NHS

East Kent Hospitals University

NHS Foundation Trust

Annual Report and Accounts

2021/2022

Our patients

Our people

Our future

Our sustainability

Our quality and safety

We care

East Kent Hospitals University NHS Foundation Trust

East Kent Hospitals University NHS Foundation Trust

Annual Report and Accounts 2021/22

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

East Kent Hospitals University NHS Foundation Trust

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CHAIR AND CHIEF EXECUTIVE'S STATEMENTS

Welcome to the 2021/22 Annual Report and Accounts for East Kent Hospitals University NHS Foundation Trust.

I want to begin by thanking our staff for their sustained hard work throughout what has been a very challenging year for this Trust and the NHS as a whole.

In addition to the Omicron Covid-19 variant, we have seen extraordinarily high demand for urgent and emergency care even by the usual winter standards, and have been working hard to tackle the significant backlog of planned care created by the pandemic. Throughout it all, our teams have worked hard, in particular to protect patients whose conditions are clinically urgent, such as those with cancer.

We are all acutely aware of the impact waiting has on the lives of so many of our patients. Reducing the numbers who are waiting, and the time they have to wait, is a top priority for us in the year ahead.

Last summer we opened our new Elective Orthopaedic Centre at Kent and Canterbury Hospital. As a result, we now have a centre of excellence for planned orthopaedic care in East Kent which can carry out procedures without the risk of them being cancelled to make way for emergency cases. This separation of planned and emergency work will be a key part of our and the wider NHS strategy to reduce the time patients have to wait for treatment.

The Centre also demonstrates the value to the people of East Kent of capital investment in our hospitals. We have waited for more than a generation for major funding and we have continued to make the case as cogently and as firmly as we can for the resources we need to enable us to provide the right services in the right places. In the coming year we will maintain that pressure and do everything we can to secure the major investment we so badly need.

There have been a number of changes to the Trust's Board of Directors and Council of Governors over the last year. My thanks to the following for their commitment and service to the Trust: Siobhan Jordan, Interim Chief Nurse; Barry Wilding, Senior Independent Director; Sunny Adeusi, Non Executive Director and Ross Britton and Ken Rogers, Public Governors for Swale; for their commitment and service to the Trust.

My special thanks also goes to Susan Acott, our Chief Executive, who leaves the Trust on 31 March 2022. Susan has done a remarkable job taking this organisation through the global pandemic which, without doubt, has been the most challenging period we have seen in the history of the NHS.

Her leadership skills, dedication, commitment, and resilience have made such a difference during this time and there are so many areas where we have

made progress under her leadership. The whole Board is immensely grateful for all that she has achieved.

Finally, I would also like to thank the East Kent Hospitals Charity and our Leagues of Friends and the other community, voluntary and charitable organisations for their valuable contribution this year. Their ongoing support is vital for our patients and their families, as well as our staff. We could not do without them.

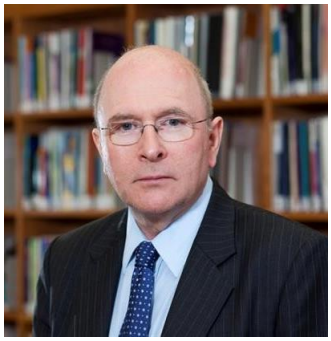
The year ahead will be an important one for everyone at The Trust. We recognise that there have been significant failings in our maternity care over the past decade and that there will be important lessons for us to learn from the forthcoming publication of the Independent Investigation into those services.

In maternity and across the Trust we have made and continue to make significant changes, including a major investment programme to recruit more nurses, midwives and doctors. And yet, we recognise there is more to do and that we must acknowledge and learn from the experience of women and their families. Our promise must be to learn from whatever lessons emerge from the investigation.

As we look forward, we are determined to work with our clinicians and our patients to make this organisation outstanding in everything we do. That will mean engaging with and empowering our front-line staff, listening to our patients and their families, and working ever more closely with our partners in both health and social care.

Already, we know we have skilled and committed nurses, doctors, allied and other health professionals, as well as dedicated managers and support staff, each one of whom is as valuable as the next. We have some brilliant services, but we know we have more to do to support our teams as we strive to become a learning organisation which works tirelessly to provide excellent care in everything we do.

As we welcome our new Chief Executive Tracey Fletcher, we realise that the coming year will be tough; nevertheless, I am confident we will do everything we can to meet those challenges and serve everyone needing our care, safely, effectively and with kindness.



Niall Dickson CBE
Chairman

It is a real privilege to work for the NHS and to have joined East Kent Hospitals University NHS Foundation Trust as its new chief executive at the beginning of April 2022.

I have been the CEO of a Trust in London for the past nine years however this role in east Kent is particularly special because this is my local Trust and I have received a very warm welcome.

These are challenging times for the NHS as we recover from the pandemic and our staff are working incredibly hard to reduce the long waiting times this has created for some of our services and to find ways of improving our services to ensure that we are able to provide good care to every patient, every day.

East Kent Hospitals continued to work differently throughout the year to adapt to the Coronavirus pandemic, while re-starting planned care and continuing to protect clinically urgent services, such as cancer treatment.

We have an enormous challenge ahead to tackle the waiting list that has built up over the past two years and this is a key priority for the Trust in the year ahead. At the same time, it is necessary for us to focus on the quality of our services.

The Trust had a number of CQC inspections over the course of the year. The CQC published reports following inspections of medical care at William Harvey Hospital and Kent and Canterbury Hospital in May 2021, where inspectors found improvements in both hospitals and as a result the William Harvey Hospital's rating improved from inadequate to requires improvement for the CQC "safe" domain. Both hospitals remain 'requires improvement' overall.

The CQC inspected children's services at the Trust in July 2021, rating the service good for 'safe' and 'well-led', with the overall rating for children's services improving from 'inadequate' to 'requires improvement'.

The CQC also inspected maternity services in the Summer, and while the overall rating for the service remains 'requires improvement', inspectors raised concerns about midwifery staffing with the Trust. The Trust Board has subsequently approved an £1.6m investment in September to fund an additional 38 midwives.

This year, saw the first fruits of national capital investment into East Kent's hospitals, including the Elective Orthopaedic Centre, which opened at Kent and Canterbury Hospital this summer. This facility is dedicated to patients needing planned operations such as hip and knee replacements.

The first phase of the Community Diagnostic Hub at Buckland Hospital in Dover began, providing a CT scanner at the hospital. The hospital's out-patients department will also be expanded to introduce other tests, creating one-stop shop for patients. A third phase will include expanding the endoscopy department. The hub is the first one in Kent and is one of 40

announced by the Government in October to provide easier and quicker access to diagnostic tests nearer people's homes.

Some of our sickest patients will benefit from a brand new, state of the art critical care unit currently being built at William Harvey Hospital thanks to a successful bid to secure £14 million national NHS investment. The new two-storey, 24 bed unit, is due to open in Spring 2022.

Both Emergency Departments at William Harvey Hospital and Queen Elizabeth The Queen Mother Hospital are also undergoing a significant expansion.

We have had a strong research ethos at the Trust for a number of years, and so I am delighted that the Trust will be opening the first Clinical Trials Unit in Kent at Queen Elizabeth The Queen Mother Hospital, Margate, in 2022.

Patients across Kent will benefit from the creation of the specialised unit, which will include a clinical space for research studies and improved research infrastructure across East Kent Hospitals to help bring more innovative trials to patients. This means many people will no longer need to travel to London to take part in trials of the latest drugs or medical devices.

At East Kent Hospitals, we are on a development journey, and our continuous quality improvement work called 'We care' is being rolled out across the Trust with a number of wards and clinical departments taking part in the programme in the last 12 months.

The ongoing demands of the pandemic, coupled with high demand for our services, has taken its toll on staff health and well-being. The Trust has invested in this area, with a dedicated wellbeing team and a range of support on offer for staff, from counselling to wellbeing and financial advice. We need to continue to liaise with our staff to consider what more we can do to support them.

I am both proud and humbled by the extraordinary work and commitment of NHS staff during the Coronavirus pandemic who selflessly stepped forward with courage to care for, help and support patients, families and colleagues in the most challenging of circumstances.

The Trust partnered with The British Citizens Awards to invite staff to nominate colleagues for special recognition and dozens of East Kent Hospitals staff were rewarded for their dedication and compassion with The British Citizen Award.

I thank every member of staff, the governors, our volunteers and partners for their support, hard work and commitment to the Trust and I looking forward to working with you in the future.

Tracey Fletcher
Chief Executive

Purpose and activities of the Foundation Trust

We serve a population of 695,000 people in east Kent and over a million through our regional services and employ more than 9,000 staff.

We have more than 1,000 beds over three hospital sites, with specialist wards for maternity, paediatrics and neonatal intensive care. We receive more than 268,000 emergency attendances, 98,000 inpatient spells and 860,000 outpatient attendances per year. We carry out more than 4,500,000 tests and scans and have around 6,500 births a year.

We provide a range of core and specialist healthcare services from five hospitals and other NHS facilities across east Kent. We provide a range of specialist services to the wider population of Kent and Medway, including emergency cardiac services for all of Kent and renal services in Medway and Maidstone. We provide a number of services in the local community, including in people's own homes. This includes home dialysis, community paediatrics, mobile chemotherapy and stoma care.

As a teaching Trust, we play a vital role in the education and training of doctors, nurses and other healthcare professionals, and are working in partnership with the new Kent and Medway Medical School. We will continue to work with our long-term partner, King's College University in London and with St George's Medical School.

We value participating in clinical research studies, and we consistently recruit high numbers of patients into research trials. We are proud of our national reputation for delivering high quality specialist care, particularly in urology, kidney disease and head and neck surgery.

Our hospitals

Buckland Hospital provides a range of local services. Its facilities include a minor injuries walk-in centre, outpatient facilities, renal satellite services, day hospital services, child health and child development services, ophthalmology surgery and diagnostic facilities, including a CT scanner.

Kent and Canterbury Hospital (K&CH) provides a range of surgical and medical services. It is a central base for many specialist services in east Kent such as elective orthopaedics, renal, vascular, interventional radiology, urology, dermatology, neurology and haemophilia services. It also provides a 24/7 urgent treatment centre. Kent & Canterbury Hospital has a postgraduate teaching centre and staff accommodation.

Queen Elizabeth The Queen Mother Hospital, Margate (QEQMH) provides a range of emergency and elective services and comprehensive trauma, orthopaedic, obstetrics, general surgery and paediatric services. It has a specialist centre for gynaecological cancer and modern operating theatres,

Intensive Therapy Unit (ITU) facilities, children's inpatient and outpatient facilities, a Cardiac Catheter Laboratory, a Renal satellite service and Cancer Unit. QEQM has a postgraduate teaching centre and staff accommodation. On site there are also co-located adult and elderly mental health facilities run by the Kent & Medway NHS and Social Care Partnership Trust.

The Royal Victoria Hospital, Folkestone provides a range of local services including a minor injuries unit with a walk-in centre (both operated by the local Clinical Commissioning Group), a thriving outpatients department, the Derry Unit (which offers specialist gynaecological and urological outpatient procedures), diagnostic services, and mental health services provided by the Kent and Medway NHS & Social Care Partnership Trust.

The William Harvey Hospital (WHH), Ashford provides a range of emergency and elective services as well as comprehensive maternity, trauma, orthopaedic and paediatric and neonatal intensive care services. The hospital has a Renal satellite service, a specialist cardiology unit undertaking angiography, angioplasty, a state-of-the-art pathology analytical robotics laboratory that reports all east Kent's General Practitioner (GP) activity and a robotic pharmacy facility. A single Head and Neck Unit for east Kent includes centralised maxillofacial services with all specialist head and neck cancer surgery co-located on the site. WHH has a postgraduate teaching centre and staff accommodation.

Our vision and 'We care' values

Our vision is to be a leading provider of acute healthcare services by delivering 'Great Healthcare from Great People', our mission is to improve health and wellbeing, for our patients and our staff.

Our values are very important to us and we want everyone who experiences our Trust to feel cared for, safe, respected and confident we are making a difference.

We are focusing on five priorities to continue to transform our Trust and deliver our vision of great healthcare, from great people:

- We care about our patients
- We care about our people
- We care about our future
- We care about our sustainability
- We care about our quality and safety.

History of the Foundation Trust and statutory background

East Kent Hospitals Trust was formed in 1999 when three hospital trusts covering Thanet, Canterbury, Ashford, Swale, Shepway and Dover merged.

A major reconfiguration of hospital services followed and we now have five hospitals, the William Harvey in Ashford, the Queen Elizabeth The Queen Mother in Margate, Buckland Hospital in Dover, Royal Victoria in Folkestone and Kent and Canterbury in Canterbury.

The Trust achieved University Hospital status in 2007 and became a foundation trust in 2009. It received its formal certificate of registration in June 2010 by the Care Quality Commission (CQC) under the Health and Social Care Act 2008.

East Kent Hospitals is regulated by NHS Improvement – the organisation responsible for authorising, monitoring and regulating NHS trusts.

The Trust is being supported under NHS Improvement's financial special measures regime.

The CQC last inspected the Trust's hospitals in Ashford, Canterbury and Margate in May and June 2018. The Trust's rating remains at Requires Improvement after the CQC looked in detail at four areas at three of the Trust's five hospitals – urgent and emergency services, surgery, maternity and end of life care – as well as the 'well-led' aspect of the Trust.

Subsequent reports into individual services have highlighted areas of good practice as well as areas for improvement which the Trust has responded to with robust action plans and improved outcomes.

For example, in children's inpatient services following an inspection of the service in 2018; in maternity triage and day care following an inspection in January 2020, which also highlighted a number of improvements; in the emergency departments after an inspection in March 2020 and in infection prevention and control practices following a focussed inspection in August 2020.

In February 2020 the government health minister, Nadine Dorries MP, announced that NHS England and NHS Improvement were commissioning an independent investigation into the maternity and neonatal services provided by East Kent University NHS Foundation Trust. The investigation is led by Dr Bill Kirkup.

The Trust has welcomed this independent investigation and is doing everything in its power to assist and support Dr Kirkup and his team. The investigation's report is expected to be published later in 2022.

Our clinical strategy

Proposals to invest in and reconfigure east Kent's hospitals have been developed by clinicians, with input from patients, local communities and the public in recent years, resulting in two options to deliver three excellent, busy and vibrant hospitals.

Each hospital will provide day-to-day services for their local communities but with specialist services consolidated in one hospital, to maximise the benefits of co-adjacent services, get the most from scarce specialist staff and make the best use of specialist equipment. The strategy also looks at clinical options and investment in maternity, emergency, paediatric and surgical services.

An extensive pre-consultation business case, detailing the two options, has been approved by our regulators, NHS England and NHS Improvement, who has identified the transformation of east Kent's hospitals as the South East region's priority investment scheme.

As both options require significant capital investment from central NHS budgets, in September the Trust submitted an expression of interest for £460 million capital investment to the Department of Health and Social Care's New Hospitals Programme. We await a decision on whether east Kent will be included in the long-listed schemes being considered for investment. A successful bid is essential before commissioners can proceed to public consultation.

In March, the Trust initiated due diligence with the construction industry to further test the viability and deliverability of both options. This exploratory process is an important piece of work that will provide an additional assurance test before consultation gets underway.

Kent and Medway Stroke Services Review

A decision to create three hyper acute stroke units (HASU) in Kent and Medway, at William Harvey, Darent Valley and Maidstone hospitals, was agreed by NHS commissioners in 2019, with subsequent legal challenges overruled.

The intention is that everyone having a stroke in Kent and Medway will be taken to their nearest HASU, which will offer specialist care round the clock every day of the year. These new units will allow people to get the best possible care in the vital first few hours and days immediately after their stroke, saving lives and reducing disability.

As part of the Trust's response to the Covid pandemic, the stroke service temporarily moved to Kent and Canterbury Hospital in April 2020 to increase medical capacity at QEQM and William Harvey hospitals. The move to

Canterbury included the introduction, with SECAmb, of the country's first 24/7 pre-hospital stroke video triage service and the use of an artificial intelligence decision support brain imaging system.

With the service on one site and with these innovative technologies in use, more patients are getting quicker access to the stroke unit, specialist assessment and interventions by stroke experts, and for eligible patients, quicker access to clot-busting thrombolysis treatment, and transfer to London for mechanical thrombectomy (MT). This has seen demonstratable improvements in outcomes for patients.

Supported by national specialised commissioners, our plan is to perform MT in east Kent, to reduce the time taken to treat eligible patients with this time critical condition, considerably reducing disability.

Kent and Medway Vascular Services Review

In early 2022, NHS commissioners undertook a public consultation on proposals that could see inpatient vascular treatment centralised at one hospital, Kent and Canterbury Hospital (K&C), instead of two (K&C and Medway Maritime hospitals), as is currently the case.

Making this change will see vascular and interventional radiology specialists from east and west Kent working as one team to provide patients with the best possible outcomes and chances of survival.

Patients would continue to access the majority of their vascular care, including outpatient clinics and diagnostics, at their local hospital in east Kent, Medway and Maidstone, as they do now. Day surgery would also continue at K&C and Medway hospitals.

Overall, those who responded to the consultation broadly agreed with the proposals. They agreed with having a centre of excellence, understood the benefits of having specialist care concentrated in one hospital and valued keeping outpatient appointments and diagnostics in their current locations. Some remained concerned about the accessibility of K&C for patients requiring emergency surgery.

Overall, staff responses also agreed with the proposals, with clear recognition of the value of having a centre of excellence, and the potential benefits that this might bring to staff retention, recruitment, training and expertise. Findings from the consultation will inform a Decision-Making Business Case during summer 2022.

Investing in Interventional Radiology

Some £4.5m has been invested in a new interventional radiology centre at K&C. The first phase will see a state-of-the-art procedure room, day-case unit, recovery and anaesthetic rooms, open in May 2022. This will enable the service to expand the number and range of procedures available to patients, including treatment for vascular conditions and cancer. The second phase will

see the refurbishment of the current endovascular theatre followed by investment in a third IR suite for mechanical thrombectomy.

New Orthopaedic Centre

A brand-new surgical centre opened at K&C in July 2021. The centre has four new operating theatres which, together with two 24-bed wards, are dedicated to patients needing planned inpatient orthopaedic surgery, such as hip and knee replacements, and will treat around 3,500 people a year.

The new centre is the second phase of a national NHS Getting it Right First Time (GIRFT) pilot in east Kent that aims to demonstrate that separating planned inpatient orthopaedic operations from emergency care benefits both sets of patients. Where these changes have been introduced, both in east Kent and elsewhere, waiting times reduced and fewer operations cancelled.

In addition to the benefits that a dedicated centre of excellence brings to patients and staff, it has also freed up theatres and beds at QEQM and William Harvey hospitals for trauma and cancer surgery.

Community Diagnostic Hub

Patients are benefiting from a new diagnostic hub set up at Buckland Hospital in Dover last summer. The hub is the first in Kent and one of 40 announced by the Government, to provide easier and quicker access to diagnostic tests nearer people’s homes.

The new diagnostic hub is making it easier for people to access the tests they need sooner, meaning they will be able to start any treatment they need. It also avoids the need for people to travel to one of our acute hospitals, helping to keep services there free for emergency patients.

Phase one of the project started in early 2022 with a mobile CT scanner based at the hospital, while phase two involves a permanent scanner installed inside the building, due to open in April 2022. The out-patients department will

also be expanded to introduce other tests, creating one-stop shop for patients. A third phase will include expanding the endoscopy department.

The project is based on a 'hub and spokes' design, with the hospital as the hub and other 'spokes' at GP practices and other sites in the community will provide more tests such as ultrasound scans, skin biopsies, and x-rays. The diagnostic hub operates from 8am to 8pm seven days a week, for people who have been referred from their GP.

Key issues and risks

For a second year the operational response required due to Covid-19 has affected all aspects of Trust performance, significantly increasing pressure on the Trust's physical capacity and staff. Most notably emergency inpatient and ITU capacity has been extremely stretched with a peak of over 232 patients in hospital beds with Covid-19 during March 2022. In addition, there was continued challenge to manage staff sickness and staff required to self-isolate, with risk-based decisions being taken to help treat patients as safely as possible.

The Trust has two main commissioners for its clinical income. For acute services our local Commissioners are Kent and Medway Clinical Commissioning Group, they commission 75% of Trust clinical income. NHS England commission the Trust's more specialised acute services. As a result of Covid-19 significantly impacting the cost base of the Trust and wider NHS, as with the previous year there was a change to the Trust's funding regime with mandated interim financial and contracting arrangements for the full year of 2021/22.

The Trust was funded in 2021/22 via a combination of a block payment based on estimated commissioned services to cover all costs including an estimate for Covid-19 baseline expenditure and a variable payment to cover treating planned elective patients above a nationally prescribed threshold, specific high costs drugs and some specific costs incurred due to Covid-19.

The Trust achieved a breakeven position for the year, with our underlying financial deficit being supported by external funding of over £40m to cover the incremental cost of treating patients with Covid-19 along with minimising the risk of infection for patients and staff.

We have continued to operate in the NHS England financial recovery support programme during the year.

The Trust has continued to prioritise the management and reporting of cash and liquidity drivers. Consistent with national guidance we prioritised prompt payment of suppliers, whilst ensuring we retain sufficient working capital reserves.

The Trust has been hindered from further progressing significant efforts to address the reliance on agency staff and spend on temporary staff increased

from £72m in 2020/21 to £75m in 2021/22 due to the continued challenge to manage staff sickness and staff required to self-isolate.

As the Trust has submitted a deficit plan for 2022/23, in line with the national requirement, the cash position will continue to be actively managed and may require interim support from the DHSC in the form of PDC during the year.

The Trust ended the year with a consolidated group (Trust and all subsidiaries) deficit of £8.9m (2020/21: £4.3m). The Adjusted financial performance (after removing the impacts of impairments and donated income was a surplus of £0.1m (2020/21: £0m)

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.

How we measure performance

The Trust measures performance through a central integrated performance dashboard known as the Balanced Scorecard, which feeds the integrated performance report, allowing for more in-depth analysis and investigation. The scorecard pulls key metrics from corporate and care group areas into one central, accessible report. These metrics are made up of the key performance indicators including referral to treatment targets, cancer, diagnostics and A&E, together with workforce, safety, quality, financial and operational metrics. Metrics are interrogated both during the month and at the end of the month at relevant performance reviews, with actions escalated to the Trust Board.

How many people we treated

Point of Delivery	2020/21	2021/22	Variance	Variance %
Referral Primary Care	121,884	159,824	37,940	31.1%
Referral Non-Primary Care	151,131	204,524	53,393	35.3%
OP New	259,708	340,160	80,452	31.0%
OP Follow Up	429,344	519,148	89,804	20.9%
Elective Day case	63,999	88,351	24,352	38.1%
Elective Inpatient	7,176	9,601	2,425	33.8%
A&E	195,203	268,106	72,903	37.3%
Non-Elective Inpatient	74,930	88,464	13,534	18.1%
Chemotherapy	26,191	31,454	5,263	20.1%
Critical Care	22,326	20,357	-1,969	-8.8%
Diagnostic	3,897,918	4,499,138	601,220	15.4%
Dialysis	91,398	98,035	6,637	7.3%
Maternity Pathway	13,196	12,163	-1,033	-7.8%
Other	97,399	106,129	8,730	9.0%
Pre-Op	19,416	29,072	9,656	49.7%

Financial Performance

This section of the Annual Report provides a narrative on the financial performance of the Foundation Trust and its subsidiaries (hereafter referred to as the Group), highlights points of interest within the annual accounts and shows the performance against its financial targets.

The financial results and the assets and liabilities of the Foundation Trust have been consolidated with its wholly owned subsidiaries in the financial statements. The subsidiaries are:

1) Healthex Limited (the parent company of Spencer Private Hospitals Limited which manages and operates the Spencer Wing private facilities at the Queen Elizabeth the Queen Mother and William Harvey hospitals).

2) 2gether Support Solutions – The Foundation Trust established a wholly owned subsidiary, 2gether Support Solutions Limited, (2gether) as a Property Facilities Management Company that will provide an Operated Healthcare Facility (OHF) to the Foundation Trust. The subsidiary commenced trading on 1st August 2018 providing ancillary services (including cleaning, portering and catering), with the full operated healthcare facility effective from 1st October 2018.

The Group achieved an adjusted surplus, on an NHS breakeven duty basis, for the year of £0.076m (2020/21: £0.008m deficit).

The East Kent Hospitals Charity financial results are not included in the consolidated accounts for 2021/22. As a corporate trustee of the charity the relationship has been assessed and it has been determined that the charity is a subsidiary, however the charity assets and results are not material to the Group results and on this basis they continue not to be consolidated.

The Group results are shown in the full financial statements at the end of this report.

Financial Analysis

Financial Outturn

The overall financial performance of the Group was as follows:

Table 1: Consolidated Statement of Comprehensive Income

		Group		Trust	
		2021/22	2020/21	2021/22	2020/21
	Note	£000	£000	£000	£000
Operating income from patient care activities	3	802,126	695,130	790,325	682,466
Other operating income	4	57,179	110,637	59,598	111,958
Operating expenses	6, 7	(858,571)	(802,893)	(850,861)	(793,489)
Operating surplus/(deficit) from continuing operations		**734**	**2,874**	**(938)**	**935**
Finance income	11	24	1	2,259	2,326
Finance expenses	12	-	(6)	(2,809)	(3,038)
PDC dividends payable		(7,868)	(6,303)	(7,868)	(6,303)
Net finance costs		**(7,844)**	**(6,308)**	**(8,418)**	**(7,015)**
Other losses	13	(844)	-	(819)	-
Corporation tax expense		(799)	(829)	-	-
Deficit for the year from continuing operations		**(8,753)**	**(4,263)**	**(10,175)**	**(6,080)**
Deficit for the year		**(8,753)**	**(4,263)**	**(10,175)**	**(6,080)**

Income

Total Group income £859.3m (2020/21: £805.8m) was 6.6% higher than the previous year as previously block Elective and Outpatient income has been adjusted according to performance against the Elective Recovery Fund baselines.

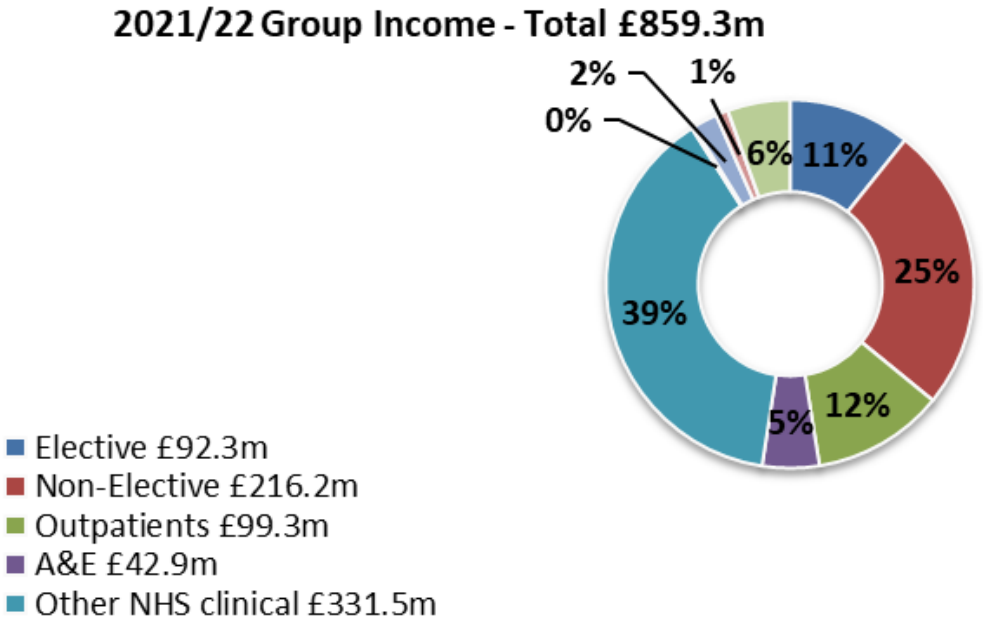
The NHS Act 2006 requires that income for providing patient care services must be greater than income for providing any other goods/services. The Group can confirm that 91% of total income comes from providing patient care services. Any surplus made on the remaining 9% of income is used to support the provision of patient care.

The majority of income for patient care came from NHS commissioners, mainly the Kent and Medway Clinical Commissioning Group (CCG) and NHSE specialist services, secondary dental and Public Health screening programmes, which together accounted for £782m (2020/21: £676m) of the Group's income in year.

Other income includes:
£2.6m from catering
£1.2m from car parking
£1.9m for staff accommodation

Of the £859m Group income, the income generated by 2gether Support Solutions was £2.5m and generated income by Spencer Hospitals was £11.2m.
The Group can confirm that it has complied with the cost allocation and charging guidance issued by HM Treasury.

Table 2: Group income analysis



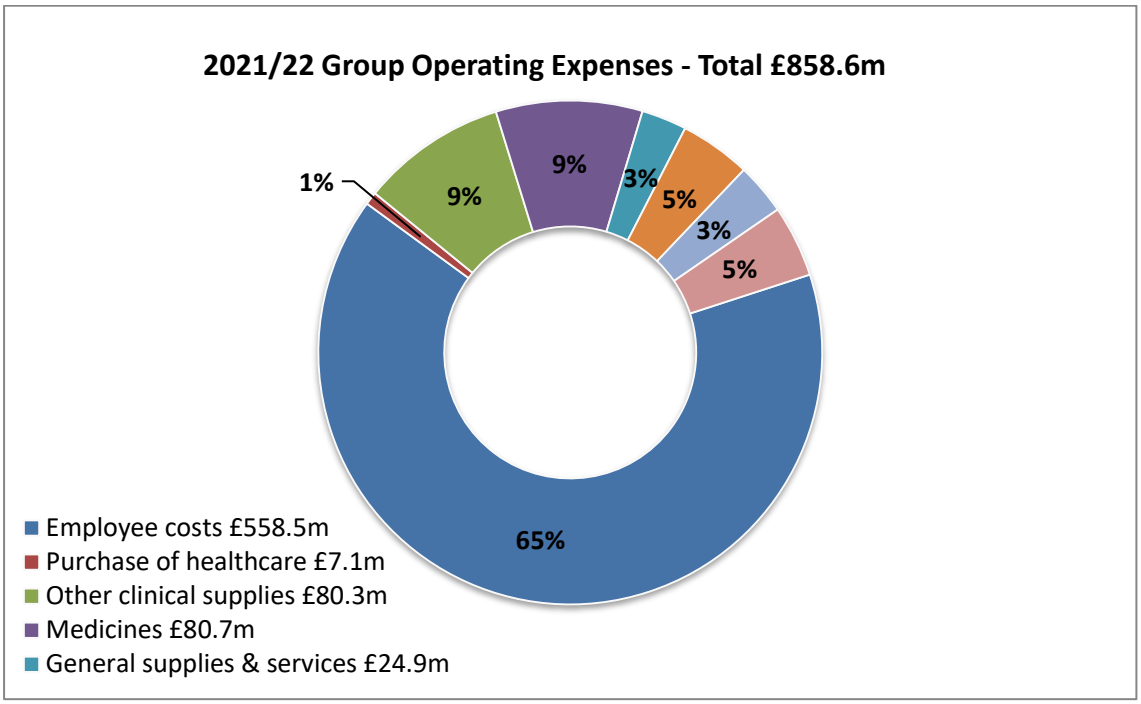
Operating expenses

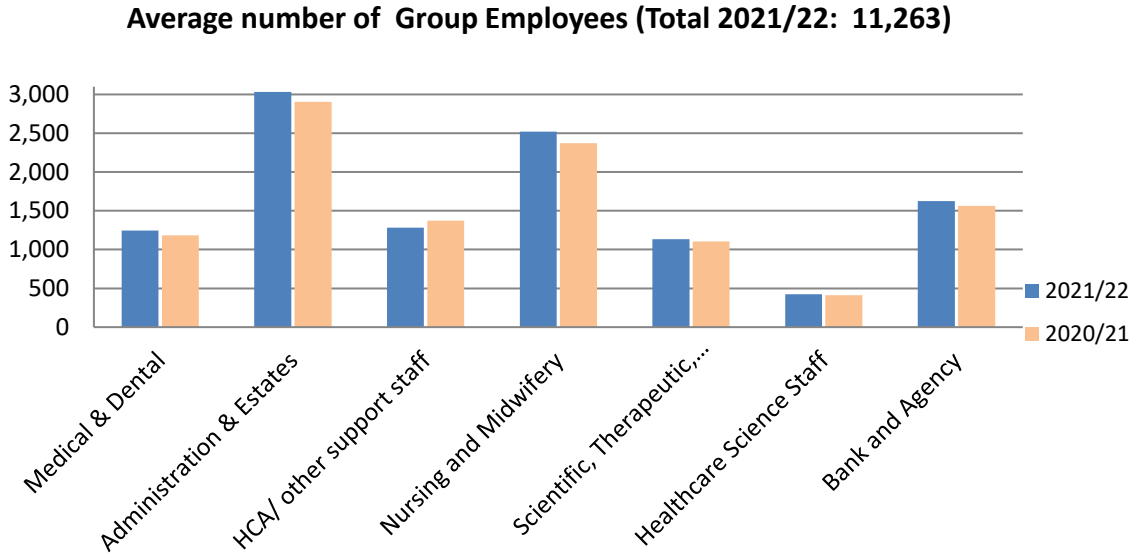
Total Group costs increased by 6.9% (£55.7m) compared to the previous year (2020/21: 7.2% (£57.4m)). The chart shows what the money has been spent on.

A total of 65.05% (2020/21: 60.49%) of the Group's expenditure is for employees' salaries (including directors' costs) and payment of temporary staff. Details of directors' salaries and pensions can be found on page xx of this report. Total pay costs increased by 6.29% (£33.1m) (2020/21: 5.82% (£28.3m)) with a greater number of permanent and temporary staff than last year.

Clinical supplies and medicines together account for 53.7% (2020/21: 55.4%) of non-pay costs.

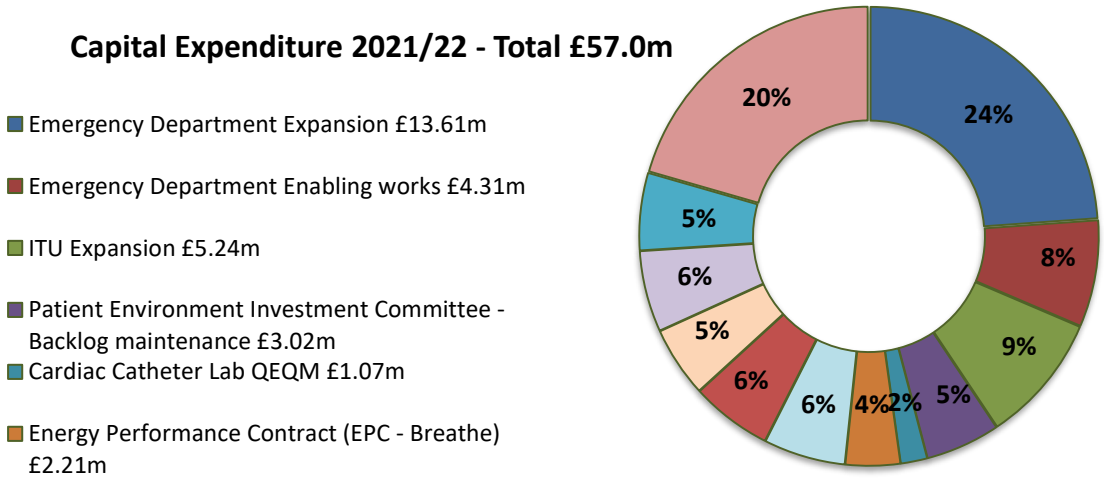
Table 3: Group Operating Expenses Analysis





Capital expenditure

Table 4: Group Capital Expenditure Analysis

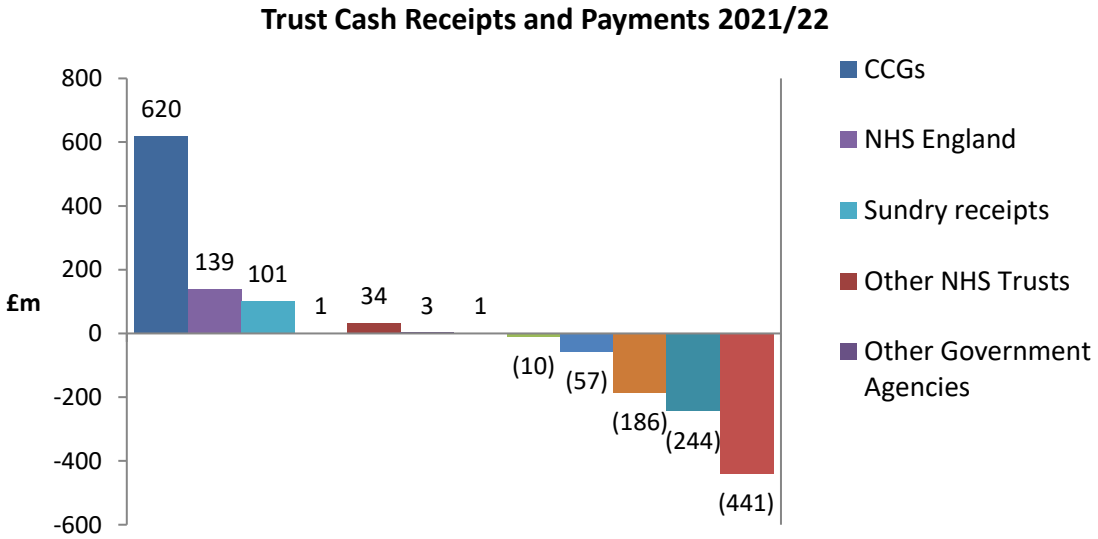


Cash

The Group retained £48.8m as at 31 March 2022, this was a reduction of £30m due to the payment of capital creditors in year which were held as unpaid at the end of last year.

The Trust has accounts with the Government Banking Service, and a high street bank. In addition, bank accounts are held by both subsidiaries 2gether Support Solution and Spencer Private Hospitals Ltd.

Table 5: Trust Cash Receipts and Payments analysis



Paying Suppliers

In accordance with the Better Payment Practice Code, the Trust aims to pay undisputed trade invoices within 30 days of receipt of goods or a valid invoice; unless other agreed payment terms are in force. In 2021/22, interest charges totalling £3,000 (2020/21 £2,000) were levied by suppliers under the Late Payment of Commercial Debts (Interest) Act 1998. The Trust paid over 92% of its invoices to non-NHS organisations on time and 76% of NHS invoices on time.

Table 6: Payments Analysis

	2021/22 Number	2021/22 £000	2020/21 Number	2020/21 £000
Non-NHS				
Total bills paid in the year	68,581	590,712	62,848	512,018
Total bills paid within target	63,327	528,907	57,507	460,726
Percentage of bills paid within target	**92.3%**	**89.5%**	**91.5%**	**90.0%**
NHS				
Total bills paid in the year	2,706	12,073	2,926	43,202
Total bills paid within target	2,068	9,282	2,135	37,087
Percentage of bills paid within target	**76.4%**	**76.9%**	**73.0%**	**85.8%**

Environment and Sustainability

The Trust is committed to the NHS target goal of achieving 80% carbon emissions reductions between 2028 and 2032 of base year levels and reaching net zero by 2050. Our efforts also support the UK's commitment to reduce its greenhouse gas emissions by 100% of 1990 levels to achieve net zero under the Climate Change Act (2008). So that we can meet our targets and achieve our goals, we continue to work with internal and external parties to drive our green agenda to reduce our carbon footprint.

In the last fiscal year, we started to collect and convert to **kg $Co2_e$** the total monthly consumption of the Trust's gas, electricity and water usage as well as monthly waste totals. These monthly emissions are also shared with Trust executives on a monthly basis so executives to have sight of the carbon emissions footprint and can see clearly whether investments in low carbon energy projects are reflected in our core figures.

These low carbon energy projects managed through our Capital Projects Energy Performance Contract (EPC) include works such as Solar PV Systems, Combined Heat and Power (CHP) Plants, Building Management Systems upgrades, insulation and cladding, a 100% LED lighting fittings and control retrofits at the 3 main acute sites, and improved energy enhancing windows. Now with over 90% of the works agreed having been completed at the approved sites, the Trust is for the first time, in addition to green electricity

usage, also using self-generating energy from solar power in its service delivery.

The Solar PV System is expected to generate an average of 3.4 Megawatts of energy to our distribution capacity every year and as result anticipate an emissions savings of 1,429 **$tCo2_e$** from our baseline figures of energy emissions footprint. These savings will also be in addition to other reductions we expect to make from the use of green electricity when we finalise our net emissions savings.

Trust and 2gether Support Solutions colleagues installed 4 EV charging points at one of our acute sites to reduce our travel and transport emissions footprint. We have built a travel emissions data baseline and have started collating all our commercial travel monthly mileage emissions to track and identify opportunities to reduce our footprint. A submission for a short and long-term proposal for EV charging points infrastructure across our sites has been developed and is expected to be approved soon as part of our Green Travel Plan.

Finally, a draft Green Plan for the Trust's sustainability development strategy is also currently under review and once approved will satisfy the requirement for a board approved Green Plan and give focus to the Trust's strategic vision of green transformation.

Current Works and Plans

In addition to the Joint Carbon Reduction Steering Group (JCRSG) which was set up to steer the strategic implementation of the green agenda, a task and finish data group is being rolled out to study, support and analyse all the data collected to inform our environment and sustainability strategy. The collected data will be analysed by the group each month for indicative trends on progression or regression on our green agenda and help identify opportunities for improvement.

In continuing our green energy transformation, we have committed to continuing the use of zero-carbon electricity supply and plan for our next set of commercial vehicle leases to include Electric Vehicles (EV). The Transport Department also have plans to ensure that EVs make up at least 10% of the logistics fleet by end of the fiscal year 2023 in line with our green travel plan transformation agenda.

The Trust has included a Net Zero Carbon (NZC) and sustainability appraisal requirement for new projects in its Design and Construction Strategy Option 1 and Option 2 Clinical Strategy Programme ensuring that new projects are energy efficient and contribute to the overall built environment carbon reduction approach. We also have plans to secure government grants (PSDS 4) to help fund lower carbon emission projects that will go towards supporting the transformation to a low carbon Trust.

Next Focused Areas for JCRSG and the T&F Data Group (Plans)

The below focused areas have been chosen from a list of focused areas in the draft Green Plan as the next areas in our planned strategy to focus and deliver on in the next fiscal year.

- Green Space and Biodiversity
- Climate Change Adaptation
- Sustainable Procurement

These focused areas have been chosen because of the environmental value it would add to our net emissions at the end of the next fiscal year when calculated into our Environment and Sustainability Report. And also focusing on these areas will bring the Trust into compliance with required reports and actions on the NHS Sustainability Guidance Document.

Overall, the objectives set for the Environmental and Sustainability agenda for fiscal year 2021/22 which focused heavily on the Trust's Built Environment utilities consumption and its related cost and emissions footprint have been 90% delivered. Given the current trajectory, we are confident that this will be reflective in our final fiscal year emissions account which will be released in July.

● ACCOUNTABILITY REPORT

Directors' report

Our Board comprises the Chair, seven Non-Executive Directors, one Associate Non-Executive Director, seven Executive Directors and three non-voting Executive Directors.

Our Board of Directors has overall responsibility for the operational and financial management of our Trust. The Board operates in line with its standing financial instructions, standing orders, scheme of delegation, and terms of its provider licence as issued by its regulator, NHS Improvement.

The annual accounts have been audited by Grant Thornton UK LLP. The Directors confirm that:

- As far as they are aware there is no relevant audit information of which Grant Thornton is unaware.
- They have taken all steps they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that Grant Thornton are aware of this information.
- The Trust can confirm there have been no regulatory investigations undertaken at the Trust this year.

During 2020/21, the Trust welcomed the Independent Investigation into East Kent Maternity Services (IIEKMS), and assisted and supported the panel and investigation support team throughout 2021/22. The outcome of the investigation is due to be published during 2022/23. Further information and the improvements being made to our Maternity Services can be found here.

Whilst the day to day operational management is the responsibility of the Chief Executive and Executive Directors, the Board of Directors has collective responsibility for all aspects of performance.

Key responsibilities include:

- To provide effective and proactive leadership of the Trust;
- Setting our strategic direction, incorporating continuous improvement and innovation;
- The design and implementation of agreed priorities and objectives;
- Ensuring services are safe by monitoring stringent clinical quality, patient safety standards and patient experience;
- Ensuring services are efficient and effective by ensuring processes are in place to monitor delivery of the Trust's Operational Plan;
- Ensuring performance management processes are in place to monitor all local and national targets;
- Managing strategic, corporate, operational, financial and quality risks;
- Continually monitoring the Trust's effectiveness by ensuring a board assurance framework is in place to support sound systems of internal control;

- Ensuring sufficient performance management processes are in place to support delivery of all local and national targets;
- Ensuring the Trust operates in line with its constitution and terms of its Licence.

During the financial year the Board meets at least 10 times with August and January as development sessions with the ability to hold a private meeting alongside. During 2021/22, the Board met formally a total of 12 times.
The composition of the Board of Directors as at 31 March 2022 is below:

Non-Executive Directors as at 31 March 2022:

NAME	DESIGNATION	DATE OF APPOINTMENT	BOARD OF DIRECTOR ATTENDANCE*
Niall Dickson	Chair	05/04/21 First Term	9/12
Sarah Dunnett	Senior Independent Director	01/06/21 First Term	12/12
Chris Holland	Associate Non-Executive Director	13/12/19 First Term	12/12
Nigel Mansley	Non-Executive Director	01/07/17 Second Term	12/12
Jane Ollis	Non-Executive Director (Deputy Chair)	08/05/17 Second Term 01/03/21	11/12
Olu Olasode	Non-Executive Director	01/04/21 First Term	11/12
Raymond Anakwe	Non-Executive Director	01/06/21 First Term	9/10
Luisa Fulci	Non-Executive Director	01/04/21 First Term	12/12
Stewart Baird	Non-Executive Director	01/06/21 First Term	10/10
Other Non-Executive Directors who were members during 2021/22			
Barry Wilding	Senior Independent Director	11/05/15 Second Term	2/2
Sunny Adeusi	Non-Executive Director	01/11/15 Second Term	8/9
Martin Jolly (resigned 31/12/2021)	Non-Executive Director	01/04/21 First Term	8/10

* Possible and actual shown

Executive Directors as at 31 March 2022:

NAME	DESIGNATION	DATE OF APPOINTMENT	BOARD OF DIRECTOR ATTENDANCE*
Voting			
Susan Acott	Chief Executive	01/04/18	12/12
Andrea Ashman	Chief People Officer	01/09/19	12/12
Rebecca Carlton	Chief Operating Officer	16/07/21	10/12
Philip Cave	Chief Finance Officer	09/10/17	11/12
Sarah Shingler	Chief Nursing & Midwifery Officer	07/06/21	8/9
Rebecca Martin	Chief Medical Officer	18/02/20	11/12
Liz Shutler	Deputy Chief Executive/ Chief Strategy Officer	21/01/04	9/12
Non-Voting			
Tina Ivanov	Executive Director of Quality Governance	10/05/21	10/11
Neil Wigglesworth	Executive Director of Infection Prevention and Control	15/03/21	10/12
Natalie Yost	Executive Director of Communications and Engagement	31/05/16	11/12
Other Executive Directors who were members during 2021/22			
Siobhan Jordan (resigned 04/06/2021)	Interim Chief Nurse	01/12/20	3/3

* Possible and actual shown/where an Executive Director is unable to attend they are requested to send a representative on their behalf

Board biographies

Niall Dickson CBE, Chairman

Niall joined the Trust in April 2021. Niall was the Chief Executive of the NHS Confederation until October 2020, and was previously Chief Executive and Registrar of the General Medical Council and Chief Executive of the health think tank, The King's Fund.

A Scot educated at Edinburgh University, Niall worked for Age Concern England and then moved into journalism. He was editor of Nursing Times in the 1980s and later became a familiar face and voice on BBC television and radio news, where he worked for 16 years culminating as Social Affairs Editor.

He has held international roles, serving as Chair of the International Association of Medical Regulatory Authorities and on the governing council of the International Hospitals Federation. He is an honorary Fellow of the Royal College of Physicians and the Royal College of General Practitioners and the Queens Nursing Institute. He was awarded a CBE in the birthday honours for services to patient safety.

Niall is the Chairman of the Leeds Castle Foundation, the charity responsible for the castle and its estate, Kent's major visitor attraction.

Jane Ollis, Non-Executive Director (Deputy Chair)

Jane joined the Trust in May 2017. Jane has 25 years of diverse business experience from interning at NASA to sitting on and advising boards of global companies, charities and government bodies. She is a medical biochemist and environmental scientist by training with a particular interest in how science and technology can shape tomorrow's world. She is also an alumni of Sydney's prestigious social leadership programme, a former Non-Executive Director of the Wentworth Area Health Service (Sydney) and a business fellow of Oxford University.

Other activities include Vice President of the British Red Cross in Kent, Non-Executive Director of the Kent Surrey Sussex Academic Health Science Network, Founder of MindSpire, Non-Executive Director of 2gether Support Solutions, Non-Executive Director of Community Energy South and Non-Executive Director of Riding Sunbeams.

Sarah Dunnett, Senior Independent Director

Sarah was appointed substantively in June 2021, after joining the Trust on 1 January 2021 as Interim Non-Executive Director.

Sarah's professional background in senior management oil industry. Sarah was a Non-Executive Director and Vice Chair of Maidstone and Tunbridge Wells NHS Trust.

Luisa Fulci, Non-Executive Director

Luisa joined the Trust in April 2021. She has 20 years' corporate commercial experience with significant revenue targets and budget responsibilities. Throughout a diverse career spanning strategy consulting, telecom start-ups, and at Royal Mail as Commercial Director, Luisa has improved quality of service for customers by delivering improvement initiatives that focus on customer needs. Prior to joining East Kent Hospitals, Luisa was a Non-Executive Director at Camden and Islington NHS Trust, where she focused on digital transformation, and a Non-Executive Director at CILEx Regulation, the independent regulator of CILEx lawyers. At CILEX Regulation, Luisa focused on the development of a more diverse legal profession.

Stewart Baird, Non-Executive Director

Stewart joined the Trust substantively in June 2021. He has over 30 years commercial experience working in the private sector, holding senior roles in a variety of high profile organisations, including Eurostar and Virgin. He is currently the Chief Executive of a private equity investment business and sits as a Non-Executive Director on a number of Boards. Stewart is also a Non-Executive Director in-common of Spencer Private Hospitals and a Trustee of Kent Search & Rescue.

Olu Olasode PhD APSA FCCA, Non-Executive Director

Olu joined the Trust in April 2021. He is a Chartered Accountant, Turnaround Economist and Transformational Leadership Consultant. He has acted as a catalyst for effective governance, leadership, corporate strategy, and financial resilience for over 30 years. With substantive experience in culture transformation, turnaround and change management, Dr Olasode has delivered on major projects and programmes across the private sector, public sector and in Government.

In addition to his role as Chief Executive Officer of TL First Consulting Group, Olu provides strategic support to Boards of companies and public organisations.

Over the last decade, he was Special Adviser to a former Health Secretary, Commissioner, Chairman of Audit & Governance, Non-Executive Director, and Improvement Adviser with a number of Health, Social Care, and Local Government Organisations, including; the Care Quality Commission (CQC), Commission for Social Care Inspections (CSCI), Audit Commission, Prime Minister's Office for Third Sector's Capacity-builders; Skills Third Sector, Local Government Beacons Panel, Horizon-SLFHA Housing Group, and NHS Bromley.

In addition to his role as Non-Executive Director with the Trust, Olu chairs the Integrated Audit and Governance Committee and serves as Independent Chair of Audit & Governance with the London Borough of Croydon Council.

Raymond Anakwe, Non-Executive Director

Raymond joined the Trust in June 2021. He is a Consultant Trauma and Orthopaedic Surgeon and the Medical Director at Imperial College Healthcare NHS Trust. He was a British Army medical officer in the Royal Army Medical Corps and served at home and on operations as the Regimental Medical Officer to 1st Battalion The Black Watch and as a surgeon in a deployed field hospital in Europe, North America, the Balkans, Iraq and Afghanistan. He undertook basic and higher surgical training in South East Scotland based around Edinburgh, Fife and the Borders. Raymond's higher surgical training has been in Trauma and Orthopaedic Surgery.

Professor Chris Holland, Associate Non-Executive Director

Chris joined the Trust in December 2019. Chris has had an extensive career in medicine and medical education, working with the national education bodies, the General Medical Council (GMC) and Local Enterprise Partnerships. He was awarded his Bachelor of Medicine, Bachelor of Surgery from Queen's University Belfast in 1997 and went on to gain a Master's Degree in Medical Education from the University of Warwick. Chris is a Fellow of the Royal College of Anaesthetists, the Faculty of Intensive Care, and the Academy of Medical Educators.

Chris is the Founding Dean of Kent and Medway Medical School and a Consultant in Critical Care at Maidstone and Tunbridge Wells NHS Trust. He is an Associate with the GMC and a GMC Performance Assessor.

Nigel Mansley, Non-Executive Director

Nigel is an accountant by profession and joined the Trust in July 2017. He has been a self-employed management consultant, specialising in corporate finance and change management. His experience as a management consultant is enhanced by his senior board-level executive experience gained with major UK businesses such as BUPA and Road Chef PLC where he was Head of Finance and Group Finance Director respectively.

Nigel is a Fellow of the Institute of Chartered Accountants in England & Wales. He also brings experience from performance improvement consultancy work within NHS England over a number of years. He was a Non-Executive Director of the South Eastern HSC Trust from 1 April 2007 until 31 December 2016.

Prior to that, he was a Non-Executive Director of the Sperrin Lakeland HSC Trust. Other activities include a small portfolio of investment properties in the East Midlands. Former Chair of Diocesan Board of Finance (Diocese of Canterbury).

Susan Acott, Chief Executive (until 31 March 2022)

Susan was appointed to the Trust as CEO on 1 April 2018 and she left the Trust on 31 March 2022 following her resignation in September 2021.

Susan was previously CEO at Dartford and Gravesham NHS Trust for 8 years. Susan started her career from the NHS's General Management Training Scheme, having graduated from Birmingham University. She has long standing experience in the NHS and has worked in a variety of posts in Manchester, Merseyside, York and London. Her Board level experience includes Operational, Strategic, Performance and Transformation portfolios.

Tracey Fletcher, Chief Executive (from 4 April 2022)

Tracey joined the Trust on 4 April 2022 as Chief Executive from Homerton University Hospital NHS Foundation Trust where she had been the Chief Executive since 2013, having previously been that Trust's Chief Operating Officer in 2010.

Andrea Ashman, Chief People Officer

Andrea joined the Trust on 10 July 2017 as the Deputy Director of Human Resources and has been the Trust's Chief People Officer since 1 September 2019.
Andrea has over 30 years professional experience within the public sector working across Police, Education and the NHS, the last 10 years at board level. Andrea is a Fellow of the Chartered Institute of Personnel and Development, has a BA(Hons) from Roehampton University, and MSC from Canterbury Christchurch University. She was a Trustee of Medway Youth Trust, a charity for young people to improve their life chances and now maintains an interest in supporting young people and their education.
Andrea has a keen interest in music and performing arts, particularly those which support the development of young people. She is the conductor of her church choir and works with local community projects.

Philip Cave, Chief Finance Officer

Phil joined the Trust in October 2017. Phil has over 20 years' experience in the NHS having worked the majority of his career in the Acute setting. Prior to joining the Trust, he was Executive Director of Finance/Deputy Chief Executive at Kent and Medway NHS and Social Care Partnership Trust and before that Executive Director of Finance at Cambridgeshire and Peterborough NHS Foundation Trust.

Phil is a Fellow of the Chartered Institute of Management Accountants and has a Biological Sciences Degree from the University of Sheffield. Other activities include Governor of Hythe Bay School, Hythe, Kent.

Rebecca Carlton, Chief Operating Officer

Rebecca joined the Trust from the Royal United Hospitals Bath where she was Chief Operating Officer, as Deputy Chief Operating Officer in August 2020. She took up the role of Acting Chief Operating Officer on 1 November 2020 and was appointed to the role substantively on 16 July 2021.

Rebecca is responsible for the day to day operations of East Kent Hospitals University NHS Foundation Trust. She chairs the Resilience Committee. Rebecca has worked at a senior level in both England and Wales as well as senior roles in London. She has a Masters from the London School of Economics (LSE) in health policy, finance and planning.

Dr Rebecca Martin, Chief Medical Officer

Rebecca was appointed Chief Medical Officer in February 2020, from Mid Essex Hospitals where she was the Deputy Medical Director and Responsible Officer. Rebecca graduated from the University of Nottingham and completed her specialist training at the Nottingham and East Midlands School of Anaesthesia.
Rebecca was Consultant in Burns Anaesthesia and Intensive Care at Mid Essex Hospitals, Chelmsford in 2003.

She was the Clinical Lead for Burns ITU and a member of the Executive Committee of the British Burn Association, the National Organiser and Course Director for the 'Emergency Management of Severe Burns' course and a member of the Clinical Reference Group for Burns.

During this time she supported revision of National Burn Care Standards and was a panel member for the Confidential Enquiry into Major Burns in Children. She was appointed and served for six years as Royal College of Anaesthetists Tutor.

Sarah Shingler, Chief Nursing and Midwifery Officer (CNMO)

Sarah joined the Trust in June 2021. Sarah has a long career history in the NHS working as a senior clinical leader. Sarah has worked in a variety of director level leadership roles in the NHS and social care, with expertise spanning nursing and quality, operations, transformation and system change in acute and community settings. She is the Executive lead for Maternity – Board Maternity Safety Champion.

Liz Shutler, Chief Strategy Officer and Deputy Chief Executive

Liz joined the Trust in January 2004 to lead strategic development and service re-configuration. Her role encompassed IT strategy and service development in 2007, and in 2009 encompassed Estates and Facilities management. Liz's previous Board level positions as a commissioner of acute, community, primary care and mental health services.

She has a BSc (Hons) in Economics (Management Studies and Social Policy) University of Wales College Cardiff, and HND Public Administration - Southampton Institute of Higher Education.

Dr Neil Wigglesworth, Executive Director of Infection Prevention and Control (DIPC)

Neil joined the Trust as DIPC in March 2021 and is a non-voting member of the Board. Neil is a registered Nurse with a PhD in Microbiology. He is Member of the Antimicrobial Resistance, Prescribing and Healthcare Associated Infection (ARPHAI) Advisory Committee to the Department of Health and Social Care (England) and former President of the UK Infection Prevention Society. He is the Chair of the International Federation of Infection Control

Dr Tina Ivanov, Executive Director of Quality Governance

Tina joined the Trust in May 2021 and is a non-voting member of the Board. Tina is a registered Paramedic. She is originally from Australia, having moved to the UK in 2015. She is passionate about patient safety and the role of system design and human factors in healthcare.

Natalie Yost, Executive Director of Communications and Engagement

Natalie joined the Trust on 31 May 2016 and is a non-voting member of the Board. Natalie spent 20 years in newspaper journalism and local government communications and public affairs before joining the NHS in Kent and Medway in 2010, as a Director in Communications and Engagement, in roles including NHS commissioning and Community Health. Natalie qualified with the National Council for the Training of Journalists and the Chartered Management Institute.

Chair and Non-Executive Director terms of office

Our Chair and Non-Executive Directors are appointed by our Council of Governors and are appointed for three-year terms. Non-Executive Directors can be considered for re-appointment for a further three-year term and, in exceptional circumstances, can serve longer than six years but this would be subject to annual appointments up to nine years in total.

The Trust's Constitution outlines the process should individuals become ineligible to hold the position. Terms of office may be ended by resolution of the Council of Governors following the provisions and procedures laid out in the Constitution.

All of the Non-Executive Directors are considered to be independent in accordance with the NHS Foundation Trust Code of Governance and bring a wide range of financial, commercial and business knowledge to the Trust.

Statement about the balance, completeness and appropriateness of the Board of Directors

Arrangements are in place to annually review the Board's balance, completeness and appropriateness to the key priorities and requirements of the NHS Foundation Trust. Both Executive Directors and Non-Executive Directors are subject to annual performance reviews. The Board is therefore satisfied as to its balance, completeness and appropriateness.

Evaluation of performance

Annual performance evaluations and appraisals are conducted for all of our Executive and Non-Executive Directors. The Chair is responsible for leading the evaluation of Non-Executive Directors. The Senior Independent Director leads the annual evaluation of our Chairman. A framework is in place, agreed by the Council of Governors, and outcomes are shared with the Council of Governors.

Executive Directors are appraised by the Chief Executive and the Chief Executive is appraised by the Chair. Outcomes are provided to Non-Executive Directors at a meeting of the Board's Nominations and Remuneration Committee.

The Board is required to undertake an annual review of the structure, size, skills and composition of the Board of Directors and make changes where appropriate. The Trust undertook a facilitated skills assessment review, the outputs were reported to the Nominations and Remuneration Committee. The recommendations from this review supported Non-Executive Director recruitment with the specialist knowledge identified.

A review of our Board Committees terms of reference is undertaken on an annual basis following the review of the effectiveness of each Board Committee.

Director interests

All members of the Board of Directors are required to declare other company directorships and significant interests in organisations which may conflict with their Board responsibilities. A register of Directors' interests is available on the Trust's website.

Ethics, fraud, bribery and corruption

The Board of Directors maintains and promotes ethical business conduct, as described in the 'Nolan' principles (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and set out in the NHS

Codes of Conduct for board members, managers and staff, the documented governance arrangements and the Staff Handbook.

The anti-fraud, bribery and corruption policy is up to date and is available to all staff on its Policy Centre, this is reinforced with a range of communications to staff. Preventative work and rigorous investigation of any suspicions is carried out in accordance with the "Self Review Tool" best practice standards by the local counter fraud specialist. There is regular liaison with the NHS Counter Fraud Authority. Disciplinary and/or legal action is taken where appropriate with recovery of proven losses wherever possible.

NHS England/NHS Improvement (NHSE/I) Governance Review

The Trust welcomed findings and recommendations for implementation following a governance review undertaken by NHSE/I in August 2020. The recommendations were presented by the NHSE/I Intensive Support for Challenged Systems (ISCS) team to the Trust Board in December 2020 with a further update in February 2021. The review looked at the Trust's Committee structures and processes of reporting from wards/services within Care Groups through to the Board. Other areas considered in the review included:

- Executive portfolios;
- Governance process;
- Governance structures (including meetings, groups and their attendance and functions / effectiveness);
- Line of sight from ward to Board as well as linkages across the organisation and how effective and sustained these are;
- Engagement – staff; patient and stakeholder engagement; and
- Whether risks and issues are identified, escalated, tracked and managed effectively by the Trust Executive in order that there are appropriate linkages to the Board Assurance Framework.

During 2021/22, the Governance and Improvement Group (GIG) was established to oversee the delivery of the action plan. Of the 50 actions identified through the governance review 46 were completed with the remaining 4 due for completion during Quarter 1 2022/23. Some of the work that have been delivered include:

- Revised Executive Portfolios to improve effective span of control;
- Appointment a Director of Quality Governance;
- Revised responsibilities for quality, safety and risk;
- Devised a monthly management system to be underpinned by an effective and timely IPR/dashboard;
- Simplification of complex governance flows;
- Revised Quality & Safety Committee Terms of Reference including expanded membership to include Care Groups (CGs), Site Leadership Teams, 2gether Support Solutions (2gether);
- Formalised the Executive Performance Review (EPR) (Performance Review Meeting (PRM)) agenda;
- Improved visibility of the activities relating to culture and behaviours;

- Revised the patient experience and engagement strategy to deliver greater involvement;
- New arrangements for system oversight and improvement established (July 2021);
- Board Assurance Framework (BAF) integration and strategic grouping; and
- Risk pathway simplification.

Recovery Support Programme (RSP)

During 2021/22, the Trust entered the NHS England and NHS Improvement (NHSE/I) new Recovery Support Programme (RSP). The RSP replaced the previous financial special measures programme that the Trust was under. The RSP is agreed with NHSEI regional teams and delivered through the nationally co-ordinated RSP, managed by the Intensive Support for Challenged Systems (ISCS) team. This level of support means automatic entry to segment 4 of the NHS System Oversight Framework (SOF).

An RSP Improvement Plan has been agreed with NHSE/I that sets out and defines accountability for key actions needed to demonstrate sustained improvements against the RSP exit criteria. The RSP workstreams are as follows:

- Leadership & Governance;
- Operational Performance;
- Quality – Governance;
- Quality – Safeguarding;
- Finance;
- Maternity; and
- Workforce.

Each of the workstreams is assigned an Executive Lead from the Trust and are supported by the NHSE/I Improvement Director. The Trust Director of Finance and Performance is acting as the Senior Responsible Officer (SRO) for the oversight of both the Governance Improvement actions and the RSP actions. Dedicated Project Management support has been allocated.

Remuneration report

The purpose of the Nominations and Remuneration Committee is to decide on the appropriate remuneration, allowances and terms and conditions of service for the chief executive and other executive directors.

Annual Statement on Remuneration from the Trust's Nominations and Remuneration Committee

As chairman of the Nominations and Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the financial year 2021/22

The Chief People Officer provides advice and guidance, and withdraws from the meeting when discussions about her performance, remuneration and terms of service are held.

The Committee reviewed the Executives/Very Senior Managers pay policy following the release of the national pay award recommendation. This was part of the committee's work to ensure that the pay policies reflect best practice, and to assist with setting of salaries for new and existing executive directors and very senior managers.

Details of all director and executive director salaries can be found on page 44 of the report.

Jane Ollis
Nominations and Remuneration Committee Chair
24 June 2022

The Nominations and Remuneration Committee agrees the remuneration and terms of service of executive directors. The committee is responsible for the annual review of the pay policy for executive directors and has regard for the pay range within this policy and national pay agreements when making decisions on pay for directors.

Pay and performance of executive directors is monitored by the Nominations and Remuneration Committee with reference to both individual performance and that of the wider organisation.

Executive directors are paid a base salary. There is no performance related bonus available to the executive directors, except for an earn-back arrangement for those earning in excess of £150,000 where base salary is affected where there is either poor or exceptional performance. This is in accordance with NHS Improvement guidance on Very Senior Manager pay.

Increase in salary for example to due to an award for increase in the cost of living is subject to evidence of effective performance throughout the year.

Annual objectives for individuals are set in conjunction with overarching board priorities with personal performance appraised against each of these.

Trust very senior managers
Our very senior managers are appointed to Trust contracts in line with the Very Senior Managers or Executive Directors pay policies. These are reviewed annually by the Nominations and Remuneration Committee. It is important that our remuneration packages are designed to: -

- Recruit, retain and motivate high calibre staff
- Ensure that performance is recognised in the Trust's overall senior management pay policy

Independent advice and policy guidance was obtained from Korn Ferry Associates (formerly Hay group) in 2018 to guide the remuneration committee in setting the policy for VSM for the next three years. The advice took account of the following:

- Job evaluation to ensure that pay is accurately benchmarked against roles of a similar size
- Market identification and positioning for roles
- Factors the Trust may need to consider when setting the actual pay for individual directors within a given salary range

These arrangements cover the roles of the Executive Directors and other senior roles that have been employed under the framework at the discretion of the Chief Executive and Chief People Officer.

Current Policy Table – Executive Directors
The table below sets out the current elements of the total remuneration package for the Executive Directors which are comprised in the Pay Policy for Executive Directors.

How the components support the strategic objectives of the Company	How the component operates (including provision for recovery or withholding of any payment)	Maximum potential value of the component	Description of framework used to assess performance
Base Salary			
Set at a competitive level to attract and retain high calibre candidates to meet the Trust's strategic objectives and national performance standards taking into account the competitive market, and the complexity and challenges of the organisation. Base salary reflects the scope and responsibility of the role as well as the skills and ability of the individual. Takes into account NHS Improvement guidance and pay ranges.	Salaries are reviewed annually and any changes are effective 1st April each year.	Salary is determined on a market-related total pay policy, reviewed annually and uplifted where appropriate taking into account the following factors: • On-going level of performance • Capability • Experience in role (whether gained internally or externally) • The availability of appropriate talent • Challenge and complexity of the job in its particular context • Individual track record • Importance to the Trust • Marketability • Previous salary history • Affordability • NHS Improvement pay ranges There is no overall maximum.	None, although individual and Trust performance are key factors considered when reviewing salaries.

Earn - back arrangement			
Incentivise the achievement of key performance objectives aligned to the Trust's strategic objectives. Applies to new appointments where salaries are at or above £150,000 per annum	Earn back arrangement will be reviewed annually with any changes effective 1st April.	Maximum 10% of salary	None, although individual and Trust performance are factors considered when reviewing salaries.

Current Policy Table – Very Senior Managers
The table below sets out the current elements of the total remuneration package for the Executive Directors which are comprised in the Pay Policy for Very Senior Managers.

How the components support the strategic objectives of the Company	How the component operates (including provision for recovery or withholding of any payment)	Maximum potential value of the component	Description of framework used to assess performance
Base Salary			
Set at a competitive level to attract and retain high calibre candidates to meet the Trust's strategic objectives and national performance standards taking into account the competitive market, and the complexity and challenges of the organisation. Base salary reflects the scope and responsibility of the role as well as the skills and ability of the individual. Takes into account NHS Improvement guidance and pay ranges.	Salaries are reviewed annually and any changes are effective 1st April each year.	Salary is determined on a market-related total pay policy, reviewed annually and uplifted where appropriate taking into account the following factors: • On-going level of performance • Capability • Experience in role (whether gained internally or externally) • The availability of appropriate talent • Challenge and complexity of the job in its particular context • Individual track record • Importance to the Trust • Marketability • Previous salary history • Affordability There is no overall maximum.	This includes organisational and individual performance. Hard targets and behavioural competencies are set by the Board and aligned to the Trust's strategic objectives.

Annual Bonus			
Non-consolidated and non-pensionable payment that provides the Trust with the ability to make an additional payment for those individuals who are at the top of the pay range based on achievement or organisational and individual performance objectives	Salaries are reviewed annually and any changes are effective 1st April each year.	£6,000	None, although individual and Trust performance are factors considered when reviewing salaries.

The Trust has executive directors that are paid more than £150,000 per annum. The Nominations and Remuneration Committee has satisfied itself that this was appropriate taking the following into consideration:

- Independent remuneration advice;
- Remuneration advice from the executive search and selection consultancy appointed to assist the Trust with the process;
- The current market for experienced executive directors;
- The complexity, size and location of the Trust;
- Challenges the Trust faces with being in special measures and in breach of its licence;
- NHS Improvement established pay ranges;
- Approvals process as defined by NHS Improvement.

Non-Executive Directors

Fee payable to non-executive directors	Additional fees payable for additional duties
Appointed prior to November 2019. £12,000 (Basic fee) for NEDs **Appointed or re-appointed from November 2019** £13,000 (Basic fee) for NEDs	**Appointed prior to November 2019** Committee chairs (with the exception of integrated audit and governance committee) = additional £2,500 Chair of integrated audit and governance committee = additional £4,000 Senior independent director (SID) = additional £1,000 **Appointed or re-appointed from November 2019** Supplementary payments of £2000 in recognition of designated extra responsibilities chairing a Board Committee and the SID

Service contracts obligations

All executive directors and very senior managers have a substantive contract of employment with a three or six month notice provision in respect of termination. This does not affect the right of the Trust to terminate the contract

without notice by reason of the conduct of the executive director or very senior manager.

The pay policy for executive directors or very senior managers does not provide the Trust with discretion to compensate them for loss of office due to conduct or performance.

Policy on payment for loss of office
In relation to loss of office other than conduct and performance, senior managers would be compensated in line with provisions provided for all other NHS staff as detailed in national terms and conditions. The Trust policy provides no discretion for payment of loss of office.

Statement of consideration of employment conditions elsewhere in the Foundation Trust

The Trust's pay policy for senior managers was originally developed with specialist support and advice from the Hay Group in 2011. The terms reflect Agenda for Change terms and conditions other than pay (including enhancements) and remain unchanged.

The pay range was broadly based on Agenda for Change Band 8d to Band 9 and has been reviewed annually by the Remuneration Committee since inception.

Trust employees were not consulted when the pay policy was developed as it was implemented for new staff only at appointment. Hay undertook broad comparisons across the public sector when the Trust identified roles that would fall within the policy and these are all roles that report directly to an executive.

Senior Managers' Salaries, Expenses and Pension For the year ended 31st March 2022 (Comparatives for the year ending 31st March 2021 are shown in brackets below) (Subject to Audit)							
Name	Position	Salary and fees (in bands of £5,000)	Taxable expenses and other benefits (total to the nearest £100)	Annual performance related bonuses (in bands of £5,000)	Long term performance related bonuses (in bands of £5,000)	Pension related benefits (in bands of £2,500) Note 2	TOTAL (bands of £5,000)
		£'000	£'00	£'000	£'000	£'000	£'000
Niall Dickson (Appointed 05/04/2021)	**Chair**	50-55 (N/A)	0 (N/A)	0 (N/A)	0 (N/A)	N/A (N/A)	50-55 (N/A)
Susan Acott (Resigned 31/03/2022)	**Chief Executive**	235-240 (220-225)	0 (0)	0 (0)	0 (0)	0 (0)	235-240 (220-225)
Elizabeth Shutler	**Dir. Strategic Development**	155-160 (150-155)	0 (0)	0 (0)	0 (0)	52.5-55 (40-42.5)	205-210 (190-195)
Philip Cave	**Director of Finance**	155-160 (155-160)	0 (0)	15-20 (0)	0 (0)	45-47.5 (15-17.5)	215-220 (170-175)
Andrea Ashman	**HR Director**	135-140 (125-130)	0 (0)	0 (0)	0 (0)	32.5-35 (30-32.5)	170-175 (155-160)
Rebecca Martin	**Chief Medical Officer**	185-190 (180-185)	0 (0)	0 (0)	0 (0)	65-67.5 (325-327.5)	250-255 (505-510)
Rebecca Carlton	**COO**	130-135 (50-55)	0 (0)	0 (0)	0 (0)	90-92.5 (40-42.5)	225-230 (90-95)
Siobhan Jordan (Resigned 04/06/2021)	**Chief Nurse**	65-70 (95-100)	0 (0)	0 (0)	0 (0)	0 (0)	65-70 (95-100)
Sarah Shingler (Appointed 07/06/2021)	**Chief Nurse**	110-115 (N/A)	0 (N/A)	0 (N/A)	0 (N/A)	0 (N/A)	110-115 (N/A)
Jane Ollis	**NED**	20-25 (15-20)	4 (0)	0 (0)	0 (0)	N/A (N/A)	20-25 (15-20)
Nigel Mansley	**NED**	10-15 (10-15)	0 (0)	0 (0)	0 (0)	N/A (N/A)	10-15 (10-15)
Barry Wilding (Resigned 10/05/2021)	**NED**	0-5 (15-20)	0 (0)	0 (0)	0 (0)	N/A (N/A)	0-5 (15-20)
Sunny Adeusi (Resigned 31/10/2021)	**NED**	5-10 (10-15)	0 (0)	0 (0)	0 (0)	N/A (N/A)	5-10 (10-15)
Sarah Dunnett	**NED**	10-15 (0-5)	0 (0)	0 (0)	0 (0)	N/A (N/A)	10-15 (0-5)
Raymond Anakwe (Appointed 01/06/2021)	**NED**	10-15 (N/A)	0 (N/A)	0 (N/A)	0 (N/A)	N/A (N/A)	10-15 (N/A)
Stewart Baird (Appointed 01/06/2021)	**NED**	10-15 (N/A)	0 (N/A)	0 (N/A)	0 (N/A)	N/A (N/A)	10-15 (N/A)
Louisa Fulci (Appointed 01/04/2021)	**NED**	10-15 (N/A)	0 (N/A)	0 (N/A)	0 (N/A)	N/A (N/A)	10-15 (N/A)

Martin Jolly (Appointed 01/04/2021, Resigned 31/12/2021)	**NED**	5-10 (N/A)	0 (N/A)	0 (N/A)	0 (N/A)	N/A (N/A)	5-10 (N/A)
Olu Olasode (Appointed 01/04/2021)	**NED**	10-15 (N/A)	0 (N/A)	0 (N/A)	0 (N/A)	N/A (N/A)	10-15 (N/A)

Note:

1. Where the senior managers were not in post in the comparative year the value has been entered as N/A. Non-Executive directors do not receive pensionable remuneration therefore these are also entered as N/A

2. Pension related benefits is calculated as (20 x annual pension at 31st March 20212 + lump sum at 31st March 2022) - (20 x annual pension at 31st March 2021 + lump sum at 31st March 2021 adjusted for inflation at 1.005%) less employee pension contributions. Where applicable this value is apportioned for time in service.

3. Siobhan Jordan is employed via an agency and not through the Trust's payroll.

Percentage Change in Remuneration

Highest Paid Director (Chief Executive)

- percentage change in salary and allowances – 6.7%
- percentage change in performance pay and bonusses – 0%

All employees

- percentage change in salary and allowances – (0.6%)
- percentage change in performance pay and bonusses – 0%

Senior Managers Expenses						
	2021/22			2020/21		
Directors' mileage claims and other expenses are reported quarterly on the Trust website www.ekhuft.nhs.uk.	**Total directors serving in year**	**Number claiming expenses**	**Total expenses £00**	**Total directors serving in year**	**Number claiming expenses**	**Total expenses £00**
Total number and value	19	10	100	20	9	108
Governors' expenses	2021/22			2020/21		
Total number and value	20	2	8	25	1	0

Hutton Fair Pay Review (Subject to Audit)

Organisations have to calculate the 25th percentile, median and 75th percentile of remuneration of their workforce each year. This is the whole-time annual salary of an employee in the range of salaries paid to all our staff. We then compare this with the highest-paid director in post at 31st March. The results are shown in the table below:

	2021/22	2020/21
Remuneration of highest-paid director (Chief Executive Officer) (bands of £5k)	235-240	220-225
25th percentile of all other staff £	21,777	20,210
Ratio of highest paid director to 25th percentile	10.8 : 1	11.0: 1
Median salary of all other staff £	31,534	30,108
Ratio of highest paid director to median value	7.5 : 1	7.4 : 1
75th percentile of all other staff £	42,121	40,894
Ratio of highest paid director to 75th percentile	5.6 : 1	5.4 : 1
Number of employees receiving remuneration in excess of the highest paid director	10	5
Range of remuneration paid in the financial year £	£8,408 (apprentice) to £464,067	£8,115 (apprentice) to £410,015

2021/2022	25th percentile	median	75th percentile
Salary Component of Pay	21,777	31,534	42,121
Total pay and benefits excluding pension benefits	21,777	31,534	42,121
Pay and benefits excluding pension: pay ratio for highest paid director	10.8 : 1	7.5 : 1	5.6 : 1

Definitions: Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It also includes an average value for agency staff. It does not include severance payments, employer pension contributions and cash equivalent transfer value of pensions.

Pension information is provided each year by the Pensions Division of the NHS Business Services Authority. Accounting policies for pensions are shown in the annual accounts notes 1.3 and 8. (Subject to Audit)

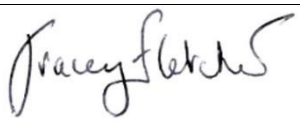
Pension benefits of senior managers	**Real increase in pension at pension age (bands of £2,500)**	**Real increase in pension lump sum at pension age (bands of £2,500)**	**Total accrued pension at pension age (bands of £5,000**	**Lump sum at pension age related to accrued pension (bands of £5,000)**	**Cash equivalent transfer value (CETV)**	**Opening CETV**	**Real increase in CETV**
			at 31 March 2022	at 31 March 2022	at 31 March 2022	at 1 April 2021	
Name	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Susan Acott	N/A – Note 1	N/A – Note 1	N/A – Note 1	N/A – Note 1	N/A – Note 1	N/A – Note 1	N/A – Note 1
Elizabeth Shutler	0 to 2.5	0 to 2.5	60 to 65	135 to 140	1,239	1,155	37
Philip Cave	2.5 to 5	0 to 2.5	40 to 45	65 to 70	600	546	30
Andrea Ashman	2.5 to 5	0 to 2.5	10 to 15	0 to 5	145	106	19
Rebecca Martin	2.5 to 5	2.5 to 5	75 to 80	165 to 170	1,446	1,336	69

Rebecca Carlton	5 to 7.5	5 to 7.5	40 to 45	75 to 80	706	608	75
Sarah Shingler	N/A – Note 2	N/A – Note 2	N/A – Note 2	N/A – Note 2	N/A – Note 2	N/A – Note 2	N/A – Note 2

Notes:	All the above are executive directors; non-executive directors do not receive pensionable remuneration
	No contribution was made by the Trust to a stakeholder pension
	Note 1 – Member opted out of the scheme in August 2019 therefore CETV calculation is not applicable Note 2 – Member is not part of the NHS pension scheme

Cash Equivalent Transfer Values (CETV): A 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 (or other allowable beneficiary's) pension payable from the scheme. CETVs are calculated in accordance with SI 2008 No.1050 Occupational Pension Schemes (Transfer Values) Regulations 2008.

The 'real' increase in CETV takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Signed: 	Date: 24 June 2022
Tracy Fletcher, Chief Executive	

Board Committees

The Board has established a number of sub-committees which meet regularly throughout the year to undertake work delegated from the Board. Committees in place as at 31 March 2022 are:

Statutory:

- Integrated Audit and Governance Committee
- Nominations and Remuneration Committee

Non-Statutory:

- Finance and Performance Committee
- Quality and Safety Committee
- Charitable Funds Committee
- People and Culture Committee
- Clinical Ethics Committee

A copy of the Committee's Terms of Reference can be accessed via the Trust website http://www.ekhuft.nhs.uk/patients-and-visitors/about-us/boards-and-committees/the-board-of-directors/board-committees/.

NOMINATIONS AND REMUNERATION COMMITTEE REPORT

The Board of Directors Nominations and Remuneration Committee membership consists of the Trust's Chairman and all Non-Executive Directors of the Trust. Attendance during 2021/22 was as follows:

Nominations and Remuneration Committee Membership as at 31 March 2022	
Name	**Actual / Possible**
Jane Ollis (Non-Executive Director) Committee Chair from November 2021	5/5
Niall Dickson (Chairman)	2/5
Sarah Dunnett (Senior Independent Director)	4/5
Luisa Fulci (Non-Executive Director)	5/5
Nigel Mansley (Non-Executive Director)	5/5
Olu Olasode (Non-Executive Director)	4/5
Raymond Anakwe (Non-Executive Director)	3/4
Stewart Baird (Non-Executive Director) from November 2021	2/2
Other non-executives who were members during 2021/22	
Sunny Adeusi (Non-Executive Director) (Committee Chair until October 2021)	3/3
Martin Jolly (Non-Executive Director) until December 2021	2/4

* Possible and actual shown

The Chief Executive attends the Committee in relation to discussions about succession planning, remuneration and performance of Executive Directors.

The Chief Executive is not present during discussions relating to his/her own performance, remuneration and terms of service.

The Director of Human Resources and Organisational Development provides employment advice and advice to the Committee, and withdraws from the meeting when discussions about his/her own performance, remuneration and terms of service are held.

The Director of Human Resources and Organisational Development is not present during discussions relating to Executive Directors' performance.

During 2021/22 the Committee was involved with the recruitment to the following roles within the Trust:

- Chief Operating Officer, the Committee approved the appointment of Rebecca Carlton, commenced on 16 July 2021;
- Chief Nursing Officer, the Committee approved the appointment of Sarah Shingler commenced on 7 June 2021;
- Director of Quality Governance, the Committee approved the appointment of Dr Tina Ivanov commenced on 10 May 2021;
- Chief Executive Officer, the Committee agreed the appointment of Tracey Fletcher, for ratification by the Council of Governors commenced on 1 April 2022;

During 2020/21, the Committee was involved with the appointments/ nomination to the following roles within its subsidiaries:

2gether Support Solutions Limited (2gether)

- Interim Chairman for 2gether, the Committee approved the appointment of Jackie Churchward-Cardiff on 1 December 2021 to 28 February 2022;
- Interim Chairman for 2gether, the Committee approved the appointment of Jane Ollis on 1 March 2022 to 10 April 2022;
- Chairman, for 2gether Support Solutions Limited (2gether), the Committee approved the appointment of George Jenkins commencing on 11 April 2022;
- Interim Managing Director for 2gether, the Committee approved the secondment of Phil Cave on 22 December 2021 to 28 February 2022;
- Interim Managing Director for 2gether, the Committee approved the appointment of Jackie Churchward-Cardiff on 1 March 2022 to 30 April 2022;
- Managing Director of 2gether, the Committee approved the appointment of Paul Ryder on 19 April 2022.

Spencer Private Hospitals (SPH)

- Non-Executive Director for SPH, the Committee approved the nomination of Liz Coles, EKHUFT's Deputy Director of Quality Governance on 1 September 2021;
- Executive Director for SPH, the Committee approved the appointment of Jo Jenner, SPH Commercial and Finance Director on 1 September 2021;

- NED in Common for SPH, the Committee approved the nomination of Stewart Baird, EKHUFT's NED on 1 November 2021;

The Committee received reports on the following, in line with its Terms of Reference:

- Review and approval of 2021/22 pay uplift award for Executive Directors and Very Senior Managers (VSMs);
- Chief Executive Objectives (including year-end appraisal review);
- Executive Directors' Objective setting (including year-end appraisal reviews);
- Succession Planning;
- Review of performance bonus of the Managing Director for 2gether;
- Review of remuneration and performance bonus of the Finance Director for 2gether;
- Board Skills, Experience and Competency Review 2021/22;
- Non-Executive Director Commitments for 2022/23;
- Fit and Proper Persons Requirements Audit 2021/22;
- Approval of Subsidiary Managing Director and Chair appointments (including interim appointments);
- Approval of Subsidiary NED in Common nomination;
- Approval of the Executive/ Very Senior Managers (VSM) Pay Policy;
- Approval of the Subsidiary Companies Bonus Payments process;
- Approval of the reviewed Policy for Pension Recycling Applications scheme;
- Approval of the Board Development Programme 2022/23;
- Review of Committee annual work programme.

The Remuneration Report can be found on page 37.

INTEGRATED AUDIT AND GOVERNANCE COMMITTEE (IAGC)

All NHS foundation Trust Boards of Directors are required to establish an Audit Committee. It is the responsibility of our Board to have in place sufficient internal control and governance structures and processes to ensure that the Trust operates effectively and meets its objectives.

The Trust's IAGC is a suitably qualified and dedicated body, that supports the Board by critically reviewing those structures and processes upon which the Board relies, and provides the whole Board with the assurance that this is what is happening in practice. The Committee advises our Board on the robustness and effectiveness of the Trust's systems of internal control, risk management, governance and systems and processes for ensuring, among other things, value for money. Quality and patient safety is an integral part of the work of the IAGC and all of our Board Committees.

The main role and responsibilities of the IAGC are set out in the written terms of reference, approved by our Board, which detail how it will monitor the integrity of financial statements, review internal controls, governance and risk management systems, and monitor and review the effectiveness of our audit arrangements, including those covering clinical audit.

Although the Committee has no executive powers, it has the authority to receive full access to any information it requires, and the ability to investigate any matters within its terms of reference, including the right to obtain independent professional advice.

The IAGC continues to scrutinise our risk management systems and improve the format of reports to our Board. In taking this forward, the Committee will consider recommendations from the Trust's internal and external auditors. The continual scrutiny of our strategic and corporate risks enables the Committee to conduct a thorough review of our Annual Governance Statement see page 90. The Board Assurance Framework (BAF) risks enables the Committee to monitor controls in place to manage risks and performance against the Trust's annual priorities objectives and what risks will compromise our strategic objectives.

Relationships between the IAGC and our internal auditors, external auditors and counter-fraud consultants are central to the Committee's role, as they provide independent assurance and insight into the robustness of the Trust's internal control systems and management processes. Representatives attend the IAGC meetings to outline, and seek approval for, their work programmes and to present their findings. In addition, they meet separately with our IAGC Chairman and other Non-Executive Director members prior to each IAGC meeting to cover potentially sensitive issues and to ensure that their independence is maintained.

The IAGC receives the Trust's draft Annual Accounts, Annual Report and Quality Account/Report for scrutiny ahead of the formal approval processes. In addition, the IAGC receives assurance around the Trust's statutory compliance with its provider licence and compliance with the NHS Foundation Trust (NHSFT) Code of Governance.

The IAGC approves the clinical audit programme at the beginning of each financial year. On-going monitoring is undertaken by the Board of Director's Quality and Safety Committee.

The IAGC receives its annual work programme at each meeting assuring members that it is receiving all reports required to be presented and continues to meet its responsibilities in line with the Committee terms of reference.

The Committee received various assurance reports during the year, including:

- Data security and protection toolkit 2021/22 – progress update;
- Review of losses and special payments;
- Review of single tender waivers;
- Regularly reviewed Freedom to Speak Up Guardians reports;
- Reviewed Freedom of Information Act Quarterly Reports 2021/22;
- Review of Clinical Audit Progress Report and approval of forward audit plan 2021/22;
- Review of Emergency Planning Annual Report;
- External audit plan and progress report;
- Internal audit plan and progress report;
- Counter fraud workplan and progress report;

- Review of the Corporate and Board Assurance Framework risk registers, mitigating actions, outcome and impact on reducing risk residual scores;
- Reviewed Senior Managers' risk management training compliance;
- Gifts, Hospitality and Conflicts of Interest Annual Report 2020/21;
- IFRS16 Implementation Plan;
- Review of the Draft Integrated Governance Guide;
- Reviewed update on the Cost Improvement Programme – short-term suspension due to Covid-19;
- Subsidiary Governance Review report;
- Reviewed Emergency Planning Annual Report and Self-Assessment against NHS Core Standards for Emergency Preparedness, Resilience and Response (EPRR) 2021;
- Reviewed Regulatory Compliance Group reports;
- Review of Executive Risk Assurance Group reports;
- Review of Committee annual work programme.

The following policies were approved by the IAGC during 2020/21:

- Gifts, Hospitality and Conflicts of Interest
- Policy on Procuring Non-Core Services from External Auditors;

The Trust Group Company Secretary conducted an annual review of compliance against NHS Improvement's Code of Governance. The outcome of this audit is summarised on page 83 of the annual report.

Membership of the Integrated Audit and Governance Committee

The IAGC is made up of five Non-Executive Directors. To ensure the proper segregation of duties and in line with best practice, the Trust Chairman is not a member of the Committee and the IAGC Chair has relevant financial experience.

The Director of Finance and Performance attends each meeting, and members of the Executive Team, the Director of Human Resources and Organisational Development, the Chief Nursing Officer, and the Chief Medical Officer attend meetings by invitation. The Trust's External Auditors, Internal Auditors and Counter Fraud consultants also attend each meeting.

The Chief Executive is invited to attend at least once a year when the Annual Report, Annual Accounts, Quality Account/Report including the Annual Governance Statement, is discussed by the Committee.

During 2020/21, the Committee met a total of four times.

Non-Executive members as at 31 March 2022	
Name	**Attendance actual/possible**
Olu Olasode (Non-Executive Director) Committee Chair from May 2021	3/3
Sarah Dunnett (Non-Executive Director)	3/4
Jane Ollis (Non-Executive Director)	4/4
Stewart Baird (Non-Executive Director)	2/2

Other non-executives who were members during 2021/22	
Name	**Attendance actual/possible**
Barry Wilding (Committee Chair) until April 2021	1/1
Sunny Adeusi (Non-Executive Director) until October 2021	2/2

* Possible and actual shown

FINANCE AND PERFORMANCE COMMITTEE (FPC)

The Finance and Performance Committee provides assurance to the Trust Board of Directors in regard to the Trust's financial strategy, financial policies, financial and budgetary planning. In addition, FPC monitors financial and activity performance and approves major investments on behalf of the Trust Board under the Trust's scheme of delegation.

The current membership consists of:

- Nigel Mansley, Chair (Non-Executive Director)
- Stewart Baird, Non-Executive Director
- Vacancy, Non-Executive Director
- Director of Finance and Performance
- Chief Operating Officer
- Director of Strategic Development and Capital Planning (Deputy Chief Executive)

The areas of key focus for the Committee in 2021/22 were:

- Reviewed and discussed at each meeting the monthly finance report;
- Reviewed and discussed at each meeting the monthly We Care Integrated Performance Report (IPR) focussing on improving access to the Trust's services. This included focus on assessing compliance against achieving the national constitutional standards during 2021/22. Performance against the following standards: emergency access, 18 week referral to treatment (RTT), 62 day cancer, and 6 week referral to diagnostics;
- Reviewed and monitored at each meeting the Trust's financial and operational risks discussing the mitigating actions in place to reduce the level of these risks;
- Review of the financial plan;
- Reviewed update on Financial Recovery Plan;
- Reviewed update on business planning;
- Reviewed update on winter planning and capacity;
- Reviewed update on annual and five-year capital programme;
- Reviewed update on savings and efficiencies;
- Reviewed update on 12 hour trolley wait breaches;
- Review of business cases and post project evaluation reviews;
- Reviewed update on Recovery (staff), Reset, Restore and Recovery (services for future) Programme (4Rs);
- Reviewed update on agency spend;
- Review of National Costs Collection 2020/21 report;
- Reviewed update on Service Line Reporting;

- Transfer pricing report;
- Group Tax Strategy review;
- Regular reports noted: horizon scanning; Strategic Investment Group; Financial Improvement Oversight Group; and Strategic Capital Planning and Performance Committee
- Review of Committee annual work programme.

The Trust is currently in the Recovery Support Programme (RSP) segment 4 of the NHS System Oversight Framework (SOF 4), with Finance as one of the strands – previously Financial Special Measures.

An overview of the operational performance is available on page 15 and financial performance on page 16.

QUALITY AND SAFETY COMMITTEE (Q&SC)

The Quality and Safety Committee is responsible for providing the oversight on all aspects of quality and safety, including strategy, delivery, governance, clinical risk management, clinical audit; and the regulatory standards relevant to quality and safety. The Committee provides assurance to the Board of Directors.

During 2021/22 the Committee met monthly, the current membership consists of:

- Sarah Dunnett, Chair (Non-Executive Director)
- Raymond Anakwe, (Non-Executive Director)
- Luisa Fulci (Non-Executive Director)
- Chris Holland, (Associate Non-Executive Director)
- Chief Medical Officer
- Chief Nursing & Midwifery Officer
- Chief Operating Officer

The following are required attendees at each meeting:

- Director of Infection Prevention and Control
- Director of Quality Governance
- Deputy Director of Quality Governance
- 2gether Support Solutions Managing Director
- Chief Pharmacist

Following a Governance review in 2020/21, there was a review of the sub-group structures reporting into the Q&SC. This resulted in a revision of the terms of reference and membership of the sub-groups.
In addition, a review of the Q&SC has been done in 2021/22 to streamline attendance and reporting arrangements for Care Groups.

The areas of key focus for the Committee in 2021/22 were:

- Reviewed at each meeting the We Care Integrated Performance Review (IPR) – breakthrough objectives & watch metrics;

- Reviewed at each meeting principal mitigated risks (BAF and CRR) in relation to Our Quality and Safety;
- Reviewed update report and assurance regarding the implementation of the Care Quality Commission (CQC) improvement plans;
- Reviewed at each meeting Infection Prevention and Control (IPC) update report;
- Reviewed at each meeting IPC BAF report;
- Reviewed Duty of Candour compliance;
- Reviewed at each meeting (from May onward) Care Group Governance reports;
- Report regarding policy updates;
- Reports regarding mortality and learning from deaths;
- Review of the Perinatal Mortality Tool;
- Reports regarding Safeguarding Vulnerable Adults and Children;
- Review of Safe Staffing;
- Review of Safe Staffing Board Assurance Tool Assessment;
- Review of Integrated Claims/ Incidents/Complaints and Learning from Serious Incidents;
- Annual report on Safe Systems for Controlled Drugs;
- Reviewed Central Alert System (CAS) Exception report;
- Review of the Quality Account/Report 2020/21;
- Review of Complaints process;
- Review of Patient Experience and involvement strategy;
- Review of the Organ Donation Committee annual report;
- Report regarding compliance against provider licence;
- Review of Committee annual work programme;
- Reviewed its Terms of reference;

The Committee received areas of escalation/ assurance from:

- National Institute for Health and Care Excellence/Clinical Audit and Effectiveness Committee;
- Patient Safety Committee;
- Patient Experience Committee;
- Maternity and Neonatal Assurance Group;
- Children and Adult Safeguarding Assurance Committee;
- Fundamentals of Care Committee;
- Subsidiaries including Health and safety; Statutory compliance; Water safety and Security.

PEOPLE AND CULTURE COMMITTEE (P&CC)

The People and Culture Committee was previously called the Strategic Workforce Committee. The name change and revised terms of reference during 2021/22 was to support the Board of Directors' wish to create more focus on the development of our people and culture across the Trust. The Committee is responsible for providing strategic overview and board assurance on all aspects of workforce, education, organisation and cultural development and raising concern on any related risks that are significant for escalating.

During 2021/22, the Committee met monthly, the current membership consists of:

- Stewart Baird, Chair (Non-Executive Director)
- Sarah Dunnett, (Non-Executive Director)
- Raymond Anakwe, (Non-Executive Director)
- Chris Holland, (Associate Non-Executive Director)
- Director of Human Resources and Organisational Development
- Deputy Director of Human Resources
- Chief Nursing & Midwifery Officer
- Chief Medical Officer

The Chair, Chief Executive, Chief Finance Officer and Director of Medical Education are invited to attend each meeting.

The critical importance of people and cultural issues for the performance and sustainability of the Trust makes it essential that there is a well informed and challenging Committee that ensures there is a professional and high quality approach to all aspects of HR planning, policy and delivery owned and supported by executive and clinical colleagues. Key areas of focus have been:

- Regular review of Our People performance metrics from the We Care Integrated Performance Report (IPR) and The People dashboard;
- Review of Our People risks from the Trust's Corporate Risk Register and Board Assurance Framework;
- Reviewed update on the People Strategy;
- Reviewed reports regarding Cultural change including update on the Trust cultural change programme; Staff Health & Wellbeing Strategy; Midwifery Services Workforce planning and decision making – Birthrate plus;
- Review of Safe staffing proposal and accommodation;
- Recruitment update - review of pipeline against establishment; and Nursing and AHP Workforce update;
- Review of Staff Vaccination Status update;
- Review and approval of the Workforce Race Equality Standard (WRES) and the Workforce Disability Equality Standard (WDES);
- Review and approval of the Gender Pay Gap and Equality Diversity & Inclusion report;
- Regular reports on Statutory and Mandatory Training, Tribunal Activity, Settlements and Redundancy; Leadership Development Plans; and Occupational Health and Wellbeing Activity;
- Review of Modern Slavery Statement;
- Review of the Freedom to Speak Up Guardians report;
- Report on Clinical Negligence Scheme for Trusts (CNST) – Maternity Incentive Scheme (Medical and Midwifery Workforce Planning and Maternity Emergencies Training Sessions);
- Reviewed the Annual National Staff Survey Results;
- Reports from Medical Education and Guardian of Safe Working;

- Regular reports from the following: Integrated Education, Training and Leadership Board (IETLDB); Joint Chairs of the Local Negotiating Committee (LNC) of the British Medical Association (BMA); Joint Chairs of the Staff Committee; the Diversity and Inclusion Steering Group.

The Staff Report can be found from page 72.

CHARITABLE FUNDS COMMITTEE (CFC)

East Kent Hospitals Charity (the Charity) is an independent charity registered with the Charity Commission (England & Wales) and was set up to receive and raise funds for services provided by East Kent Hospitals University NHS Foundation Trust. The Trust is the corporate trustee and the Board of Directors acts as agents on behalf of the Trust.

The Committee met a total of 4 times during 2021/22, the current membership is:

- Jane Ollis, Chair (Non-Executive Director)
- Nigel Mansley, (Non-Executive Director)
- Luisa Fulci, (Non-Executive Director)
- Chief Executive
- Director of Finance and Performance
- Chief Medical Officer
- Director of Strategic Development and Capital Planning (Deputy Chief Executive)

The Charitable Funds Committee oversees the affairs of the Charity under delegated powers set out in its terms of reference. The Committee promotes, monitors and sets the strategic direction for the Charity ensuring its objectives are met. The Committee advises the Board of Directors who retain overall responsibility for all aspects of the Charity.

Key areas of focus for the Committee have been:

- Approval of applications for grants for Charity funding;
- Review at each meeting, of finance reports, update reports on appeal and fundraising activities;
- Approval of the Charity Expenditure and Income for 2022/23;
- Review of the Fundraising Strategy;
- Approval of the Use of Trust Facilities and NHS Staff Time for Fundraising policy;
- Update on the Devereux Trust, property the Charity holds a share in, regarding its landlord responsibilities;
- Approval of the 2020/21 Annual Report and Accounts;
- NHS Charities Together briefing;
- Review of Committee annual work programme.

The Charity's full annual report will be available on the Trust website. The report features some of the positive stories about funded projects, time given

by Charity supporters and the difference their contributions have made to patients and their families.

The trustees and staff would like to offer a huge heartfelt thank you to all the people and organisations who are inspired to support the work of Charity.

CLINICAL ETHICS COMMITTEE

The Clinical Ethics Committee was set up in 2020 in response to the Covid-19 pandemic. Its terms of reference were revised in 2021/22 with a focus on assisting clinicians and all Trust Staff who are struggling with difficult and/or complex ethical decisions, arising from the provision of patient care within the Trust, and potentially assist with moral distress.

It is an advisory Committee and has no decision-making powers. The Committee offers a service to clinicians, and other employees of the Trust (referred to as consultees). The Committee does not provide legal, human resources, or other advice to consultees.

The Committee membership consists of:

- Chief Medical Officer, Chair
- Jane Ollis, Non-Executive Director
- Lay person
- Independent Ethics Advisor (Academic from Kent and Medway Medical School holding experience to doctoral level in Medical Ethics or cognate discipline)
- Legal Advisor
- Safeguarding representative
- Spiritual care / religious advisor
- Clinical and non-clinical staff who can demonstrate training and/or expertise in ethics and/or law

Council of Governors

The concept of NHS foundation trusts rests on local accountability, with respect to which Governors perform a pivotal role. Our Council of Governors (CoG) connects the Trust to its patients, service users, staff and stakeholders. It consists of elected governors (staff and public) and appointed individuals who represent members and other stakeholder organisations respectively.

The Council of Governors was first established in March 2009 and takes its power from the National Health Service Act 2006 and the Health and Social Care Act 2012 which sets out the following statutory powers:

- The appointment and, if appropriate, removal of the Chair
- The appointment and, if appropriate, removal of the other Non-executive directors
- Decide the remuneration, allowances and other terms and conditions of office of the Chair and other Non-executive directors
- To hold our Non-executive directors individually and collectively to account for the performance of our Board of Directors
- Ratify the appointment of our chief executive
- Appointment and, if appropriate, the removal of our external auditors.
- Receive our Annual Report and Accounts together with any report of the auditor on them
- Represent the interests of our Foundation Trust membership and the interests of the public
- Approve any “significant transactions” (as defined by our Constitution)
- Approve any application by us to enter into a merger, acquisition, separation or dissolution (in line with processes laid out in our Constitution)
- Decide whether any of our non-NHS work would significantly interfere with our principal purpose, which is to provide goods and services for the health service in England, or performing its other functions
- Approve amendments to our Constitution

Composition of the Council of Governors

The Council of Governors consists of:

- 13 elected public Governors representing seven constituencies:
    - Ashford
    - Canterbury
    - Dover
    - Folkestone and Hythe (formerly Shepway)
    - Swale
    - Thanet
    - Rest of England and Wales

  These cover the six Local Authority areas in East Kent, with two governors per constituency, and one governor to represent patients and the public with an interest in the Trust from outside of East Kent.

- Three elected staff Governors
- Three appointed Governors, representing the:
    - two Kent Universities
    - six local authorities in East Kent
    - volunteers working in the Trust, including the five League of Friends

During 2021/22, the following Governors resigned:

Ken Rogers – Public Governor for Swale
Ross Britton – Public Governor for Swale
Liz Baxter – Public Governor for Swale
Debra Towse – Universities Partner Governor

Joining the Council was:

Professor Shane Weller, Vice Chancellor University of Kent as the Universities Partnership Governor.

The Board of Directors' relationship with the Council of Governors and members

Our Board of Directors has an overall duty to ensure the provision of safe and effective services for members of the public. The Board uses its governance structures to provide assurance that this is being achieved.

Ensuring that the services provided are developed to meet patients' needs, and their views and those of the wider community are listened to, is of the utmost importance to the Board of Directors.

A key role of the Council is to engage with the Trust's members and the public to canvas opinion and communicate their views to the Board of Directors. Governors are encouraged to participate in all public and member engagement events organised by the Trust throughout the year.

The pandemic has continued to impact significantly on the work of the Council, particularly in relation to engagement with the public. Council last met in a formal face to face session on 9 March 2020 and since then has conducted all meetings virtually.

The Trust took the decision to continue with Council and Board meetings, holding these virtually; Council Committees were stood down for a short period. The Trust Chair has held regular virtual briefing meetings for governors to keep them updated on the Trust's response to the pandemic and other key risks and issues affecting the Trust.

The following measures were taken by the Board of Directors to ensure that the views of our Governors and our membership were heard during this time.

- Governors were able to attend the open section of Board meetings; the agenda was shared with the Council prior to the meetings and the agenda and papers were published on our website.
- The chief executive was invited to attend each Council meeting to provide an update on the response to the pandemic, latest performance and to keep Governors informed about strategic developments.
- At all times, Governors were able to direct any concerns or questions to the Chair through the Lead Governor.
- The Council met in formal session three times in the period. Topics covered included:
    - 2021/22 year-end financial performance
    - Reports from Chairs of Council Committees
    - Reports from the Board Committee Chairs
    - Planning for governor elections
    - Constitutional review
    - Maternity

- In closed session the Council were updated on issues involving Maternity Services and updates on the impact of the pandemic and the Trust's response.

- The Council has four Committees:
    - Nomination and Remuneration Committee which manages appointments of non-executive directors and their remuneration;
    - Audit and Governance Committee which oversees the work which enables Council to meet its statutory duties in relation to audit and corporate governance and monitors quality issues; and
    - Membership Engagement and Communication Committee which meets quarterly and focuses on engagement and communication with members and the public to help inform their discussions with the Board of Directors.
    - Staff and Patient Engagement Committee

There are between 5/6 voting governor members on each committee; the membership has been amended during 2021/22 due to gaps in membership. Committees are open to all Governors to attend and participate in any committee meeting they wish. The meetings are supported by relevant members of Trust staff to provide any professional expertise required by the Governors.

A summary is provided below on the work carried out in the Committees in year.

Dealing with disputes

The Trust has in place a disputes resolution procedure for addressing disagreements between the Council of Governors and Board of Directors. This procedure was reviewed during 2015 and agreed by the Council of Governors in October 2015. During 2021/22, the Council of Governors made

some slight amendments to the disputes resolution procedure this was approved by the Council in December 2021.

The dispute resolution policy does not undermine the power the Governors have under the Health and Social Care Act 2012, to require one or more of the directors to attend a Governors' meeting for the purpose of obtaining information about the Foundation Trust's performance of its functions or the directors' performance of their duties. This power was not used during 2020/21.

Governor training

During 2021/22, two training sessions were undertaken by the Council of Governors (in April 2021 and January 2022). In addition, some governors attended virtual events run by NHS Providers, which provided a valuable opportunity for learning and networking.

A more structured training programme is being planned for 2022/23 which will include regular familiarisation sessions for Governors to learn more about specific topics relating to Trust services.

Lead governor

The 2021 election for Lead Governor and Deputy Lead Governor saw the positions taken by Alex Lister and Ken Rogers respectively**.** As a result of Ken Rogers end of term, Bernie Mayall was elected as Deputy Lead Governor in August 2021. During October 2021, Alex Lister temporarily stepped down as Lead Governor due to work commitments. Bernie Mayall as Deputy Governor acted as Lead Governor and Alex Lister as Deputy Lead Governor this continued through to the end of their term.

The posts were therefore held as follows:

Lead Governor
- Alex Lister
- Bernie Mayall – October 2021

Deputy Lead Governor
- Ken Rogers, resigned in August 2021
- Bernie Mayall, elected August 2021
- Alex Lister – October 2021

Governor changes 2020/21
A list of all Governors who served during 2021/22 is detailed in this section.

Council of Governor public meetings
Our Council of Governors met in formal session three times during 2021/22. In addition, The Annual Members meeting took place on 21 September 2021. The annual joint meeting between Governors and Non-executive Directors

took place on 10 February 2022. Details of all public meetings, agendas, minutes and papers can be found on the Trust website: **www.ekhuft.nhs.uk**

Council of Governors who served during 2021/22
Ken Rogers, Public Governor for Swale came to the end of his 9-year term as a Governor in October 2021. His experience and dedication to the Trust was greatly appreciated.

* Attendance at meetings held during the year (actual/possible) is shown.

Constituency	Name	Term of Office ends	In Year Change	Attendance at Council of Governor public meetings (See note to table *)
Ashford Borough Council	Nick Hulme John Fletcher	28/02/2023 29/02/2024		3/3 1/3
Canterbury City Council	Alex Lister Alex Ricketts	29/02/2024 28/02/2023		3/3 2/3
Dover District Council	Bernie Mayall Paul Verrill	28/02/2024 29/02/2024		3/3 0/3
Folkestone & Hythe District Council	Carl Plummer Liz Baxter Currently seat vacant	29/02/2024 05/08/2023	 Resigned 22/02/22	3/3 0/3
Swale Borough Council	Ken Rogers Ross Britton Currently two vacant seats	28/02/2024 29/02/2024	Resigned 28/10/21 Resigned 15/10/21	2/2 1/2
Thanet District Council	Marcella Warburton Paul Schofield	28/02/2023 28/02/2023		3/3 2/3
Staff	Sally Wilson James Casha	28/02/2023 29/02/2024		2/3 3/3 2/3

	Sophie Pettifer	29/02/2024		
Rest of England and Wales	Chris Pink	29/02/2024		1/3
University Representation (Joint appointment by Canterbury Christ Church University and University of Kent)	Debra Towse (previously Teasdale) Professor Shane Weller	31/10/2023 31/10/2023	Resigned October 2021 Appointed October 2021	2/2 1/1
Local Authorities	Bob Bayford	28/02/2024		1/3
Volunteers working with the Trust	Linda Judd	08/02/2024		0/3

Board of Directors attendance at Council of Governors meetings

Board members are invited to attend the public Council meetings. As it is the role of Council to hold the Non-executives to account, it is expected that several Non-Executive Directors attend Council meetings.

During 2021/22, it was practice for all the Non-executives to be invited to Council meetings with the Non-Executive, Chairs of the Board Committees presenting an update to Council on their respective committees.

Executive Directors attend Council meetings at the invitation of the Chairman, on behalf of the Council; on occasion the attendance is at a meeting closed to the public due to the confidential nature of the item under discussion.

The table below records Non-executive and Executive attendance at Council meetings.

NAME	DESIGNATION	COUNCIL OF GOVERNORS ATTENDANCE
Niall Dickson	Trust Chair	20 May 2021.
Jane Ollis	Non-Executive Director Deputy Trust Chair	20 May 2021 15 September 2021 09 December 2021
Nigel Mansley	Non-Executive Director	10 February 2022 Joint Board

Sunny Adeusi	Non-Executive Director	End of term 31 October 2021
Dr Olu Olasode	Non-Executive Director	20 May 2021
Susan Acott	Chief Executive	20 May 2021 15 September 2021 09 December 2021
Luisa Fulci	Non-Executive Director	20 May 2021
Liz Shutler	Director of Strategic Development and Capital Planning	20 May 2021 15 September 2021
Martin Jolly	Non-Executive Director	20 May 2021 Resigned 18 December 2021
Chris Holland	Non-Executive Director	20 May 2021
Stewart Baird	Non-Executive Director	09 December 2021
Raymond Anakwe	Non-Executive Director	09 December 2021
Sarah Dunnett	Non-Executive Director	20 May 2021 09 December 2021

Annual Members' Meeting

The Annual Members' Meeting was also impacted by the pandemic and the Annual Report and Account reporting timeline. As a result, it was held slightly later than normal, on 21 September 2021. It was run as a virtual event and attended by members of the public and Trust staff.

The Chief Executive gave a presentation on, 'What we did in 2020/21 and our aims for the future' and the Director of Finance presented the Annual Report and Accounts. There was a report from the Lead Governor. The meeting ended with an opportunity for the public to ask questions.

Details of all public meetings are available on the Trust's website **www.ekhuft.nhs.uk**

Council of Governor register of interests
All members of our Council of Governors are required to declare other company directorships and significant interests in organisations which may conflict with their Council responsibilities. A register of our Governors' interests is available on the Trust website **www.ekhuft.nhs.uk**

Contacting members of the Council of Governors
Governors may be contacted via the Trust's governor and membership lead, **01233 651891**, or through the membership area of our website **www.ekhuft.nhs.uk/members** or by emailing governorsquestions@nhs.net

Work of the Council of Governors

Council of Governors' committees and working groups
Our Council of Governors has established a number of committees, as described above. The Council of Governors cannot delegate authority to committees, so all recommendations made by these committees must be endorsed at a full meeting.

The membership of the Committees is refreshed annually at the Council meeting following the Governor elections.

At the full Council meeting in December the Council agreed with the process for the appointment of Tracey Fletcher as the new Chief Executive Officer of the Trust to replace Susan Acott.

During 2021/22 the Constitution and Policy Review Group made recommendations to the Council on changes to the Constitution that were ratified by full Council.

One major focus for Governors this year has been maternity. In light of a number of constituent concerns, significant staffing shortages and a Governor site visit, formal assurance was asked of the Board by the Governors in September around the speed and efficacy of the maternity action plan. It was felt progress had not been sufficient since February 2020. However, the response from the current Board chair, NEDs and Executive to the concerns was proactive and far reaching, resulting in a significant turnaround in staffing levels and a jointly designed ambitious feedback strategy that will see the Trust reach out to every one of the 6000 mums and birthing partners who give birth each year in the Trust's care, to help the Trust aim for outstanding and have a growth/learning mindset

Nominations and Remuneration Committee

The Council of Governors' Nominations and Remunerations Committee is a statutory committee which is responsible for:

- Considering and making recommendations to the Council of Governors on the appointment of the Chair and Non-executive directors
- Agreeing the process for recruitment of the Chair and Non-executive directors
- Making recommendations to the Council of Governors on the re-appointment of the Chair and/or Non-executive directors where it is sought and is constitutionally permissible. The committee will look at the existing candidate against the required role description.
- Considering and making recommendations to the Council of Governors on the remuneration and terms of appointments of the Chair and Non-executive directors
- Contributing to an annual review of the structure, size and composition of the Board of Directors and making recommendations for changes to the Non-executive director element of the Board of Directors to the Council of Governors where appropriate. When undertaking this review, the committee will consider the balance of skills, knowledge and experience of the Non-executive directors

The committee follows the 'Guide to the Appointment of Non-Executive Directors' which was reviewed and endorsed by our Council of Governors in April 2018. The aim of this document is to help our Council of Governors, Chair and Trust human resources department by providing guidance on all of the actions that would need to be completed to ensure an effective appointments process.

When considering the appointment of Non-executive directors, the Council should take into account the views of the Board and its nominations committee on the qualifications, skills and experience required for each position.

The Committee is mindful of its responsibility to ensure an appropriate level of refresh and takes as its default position, unless there are compelling reasons to the contrary, that non-executive director positions should be subject to competition when their term ends.

After the resignation of Martin Jolly as Non-Executive Director on 18 December 2021 the Nominations and Remuneration Committee has started the recruitment process to be able to appoint to the full complement of Non-Executive Directors.

During 2020/21, on the committee's recommendation, the Council of Governors endorsed the following:

Appointments

- Appointment of Niall Dickson, CBE, to the post of Trust Chairman as of 5 April 2021.
- Appointment of Luisa Fulchi, Olu Olasode and Martin Jolly as Non-Executive Directors as of 1 April 2021.

Temporary measures

- Sarah Dunnett was appointed as a temporary Non-executive Director from 1 January 2021 to 31 March 2021. This was later extended to 31 May 2021 for continuity purposes as Sarah chaired the Board' Quality Committee.

Council of Governors Nominations and Remuneration Committee members 2021/22

Committee Members		*Attendance
Carl Plummer	Elected Governor, Folkestone & Hythe	1/1
Bernie Mayall	Elected Governor, Dover	1/1
Marcella Warburton	Elected Governor, Thanet	1/1
Shane Weller	Partnership Governor, Universities	0/1
Paul Verrill	Elected Governor, Dover	0/1

*Attendance at meetings held during the year (actual/possible) is shown

Audit and Governance Committee (AGC)

By its terms of reference, the Audit and Governance Committee is responsible for the following:

- Working with the Trust Secretary to ensure the Trust's Constitution complies with latest legislation and NHS I guidance.
- Considering any locally proposed amendments to the EKHUFT Constitution.
- Reviewing the effectiveness of NED engagement with Council Committees and Working Groups and report conclusions to the Council.
- Identify any emerging priorities for Council debate and engagement and make recommendations to the Council for its future agendas.
- At each meeting, consider:

    - issues of Quality raised by Governors or their constituents to identify trends and themes;
    - the Board assurance framework; and
    - quarterly performance against the annual quality objectives and identified risk.

- Propose to Council a topic for the Governor Indicator for audit by external auditors.
- Consider proposals for changes to policies relating to the Council of Governors and make recommendations to Council.

During 2021/22 the Committee monitored the attendance at meetings and agreed the ToR for a new Task and Finish Group that will review the Policies and Procedures of the Council.

Membership Engagement and Communications Committee

The Committee would normally meet on a quarterly basis and is responsible for developing, overseeing implementation and monitoring the Council of Governors' Membership Communication and Engagement Strategy. During 2021/22 the Committee met only twice. There was little opportunity for direct engagement with the public during the pandemic, however, it was pleasing to note that involvement of the public at the Annual Members meeting did not fall this year.

There was also a similar level of use of the methods for members to contact their governors electronically as in previous years. The Committee has been discussing ways of improving communication with members via social media. To this end the Committee has agreed on a 5-year Membership and Engagement Strategy and action plan and is awaiting Council ratification.

Staff and Patient Experience committee

The Committee is responsible to the Council of Governors and would normally meet on a quarterly basis. However, during 2021/22 the committee only met twice. The responsibility of the committee being:

- Identify priorities for Council debate and engagement and make recommendations to the Council for its future agendas
- issues of Quality raised by Governors or their constituents to identify trends and themes;
- the Board assurance framework; and the quarterly performance against the annual quality objectives and identified risk.

Use this information to inform the development of a draft of the Council commentary on the Trust's Quality report to take to Council for agreement.

- Propose to Council a topic for the Governor Indicator for audit by external auditors.

During 2021/22 the Committee recommended to Council for its ratification a new process to monitor Governor attendance in order to help facilitate the smooth running of Council. The Committee also agreed the 2022/23 schedule and plan for the Joint Non-Executive and Governor site visits that have now restarted.

Membership

Trust members are key to helping us to understand the views and needs of the people we serve in east Kent. Membership is open to anyone over the age of 16 who lives in England and Wales.

Public constituencies

There are seven public constituencies – six are based on local authority areas and each has two elected governors. The seventh, rest of England and Wales, allows non-east Kent residents to become members and elect one governor.

- Ashford
- Canterbury
- Dover
- Folkestone and Hythe
- Swale
- Thanet
- Rest of England and Wales

Staff constituency

All staff on permanent contracts, or who are in contracted, continuous employment with the Trust for over a year, are opted in to this constituency. Staff membership is covered at Trust induction and the process for opting out is explained. A refresher explanation about staff membership is provided annually through routine Trust communications. Staff members cannot be concurrent members of any public constituency.

Engaging and recruiting our members

A Membership and Members Engagement Strategy for 2022 – 2027 was agreed by MECC on 22 March 2022 and is awaiting ratification at the Full Council meeting on 28 April 2022. The MECC will oversee the implementation of the strategy and action plan and is focussing on increasing opportunities for engagement between elected Staff and Public Governors and their members.

Membership Report for East Kent Hospitals University from 01/04/2021 to 31/03/22			
Public constituency		**Population**	**Percentage**
As at start (April 1 2021)	10,636	820,864	1.3
New members	63		
Members leaving	144		
At year end (March 31 2022)	10,555	826,888	1.3
Staff constituency			
As at start (April 1 2021)	6,640		
At year end (March 31 2022)	6,638		
Public constituency			
Age(years):			
0 – 16	3	161,628	-
17 – 21	34	48,128	0.07
22+	8,249	621,967	1.3
Date of birth not provided	2269		-
Ethnicity:			
White	8,595	720,670	1.2
Mixed	130	10,290	1.3
Asian	502	18,849	2.7
Black	259	6,461	4.0
Other	68	2,495	2.7
Not stated	1001		
Socio-economic groupings:			
AB	2,864	70,048	4.1
C1	3,121	111,996	2.8
C2	2,236	81,709	2.7
DE	2,269	91,806	2.5
Gender analysis:			
Male	3,010	409,120	0.7
Female	7,374	422,600	1.7
Transgender	1	-	-
Not stated	171		-

Staff report

The Trust (minus its subsidiaries) has 9,315 employees. Due to the flexible working practices encouraged by the Trust this amounts to a total of 8,467.25 whole time equivalent posts. The majority of staff are female, which is consistent with the pattern of employment across the NHS.

The Trust continues to be representative of its local community with 65% of employees having a white British ethnic origin and 19% of employees having a minority ethnic origin reflecting the diversity of its patient population. 16% are recorded as ethnic origin not stated.

Staff engagement continues to be an important aspect of our communication with all of our staff, to share information and strengthen links between the Board and front-line colleagues. During the pandemic we had regular virtual all staff briefings due to the requirements of social distancing, led by the Chief Executive or an executive colleague with the facility for staff to ask any questions.

Our We Care quality improvement programme has built in “Gemba visits” to front-line teams with our Executive and senior leaders using a coaching approach to “go, see and listen”.

We developed a microsite of our website dedicated to information and support staff needed through the pandemic with daily email updates, seven days a week, at the height of Wave 1. This was in addition to our regular, consistent communications, such as the weekly staff newsletter, desktop “wallpaper”, campaigns and resources and a weekly message from the Chief Executive.

We use these channels to provide regular information to our staff on the Trust’s performance (including financial performance) and new developments; and to share best practice and encourage improvements in quality, the latter highlighted by the CQC in 2018 as an area of outstanding practice.

Our staff are important to us and have a voice through a number of forums, including trade unions. We continue to maintain positive relationships with our trade union colleagues and work with them in partnership through our joint negotiating committees (the Staff Committee and the Local Negotiating Committee). These forums are where we discuss issues regarding terms and conditions of employment and important strategic and clinical matters affecting our employees. We work with the unions to develop new policies, revise existing ones and consult on matters of strategic importance to staff.

We have a range of best practice human resources policies and procedures including areas such as discipline, performance management, sickness management, redeployment, organisational change and home working.

Developing a Positive Just and Learning Culture

We recognised that a positive working environment and good working relations have a positive impact on colleague wellbeing and engagement, leading to better performance, improved retention, reduced stress related sickness absence and improved patient care. An organisational Just and Learning Culture creates and supports this way of working emphasising feedback and communication; openness of communication; balance; continuous learning & improvement and trust. A Just and Learning culture recognises that individuals should not be held accountable for system failings over which they have no control and clearly defines human error, at-risk behaviour and reckless behaviour.

Responding in a balanced way when things don't go to plan as part of our approach to employee relations policies and procedures, conducting timely fact finding and where necessary thorough investigations into allegations of misconduct is critical to fostering a positive workplace culture.

We are therefore embarking on a just and learning positive culture programme with objectives that:

- Reviews our approach to Employee Relations (ER) to align policies and procedures to a Just and Learning Culture. Emphasising early resolution and reducing conflict which supports staff to feel safe to admit their mistakes and where they are held accountable for their behavioural choices.
- Reduces the number of formal ER cases by upskilling the HR team and leaders and managers in early resolution techniques and the Just and Learning Culture approach
- Builds a foundation for ongoing meaningful staff engagement and continuous improvement within the Trust

Head count

Ethnic Origin	Exec Director	Non Exec Director & Chair	Non Board Members	Grand Total
A White - British	5	4	5271	5280
B White - Irish			76	76
C White - Any other White background		1	501	502
D Mixed - White & Black Caribbean			26	26
E Mixed - White & Black African			16	16
F Mixed - White & Asian			44	44
G Mixed - Any other mixed background			66	66
H Asian or Asian British – Indian			628	628

J Asian or Asian British – Pakistani			63	63
K Asian or Asian British - Bangladeshi			38	38
L Asian or Asian British - Any other Asian background			403	403
M Black or Black British – Caribbean			64	64
N Black or Black British – African		1	397	398
P Black or Black British - Any other Black background			47	47
R Chinese			64	64
S Any Other Ethnic Group			219	219
Z Not Stated	4	3	1388	1395
Grand Total	9	9	9297	9315

Gender	Executive Director	Non Exec Director & Chair	Non Board Members	Grand Total
Female	7	3	7317	7327
Male	2	6	1980	1988
Grand Total	9	9	9297	9315

Full-time	Part-time	Grand total
6724	2591	9315

Fixed term contracts	Internal secondment	Out on external secondment – paid
798	123	6

Trade Union Facility

Number of employees who were local union officials during the relevant period	Head count employee number
66	9315

Staff costs (subject to Audit)

	Group			
			2021/22	2020/21
	Permanent	Other	Total	Total
	£000	£000	£000	£000
Salaries and wages	381,085	663	**381,748**	360,433
Social security costs	39,967	-	**39,967**	36,583
Apprenticeship levy	1,906	-	**1,906**	1,774
Employer's contributions to NHS pension scheme	59,910	-	**59,910**	55,481
Pension cost - other	89	-	**89**	443
Other employment benefits	-	-	**-**	1
Temporary staff	-	75,391	**75,391**	71,957
Total staff costs	**482,957**	**76,054**	**559,011**	**526,672**
Of which				
Costs capitalised as part of assets	837	-	**837**	1,381

Average number of employees (WTE basis) (subject to Audit)

	Group			
			2021/22	2020/21
	Permanent	Other	Total	Total
	Number	Number	Number	Number
Medical and dental	1,244	137	**1,381**	1,336
Administration and estates	3,031	389	**3,420**	3,293
Healthcare assistants and other support staff	1,282	422	**1,704**	1,687
Nursing, midwifery and health visiting staff	2,521	652	**3,173**	2,978
Nursing, midwifery and health visiting learners	-	26	**26**	-
Scientific, therapeutic and technical staff	1,135	-	**1,135**	1,167
Healthcare science staff	424	-	**424**	413
Other	-	-	**-**	40
Total average numbers	**9,637**	**1,626**	**11,263**	**10,914**
Of which:				
Number of employees (WTE) engaged on capital projects	30	-	**30**	18

Reporting of compensation schemes - exit packages 2021/22 (subject to Audit)

	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages
	Number	Number	Number
Exit package cost band (including any special payment element)			
<£10,000	-	19	**19**
£10,000 - £25,000	1	5	**6**
Total number of exit packages by type	**1**	**24**	**25**
Total cost (£)	£16,000	£110,000	**£126,000**

Reporting of compensation schemes - exit packages 2020/21 (Subject to Audit)

	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages
	Number	Number	Number
Exit package cost band (including any special payment element)			
<£10,000	1	24	**25**
£10,000 - £25,000	1	-	**1**
Total number of exit packages by type	**2**	**24**	**26**
Total resource cost (£)	£31,000	£53,000	**£84,000**

Exit packages: other (non-compulsory) departure payments (subject to Audit)

	2021/22		2020/21	
	Payments agreed	Total value of agreements	Payments agreed	Total value of agreements
	Number	£000	Number	£000
Contractual payments in lieu of notice	6	79	24	53
Total	**6**	**79**	**24**	**53**

Expenditure on Consultancies: During 2021/22, the Group's total spending on consultancies was £1,173,000 (see Accounts, note 6.1)

Staff Survey

The National NHS Staff Survey (NSS) is one of the largest workforce surveys in the world and has been conducted every year since 2003. Each autumn everyone who works in the NHS in England is invited to take part in the NSS. The survey offers a snapshot in time of how people experience their working lives, gathered at the same time each year.

In 2021, the NSS underwent its most significant changes in over a decade. For the first time, the questions were aligned with the NHS People Promise to track progress against its ambition to make the NHS the workplace we want it to be by 2024. Using gold-standard methodology, it gives one of the most accurate measures of employee experience.

A total of 8825 eligible colleagues were invited to complete the National Staff Survey and 4587 returned a completed survey. This means we have achieved a majority response rate (52%), giving the results a great deal of legitimacy and credence. It represents a significant improvement (+10%) on last years' response rate (42%). This years' survey has also seen the highest ever number of responses in the Trust, 1048 more than last year (3539) and beating the record set in 2019 (4278) by over 300 responses.

The results are now grouped under the seven People Promise themes along with staff engagement and morale, giving scores in nine indicators. The indicator scores are based on a score out of 10 with the indicator score being the average of the questions related to each theme. Scores for each indicator, together with that of the survey benchmarking group (Acute and Acute & Community Trusts) are presented below:

	2021	
People Promise Theme	**Trust Average**	**National Average**
We are compassionate and inclusive	6.9	7.2
We are recognised and rewarded	5.6	5.8
We each have a voice that counts	6.3	6.7
We are safe and healthy	5.7	5.9
We are always learning	5.1	5.2
We work flexibly	5.6	5.9
We are a team	6.4	6.6

NSS Theme	**2021**	**2020**	**2019**	**National Avg.**
Staff Engagement	6.4	6.5	6.7	6.8
Morale	5.5	5.7	5.9	5.7

The full results of the NHS Staff Survey including a breakdown of the results by protected characteristics, is available here:
https://www.nhsstaffsurveys.com/results/

The results from the 2021 survey show:

- A reduction in staff experiencing harassment, bullying or abuse from managers (-5%), colleagues (-4%), patients/service users, their relatives or the public (-1%)
- An improvement (+4%) in staff feeling secure raising concerns about unsafe clinical practice – and increased confidence that these would be addressed (+1%)
- An improvement across the range of questions around perception of immediate managers, including a 4% improvement in immediate managers asking for opinions before making decisions
- Improvements against much of our Workforce Race Equality Standards (WRES), including an 11% improvement in the percentage of BAME staff experiencing harassment, bullying or abuse from staff.

Overall the results of the staff survey are not where we want to be as a Trust or what we want the experience to be for our staff. Continued significant challenges include:

- Staffing, with a 9% reduction in the perception there are enough staff in the organisation
- Staff Engagement, specifically a sharp fall in staff motivation (linked to post-Covid burnout) and advocacy levels which are >10% below the national average
- Staff Autonomy and Control, with results suggesting less staff feel they have a voice that counts

There also continue to be challenges around staff health and wellbeing due to the impact of Covid-19 on mental and physical wellbeing. A Wellbeing Team has been established and intensive work will continue throughout the year to ensure all staff have access to the psychological, emotional, physical and financial support they need.

Future priorities and targets
Following the publication of the 2021 staff survey results, each clinical Care Group has been provided with their results. The results were presented based on an innovative and industry-leading NSS dashboard, which allows greater insight into and local contextualisation of the results. The dashboard allows each area to identify their areas of best-practice (to celebrate) along with their ‘hot spots’, allowing targeted and intentional action plans. Each Care Group was also asked to consider plans to incorporate some of following priority areas:

- Staff engagement (specifically targeting involvement)
- Staffing/ workforce growth
- Bullying & Harassment
- Health & Wellbeing
- Flexible Working/ Work-Life balance

Consistent Care Group-led Action Plans will be developed to support and align with the 'We care' approach, with the aim of increasing the staff engagement score. Progress will be monitored as part of the regular cycle of performance reviews.

Health & Wellbeing

We recognise that staff health and wellbeing is more important now than ever and, as a result, the Trust invested significantly in a Staff Wellbeing Team. Since the inception of the team there has been a measurable reduction in the number of staff on long-term sickness absence, a significant improvement in the average duration of this absence, along with a reduction in the percentage contribution stress, anxiety and depression makes to our overall sickness absence. There now exists a wealth and breadth of wellbeing support for all staff and this is well-communicated across the organisation through a variety of different vehicles. The Trust was awarded the Kent and Medway Workplace Wellbeing Silver Award in December 2021, an excellent example of the progress the team are making delivery against key wellbeing performance indicators and recognising the strengths and areas of good practice taking place in this sphere.

Employee sickness absence
The Department of Health Group manual for accounts requires the sickness absence data for NHS bodies to be recorded in the Annual Report on a calendar year basis using data provided by the Health and Social Care Information Centre (HSCIC).

Staff sickness absence	2021/22 number	2020/21 number	2019/20 number	2018/19 number	2017/18 number	2016/17 number
Total days lost	87,125.8	96,033.4	73,278.64	65,321.04	63,973.55	67,509.00
Total staff years	8215.23	7954.92	7476.8	6,938.45	6,881.69	6,983.26
Average working days lost (per WTE)	10.61	12.07	9.8	9.41	9.29	9.6

The Trust has calculated the employee sickness absence level for 2021/22 is 4.54%, 2.26% relating to short-term absence and 2.28% relating to long-term absence.

Occupational Health

Our occupational health service is focused on the safety, health and wellbeing of our staff, patients and visitors. The team serves our Trust staff and also

offers services to other local health and public services and also to small and medium businesses. The occupational health service has SEQOHS (Standard of Excellence and Quality) accreditation.

Our services include work-related health checks with pre-commencement screening, and vaccination and immunisation programmes. We advise on reducing risks in the workplace and promoting best practice in relation to good systems of work. We offer guidance to staff and managers on maintaining wellness in the workplace and preventing ill health. We also provide advice and information to managers on managing sickness absence and how to support staff to remain in or return to work including with adjustments if required.

Specialist referral services include cognitive behavioural therapy for mental wellbeing, and advice, information and counselling through our Employee Assistance Programme. Stress management, Mental Health First Aid training and awareness is offered by the service Wellbeing Advisor.

The guidance and immunisation programme that the Occupational Health team of doctors and nurses and administrative staff provide have come to a fore this year in relation to advising managers and staff members on COVID-19 risk and vulnerability with the team commencing the delivery of the COVID-19 vaccination programme in the first hospital vaccination hub in Kent & Medway from December 2020.

The Trust offers an annual flu vaccination programme to all staff. This service is led by the occupational health team and championed by our Chief Nurse, senior managers and peer vaccinators.

Recruitment and retention

Recruitment and retention of our staff remains a key priority and supports our strategic aim to deliver “great healthcare from great people”.
We have continued our efforts and commitment to the overall reduction in our vacancy rates whilst ensuring we are focused on the attraction of candidates from a wider pool of candidates. We have aligned our recruitment plans to support the national people plan and a critical focus has been on international nurse attraction, onboarding and retention. The overall vacancy rate has continued to decrease whilst the funded establishment for the Trust has increased.

A focus on ‘how’ we recruit has taken place and notably changed our recruitment and support of health care support workers, helping us to both appoint, train and retain candidates. We have also undertaken a major rebranding exercise with updated job descriptions and adverts now widely in use across all grades and specialities.

We seek to be an employer of choice and offer unique opportunities and experiences that support the continuous professional development of our staff. Access to world class research and development is provided for staff who wish to pursue their professional path under the guidance of leading

expert clinicians. We offer innovative ways of working including annualised hours, rotas and flexible working. Incentive payments for hard to fill posts are also in place.

We continue to focus not only on recruiting new staff, but also retaining existing staff, who have a wealth of skills and experience to use and share with colleagues. We have been successful in our work to support individuals in their first year of employment with the Trust and have continued to develop models of best practice to support induction and 'on boarding' for each person participating in national programmes that support this activity. We continue to welcome international candidates with extended induction periods in place to help ease the transition into the UK system.

Diversity and Inclusion Policy

The Trust is committed to equality, diversity and inclusion, promoting recruitment and selection processes that are open, fair and transparent. We will not discriminate on the grounds of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race (which includes colour, nationality and ethnic or national origins), religion or belief, and sex or sexual orientation

Candidates for employment or promotion will be assessed objectively against the requirements for the job, taking account of any reasonable adjustments that may be required for candidates with a disability.

The Trust supports and engages with our BAME (Black, Asian and Minority ethnicity), LGBTQ+ (Lesbian, Gay, Bisexual, Transgender and querying, plus) networks and our Disabled Staff Council. We are launching our new Women's Network on International Women's Day in March 2022. Black History Month, LGBT Pride and Disability History Month have been funded this year to deliver visible campaigns designed by our staff networks and Chairs.

Our networks meet regularly and join collectively for our bi-monthly Equality, Diversity and Inclusion Steering Group which is incorporated into our governance framework and reports to our People and Culture Committee. Core to this is discussion the analysis of data for our Gender pay gap, Workforce Race Equality Standard and our Workforce Disability Equality Standard responsibilities, and identify actions to address our priorities for the coming year.

The covid pandemic has exacerbated the health inequalities of our staff and patients and the Trust is developing its response alongside its other commitments in our 2022 EDI strategy and also our patient and public engagement strategies.

This year Health Watch Kent have nominated colleagues in our EDI Team for their annual awards for their work in supporting equality and patient voice in strategy development. We are also extremely proud that our LGBTQ+ Staff Network Chair won Equality and Inclusion Champion of the year at the Nursing Times Awards in 2021. We have seen a significant increase in

membership of all our staff networks in the last year as a result of efforts of diversity campaigns and attractive projects that are meaningful to our people.

We value partnership working to improve the experience at work and we are working closely with the Integrated Care System (ICS) equality, diversity and inclusion programmes and this brings a new layer of support and rigour to delivering the EDI agenda across our employment and health and care provision.

Managers' guidance on redeployment

We provide guidance to managers on the arrangements for redeployment of staff in circumstances relating to capacity (under-performance in role), capability ill health with involvement of our occupational health team, reorganization due to restructuring, and displacement for COVID-19 reasons.

Health and Safety

The Trust has a well-established Health and Safety Toolkit Audit process, whereby every department is audited for key safety areas every year. Good progress has been observed year on year for these audits. Each Care Group has a nominated lead for safety who oversees the safety management for their respective area. The Strategic Health and Safety Committee continues to monitor and oversee safety performance. The 4Risk risk management software assists in ensuring significant health and safety risks are escalated and managed as necessary. Training and support for the Health and Safety Link Workers continues to be delivered. Additional specialist courses including controlling hazardous substance and Health and Safety training for managers are in place.

Non-clinical Incident reporting governance and scrutiny continues to mature with auditing of the incident system and improved reporting quality. Total numbers of non-clinical incidents shows a general increase trend.

Non-clinical incidents (like for like yearly comparison) by reported date	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Accident / Fall (staff or visitors only)	577	513	565	622	652	686
Breach of confidentiality / data protection / computer misuse	249	185	221	280	403	344
Facilities / Estates issues	318	310	291	293	275	239
Fire including false alarm	202	174	160	176	159	173
Manual handling	132	96	107	116	87	137
Security	989	915	970	996	1530	2126

Disclosures set out in the NHS Foundation Trust Code of Governance

East Kent Hospitals University 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.

The Trust conducts an annual review of the Code of Governance to monitor compliance and identify areas for development. The Board reviewed the Trust's assessment at a meeting held in May 2022.

The Board has confirmed the Trust is compliant with all provisions in the Code. NHS Foundation Trusts are required to provide a specific set of disclosures in their annual report to meet the requirements of the NHS Foundation Trust Code of Governance. The following table details these disclosures and where the information can be located in this report:

	PROVISION	ANNUAL REPORT AND ACCOUNTS SECTION
A.1.1	The schedule of matters reserved for the board of directors should include a clear statement detailing the roles and responsibilities of the council of governors. This statement should also describe how any disagreements between the council of governors and the board of directors will be resolved. The annual report should include this schedule of matters or a summary statement of how the board of directors and the council of governors operate, including a summary of the types of decisions to be taken by each of the boards and which are delegated to the executive management of the board of directors.	Accountability Report: Director's Report Council of Governors' Report
A.1.2	The annual report should identify the chairperson, the deputy chairperson (where there is one), the chief executive, the senior independent director (see A.4.1) and the chairperson and members of the nominations, audit and remuneration committees. It should also set out the number of meetings of the board and those committees and individual attendance by directors.	Accountability Report: Director's Report Nominations and Remuneration Committee Integrated Audit and Governance Committee Remuneration Report
A.5.3	The annual report should identify the members of the council of governors, including a description of the constituency or organisation that they represent, whether they were elected or appointed, and the	Accountability Report:

	duration of their appointments. The annual report should also identify the nominated lead governor.	Council of Governors' Report
B.1.1	The board of directors should identify in the annual report each non-executive director it considers to be independent, with reasons where necessary.	Accountability Report: Director's Report
B.1.4	The board of directors should include in its annual report a description of each director's skills, expertise and experience. Alongside this, in the annual report, the board should make a clear statement about its own balance, completeness and appropriateness to the requirements of the NHS foundation trust.	Accountability Report: Director's Report
B.2.10	A separate section of the annual report should describe the work of the nominations committee(s), including the process it has used in relation to board appointments.	Accountability Report: Nominations and Remuneration Committee
B.3.1	A chairperson's other significant commitments should be disclosed to the council of governors before appointment and included in the annual report. Changes to such commitments should be reported to the council of governors as they arise, and included in the next annual report.	Accountability Report: Director's Report
B.5.6	Governors should canvass the opinion of the trust's members and the public, and for appointed governors the body they represent, on the NHS foundation trust's forward plan, including its objectives, priorities and strategy, and their views should be communicated to the board of directors. The annual report should contain a statement as to how this requirement has been undertaken and satisfied.	Accountability Report: Council of Governors' Report
B.6.1	The board of directors should state in the annual report how performance evaluation of the board, its committees, and its directors, including the chairperson, has been conducted.	Accountability Report: Director's Report
B.6.2	Where there has been external evaluation of the board ***and/or governance of the trust***, the external facilitator should be identified in the annual report and a statement made as to whether they have any other connection to the trust.	Accountability Report: Director's Report
C.1.1	The directors should explain in the annual report their responsibility for preparing the annual report and accounts, and state that they consider the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for patients, regulators and other stakeholders to assess the NHS foundation trust's performance, business model and strategy.	Performance report: Summarised annual accounts

	Directors should also explain their approach to quality governance in the Annual Governance Statement (within the annual report).	
C.2.1	The annual report should contain a statement that the Board has conducted a review of the effectiveness of its system of internal controls.	Annual Governance Statement
C.2.2	A trust should disclose in the annual report: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	Annual Governance Statement
C.3.5	If the council of governors does not accept the audit committee's recommendation on the appointment, reappointment or removal of an external auditor, the board of directors should include in the annual report a statement from the audit committee explaining the recommendation and should set out reasons why the council of governors has taken a different position.	Council of Governors Report
C.3.9	A separate section of the annual report should describe the work of the audit committee in discharging its responsibilities. The report should include: • the significant issues that the committee considered in relation to financial statements, operations and compliance, and how these issues were addressed; • an explanation of how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or re-appointment of the external auditor, the value of external audit services and information on the length of tenure of the current audit firm and when a tender was last conducted; and • if the external auditor provides non-audit services, the value of the non-audit services provided and an explanation of how auditor objectivity and independence are safeguarded.	Accountability Report: Integrated Audit and Governance Committee Report Annual Governance Statement Council of Governors Report
D.1.3	Where an NHS foundation trust releases an executive director, for example to serve as a non-executive director elsewhere, the remuneration disclosures of the annual report should include a statement of whether or not the director will retain such earnings.	Not applicable for 2021/22
E.1.4	Contact procedures for members who wish to communicate with governors and/or directors should be made clearly available to members on the NHS foundation trust's website and in the annual report.	Accountability Report: Membership Report

E.1.5	The board of directors should state in the annual report the steps they have taken to ensure that the members of the board, and in particular the non-executive directors, develop an understanding of the views of governors and members about the NHS foundation trust, for example through attendance at meetings of the council of governors, direct face-to-face contact, surveys of members' opinions and consultations.	Accountability Report: Council of Governors' Report
E.1.6	The board of directors should monitor how representative the NHS foundation trust's membership is and the level and effectiveness of member engagement and report on this in the annual report.	Accountability Report: Membership Report

Regulatory ratings

NHS System Oversight Framework

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

- quality of care, access and outcomes
- preventing ill health and reducing inequalities
- finance and use of resources
- people
- leadership and capability

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 has been placed in segment 4, The new national Recovery Support Programme (RSP), provided to all trusts and systems in segment 4 of the NHS System Oversight Framework (SOF 2021/22) was launched on 13 July 2021 and the Trust transitioned from special measures to the RSP. The Trust has agreed a number of undertakings with NHS England and is making good progress in delivery of these, more detail of which can be found in the Annual Governance Statement.

This segmentation information is the trust's position as at 31 March 2022. Current segmentation information for NHS trusts and foundation trusts is published on the NHS England and NHS Improvement website: https://www.england.nhs.uk/publication/nhs-system-oversight-framework[1]segmentation/

Tracy Fletcher, Chief Executive
Date: 24 June 2022

Statement of accounting officer's responsibilities

Statement of the chief executive's responsibilities as the accounting officer of East Kent Hospitals University NHS Foundation Trust

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

NHS Improvement, in exercise of the powers conferred on Monitor by the NHS Act 2006, has given Accounts Directions which require [name] 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 East Kent Hospitals University NHS foundation trust and of its income and expenditure, other items of comprehensive income and cash flows for the financial year.

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

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

The accounting officer is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the NHS foundation trust and to enable them to ensure that the accounts comply with requirements outlined in the above mentioned Act.

The Accounting Officer is also responsible for safeguarding the assets of the NHS foundation trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

Tracy Fletcher, Chief Executive
Date: 24 June 2022

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 purpose of the system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of East Kent 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 East Kent Hospitals NHS Foundation Trust for the year ended 31 March 2022 and up to the date of approval of the annual report and accounts.

Capacity to handle risk
As designated Accounting Officer, I have overall accountability for risk management in the Trust. I am supported by the Executive Director of Quality Governance; Chief Medical Officer; and Chief Nursing & Midwifery Officer, who lead on clinical risk management; the Hospital Medical Director (William Harvey Hospital) who is the Caldicott Guardian; the Chief Finance Officer who is responsible for financial risk management and the Senior Information Risk Officer (SIRO), the Chief Operating Officer who is responsible at Trust Board level for risks to achieving operational performance, the Chief People & Culture Officer who is responsible for staffing and workforce risks, the Deputy Chief Executive/Chief Strategy Officer who is responsible for health and safety. The Executive Director of Infection Prevention and Control who is responsible for infection control risks. The Group Company Secretary also has responsibility for establishing and implementing the processes and systems of risk management across the Trust and the promotion of good corporate governance.

Risk Management
The leadership framework for risk management is as described above. The Chief Executive and Executive Directors are responsible for managing risks within their scope of management responsibility, which is clearly defined. Assurance is provided through reports and dashboards to working groups and committees to the Board.

The Care Group leadership teams are responsible for ensuring the Care Group risks are identified, assessed, mitigated as appropriate and escalated when they cannot be mitigated locally. Each Care Group has its own Risk Register and these are presented and monitored through the Performance Review process on a monthly basis and through the Executive Risk Assurance Group quarterly.

General Managers/Line Managers ensure that all staff are aware of the risk management processes and report risks for consideration to the relevant Committee. All staff have a key role in identifying and reporting risks and incidents promptly thereby allowing risks to be mitigated. In addition, staff have the responsibility for taking steps to avoid injuries and risks to patients, staff and visitors.

The Board Assurance Framework informs the Board at monthly intervals, of the most significant risks, the control measures in place to mitigate the risks and assurance on the effectiveness of controls. The Corporate Risk Register covers all areas including potential future external risks to quality and has clear ownership at executive level. The Integrated Audit and Governance Committee oversees the risk management process.

The Integrated Audit and Governance Committee, People and Culture Committee, Finance and Performance Committee and Quality and Safety Committee receive the BAF and Corporate Risk Register reports relevant to their Terms of Reference.

All staff are encouraged to report incidents and near miss events, via an embedded electronic system, as part of the Incident Management Policy. Trends and themes on incidents are reported to the Quality and Safety Committee quarterly.

The Trust monitors compliance with the Duty of Candour and our obligation to be open, transparent and accountable to the public and our patients for our actions and omissions leading to episodes of poor care; this is reported to and monitored by the Patient Safety Committee monthly.

The risk and control framework

The Trust has in place a Risk Management Policy, last reviewed and approved by the Board in December 2021, this applies to all Trust staff and sets out the Trust's approach to managing clinical and non-clinical risks. The Trust also has in place a Risk Management Handbook which provides a detailed guide to understanding the Risk Management process. The Clinical Executive Management Group has overall responsibility for risk management and is supported by the Executive Risk Assurance Group for the operational management and escalation of risk from the Care Groups; these Groups meet monthly.

The Strategic Health and Safety Committee is responsible for the health and safety of employees, visitors and contractors. The Committee receives quarterly reports from Care Group Health and Safety Leads. In addition, the Committee receives results by each Care Group, relating to the Health and

Safety Toolkit Audit. The audit outcomes are also provided to the Clinical Executive Management Group each quarter and the Trust Board every 6 months. Health and Safety risk tools are available on the Trust's intranet and the Trust's Health and Safety Policy is the framework by which the Trust manages and monitors health and safety at work.
The Integrated Audit and Governance Committee scrutinise the effectiveness of the process and in respect of quality and safety risks the Quality and Safety Committee receive reports and assurance from the Patient Safety Committee and scrutinise evidence on behalf of the Board of Directors.

Risk is a key component of the Performance Review Meetings held with each Care Group on a monthly basis. Not only are the Care Groups key risks discussed but the agenda focuses on exception reporting and therefore risk is discussed in this context.

The Datix risk management system is in use to record incidents, complaints, Patient Advice and Liaison Service (PALS) enquiries and legal claims, including Coroner's inquests.

Risks at all levels are recorded on 4Risk, the Trust's risk management system and these are linked to the relevant strategic priority and the appropriate risk appetite heading. The risk appetite statement for the Trust was agreed by the Board of Directors in March 2019 and is due to be reviewed in 2022-23..

The Board Assurance Framework (BAF) assesses and evaluates the principal risks to the achievement of the strategic priorities and there is an alignment between the BAF and the risks currently outlined on the BAF risk register. Risks to the True North are highlighted on each Board and Committee report as a way of demonstrating clear links and allows for good discussion in meetings. The BAF is reported on a quarterly basis through the committee structure to the Board. The end of year BAF was received by the IAGC and Board. The BAF also provides assurance that effective controls and monitoring arrangements are in place. It is also the key document that underpins this Annual Governance Statement (AGS).

The top five risk themes affecting the Trust and recorded on both the BAF and Corporate Risk Registers, over the year under review were:

Emergency Care
Overcrowding in ED due to a lack of capacity in the system and increased local demand

Staffing
Recruitment and retention of substantive staff:

- Inadequate nursing staffing
- Inadequate midwifery staffing
- Inadequate medical staffing

Staff health and wellbeing
Underlying organisational culture

Clinical governance and safety culture
Poor medicines management
Embedding safety and learning culture in Maternity and Paediatric services
Capacity within tier 4 Children and Young People Mental Health Services (CYPMHS)
Trust's preparedness for a CQC inspection

Planned Care
Delivery of the operational constitutional standards

Estate condition and backlog maintenance
Backlog of work (£120 million)

The Trust's Local Counter Fraud service ensures that the annual plan of proactive work minimises the risk of fraud within the Trust and is fully compliant with NHS Counter Fraud Authority requirements. Preventative measures include reviewing Trust policies to ensure they are fraud-proof utilising intelligence, best practice and guidance from NHS Counter Fraud Authority. Detection exercises are undertaken where a known area is at high risk of fraud and the National Fraud Initiative (NFI) data matching exercise is conducted bi-annually. Staff are encouraged to report suspicions of fraud through utilising communications, presentations and fraud awareness literature throughout the Trust's sites. The Local Counter Fraud Specialist liaises with Internal Audit in order to capture any fraud risks from internal audits undertaken within the Trust. Counter Fraud reports are presented to the IAGC at each meeting.

Information governance and data security risks are managed and controlled within this policy framework. The Trust has an Information Governance Steering Group which receives reports on information governance incidents, compliance with training requirements, data quality and compliance with the Information Governance Toolkit.

Regulation

NHS Foundation Trust Governance: Licence Provisions

NHS Improvement Undertakings
On the 13 December 2018 NHS Improvement (NHSI) issued compliance certificates in relation to the undertakings accepted by them previously in September 2014, August 2015 and June 2017. However, the Trust remains in Financial Special Measures (FSM). As a result the Trust offered a new set of undertakings. The full text of these can be found on the NHSI website but in short the Trust is in breach of the following elements of its Provider Licence:

- FT4(4)(c) The Trust has established and implemented clear reporting lines and accountabilities throughout the organisation
- FT4(5) The Licensee shall establish and effectively implement systems and / or processes:
    - (a) to ensure compliance with the Licensee's duty to operate efficiently, economically and effectively;

  - (b) Timely and effective scrutiny and oversight by the Board of the Trust's operations
  - (c) compliance with health care standards binding on the Trust including but not restricted to standards specified by the Secretary of State, the Care Quality Commission, the NHS Commissioning Board and statutory regulators of health care professions
  - (d) for effective financial decision-making, management and control (including but not restricted to appropriate systems and / or processes to ensure the Licensee's ability to continue as a going concern);
  - (e) obtain and disseminate accurate, comprehensive, timely and up to date information;
  - (f) identify and manage material risks to compliance with the Conditions of its Licence.
- FT4(6)(c) The Board is satisfied that the systems and/or processes referred to in paragraph 5 should include but not be restricted to systems and/or processes to ensure the collection of accurate, comprehensive, timely and up to date information on quality of care
- FT4(6)(d) The Board is satisfied that the systems and/or processes referred to in 4.5 should include but not be restricted to systems and/or processes to ensure that the Board receives and takes into account accurate, comprehensive, timely and up to date information on quality of care
- FT4(6)(e) The Board is satisfied that the systems and/or processes referred to in paragraph 5 should include but not be restricted to systems and/or processes to ensure Engagement on quality of care with patient, staff and other stakeholders
- FT4(6)(f) The Board is satisfied that the systems and/or processes referred to in paragraph 5 should include but not be restricted to systems and/or processes to ensure accountability for quality of care throughout the Trust including but not restricted to systems and/or processes for escalating and resolving quality issues including escalating them to the Board where appropriate
- FT4(7) The Board is satisfied that there are systems to ensure that the Trust has in place personnel on the Board, reporting to the Board and within the rest of the organisation who are sufficient in number and appropriately qualified to ensure compliance with the conditions of its NHS provider licence
- CoS3(1)The Licensee shall at all times adopt and apply systems and standards of corporate governance and of financial management which reasonably would be regarded as suitable for a provider of the Commissioner Requested Services provided by the Licensee, and providing reasonable safeguards against the risk of the Licensee being unable to carry on as a going concern.

NHS England / Improvement commissioned a governance review which commenced in August 2020 and reported to the Board in December 2020. This resulted in a number of recommendations. In addition the Trust entered the NHS England Recovery Support Programme (RSP) and an action plan was agreed in December 2021 and these actions are required to be completed before the Trust can exit system oversight framework four (SOF4).

The Trust Chief Finance Officer is acting as the Senior Responsible Officer (SRO) for the oversight of both the governance improvement actions and the RSP actions. Dedicated Project Management support has been allocated. Delivery of the recommendations will be driven by a task and finish group (Governance Improvement Group) which now meets monthly and will produce highlight reports to identify progress.

Of the 50 actions identified through the governance review 47 have been completed with the remaining 3 due for completion over the next quarter.

Of the 19 RSP actions, none have been completed but all have executive owners and have due dates in 2022.

Risks to NHSI Provider Licence:
The principal risks in relation to compliance with our Provider Licence are:

- BAF 33 - Failure to adequately resource, implement and embed effective governance processes through the Trust may result in inadequate identification, management and escalation of risks that require mitigation, poor delivery and quality and safety of services.
- BAF 34 - Failure to deliver the operational constitutional standards due to the national directive to stop all planned care following the Covid-19 pandemic
- BAF 35 - Failure to recruit and retain high calibre staff could potentially result in negative patient outcomes and experience and impact on the Trust's reputation
- BAF 36 - Failure to implement the strategic change required to address the service delivery, workforce and estate condition identified in the PCBC, could result in lapses in core clinical standards, patient safety issues, adherence to estate statutory compliance
- BAF 38 - Failure to deliver the financial position of the Trust as requested by NHSEI may result in the Trust not having adequate cash to continue adequate operations of the organisation and will result in reputational damage and non-compliance with regulators

The Board will self-certify its Corporate Governance Statement following a robust process of review through the IAGC. The full Provider Licence is reviewed by the Integrated Audit and Governance Committee noting the risks identified above and a recommendation on compliance made to the Board for approval. The self-certification is available on the Trust's website along with the full Provider Licence compliance document approved by the Board. This outlines in detail the evidence and assurance the Board has that the risks to its Provider Licence are mitigated as much as possible.

The Trust is **fully compliant** with the registration requirements of the Care Quality Commission (CQC).

The Care Quality Commission has not taken enforcement action against EKHUFT during 2021-2022.

During 2021 to 2022 the CQC inspected the Trust on three occasions.

- May 2021 – medical care core service at Kent & Canterbury (K&C) and William Harvey (WHH) Hospitals;
- July 2021 – maternity core service at WHH, QEQM and K&C hospitals.
- July 2021 – children and young people's core service at WHH and Queen Elizabeth the Queen Mother (QEQM) hospitals;

Inspectors found improvements during their inspection of medical care, with the rating for safe improving from inadequate to requires improvement.

The children and young people's inspection also saw significant improvements. The visits were focussed on the safe and well-led domains, for which the ratings improved from Inadequate to Good.

Maternity services retained their ratings of requires improvement for safe and well-led.

The Trust overall ratings are:

CQC domain	Rating	RAG
SAFE	Requires Improvement	🟡
EFFECTIVE	Requires Improvement	🟡
CARING	Good	🟢
RESPONSIVE	Requires Improvement	🟡
WELL-LED	Requires Improvement	🟡
Overall	**Requires Improvement**	🟡

Overall ratings for each site are shown below:

Site	Rating	RAG
K&C Canterbury	Requires Improvement	🟡
QEQM Margate	Requires Improvement	🟡
WHH Ashford	Requires Improvement	🟡
RVH Folkestone	Good	🟢
BHD Dover	Good	🟢
Overall	**Requires Improvement**	🟡

During 2021, the CQC began consulting on their new assessment framework, as part of their 2021 strategy. EKHUFT have started to develop their own assurance framework, aligned to the CQC's draft assessment framework. This framework will be implemented in 2022, with Care Groups self-assessing

themselves against this new framework, identifying those areas of good practice, and working on areas that require improvement.

In the final quarter of 2020-21 a strategic initiative to achieve our ambition of an outstanding CQC rating was agreed. CQC ratings and inspection requirements since 2018 have been collated and are being mapped across to the We Care programme. A workshop took place in March 2022 to commence this work, attended by members of the executive team and NHS leaders across east Kent.

NHS England Conflicts of Interest Guidance
The Trust has published on its website a register of interests, including gifts and hospitality, for decision-making staff (as defined by the trust with reference to the guidance). However, within the past twelve months the Trust has introduced a new electronic system for recording interests which is still being embedded. During 2022-23, the Trust will continue to issue targeted communications to staff to ensure interests are recorded as required by the Managing Conflicts of Interest in the NHS guidance.

Developing Workforce Standards
The Trust complies with the 'Developing Workforce Safeguards recommendations by providing regular reports to the Trust People and Culture Committee and to the Board outlining our detailed annual and 5 year workforce plans. A workforce planning cycle has been agreed and will incorporate a consolidated action plan for each Care Group covering workforce redesign, agency reduction, recruitment & retention and staff survey improvements. Our workforce plans and remodelling proposals are all quality impact assessed and approved at board level.

The Trust Recruitment and Retention strategy is informed by staff surveys and exit questionnaires making use of specific feedback from individuals across all staff groups. The strategy delivers against our workforce plans supporting our emphasis on substantive recruitment to roles, retention of existing staff and reducing our need for temporary workers. This is underpinned by our Temporary Workforce group and regular temporary staffing discussions with Care Groups to achieve the most effective staffing solutions.

The use of Safe care tools enables oversight of the staffing picture, helps to identify any areas of risk and facilitates requests for assurance from the Chief Nursing & Midwifery Officer with regard to safety and quality prior to further escalation for additional staff. Heads of Nursing and Allied Health professional leads engage in weekly reviews of the data from the safe care tools. The Trust is providing on-going development and support to the leaders responsible for the uses of these systems to continue to improve the accuracy of the data input and ensure that these staffing tool(s) are used to their optimum / to provide safe staffing profiles. In this way the national tools (Shelford, Hurst) and professional judgement support safe staffing management.

The new Staff Experience Team works directly with Care Groups to monitor retention of staff, identify areas where the risk if higher turnover is greater and provides support with implementation of both Trust wide and Care Group specific actions to improve retention rates in response to staff feedback.

A robust set of workforce metrics are supported by a new KPI dashboard including vacancy rates, use of temporary staff, sickness absence, recruitment activity, appraisal and statutory and mandatory training compliance. These are reviewed by the board on a monthly basis with further analysis undertaken as required. In addition, the Care Groups produce Executive Performance reports incorporating performance driver metrics relating to workforce outlining key actions being undertaken to address any unplanned challenges. The Board and People and Culture Committee receive reports on the annual staff survey findings and are informed of progress with the actions identified to resolve issues reported. Our Care Groups and Executive team benchmark our services with regional and national peers using tools such as Model Hospital which is used to identify and implement improvements to our efficiency.

The Trust has implemented Healthroster for all non-Medical staff and has implemented time and attendance rosters for all Medical staff. All Medical staff have e-job plans and the Trust is part way through the implementation of e-job planning for Allied Health Professionals and the efficiencies and assurance this is expected to deliver.

PENSION

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

EQUALITY AND DIVERSITY

The Trust is committed to creating a diverse and inclusive environment where all our staff, patients and service users feel they can be themselves. Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with. An Equality, Diversity and Inclusion Strategy is in place and supported by an associated Action Plan to ensure delivery against key EDI aims and objectives. The statement is on the Trust's website here.

SLAVERY AND HUMAN TRAFFICKING STATEMENT

This statement sets out the Trust's actions to understand all potential modern slavery risks related to our activities and to put in place steps that are aimed at ensuring that there is no slavery or human trafficking in our own business and supply chains. As part of the NHS, we recognise that we have a responsibility to take a robust approach to slavery and human trafficking. The Trust is committed to preventing slavery and human trafficking in our

activities, and to ensuring that our procurement services are free from slavery and human trafficking. The statement is on the Trust's website here.

CARBON REDUCTION

Implementing environmentally sustainable principles and reducing the Trust's greenhouse gas emissions adds value to our patients and reflects the ethics of our staff. The national requirement, as set out in NHSE / I report 'Delivering a Net Zero NHS' is for the Trust to be net zero for the emissions it controls by 2040 (80% by 2028 to 2032). The Trust's carbon emissions are made up of direct emissions i.e. natural gas; indirect and direct emissions i.e. electricity consumption, waste, water, steam, anaesthetics and inhaler usage. The Trust will be focussing on improving these areas over the coming five to ten years. In addition, the Trust plans to include other measures such medicines waste, NHS fleet and leased vehicles and staff travel, as it develops these metrics in the future.

REVIEW OF ECONOMY, EFFICIENCY AND EFFECTIVENESS OF THE USE OF RESOURCES

The objectives of maximising efficiency, effectiveness and economy within the Trust are achieved by internally employing a range of accountability and control mechanisms whilst also obtaining independent external assurances. One of the principal aims of the whole system of internal control and governance is to ensure that the Trust optimises the use of all resources. In this respect the main operational elements of the system are the Management Reporting, BAF and the Boards Committees of the IAGC and the Finance and Performance Committee (FPC). While the priority in 2021/22 has been the operational response to Covid-19 pandemic, a number of existing financial control measures have been maintained. These include the use of monthly executive performance reviews which are the main forum for performance management of the Care Groups. Underlying this structure there is a comprehensive system of budgetary control and reporting, and the assurance work of both the internal and external audit functions.

The IAGC is chaired by a Non-Executive Director and the Committee reports directly to the Board. Three other Non-Executive Directors sit on this Committee. Both Internal and External Auditors attend each Committee meeting and report on the achievement of approved annual audit plans that specifically include economy, efficiency and effectiveness reviews. This year the IAGC requested reports from Executive Directors in operational areas including:

- Annual Report and statutory declarations
- Risk Management Policy
- Board Assurance Framework and Corporate risk register
- Single Tender Waivers
- Data security and protection toolkit
- Annual reports on
    - Gifts, Hospitality and Sponsorship

  - Freedom of Information
  - Emergency Preparedness, Resilience and Response (EPRR)
- Freedom to Speak up reports from the Guardians

A Non-Executive Director chairs the Finance and Performance Committee (FPC) which reports to the Board upon resource utilisation, service development initiatives as well as financial and operational performance. As part of this assurance process the Trust has presented to the FPC the planning documents for 2022/23 and regular updates on financial efficiency saving plans. In addition, the FPC received regular cash management updates. The Board of Directors also receives both performance and financial reports at each meeting, along with reports from its Committees to which it has delegated powers and responsibilities.

In March 2020 NHSE/I undertook a Use of Resources assessment to understand how effectively the Trust is using available resources to provide high quality, efficient and sustainable care for patients. The outcome of the assessment was that the Trust was rated as 'good', which is the second highest rating and NHSE/I noted that the Trust demonstrated good evidence of productivity including examples of innovative practices and stabilisation of its financial position.

INFORMATION GOVERNANCE
The Trust had no information governance breaches in 2021/22.

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 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 Internal Audit and Governance Committee and the Quality and Safety Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Trust followed NHS England / Improvement guidance and direction during 2021-22, their letter Reducing the Burden and Releasing Capacity dated December 2021 and therefore governance was scaled back with a focus on quality governance. As a result, during January and February 2022, the Trust maintained its Board Committee structure but with a reduced attendance and agenda. In addition, the Trust added weekly informal briefings for the non-executive directors and there were more information discussions between the Non-Executive Chairs of committees and the relevant Executive Lead.

Executive directors within the organisation who have responsibility for the development and maintenance of the system of internal control within their functional areas provide me with assurance. The Clinical Executive Management Group is the principal executive Committee for reviewing risk in the Trust and received recommendations from the Executive Risk Assurance Group, chaired by the Chief Executive and their work is provided in more detail in the risk sections of this Annual Governance Statement. The Clinical audit continues to contribute to the on-going monitoring of the effectiveness of the system of internal control. The process supporting the development of the annual clinical audit programme is now well established with priority given to topics that address areas of key clinical challenge. The central objective of the annual clinical audit programme is to support improvements in patient care identified through clinical audit. The programme is overseen by the executive led NICE / Clinical Audit and Effectiveness Committee that reports into Quality Committee and thereafter the Board of Directors. The Integrated Audit and Governance Committee provide assurance over the process.

The Board Assurance Framework (BAF) provides me with evidence that the effectiveness of controls, which manage the risks to the Trust in achieving its annual priorities have been reviewed and addressed. The Trust received reasonable assurance on its risk management arrangements (this includes the processes around the BAF). The Trust has reviewed its strategic priorities under We Care and for 2022-23 the new objectives have been agreed.

Processes are in place to maintain and review the effectiveness of the system of internal control by:

- monthly reports to the Board on the Corporate and BAF risks and assurance on the same through the Integrated Audit and Governance Committee, as well as regular internal audits;
- assurance, as provided through internal audit, on the risk management processes from ward to Board;
- quarterly reports through the Integrated Audit and Governance Committee to the Board on the Board Assurance Framework;
- Chair assurance reports from the Board Committees to Board.

A report from the Integrated Audit and Governance Committee on their work is included in the Accountability Statement in the Annual Report along with short reports on the work of the other committees that provide assurance to me and the Board on quality, safety, effectiveness, finance and workforce namely:

- Quality and Safety Committee
- Finance and Performance Committee
- People and Culture Committee.

The Regulatory Compliance Group revised its Terms of Reference in 2021-22. Its remit is to receive evidence of compliance with regulatory standards that apply to the Trust and the services it provides. This will include compliance with the Care Quality Commission regulations; NHS Improvement Provider Licence; NHS Foundation Trust Governance Code; Enforcement

Undertakings; Health & Safety Executive; and other Professional Regulatory Bodies who inspect / accredit Trust services (External Visits).

The Board held development sessions during 2021-22, this included a session on Risk Management. A robust Board Development Programme has been agreed for 2022-23 to support improving the Board's effectiveness.

The Trust continues to embed its use of 4Risk, with Care Groups presenting their risks at Performance Reviews, Quality and Safety Committee and on a rotational basis to the Executive Risk Assurance Group.

The Board received reports on patient safety and experience and the BAF and corporate risk register at each public meeting. The Board has played a key role in reviewing risks to the delivery of the Trust's performance objectives through monitoring, and discussion of the performance.

The 'We Care' IPR includes metrics covering key relevant national priority indicators and a selection of other metrics covering quality and safety, patient experience, staff, sustainability and our future. The Board also receives individual reports on areas of concern in regards to internal control to ensure it provides appropriate leadership and direction on emerging risk issues.

Head of internal audit opinion
Based on the work undertaken in 2021/22, our Internal Auditors, RSM, found that the organisation has an adequate and effective framework for risk management, governance and internal control. However, their work identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.

They provided a reasonable level of assurance in most of the areas reviewed, with the exception of partial assurance opinions assigned to Data Quality and Performance (A&E) and the Locum Part 2 review of Care Groups (except Women's Health, which was reviewed in last year's plan and obtained substantial assurance). This means that the Board can take partial assurance that the controls to manage risks were suitably designed and consistently applied, and that action was needed to strengthen the control framework to manage the identified Risks.

RSM have provided a reasonable level of assurance in the following areas of review:

- Mortuary Processes
- Staff Wellbeing
- Risk management
- Spencer Hospitals
- Payroll
- Financial Systems
- Financial Management (reported jointly with Financial Systems review above)
- Serious Incidents (Draft report issued)

Advisory
RSM issued advisory reports on the Premises Assurance Model to assist the Trust in its submission of required information to NHSE/I, in addition to work undertaken on the Data Protection Security Toolkit – no significant issues were identified from these reviews.

Follow up of Management Actions
During the year, RSM followed up on the implementation of management actions with progress reported to each Integrated Audit and Risk Committee. They concluded that there has been good progress overall in implementing actions set out. At the time of preparing this opinion, all actions due had been implemented apart from one classed as “in progress” but nonetheless overdue. This related to Procurement where delays have been encountered due to the pandemic. A revised date for implementation had been agreed.

Remaining internal audit work for 2021/22
The following assignments have yet to be completed and reported in final and will also be taken into consideration when RSM is drafting the full end of year head of internal audit opinion. RSM’s opinion may therefore change between now and the year-end dependent on the findings of this review:

- Rostering – Fieldwork in progress
- IT Strategy & Management - awaiting final pieces of information from Management

SIGNIFICANT CONTROL ISSUES

The Trust’s definition of significant control issue is:

- Consistent failure of an NHS Constitutional Standard where little or no progress has been made in the year;
- Unplanned issues that required significant resource investment and or capital investment; and
- Any significant concerns raised by regulators, auditors or external visits as agreed by the Committee.

For 2021-22 the Trust is highlighting the following significant control issues:

1. **Maternity services:** In February 2020, NHS England/ Improvement commissioned an Independent Investigation into East Kent Maternity Services (IIEKMS) engaging Sir Bill Kirkup to undertake a review. The Review started on 23 April 2020 and the report is expected to be published in September 2022.

The Trust is focussed on reviewing and improving its maternity services supported by its Strategy for Excellence in Maternity Care and the Maternity Improvement Programme (MIP).

The Strategy for Excellence in Maternity Care incorporates recommendations from independent investigations, findings and feedback into maternity care at East Kent Hospitals to ensure the recommendations and lessons learned from these are fully embedded. This includes the NHS England maternity support programme, NHS Improvement, the Care Quality Commission, Kent and Medway Clinical Commissioning Group, Kent and Medway Local Maternity Systems, the Maternity Voices Partnership and Healthwatch Kent.

The Maternity and Neonatal Assurance Group (MNAG) was established in September 2021 to continue the oversight of the Maternity Improvement Programme (MIP), continuing the work of the previous maternity improvement committee. The Committee reports to the Quality and Safety Committee.

2. **Delivery of the constitutional standards**

Performance has been adversely affected by the Covid-19 global pandemic and as the Trust enters into the recovery phase in 2022 - 23, it is committed to improving our elective waiting times moving towards delivery of the constitutional standard.

There were two partial assurance internal audit reports, as highlighted in the Head of Internal Audit Opinion and these are considered as significant control issues.

3. **Data Quality and Performance – A&E (Partial Assurance)**

The review focussed on 4-Hour Compliance and Time to Initial Assessment (15mins) within A&E as two underperforming areas. Areas of good practice identified included having an Emergency Department Validation Policy in place and we were able to trace source data for breaches back to Trust systems. However, from the testing undertaken by RSM on breaches one case was identified where a 4-Hour Compliance breach had been recorded and signed-off, although this was not a valid breach as the patient had been referred to a Medical Service within the allotted 4-hour time period. Testing of 4-Hour Compliance breaches at the Margate site identified four instances where the reasons for the breaches had not been recorded accurately on the system. RSM identified there did not appear to be a Plan in place to improve Time to Initial Assessment performance or detail of who was responsible for implementation.

Since the review was undertaken, all management actions agreed have been implemented.

4. **Locum review – Part 2 (All Care Groups except Women's Health) – (Partial Assurance)**

Overall, based on the testing undertaken by RSM of the locums across the 7 Care Groups, in most cases there was evidence that senior Consultants had reviewed CVs and references of locum doctors, although this was not always undertaken on a timely basis. Most of the Care Groups tested produced information on a timely basis, although some did not appear to have electronic

files in place making the gathering of information more difficult. For some Care Groups there was evidence that Consultants with whom the locum would be working were informed of the person joining the Care Group, although this was not the case across all locums tested. All new locums are meant to have a minimum one- day shift under supervised practice, and although this was happening at some of the Care Groups there were others where this process had not been embedded.

A follow up exercise across a sample of Care Groups to ensure management actions have been implemented will be undertaken early in 2022/23.

CONCLUSION
Working with the Board, Governors and all Staff, I am fully committed to addressing the significant control issues highlighted above and to providing sustainable high-quality care for the population of east Kent.

Signature:

Tracey Fletcher, Chief Executive
Date: 24 June 2022

East Kent Hospitals University NHS Foundation Trust

Annual accounts for the year ended 31 March 2022

Foreword to the accounts

East Kent Hospitals University NHS Foundation Trust

These accounts, for the year ended 31 March 2022, have been prepared by East Kent Hospitals University NHS Foundation Trust in accordance with paragraphs 24 & 25 of Schedule 7 within the National Health Service Act 2006.

Tracey Fletcher
Chief Executive
24 June 2022

Independent auditor's report to the Council of Governors of East Kent Hospitals University NHS Foundation Trust

Report on the Audit of the Financial Statements
Opinion on financial statements

We have audited the financial statements of East Kent Hospitals University NHS Foundation Trust (the 'Trust') and its subsidiaries (the 'group') for the year ended 31 March 2022, which comprise the Consolidated Statement of Comprehensive Income, the Statements of Financial Position, the Consolidated Statement of Changes in Taxpayers Equity, the Statement of Changes in Taxpayers Equity, the Statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Accounts Directions issued under Schedule 7 of the National Health Service Act 2006, as interpreted and adapted by the Department of Health and Social Care Group accounting manual 2021 to 2022.

In our opinion, the financial statements:

· give a true and fair view of the financial position of the group and of the Trust as at 31 March 2022 and of the group's expenditure and income and the Trust's expenditure and income for the year then ended; and

· have been properly prepared in accordance with international accounting standards as interpreted and adapted by the Department of Health and Social Care Group accounting manual 2021 to 2022; and

· have been prepared in accordance with the requirements of the National Health Service Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Accounting Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the Trust to cease to continue as a going concern.

In our evaluation of the Accounting Officer's conclusions, and in accordance with the expectation set out within the Department of Health and Social Care Group accounting manual 2021 to 2022 that the group and Trust's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and Trust. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Trust and the group and Trust's disclosures over the going concern period.

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 group's and the Trust's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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.

The responsibilities of the Accounting Officer with respect to going concern are described in the 'Responsibilities of the Accounting Officer and Those Charged with Governance for the financial statements' section of this report.

Other information

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

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

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the disclosure requirements set out in the NHS foundation trust annual reporting manual 2021/22 or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit:

- the parts of the Remuneration Report and the Staff Report to be audited have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Accounts Directions issued under Schedule 7 of the National Health Service Act 2006; and
- based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Trust, the other information published together with the financial statements in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- we issue a report in the public interest under Schedule 10 (3) of the National Health Service Act 2006 in the course of, or at the conclusion of the audit; or

- we refer a matter to the regulator under Schedule 10 (6) of the National Health Service Act 2006 because we have reason to believe that the Trust, or an officer of the Trust, is about to make, or has made, a decision which involves or would involve the incurring of unlawful expenditure, or is about to take, or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency.

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

Responsibilities of the Accounting Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Accounting Officer's responsibilities the Chief Executive, as Accounting Officer, is responsible for the preparation of the financial statements in the form and on the basis set out in the Accounts Directions included in the NHS foundation trust annual reporting manual 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

•We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Trust and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (international accounting standards and the National Health Service Act 2006, as interpreted and adapted by the Department of Health and Social Care Group accounting manual 2021 to 2022).

•We enquired of management and the Integrated Audit and Governance Committee concerning the group and Trust's policies and procedures relating to:
-the identification, evaluation and compliance with laws and regulations;
-the detection and response to the risks of fraud; and
-the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

•We enquired of management, internal audit and the Integrated Audit and Governance Committee whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

•We assessed the susceptibility of the group and Trust's financial statements to material misstatement, including how fraud might occur, evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls, the risk of improper revenue recognition and the risk of fraud in expenditure recognition. We determined that the principal risks were in relation to:

- journal entries where the value was large compared with the average value for journals on that account code during the year, journals which contained keywords that might indicate fraud and journals posted by senior finance management
- the reasonableness of year-end revenue and expenditure accruals
- the reasonableness of estimates in respect of property, plant and equipment valuations.

•Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
- journal entry testing, with a focus on the journals deemed to be high risk
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of property, plant and equipment valuations and revenue and expenditure recognition.
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

•These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

•The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and/or expenditure recognition, or in the use of significant accounting estimates, related to accruals and the valuation of property, plant and equipment.

•Our assessment of the appropriateness of the collective competence and capabilities of the group and Trust's engagement team included consideration of the engagement team's

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the health sector and economy in which the group and Trust operates
- understanding of the legal and regulatory requirements specific to the group and Trust including:
    - the provisions of the applicable legislation
    - NHS England's rules and related guidance
    - the applicable statutory provisions.

•In assessing the potential risks of material misstatement, we obtained an understanding of:

- The group and Trust's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, financial statement consolidation processes, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- The group and Trust's control environment, including the policies and procedures implemented by the group and Trust to ensure compliance with the requirements of the financial reporting framework.

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in respect of the above matter except on 3 August 2021 we identified a significant weakness in how the Trust ensures that it makes informed decisions and properly manages its risks. This was in relation to governance weaknesses including leadership capacity and the monitoring and reporting structures for quality governance, the quality of the Trust's maternity services and the Trust's failure to implement fully recommendations arising from the 2016 Royal College of Obstetricians and Gynaecologists' independent review of maternity services. We recommended that the Trust continues to use oversight forums to stress test the quality of evidence underpinning assurances provided by management in respect of service delivery. This should be underpinned by improvements to the Trust's culture which provides staff with confidence to report concerns about unsafe clinical practice. The Trust's governance improvement plan should have completion dates for all actions, with a post-implementation review performed 6-8 months after completion of the plan.

As part of our work on the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022, we have reviewed the Trust's progress against its governance improvement plan and maternity improvement plan. Although significant progress has been made by the Trust, implementation of our recommendations remains in progress. The Trust requires time to embed improvements in governance arrangements and maternity services and demonstrate their effectiveness to the satisfaction of NHS Improvement and other regulators. Therefore, the significant weakness in arrangements remains in place.

Responsibilities of the Accounting Officer

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

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

We are required under paragraph 1 of Schedule 10 of the National Health Service Act 2006 to be satisfied 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 review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

· Financial sustainability: how the Trust plans and manages its resources to ensure it can continue to deliver its services;

· Governance: how the Trust ensures that it makes informed decisions and properly manages its risks; and

· Improving economy, efficiency and effectiveness: how the Trust uses information about its costs and performance to improve the way it manages and delivers its services.

We have documented our understanding of the arrangements the Trust has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Certificate

We certify that we have completed the audit of the financial statements of East Kent Hospitals University 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.

Use of our report

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

Darren Wells

Darren Wells
Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

London
Date: 24 June 2022

Consolidated Statement of Comprehensive Income

		Group		Trust	
		2021/22	2020/21	2021/22	2020/21
	Note	£000	£000	£000	£000
Operating income from patient care activities	3	802,126	695,130	790,325	682,466
Other operating income	4	57,179	110,637	59,598	111,958
Operating expenses	6, 7	(858,571)	(802,893)	(850,861)	(793,489)
Operating surplus/(deficit) from continuing operations		**734**	**2,874**	**(938)**	**935**
Finance income	11	24	1	2,259	2,326
Finance expenses	12	-	(6)	(2,809)	(3,038)
PDC dividends payable		(7,868)	(6,303)	(7,868)	(6,303)
Net finance costs		**(7,844)**	**(6,308)**	**(8,418)**	**(7,015)**
Other losses	13	(844)	-	(819)	-
Corporation tax expense		(799)	(829)	-	-
Deficit for the year from continuing operations		**(8,753)**	**(4,263)**	**(10,175)**	**(6,080)**
Deficit for the year		**(8,753)**	**(4,263)**	**(10,175)**	**(6,080)**
Other comprehensive income					
Will not be reclassified to income and expenditure:					
Impairments	7	(9,322)	(3,359)	(9,322)	(3,359)
Revaluations	18	5,700	5,847	5,700	5,847
Other reserve movements		-	-	(1)	-
Total comprehensive expense for the period		**(12,375)**	**(1,775)**	**(13,798)**	**(3,592)**
Deficit for the period attributable to:					
East Kent Hospitals University NHS Foundation Trust		(8,753)	(4,263)	(10,175)	(6,080)
TOTAL		**(8,753)**	**(4,263)**	**(10,175)**	**(6,080)**
Total comprehensive expense for the period attributable to:					
East Kent Hospitals University NHS Foundation Trust		(12,375)	(1,775)	(13,798)	(3,592)
TOTAL		**(12,375)**	**(1,775)**	**(13,798)**	**(3,592)**

Statements of Financial Position

		Group		Trust	
		31 March 2022	31 March 2021	31 March 2022	31 March 2021
	Note	£000	£000	£000	£000
Non-current assets					
Intangible assets	14,15	7,478	4,972	7,474	4,966
Property, plant and equipment	16,17	319,528	297,774	313,940	292,135
Other investments / financial assets	19	-	-	30,314	30,314
Receivables	21	2,498	1,281	64,260	65,082
Total non-current assets		**329,504**	**304,027**	**415,988**	**392,497**
Current assets					
Inventories	20	10,415	8,708	5,527	4,198
Receivables	21	31,601	18,479	34,675	20,802
Cash and cash equivalents	22	48,806	78,681	27,372	67,943
Total current assets		**90,822**	**105,868**	**67,574**	**92,943**
Current liabilities					
Trade and other payables	23	(88,522)	(92,933)	(82,611)	(91,243)
Borrowings	25	(620)	-	(7,476)	(6,639)
Provisions	27	(5,398)	(3,826)	(5,398)	(3,826)
Other liabilities	24	(5,198)	(13,247)	(5,059)	(13,210)
Total current liabilities		**(99,737)**	**(110,006)**	**(100,544)**	**(114,918)**
Total assets less current liabilities		**320,589**	**299,889**	**383,018**	**370,522**
Non-current liabilities					
Trade and other payables	23	(126)	(201)	-	-
Borrowings	25	(7,961)	(7,717)	(79,072)	(85,684)
Provisions	27	(4,780)	(3,171)	(4,780)	(3,171)
Total non-current liabilities		**(12,867)**	**(11,089)**	**(83,852)**	**(88,855)**
Total assets employed		**307,722**	**288,800**	**299,166**	**281,667**
Financed by					
Public dividend capital		425,777	394,480	425,777	394,480
Revaluation reserve		57,638	61,260	55,569	59,190
Income and expenditure reserve		(175,693)	(166,940)	(182,180)	(172,003)
Total taxpayers' equity		**307,722**	**288,800**	**299,166**	**281,667**

The notes on pages 14 to 58 form part of these accounts.

Tracey Fletcher
Chief Executive
Date **24 June 2022**

Consolidated Statement of Changes in Taxpayers Equity for the year ended 31 March 2022

Group	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' and others' equity at 1 April 2021 - brought forward	**394,480**	**61,260**	**(166,940)**	**288,800**
Deficit for the year	-	-	(8,753)	**(8,753)**
Impairments	-	(9,322)	-	**(9,322)**
Revaluations	-	5,700	-	**5,700**
Public dividend capital received	31,297	-	-	**31,297**
Taxpayers' and others' equity at 31 March 2022	**425,777**	**57,638**	**(175,693)**	**307,722**

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

Group	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' and others' equity at 1 April 2020 - brought forward	**207,655**	**58,772**	**(162,677)**	**103,750**
Deficit for the year	-	-	(4,263)	**(4,263)**
Impairments	-	(3,359)	-	**(3,359)**
Revaluations	-	5,847	-	**5,847**
Public dividend capital received	186,825	-	-	**186,825**
Taxpayers' and others' equity at 31 March 2021	**394,480**	**61,260**	**(166,940)**	**288,800**

Statement of Changes in Taxpayers Equity for the year ended 31 March 2022

Trust	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
Taxpayers' and others' equity at 1 April 2021 - brought forward	**394,480**	**59,190**	**(172,003)**	**281,667**
Deficit for the year	-	-	(10,175)	**(10,175)**
Impairments	-	(9,322)	-	**(9,322)**
Revaluations	-	5,700	-	**5,700**
Public dividend capital received	31,297	-	-	**31,297**
Other reserve movements	-	1	(2)	**(1)**
Taxpayers' and others' equity at 31 March 2022	**425,777**	**55,569**	**(182,180)**	**299,166**

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

Trust	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
Taxpayers' and others' equity at 1 April 2020 - brought forward	**207,655**	**56,702**	**(165,923)**	**98,434**
Deficit for the year	-	-	(6,080)	**(6,080)**
Impairments	-	(3,359)	-	**(3,359)**
Revaluations	-	5,847	-	**5,847**
Public dividend capital received	186,825	-	-	**186,825**
Taxpayers' and others' equity at 31 March 2021	**394,480**	**59,190**	**(172,003)**	**281,667**

Information on reserves

Public dividend capital

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

Revaluation reserve

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

Income and expenditure reserve

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

Statements of Cash Flows

		Group		Trust	
		2021/22	2020/21	2021/22	2020/21
	Note	£000	£000	£000	£000
Cash flows from operating activities					
Operating surplus / (deficit)		734	2,874	(938)	935
Non-cash income and expense:					
Depreciation and amortisation	6.1	20,392	15,585	19,933	15,273
Net impairments	7	7,922	8,421	7,922	8,411
Income recognised in respect of capital donations	4	(850)	(5,117)	(850)	(5,117)
(Increase) / decrease in receivables and other assets		(13,258)	16,664	(11,970)	20,709
(Increase) / decrease in inventories		(1,707)	284	(1,329)	(80)
Increase / (decrease) in payables and other liabilities		862	24,835	(13,719)	40,152
Increase in provisions		3,184	2,348	3,184	2,352
Tax paid		(799)	(829)	-	-
Other movements in operating cash flows		6	-	-	-
Net cash flows from operating activities		**16,486**	**65,065**	**2,233**	**82,635**
Cash flows from investing activities					
Interest received		24	24	2,259	2,349
Purchase of intangible assets		(3,130)	(1,400)	(3,255)	(1,400)
Purchase of PPE and investment property		(67,249)	(58,792)	(56,362)	(68,216)
Receipt of cash donations to purchase assets		792	1,537	792	1,537
Net cash flows used in investing activities		**(69,563)**	**(58,631)**	**(56,566)**	**(65,730)**
Cash flows from financing activities					
Public dividend capital received		31,297	186,825	31,297	186,825
Movement on loans from DHSC		-	(133,819)	-	(133,819)
Movement on other loans		857	-	857	-
Capital element of finance lease rental payments		-	-	(6,631)	(6,406)
Interest on loans		-	(615)	-	(615)
Other interest		(3)	(4)	-	(2)
Interest paid on finance lease liabilities		-	-	(2,812)	(3,030)
PDC dividend paid		(8,949)	(5,808)	(8,949)	(5,808)
Net cash flows from financing activities		**23,202**	**46,579**	**13,762**	**37,145**
Increase / (decrease) in cash and cash equivalents		**(29,875)**	**53,013**	**(40,571)**	**54,050**
Cash and cash equivalents at 1 April - brought forward		**78,681**	**25,668**	**67,943**	**13,893**
Cash and cash equivalents at 31 March	22	**48,806**	**78,681**	**27,372**	**67,943**

Notes to the Accounts

Note 1 Accounting policies and other information

Note 1.1 Basis of preparation

NHS Improvement, in exercising the statutory functions conferred on Monitor, has directed that the financial statements of the Trust shall meet the accounting requirements of the Department of Health and Social Care Group Accounting Manual (GAM), which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the GAM 2021/22 issued by the Department of Health and Social Care. The accounting policies contained in the GAM follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the GAM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of the Foundation Trust for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below. These have been applied consistently in dealing with items considered material in relation to the accounts.

Accounting convention

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

Note 1.2 Going concern

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

Note 1.3 Consolidation

The Foundation Trust has considered the following entities for the 2021/22 financial year in respect of consolidation as subsidiaries:

- East Kent Hospitals Charity
- Healthex Limited
- 2gether Support Solutions Limited

Subsidiaries

Entities over which the Foundation Trust has the power to exercise control are classified as subsidiaries and are consolidated. The Foundation Trust has control when it has the ability to affect the variable returns from the other entity through its power to direct relevant activities.

The income, expenses, assets, liabilities, equity and reserves of the subsidiary are consolidated in full into the appropriate financial statement lines. The capital and reserves attributable to non-controlling interests are included as a separate item in the Statement of Financial Position. Appropriate adjustments are made on consolidation where the subsidiary's accounting policies are not aligned with those of the Foundation Trust.

East Kent Hospitals Charity

The NHS Foundation Trust is the corporate trustee to the East Kent Hospital Charity. The Foundation Trust has assessed its relationship to the charitable fund and determined that the charity will not be consolidated for 2021/22 on the grounds of materiality.

The Charity meets the criteria for consolidation because the Foundation Trust is exposed to, or has rights to, variable returns and other benefits for itself, patients and staff from its involvement with the charitable fund, and has the ability to affect those returns and other benefits through its power over the fund but the Charity's funds are not material to the Foundation Trust for 2021/22. This is consistent with the accounting treatment for 2020/21.

Note 1.3 Consolidation (continued)

Healthex Limited

On 3rd December 2012, the Foundation Trust acquired a subsidiary company, purchasing 100% of the share capital of Healthex Limited, which is also the parent company of Spencer Private Hospitals Limited.

The subsidiary provides the operation and management of a private hospital.

The results of the subsidiary have been consolidated in full for 2021/22 consistent with the previous year. The assets of the subsidiary have been included in the consolidated (group) statement of financial position.

Accounting policies have been aligned and inter-company balances have been eliminated.

2gether Support Solutions

The Foundation Trust established a wholly owned subsidiary, 2gether Support Solutions Limited, (2gether) as a Property Facilities Management Company that will provide an Operated Healthcare Facility (OHF) to the Foundation Trust. The subsidiary commenced trading on 1st August 2018 providing ancillary services (including cleaning, portering and catering), with the full operated healthcare facility effective from 1st October 2018.

Under the supporting agreements the Foundation Trust has made available the supply of assets to 2gether from which the contractor provides a fully functioning building or facility within which medical and nursing professionals can treat and care for their patients. Under the OHF, 2gether makes available to the Foundation Trust the properties from which it will deliver its NHS clinical services.

The results of the subsidiary have been consolidated in full for 2021/22. This is consistent with the accounting treatment in 2020/21. The assets of the subsidiary have been included in the consolidated (group) statement of financial position.

Accounting policies have been aligned and inter-company balances have been eliminated.

Note 1.4 Revenue from contracts with customers

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

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

Revenue from NHS contracts

The main source of income for the Foundation Trust is contracts with commissioners for health care services. In 2021/22 and 2020/21, the majority of the Foundation Trust's income from NHS commissioners was in the form of block contract arrangements. The Foundation Trust receives block funding from its commissioners, where funding envelopes are set at an Integrated Care System level. For the first half of the 2020/21 comparative year these blocks were set for individual NHS providers directly, but the revenue recognition principles are the same. The related performance obligation is the delivery of healthcare and related services during the period, with the trust's entitlement to consideration not varying based on the levels of activity performed.

The Foundation Trust also receives additional income outside of the block payments to reimburse specific costs incurred and, in 2020/21, other income top-ups to support the delivery of services. Reimbursement and top-up income is accounted for as variable consideration.

In 2021/22, the Elective Recovery Fund enabled systems to earn income linked to the achievement of elective activity targets including funding any increased use of independent sector capacity. Income earned by the system is distributed between individual entities by local agreement. Income earned from the fund is accounted for as variable consideration.

Note 1.4 Revenue from contracts with customers (continued)
Revenue from research contracts

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

NHS injury cost recovery scheme
The Foundation Trust receives income under the NHS injury cost recovery scheme, designed to reclaim the cost of treating injured individuals to whom personal injury compensation has subsequently been paid, for instance by an insurer. The Foundation Trust recognises the income when performance obligations are satisfied. In practical terms this means that treatment has been given, it receives notification from the Department of Work and Pension's Compensation Recovery Unit, has completed the NHS2 form and confirmed there are no discrepancies with the treatment. The income is measured at the agreed tariff for the treatments provided to the injured individual, less an allowance for unsuccessful compensation claims and doubtful debts in line with IFRS 9 requirements of measuring expected credit losses over the lifetime of the asset.

Note 1.5 Other forms of income
Grants and donations
Government grants are grants from government bodies other than income from commissioners or trusts for the provision of services. Where a grant is used to fund revenue expenditure it is taken to the Statement of Comprehensive Income to match that expenditure. Where the grants is used to fund capital expenditure, it is credited to the consolidated statement of comprehensive income once conditions attached to the grant have been met. Donations are treated in the same way as government grants.

Apprenticeship service income

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

Revenue from education and training contracts
Revenue is received from Health Education England for the training and development of the Foundation Trust's workforce.

Note 1.6 Expenditure on employee benefits
Short-term employee benefits
Salaries, wages and employment-related payments such as social security costs and the apprenticeship levy are recognised in the period in which the service is received from employees. The cost of annual leave entitlement earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry-forward leave into the following period.

Pension costs
NHS Pension Scheme
Past and present employees are covered by the provisions of the two NHS Pension Schemes. Both schemes are unfunded, defined benefit schemes that cover NHS employers, general practices and other bodies, allowed under the direction of Secretary of State for Health and Social Care in England and Wales. The scheme is not designed in a way that would enable employers to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as though it is a defined contribution scheme: the cost to the Foundation Trust is taken as equal to the employer's pension contributions payable to the scheme for the accounting period. The contributions are charged to operating expenses as and when they become due.

Additional pension liabilities arising from early retirements are not funded by the scheme except where the retirement is due to ill-health. The full amount of the liability for the additional costs is charged to the operating expenses at the time the Foundation Trust commits itself to the retirement, regardless of the method of payment.

Note 1.6 Expenditure on employee benefits (continued)
National Employment Savings Trust (NEST)
The Pensions Act 2008 (the Act) introduced a new requirement for employers to automatically enrol any eligible job holders working for them into a workplace pension scheme that meets certain requirements and provide a minimum employer contribution.

Where an employee is eligible to join the NHS Pension Scheme then they will be automatically enrolled into this scheme. However, where an employee is not eligible to join the NHS Pension Scheme (e.g. flexible retiree employees) then an alternative scheme must be made available by the Foundation Trust.

The Foundation Trust has chosen NEST as an alternative scheme. NEST is a defined contribution pension scheme that was created as part of the government's workplace pensions reforms under the Pensions Act 2008.

Employers' pension cost contributions are charged to operating expenses.

Other schemes
The subsidiary, Spencer Private Hospitals Limited, operates a defined contribution pension scheme. The amounts charged to operating expenses represent the contributions payable by the company.

The subsidiary, 2gether Support Solutions Limited, also operates a defined contribution scheme, Smart Pension. The amounts charged to operating expenses represent the contributions payable by the company.

Note 1.7 Expenditure on other goods and services

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

Note 1.8 Discontinued operations

Discontinued operations occur where activities either cease without transfer to another entity, or transfer to an entity outside of the boundary of Whole of Government Accounts, such as private or voluntary sectors. Such activities are accounted for in accordance with IFRS 5. Activities that are transferred to other bodies within the boundary of Whole of Government Accounts are 'machinery of government changes' and treated as continuing operations.

There were no discontinued operations in 2021/22.

Note 1.9 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised where:

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

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

Note 1.9 Property, plant and equipment (continued)
Subsequent expenditure

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

Measurement

Valuation

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

Assets are measured subsequently at valuation. Assets which are held for their service potential and are in use (ie operational assets used to deliver either front line services or back office functions) are measured at their current value in existing use. Assets that were most recently held for their service potential but are surplus with no plan to bring them back into use are measured at fair value where there are no restrictions on sale at the reporting date and where they do not meet the definitions of investment properties or assets held for sale.
Revaluations of property, plant and equipment are performed with sufficient regularity to ensure that carrying values are not materially different from those that would be determined at the end of the reporting period. Current values in existing use are determined as follows:

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

Assets held at depreciated replacement cost have been valued on an alternative site basis where this would meet the location requirements.

The Foundation Trust has adopted the Alternative Site valuation for its site. The modern equivalent replacement of Kent and Canterbury, Queen Elizabeth The Queen Mother and William Harvey hospitals would be a single combined hospital attributed to the buildings and size of the "alternative" site required for the modern equivalent asset. (see note 18)
Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees and, where capitalised in accordance with IAS 23, borrowings costs. Assets are revalued and depreciation commences when the assets are brought into use.
IT equipment, transport equipment, furniture and fittings, and plant and machinery that are held for operational use are valued at depreciated historic cost where these assets have short useful lives or low values or both, as this is not considered to be materially different from current value in existing use.

Subsequent Expenditure

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Where subsequent expenditure restores an asset to its original specification, the expenditure is capitalised and any existing carrying value of the item replaced is written-out and charged to operating expenses.

Depreciation

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

Note 1.9 Property, plant and equipment (continued)

Revaluation gains and losses

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

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

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

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

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

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

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

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

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

	Min life Years	**Max life Years**
Land	-	-
Buildings, excluding dwellings	4	54
Dwellings	26	39
Plant & machinery	1	30
Transport equipment	5	5
Information technology	1	10
Furniture & fittings	2	9

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

Note 1.10 Intangible assets

Recognition

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

Internally generated intangible assets

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

Internally generated assets are recognised if and only if all the following have been demonstrated:
- the technical feasibility of completing the intangible asset so that it will be available for use
- the intention to complete the intangible asset and use it
- the ability to sell or use the intangible asset
- how the intangible asset will generate probable future economic benefits or service potential
- the availability of adequate technical, financial or other resources to complete the intangible asset and sell or use it, and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

Software

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

Measurement

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

Subsequently intangible assets are measured at current value in existing use. Where no active market exists, intangible assets are valued at the lower of depreciated replacement cost and the value in use where the asset is income generating. Revaluations gains and losses and impairments are treated in the same manner as for property, plant and equipment. An intangible asset which is surplus with no plan to bring it back into use is valued at fair value where there are no restrictions on sale at the reporting date and where they do not meet the definitions of investment properties or assets held for sale.

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

Amortisation

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

Useful lives of intangible assets

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

	Min life Years	**Max life Years**
Software licences	1	10

Note 1.11 Inventories

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

In 2020/21 and 2021/22, 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 Foundation Trust has accounted for the receipt of these inventories at a deemed cost, reflecting the best available approximation of an imputed market value for the transaction based on the cost of acquisition by the Department.

Note 1.12 Cash and cash equivalents

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

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

Note 1.13 Financial assets and financial liabilities

Recognition

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

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

Classification and measurement

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

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

Financial assets are classified as subsequently measured at amortised cost.
Financial liabilities classified as subsequently measured at amortised cost.

Financial assets and financial liabilities at amortised cost

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

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

Interest revenue or expense is calculated by applying the effective interest rate to the gross carrying amount of a financial asset or amortised cost of a financial liability and recognised in the Statement of Comprehensive Income and a financing income or expense.

Note 1.13 Financial assets and financial liabilities (continued)
Investment in Subsidiaries

The Foundation Trust's investment in its subsidiary Healthex Limited, has been eliminated on consolidation and replaced by the assets and liabilities of the subsidiary.

The Foundation Trust's investment in its subsidiary 2gether Support Solutions Limited, has been eliminated on consolidation and replaced by the assets and liabilities of the subsidiary.

Investments in all subsidiaries is at cost.

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

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

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

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

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

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

Note 1.14 Leases
Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

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

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

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

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

Contingent rentals are recognised as an expense in the period in which they are incurred.

Note 1.14 Leases (continued)

Leases of land and buildings

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

The Foundation Trust as a lessor

Finance leases

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

Operating leases

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

Note 1.15 Provisions

The Foundation Trust recognises a provision where it has a present legal or constructive obligation of uncertain timing or amount; for which it is probable that there will be a future outflow of cash or other resources; and a reliable estimate can be made of the amount. The amount recognised in the Statement of Financial Position is the best estimate of the resources required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using HM Treasury's discount rates effective from 31 March 2022:

		Nominal rate	Prior year rate
Short-term	Up to 5 years	0.47%	Minus 0.02%
Medium-term	After 5 years up to 10 years	0.70%	0.18%
Long-term	After 10 years up to 40 years	0.95%	1.99%
	Exceeding 40 years	0.66%	1.99%

HM Treasury provides discount rates for general provisions on a nominal rate basis. Expected future cash flows are therefore adjusted for the impact of inflation before discounting using nominal rates. The following inflation rates are set by HM Treasury, effective from 31 March 2022:

	Inflation rate	Prior year rate
Year 1	4.00%	1.20%
Year 2	2.60%	1.60%
Into perpetuity	2.00%	2.00%

Early retirement provisions and injury benefit provisions both use the HM Treasury's pension discount rate of minus 1.30% in real terms (prior year: minus 0.95).

Clinical negligence costs

NHS Resolution operates a risk pooling scheme under which the Foundation Trust pays an annual contribution to NHS Resolution, which, in return, settles all clinical negligence claims. Although NHS Resolution is administratively responsible for all clinical negligence cases, the legal liability remains with the Foundation Trust. The total value of clinical negligence provisions carried by NHS Resolution on behalf of the Foundation Trust is disclosed at note 28.3 but is not recognised in the Foundation Trust’s accounts.

Non-clinical risk pooling

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

Note 1.16 Contingencies
Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets, but are disclosed in note 29 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in note 29, unless the probability of a transfer of economic benefits is remote.

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

Note 1.17 Public dividend capital

Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities at the time of establishment of the predecessor NHS organisation. HM Treasury has determined that PDC is not a financial instrument within the meaning of IAS 32.

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

A charge, reflecting the cost of capital utilised by the Foundation Trust, is payable as public dividend capital dividend. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the Foundation Trust during the financial year. Relevant net assets are calculated as the value of all assets less the value of all liabilities, with certain additions and deductions as defined by the Department of Health and Social Care.

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

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

Note 1.18 Value added tax
Most of the activities of the trust are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

Note 1.19 Corporation tax
The Foundation Trust does not have a corporation tax liability for the year 2020/21. Tax may be payable on activities as described below:
• the activity is not related to the provision of core healthcare as defined under Section 14(1) of the HSCA. Private healthcare falls under this legislation and is not therefore taxable;
• the activity is commercial in nature and competes with the private sector. In-house trading activities are normally ancillary to the core healthcare objectives and are therefore not subject to tax;
• the activity must have annual profits of over £50,000. Such activities are normally ancillary to the core healthcare objectives and are therefore not subject to tax.

The Foundation Trust's subsidiaries Healthex Limited and 2gether Support Solutions Limited are liable to corporation tax, which is consolidated into the Group financial statements.

Note 1.20 Climate change levy
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.

Note 1.21 Third party assets
Assets belonging to third parties in which the Foundation Trust has no beneficial interest (such as money held on behalf of patients) are not recognised in the accounts. However, they are disclosed in a separate note to the accounts in accordance with the requirements of HM Treasury's *FReM*.

Note 1.22 Losses and special payments

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

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

Note 1.23 Gifts

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

Note 1.24 Early adoption of standards, amendments and interpretations

No new accounting standards or revisions to existing standards have been early adopted in 2021/22.

Note 1.25 Standards, amendments and interpretations in issue but not yet effective or adopted

IFRS 16 Leases

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

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

On transition to IFRS 16 on 1 April 2022, the Foundation Trust will apply the standard retrospectively without restatement and with the cumulative effect of initially applying the standard recognised in the income and expenditure reserve at that date. For existing operating leases with a remaining lease term of more than 12 months and an underlying asset value of at least £5,000, a lease liability will be recognised equal to the value of remaining lease payments discounted on transition at the Foundation Trust's incremental borrowing rate. The Foundation Trust's incremental borrowing rate will be defined by HM Treasury. For 2022, this rate is 0.95%. The related right of use asset will be measured equal to the lease liability adjusted for any prepaid or accrued lease payments. For existing peppercorn leases not classified as finance leases, a right of use asset will be measured at current value in existing use or fair value. The difference between the asset value and the calculated lease liability will be recognised in the income and expenditure reserve on transition. No adjustments will be made on 1 April 2022 for existing finance leases.

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

Note 1.25 Standards, amendments and interpretations in issue but not yet effective or adopted (continued)

The Foundation Trust has estimated the impact of applying IFRS 16 in 2022/23 on the opening statement of financial position and the in-year impact on the statement of comprehensive income and capital additions as follows:

	£000
Estimated impact on 1 April 2022 statement of financial position	
Additional right of use assets recognised for existing operating leases	5,740
Additional lease obligations recognised for existing operating leases	(5,699)
Changes to other statement of financial position line items	(13)
Net impact on net assets on 1 April 2022	**28**
Estimated in-year impact in 2022/23	
Additional depreciation on right of use assets	(1,197)
Additional finance costs on lease liabilities	(49)
Lease rentals no longer charged to operating expenditure	1,239
Estimated impact on surplus 2022/23	**(7)**
Estimated increase in capital additions for new leases commencing in 2022/23	**-**

Note 1.26 Critical judgements in applying accounting policies

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

Alternative Site Valuation

The Foundation Trust has adopted the Alternative Site valuation for its site. The revaluation is on the basis of:
The modern equivalent replacement of Kent & Canterbury, Queen Elizabeth The Queen Mother and William Harvey hospitals would be a single combined hospital and the removal of the functional obsolescence attributed to the buildings and the size of the “alternative” site required for the modern equivalent asset. (see note 16).

The last quinquennial review (2018) stated that VAT would not be included in the value of the modern equivalent asset as any scheme would be funded through PFI. The Group continues to value on this basis as any new building works would be conducted by its subsidiary 2gether Support Solutions. Should the Foundation Trust require a new hospital 2gether Support Solutions would be responsible for the entire capital project along with associated hard/soft FM services.

As 2gether Support Solutions would be providing a fully operational healthcare facility, the contract would be structured in a way which ensured the VAT costs are eligible for recovery under the Contracted Out Service rules.

The value of VAT based on the value of its estate as at 31 March 2022 of £202m would be £40m at the current rate of 20%.

Charitable Funds

The Non-Executive Directors of the Foundation Trust act as Trustees of the East Kent Hospitals NHS Foundation Trust Charitable Fund. However, these are not consolidated with the Foundation Trust accounts on the grounds of materiality.

Sale & leaseback transactions

The Foundation Trust entered into a sale & leaseback arrangement with its subsidiary 2gether Support Solutions Limited in October 2018. The Foundation Trust has considered the accounting treatment of the sale & leaseback arrangement in respect of relevant standards including IAS 17- Leases and SIC 27- Evaluating the substance of transactions in the legal form of a lease, and have undertaken an assessment of the arrangement against the requirements of the relevant standards. Management considers the relevant transactions to constitute a separate leasehold sale and lease-back, and therefore all accounting entries associated with the transactions should be individually reported in the Foundation Trust and 2gether Support Solutions accounts including relevant receivables, payables, loans, and equity. These transactions are eliminated upon consolidation where appropriate.

Note 1.27 Sources of estimation uncertainty

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

Value of land, buildings and dwellings

This is the most significant estimate in the accounts £208m (2020/21: £202m) and is based on the professional judgement of the Foundation Trust's independent valuer with extensive knowledge of the physical estate and market factors. The 5 year full cycle valuation was undertaken in September 2018 with a desk-top revaluation carried out as at 31 March 2022.

The valuation exercise was carried out in April 2022 with a valuation date of 31 March 2022. In applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards 2020 ('Red Book'). The values in the report have been used to inform the measurement of property assets at valuation in these financial statements.

The valuation does not provide a potential scale of the uncertainty and includes factors which might lead to a higher as well as lower valuation. The assessed value of buildings is £202m. The impact of a 5% change would be to change the PDC dividend by £177k in 2021/22 based on the closing value of assets. The impact in 2022/23 would be a change in depreciation of £5k as well as a £353k change in PDC dividend based on the opening value of assets with no other adjustments or estimates.

Note 2 Operating Segments

The Foundation Trust operates and reports under a single segment of Healthcare.

The Board of Directors, led by the Chief Executive, is the chief operating decision maker within the Foundation Trust. It is only at this level that the overall financial and operational performance of the Foundation Trust is assessed. The Foundation Trust has considered the possibility of reporting two segments, relating to healthcare and non-Healthcare income but this does not reflect current Board reporting practice which reports on both the aggregate Foundation Trust position and by Care Group. Each of the significant Care Groups are deemed to have similar economic characteristics under the healthcare banner and can therefore be aggregated in accordance with the requirements of IFRS 8.

The Foundation Trust's income is predominately from contracts for the provision of healthcare with Clinical Commissioning Groups and NHS England. This accounts for 98.6% of the Foundation Trusts total income.

Note 3 Operating income from patient care activities (Group)

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

Note 3.1 Income from patient care activities (by nature)

The Foundation Trust provides clinical care from three large acute hospitals and two community hospitals in East Kent; services are also delivered in a community setting and in premises provided by other NHS bodies. Clinical Commissioning Groups (CCG's) and NHS England pay for inpatient, outpatient and community based care for their resident population. this forms the majority of the Foundation Trust's clinical income. As a University Foundation Trust, income is also earned for the training of junior doctors and other staff. The Foundation Trust also receives income for services to other organisations, to private patients, visitors, staff and from Charitable donations.

The Group figures include income from a private hospital operated by Spencer Private Hospitals Limited and from an Operated Healthcare Facility operated by 2gether Support Solutions Limited.

	Group		Trust	
	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000
Block contract / system envelope income	707,800	619,506	696,443	607,492
High cost drugs income from commissioners (excluding pass-through costs)	61,842	54,444	61,842	54,444
Other NHS clinical income	2,426	2,354	2,426	2,354
Private patient income	719	805	279	155
Elective recovery fund	10,129	-	10,129	-
Additional pension contribution central funding*	17,886	16,654	17,886	16,654
Other clinical income	1,324	1,367	1,320	1,367
Total income from activities	**802,126**	**695,130**	**790,325**	**682,466**

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

Note 3.2 Income from patient care activities (by source)

	Group		Trust	
	2021/22	2020/21	2021/22	2020/21
Income from patient care activities received from:	**£000**	**£000**	**£000**	**£000**
NHS England	142,236	137,896	146,486	130,241
Clinical commissioning groups	647,386	552,175	639,742	547,567
Other NHS providers	2,499	2,215	2,499	2,215
NHS other	105	631	-	631
Local authorities	2	4	-	4
Non-NHS: private patients	719	805	279	155
Non-NHS: overseas patients (chargeable to patient)	255	447	255	447
Injury cost recovery scheme	1,064	914	1,064	914
Non NHS: other	7,861	44	-	293
Total income from activities	**802,126**	**695,130**	**790,325**	**682,466**
Of which:				
Related to continuing operations	802,126	695,130	790,325	682,466

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

	Trust	
	2021/22	2020/21
	£000	£000
Income recognised this year	255	447
Cash payments received in-year	165	127
receivables	-	1
Amounts written off in-year	218	95

Note 4 Other operating income (Group)

	2021/22			2020/21		
	Contract income	Non-contract income	Total	Contract income	Non-contract income	Total
	£000	£000	£000	£000	£000	£000
Research and development	2,626	-	**2,626**	2,736	-	**2,736**
Education and training	18,457	-	**18,457**	16,678	-	**16,678**
Non-patient care services to other bodies	9,319		**9,319**	8,044		**8,044**
Reimbursement and top up funding	6,381		**6,381**	53,865		**53,865**
Income in respect of employee benefits accounted on a gross basis	7,886		**7,886**	6,979		**6,979**
Receipt of capital grants and donations		850	**850**		5,117	**5,117**
Charitable and other contributions to expenditure		2,701	**2,701**		10,241	**10,241**
Rental revenue from operating leases		760	**760**		697	**697**
Other income	8,199	-	**8,199**	6,280	-	**6,280**
Total other operating income	**52,868**	**4,311**	**57,179**	**94,582**	**16,055**	**110,637**
Of which:						
Related to continuing operations			57,179			110,637

Note 4.1 Other operating income (Trust)

	2021/22			2020/21		
	Contract income	Non-contract income	Total	Contract income	Non-contract income	Total
	£000	£000	£000	£000	£000	£000
Research and development	2,626	-	**2,626**	2,736	-	**2,736**
Education and training	18,455	-	**18,455**	16,678	-	**16,678**
Non-patient care services to other bodies	15,409		**15,409**	11,153		**11,153**
Reimbursement and top up funding	6,381		**6,381**	53,865		**53,865**
Income in respect of employee benefits accounted on a gross basis	7,867		**7,867**	6,979		**6,979**
Receipt of capital grants and donations		850	**850**		5,117	**5,117**
Charitable and other contributions to expenditure		2,701	**2,701**		10,241	**10,241**
Rental revenue from operating leases		436	**436**		709	**709**
Other income	4,873	-	**4,873**	4,480	-	**4,480**
Total other operating income	**55,611**	**3,987**	**59,598**	**95,891**	**16,067**	**111,958**
Of which:						
Related to continuing operations			59,598			111,958

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

	2021/22	2020/21
	£000	£000
Revenue recognised in the reporting period that was included in within contract liabilities at the previous period end	16,432	2,693
Revenue recognised from performance obligations satisfied (or partially satisfied) in previous periods	-	1,884

Note 5.2 Transaction price allocated to remaining performance obligations

	31 March 2022	31 March 2021
	£000	£000
Revenue from existing contracts allocated to remaining performance obligations is expected to be recognised:		
within one year	929	10,475
Total revenue allocated to remaining performance obligations	**929**	**10,475**

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

Note 5.3 Income from activities arising from commissioner requested services

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

	Group		Trust	
	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000
Income from services designated as commissioner requested services	777,065	662,534	768,066	654,844
Income from services not designated as commissioner requested services	25,061	32,596	22,259	27,622
Total	**802,126**	**695,130**	**790,325**	**682,466**

Note 5.4 Fees and charges (Group)

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

	2021/22	2020/21
	£000	£000
Income	5,674	4,338
Full cost	(3,444)	(2,055)
Surplus	**2,230**	**2,283**

Accommodation (Trust)	2021/22	2020/21
	£000	£000
Income	1,922	2,276
Full cost	(895)	(901)
Surplus	**1,027**	**1,375**

Car Parking (Trust)	2021/22	2020/21
	£000	£000
Income	1,211	733
Full cost	(616)	(246)
Surplus	**595**	**487**

Catering (Group)	2021/22	2020/21
	£000	£000
Income	2,541	1,329
Full cost	(1,933)	(907)
Surplus	**608**	**422**

Note 6.1 Operating expenses (Group)

	Group		Trust	
	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000
Purchase of healthcare from NHS and DHSC bodies	-	6	-	-
Purchase of healthcare from non-NHS and non-DHSC bodies	7,100	4,467	8,253	4,579
Staff and executive directors costs	552,763	519,853	509,032	480,760
Remuneration of non-executive directors	363	180	229	180
Supplies and services - clinical (excluding drugs costs)	80,286	85,170	34,390	39,803
Supplies and services - general	13,616	11,188	115,529	110,366
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	80,745	68,610	80,159	67,770
Consultancy costs	1,197	2,508	544	1,398
Establishment	5,356	4,625	4,824	3,863
Premises	27,439	29,075	13,491	13,605
Transport (including patient travel)	4,118	2,924	3,001	2,099
Depreciation on property, plant and equipment	19,123	14,802	18,666	14,492
Amortisation on intangible assets	1,269	783	1,267	781
Net impairments	7,922	8,421	7,922	8,411
Movement in credit loss allowance: contract receivables / contract assets	(2,558)	3,315	(2,399)	2,556
Increase in other provisions	3,386	2,959	3,386	2,959
Change in provisions discount rate(s)	42	116	42	116
Fees payable to the external auditor				
audit services- statutory audit	115	76	115	76
other auditor remuneration (external auditor only)	95	79	-	-
Internal audit costs	195	156	155	156
Clinical negligence	27,802	25,836	27,802	25,836
Legal fees	542	402	481	314
Insurance	1,186	1,049	590	571
Research and development	1,999	2,123	1,999	2,123
Education and training	7,195	6,123	6,947	5,790
Rentals under operating leases	2,255	3,385	762	637
Car parking & security	1,440	1,734	289	-
Hospitality	239	322	386	281
Other services, eg external payroll	936	777	936	-
Other	12,405	1,829	12,063	3,967
Total	**858,571**	**802,893**	**850,861**	**793,489**
Of which:				
Related to continuing operations	858,571	802,893	850,861	793,489

The total audit services, statutory audit of £115k disclosed above is made up of £84k for the 2021/22 statutory audit fee as well as £31k of agreed additional fees in relation to the 2020/21 audit. Both fees are disclosed exclusive of VAT.

Note 6.2 Other auditor remuneration (Group)

	Group		Trust	
	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000
Other auditor remuneration paid to the external auditor:				
1. Audit of accounts of any subsidiary of the trust	95	79	-	-
Total	**95**	**79**	**-**	**-**

The auditor remuneration of £95k disclosed above is made up of £91k for the 2021/22 subsidiary statutory audit fees as well as £4k of agreed additional fees in relation to the 2020/21 financial audits. Both fees are disclosed exclusive of VAT.

Note 6.3 Limitation on auditor's liability (Group)

The limitation on auditor's liability for external audit work is £2 million (2020/21: £2 million).

Note 7 Impairment of assets (Group)

	Group		Trust	
	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000
Net impairments charged to operating deficit resulting from:				
Abandonment of assets in course of construction	-	10	-	-
Changes in market price	7,922	8,411	7,922	8,411
Total net impairments charged to operating deficit	**7,922**	**8,421**	**7,922**	**8,411**
Impairments charged to the revaluation reserve	9,322	3,359	9,322	3,359
Total net impairments	**17,244**	**11,780**	**17,244**	**11,770**

For 2021/22 the Foundation Trust carried out a desk-top revaluation of all values for land, buildings and dwellings. The review was carried out by an external, independent valuer, in accordance with RICS guidance to determine the values reported in these accounts. This resulted in net reductions (including upward revaluations) reported to the Foundations Trust's Land, Buildings and dwellings of £11.5m with £3.6m net decrease in the revaluation reserve and £7.9m recognised in operating expenses. The detail by asset class is shown in note 16.

Note 8 Employee benefits (Group)

	Group		Trust	
	2021/22	2020/21	2021/22	2020/21
	Total	Total	Total	Total
	£000	£000	£000	£000
Salaries and wages	381,748	360,433	349,515	330,537
Social security costs	39,967	36,583	37,444	34,288
Apprenticeship levy	1,906	1,774	1,753	1,624
Employer's contributions to NHS pensions	59,910	55,481	58,604	54,655
Pension cost - other	89	443	-	-
Other employment benefits	-	1	-	-
Temporary staff (including agency)	75,391	71,957	67,964	66,474
Total staff costs	**559,011**	**526,672**	**515,280**	**487,578**
Of which				
Costs capitalised as part of assets	837	1,381	837	1,380

Note 8.1 Retirements due to ill-health (Group)

During 2021/22 there were 9 early retirements from the trust agreed on the grounds of ill-health (14 in the year ended 31 March 2021). The estimated additional pension liabilities of these ill-health retirements is £457k (£620k in 2020/21). These estimated costs are calculated on an average basis and will be borne by the NHS Pension Scheme.

Note 9 Pension costs

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State 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 2022, is based on valuation data as 31 March 2021, updated to 31 March 2022 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

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

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019 to 20.6% of pensionable pay.

The 2016 funding valuation also tested the cost of the Scheme relative to the employer cost cap that was set following the 2012 valuation. There was initially 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.

HMT published valuation directions dated 7 October 2021 (see Amending Directions 2021) that set out the technical detail of how the costs of remedy are included in the 2016 valuation process. Following these directions, the scheme actuary has completed the cost control element of the 2016 valuation for the NHS Pension Scheme, which concludes no changes to benefits or member contributions are required. The 2016 valuation reports can be found on the NHS Pensions website at https://www.nhsbsa.nhs.uk/nhs-pension-scheme-accounts-and-valuation-reports.

c) Other Schemes

The Foundation Trust also offers an additional defined contribution workplace pension scheme (National Employment Saving Scheme (NEST)), where individuals are not eligible to join the NHS Scheme. Further details are included in Policy note 1.6

The subsidiary Spencer Private Hospitals Limited operates a defined contribution pension scheme. The amounts charged to the Income and Expenditure account represent the contributions payable by the company during the year.

The subsidiary 2gether Support Solutions Limited operates a defined contribution pension scheme. The amounts charged to the Income and Expenditure account represent the contributions payable by the company during the year.

Note 10 Operating leases (Group)

Note 10.1 East Kent Hospitals University NHS Foundation Trust as a lessor

This note discloses income generated in operating lease agreements where East Kent Hospitals University NHS Foundation Trust is the lessor.

	Group		Trust	
	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000
Operating lease revenue				
Minimum lease receipts	760	697	436	709
Total	**760**	**697**	**436**	**709**

	31 March 2022	31 March 2021	31 March 2022	31 March 2021
	£000	£000	£000	£000
Future minimum lease receipts due:				
- not later than one year;	117	62	117	62
- later than one year and not later than five years;	203	247	203	247
- later than five years.	52	137	52	137
Total	**372**	**446**	**372**	**446**

Note 10.2 East Kent Hospitals University NHS Foundation Trust as a lessee

This note discloses costs and commitments incurred in operating lease arrangements where East Kent Hospitals University NHS Foundation Trust is the lessee.

Operating lease payments include £0.4m for leased vehicles, £1.2m for equipment leases and £0.5m for buildings.

The largest lease held at March 2022 was for a remaining contract value of £4.2m for endoscopy equipment - contract ends November 2025.

	Group		Trust	
	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000
Operating lease expense				
Minimum lease payments	2,255	3,385	762	637
Total	**2,255**	**3,385**	**762**	**637**

	31 March 2022	31 March 2021	31 March 2022	31 March 2021
	£000	£000	£000	£000
Future minimum lease payments due:				
- not later than one year;	1,985	2,165	570	613
- later than one year and not later than five years;	4,396	5,707	968	1,242
- later than five years.	498	815	417	556
Total	**6,879**	**8,687**	**1,955**	**2,411**

Note 11 Finance income

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

	Group		Trust	
	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000
Interest on bank accounts	24	1	24	-
Interest on other investments / financial assets	-	-	2,235	2,326
Total finance income	**24**	**1**	**2,259**	**2,326**

Note 12.1 Finance expenditure

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

	Group		Trust	
	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000
Interest expense:				
Overdrafts	-	2	-	-
Finance leases	-	-	2,812	3,038
Interest on late payment of commercial debt	3	2	-	2
Total interest expense	**3**	**4**	**2,812**	**3,040**
Unwinding of discount on provisions	(3)	2	(3)	(2)
Total finance costs	**-**	**6**	**2,809**	**3,038**

Note 12.2 The late payment of commercial debts (interest) Act 1998 / Public Contract Regulations 2015 (Group)

	2021/22	2020/21
	£000	£000
Amounts included within interest payable arising from claims made under this legislation	3	2

Note 13 Other losses (Group)

	Group		Trust	
	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000
Losses on disposal of assets	(844)	-	(819)	-
Total losses on disposal of assets	**(844)**	**-**	**(819)**	**-**

Note 14.1 Intangible assets - 2021/22

Group	Software licences	Intangible assets under construction	Total
	£000	£000	£000
Valuation / gross cost at 1 April 2021 - brought forward	**8,511**	**2,169**	**10,680**
Additions	1,015	2,115	**3,130**
Reclassifications	2,667	(2,022)	**645**
Disposals / derecognition	(591)	-	**(591)**
Valuation / gross cost at 31 March 2022	**11,602**	**2,262**	**13,864**
Amortisation at 1 April 2021 - brought forward	**5,708**	**-**	**5,708**
Provided during the year	1,269	-	**1,269**
Disposals / derecognition	(591)	-	**(591)**
Amortisation at 31 March 2022	**6,386**	**-**	**6,386**
Net book value at 31 March 2022	**5,216**	**2,262**	**7,478**
Net book value at 1 April 2021	**2,803**	**2,169**	**4,972**

Note 14.2 Intangible assets - 2020/21

Group	Software licences	Intangible assets under construction	Total
	£000	£000	£000
Valuation / gross cost at 1 April 2020 - as previously stated	**8,379**	**901**	**9,280**
Additions	-	1,400	**1,400**
Reclassifications	132	(132)	**-**
Valuation / gross cost at 31 March 2021	**8,511**	**2,169**	**10,680**
Amortisation at 1 April 2020 - as previously stated	**4,925**	**-**	**4,925**
Provided during the year	783	-	**783**
Amortisation at 31 March 2021	**5,708**	**-**	**5,708**
Net book value at 31 March 2021	**2,803**	**2,169**	**4,972**
Net book value at 1 April 2020	**3,454**	**901**	**4,355**

Note 15.1 Intangible assets - 2021/22

Trust	Software licences	Intangible assets under construction	Total
	£000	£000	£000
Valuation / gross cost at 1 April 2021 - brought forward	**8,516**	**2,169**	**10,685**
Additions	1,015	2,240	**3,255**
Reclassifications	2,667	(2,147)	**520**
Disposals / derecognition	(567)	-	**(567)**
Valuation / gross cost at 31 March 2022	**11,631**	**2,262**	**13,893**
Amortisation at 1 April 2021 - brought forward	**5,719**	**-**	**5,719**
Provided during the year	1,267	-	**1,267**
Disposals / derecognition	(567)	-	**(567)**
Amortisation at 31 March 2022	**6,419**	**-**	**6,419**
Net book value at 31 March 2022	**5,212**	**2,262**	**7,474**
Net book value at 1 April 2021	**2,797**	**2,169**	**4,966**

Note 15.2 Intangible assets - 2020/21

Trust	Software licences	Intangible assets under construction	Total
	£000	£000	£000
Valuation / gross cost at 1 April 2020 - as previously stated	**8,384**	**901**	**9,285**
Additions	-	1,400	**1,400**
Reclassifications	132	(132)	**-**
Valuation / gross cost at 31 March 2021	**8,516**	**2,169**	**10,685**
Amortisation at 1 April 2020 - as previously stated	**4,938**	**-**	**4,938**
Provided during the year	781	-	**781**
Amortisation at 31 March 2021	**5,719**	**-**	**5,719**
Net book value at 31 March 2021	**2,797**	**2,169**	**4,966**
Net book value at 1 April 2020	**3,446**	**901**	**4,347**

Note 16.1 Property, plant and equipment - 2021/22

Group	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Valuation/gross cost at 1 April 2021 - brought forward	**14,068**	**169,674**	**18,383**	**58,573**	**40,892**	**8**	**31,233**	**2,161**	**334,992**
Additions	-	4,763	-	40,212	3,501	17	5,297	119	**53,909**
Impairments	(2,188)	(19,320)	(1,663)	-	-	-	-	-	**(23,171)**
Reversals of impairments	462	5,260	205	-	-	-	-	-	**5,927**
Revaluations	2,158	(2,564)	(603)	-	-	-	-	-	**(1,009)**
Reclassifications	-	17,916	-	(38,853)	16,007	-	4,159	126	**(645)**
Disposals / derecognition	-	-	-	(451)	(601)	-	(8,989)	(71)	**(10,112)**
Valuation/gross cost at 31 March 2022	**14,500**	**175,729**	**16,322**	**59,481**	**59,799**	**25**	**31,700**	**2,335**	**359,891**
Accumulated depreciation at 1 April 2021 - brought forward	**-**	**419**	**-**	**-**	**14,843**	**6**	**21,454**	**496**	**37,218**
Provided during the year	-	5,990	612	-	8,330	10	3,856	325	**19,123**
Revaluations	-	(6,097)	(612)	-	-	-	-	-	**(6,709)**
Reclassifications	-	(1)	-	-	-	-	-	1	**-**
Disposals / derecognition	-	-	-	-	(266)	-	(8,967)	(36)	**(9,269)**
Accumulated depreciation at 31 March 2022	**-**	**311**	**-**	**-**	**22,907**	**16**	**16,343**	**786**	**40,363**
Net book value at 31 March 2022	**14,500**	**175,418**	**16,322**	**59,481**	**36,892**	**9**	**15,357**	**1,549**	**319,528**
Net book value at 1 April 2021	**14,068**	**169,255**	**18,383**	**58,573**	**26,049**	**2**	**9,779**	**1,665**	**297,774**

Note 16.2 Property, plant and equipment - 2020/21

Group	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Valuation / gross cost at 1 April 2020 - as previously stated	**12,666**	**174,922**	**15,083**	**15,976**	**72,123**	**8**	**30,482**	**971**	**322,231**
Prior period adjustments	-	-	-	-	(42,341)	-	-	-	**(42,341)**
Valuation / gross cost at 1 April 2020 - restated	**12,666**	**174,922**	**15,083**	**15,976**	**29,782**	**8**	**30,482**	**971**	**279,890**
Additions	-	4,592	-	53,013	8,499	-	140	580	**66,824**
Impairments	(499)	(11,717)	(8)	-	-	-	-	-	**(12,224)**
Reversals of impairments	114	192	138	-	-	-	-	-	**444**
Revaluations	1,787	(4,899)	3,170	-	-	-	-	-	**58**
Reclassifications	-	6,584	-	(10,416)	2,611	-	611	610	**-**
Valuation/gross cost at 31 March 2021	**14,068**	**169,674**	**18,383**	**58,573**	**40,892**	**8**	**31,233**	**2,161**	**334,992**
Accumulated depreciation at 1 April 2020 - as previously stated	**-**	**102**	**-**	**-**	**52,151**	**5**	**17,989**	**299**	**70,546**
Prior period adjustments	-	-	-	-	(42,341)	-	-	-	**(42,341)**
Accumulated depreciation at 1 April 2020 - restated	**-**	**102**	**-**	**-**	**9,810**	**5**	**17,989**	**299**	**28,205**
Provided during the year	-	5,632	474	-	5,033	1	3,465	197	**14,802**
Revaluations	-	(5,315)	(474)	-	-	-	-	-	**(5,789)**
Accumulated depreciation at 31 March 2021	**-**	**419**	**-**	**-**	**14,843**	**6**	**21,454**	**496**	**37,218**
Net book value at 31 March 2021	**14,068**	**169,255**	**18,383**	**58,573**	**26,049**	**2**	**9,779**	**1,665**	**297,774**
Net book value at 1 April 2020	**12,666**	**174,820**	**15,083**	**15,976**	**19,972**	**3**	**12,493**	**672**	**251,685**

The accounts reflect a restatement for a material error which also has an impact on prior periods. The group has restated it's opening 2020/21 historic cost and accumulated depreciation balances for plant and machinery by £42.341m. This error also affected the 2018/19 and 2019/20 accounts.
This restatement relates to the asset sales that took place between the Trust and its subsidiary, 2gether Support Solutions Ltd in the 2018/19 financial year. The balances for gross cost and accumulated depreciation relating to the transferred assets were correctly written out of the 2018/19 Trust accounts, the balances should also have been written out of the 2018/19 group accounts but this adjustment was omitted in error.

Note 16.3 Property, plant and equipment financing - 2021/22

Group	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2022									
Owned - purchased	14,500	165,621	16,322	59,481	32,041	9	15,357	1,549	**304,880**
Finance leased	-	3,845	-	-	-	-	-	-	**3,845**
Owned - donated/granted	-	5,952	-	-	4,851	-	-	-	**10,803**
NBV total at 31 March 2022	**14,500**	**175,418**	**16,322**	**59,481**	**36,892**	**9**	**15,357**	**1,549**	**319,528**

Note 16.4 Property, plant and equipment financing - 2020/21

Group	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2021									
Owned - purchased	14,068	162,248	18,383	58,316	20,168	2	9,779	1,665	**284,629**
Owned - donated/granted	-	7,007	-	257	5,881	-	-	-	**13,145**
NBV total at 31 March 2021	**14,068**	**169,255**	**18,383**	**58,573**	**26,049**	**2**	**9,779**	**1,665**	**297,774**

Note 17.1 Property, plant and equipment - 2021/22

Trust	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Valuation/gross cost at 1 April 2021 - brought forward	**14,068**	**165,385**	**18,383**	**58,546**	**40,407**	**7**	**31,014**	**720**	**328,530**
Additions	-	4,763	-	39,787	3,452	-	5,294	58	**53,354**
Impairments	(2,188)	(19,320)	(1,663)	-	-	-	-	-	**(23,171)**
Reversals of impairments	462	5,260	205	-	-	-	-	-	**5,927**
Revaluations	2,158	(2,565)	(603)	-	(1)	(3)	1	-	**(1,013)**
Reclassifications	-	17,968	-	(38,728)	15,981	-	4,159	100	**(520)**
Disposals / derecognition	-	-	-	(451)	(485)	-	(8,911)	(51)	**(9,898)**
Valuation/gross cost at 31 March 2022	**14,500**	**171,491**	**16,322**	**59,154**	**59,354**	**4**	**31,557**	**827**	**353,209**
Accumulated depreciation at 1 April 2021 - brought forward	**-**	**216**	**-**	**-**	**14,522**	**5**	**21,519**	**133**	**36,395**
Provided during the year	-	5,884	612	-	8,279	1	3,806	84	**18,666**
Revaluations	-	(6,100)	(612)	-	1	(4)	2	-	**(6,713)**
Disposals / derecognition	-	-	-	-	(151)	-	(8,911)	(17)	**(9,079)**
Accumulated depreciation at 31 March 2022	**-**	**-**	**-**	**-**	**22,651**	**2**	**16,416**	**200**	**39,269**
Net book value at 31 March 2022	**14,500**	**171,491**	**16,322**	**59,154**	**36,703**	**2**	**15,141**	**627**	**313,940**
Net book value at 1 April 2021	**14,068**	**165,169**	**18,383**	**58,546**	**25,885**	**2**	**9,495**	**587**	**292,135**

Note 17.2 Property, plant and equipment - 2020/21

Trust	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Valuation / gross cost at 1 April 2020 - as previously stated	**12,666**	**170,674**	**15,083**	**15,233**	**29,434**	**7**	**30,535**	**720**	**274,352**
Additions	-	4,540	-	52,986	8,364	-	-	-	**65,890**
Impairments	(499)	(11,707)	(8)	-	-	-	-	-	**(12,214)**
Reversals of impairments	114	192	138	-	-	-	-	-	**444**
Revaluations	1,787	(4,899)	3,170	-	-	-	-	-	**58**
Reclassifications	-	6,585	-	(9,673)	2,609	-	479	-	**-**
Valuation/gross cost at 31 March 2021	**14,068**	**165,385**	**18,383**	**58,546**	**40,407**	**7**	**31,014**	**720**	**328,530**
Accumulated depreciation at 1 April 2020 - as previously stated	**-**	**3**	**-**	**-**	**9,501**	**4**	**18,123**	**61**	**27,692**
Provided during the year	-	5,528	474	-	5,021	1	3,396	72	**14,492**
Revaluations	-	(5,315)	(474)	-	-	-	-	-	**(5,789)**
Accumulated depreciation at 31 March 2021	**-**	**216**	**-**	**-**	**14,522**	**5**	**21,519**	**133**	**36,395**
Net book value at 31 March 2021	**14,068**	**165,169**	**18,383**	**58,546**	**25,885**	**2**	**9,495**	**587**	**292,135**
Net book value at 1 April 2020	**12,666**	**170,671**	**15,083**	**15,233**	**19,933**	**3**	**12,412**	**659**	**246,660**

Note 17.3 Property, plant and equipment financing - 2021/22

Trust	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2022									
Owned - purchased	9,309	108,273	16,322	59,154	25,528	1	15,141	468	**234,196**
Finance leased	5,191	59,627	-	-	6,517	1	-	159	**71,495**
Owned - donated / granted	-	3,591	-	-	4,658	-	-	-	**8,249**
NBV total at 31 March 2022	**14,500**	**171,491**	**16,322**	**59,154**	**36,703**	**2**	**15,141**	**627**	**313,940**

Note 17.4 Property, plant and equipment financing - 2020/21

Trust	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2021									
Owned - purchased	9,788	93,923	18,383	58,289	10,598	-	9,495	364	**200,840**
Finance leased	4,280	64,239	-	-	9,406	2	-	223	**78,150**
Owned - donated / granted	-	7,007	-	257	5,881	-	-	-	**13,145**
NBV total at 31 March 2021	**14,068**	**165,169**	**18,383**	**58,546**	**25,885**	**2**	**9,495**	**587**	**292,135**

Note 18 Revaluations of property, plant and equipment

The date of the latest valuation of land, buildings and dwellings was 31 March 2022. The valuation was carried out by an externally appointed independent RICS qualified valuer using a Modern Equivalent Asset - alternative site basis. The overall impact of the valuation exercise was to reduce the value of the Foundation Trust land, buildings and dwellings by £17.2m. See policy note 1.9 and Impairments note 7 for further information.

Note 19 Investments in Subsidiaries

	Group		Trust	
	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000
Carrying value at 1 April - brought forward	**-**	**-**	**30,314**	**30,314**
Carrying value at 31 March	**-**	**-**	**30,314**	**30,314**

Investments are in the following subsidiaries:

Healthex £48k, 100% owned

2gether Support Solutions £30.3m, 100% owned

Note 20 Inventories

	Group		Trust	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021
	£000	£000	£000	£000
Drugs	4,652	4,063	4,588	4,034
Energy	415	335	-	-
Other	5,348	4,310	939	164
Total inventories	**10,415**	**8,708**	**5,527**	**4,198**

Inventories recognised in expenses for the year were £162,447k (2020/21: £155,199k). Write-down of inventories recognised as expenses for the year were £0k (2020/21: £0k).

In response to the COVID 19 pandemic, the Department of Health and Social Care centrally procured personal protective equipment and passed these to NHS providers free of charge. During 2021/22 the Trust received £2,530k of items purchased by DHSC (2020/21: £10,051k).

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

The deemed cost of these inventories was charged directly to expenditure on receipt with the corresponding benefit recognised in income.

Note 21.1 Receivables

	Group		Trust	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021
	£000	£000	£000	£000
Current				
Contract receivables	26,727	20,489	27,195	16,569
Allowance for impaired contract receivables / assets	(2,971)	(5,939)	(2,553)	(5,230)
PDC dividend receivable	1,360	279	1,360	279
VAT receivable	6,376	3,582	4,755	5,354
Other receivables	109	68	3,918	3,830
Total current receivables	**31,601**	**18,479**	**34,675**	**20,802**
Non-current				
Allowance for other impaired receivables	(298)	(263)	(298)	(263)
Prepayments (non-PFI)	302	440	302	440
Other receivables	2,494	1,104	64,256	64,905
Total non-current receivables	**2,498**	**1,281**	**64,260**	**65,082**
Of which receivable from NHS and DHSC group bodies:				
Current	12,442	11,423	10,608	8,981
Non-current	1,284	-	2,495	-

Other receivables contains current receivables of £3.9m and non-current receivables of £61.8m in respect of intercompany loans made to the Foundation Trust's subsidiaries 2gether Support Solutions Limited and Healthex Limited.

Note 21.2 Allowances for credit losses - 2021/22

	Group		Trust	
	Contract receivables and contract assets	All other receivables	Contract receivables and contract assets	All other receivables
	£000	£000	£000	£000
Allowances as at 1 Apr 2021 - brought forward	**6,202**	**-**	**5,493**	**-**
Changes in existing allowances	(2,558)	-	(2,399)	-
Utilisation of allowances (write offs)	(375)	-	(243)	-
Allowances as at 31 Mar 2022	**3,269**	**-**	**2,851**	**-**

Note 21.3 Allowances for credit losses - 2020/21

	Group		Trust	
	Contract receivables and contract assets	All other receivables	Contract receivables and contract assets	All other receivables
	£000	£000	£000	£000
Allowances as at 1 Apr 2020 - as previously stated	**3,867**	**-**	**3,799**	**-**
New allowances arising	3,315	-	2,556	-
Utilisation of allowances (write offs)	(980)	-	(862)	-
Allowances as at 31 Mar 2021	**6,202**	**-**	**5,493**	**-**

Note 22 Cash and cash equivalents movements

Cash and cash equivalents comprise cash at bank, in hand and cash equivalents. Cash equivalents are readily convertible investments of known value which are subject to an insignificant risk of change in value.

	Group		Trust	
	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000
At 1 April	**78,681**	**25,668**	**67,943**	**13,893**
Net change in year	(29,875)	53,013	(40,571)	54,050
At 31 March	**48,806**	**78,681**	**27,372**	**67,943**
Broken down into:				
Cash at commercial banks and in hand	108	2,042	92	94
Cash with the Government Banking Service	48,698	76,639	27,280	67,849
Total cash and cash equivalents as in SoFP	**48,806**	**78,681**	**27,372**	**67,943**

Note 23 Trade and other payables

	Group		Trust	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021
	£000	£000	£000	£000
Current				
Trade payables	27,376	16,412	17,318	5,395
Capital payables	2,456	15,853	2,431	5,495
Accruals	36,126	35,673	41,720	56,676
Social security costs	5,848	5,430	5,525	5,108
Other taxes payable	4,945	4,822	4,650	4,530
Other payables	11,770	14,743	10,967	14,039
Total current trade and other payables	**88,522**	**92,933**	**82,611**	**91,243**
Non-current				
Trade payables	126	201	-	-
Total non-current trade and other payables	**126**	**201**	**-**	**-**
Of which payables from NHS and DHSC group bodies:				
Current	4,542	3,335	-	3,938

Note 24 Other liabilities

	Group		Trust	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021
	£000	£000	£000	£000
Current				
Deferred income: contract liabilities	5,198	13,247	5,059	13,210
Total other current liabilities	**5,198**	**13,247**	**5,059**	**13,210**

Note 25 Borrowings

	Group		Trust	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021
	£000	£000	£000	£000
Current				
Other loans	612	-	612	-
Obligations under finance leases	8	-	6,864	6,639
Total current borrowings	**620**	**-**	**7,476**	**6,639**
Non-current				
Other loans	7,961	7,717	7,961	7,717
Obligations under finance leases	-	-	71,111	77,967
Total non-current borrowings	**7,961**	**7,717**	**79,072**	**85,684**

The £71.1m obligation under finance leases in the Foundation Trust arises from the arrangements between the Foundation Trust and its subsidiary undertaking, 2gether Support Solutions Ltd for the supply of operational healthcare facilities. This liability and the associated property have both been recognised in the balance sheet of the Foundation Trust following a detailed consideration of the lease terms and the risks and rewards of the arrangement. The assets associated with the finance lease were originally owned by the Foundation Trust and were sold to 2gether Support Solutions Ltd in October 2018.

Note 25.1 Reconciliation of liabilities arising from financing activities (Group)

Group - 2021/22	Loans from DHSC	Other loans	Finance leases	Total
	£000	£000	£000	£000
Carrying value at 1 April 2021	**-**	**7,717**	**-**	**7,717**
Cash movements:				
Financing cash flows - payments and receipts of principal	-	857	-	**857**
Non-cash movements:				
Additions	-	-	8	**8**
Other changes	-	(1)	-	**(1)**
Carrying value at 31 March 2022	**-**	**8,573**	**8**	**8,581**

Group - 2020/21	Loans from DHSC	Other loans	Finance leases	Total
	£000	£000	£000	£000
Carrying value at 1 April 2020	**134,434**	**7,717**	**-**	**142,151**
Cash movements:				
Financing cash flows - payments and receipts of principal	(133,819)	-	-	**(133,819)**
Financing cash flows - payments of interest	(615)	-	-	**(615)**
Carrying value at 31 March 2021	**-**	**7,717**	**-**	**7,717**

Note 25.2 Reconciliation of liabilities arising from financing activities

Trust - 2021/22	Loans from DHSC	Other loans	Finance leases	Total
	£000	£000	£000	£000
Carrying value at 1 April 2021	**-**	**7,717**	**84,606**	**92,323**
Cash movements:				
Financing cash flows - payments and receipts of principal	-	857	(6,631)	**(5,774)**
Financing cash flows - payments of interest	-	-	(2,812)	**(2,812)**
Non-cash movements:				
Application of effective interest rate	-	-	2,812	**2,812**
Other changes	-	(1)	-	**(1)**
Carrying value at 31 March 2022	**-**	**8,573**	**77,975**	**86,548**

Trust - 2020/21	Loans from DHSC	Other loans	Finance leases	Total
	£000	£000	£000	£000
Carrying value at 1 April 2020	**134,434**	**7,717**	**91,004**	**233,155**
Cash movements:				
Financing cash flows - payments and receipts of principal	(133,819)	-	(6,406)	**(140,225)**
Financing cash flows - payments of interest	(615)	-	(3,030)	**(3,645)**
Non-cash movements:				
Application of effective interest rate	-	-	3,038	**3,038**
Carrying value at 31 March 2021	**-**	**7,717**	**84,606**	**92,323**

Note 26 Finance leases

Note 26.1 East Kent Hospitals University NHS Foundation Trust as a lessee

Obligations under finance leases where the trust is the lessee.

	Group		Trust	
	31 March 2022 £000	31 March 2021 £000	31 March 2022 £000	31 March 2021 £000
Gross lease liabilities	**8**	**-**	**107,806**	**117,249**
of which liabilities are due:				
- not later than one year;	8	-	9,444	9,444
- later than one year and not later than five years;	-	-	21,108	25,869
- later than five years.	-	-	77,254	81,936
Finance charges allocated to future periods	-	-	(29,831)	(32,643)
Net lease liabilities	**8**	**-**	**77,975**	**84,606**
of which payable:				
- not later than one year;	8	-	6,864	6,639
- later than one year and not later than five years;	-	-	12,256	16,515
- later than five years.	-	-	58,855	61,452

On 1 October 2018 the Foundation Trust transferred £100.7m assets to its wholly owned subsidiary in connection with the provision of an operated healthcare facility. The Foundation Trust retains control of the transferred assets resulting in a significant lease back to the Foundation Trust. The arrangement is for land and buildings over 25 years and equipment over 5 years.

Note 27.1 Provisions for liabilities and charges analysis (Group)

Group	Pensions: injury benefits	Legal claims	Other	Total
	£000	£000	£000	£000
At 1 April 2021	**3,685**	**3,082**	**230**	**6,997**
Change in the discount rate	42	-	-	**42**
Arising during the year	150	3,532	1,345	**5,027**
Utilised during the year	(148)	(1,421)	-	**(1,569)**
Reversed unused	(83)	(83)	(150)	**(316)**
Unwinding of discount	(3)	-	-	**(3)**
At 31 March 2022	**3,643**	**5,110**	**1,425**	**10,178**
Expected timing of cash flows:				
- not later than one year;	147	5,110	141	**5,398**
- later than one year and not later than five years;	586	-	55	**641**
- later than five years.	2,910	-	1,229	**4,139**
Total	**3,643**	**5,110**	**1,425**	**10,178**

Pension costs relate to Injury Benefits for former employees, assessed and paid by NHS Pensions Agency and recharged to the Foundation Trust. The "Legal Claims" provision is based on an assessment of current claims provided by the NHS Litigation Authority in respect of Public Liability and Employers Liability.

Note 27.2 Provisions for liabilities and charges analysis (Trust)

Trust	Pensions: injury benefits	Legal claims	Other	Total
	£000	£000	£000	£000
At 1 April 2021	**3,685**	**3,082**	**230**	**6,997**
Change in the discount rate	42	-	-	**42**
Arising during the year	150	3,532	1,345	**5,027**
Utilised during the year	(148)	(1,421)	-	**(1,569)**
Reversed unused	(83)	(83)	(150)	**(316)**
Unwinding of discount	(3)	-	-	**(3)**
At 31 March 2022	**3,643**	**5,110**	**1,425**	**10,178**
Expected timing of cash flows:				
- not later than one year;	147	5,110	141	**5,398**
- later than one year and not later than five years;	586	-	55	**641**
- later than five years.	2,910	-	1,229	**4,139**
Total	**3,643**	**5,110**	**1,425**	**10,178**

Note 27.3 Clinical negligence liabilities

At 31 March 2022, £493,227k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of East Kent Hospitals University NHS Foundation Trust (31 March 2021: £350,109k).

Note 28 Contingent assets and liabilities

	Group		Trust	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021
	£000	£000	£000	£000
Value of contingent liabilities				
NHS Resolution legal claims	(30)	(48)	(30)	(48)
Other	-	(1,000)	-	(1,000)
Net value of contingent liabilities	**(30)**	**(1,048)**	**(30)**	**(1,048)**

Note 29 Contractual capital commitments

	Group		Trust	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021
	£000	£000	£000	£000
Property, plant and equipment	16,351	10,673	16,351	10,673
Total	**16,351**	**10,673**	**16,351**	**10,673**

Note 30 Financial instruments

Note 30.1 Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. Because of the continuing service provider relationship that the Foundation Trust has with commissioners and the way those commissioners are financed, the Foundation Trust is not exposed to the degree of financial risk faced by business entities, to which the financial reporting standards mainly apply. The Foundation Trust has limited powers to borrow or invest surplus funds and the financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Foundation Trust in undertaking its activities.

The Foundation Trust's treasury management operations are carried out by the Finance Department, within the parameters defined formally within the Foundation Trust's Standing Financial Instructions and policies agreed by the Board of Directors. The Foundation Trust treasury activity is subject to review by the Foundation Trust's internal auditors.

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. Therefore the Group has low exposure to currency rate fluctuations.

Interest Rate Risk
Most of the Group's financial assets and liabilities carry nil or fixed rates of interest. Cash deposits as at 31st March 2022 were mainly held in Government Banking Service accounts with floating interest rates. Trade and other receivables for the Foundation Trust include a loan to the subsidiary, Healthex Limited. These carry market rates of interest and are eliminated on consolidation.

During the year limited amounts of cash were held within commercial bank accounts (at fixed rates or linked to the bank base rate). Therefore the Group is not exposed to significant interest rate risk.

Credit Risk
Because the majority of the Group's income comes from contracts with other public bodies, the Group has relatively low exposure to credit risk. The maximum exposure as at 31st March 2022 is in receivables from customers. However, the Group utilises external tracing and debt collection agencies as well as court procedures to pursue overdue debt.

Liquidity Risk
The majority of the Group's operating costs are incurred under the contract with commissioners which are financed from resources voted for annually by Parliament. The Group funds its capital expenditure from internally generated resources. The Group is not therefore exposed to significant liquidity risks.

Note 30.2 Carrying values of financial assets (Group)

Carrying values of financial assets as at 31 March 2022	Held at amortised cost	Total book value
	£000	£000
Trade and other receivables excluding non financial assets	25,952	**25,952**
Cash and cash equivalents	48,806	**48,806**
Total at 31 March 2022	**74,758**	**74,758**

Carrying values of financial assets as at 31 March 2021	Held at amortised cost	Total book value
	£000	£000
Trade and other receivables excluding non financial assets	14,355	**14,355**
Cash and cash equivalents	78,681	**78,681**
Total at 31 March 2021	**93,036**	**93,036**

Note 30.3 Carrying values of financial assets (Trust)

Carrying values of financial assets as at 31 March 2022	Held at amortised cost	Total book value
	£000	£000
Trade and other receivables excluding non financial assets	92,518	**92,518**
Cash and cash equivalents	27,372	**27,372**
Total at 31 March 2022	**119,890**	**119,890**

Carrying values of financial assets as at 31 March 2021	Held at amortised cost	Total book value
	£000	£000
Trade and other receivables excluding non financial assets	74,877	**74,877**
Cash and cash equivalents	67,943	**67,943**
Total at 31 March 2021	**142,820**	**142,820**

Note 30.4 Carrying values of financial liabilities (Group)

Carrying values of financial liabilities as at 31 March 2022	Held at amortised cost	Total book value
	£000	£000
Obligations under finance leases	8	**8**
Other borrowings	8,573	**8,573**
Trade and other payables excluding non financial liabilities	77,728	**77,728**
Total at 31 March 2022	**86,309**	**86,309**

Carrying values of financial liabilities as at 31 March 2021	Held at amortised cost	Total book value
	£000	£000
Other borrowings	7,717	**7,717**
Trade and other payables excluding non financial liabilities	82,681	**82,681**
Total at 31 March 2021	**90,398**	**90,398**

Note 30.5 Carrying values of financial liabilities (Trust)

Carrying values of financial liabilities as at 31 March 2022	Held at amortised cost	Total book value
	£000	£000
Obligations under finance leases	77,975	**77,975**
Other borrowings	8,573	**8,573**
Trade and other payables excluding non financial liabilities	72,436	**72,436**
Total at 31 March 2022	**158,984**	**158,984**

Carrying values of financial liabilities as at 31 March 2021	Held at amortised cost	Total book value
	£000	£000
Obligations under finance leases	84,606	**84,606**
Other borrowings	7,717	**7,717**
Trade and other payables excluding non financial liabilities	81,605	**81,605**
Total at 31 March 2021	**173,928**	**173,928**

Note 30.6 Fair values of financial assets and liabilities

The fair value of receivables and cash is consistent with the carrying value in the Statement of Financial Position. Receivables comprise amounts to be collected within 1 year and the non-current receivables for Injury Cost recovery Income. Non-current receivables are not discounted as the difference to carrying values is not considered material. Cash is available on demand.

Payables arising under statutory obligations such as payroll taxes are not classified as financial liabilities. The fair value of payables is consistent with the carrying value in the Statement of Financial Position. Payables comprise amounts to be paid within 1 year and are valued using discounted cash flows.

Note 30.7 Maturity of financial liabilities

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

	Group		Trust	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021
	£000	£000	£000	£000
In one year or less	77,736	82,681	81,880	91,049
In more than one year but not more than five years	8,573	7,717	29,681	33,586
In more than five years	-	-	77,254	81,936
Total	**86,309**	**90,398**	**188,815**	**206,571**

Note 31 Losses and special payments

	2021/22		2020/21	
Group and trust	**Total number of cases**	**Total value of cases**	**Restated Total number of cases**	**Restated Total value of cases**
	Number	**£000**	**Number**	**£000**
Losses				
Cash losses	71	53	141	71
Bad debts and claims abandoned	180	245	184	396
Stores losses and damage to property	21	6	22	177
Total losses	**272**	**304**	**347**	**644**
Special payments				
Ex-gratia payments	95	34	86	1,308
Total special payments	**95**	**34**	**86**	**1,308**
Total losses and special payments	**367**	**338**	**433**	**1,952**

The accounts reflect a restatement for a change of accounting treatment relating to the “Flowers judgement”. The 2020/21 Ex-gratia values have been amended by 1 case and £1.27m. Guidance issued for 2020/21 asked employers to accrue the cost of the nationally agreed corrective payments and associated income based on the nationally generated estimates. These payments are considered special payments for which HMT approval was sought nationally by NHS England on local employers behalf. As the losses and special payments note is prepared on an accruals basis (excluding provisions) these amounts should have been disclosed in 2020/21 accounts.

Note 32 Related parties

All bodies within the scope of the Whole Government Accounts (WGA) are treated as related parties of the Foundation Trust. Organisations with income or expenditure with the Foundation Trust for the year in excess of £1m have been seperately identified below:

NHS South East London CCG
NHS Kent and Medway CCG
NHS England
Department of Health and Social Care
Royal Surrey NHS Foundation Trust
Medway NHS Foundation Trust
Kent Community Health NHS Foundation Trust
Health Education England
NHS Blood and Transplant
NHS Pension Scheme
Maidstone And Tunbridge Wells NHS Trust
NHS Resolution

For 2021/22 the East Kent Hospitals Charity, whose Corporate Trustee is the Foundation Trust Board, has not been consolidated and is therefore disclosed as a related party.

A number of Directors of the Foundation Trust are also Directors of Healthex Limited or their subsidiary Spencer Private Hospitals Limited. The Foundation Trust received £3.8m (2020/21 £2.8m) revenue and incurred £4.0m (2020/21 £0.7m) expenditure with the subsidiary during the year. As at 31 March 2022 the Foundation Trust was owed £1.7m (2020/21 £0.9m) by the subsidiary and owed £0.7m (2020/21 £0.6). These transactions and balances have been removed on consolidation.

A number of Directors of the Foundation Trust are also Directors of 2gether Support Solutions Limited, a subsidiary created in 2018/19. The Foundation Trust received £2.8m (2020/21 £2.8m) revenue and incurred £164.2m (2020/21 £111.7m) expenditure with the subsidiary during the year. As at 31 March 2022 the Foundation Trust was owed £0.6m (2020/21 £0.9m) by the subsidiary and owed £0.6m (2020/21 £11.1m). Non-current debt owed to the Foundation Trust amounted to £61.8m (2020/21 £63.8m). These transactions and balances have been removed on consolidation.

Note 33 Better Payment Practice Code

	2021/22 Number	2021/22 £000	2020/21 Number	2020/21 £000
Non NHS				
Total bills paid in the year	68,581	590,712	62,848	512,018
Total bills paid within target	63,327	528,907	57,507	460,726
Percentage of bills paid within target	**92.3%**	**89.5%**	**91.5%**	**90.0%**
NHS				
Total bills paid in the year	2,706	12,073	2,926	43,202
Total bills paid within target	2,068	9,282	2,135	37,087
Percentage of bills paid within target	**76.4%**	**76.9%**	**73.0%**	**85.8%**

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