefore, not applicable to DHSC group bodies);
- IFRS 16 Leases (standard is effective from 1 April 2022 per the FReM);
- 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 permitted);

The Trust is reviewing its position on the introduction of IFRS16 and the impact is in the process of being determined.

1.24 Accounting standards issued that have been adopted early

There have not been any accounting standards issued with an effective date of 1 April, 2021, that have been adopted early.

1.25 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who makes the strategic decisions, is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board.

2. Operating segments

The Group received £708.635 million under contracts with commissioners during the year (£599.749 million in 2019/20) from Clinical Commissioning Groups and NHS England, which equated to 93% (92% in 2019/20) of total Trust income. There were no other significant external customers amounting to more than 8% of total income. Commissioner funding was provided under a block contract arrangement during 2020/21 in response to the COVID pandemic. The previous Acute split by service has been updated in the following disclosures.

The Group has reviewed the process of reporting the financial performance at a trust wide level to the Board. Only limited divisional information is reported and this is similar in the nature of the products and services provided, the nature of the production process, the type of class of customer for the product or service, the method used to provide our services and the nature of the regulatory environment.

The Board is the chief decision making body within the Group and receives monthly updates on the financial position. These reports provide a global update on the Group's actual position compared to plan on expenditure, income, current surplus/deficit and progress on capital investment. The current position on cash balances is reported in conjunction with an updated risk rating. The figures reported to the Board are consistent with those included within these accounts.

On the basis of the information provided to the Board it has been determined that there is only one operating segment, that of healthcare.

3. Operating income

3.1 Income from activities by classification

	GROUP		TRUST	
	2020/21 £000	2019/20 £000	**2020/21 £000**	2019/20 £000
Elective income	**0**	93,022	**0**	93,022
Non elective income	**0**	141,163	**0**	141,163
First outpatient income	**0**	31,414	**0**	31,414
Follow up outpatient income	**0**	48,912	**0**	48,912
Block contract/system envelope income (*)	**549,202**	0	**549,202**	0
High cost drugs income from Commissioners	**61,085**	54,529	**61,085**	54,529
Other NHS clinical income	**0**	156,199	**0**	156,199
Accident and emergency income	**1,032**	22,731	**1,032**	22,731
Community services	**40,656**	39,547	**40,656**	39,547
Private patient income	**165**	831	**135**	831
Additional pension contribution central funding	**15,985**	14,582	**15,985**	14,582
Other non-protected clinical income	**34**	90	**34**	90
Total income from activities	**668,159**	603,020	**668,129**	603,020
Research and development	**5,039**	5,317	**5,039**	5,317
Education and training	**19,874**	16,855	**19,874**	16,855
Charitable and other contributions to expenditure	**3,961**	1,317	**3,961**	1,317
COVID consumables donated from DHSC group	**10,208**	0	**10,208**	0
Non-patient care services to other bodies	**2,376**	3,639	**2,376**	3,639
Top up funding reimbursement	**41,707**	0	**41,707**	0
Provider Sustainability fund/Marginal Rate Emergency Tariff income	**0**	10,487	**0**	10,487
Charitable fund - incoming resources	**1,212**	754	**0**	0
Other income (**)	**11,624**	17,636	**11,595**	17,584
	96,001	56,005	**94,760**	55,199
Total income from continuing operations	**764,160**	659,025	**762,889**	658,219

* Further information on the change in policy between years is available within the Accounting Policies, Note 1.4.

** Other income includes consideration arising from car parking charges £0.542 million (2019/20 £3.247 million), income in respect of recovered staff costs £ 0.510 million (2019/20 £0.501 million), clinical excellence awards £0.626 million (2019/20 £1.366 million), staff accommodation £1.234 million (2019/20 £1.206 million), clinical tests £1.000 million (2019/20 £1.099 million) and creche services £0.486 million (2019/20 £0.655 million). The Trust has not received an individual transaction within fees and charges greater than £1.0 million in the financial year.

Under the Terms of Authorisation the Group's total activity income from Commissioner Requested Services amounts to £650.943 million (2019/20 £585.191 million). All other activity income relates to Non-Commissioner Requested Services.

3.2 Income from activities by source

	2020/21 £000	2019/20 £000
Group and Trust		
NHS foundation trusts	**0**	24
Clinical Commissioning Groups and NHS England	**666,928**	599,749
Non-NHS - overseas patients (non-reciprocal) (*)	**34**	90
Non-NHS - private patients	**165**	831
Non-NHS - other	**0**	54
NHS Injury Scheme	**1,032**	2,272
Total income from activities	**668,159**	603,020

(*) Cash payments received in year from overseas visitors, where patients are charged directly by the Trust, and relating to invoices raised in the current and prior years amounted to £0.085 million (£0.025 million in 2019/20). Additions to the provision for the impairment of receivables amounted to £0.041 million (£0.034 million increase in 2019/20) and the Trust did not write off any charges in year (no write offs in 2019/20).

Injury cost recovery is subject to a provision for impairment of receivables of 22.43% (2019/20 21.79%) to reflect expected rates of collection.

4. Operating expenses

4.1 Operating expenses comprise:

	GROUP		TRUST	
	2020/21 £000	2019/20 £000	**2020/21 £000**	2019/20 £000
Services from NHS Foundation Trusts	**5,496**	5,728	**5,496**	5,728
Services from NHS Trusts,CCGs and NHS England	**18**	29	**18**	29
Services from other NHS bodies	**0**	13	**0**	13
Purchase of healthcare from non NHS bodies	**7,369**	6,566	**7,765**	6,806
Employee expenses - executive directors	**1,565**	1,765	**1,565**	1,765
Employee expenses - non-executive directors	**166**	170	**166**	170
Employee expenses - staff	**443,296**	388,439	**442,807**	388,236
Employee expenses - charitable fund	**568**	565	**0**	0
Drug costs	**69,216**	67,739	**69,100**	67,709
Supplies and services - clinical	**65,893**	70,743	**65,901**	70,743
Supplies and services - donated from DHSC for COVID	**8,402**	0	**8,402**	0
Supplies and services - general	**7,274**	2,949	**7,274**	2,948
Research and development	**2,327**	989	**2,327**	986
Establishment	**11,275**	3,000	**11,261**	2,993
Transport	**4,244**	4,340	**4,244**	4,339
Premises	**80,886**	64,748	**80,884**	64,726
(Decrease)/increase in provision for impairment of receivables	**31**	3,155	**31**	3,155
Increase/(decrease) in other provisions	**95**	135	**95**	135
Change in provisions discount rate	**41**	83	**41**	83
Inventories written down	**1,025**	128	**1,025**	118
Depreciation of property, plant and equipment	**17,489**	13,379	**17,489**	13,379
Amortisation of intangible assets	**1,552**	1,158	**1,552**	1,158
Net impairments of property, plant and equipment	**9,171**	11,912	**9,171**	11,912
Audit fees - audit services - statutory audit (*)	**138**	125	**133**	125
- audit services - charitable fund (*)	**9**	5	**0**	0
Clinical negligence	**17,400**	16,829	**17,400**	16,829
Legal fees	**209**	330	**209**	330
Consultancy costs	**596**	792	**596**	792
Internal audit costs	**247**	228	**247**	228
Training, courses and conferences	**2,572**	1,274	**2,572**	1,274
Redundancy	**785**	365	**785**	365
Other services	**1,338**	1,127	**1,338**	1,127
Hospitality	**8**	39	**8**	39
Insurance	**362**	234	**362**	234
Losses, ex gratia and special payments	**321**	194	**321**	194
Other resources expended - charitable fund	**525**	620	**0**	0
Other	**3,237**	1,241	**3,234**	1,235
	765,146	671,136	**763,819**	669,903

* the value of statutory audit fees disclosed above excludes VAT.

5. Employee expenses and numbers

5.1 Employee expenses (including Executive Directors' costs)

Group and Trust	2020/21 Total	2020/21 Permanently employed	2020/21 Other	2019/20 Total
	£000	£000	£000	£000
Salaries and wages	344,022	342,087	1,935	301,446
Social security costs	31,346	31,346	0	28,284
Pension costs - defined contribution plans employer contributions to NHS Pensions	52,555	52,555	0	48,011
Termination benefits	785	785	0	365
Agency/contract staff	16,938	0	16,938	12,884
Charitable fund staff	568	0	568	565
Total staff costs	446,214	426,773	19,441	391,555
Costs capitalised as part of assets	0	0	0	(421)
Total staff costs excluding capitalised costs	446,214	426,773	19,441	391,134

The executive costs covers 11 directors (2019/20, 8) and consists of salaries amounting to £1.377 million (2019/20 £1.765 million) including employers NI contributions £0.148 million (2019/20 £0.235 million) and employers superannuation contributions £0.090 million (2019/20 £0.131 million). Included within these values the highest paid director receives a salary amounting to £0.240 million (2019/20 £0.269 million) including employers NI contributions £0.030 million (2019/20 £0.036 million) and £nil for employers superannuation contributions (2019/20 £0.031 million). For further information on Directors' remuneration and pension benefits please refer to the Remuneration Report in the Trust's Annual Report.

5.2 Monthly average number of people employed

Group and Trust	2020/21 Total	2020/21 Permanently Employed	2020/21 Other	2019/20 Total
	Number	Number	Number	Number
Medical and dental	1,156	1,118	38	1,053
Administration and estates	1,653	1,624	29	1,217
Healthcare assistants and other support staff	483	354	129	351
Nursing, midwifery and health visiting staff	2,667	2,589	78	2,440
Nursing, midwifery and health visiting learners	1,280	1,280	0	1,395
Scientific, therapeutic, technical staff and other	1,301	1,295	6	1,224
Total	8,540	8,260	280	7,680
Number of staff (WTE) capitalised in capital projects (included above)	0			8

Note: the figures represent the Whole Time Equivalent as opposed to the number of employees.

5. Employee expenses and numbers

5.3 Staff exit packages

Exit package cost band	2020/21						2019/20					
Group and Trust	Number of compulsory redundancies	Cost of compulsory redundancies	Number of other departures agreed	Cost of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages by cost band	Number of compulsory redundancies	Cost of compulsory redundancies	Number of other departures agreed	Cost of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages by cost band
	Number	£000's	Number	£000's	Number	£000's	Number	£000's	Number	£000's	Number	£000's
< £10,000	0	0	0	0	0	0	1	8	0	0	1	8
£10,000 to £25,000	0	0	0	0	0	0	1	13	0	0	1	13
£25,001 to £50,000	0	0	0	0	0	0	0	0	0	0	0	0
£50,001 to £100,000	0	0	0	0	0	0	1	71	0	0	1	71
£100,001 to £150,000	0	0	0	0	0	0	0	0	0	0	0	0
£150,001 to £200,000	0	0	0	0	0	0	0	0	0	0	0	0
> £200,001	0	0	0	0	0	0	0	0	1	273	1	273
Total number and cost of exit packages by type	0	0	0	0	0	0	3	92	1	273	4	365

Redundancy and other departure costs have been paid in accordance with NHS Agenda for Change terms and conditions. Exit costs are accounted for in full in the year of departure. Where the Group has agreed to early retirements, the additional costs are met by the Group and not by the NHS Pension Scheme. Ill health retirement costs are met by the NHS Pension scheme and are not included in the table. There were no departures in 2020/21 or 2019/20 where special payments were made.

5.4 Exit packages: non-compulsory departure payments

	2020/21		2019/20	
	Agreements	Total value	Agreements	Total value
	number	£000	number	£000
Voluntary redundancies including early retirement contractual costs	0	0	0	0
Mutually agreed resignations (MARS) contactual costs	0	0	0	0
Contractual payments in lieu of notice	0	0	1	273
Total	0	0	1	273

Further information on exit packages is included in the Remuneration statements in the Annual Report. There were no non-contractual payments requiring HMT approval in 2020/21 or 2019/20.

5. Employee expenses and numbers (continued)

5.5 Retirements due to ill-health

During 2020/21 there were 5 (2019/20, 4) early retirements from South Tees Hospitals NHS Foundation Trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £0.182 million (2019/20, £0.302 million). The cost of these ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division.

6. 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 2021, is based on valuation data as 31 March 2020, updated to 31 March 2021 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

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

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

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

6. Pension costs (continued)

c) Scheme provisions

The NHS Pension Scheme provided defined benefits, which are summarised below. The list is an illustrative guide only, and is not intended to detail all the benefits provided by the Scheme or the specific conditions that must be met before these benefits can be obtained.

Annual pensions

The scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th for the 1995 section and the best of the last 3 years pensionable pay for each year of service, and 1/60th for the 2008 section of reckonable pay per year of membership. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon total pensionable earnings over the relevant pensionable service.

With effect from 1 April 2008 members can choose to give up some of their annual pension for an additional tax free lump sum, up to a maximum amount permitted under HMRC rules. This new provision is known as "pension commutation".

Pensions indexation

Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in the Consumer Price Index (CPI) in the twelve months ending 30 September in the previous calendar year.

Ill-health retirement

Early payment of a pension, with enhancement, is available to members of the scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity.

Early retirements other than ill-health

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to the employer.

Death benefits

A death gratuity of twice their final year's pensionable pay for death in service, and five times their annual pension for death after retirement is payable.

Additional Voluntary Contributions (AVCs)

Members can purchase additional service in the NHS Scheme and contribute to money purchase AVCs run by the Scheme's approved providers or by other Free Standing Additional Voluntary Contributions (FSAVC) providers.

Other pension funds

Where the organisation has employees who are members of other schemes, disclosures will be required in respect of them too. Scheme members have the option to transfer their pension between the NHS Pension Scheme and another scheme when they move into or out of NHS employment.

7. Finance costs

7.1 Finance costs - interest expenses

	2020/21 £000	2019/20 £000
Group and Trust		
Loans from Department of Health:		
- Capital loans	**410**	827
- Revenue support	**0**	977
- Revolving working capital facilites	**0**	1,141
Finance leases	**165**	331
Interest on late payment of commercial debts	**0**	17
Finance costs in PFI obligations		
- Main finance cost	**7,572**	7,731
- Contingent finance costs	**6,347**	5,845
Total	**14,494**	16,869

7.2 Impairment of assets (property, plant and equipment)

Group and Trust	2020/21 £000	2019/20 £000
Income and Expenditure:		
Impairment of PPE	**9,171**	11,912
Other Comprehensive Income:		
Revaluation losses	**1,685**	1,324
Revaluation gain	**(759)**	(111)
Total	**10,097**	13,125

Further information on impairments is available within Note 8.3 to the Accounts.

8. Property, plant and equipment

8.1 Property, plant and equipment comprise the following:

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Total
Group and Trust									
Cost or valuation	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2020	3,386	367,434	1,255	6,385	99,947	63	25,568	2,546	506,585
Additions purchased	0	9,982	0	28,851	7,409	0	177	0	46,429
Additions equipment donated from DHSC	0	0	0	0	3,111	0	0	0	3,111
Additions donated and government granted	0	0	0	112	486	0	9	0	607
Reclassifications from assets under construction	0	201	0	(11,740)	9,212	0	2,325	2	0
Disposals	0	0	0	0	(2,271)	0	0	0	(2,271)
Impairments charged to the revaluation reserve	0	(1,685)	0	0	0	0	0	0	(1,685)
Revaluation surpluses credited to revaluation reserve	540	219	0	0	0	0	0	0	759
Cost or valuation at 31 March 2021	**3,926**	**376,151**	**1,255**	**23,618**	**117,894**	**63**	**28,079**	**2,548**	**553,535**
Depreciation									
Accumulated depreciation at 1 April 2020	1,236	203,032	676	118	69,813	54	18,701	2,403	296,033
Disposals	0	0	0	0	(2,145)	0	0	0	(2,145)
Impairments	0	8,785	5	0	314	0	67	0	9,171
Provided during the year	0	3,892	20	0	11,758	2	1,767	50	17,489
Accumulated depreciation at 31 March 2021	**1,236**	**215,709**	**701**	**118**	**79,740**	**56**	**20,535**	**2,453**	**320,548**
Net book value at 1 April 2020									
Owned	2,150	18,858	580	5,851	26,522	8	6,755	141	60,865
Private Finance Initiative	0	138,791	0	47	0	0	0	0	138,838
Finance Lease	0	120	0	0	925	0	0	0	1,045
Donated and government granted	0	6,633	0	369	2,687	1	112	2	9,804
Net book value total at 1 April 2020	**2,150**	**164,402**	**580**	**6,267**	**30,134**	**9**	**6,867**	**143**	**210,552**
Net book value at 31 March 2021									
Owned	**2,690**	**16,571**	**555**	**23,374**	**33,393**	**6**	**7,444**	**95**	**84,128**
Private Finance Initiative	**0**	**137,411**	**0**	**0**	**0**	**0**	**0**	**0**	**137,411**
Finance Lease	**0**	**40**	**0**	**0**	**530**	**0**	**0**	**0**	**570**
Donated and government granted	**0**	**6,420**	**0**	**126**	**2,217**	**1**	**100**	**0**	**8,864**
Donated from DHSC for COVID response	**0**	**0**	**0**	**0**	**2,014**	**0**	**0**	**0**	**2,014**
Net book value total at 31 March 2021	**2,690**	**160,442**	**555**	**23,500**	**38,154**	**7**	**7,544**	**95**	**232,987**

8. Property,plant and equipment (continued)

8.2 Prior year - Property, plant and equipment comprise the following:

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Total
Group and Trust									
Cost or valuation	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2019	3,386	354,795	1,266	3,038	95,374	63	23,167	2,506	483,595
Additions purchased	0	12,827	0	5,959	3,713	0	604	29	24,132
Additions leased	0	1,015	0	0	223	0	0	0	1,238
Additions donated and government granted	0	0	0	0	265	0	0	11	276
Reclassifications from assets under construction	0	0	0	(3,612)	1,815	0	1,797	0	0
Disposals	0	0	0	0	(1,443)	0	0	0	(1,443)
Impairments charged to the revaluation reserve	0	(1,314)	(10)	0	0	0	0	0	(1,324)
Revaluation surpluses credited to revaluation reserve	0	111	0	0	0	0	0	0	111
Cost or valuation at 31 March 2020	**3,386**	**367,434**	**1,256**	**6,385**	**99,947**	**63**	**25,568**	**2,546**	**506,585**
Depreciation									
Accumulated depreciation at 1 April 2019	1,236	187,220	656	118	63,126	52	17,254	2,350	272,012
Disposals	0	0	0	0	(1,270)	0	0	0	(1,270)
Impairments	0	11,852	0	0	11	0	49	0	11,912
Reversal of impairments	0	0	0	0	0	0	0	0	0
Provided during the year	0	3,960	20	0	7,946	2	1,398	53	13,379
Accumulated depreciation at 31 March 2020	**1,236**	**203,032**	**676**	**118**	**69,813**	**54**	**18,701**	**2,403**	**296,033**
Net book value at 1 April 2019									
Owned	2,150	20,555	610	2,504	27,874	10	5,664	147	59,514
Private Finance Initiative	0	139,961	0	47	0	0	0	0	140,008
Finance Lease	0	200	0	0	1,219	0	109	0	1,528
Donated and government granted	0	6,859	0	369	3,155	1	140	9	10,533
Net book value total at 1 April 2019	**2,150**	**167,575**	**610**	**2,920**	**32,248**	**11**	**5,913**	**156**	**211,583**
Net book value at 31 March 2020									
Owned	**2,150**	**18,858**	**580**	**5,851**	**26,522**	**8**	**6,755**	**141**	**60,865**
Private Finance Initiative	**0**	**138,791**	**0**	**47**	**0**	**0**	**0**	**0**	**138,838**
Finance Lease	**0**	**120**	**0**	**0**	**925**	**0**	**0**	**0**	**1,045**
Donated and government granted	**0**	**6,633**	**0**	**369**	**2,687**	**1**	**112**	**2**	**9,804**
Net book value total at 31 March 2020	**2,150**	**164,402**	**580**	**6,267**	**30,134**	**9**	**6,867**	**143**	**210,552**

8. Property, plant and equipment (continued)

8.3 Property, plant and equipment - revaluation

A desktop revaluation exercise was undertaken during March as at 31 March, 2021 on the Group and Trust's owned land and buildings by Cushman and Wakefield. The exercise was undertaken in accordance with the HM Treasury's Modern Equivalent Asset (MEA) recommendation adjusting the valuation undertaken at 31 March 2020, for movements in building cost indices and location factors since that date.

The desk top exercise undertaken as at 31 March, 2021, identified a net revaluation decrease of £2.3 million over the James Cook and Friarage sites. The resulting impairments and changes in valuation on both sites are summarised in Note 8.2.

8.4 Economic lives of property, plant and equipment

The economic asset lives are as follows:

	Min life Years	Max life Years
Buildings excluding dwellings	17	55
Dwellings	47	47
Plant and machinery	1	15
Transport equipment	7	7
Information technology	5	7
Furniture and fittings	5	7

This represents the current range of asset lives relating to these assets.

8.5 Capital management

The Trust's capital programme is approved on an annual basis via the Capital Planning Oversight Group, Senior Leadership Team and Clinical Policy Group with final approval through the Board of Directors. The full plan is included in the Annual Plan submitted to NHS England/Improvement. The revised capital programme for the year amounted to £58.2 million and included essential investment in infrastructure through the COVID pandemic, investment in the estate, medical equipment and Information Technology replacement programmes and lifecycle works under the PFI contract.

8.6 Donated assets

There are no restrictions or conditions imposed by the donor on the use of a donated assets reported within the Trust's Statement of Financial Position. The Department of Health and Social Care gifted equipment amounting to £3.1 million to the Trust to help deliver patient care through the COVID pandemic. This equipment is held on the Trust's Statement of Financial Position at 31 March 2021.

9. Intangible assets

9.1 Intangible assets

2020/21: Group and Trust	Computer software purchased £000	Assets under construction £000	Total £000
Gross cost at 1 April 2020	11,949	1	11,950
Additions purchased	117	7,895	8,012
Reclassifications from assets under constuction	926	(926)	0
Gross cost at 31 March 2021	**12,992**	**6,970**	**19,962**
Accumulated amortisation at 1 April 2020	6,493	0	6,493
Provided during the year	1,552	0	1,552
Accumulated amortisation at 31 March 2021	**8,045**	**0**	**8,045**
Net book value at 1 April 2020			
Purchased	4,968	1	4,969
Donated	488	0	488
Net book value total at 1 April 2020	**5,456**	**1**	**5,457**
Net book value at 31 March 2021			
Purchased	4,620	6,970	11,590
Donated	327	0	327
Net book value total at 31 March 2021	**4,947**	**6,970**	**11,917**

9.2 Prior year Intangible assets

2019/20: Group and Trust	Computer software purchased £000	Assets under construction £000	Total £000
Gross cost at 1 April 2019	9,493	0	9,493
Additions purchased	1,773	658	2,431
Additions donated	26	0	26
Reclassifications from assets under constuction	657	(657)	0
Gross cost at 31 March 2020	**11,949**	**1**	**11,950**
Accumulated amortisation at 1 April 2019	5,335	0	5,335
Provided during the year	1,158	0	1,158
Accumulated amortisation at 31 March 2020	**6,493**	**0**	**6,493**
Net book value at 1 April 2019			
Purchased	3,531	0	3,531
Donated	627	0	627
Net book value total at 1 April 2019	**4,158**	**0**	**4,158**
Net book value at 31 March 2020			
Purchased	4,968	1	4,969
Donated	488	0	488
Net book value total at 31 March 2020	**5,456**	**1**	**5,457**

9. Intangible assets (continued)

9.3. Intangible assets - asset lives

Each class of intangible asset has a finite remaining life as detailed below:

Economic lives of assets

	Min life Years	Max life Years
Computer software	7	7

This represents the current range of asset lives relating to these assets.

10. Assets held under finance leases

10.1 Assets held under finance leases comprise of the following:

2020/21:	Buildings excluding dwellings	Plant and machinery	Information technology	PFI	Total
	£000	£000	£000	£000	£000
Group and Trust					
Cost or valuation at 31 March 2021	**10,053**	**9,258**	**2,658**	**195,037**	**217,006**
Accumulated depreciation at 31 March 2021	**10,013**	**8,728**	**2,658**	**57,626**	**79,025**
Net book value at 1 April 2020					
Finance lease	120	925	0	0	1,045
PFI	0	0	0	138,838	138,838
Net book value total at 1 April 2020	**120**	**925**	**0**	**138,838**	**139,883**
Net book value at 31 March 2021					
Finance lease	40	530	0	0	570
PFI	0	0	0	137,411	137,411
Net book value total at 31 March 2021	**40**	**530**	**0**	**137,411**	**137,981**

10.2 Prior year assets held under finance leases:

2019/20:	Buildings excluding dwellings	Plant and machinery	Information technology	PFI	Total
	£000	£000	£000	£000	£000
Group and Trust					
Cost or valuation at 31 March 2020	**10,053**	**9,258**	**2,658**	**188,464**	**210,433**
Accumulated depreciation at 31 March 2020	**9,933**	**8,333**	**2,658**	**49,626**	**70,550**
Net book value at 1 April 2019					
Finance lease	200	1,219	109	0	1,528
PFI	0	0	0	140,008	140,008
Net book value total at 1 April 2019	**200**	**1,219**	**109**	**140,008**	**141,536**
Net book value at 31 March 2020					
Finance lease	120	925	0	0	1,045
PFI	0	0	0	138,838	138,838
Net book value total at 31 March 2020	**120**	**925**	**0**	**138,838**	**139,883**

11. Capital commitments

Contracted capital commitments at 31 March not otherwise included in these accounts:

Group and Trust	31 March 2021 £000	31 March 2020 £000
Property, plant and equipment	**628**	3,160
Intangible assets	**3,049**	96
Total	**3,677**	3,256

12. Subsidiaries and consolidation of charitable funds

The Trust's 1 principal subsidiary, South Tees Healthcare Management Limited, and South Tees Hospitals Charity and Associated Funds are included in the consolidation at 31 March 2021. The accounting date of the financial statements for these subsidiaries is in line with the Trust date of 31 March 2021. The South Tees Institute of Learning, Research and Innovation LLP also has a financial year end of 31 March 2021 but the transactions of this company in 2020/21 have not been consolidated on the basis of materiality. Key financial information for the charitable fund and South Tees Healthcare Management Limited are provided as follows:

South Tees Hospitals Charity and Associated Funds

12.1 Reserves

	31 March 2021 £000	31 March 2020 £000
Restricted funds	**364**	63
Unrestricted funds	**6,729**	5,839
Total	**7,093**	5,902

Funds specific to wards or departments are held as un-restricted designated funds. Legacies and donations received for a specific purpose or 'trust' are recorded and accounted for as restricted funds. Further information covering the nature of the restricted and unrestricted funds is available within Accounting Policy 1.2.

12.2 Aggregated amounts relating to the charitable fund

	31 March 2021 £000	31 March 2020 £000
Summary Statement of Financial Position:		
Non-current assets	**6,039**	5,107
Current assets	**1,603**	2,727
Current liabilities	**(549)**	(1,932)
Net assets	**7,093**	5,902
Reserves	**7,093**	5,902
Summary Statement of Financial Activities:		
Income	**1,890**	1,317
Expenditure	**(1,599)**	(1,492)
Total	**291**	(175)
Net realised gains on investment assets and other reserve movements.	**932**	(755)
Net movement in funds	**1,223**	(930)

12. Subsidiaries and consolidation of charitable funds (continued)

South Tees Healthcare Management Limited

12.3 Subsidiary undertakings

The company is a 100% subsidiary to the Trust that began operations on 6 October 2019 providing an outpatient pharmacy service. Further information covering the nature of the company is available within Accounting Policy 1.2.

12.4 Aggregated amounts relating to the the company

	31 March 2021	31 March 2020
	£000	£000
Summary Statement of Financial Position:		
Current assets	**2,131**	2,900
Current liabilities	**(2,287)**	(2,892)
Net assets	**(156)**	8
Reserves	**(156)**	8
Summary Statement of Financial Activities:		
Income	**14,151**	**6,504**
Expenditure	**(14,315)**	**(6,494)**
Total	**(164)**	**10**
Corporation Tax	**0**	**(2)**
Net movement in funds	**(164)**	**8**

12.5 Group eliminations of the subsidiary and charitable funds

In 2020/21 on the charity, eliminations consisted of a £0.495 million adjustment to income and expenditure for capital transactions (£0.302 million in 2019/20) and adjustments to working capital amounted to £0.386 million (£0.926 million in 2019/20).

On the subsidiary, intra group eliminations on income and expenditure consisted of a £14.091 million adjustment for drug and rendering recharges and corporate service charges (£6.452 million in 2019/20) and adjustments for working capital amounting to £1.499 million (£1.684 million in 2019/20).

The above summary statements have initially been presented before group eliminations with an explanation to reconcile to the amounts included within the consolidated statements. As per accounting policy 1.2 the accounts of the charitable fund and the subsidiary have been consolidated in full after the elimination of intra group transactions and balances.

13. Other investments

The management of the investment portfolio of South Tees Hospitals Charity and Associated Funds was undertaken by CCLA during 2020/21. Cash funds are held outside the portfolio by the fund to deal with short term cash flow issues. As a cosequence of the economic and market uncertainty caused by COVID-19 there was a fall in the valuation of the investment porfolio in 2019/20 which has been recovered in 2020/21. The impact of these movements are detailed in the table below.

	31 March 2021 £000	31 March 2020 £000
Market value brought forward	**5,107**	5,885
Additions	**0**	726
Disposals	**0**	(749)
Fair value (losses) / gains	**932**	(755)
Market value at 31 March	**6,039**	5,107
Investments held:		
Alternative assets	**326**	351
COIF Charities Ethical Investment Fund	**5,713**	4,756
	6,039	5,107

14. Inventories

14.1 Inventories

	Group		**Trust**	
	31 March 2021 £000	31 March 2020 £000	**31 March 2021 £000**	31 March 2020 £000
Group and Trust				
Drugs	**4,373**	5,176	**3,811**	4,239
Consumables	**7,572**	7,597	**7,572**	7,597
Consumables donated from DHSC	**1,109**	0	**1,109**	0
Total	**13,054**	12,773	**12,492**	11,836

14.2 Inventories recognised in expenses

	31 March 2021 £000	31 March 2020 £000	**31 March 2021 £000**	31 March 2020 £000
Group and Trust				
Inventories recognised as an expense	**155,865**	132,796	**155,806**	126,570
Write-down of inventories recognised as an expense	**1,025**	128	**1,025**	118
Total	**156,890**	132,924	**156,831**	126,688

15. Cash and cash equivalents

	Group		Trust	
Group and Trust	**31 March 2021 £000**	31 March 2020 £000	**31 March 2021 £000**	31 March 2020 £000
At 1 April	**5,848**	7,350	**3,423**	6,091
Net change in year	**53,816**	(1,502)	**53,957**	(2,668)
Balance at 31 March	**59,664**	5,848	**57,380**	3,423
Broken down to:				
Cash with the Government Banking Service	**57,186**	2,652	**57,186**	2,652
Commercial banks and in hand	**2,478**	3,196	**194**	771
Cash and cash equivalents as in statement of cash flows	**59,664**	5,848	**57,380**	3,423

16. Trade and other receivables

16.1 Trade and other receivables

	Group		Trust	
Group and Trust	**31 March 2021 £000**	31 March 2020 £000	**31 March 2021 £000**	31 March 2020 £000
Current				
Contract receivables invoiced	**5,774**	17,671	**5,774**	17,671
Contract receivables not yet invoiced	**6,396**	17,674	**7,899**	19,198
Capital receivables	**0**	503	**0**	503
Other trade receivables	**411**	2,729	**411**	2,729
VAT	**6,332**	5,302	**5,826**	4,122
PDC dividend receivable	**1,380**	350	**1,380**	350
Allowance for impaired contract receivables	**(574)**	(3,444)	**(574)**	(3,444)
Prepayments (*)	**23,809**	39,022	**23,817**	39,022
Total	**43,528**	79,807	**44,533**	80,151
Non-current				
Contract receivables not yet invoiced	**3,432**	3,860	**3,432**	3,860
Allowance for impaired contract receivables	**(1,666)**	(1,859)	**(1,666)**	(1,859)
Total	**1,766**	2,001	**1,766**	2,001

(*) Included in prepayments is £3.512 million (2019/20 £20.230 million) in respect of prepaid PFI lifecycle costs relating to the James Cook PFI scheme. This contract was entered into in 2003 and expires in 2033. Under this contract the PFI operator is required to build and to maintain the majority of the Trust's estate. As is the norm for lifecycle replacement under a PFI scheme, the timing of the actual expenditure incurred by the operator is different to the profile of the planned expenditure in the financial model and this has resulted in the Group and Trust recognising a prepayment for the payment in advance of the lifecycle work being undertaken. When the replacement expenditure is received the prepayment will be derecognised and new items of property plan and equipment will be recognised

The great majority of trade is with Clinical Commissioning Groups and NHS England, as commissioners for NHS patient care services. As these NHS bodies are funded by government to buy NHS patient care services, no credit scoring of them is considered necessary.

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.

16. Trade and other receivables (continued)

16.2 Allowance for credit losses

	31 March 2021 £000	31 March 2020 £000
Balance at 1 April	**5,303**	2,312
Utilisation of allowances	**(3,094)**	(164)
Reversal of allowances	**(303)**	(577)
Increase in allowance	**334**	3,732
Balance at 31 March	**2,240**	5,303

The allowance relates to outstanding Compensation Recovery Unit debts concerning Road Traffic Accidents (22.43% allowance created on all outstanding debt), and allowances on non-NHS debtors (providing between 10 and 100% dependant on the type of debt) that includes allowances for individual invoices in dispute and in formal recovery . The Group does not hold any collateral in support of these debts.

17. Trade and other payables

	GROUP		TRUST	
	31 March 2021 £000	31 March 2020 £000	**31 March 2021 £000**	31 March 2020 £000
Current				
NHS payables	**5,599**	8,175	**5,599**	8,175
Amounts due to other related parties	**112**	532	**112**	532
Other trade payables - revenue	**44,110**	23,605	**43,169**	22,397
Other trade payables - capital	**18,353**	4,606	**18,353**	4,606
Taxes payable (VAT, Income Tax and Social Security)	**0**	0	**0**	0
Accruals	**6,591**	2,214	**6,590**	1,208
Annual Leave accrual	**6,785**	0	**6,784**	0
Receipts in advance	**3,291**	4,500	**3,291**	4,500
Other payables	**5,259**	196	**5,259**	196
Total current trade and other payables	**90,100**	43,828	**89,157**	41,614

Other payables includes £5.207 million for outstanding pensions contributions (31 March 2020, £ nil).

18. Borrowings

Group and Trust	31 March 2021 £000	31 March 2020 £000
Current		
Loans from Department of Health		
- Capital loans	**0**	28,872
- Revenue support	**0**	88,973
- Revolving working capital facilities	**0**	29,410
Obligations under:		
Finance leases	**409**	572
Private finance initiative contracts	**3,318**	2,399
Total current borrowings	**3,727**	150,226
Non-current		
Loans from Foundation Trust Financing Facility		
- Capital loans	**0**	12,232
- Revenue support	**0**	0
Obligations:		
Finance leases	**82**	491
Private finance initiative contracts	**89,251**	92,569
Total non-current borrowings	**89,333**	105,292

All Interim Support loans were repaid in year following an allocation of Public Dividend Capital (PDC) from the DHSC amounting to £144.6 million. The remaining Capital Financing Facility loans amounting to £12.2 million were fully repaid towards the end of the financial year by the Trust.

19. Finance lease obligations

Significant contractual arrangements have been reviewed to assess compliance with IAS 17. Those identified as finance lease obligations include the Group and Trust's equipment agreements and Managed Service Contracts for Energy Management and the Picture Archiving and Communications System. The term of leases range from 5 to 15 years in line with the economic lives of the individual assets.

Minimum lease payments outstanding on the lease agreements amount to £0.700 million (£1.329 million as at 31 March 2020). The Present Value of minimum lease payments included on the Group and Trust's Statement of Financial Position amounts to £0.491 million (£1.063 million at 31 March 2020), with the variance of £0.209 million (£0.266 million at 31 March 2020) relating to future finance charges on the agreements. The values disclosed do not include any liabilities relating to the private finance initiative.

Amounts payable under finance leases:	**Minimum lease payments**	
Group and Trust	**31 March 2021 £000**	31 March 2020 £000
Within one year	**615**	736
Between one and five years	**85**	593
Less: finance charges allocated to future years	**(209)**	(266)
Present value of minimum lease payments	**491**	1,063
Net lease liabilities		
Not later than one year	**409**	572
Later than one year and not later than five years	**82**	491
	491	1,063

Note: the Group and Trust does not offer any leases as a Lessor and does not recover any rental income through such arrangements.

20. Private finance Initiative contracts

20.1 PFI schemes on Statement of Financial Position

The scheme was for the development of the James Cook University Hospital (JCUH) site resulting in the rationalisation of four existing sites into one. Services at Middlesbrough General Hospital, North Riding Infirmary and West Lane Hospital transferred to JCUH upon completion of the scheme in August 2003.

The scheme comprised 60,000m^2 of new build with 11,000m^2 of refurbishment, with an approximate capital cost of £157 million. Upon completion of the scheme the Trust granted a head lease with associated rights to Endeavour SCH Plc for a period of 30 years. Endeavour maintain the site, providing facilities management services via Serco Group plc (formerly Sovereign Healthcare), and grant an underlease with associated rights to the Trust for the use of the buildings. The Trust makes a unitary payment, quarterly in advance, to Endeavour SCH Plc for use of the building and associated facilities management services that amounts to approximately £52.181 million per annum excluding VAT. An element of the payment is also set aside to fund lifecycle expenditure amounting to £10.314 million. In return the Trust receives guaranteed income of approximately £0.314 million in respect of mall retail units, laundry and catering income. Responsibility for the collection of car parking income transferred back to the Trust from 1 April 2014.

The annual service fee is indexed linked in line with the 12 month rolling average of retail price indices (CHAW) as at January of each year, for the following contract year. The availability fee is uplifted in line with RPI twice a year based upon the published CHAW indices for March (effective from 1 April) and September (effective from 1 October).

The soft services element of the facilities management service is subject to market testing or benchmarking every 5 years, although the Trust has the option to extend this period by a further 12 months. The hard service element of the service is subject to benchmarking every 10 years.

Upon the Contract Period Expiry Date the Trust has a number of options ("the Expiry Options"):
- to extend the agreement on terms to be agreed with the concessionaire;
- to re-tender for the provision of services;
- to leave the hospital and terminate the underlease; and
- to remain in the hospital and assume responsibility for the provision of services.

Under the control test of IFRIC 12, the asset has been treated as an asset of the Trust. The substance of the contract is that the Trust has a finance lease and payments to the contractor comprise 2 elements; an imputed finance lease charge and service charges.

Total imputed finance lease obligations for on-Statement of Financial Position PFI contracts due:

Group and Trust	**31 March 2021 £000**	31 March 2020 £000
Not later than one year	**10,670**	9,972
Later than one year, not later than five years	**42,484**	40,435
Later than five years	**99,453**	112,172
Sub total	**152,607**	162,579
Less: interest element	**(60,038)**	(67,611)
Total	**92,569**	94,968

Net PFI liabilities

Not later than one year;	**3,318**	2,399
Later than one year and not later than five years;	**15,436**	12,342
Later than five years	**73,815**	80,227
	92,569	94,968

20. Private finance initiative contracts (continued)

20.2 Charges to expenditure

The total charged in the year to expenditure in respect of the service element of on-Statement of Financial Position PFI contracts was £53.409 million (2019/20 £34.894 million). The movement between years being mainly due to the write back of PFI lifecycle that was charged to revenue in 2020/21 amounting to £22.287 million.

The Trust is committed to the following annual charges:

Group and Trust	31 March 2021 £000	31 March 2020 £000
Not later than one year	**31,900**	29,705
Later than one year, not later than five years	**135,777**	126,432
Later than five years	**290,278**	310,664
Total	**457,955**	466,801

20.3 Total concession arrangement charges

The Trust is committed to the following annual charges in respect of the PFI.

Group and Trust	31 March 2021 £000	31 March 2020 £000
Not later than one year	**60,383**	57,868
Later than one year, not later than five years	**258,512**	247,791
Later than five years	**558,415**	616,397
Total	**877,310**	922,056

20.4 Total unitary payment charge on PFI scheme

The unitary payment paid in year to the service concession operator is made up as follows:

Group and Trust	31 March 2021 £000	31 March 2020 £000
Interest charge	**7,572**	7,731
Repayment of finance lease liability	**2,399**	1,906
Service element	**31,122**	28,980
Capital lifecycle maintenance	**4,741**	9,006
Contingent finance costs	**6,347**	5,845
Total	**52,181**	53,468

21. Reconciliation of Liabilities arising from financing activities

The total outstanding liability from financing is detailed below:

Group and Trust	DHSC Loans £000	Finance Leases £000	PFI £000	Total £000
Carrying value at 1 April 2020	**159,487**	**1,063**	**94,968**	**255,518**
Cash movements:				
Financing cash flows - principal	(159,260)	(572)	(2,399)	(162,231)
Financing cash flows - interest	(637)	(165)	(7,572)	(8,374)
Interest charge arising in year	410	165	7,572	8,147
Carrying value at 31 March 2021	**0**	**491**	**92,569**	**93,060**

22. Provisions

	Current		Non-current	
	31 March 2021	31 March 2020	**31 March 2021**	31 March 2020
Group and Trust	**£000**	£000	**£000**	£000
Pensions relating to staff	**126**	92	**260**	330
Legal claims	**600**	607	**331**	423
Restructuring	**285**	0	**0**	0
Total	**1,011**	699	**591**	753

	Pensions relating to staff	**Legal claims**	**Restructuring**	**Total**
Group and Trust	**£000**	**£000**	**£000**	**£000**
At 1 April 2020	422	1,030	0	1,452
Arising during the year	41	158	285	484
Changes in discount rate	18	23	0	41
Utilised during the year	(114)	(182)	0	(296)
Reversed unused	(4)	(100)	0	(104)
Unwinding of discount	23	2	0	25
At 31 March 2021	386	931	285	1,602
Expected timing of cash flows:				
- not later than one year;	126	600	285	1,011
- later than one year and not later than five years;	208	108	0	316
- later than five years.	52	223	0	275
Total	386	931	285	1,602

Pensions relating to staff

The amounts relate to sums payable to former employees who have retired prematurely. The outstanding liability is based on actuarial guidance from the NHS Pension Agency using computed life expectancies for the pension recipients. Variations in life expectancy will impact on these figures and the timings of payments. There is no contingent liability associated with this provision.

Legal claims

The timings and amounts within the provision are based upon the NHS Litigation Authority's assessment of probabilities in line with IAS 37 guidance. The provision relates to employer and public liability claims with the Group and Trust raised by staff and patients. This provision also includes injury benefit claims made by NHS employees with the level of awards determined by the NHS Pension Agency. The discounted provision is based on notifications received from the agency.

£247.138 million is included in the provisions of the NHS Litigation Authority at 31 March 2021, in respect of clinical negligence liabilities of the Group and Trust (2019/20 £273.273 million). This is not provided for within these financial statements.

Restructuring

The amount relates to the creation of a provision for the obligations arising from internal restructuring which will be undertaken in 2021/22.

23. Financial instruments

23.1 Financial assets

	GROUP		TRUST	
	31 March 2021 £000	31 March 2020 £000	**31 March 2021 £000**	31 March 2020 £000
Financial Assets held at amortised cost				
Receivables excluding non financial assets with DHSC and other bodies	**13,773**	37,134	**14,892**	35,834
Cash and cash equivalents at bank and in hand	**59,664**	5,848	**57,380**	3,423
Assets at fair value through income and expenditure				
Investments	**6,039**	5,107	**0**	0
Total	**79,476**	**48,089**	**72,272**	**39,257**

23.2 Financial liabilities

	GROUP		TRUST	
	31 March 2021 £000	31 March 2020 £000	**31 March 2021 £000**	31 March 2020 £000
Financial Liabilities held at amortised cost				
DHSC loans	**0**	(159,487)	**0**	(159,487)
Obligations under finance leases	**(491)**	(1,063)	**(491)**	(1,063)
Obligations under PFI contracts	**(92,569)**	(94,968)	**(92,569)**	(94,968)
Trade and other payables excluding non financial liabilities with DHSC and other bodies	**(81,602)**	(39,328)	**(80,658)**	(38,760)
Total	**(174,662)**	(294,846)	**(173,718)**	(294,278)

23.3 Maturity of financial liabilities

	GROUP		TRUST	
	31 March 2021 £000	31 March 2020 £000	**31 March 2021 £000**	31 March 2020 £000
In one year or less	**(93,544)**	(197,773)	**(92,600)**	(197,205)
In more than one year but not more than five years	**(42,569)**	(46,979)	**(42,569)**	(46,979)
In more than five years	**(99,453)**	(121,200)	**(99,453)**	(121,200)
Total	**(235,566)**	(365,952)	**(234,622)**	(365,384)

23.4 Fair values of financial instruments

The fair values of financial instruments are considered to be materially similar to the book values.

23.5 Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the year in creating or changing the risks a body faces in undertaking its activities. Due to the continuing service provider relationship that the NHS Foundation Trust has with Clinical Commissioning Groups and NHS England and the way that these are financed, the NHS Foundation Trust is not exposed to the degree of financial risk faced by business entities. 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 Group has limited powers to invest surplus funds and requires support to deliver the capital programme in the form of Public Dividend Capital (PDC) from the Department of Health and Social Care. Financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Group in undertaking its activities.

The Group's treasury management operations are carried out by the finance department, within parameters defined formally within the Group's Treasury Management Policy and Standing Financial Instructions agreed by the Board. A key theme of the Group's strategic direction is business stability which means achieving target levels of financial performance. To support this target, the key objectives of the Treasury Management Policy includes the achievement of a competitive return on surplus cash balances and effectively identifying and managing financial risk.

23. Financial instruments (continued)

23.5 Financial risk management (continued)

Currency risk

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

Interest rate risk

The Group and Trust receives support from the government for capital expenditure, subject to affordability. The Group and Trust therefore has low exposure to interest rate fluctuations.

The Trust is exposed to interest rate risk on the PFI scheme due to the linkage of the availablity payment to RPI which impacts on contingent rent, PFI lifecycle and non-operating expenditure.

Credit risk

The majority of the Group's income comes from contracts with other public sector bodies, the Group has low exposure to credit risk. The maximum exposures as at 31 March 2021 are in receivables from customers, as disclosed in Note 16.

The financial instruments utilised by the Group and Trust are deemed to be minimum risk. The Group's investments are held within the Charity with investment management undertaken by CCLA utilising a COIF Charities Ethical Investment Fund.

Liquidity risk

The Group's operating costs are incurred under contracts with Clinical Commissioning Groups and NHS England, which are financed from resources voted annually by Parliament. The Group and Trust funds its capital expenditure from funds allocated by the Department of Health and Social Care and does not have any flexibility to vary principal or interest payments on any of its fixed term liabilities, including those relating to the PFI contract. Further information on risk within the Group and Trust's annual plans is included within the disclosure on Going Concern within the Annual Report.

24. Events after the reporting year

There have been no significant events since the end of the reporting period.

25. Related party information

25.1 Related party transactions

South Tees Hospitals NHS Foundation Trust is a body corporate established by order of the Secretary of State for Health. The Trust completes national returns in accordance with the requirements of IAS 24 "Related Party Disclosures".

25.2 Whole of Government Accounts bodies

All government bodies which fall within the Whole of Government accounts boundary are regarded as related parties because they are all under the common control of HM Government and Parliament. This includes for example, all NHS bodies, all local authorities and central government bodies.

25.3 Charitable funds

The Trust receives revenue and capital payments from a number of charitable funds, including South Tees Hospitals Charity and Associated Funds. The Trust Board members are also corporate trustees of the charity. The accounts of South Tees Hospitals Charity and Associated Funds are consolidated into the Trust's Annual Accounts as detailed in Accounting Policies 1.2 and Note 12 to the Accounts.

25.4 Board Members and Directors

During the year no Group Board Members or members of the key management staff, or parties related to any of them, have undertaken any material transactions with South Tees Hospitals NHS Foundation Trust.

Declarations of interests, completed on an annual basis by Executive and Non-Executive Directors, have been reviewed to identify any related party relationships requiring disclosure within this note.

IAS 24 specifically requires the separate disclosure of compensation payments made to management. In line with the standard, the HM Treasury has given dispensation that this requirement will be satisfied through disclosure in the Remuneration Report included in the Group and Trust's Annual Report.

26. Third party assets

The Group and Trust held £20,274 cash and cash equivalents at 31 March 2021 (£6,958 at 31 March 2020) relating to monies held by the Group and Trust on behalf of patients.

The Group and Trust held £937,687 cash and cash equivalents at 31 March 2021 (£884,492 at 31 March 2020) which related to monies held by the Group and Trust on behalf of staff, participating in the staff savings scheme. This has been excluded from the cash and cash equivalents figure reported in the accounts.

The Group and Trust held £79,293 cash and cash equivalents at 31 March 2021 (£23,741 at 31 March 2020) which related to monies held by the Group and Trust on behalf of the staff lottery scheme. This has been excluded from the cash and cash equivalents figure reported in the accounts.

27. Losses and special payments

The total number and value of losses and special payments in year amounted to the following:

	2020/21		2019/20	
Group and Trust	**Number of cases**	**Total value of cases £000**	Number of cases	Total value of cases £000
Losses:				
Losses of cash	**14**	**1**	14	2
Bad debts and claims abandoned	**0**	**0**	0	0
Damage to buildings, property as a result of theft, criminal damage etc.	**78**	**3**	96	4
Special payments:				
Ex gratia payments	**151**	**317**	85	153
Total	**243**	**321**	195	159

The amounts included above are reported on an accruals basis and exclude provisions for future losses.

There were no special severance payments (2019/20, there were no cases over £100,000 and there were no severance payments requiring HMT approval) arising from divisional restructuring or other cases of clinical negligence, fraud, personal injury, compensation under legal obligation or fruitless payment cases where the net payment exceeded £300,000.