NHS
East Kent
Hospitals University
NHS Foundation Trust

Annual Report and Accounts 2019/20

East Kent Hospitals University NHS Foundation Trust

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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 2019/20 Annual Report and Accounts for East Kent Hospitals University NHS Foundation Trust.

This year's Report and Accounts is in a different format to usual, due to changes in reporting arrangements for NHS Trusts during the Coronavirus pandemic.

The pandemic is the obvious place to start my introduction, as it is the biggest issue the NHS has needed to respond to in its 72-year history.

We also owe a great debt to the people who volunteered to help in the hospitals at the peak of the pandemic, and those who returned to work with us to help care for acutely unwell patients. Neither will we forget the extraordinary outpouring of support from our local community, as well as The Leagues of Friends and other charitable organisations for their valuable support to our hospitals, staff, patients and their families.

Above all, I want to give my condolences to every person who has lost a loved one through this virus. At East Kent Hospitals, we have also mourned the loss of our colleagues, nurses Aimee O'Rourke and Adekunle Enitan. The pandemic has touched us all deeply and in many ways.

I want to place on record my thanks, and the thanks of the Trust Board and Council of Governors, to all our staff and volunteers, who have worked so hard and so tirelessly to respond to the Coronavirus pandemic.

In January, significant concerns were raised over the sad and tragic death of baby Harry Richford and the quality and safety of our local maternity service, with a number of families coming forward with concerns about their care.

We apologise from the bottom of our hearts to Harry Richford's parents, to the rest of his family and to other families for whom we have failed to provide optimum care.

The hospital Trust board and our maternity clinicians are working closely with some of England's leading maternity experts and with our health regulators to ensure that we have done - and we are continuing to do – everything we can to make rapid improvements to maternity care and to learn the lessons from past failures.

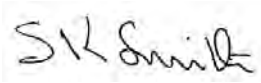
In February 2020 the government health minister, Nadine Dorries MP, announced that Dr Bill Kirkup would lead an independent review of maternity services in East Kent. We welcome this independent review and promise that we will do everything we can to support Dr Kirkup and his team.

We are determined that we will be open and transparent about the improvements we need to make to our maternity service. We have already made a number of improvements, but we are clear that more needs to be done.

We have set up a dedicated area of our Trust website to provide regular updates about our maternity service, progress against our improvement programme and news about the Kirkup review.

This report summarises the performance, developments and challenges of the Trust over the year 2019/20. There have been a number of changes, including changes to the Board of Directors. We welcomed Dr Rebecca Martin to the Board this year as Chief Medical Officer, Amanda Hallums as Chief Nurse and Andrea Ashman as Director of Human Resources. We are grateful to Dr Paul Stevens, Medical Director, Sandra Le Blanc, Andrea's predecessor, and Sally Smith, Amanda's predecessor, for their service to the Trust.

Our Council of Governors also plays a crucial role in the Foundation Trust and I am thankful for each governor's input and support. I would like to thank everyone who has contributed to and supported the work of the Trust over the past year.



Professor Stephen Smith, Chairman

Like all other NHS and health and social care organisations, the last quarter of our financial year was dedicated to responding to the Coronavirus pandemic.

We split our hospitals into Covid and non-Covid areas, dedicated 17 wards to Covid-19 positive patients, doubled our critical care capacity and protected urgent services such as maternity care, emergency care and cancer treatment. We provided thousands of people with outpatient appointments by telephone or video link, and worked with partner health and social care organisations to help vulnerable people remain at home with support, rather than come into hospital.

The innovation and speed with which staff pulled together to effectively turn our hospitals inside out was truly impressive. Our staff faced the situation with bravery and selflessness, and I would like to thank them for their continued efforts to service the people of east Kent.

Staff welfare has been a key priority area for us this year. Even before the Coronavirus pandemic, we put a significant amount of work into improving the working lives of our staff and acting on staff feedback, following on from our 'Listening into Action' work. I am delighted that our annual staff survey results showed improvement across the board, including the number of staff recommending the Trust as a place to work and staff feeling able to deliver the care they aspire to.

We are conscious of the toll that the pandemic can put on staff health and well-being, so we are working hard to support staff and will continue to focus on their welfare.

We are also conscious that the best way to provide great care is to listen to and empower the staff delivering the services 'on the ground'. During the year, many of our wards, with support from the therapies teams, developed a range of innovative and caring ways to help frail patients vulnerable to deterioration whilst in hospital keep active and social. From meals around a communal table, to anti-boredom trollies, craft activities with nursery children and garden development, our hospitals were awash with new ways of caring for patients as a whole person. It was truly humbling and inspiring to see frontline staff leading this work.

We also set ourselves the challenge of becoming the first dementia-friendly hospitals Trust in the country, with staff in all roles, clinical and non-clinical, signing up for 'Dementia Friends' training.

We also made great strides in improving Cancer waiting times, which helped Kent to have one of the best performances in England and our care groups, which are now clinically-led, have made a number of improvements in patient care.

However, it is clear that for some time that we have not provided all the people of east Kent with the high level of maternity care they need and deserve, and for this we are profoundly sorry.

We are determined to provide an excellent standard of care to every mother and child who uses our maternity service, and we will not rest until we, the public and our regulators are confident we are doing so.

I look forward to working with staff, governors, volunteers, partners and patients and the public in the year ahead to continue our improvement journey.

Susan Acott
Chief Executive

PERFORMANCE REPORT

The purpose of the Performance report is to provide a short summary of the organisation, its purpose, the key risks to the achievement of its objectives and how we have performed during the year.

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 around 8000 staff.

We have more than 1,000 beds over three hospital sites, providing 28 critical care beds, and other specialist wards for maternity, paediatrics and neonatal intensive care. We provide a range of core and specialist healthcare services. The Trust receives more than 250,000 emergency attendances, around 95,000 inpatient spells and 810,000 outpatient attendances per year. We carry out more than 240,000 tests and scans and have around 7,000 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 births, 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.

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 outpatient services. Its facilities include a minor injuries walk-in centre, outpatient facilities, renal satellite services, day hospital services, child health and child development services and diagnostic facilities.

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 renal, vascular, interventional radiology, urology, dermatology, neurology and haemophilia services. It also provides a 24/7 minor injuries

unit. 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.

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.

The CQC inspected maternity services at the Trust in January 2020. The unannounced inspection took place after concerns were raised about the safety of maternity services at the Trust, including the inquest this January into the death of baby Harry Richford, who died at Queen Elizabeth The Queen Mother Hospital in 2017, and a number of families coming forward. The CQC rated East Kent Hospitals' maternity service as 'good' for effectiveness, care and responsiveness and 'requires improvement' for leadership and safety, and 'requires improvement' overall.

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 will be led by Dr Bill Kirkup and is expected to cover the period since 2009. Dr Kirkup expects to report in 2021.

The Trust has welcomed this independent investigation and has promised that it will do everything in its power to assist and support Dr Kirkup and his team.

Our clinical strategy

Future service reconfigurations

NHS leaders in east Kent confirmed in January 2020 that two options for improving hospital services in east Kent had been shortlisted and are now included in a pre-consultation business case to be reviewed by NHS England and NHS Improvement, and the South East Clinical Senate.

The proposals include major improvements to hospital care and local care in east Kent, with significant new investment to deliver high quality hospital services including emergency services, bringing together specialist inpatient services into one hospital, and separating planned and emergency orthopaedic surgery.

To be included on the shortlist, both options were assessed against five detailed criteria, developed with clinicians and tested with the public. The criteria have been designed to ensure the options being proposed can deliver improvements in patient care, are accessible for patients, are deliverable within the timeframe needed, sustainable for the future, and affordable within the money available.

A draft pre-consultation business case is now being assessed by NHS England and NHS Improvement's South East team following input from the South East Clinical Senate (an independent group of clinicians).

Their feedback will be incorporated into a final version. Because both options require significant capital funding from central NHS budgets, the final pre-consultation business case must be approved by NHS England and NHS Improvement's national team before consultation can begin.

The timing of a public consultation depends on the business case review and approval process and will be published as soon as dates are confirmed.

No final decision will be taken until after commissioners have run and considered feedback from a formal public consultation, alongside all other evidence.

Kent and Medway Stroke Services Review

A decision to create three hyper acute stroke units in Kent and Medway - at William Harvey, Darent Valley and Maidstone hospitals – was unanimously agreed by NHS commissioners in February 2019, following a five-year review of urgent stroke services in the county led by local stroke specialists.

Currently, despite the hard work of dedicated staff across the county, the way stroke services are organised means that some people do not get the right treatment fast enough, particularly overnight and at weekends. As a result, local stroke services are rated as some of the poorest in the country.

Once the new units are up and running, everyone having a stroke in Kent and Medway will be taken to their nearest hyper acute stroke unit, 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.

An extensive public consultation, involving thousands of people, showed support for the case for change and development of hyper acute stroke units but concerns about the impact of those changes.

Work is underway to address these concerns, including improving rehabilitation services to ensure they are available closer to home, with an improved service up and running at the same time as the hyper acute stroke units.

Work is also underway to address concerns raised by Medway Council's health scrutiny committee which referred the NHS's decision to the Secretary of State for Health and Social Care for an independent review of the process. Medway Council is one of four local authorities overseeing the decision on future stroke services.

Work to plan and prepare to implement the NHS's decision continues but it would not be appropriate to commit NHS funds or take irreversible steps until the outcome of the review process is known.

The NHS is awaiting the outcome of a referral to the Secretary of State and the subsequent Independent Reconfiguration Panel review of the stroke programme. Until then, the NHS will work on developing a timeline for implementing the new hyper acute stroke units and will publish further information on likely go-live dates for the HASUs as soon as possible after the outcome of the Secretary of State referral is known.

Environmental Matters

Sustainability

The Climate Change Act commits the UK to reducing greenhouse gas emissions by at least 100% of 1990 levels (net zero) by 2050. It replaced the UK's previous target to reduce emissions by 80% by 2050.

We achieved the initial EKHUFT target of a 10% reduction in carbon emissions by 2015 (from a 2007/08 baseline) and the second stretch target of a 20% reduction in its carbon emissions by 2020 (from a 2007/08 baseline). We recognise the need for targeted investment in order to achieve the target for net zero greenhouse gas emissions by 2050, as required by the Climate Change Act (2008) (2050 Target Amendment) Order 2019.

Our works

Energy and Carbon Reduction Programme
In 2018, 2gether partnered with energy performance specialist contractor to deliver energy and carbon reduction across 3 main hospitals, Kent and Canterbury (K&C), Queen Elizabeth the Queen Mother (QEQM) and William Harvey Hospital (WHH).

The works
Energy efficiency is being improved through new Combined Heat and Power plants, LED lighting and control retrofits, solar PV, better insulation as well as Building Management System upgrades.

This first phase has seen a £1m investment in mechanical and electrical improvements such as insulation, air-conditioning control and building management system optimisation. By the end of January 2020 this programme has achieved savings of over £0.1m and 570 tCO2e.

The second phase of the energy reduction programme includes installing more complex measures such as Combined Heat and Power plants at K&C and QEQM, solar PVV at QEQM and WHH and replacement LED lighting across all 3 sites during 2020 with final completion due in Q1 2021.

By the numbers

- Savings £1.2m on annual energy costs.
- Reduction in carbon emissions projected to total 2,200 tCO2e per annum.

The programme has been funded by Salix, an interest free government loan scheme, and an NHSi Energy Efficiency Fund grant.

Purchased Energy

Our purchased electricity was coming from fossil fuels; however from 1st April 2020 our purchased electricity is being sourced only by renewables (100%).

Sustainability Steering Group

A new Sustainability Steering Group has been established in September 2019 to oversee the development and delivery of the Green Plan (formerly known as Sustainable Development Management Plan) with the following workstreams:

1. Corporate Responsibility
2. Built Environment Energy and Carbon Management
3. Procurement
4. Travel and Transport
5. Sustainable Use of Water
6. Sustainable Waste Management
7. Green Space and Biodiversity
8. Climate Change Adaptation

These areas of focus are chosen based on their potential financial, efficiency, social and environmental impacts.

Sustainability Champions network

We create a network of staff to help identify carbon reduction measures and to promote sustainability initiatives.

A Sustainability Champion:
• is a staff member who is interested in helping to actively reduce the overall environmental impacts of East Kent Hospitals, and
• contributes ideas, suggestions and initiatives for improving the environmental performance in their areas

The Sustainability Champions network is crucial in helping the Sustainability Steering Group implement sustainability throughout the hospitals.

The network brings together staff across hospitals and departments to help find creative ways to embed sustainability into hospital operations.

Waste
We have signed up to the NHS Plastic Pledge asking NHS organisations to remove single-use plastics from their catering services and reduce NHS waste by more than 100 million plastic items by 2021.

Carbon emissions

The Trust emitted:

- 6,997 tCO2e from using electricity in 2019-2020 compare to 8,345 tCO2e in 2018-2019 and 9,439 tCO2e in 2017-2018
- 9,578 tCO2e from using gas in 2019-2020 compare to 7,284 tCO2e in 2018-2019 and 8,739 tCO2e in 2017-2018

Note: total billed consumption for gas was 52.09 GWh. This usage profile is significantly distorted due to an issue with the KCH billing that covered most of the winter in the previous financial year that was then spread across this financial year. The estimate usage for the period from meter readings is 44.61 GWh, which is quite in line with the last three years average.

In total the Trust emitted 16,576 tCO2e for 2019-20, which is a 9.23% reduction against the previous three years baseline.

Cost
Electricity - cost increased 18.46% to £4.02m due to higher rates and non-commodity costs applicable to all sites.

Gas - cost over £1.51m. This is 22.95% higher when compared to the last three years average cost. The main reason is the adjustment in the KCH billing adjustment.

Key issues and risks

The Trust has two main commissioners for its clinical income. For Acute Services our local Commissioners are East Kent CCGs and they commission 75% of Trust clinical income. This year saw the first year of an Aligned Incentive contract where income is guaranteed for the year (excluding high cost drugs) leading to a high level of certainty around income generation and cash collection.

As we did not agree our financial control total for the year, the Trust was not eligible to receive any income from the Provider Sustainability Fund (PSF). The Groups planned deficit for 2019/20 was set at £36.569m.

We have continued to operate in financial special measures during the year.

Emergency services have continued to be under pressure all year resulting in a year-end over performance in A&E and Non-Elective Admissions. Significant efforts have been made to address the previous reliance on agency staff – permanent recruitment and a move to bank has brought spend on temporary staff down to £51.0m (2018/19: £54.0m) with a £6.7m reduction in agency spend.

The Foundation Trust has prioritised the management and reporting of cash and liquidity drivers. The move to draw working capital loans in line with the Group's planned deficit, targeting inter-company debtor and creditor balances all lead to a material improvement in average cash balances held by the Foundation Trust – as well as visible improvements in its Better Payment Practice Code performance.

In the year, the Foundation Trust has received support via an Interim Revenue Support Facility of £36.9m (2018/19: £42.1m) from the Department of Health (DoH). The total level of working capital borrowing has been moved to "current liabilities" in the 2019/20 Accounts following the announcement by the Government that these loans would be converted PDC, meaning the capital will not be required to be repaid and interest will continue to be charged at 3.5%.

The Coronavirus pandemic has impacted the Group in the last month of 2019/20 and continues into the following year. Along with significant disruption to the "normal" operation of a large Acute Trust, the organisation has identified and applied for income to cover the additional costs relating to Covid-19 – this is accounted for in the Financial Statements for 2019/20.

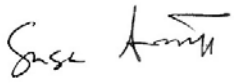
As the Trust has submitted a deficit plan for 2020/21, the cash position will continue to be actively managed and will require interim support from the DoH in the form of PDC during the year.

The Foundation Trust ended the year with a consolidated group (Foundation Trust and all subsidiaries) deficit of £46.2m (2018/19: £44.3m). The Adjusted financial performance (after removing the impacts of impairments and donated income was a deficit of £36.6m (2018/19: £42.1m)

Going concern

For the financial year commencing 1 April 2020, the Group has forecast an unadjusted deficit of £45.3 million after a savings requirement of £25 million. This plan has been submitted to NHS Improvement and requires additional cash support of £45.3million to settle our liabilities as they fall due over the twelve months from the signing of these financial statements. As with any NHS organisation placing reliance on the DHSC for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on these indications the directors believe that it remains appropriate to prepare the accounts on a going concern basis. However, the matters referred to above represent a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.



Susan Acott
Chief Executive
Date: 24 June 2020

● ACCOUNTABILITY REPORT

Directors' report

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

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 was required to meet at least 10 times with August and January as development sessions with the ability to hold a private meeting alongside. During 2019/20, the Board met formally a total of

13 times. The composition of the Board of Directors as at 31 March 2020 is below:

Non-Executive Directors as at 31 March 2020:

NAME	DESIGNATION	DATE OF APPOINTMENT	BOARD OF DIRECTOR ATTENDANCE*
Stephen Smith	Chair	01/03/18 First Term	11/13
Barry Wilding	Senior Independent Director	11/05/15 Second Term	12/13
Sunny Adeusi	Non-Executive Director	01/11/15 Second Term	12/13
Wendy Cookson	Non-Executive Director	06/01/17 Second Term	13/13
Chris Holland	Associate Non-Executive Director	13/12/19 First Term	1/4
Nigel Mansley	Non-Executive Director	01/07/17 First Term	11/13
Jane Ollis	Non-Executive Director (Deputy Chair)	08/05/17 First Term	12/13
Keith Palmer	Non-Executive Director	01/01/17 Second Term	11/13
Sean Reynolds	Non-Executive Director	20/08/2018 First Term	8/13

* Possible and actual shown

Executive Directors as at 31 March 2020:

NAME	DESIGNATION	DATE OF APPOINTMENT	BOARD OF DIRECTOR ATTENDANCE*
Susan Acott	Chief Executive	01/04/18	12/13
Andrea Ashman	Director of Human Resources (HR) (Acting Director of HR)	01/09/19	13/13
Philip Cave	Director of Finance and Performance	09/10/17	12/13
Amanda Hallums	Chief Nurse & Director of Patient Experience and Quality	01/10/19	12/13
Lee Martin	Chief Operating Officer	26/01/15	11/13
Rebecca Martin	Chief Medical Officer	17/02/20	1/1
Liz Shutler	Director of Strategic Development and Capital Planning	21/01/04	12/13
Other Executive Directors who were members during 2019/20			
Sandra Le Blanc	Director of Human Resources	01/09/14	0/4
Sally Smith	Chief Nurse and Director of Quality	28/07/15	0/1
Paul Stevens	Medical Director	01/06/13	9/12

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

Board biographies

Professor Stephen Smith, Chairman

Stephen joined the Trust in March 2018. Stephen is a clinician scientist, having held senior positions in Academic Medicine and the NHS at the University of Cambridge, Imperial College, London and most recently the University of Melbourne. He currently serves on various health and health technology Boards including those of NetScientific Plc, Signum Health Ltd, and is a Trustee of Pancreatic Cancer UK and Epilepsy Society UK. He is also a Senior Advisor of Ministry of Health – Saudi Arabia.

Stephen led the formation of the UK's first Academic Health Science Centre at Imperial College Healthcare NHS Trust and was its first Chief Executive Officer. A gynaecologist by training, he has published over 230 papers on reproductive medicine and cancer. He was awarded his Doctor of Science in 2001 for his work in Cambridge on the complex gene pathways that regulate the growth of blood vessels in reproductive tissue. He has served on the Boards of Great Ormond Street Hospital, the Imperial College Healthcare NHS Trust, the National Healthcare Group, Singapore and the Royal Melbourne Hospital, Melbourne, Australia. He was founder/director of GNI Group Plc that achieved IPO on the TSE in 2007.

Jane Ollis, Non-Executive Director (Deputy Chair)

Jane joined the Trust in May 2017. Jane has extensive 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. Jane 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.

Barry Wilding, Senior Independent Director

Barry joined the Trust in May 2015. A qualified accountant and banker he has extensive senior management experience, largely in the insurance and healthcare sector. He was previously a Non-Executive Director of West Kent Primary Care Trust, Vice Chair and Senior Independent Director of Kent Community Health NHS Trust, and a member of the Council of People Living with Diabetes for the charity Diabetes UK. He is currently the Trustee of CXK, a Charity in Ashford inspiring people to thrive.

Sunny Adeusi, Non-Executive Director

Sunny joined the Trust in November 2015. Sunny specialises in driving sustainable cost competitiveness across end-to-end value chains, generation of new profitable revenue streams, and embedding a culture of continuous improvement in healthcare and life sciences sectors. He served as lead director for hospital and healthcare provider transformation in the healthcare practice of a Big4 professional services firm.

In his early career, he spent more than 20 years in supply chain, operations and commercial roles with increasing responsibilities at global life sciences and fast moving consumer goods (FMCG) corporations. Sunny holds a Master of Science (MS) degree from the Massachusetts Institute of Technology, Boston, USA (Sloan Fellow) and an MBA from Imperial College London (Lord Sainsbury Fellow in Life Sciences). His other activities include a leadership role for Zimmer Biomet, a global US medical device/technology corporation in Europe, Middle East and Africa (EMEA) regional commercial and marketing.

Wendy Cookson, Non-Executive Director

Wendy joined the Trust in January 2017. Wendy is a degree nurse with an MBA who has worked in healthcare for over 25 years and has significant experience within the NHS at director level. More recently, her roles have been as the Quality Improvement Director to several trusts in breach of regulatory compliance, an independent consultant to Trust Boards on Care Quality Commission requirements, the 'Well-Led' framework for Foundation Trusts and all other aspects of governance both clinical and corporate. She holds the Institute of Directors (IoD) award for the Role of the Director and the Board and has been chosen to attend NHSI's Aspirant Chair's Programme. She has also obtained the IoD Certificate in Company Direction. Other activities include Non-Executive Director of Medway Community Healthcare, member of the Health Advisory Board for OCS Group

UK, Chair of Bede House Charity, and Managing Director and sole shareholder of IdeasFourHealth Ltd.

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. He is currently completing a Doctorate in Education at King's College London, his thesis is on Leadership in Education. He has previously researched student motivation after failure, simulation training, inter-professional education and the experiences of medical students from backgrounds less well represented in medicine during their time at university. He is a Fellow of the Royal College of Anaesthetists, the Faculty of Intensive Care, and the Academy of Medical Educators. He was an elected member of the National Council of the Academy of Medical Educators until 2018 and led the Academy's Faculty Development and Equality and Diversity Groups.

Chris joined Kent and Medway Medical School (KMMS) from the University of Surrey where he was a Professorial Teaching Fellow and Director of Learning and Teaching for Medicine, responsible for learning and teaching and student experience for Medicine at the University. He has been closely involved with the commissioning and design of several courses for healthcare professionals, for example the King's Intermediate Trauma and Life Support course which has been developed by the London Deanery and the London Trauma Office as a pan-London course targeting teaching in team-membership and inter-professional working in trauma.

Chris is a Consultant in Critical Care at Maidstone and Tunbridge Wells NHS Trust and the Founding Dean of KMMS. He is an Associate with the GMC and a GMC Performance Assessor. Chris has a private practice in a group practice which provides Critical Care for a private hospital in South East London. Chris occasionally provides consultancy advice for education projects in healthcare and higher education.

Nigel Mansley, Non-Executive Director

Nigel is an accountant by profession and joined the Trust in July 2017. Nigel has significant experience in management consultancy, 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.

Previously, he has had ten years' experience as a Non-Executive Director of the integrated South Eastern Health and Social Care Trust (HSC) based outside Belfast. He was a Non-Executive Director of the Sperrin Lakeland HSC Trust. Nigel is a Fellow of the Institute of Chartered Accountants in England & Wales. He also brings experience of performance improvement consultancy work within NHS England over a number of years. He is also Chair of the Diocesan Board of Finance of the Church of England Diocese of Canterbury.

Keith Palmer, Non-Executive Director

Keith joined the Trust in January 2017. Keith, a Chartered Engineer and Company Director, has worked for the last 24 years working in the services sector delivering customised solutions to major customers in both the public and private sectors. Keith's early career was working and living overseas on major civil engineering projects and on returning to the UK he became involved in the facilities and property management sector. He is also a Non-Executive Director of 2gether Support Solutions.

Sean Reynolds, Non-Executive Director

Sean was appointed in August 2018. Sean is a professional helicopter pilot and senior executive who has recently retired from the Royal Air Force (RAF) after 34 years of service. More recently Sean's roles have been in a senior leadership capacity with his last appointment being the RAF's Deputy Commander responsible for capability and people.

This portfolio included oversight of HR for the whole of the RAF, the delivery of the RAF's equipment plan, the delivery of all professional training for the RAF and technical and flying training for Defence. The portfolio also included infrastructure responsibility for the RAF's 26 bases together with oversight of the RAF's medical, legal and chaplaincy services. Before that he enjoyed a year's secondment to Marshal Aerospace as the Managing Director for its Aviation Services business unit at Birmingham Airport. He is also the Chair of Spencer Private Hospitals.

Susan Acott, Chief Executive

Susan was appointed to the Trust as CEO on 1 April 2018. 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.

Susan is passionate about the role of clinical leadership and education in delivering and sustaining high quality, safe services for patients. She has also worked with and led significant health IT implementations. Susan has had considerable experience of service improvement, service re-organisation, mergers and operational delivery. Other activities include Advisory Council of The Staff College (leadership development body for the NHS/Military).

Andrea Ashman, Director of Human Resources

Andrea joined the Trust on 10 July 2017 as the Deputy Director of Human Resources and was appointed as the Trust's permanent Director of Human Resources on 1 September 2019. Andrea has 30 years professional experience within the public sector working across Police, Education and the NHS, the last 10 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 is also a Trustee of Medway Youth Trust.

Phil Cave, Director of Finance and Performance

Phil joined the Trust in October 2017. Phil has over 19 years' experience in the NHS having worked the majority of his career in the Acute setting. Prior to joining the Trust, Phil 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.

Amanda Hallums, Chief Nurse & Director of Patient Experience and Quality

Amanda joined the Trust in July 2018 as Interim Care Group Operations Director for both the General and Specialist Medicine and Women's and Children's Care Groups. Amanda took up the role of Interim Chief Nurse and Director of Quality in April 2019 and was appointed to the permanent role of Chief Nurse & Director of Patient Experience and Quality on 1 October 2019.

Amanda is a registered nurse and midwife, having trained at The London Hospital, Whitechapel where she was also a ward sister. She has extensive experience in clinical practice, education and operations, and

has worked in both the independent sector and the NHS. She was Chief Nurse at Basildon and Thurrock University Hospitals NHS Trust for over 13 years. More recently Amanda was the Head of Nursing for St Mark`s Hospital, the world renowned hospital for gastrointestinal disorders. In her spare time Amanda is a Trustee at St Francis Hospice in Essex.

Lee Martin, Chief Operating Officer

Lee joined the Trust in January 2018 to support the Trust's emergency care pathway and covered the post of Chief Operating Officer (COO) on an interim basis from 22 May 2018. He was appointed as the Trust's permanent Chief Operating Officer in August 2018. Lee has considerable experience at board level and has been COO for large complex multi-site organisations, including at London North West Healthcare NHS Trust.

He has also been responsible for emergency planning for major events, royal visits and embassy VIPs. Lee completed the NHS top leaders programme and also the Military Strategic Leadership Programme, Lee is a qualified executive coach, and a Fellow of the Chartered Management Institute and Fellow of the Institute of Leadership and Management. Lee has a passion of education and development, and has attended Leeds, Leicester, RMIT and Harvard Universities, gaining qualifications in Management, Innovation, Learning and Development, and Leadership.

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.

Liz Shutler, Director of Strategic Development and Capital Planning / Deputy Chief Executive

Liz joined the Trust in January 2004. Liz has more than 27 years of experience working for the NHS and has held director level positions in health authorities and large acute trusts. Having been a Board Director responsible for commissioning hospital, community, mental health and primary care services for more than ten years, Liz moved into strategic roles in hospital trusts and more recently has led the development of estates, facility, supplies, procurement and IT services. Liz has experience of strategic planning, service reconfiguration and redesign, financial turnaround, performance management, estate and capital planning. In 2016 Liz was appointed to the position of Deputy Chief Executive.

Other Directors who served during 2019/20:

NAME	DESIGNATION	APPOINTMENT	BOARD OF DIRECTOR ATTENDANCE*
Sandra Le Blanc	Director of Human Resources	01/09/14	0/4
Sally Smith	Chief Nurse and Director of Quality	28/07/15	0/1
Paul Stevens	Medical Director	June 2013	9/12

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. During 2019/20 the Trust undertook an internal review of the Board skills, experience and competency. The outcome and recommendations from this review were presented and discussed at the March 2020 Nominations and Remuneration Committee, noting the inclusion of specific activities and training within the 2020/21 Board Development Programme.

All of our Board Committees undertake an annual review of their terms of reference. Our Integrated Audit and Governance Committee, Quality Committee, Finance and Performance Committee, Strategic Workforce Committee, Nominations and Remunerations Committee and Charitable Funds Committee conducted their annual reviews of effectiveness through a questionnaire to the membership during the year.

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 website https://www.ekhuft.nhs.uk/patients-and-visitors/about-us/boards-and-committees/the-board-of-directors/

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 Improvement Well-led Framework

The Trust commissioned an external Well-led governance review in May 2019 undertaken by Deloitte LLP. The outcome of this review was presented, considered and agreed as the direction of travel by the Board in November 2019. The report set out findings in respect of leadership and governance in the Trust, against each of the eight key lines of enquiry (KLOE) of the NHS Improvement Well-led framework (2017), as noted below:

1. Leadership, capacity and capability;
2. Clarity of vision, strategy and plans to deliver;
3. Culture of high quality and sustainable care;
4. Clarity of roles and responsibilities to support good governance;
5. Management of risks, issues and performance;
6. Information;
7. Stakeholder engagement;
8. Learning, continuous improvement and innovation.

The outcome of the review showed improvement on the previous Well-led review with a total of 22 recommendations for implementation, noting that progress had already been made with some of these recommendations.

The Trust supported by KPMG is making progress to develop and take forward for implementation a Quality Improvement (QI) programme, of which a number of the recommendations will be picked up through this programme.

A governance review report was presented to the November 2019 Integrated Audit and Governance Committee (IAGC) outlining the plans to address and implement the recommendations from the review in respect of governance. This included a review of the Trust risk management processes, review to update the Risk Management Policy and development of a Risk Management Strategy 2020 to 2022.

A number of the recommendations will be overseen by the Board Nominations and Remuneration Committee in relation to driving forward delivery of identified key elements. These include succession planning, a structured Board Development Programme, raising Non-Executive Director profiles and visibility across the Trust, and improving engagement between the Board and Council of Governors.

In addition, as part of the Care Quality Commission (CQC) Inspection process the Trust received a Well-Led report on its services from the visit in May and

June 2018 with a further inspection of paediatric services in October 2018. The Trust's rating for Well-Led remained as 'Requires Improvement'. The areas for improvement form part of our main CQC Improvement Plan and CQC Paediatric Improvement Plan, progress on actions against these improvement plans is overseen by the Board's Quality Committee and the Board of Directors.

A constant challenge has been in relation to the Trust's organisational structure and culture. Led by the Chief Executive the Trust moved from a managerially led structure to clinically-led with smaller Care Groups during 2018/19 that has been embedded and is working well. In addition the Trust used the Listening into Action methodology to support staff make changes that matter to them to improve patient and staff experience. These are linked to the implementation of a single QI methodology as outlined above.

The Trust undertakes a self-assessment against its provider licence conditions, a review of the FT Code of Governance and along with any external reviews in relation to quality and governance pulls all the recommendations together into one integrated Improvement Plan.

Quality governance, quality of care and quality improvement will be contained in the Quality Account, the deadline for submission of which has been extended to the middle of December 2020 due to the current national emergency, Covid-19.

Remuneration report

The purpose of the 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 2020/21

The Director of Human Resources & Organisational Development provides advice and guidance, and withdraws from the meeting when discussions about her performance, remuneration and terms of service are held.

The Committee conducted an annual review of Director Remuneration using the available benchmarking data provided from NHS Providers and NHS Improvement.

The Committee reviewed the remuneration of Very Senior Managers based on the Korn Ferry (formerly HayGroup) comprehensive review undertaken of the Very Senior Managers and Executive Directors pay policies. 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 39 of the report.

Wendy Cookson
Remuneration Committee Chair
24 June 2020

Senior managers' remuneration policy

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 Director of Human Resources & Organisational Development

Future 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.

Future 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
£10,000 (Basic fee) As of May 2019 the Council of Governors agreed an increase: £12,000 (Basic fee)	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
In November 2019 Council of Governors considered recently published national guidance and agreed an increase: £13,000 (basic fee) for future appointments or re-appointments	Additional fees were also changed in November for future appointments or re-appointments: Supplementary payments of £2000 to three individuals in recognition of designated extra responsibilities, such as Chairing a Board Committee.

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.

Analysis of Staff and Costs for 2019/20 (audited)

Staff Costs

	Permanent £000	Other £000	2019/20 Total £000	2018/19 Total £000
Salaries and wages	316,283		**316,283**	285,907
Social security costs	34,168		**34,168**	29,354
Apprenticeship levy	1,694		**1,694**	1,407
Employer's contributions to NHS pension scheme	50,099		**50,099**	32,332
Pension cost - other				60
Temporary staff		50,691	**50,691**	53,969
Total staff costs	**402,244**	**50,691**	**452,935**	**403,029**
Of which:				
Costs capitalised as part of assets	618		**618**	

Average number of employees (WTE basis)

	Permanent Number	Other Number	Total Number	Total Number
Medical and dental	1,095	133	**1,228**	1,172
Administration and estates	2,658	137	**2,795**	2,792
Healthcare assistants and other support staff	1,283	284	**1,567**	1,393
Nursing, midwifery and health visiting staff	2,267	377	**2,644**	2,469
Scientific, therapeutic and technical staff	1,046	34	**1,080**	1,043
Healthcare science staff	400	0	**400**	396
Other	12	30	**42**	35
Total average numbers	**8,761**	**995**	**9,756**	**9,300**
Of which:				
Number of employees (WTE) engaged on capital projects	18		**18**	11

Exit Packages (audited)

2019/20			
Exit package cost band (including any special payment element)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages
£10,000 - £25,000	2	0	2
Total number of exit packages by type	**2**	**0**	**2**
Total cost (£)	£38,000	£0	£38,000

2018/19			
Exit package cost band (including any special payment element)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages
<£10,000	0	1	1
£10,000 - £25,000	0	2	2
£25,001 - 50,000	0	1	1
Total number of exit packages by type	**0**	**4**	**4**
Total resource cost (£)	0	£71,000	£71,000

Analysis of Other Departures

	2019/20		2018/19	
	Payments agreed Number	**Total value of agreements £000**	**Payments agreed Number**	**Total value of agreements £000**
Contractual payments in lieu of notice	0	0	4	71
Total	**0**	**0**	**4**	**71**

Expenditure on Consultancies

During 2019/20, the Group's total spending on consultancies was £1,423,000 (see Accounts, note 7.1)

Remuneration Report - audited

Senior Managers' salaries, expenses and pension	2019/20				2018/19			
	Salary (bands of £5,000)	Expense payments (taxable) to nearest £100	Pension related benefits (bands of £2,500) Note 2	TOTAL (bands of £5,000)	Salary (bands of £5,000)	Expense payments (taxable) to nearest £100	Pension related benefits (bands of £2,500) Note 2	TOTAL (bands of £5,000)
	£000	£00	£000	£000	£000	£00	£000	£000
Stephen Smith	65-70	0	N/A	65-70	65-70	1	N/A	65-70
Sunny Adeusi	10-15	0	N/A	10-15	10-15	0	N/A	10-15
Wendy Cookson	10-15	2	N/A	10-15	10-15	0	N/A	10-15
Nigel Mansley	10-15	3	N/A	10-15	5-10	0	N/A	5-10
Keith Palmer	10-15	0	N/A	10-15	10-15	0	N/A	10-15
Jane Ollis	20-25	10	N/A	20-25	10-15	0	N/A	10-15
Barry Wilding	15-20	4	N/A	15-20	10-15	0	N/A	10-15
Sean Reynolds	10-15	8	N/A	10-15	5-10	0	N/A	5-10
Susan Acott	215-220	0	0	215-220	215-220	0	342.5-345	555-560
Philip Cave	160-165	0	45-47.5	205-210	150-155	0	97.5-100	245-250
Sandra Le Blanc (Resigned 31/08/2019)	115-120	0	0	115-120	120-125	0	12.5-15	135-140
Andrea Ashman (Acting HRD from 01/11/18 to 31/08/2019, Appointed Substantively from 01/09/2019)	120-125	0	20-22.5	140-145	45-50	0	25-27.5	70-75
Lee Martin	150-155	0	0	150-155	145-150	0	310-312.5	460-465
Sally Smith (Resigned 18/04/2019)	5-10	0	0	5-10	125-130	0	0	125-130
Amanda Hallums (Appointed 01/10/2019)	75-80	0	0	75-80	N/A	N/A	N/A	N/A
Elizabeth Shutler	145-150	0	132.5-135	280-285	125-130	0	2.5-5	130-135
Paul Stevens (Resigned 16/02/2020)	180-185	0	0	180-185	195-200	0	0	195-200
Rebecca Martin (Appointed 17/02/2020	25-30	0	135-137.5	160-165	N/A	N/A	N/A	N/A

Note:
1. No payments were made to existing or past senior managers in 2019/20 or 2018/19 in respect of performance pay and/or bonuses

2. Pension related benefits is calculated as (20 x annual pension at 31st March 2020 + lump sum at 31st March 2020) - (20 x annual pension at 31st March 2019 + lump sum at 31st March 2019 adjusted for inflation at 1.024%) less employee pension contributions. Where applicable this value is apportioned for time in service.

Directors' expenses	**2019/20**			**2018/19**		
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 serving directors**	**Number claiming expenses**	**Total expenses £00**
Total number and value	18	14	3	18	16	4
Governors' expenses	**2019/20**			**2018/19**		
	Total governors serving in year	**Number claiming expenses**	**Total expenses £00**	**Total serving governors**	**Number claiming expenses**	**Total expenses £00**
Total number and value	28	9	0	20	10	0

Hutton Fair Pay Review

Organisations have to calculate the 'median remuneration' of their workforce each year - this is the whole-time annual salary of an employee in the middle of 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:

	2019/20	**2018/19**
Remuneration of highest-paid director (Chief Executive Officer) (bands of £5k)	215-220	215-220
Median salary of all other staff £	27,005	28,050
Ratio	8.1 : 1	7.7 : 1
Number of employees receiving remuneration in excess of the highest paid director	8	3
Range of remuneration paid in the financial year £	£7,626 (apprentice) to £542,363	£7,235 (apprentice) to £258,627

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.

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
Name			at 31 March 2020	at 31 March 2020	at 31 March 2020	at 1 April 2019	
	£000	£000	£000	£000	£000	£000	£000
Susan Acott	0 to 2.5	0	85 to 90	225 to 230	1,843	1,766	21
Phil Cave	2.5 to 5	0 to 2.5	30 to 35	65 to 70	510	450	26
Amanda Hallums	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
Elizabeth Shutler	5 to 7.5	10 to 12.5	55 to 60	125 to 130	1,070	902	146
Paul Stevens	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
Lee Martin	0	0	25 to 30	15 to 20	381	550	0
Andrea Ashman	0 to 2.5	0 to 2.5	5 to 10	0 to 5	70	42	9
Rebecca Martin	0 to 2.5	0 to 2.5	50 to 55	125 to 130	1,003	N/A Note 3	7

Notes:

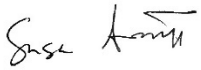
All the above are executive directors; non-executive directors do not receive pensionable remuneration

No contribution was made by the Trust to a stakeholder pension

Note 1 – Member over normal retirement age for scheme therefore CETV calculation is not applicable
Note 2 – Member is not part of the NHS pension scheme
Note 3 – Rebecca Martin was only in post for two months of the year and therefore the real increase in pension only reflects the portion of the year relevant to the Foundation Trust

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 2020

Susan Acott, 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 2020 are:

Statutory:

- Integrated Audit and Governance Committee
- Nominations and Remuneration Committee

Non-Statutory:

- Finance and Performance Committee
- Quality Committee
- Charitable Funds Committee
- Strategic Workforce Committee

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 2019/20 was as follows:

Attendance during 2019/20 was as follows: **Nominations and Remuneration Committee Membership as at 31 March 2020**	
Name	**Actual / Possible**
Sean Reynolds (Non-Executive Director) (Committee Chair from March 2020)	3/3
Sunny Adeusi (Non-Executive Director)	3/3
Wendy Cookson (Non-Executive Director) (Committee Chair to February 2020)	3/3
Chris Holland (Associate Non-Executive Director)	0/1
Nigel Mansley (Non-Executive Director)	3/3
Jane Ollis (Non-Executive Director)	3/3
Keith Palmer (Non-Executive Director)	2/3
Stephen Smith (Chairman)	1/3
Barry Wilding (Senior Independent Director)	3/3

* 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 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.

During 2019/20 the Committee was required to recruit to the following roles within the Trust:

- Director of Human Resources, the Committee approved the appointment of Andrea Ashman who commenced in September 2019;
- Chief Nurse & Director of Patient Experience and Quality, the Committee approved the appointment of Amanda Hallums who commenced in October 2019; and
- Chief Medical Officer, the Committee approved the appointment of Rebecca Martin who commenced in February 2020.

During 2019/20 the Committee was required to recruit to the following roles within its subsidiaries:

- Finance Director for 2gether Support Solutions Limited (2gether) – Ashley Bentley was appointed in July 2019;
- Clinical Non-Executive Director for 2gether – Jackie Churchward-Cardiff was appointed in August 2019;
- Finance Non-Executive Director for 2gether Support Solutions Limited – Nicola Large (nee Webber) was appointed in November 2019;
- Re-appointments of Nominated Directors for Spencer Private Hospitals (SPH) – Andreas Andreou, Nic Goodger and Heather Munro;
- Chairman for SPH – Sean Reynolds was appointed in November 2019; and
- Independent Non-Executive Director for SPH – Hugh Risebrow was appointed in April 2020.

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

- Board Development Plan;
- Trust Board internal assessment (skills, experience and competency review);
- Reviewed the annual audit of the Directors Fit and Proper Persons Requirements Policy;
- Reviewed at each meeting the register of interests and the Committee annual work programme;
- Reviewed pension recycling applications submitted;
- Succession Planning;
- Subsidiary appointments, terms & conditions and remuneration;
- Reviewed the Pay Award 2019/20 for Executive Directors and Very Senior Managers (VSMs);
- Reviewed the Pay Policy and Remuneration of Executive Directors and VSMs;
- Remuneration framework for Chairs and Non-Executive Directors of NHS trusts and NHS foundation trusts;
- Chief Executive Objectives (including year-end and mid-year appraisal reviews); and
- Executive Directors' Objectives and Personal Development Plans (including year-end and mid-year appraisal reviews).

The Committee also reviewed its effectiveness and terms of reference through a survey of the members, the output of this was reported to the Board in the Committee Chair report.

The Remuneration Report can be found on page 31.

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. 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/.

The IAGC undertook an annual review of its effectiveness in line with its terms of reference and the Healthcare Financial Management Association NHS Audit Committee Handbook. As well as reviewing its terms of reference and agreed no amendments were required that were approved by the Board, and the output from the annual effectiveness review reported to the Board in the Committee Chair report.

Although the Committee has no executive powers, it does have 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 receives quarterly reports prepared by the Trust Group Company Secretary on behalf of the Board comprising the Board Assurance Framework (BAF) and performance against each of the Annual Priorities objectives. This report brings together the Trust's objectives and targets together with associated risks and controls in place to manage those risks. The BAF is responsible for affirming assurance is in place and helps to clarify what risks will compromise our strategic objectives.

The IAGC will continue 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 81).

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 Report for scrutiny ahead of the formal approval processes. In addition, the IAGC will receive assurance around the Trust's compliance with its provider licence and 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 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 has received a number of assurance reports during the year, these include:

- Data security and protection toolkit 2018/2019 regarding the Information Governance Toolkit;
- Reviewed losses and special payments;
- Reviewed single tender waivers;
- Freedom of information annual report 2018/19;
- Gifts, hospitality and conflicts of interest annual reports 2017/18 and 2018/19;
- Updates on external audit;
- Updates on internal audit;
- Updates on counter fraud;
- Regularly reviewed update reports on the freedom to speak up (FTSU) guardian service;
- Updates from the Regulatory Compliance Committee;
- Reviewed Trust's risk appetite;
- Reviewed Senior Managers' risk management training compliance;
- Annual report and self-assessment against NHS Core Standards for Emergency Preparedness, Resilience and Response (EPRR);
- Annual review of risk management maturity self-assessment;

- Partnership shared risks;
- Annual review of the Standing Financial Instructions (SFIs);
- Raising Concerns update report;
- Going concern review 2019/20;
- 2gether Annual Report and Financial Statements 2018/19.

The Committee reviews the Trust's Strategic and Corporate Risk Register at each meeting. The Committee has continued its programme of 'deep dives' into specific areas of risk from the risk register or specific requests from the Board of Directors, during 2019/20 and these included:

- Estates Health and Safety and associated risks, how compliance against the Health and Safety Toolkit Audit (HASTA) is being embedded within the Care Groups;
- Cost Improvement Programme (CIP);
- Review of the risk registers and risk management processes;
- Governance review.

The following policies were reviewed by the IAGC during 2019/20:

- Risk Management Strategy 2020 - 2022 and Risk Management Policy;
- Policy on Procuring Non-Core Services from External Auditors;
- Review of accounting policies.

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 73 of the annual report.

During 2019/20 a tender exercise was conducted to appoint the Trust's Internal Auditors and Counter Fraud consultants. A competitive tender was undertaken, a panel evaluated the weighted evaluation criteria and made a recommendation to the IAGC in February 2020 to award the contract. The Committee approved the award of the contract and RSM were appointed to provide the Trust's Internal Audit and Counter Fraud services for a period of three years.

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.

Members of the Executive Team, Director of Finance and Performance, and the Chief Nurse & Director of Patient Experience and Quality, attend each meeting by invitation. The Trust's External Auditors, Internal Auditors and Counter Fraud consultants also attend.

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

During 2019/20, the Committee met a total of four times.

Non-Executive members as at 31 March 2020	
Name	**Attendance actual/possible**
Barry Wilding (Committee Chair)	4/4
Sunny Adeusi	1/1
Wendy Cookson	1/1
Keith Palmer	3/4
Jane Ollis	3/4
Other non-executives who were members during 2019/20	
Name	**Attendance actual/possible**
Nigel Mansley	4/4

* Possible and actual shown

A joint meeting of the IAGC, Quality Committee and Finance and Performance Committee was held in May 2019, this meeting had delegated authority from the Board of Directors to approve the Annual Report and Accounts and Quality Report for 2018/19. As attendance for this meeting is wider than just IAGC members it is not reflected in the attendance record above.

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 Trust Board under the Trust's scheme of delegation.

The Committee met a total of 11 times during 2019/20.

Membership of the Committee consists of:

- Nigel Mansley, Chair (from February 2020) (Non-Executive Director)
- Sunny Adeusi, Non-Executive Director (Chair to January 2020)
- Sean Reynolds, Non-Executive Director
- Keith Palmer, Non-Executive Director
- Director of Finance and Performance
- Chief Operating Officer
- Director of Strategic Development and Capital Planning (Deputy Chief Executive)

Care Group Clinical Directors, Operational Directors and Finance Leads were invited to attend the Committee on a rotational basis to discuss their operational and financial performance. The Committee now receives escalation reports on Care Group's performance for deep-dive reviews as appropriate, for detailed discussions in respect of financial and activity

performance against annual plan, as well as efficiencies and improvement work with regards to access and achievement of the constitutional standards.

The Committee at each meeting reviewed and discussed the monthly Integrated Performance Report (IPR) focussing on improving access to the Trust's services. This included focus on assessing compliance against achieving the constitutional standards during 2019/20. Performance against the following standards: Accident and Emergency 4 hour access, 18 week referral to treatment (RTT), 62 day cancer, and 6 week referral to diagnostics.

The Trust remains in financial special measures and achieved its planned year-end control total deficit of £36.6m, this was a slightly better out-turn than the planned position for the 2019/20 financial year. The Committee has been focussed on improving the financial performance of the Trust by keeping under review the Care Groups' plans and delivery against budget and CIPs.

The Committee regularly reviewed and monitored the Trust's financial and operational risks discussing the mitigating actions in place to reduce the level of these risks. The FPC also considered on a regular basis performance against each of the Annual Strategic Priorities in respect of the objectives for Higher Standards for Patients, Delivering our Future, and Healthy Finances.

The Committee undertook an annual review of its effectiveness against its terms of reference.

QUALITY COMMITTEE (QC)

The Quality Committee is responsible for providing the oversight on all aspects of quality, 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 2019/20 the Committee met 11 times and the current membership consists of:

- Wendy Cookson, Chair (from July 2019) (Non-Executive Director)
- Jane Ollis, Non-Executive Director
- Barry Wilding, Non-Executive Director (Chair to June 2019)
- Chief Medical Officer
- Chief Nurse & Director of Patient Experience and Quality
- Chief Operating Officer

The Care Group Head's of Nursing were invited to attend each meeting to provide assurance around quality and safety to the Committee. It was agreed at the QC agenda setting meeting in October 2019 by the Committee Chair; Chief Nurse and Director of Patient Experience & Quality; and Medical Director that escalation reports would be presented in future, following the outcome of the external Well-led governance review undertaken in May 2019 that provided assurance of the appropriate governance arrangements in place within the Trust.

The Committee was assured that the Care Group quality and risk monthly reports were being robustly monitored and that discussions took place with the Care Groups providing challenge in respect of their individual quality and safety performance and progress to address and mitigate risks. Escalation reports are now presented to the Committee from Care Groups for focussed discussions regarding quality and safety issues and any areas of non-compliance against the regulatory constitutional standards. The Committee continues to review and discuss at each meeting the quality and safety risks as well as progress and actions to mitigate these. Regular invited attendees also include representatives from the risk, governance and patient safety teams.

Quality in health can be defined as 'meeting the requirements of the community'. The Quality Committee aims to answer the question 'how safe is the Trust today and are we building quality?' Alongside that is the issue of whether there are systems in place to enable staff to do the right thing and to prevent them doing the wrong thing. Where incidents have occurred, what has been learned and what has been changed?

The areas of key focus for the Committee in 2019/20 were:

- Review of the IPR in relation to clinical quality improvements and patient safety;
- Reviewed principal mitigated quality risks;
- Regular review of performance against the Annual Strategic Priorities in respect of the Getting to Good objective and focus on key elements within it;
- Oversight of delivery of the Quality Improvement Strategy that includes the fundamental standards of care and patient experience;
- Assurance around the implementation of the Care Quality Commission (CQC) improvement plans in respect of progress of the actions with the CQC improvement plan and paediatrics improvement action plan;
- Quality governance, including learning from incidents, never events, near misses, claims, patient experience, complaints and concerns;
- Oversight of the Clinical Negligence Scheme for NHS Trusts (CNST) Maternity Incentive Scheme Safety Actions supporting the Trust's delivery of safer maternity care;
- Infection Prevention and Control reports;
- Learning from deaths, including regular mortality reports from the Chief Medical Officer;
- Reports from the following Committees: Patient Safety Committee; Patient Experience Committee and the National Institute for Health and Care Excellence (NICE) & Clinical Audit and Effectiveness Committee (CAEC);
- Reports regarding activity of the Safeguarding Vulnerable Adults and Safeguarding Children services;
- Oversight of the Getting it Right First Time programme of visits and progress of the actions; and
- Review of Quality Impact Assessments.

The Committee undertook an annual review of its effectiveness in line with its terms of reference.

STRATEGIC WORKFORCE COMMITTEE (SWC)

The Strategic Workforce Committee is responsible for providing advice and making recommendations to the Board of Directors on all aspects of workforce and organisational development and raising concern (if appropriate) on any workforce risks that are significant for escalating.

The Committee met a total of 6 times during 2019/20, the current membership is:

- Jane Ollis Chair (Non-Executive Director)
- Wendy Cookson, Non-Executive Director
- Sean Reynolds, Non-Executive Director
- Chief Nurse & Director of Patient Experience and Quality
- Chief Medical Officer
- Director of Human Resources

The Trust's Deputy Director of Human Resources, Chief Operating Officer, and Head of Diversity and Inclusion are invited to attend each meeting.

Care Group Clinical Directors, Operational Directors, Heads of Nursing and HR Business Partners are invited to attend the Committee from time to time to account for their plans and progress on workforce issues.

The critical importance of people 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:

- Reviewed at each meeting the HR performance metrics from the IPR;
- Reviewed results of the annual staff survey;
- Reviewed Kent and Medway Workforce Strategy;
- Reviewed People Strategy;
- Reviewed performance against the Annual Strategic Priorities in relation to the objectives: Great Place to Work; and Right Skills Right Time Right Place;
- Development of a leadership framework, delivery of a development programme supporting the Care Groups, development of a Trust Leadership Academy, and administration development programme;
- Recruitment and retention;
- Sickness absence;
- Staff turnover and feedback from exit interviews;
- Culture and organisational development;
- Reviewed compliance of statutory and essential training requirements;
- Workforce plan, including midwifery workforce planning;
- Workforce Race Equality Standard (WRES) and the Workforce Disability Equality Standard (WDES);

- Report on gender pay gap;
- 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; and the Equality, Diversity and Inclusion Steering Group; and
- Progress of the Kent and Medway Medical School.

The Committee undertook a review of its effectiveness aligned to its terms of reference, and regularly reviews its annual work programme ensuring it continues to meet its roles and responsibilities.

The Staff Report can be found from page 66.

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 2019/20, the current membership is:

- Sunny Adeusi, Chair (from March 2020) (Non-Executive Director)
- Keith Palmer, Non-Executive Director (Chair to February 2020)
- Barry Wilding, 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. As at 31 March 2020, assets held by the Charity was £2.7m.

Key areas of focus for the Committee have been:

- Approval of applications for Charity funding;
- Review at each meeting, of finance reports, update reports on appeal and fundraising activities;
- Charity 3-year Strategy 2019 to 2022;
- Review of Charity funding plan for 2019/20;
- Charity marketing activities;

- Review of Charity policies: purchases & facilities funded by Charities, and training grants;
- Review of investment in the Charity functions;
- Review of annual work programme;
- Review of update reports on the Devereux Trust property. This includes liability and responsibilities of its trustees in relation to decisions taken in the best interests of the tenant.

During FY20, the Charity received donations and legacies totalling £0.9m and made grants across all our hospitals of £0.8m.

The Charity's full annual report is 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.

The CFC undertook an annual review of its effectiveness and terms of reference; both were approved by the Board.

Council of Governors

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

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 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 (one post)

- 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

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

Ensuring that 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. Our Board has an overall duty to ensure the provision of safe and effective services for members of the public. The Board does this by using its governance structures.

Governors are required to canvass the opinion of the Trust's members and the public 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 following sets out steps taken by members of our Board of Directors to understand the views of our Governors and our membership:

- Our Board meetings are held in public and the agenda is shared with our Council of Governors prior to the meeting, with the agenda and papers published on our website. The Council of Governors also receive a confidential copy of our closed Board meeting agenda and confirmed minutes to keep them abreast of all issues discussed by our Board of Directors.

- Our chief executive is invited to attend each Council meeting to provide an update on the latest performance and to keep Governors informed about strategic developments.
- At Council meetings this year Governors received a number of presentations including ones on the Trust's organisational strategy, the Staff Survey, the 2018/19 annual reports and around issues relating to maternity services.
- Board members are invited to attend Council meetings in line with their roles on the Board, with at least one Non-Executive Director attending with the Trust Chair. The Non-Executive Director chair of each of the Board's Committees attends two Council meetings a year to report on the work of the Committee and take questions from Governors. In seeking to hold the non-executives to account, Governors have the opportunity to ask questions or raise concerns directly with our Chair at Council meetings, or at the Board of Director meetings held in public.
- The Board of Directors engages the Council of Governors on a variety of strategic issues formally at meetings and on an ad hoc basis.
- The Council meets in formal session four times a year in May, August, November and March. Topics covered during the year include:
    - Statutory compliance with the provider licence
    - Non-Executive Director appraisal
    - Board and Council effectiveness
    - Council's Membership and Members engagement strategy 2019 – 2022
    - Updates on latest Trust performance (each meeting).
    - Reports from the Council's Membership Engagement and Communication Committee, including summaries of member feedback.
    - Updates on developments with the local STP and service provision
    - Progress on moving out of Financial special measures
    - Winter Preparedness
    - Quality report local indicator requirements for Governors
    - Council and Board effectiveness
    - Workforce planning

  At the March meeting of Council an update was provided on the Trust's response to the developing Covid-19 crisis and the potential for significant impact on the health service. As the situation developed the role of the Council of Governors and the Non-Executive Directors was revised in accordance with guidance issued on 28 March by NHS Improvement/Engagement: Reducing burden and releasing capacity at NHS providers and commissioners to manger the COVID-19 pandemic. Council meetings were suspended and the Board and Council were kept up to date with regular briefings and access to the Trust's Staff Zone intranet site, which included daily briefings for staff.

  As a result of the Covid-19 pandemic the timeframe for Trust annual reporting was delayed. This particularly impacted on Council with respect to their involvement with the Trust's annual Quality Report. Auditing of

three indicators by the external auditors, including the Council chosen indicator, was cancelled for the year and the publication date moved to December 2020.

- The Council has three Committees:
  - Nomination and Remuneration Committee which manages appointments of non-executive directors and their remuneration.
  - Audit and Governance Committee. In February 2019 the Council agreed to extend the terms of reference of the then Audit Committee to include duties in addition to the audit role of appointing Trust external auditors and receiving the auditors plan. The addition duties are: reviewing effectiveness of Non-Executive Engagement with Council; identifying emerging priorities for Council debate; considering issues of Quality; developing the draft Council commentary on the Trust's Quality Report; considering amendments to the Trust's Constitution; and changes to policies relating to Council.
  - 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. The Trust's Director of Communications and Engagement is an attendee at this Committee. In year the Committee drafted the Membership and Members Engagement Strategy for 2019 – 2022 which was ratified by Council at their meeting in August.

There are eight voting governor members on each committee; it is 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.

At each Full Council meeting the Chairs of the Council Committees provide a summary report on any meetings held since the last public meeting, highlighting key issues. Powers cannot be delegated to Council Committees, they can only make recommendations for Council to discuss and decide in full session.

The topic considered at the annual joint meeting of Governors and Non-Executive Directors in February was to discuss and agree principles and methods for communication between Council, Governors, the Board, Non-executive Directors and the Trust.

The following summarises some of the issues considered at the Full Council meetings during 2019/20:

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.

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 2019/20.

Governor training
During the course of 2019 two governors resigned due to changes in personal circumstances. There were also eight governors due to come to the end of their term of office in February 2020. A decision was therefore taken to run the annual elections early for all the vacancies. As a consequence, a training day took place in October involving both the serving governors and those who had been elected to start on 1 March 2020 and covering key skills of communication and holding NEDs to account. The afternoon session was attending by serving governors and looked at strategic planning and integrated care systems.

An induction programme was run for all new governors to orientate them to the organisation and their role as well as updating them on key issues facing the trust.

Lead governor
As the final Council meeting of the year was moved from February to March the timeframe for the annual process for electing a Lead Governor was delayed to allow governors to consider proposed changes to the role description and the introduction of a Deputy Lead Governor role. The deputy post was duly agreed, as were some changes to the role description, and agreement was also given to extend the term of office of the incumbent Lead Governor, Sarah Andrews, until no later than the end of April to allow the election process to be completed. John East was elected as the Lead Governor and Jane Martin as the Deputy Lead Governor**.**

Governor changes 2019/20
A list of all Governors who served during 2019/20 is detailed in this section.

Council of Governor public meetings
Our Council of Governors met in public four times during 2019/20. In addition, a joint meeting with our Board of Directors was held on 9 March 2020 which was closed to the public. The Annual Members meeting took place on 3 September 2019.
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 2019/20:

* 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	Junetta Whorwell	29/02/2020	Term ended	3/3
	John Bridle	28/02/2021	Resigned	0/0
	Jane Martin	28/02/2021	Joined	2/2
	Nick Hulme	28/02/2023	Joined	1/1
Canterbury City Council	Philip Wells	29/02/2020	Resigned	2/3
	Alex Lister	28/02/2021		2/4
	Graeme Sergeant	28/02/2023	Joined	0/1
Dover District Council	Sarah Andrews	28/02/2021	Resigned	4/4
	John East	28/02/2023		4/4
	Bernie Mayall	28/02/2021	Joined	0/0
Folkestone & Hythe District Council	John Sewell	28/02/2021	Term ended	1/3
	Carl Plummer	29/02/2021	Joined	2/2
Swale Borough Council	Jenny Chittenden (previously Cole)	28/02/2021		4/4
	Ken Rogers	28/02/2021		3 / 4
Thanet District Council	Roy Dexter	28/02/2021	Term ended	0/3
	Marcella Warburton	28/02/2023		4/4
	Paul Schofield	28/02/2023	Joined	1/1

Staff	David Bogard Mandy Carliell Sharon Hatfield-Tugwell Sally Wilson Julie Pain Carla Wearing	29/02/2020 29/02/2020 28/02/2021 28/02/2023 28/02/2023 28/02/2021	Term ended Term ended Resigned Joined Joined Joined	3/3 4/4 3/3 1/1 0/1 1/1
Rest of England and Wales	Julie Barker	28/02/2021		4/4
University Representation (Joint appointment by Canterbury Christ Church University and University of Kent)	Debra Towes (previously Teasdale)	31/10/2020		1/4
Local Authorities	Christopher Wells Bob Bayford	28/02/2021 28/02/2021	Resigned Joined	0/0 2/3
Volunteers working with the Trust	Nicholas Wells	28/02/2021		4/4

Board of Directors attendance at Council of Governors meetings

Board members are invited to attend the public Council meetings in line with their roles on the Board. The Chairs of two of the four Board Committees attend each public Board Committees in rotation; if required they will be represented by one of the other Non-Executive Director committee members.

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.

NAME	DESIGNATION	DATE OF APPOINTMENT	COUNCIL OF GOVERONRS ATTENDANCE
Stephen Smith	Chair	01/03/18 First Term	3
Barry Wilding	Senior Independent Director	11/05/15 Second Term	3
Sunny Adeusi	Non-Executive Director	01/11/15 Second Term	1
Wendy Cookson	Non-Executive Director	06/01/17 Second Term	2
Chris Holland	Associate Non-Executive Director	13/12/19 First Term	0
Nigel Mansley	Non-Executive Director	01/07/17 First Term	2
Jane Ollis	Non-Executive Director (Deputy Chair)	08/05/17 First Term	3 (1 as acting Chair)
Keith Palmer	Non-Executive Director	01/01/17 Second Term	0
Sean Reynolds	Non-Executive Director	20/08/2018 First Term	0
Susan Acott	Chief Executive	01/04/18	2
Andrea Ashman	Director of Human Resources (HR) (Acting Director of HR)	01/09/19	1
Philip Cave	Director of Finance and Performance	09/10/17	0 (2 closed meetings)
Amanda Hallums	Chief Nurse & Director of Patient Experience and Quality	01/10/19	0
Lee Martin	Chief Operating Officer	26/01/15	0
Rebecca Martin	Chief Medical Officer	17/02/20	0
Liz Shutler	Director of Strategic Development and Capital Planning	21/01/04	0 (1 closed meeting)

Annual Members' Meeting

The Annual Members' Meeting was held on 3 September 2019 and provided an opportunity for the public to meet and ask questions of our Chair, Chief Executive and Governors.

There were around 100 people in attendance, made up of Trust members, members of the public, members of the Council of Governors and Board of Directors, representatives from partner organisations and members of the

Trust's staff. In addition to sharing information about our performance for the past year, including financial performance, there was information on the Trust's future strategy and a report from the Council of Governors.

Two clinical teams gave presentations: one on reducing patient falls and the other on enabling patients to be active and recover faster. Questions were invited from the audience to close the meeting. Attendees were also able to visit a showcase area prior to the meeting where members of Trust staff were demonstrating a number of both innovative and essential services provided by the Trust.

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. All Governors complete a skills audit and indicate their preference for which Committee they would prefer to serve on. Allocation to membership takes into account these skills and preferences as well as seeking to have some continuity in membership and a reasonable representation across the public governor constituencies, Staff and Partner Governors

Council can also establish specific task and finish groups as required. The task and finish group established in the previous year to work on the drafting of the Council's Members' Engagement and Communication Strategy 2019 – 2021 presented the draft to the August meeting, which was ratified.

Another group was due to be established to look into the practical arrangements for meetings, such as frequency, venue and timing. This was

delayed as a result of the Covid-19 crisis. Similarly, plans to establish a task and finish group to look at updating the Council's presence on the Trust's website was put on hold.

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 endorsed by our Council of Governors in January 2014. 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. This document was reviewed and the revised version endorsed by the Council of Governors at their meeting in April 2018.

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.

The Committee met on several occasions through 2019 to complete the recruitment to Non-Executive director vacancies in December. It also managed the appointment process to the newly created Associate Non-Executive Director post representing the Kent and Medway Medical School,

which was welcomed as way of strengthening links between the two organisations at Board level.

At their May meeting the Committee reviewed NED remuneration and recommended to Council that the starting salary for NEDs be raised to £12,000 per annum rising to £17,000 to reflect additional responsibilities such as Chairs of a Board Committee and the Senior Independent Director role, with no changes made to the existing uplifts. This was ratified by Council. Later in the year central guidance on NED remuneration was issued and the Committee considered this when discussing vacancies arising in December. It was agreed to make no recommendation for changes to the remuneration for these two posts, although it was noted that, as incumbent NEDs left post, the Trust's current principles for uplifts would not meet the new guidance.

On the committee's recommendation the Council of Governors endorsed the following:

- Re-appointment of Wendy Cookson for a further three year period as a Non-Executive Director.
- Re-appointment of Keith Palmer for a further three year period as a Non-Executive Director
- Appointment of Professor Chris Holland an Associate Non-Executive Director representing the Kent and Medway Medical School.

Details of all our Non-Executive directors who served during 2019/20 can be found on page 20.

Council of Governors Nominations and Remuneration Committee members 2019/20

Committee Members		*Attendance
Philip	Wells (Chair)	3 / 3
Jenny	Chittenden	1 / 3
Sharon	Hatfield-Tugwell	3 / 3
Jane	Martin	1 / 1
Ken	Rogers	1 / 3
Debra	Towse	2 / 3
Marcella	Warburton	2 / 3
Nick	Wells	3 / 3
*Attendance at meetings held during the year (actual/possible) is shown		

Audit and Governance Committee

In February 2019 the Council agreed to expand the remit of their Audit Committee beyond issues relating solely to audit. The Committee was re-named the Audit and Governance Committee and the following issues were added to the terms of reference:

- 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.

    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.
- Consider proposals for changes to policies relating to the Council of Governors and make recommendations to Council.

The timeframe for producing the Trust's Quality Report has been significantly impacted by the Covid-19 crisis; the Department of Health moved the deadline for publishing the document from June to December 2020. It also cancelled the normal requirement for external audits of two indicators set by the centre and one chosen by the Council. Participating in a review of the Trust's constitution is on the Committee's workplan for 2020/21.

Membership Engagement and Communications Committee

The Committee meets on a quarterly basis and is responsible for developing, overseeing implementation and monitoring the Council of Governors' Membership Communication and Engagement Strategy.

The work of the Committee is regularly reported to the Council. The section below provides more detail about work undertaken during the year.

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 (previously Shepway)
- 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

The current Membership and Members Engagement Strategy for 2019 – 2020 was ratified at the Full Council meeting on 5 August 2019 2019. The MECC overseas the implementation of the strategy and is focussing on increasing opportunities for engagement between elected Staff and Public Governors and their members

Throughout the year sessions were run across all Trust sites for members to meet with their Governors. A programme of evening events was undertaken during the summer giving members the opportunity to learn about innovative services being provided by many of our teams. Members made use of a dedicated email enquiry line to raise issues.

We continue to run a virtual panel of members who provide valuable feedback on patient leaflets, policies etc.

The Trust publishes a magazine three times a year as part of its communication strategy. The publication is free and is available from distribution points across the Kent and Medway area, such as doctors' surgeries and pharmacies. It contains a dedicated area for Foundation Trust members, the content of which is managed by the Governors. The magazine is sent electronically to members and by post to members who have indicated that they are unable to manage electronic communication.

An electronic newsletter is sent to members from the Governors providing details of events and updating them on the Council's work. Copies of these

newsletters are sent with the magazine to members who are unable to receive electronic communication.

The MECC receives a report at each meeting which summarises the feedback received from members. This is discussed by the Committee and the outcome included in the report presented to Council.

Membership Report for East Kent Hospitals University from 01/04/2019 to 31/03/20			
Public constituency		**Population**	**Percentage**
As at start (April 1 2019)	10965	793,944	1.4
New members	75		
Members leaving	401		
At year end (March 31 2020)	10,652	820,864	1.3
Staff constituency			
As at start (April 1 2019)	7,448		
At year end (March 31 2020)	7,537		
Public constituency			
Age(years):			
0 – 16	0	159,497	-
17 – 21	60	49,611	0.1
22+	8,246	611,756	1.3
Ethnicity:			
White	8,709	720,670	1.2
Mixed	132	10,290	1.3
Asian	490	18,849	2.5
Black	250	6,461	3.9
Other	65	2,495	2.6
Socio-economic groupings:			
AB	2,869	69,307	4.1
C1	3,142	110,725	2.8
C2	2,264	80,078	2.8
DE	2,312	89,972	2.6
Gender analysis:			
Male	3,047	403,598	0.8
Female	7,465	417,263	1.8

Staff report

The Trust has 8,602 employees. Due to the flexible working practices encouraged by the Trust this amounts to a total of 7,745.69 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 62% of employees having a white British ethnic origin and 38% of employees having a minority ethnic origin reflecting the diversity of its patient population.

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.

We have continued with our monthly briefings on all five hospital sites, latterly via virtual means due to the requirements of social distancing, led by the Chief Executive or an executive colleague. The briefings are aimed at the Trust's leaders who have a responsibility to cascade the information to their teams, and bring back feedback, creating two-way Board to Ward communication.

Bi-annual leadership events create an environment where learning can be shared and the Trust's strategy co-designed. Admin and service-specific staff forums and listening events have enabled more regular communication and feedback opportunities, and developed greater medical engagement.

A programme of ward "buddying" has made our executive directors much more visible around the Trust and governors and non-executive directors also have a programme of visits.

Regular, consistent communication with staff is at the heart of developing and living the Trust values. A range of methods are used including the weekly staff newsletter, desktop "wallpaper", campaigns and resources in improvement and innovation hubs, along with regular messages 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 covering areas such as discipline, performance management, sickness management, redeployment and organisational change.

Head count

Ethnic Origin	Exec Director	Non Exec Director & Chair	Non Board Members	Grand Total
A White - British	5	5	5300	5310
B White - Irish			76	76
C White - Any other White background			467	467
D Mixed - White & Black Caribbean			33	33
E Mixed - White & Black African			9	9
F Mixed - White & Asian			35	35
G Mixed - Any other mixed background			50	50
H Asian or Asian British – Indian			469	469
J Asian or Asian British – Pakistani			59	59
K Asian or Asian British - Bangladeshi			26	26
L Asian or Asian British - Any other Asian background			336	336
M Black or Black British – Caribbean			39	39
N Black or Black British – African		1	225	226
P Black or Black British - Any other Black background			18	18
R Chinese			52	52
S Any Other Ethnic Group			145	145
Z Not Stated	2	2	1248	1252
Grand Total	7	8	8587	8602

Gender	Executive Director	Non Exec Director & Chair	Non Board Members	Grand Total
Female	5	2	6760	6767
Male	2	6	1827	1835
Grand Total	7	8	8587	8602

Full-time	Part-time	Grand total
6015	2587	8602

Fixed term contracts	Internal secondment	Out on external secondment - paid
730	82	1

Trade Union Facility Time

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
82	8602

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	52
1-50%	29
51%-99%	0
100%	0

Percentage of pay bill spent on facility time

Provide the total cost of facility time	£25,076.52
Provide the total pay bill	£373,140,000
Provide the percentage of the total pay bill spent on facility time, calculated as (total cost of facility time ÷ total pay bill) x 100	0.67%

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as: (total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100	0

Staff survey

Staff engagement

The Trust continues to place a strong focus on staff engagement and experience - one of the six strategic priorities being ‘Great place to work’. Building on the success of Listening into Action (LiA) (2018/19), the Trust implemented a ‘We said, we did’ programme which entailed staff from across the Trust working on a number of improvement projects, with the aim of improving patient care and experience. Given the impact that both LiA and ‘We said, we did’ had, the Trust researched other large-scale quality improvement programmes and secured approval to implement an integrated

organisational development and quality improvement approach (We care). Work on this began in late 2019. 'We care' is a long-term, holistic approach aiming to improve both staff and patient experience.

NHS staff survey

The NHS staff survey is conducted annually. From 2018 onwards, the results from questions are grouped to give scores in ten indicators. The indicator scores are based on a score out of 10 for certain questions with the indicator score being the average of those.

The response rate to the 2019/20 survey among trust staff was 54% (2018/19: 47%). Scores for each indicator together with that of the survey benchmarking group (Acute Trusts) are presented below.

	2019/20		2018/19		2017/18	
	Trust	Benchmarking Group	Trust	Benchmarking Group	Trust	Benchmarking Group
Equality, diversity and inclusion	8.9	9.0	8.8	9.1	8.9	9.1
Health and wellbeing	5.5	5.9	5.3	5.9	5.5	6.0
Immediate managers	6.7	6.8	6.4	6.7	6.5	6.7
Morale	5.9	6.1	5.7	6.1	-	-
Quality of appraisals	5.6	5.6	5.1	5.4	5.1	5.3
Quality of care	5.6	5.6	5.1	5.4	5.1	5.3
Safe environment - Bullying and harassment	7.4	7.9	7.2	7.9	7.3	8.0
Safe environment - violence	9.4	9.4	9.5	9.4	9.4	9.4
Safety culture	6.5	6.7	6.3	6.6	6.3	6.6
Staff engagement	6.7	7.0	6.5	7.0	6.5	7.0

The Trust's results from the 2019 survey demonstrate an improvement in response rates from the previous year and improvement in nine out of the ten themes. The Trust achieved this by agreeing the following areas of focus:

- *Our people feel cared for, valued by and connected to the organisation*
- *Patient/ service-user feedback is used proactively to learn and improve*
- *Our people feel trusted, empowered and involved at all levels*

Work focused on embedding EKHUFT's values and behaviours and, as previously mentioned, involving staff in quality improvement projects to improve patient experience.
The work on our values and behaviours included:

- Commitment from the top
- Constant communication
- Individual and team development
- Leadership development
- Respect Cafes
- Planning a peer messenger feedback programme for clinicians
- Celebrating success

Although there is still a way to go to achieve a 'Great place to work', there is also recognition that the Trust is moving in the right direction with a clear future plan, provided by the 'We care' approach.

Future priorities and targets

Following the publication of the 2019 staff survey results, each clinical Care Group and corporate team was presented with their results. The presentations were tailored to the group and compared their results to previous years and the Trust as a whole. The presentations also identified any specific 'hot spots' for the group. Each group was asked to consider plans for the following priority areas:

- Staff engagement (motivation, involvement, advocacy)
- Care
- Leadership

These key areas are reflected in the Trust's 'True North' priorities, identified as part of the 'We care' approach and will be monitored and measured on a regular basis as part of the programme.

Employee sickness absence

Sickness absence data is published by NHS Digital and can be found here: https://digital.nhs.uk/data-and-information/publications/statistical/nhs-sickness-absence-rates

Occupational Health

The occupational health service is provided in house and has successfully retained SEQOSH (Standard of Excellence and Quality) reaccreditation in March 2020. The department continues to host a specialty training registrar in occupational medicine and lead the diploma in occupational medicine in partnership with the University of Kent.

Fast track access to psychiatric services, counselling and mediation provision are coordinated through the department with self-referral options for all staff with musculoskeletal issues to attend physiotherapy.

The seasonal flu vaccination programme has met the CQUIN target and staff continue to be offered immunisations. The department continues to offer in house occupational health services as well as services to external contracted organisations and on an ad hoc basis to over 100 other clients, ranging from small to medium businesses and sole traders.

Recruitment and retention

Recruitment and retention of our staff is a key priority and supports our strategic aim to deliver “great healthcare from great people”.

We have redoubled our efforts during the last year to encourage applications from a wide pool of potential candidates with skills and abilities to provide the professional service that our patients have a right to expect and have our lowest vacancy rate in the last five years.

We have continued to implement our People Strategy with a renewed focus on four critical aspects; Attract, retain, engage, develop. We have ensured that our activity has provided a professional workforce, trained and equipped to meet the varying demands of our service as we continue our improvement journey, delivering high standards of care and service to our patients.

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 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 have also achieved our best retention rate of nurses in the last five years.

Diversity and Inclusion policy

The Trust is committed to equality, diversion 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 staff disability council. 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 Strategic Workforce Committee, Patient Experience Group and Quality Committee.

We work in partnership with our networks and Disability Council through the Equality, Diversity and Inclusion Steering Group to discuss the analysis of data for our Gender pay gap, Workforce Race Equality Standards and our Workforce Disability Equality standards responsibilities, and identify actions to address our priorities for the coming year.

We held our first diversity and inclusion annual conference in February 2020 to engage and develop our network membership and raise awareness of pertinent issues amongst colleagues and senior leaders. We value partnership working to improve the experience at work or in applying for roles within our Trust and are active members of the Kent Surrey and Sussex Inclusion network.

Managers' guidance on redeployment

Employees cannot be redeployed into a position which attracts a higher band/grade than their substantive position with the exception of individuals who are looking for redeployment as a reasonable adjustment as advised by the occupational health team and who are deemed to be disabled for the purpose of the Equality Act 2010.

Health and Safety

The Trust has an 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. Every care group has a nominated lead for safety and oversees 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)	2016/17	2017/18	2018/19	2019/20
Accident / fall (staff or visitors only)	573	509	440	601
Breach of confidentiality / data protection / computer misuse	570	434	523	544
Facilities / estates issues	318	304	288	292
Fire including false alarm	200	174	160	170
Manual handling	128	93	106	109
Security	988	898	957	940

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 Integrated Audit and Governance Committee reviewed the Trust's assessment at a meeting held in April 2020.

The Integrated Audit and Governance Committee 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 duration of their appointments. The annual report should also identify the nominated lead governor.	Accountability Report: 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	Performance report:

	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. Directors should also explain their approach to quality governance in the Annual Governance Statement (within the annual report).	Summarised annual accounts
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 2019/20

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 Oversight Framework

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

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

Based on information from these themes, providers are segmented from 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
East Kent Hospitals has been placed in segment 4 by NHS Improvement. This segmentation information is the Trust's position as at 31 March 2020. Current segmentation information for NHS trusts and foundation trusts is published on the NHS Improvement website.

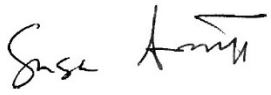
As set out in the Annual Governance Statement the Trust was placed in Financial Special Measures in March 2017 and has agreed financial undertakings with NHS Improvement. Details of these and the actions being taken to improve can be found on page 95.

Finance and use of resources
The finance and use of resources theme is based on the scoring of five measures from '1' to '4', where '1' reflects the strongest performance. These scores are then weighted to give an overall score. Given that finance and use of resources is only one of the five themes feeding into the NHS Oversight Framework, the segmentation of the Trust disclosed above might not be the same as the overall finance score here.

Area	Metric	2019/20				2018/19	
		Q4	Q3	Q2	Q1	Q4	Q3
Financial Sustainability	Capital Service Capacity	4	4	4	4	4	4
	Liquidity	4	3	3	3	3	3
Financial Efficiency	I&E Margin	4	4	4	4	4	4

Financial Controls	Distance from Financial Plan	1	1	1	1	3	3
	Agency Spend	4	3	3	3	4	4
Overall Scoring		**4**	**4**	**4**	**4**	**4**	**4**

Susan Acott, Chief Executive,



24 June 2020

Statement of accounting officer's responsibilities

Statement of the chief executive's responsibilities as the accounting officer East Kent Hospitals 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 East Kent Hospitals University 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 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 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***.

Susan Acott, Chief Executive

Date: 24 June 2020

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 2020 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 Chief Medical Officer, who is the Caldicott Guardian and the Chief Nurse and Director of Quality and Patient Experience, who lead jointly on clinical risk management; the Director of Finance and Performance 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 Director of Human Resources who is responsible for staffing and workforce risks, the Deputy Chief Executive/Director of Strategic Development and Capital Planning who is responsible for health and safety and the Deputy Chief Nurse / Deputy Director of Risk, Governance and Patient Safety who is responsible for information governance risks. The Chief Nurse and Director of Quality and Patient Experience also has responsibility for establishing and implementing the processes and systems of risk management across the Trust and the Group Company Secretary for 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 Risk and Governance Executive Performance Review process on a monthly basis and through the Risk Group bi-monthly.

General Managers/Line Managers ensure that all staff are aware of the risk management processes and report risks for consideration to the relevant Board/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 BAF and Corporate Risk Register inform the Board, at quarterly and monthly intervals respectively, of the most significant risks, the control measures in place to mitigate the risks and assurance on the effectiveness of controls. The 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, Strategic Workforce Committee, Finance and Performance Committee and Quality Committee receive the BAF and 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 Board of Directors monthly. This information is augmented by a quarterly and annual aggregated report on incidents, complaints and claims, which outlines lessons learned from such events.

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 Quality Committee and the Patient Safety Committee quarterly.

The risk and control framework

The Trust has in place a Risk Management Strategy and Policy, last reviewed and approved by the Board in March 2020, 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 in relation to clinical risk by the Patient Safety Committee and the Risk Group for the operational management and escalation of risk from the Care Groups; both committees meet monthly.

The Strategic Health and Safety Committee is responsible for the health and safety of employees, visitors and contractors. Monthly reports are received from the site-based Health and Safety Committees that report directly to the Clinical Executive Management Group.

The Integrated Audit and Governance Committee scrutinise the effectiveness of the process and in respect of quality and safety risks the Quality 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 Risk and Governance Executive Performance Reviews 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. Those risks that fall outside of the Trust's risk appetite are escalated to the Board of Directors for review. Health and Safety risk assessment tools are available on the Trust's intranet and it forms an integral part of the Health and Safety Policy.

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 strategic risk register. Risks to the strategic priorities 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 six risk themes affecting the Trust and recorded on both the Strategic and Corporate Risk Registers, over the year under review were:

Emergency Care
Urgent Treatment Centres may not become established resulting in increased demand on ED. Overcrowding in ED compromising patient safety and patient experience

Finance
Achieving financial plans as agreed under the Financial Special Measures regime

Staffing
Attracting, recruiting and retaining substantive staff
Effective leadership and management

Clinical governance and safety culture
Potential patient harm due to poor medicines management
Sub-optimal quality of care and patient experience in maternity and children's services

Planned Care
Delivery of the operational constitutional standards

Estate condition and backlog maintenance
Backlog of work (£71million);

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 standards for providers. 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.

Risks to NHSI Provider Licence:

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

- Financial Governance - Failure to achieve financial plans as agreed by NHSI and E under the Financial Special Measures regime;
- Workforce - Inability to attract, recruit and retain high calibre staff (substantive) to the Trust; If the Trust does not develop a positive and inclusive culture this will impact its ability to recruit and retain staff with the right skills
- Quality and Safety - Risk to safety, quality and experience as a result of not achieving the strategic objectives;
- Constitutional Standards / access - Patients may decline a date within breach and choose to delay their treatment until after their 52 week breach date; Due to lack of capacity in tertiary centre patients may breach the 62 day standard waiting on diagnostic or treatment.

Deloitte LLP undertook a well-led review during 2019/20; this was reported to the Board in November 2019. The report acknowledged that the recommendations covered areas that the Board was already progressing and in some instances the recommendation related to further embedding. Of the 22 recommendations raised Deloitte LLP highlighted the following as being crucial to the further development of the Board:

- Introduce a structured programme of Board development with a number of modules including operating as a unitary Board and effective scrutiny and challenge. The outcome of the external board skills review was received by the Nominations and Remuneration Committee in March 2020 and will result in the development of a focussed programme;
- Develop the near future clinical strategy to enable key investment decisions to be taken to support the long-term strategy. The clinical strategy progresses but services and working practices are being reviewed in light of the National Emergency relating to the Covid-19 pandemic;
- Review Care Group attendance at Committee meetings to ensure there is a consistent, risk-based approach and move to rotational presentations focused on providing assurance. This has been implemented.
- Introduce focused sessions on Committee effectiveness, including topics such as ‘assurance v reassurance’ and ‘what makes good challenge’ as part of Board development. This will be picked up as part of the Board Development Programme;
- Consider the emerging and present risks, internal and external, impacting on the Trust’s strategic objectives to improve the completeness of the Board Assurance Framework (BAF). Strengthen the use of the BAF to drive Board and Committee debate around the areas of greatest risk. Work to review the BAF was in progress at the time of the Deloitte Review but will be further developed to take account of these recommendations for 2020/21. The Trust received Significant Assurance from its Internal Auditors on the BAF for 2019/20; and
- Introduce a pyramid approach to reporting with committees receiving the detail position to support greater challenge and the Board receiving a summary position or ‘hotspot’ report. This will for part of the quality improvement work which has been delayed due to the National Emergency relating to COVid-19.

Progress reports will be received through the Regulatory Compliance Committee, to the Integrated Audit and Governance Committee through to the Board.

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 CQC last inspected the Trust in March 2020 when it visited the Emergency Departments at QEQM and WHH. The reports, ratings and recommendations are awaited.

Prior to this the CQC inspected maternity services in January and February 2020 at QEQM and WHH, following which the rating for maternity services remained at requires improvement overall. An action plan is currently being developed following publication of the inspection reports in May 2020. (not sure if you want to include this as the position at year end was that we were awaiting the report and ratings)

Children and young people's services remain at inadequate following inspection in October 2018; the CQC's recommendations have almost all been implemented and a re-inspection is awaited - this has been delayed due to the Covid-19 pandemic. An inspection of medical care and the well-led domain is also expected during 2020-21 dependant on the impact of Covid-19.

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**	🟡

The hospital sites in Dover and Folkestone were inspected in July 2015 and both were rated as ‘good’ overall and this remains the position as they were not inspected in this last inspection process.

NHS England Conflicts of Interest Guidance

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

Developing Workforce Standards

The Trust complies with the ‘Developing Workforce Safeguards recommendations by providing regular reports to the Trust Strategic Workforce 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, great place to work, recruitment & retention and staff survey improvements. Specifically, this is in preparation for the public consultation in relation to the clinical strategy, the opening of the Trust Hyper Acute Stroke Unit in 2021 and the improvement and safe delivery of our clinical services whilst the long term strategies are agreed and implemented. 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 Agency Taskforce 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 Nurse 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 profile. In this way the national tools (Shelford, Hurst) and professional judgement support safe staffing management.

The Trust Corporate Retention Group 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.

The Trust Integrated performance report incorporates workforce metrics 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 relating to workforce metrics outlining key actions being undertaken to address any unplanned challenges. The Board and Strategic Workforce 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 during 2019/20. All Medical staff have e-job plans and the Trust is currently producing plans for 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

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

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 absolutely committed to preventing slavery and human trafficking in our corporate activities, and to ensuring that our supply chains are free from slavery and human trafficking. The statement is on the Trust's website here.

CARBON REDUCTION

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

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). Due to the Trust's challenging financial position during 2019/20, additional control measures have been maintained. These include the use of an Agency Control Group and holding regular and Care Group Confirm and Challenge meetings. In addition there are 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 upon 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 Strategy and Policy
- Highest mitigated strategic risks and full Corporate risk register
- Risk maturity self-assessment
- Standing Financial Instructions
- Single Tender Waivers
- Information Governance Toolkit, The EU General Data Protection Regulation
- Deep dives into the process around critical cost improvement programmes
    - Agency spend
    - Procurement
- Deep dive on risks:
    - Health and Safety
    - Estates risks

- 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 2019/20 and regular updates on cost improvement 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.

The Trust continues to be in Financial Special Measures. The Trust had the support of a Financial Improvement Director (FID) in 2017/18 but as a result of good progress this support was withdrawn by NHS Improvement (NHSI). However, the Trust retained the services of the FID to undertake quarterly independent reviews on behalf of the Chief Executive and Director of Finance. The Trust meets with NHSI on a monthly basis with the Trust's partners so that system wide challenges can be discussed and actions, where appropriate, agreed.

INFORMATION GOVERNANCE

The Trust had 3 information governance breaches that were reported to the ICO in 2019/20.

- A Trust employee was reported to have inappropriately accessed patient records of her ex-partner and his extended family on several occasions. A HR investigation is continuing.
- The Trust received notification from the police that a staff member had allegedly accessed the medical records of an alleged offender and witnesses who are involved in a serious and sensitive crime against the staff member's friend. Following HR investigation, the employee was dismissed.
- In a hospital communication to all clinical staff involved in patient safety (via their NHS e mail accounts) an enclosed pdf newsletter entitled 'RiskWise' contained a description of a patient safety incident and as part of that description included a chest X-ray of the patient involved. When that chest X-ray image was enlarged on the screen the patient's name was clearly identifiable; it was also possible to identify the patient's name from a normal sized printed copy of the newsletter. The narrative contained his age and details of his case. This communication is a regular communication published by the Trust to its staff via NHS e mail and is intended to highlight patient safety incidents and promote learning from them.

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 Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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 Risk Group is the principal executive Committee for reviewing risk in the Trust; the Committee is chaired by the Chief Nurse and Director of Quality and Patient Experience and their work is provided in more detail in the risk sections of this Annual Governance Statement.

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 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.

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 strategic risks to the Trust 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 and achievement against our annual priorities;
- Chair reports from the Board Committees.

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 Committee
- Finance and Performance Committee

- Strategic Workforce Committee.

I established the Regulatory Compliance Committee which met in February 2020, its remit is to oversee 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; Health & Safety Executive; and other Professional Regulatory Bodies who inspect / accredit Trust services (External Visits).

During the year the Board held a number of workshops and development sessions which have been essential in improving the Board's effectiveness.

The Board reviews performance against its strategic objective and associated risks on a quarterly basis. The Trust continues to embed its use of 4Risk, with Care Groups presenting their risks at the Quality and Risk Reviews and on a rotational basis to the Risk Group.

The Board received reports on patient safety and experience and the 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 IPR includes metrics covering key relevant national priority indicators and a selection of other metrics covering safety, clinical effectiveness, patient experience and valuing staff. 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.

As a result of the national emergency declared in relation to the Covid-19 Pandemic the Trust established a governance structure to maintain oversight of its response. This included Gold Command, Gold Executive Committee and a dedicated risk register. The Trust, in line with national guidance, is currently looking at its recovery / reset.

Head of internal audit opinion

The Internal Auditors (RSM) found that based on the work undertaken in 2019/20, there is a generally sound system of internal control, designed to meet the Trust's objectives, and controls are generally being applied consistently.

RSM provided either a substantial or reasonable level of assurance in most of the areas reviewed, with the exception of partial assurance opinions assigned to Data Quality (A&E indicators) and Duty of Candour. 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.

Data Quality (A&E indicators)
Within the confines of this review RSM deemed the data quality controls in place for 4-hour waiting time breaches and ambulance turnarounds to be generally lacking in design and compliance. RSM identified that a formal process had not been documented for recording and validating 4-hour waiting time breaches, leading to inconsistency in practice across hospital sites. RSM also identified that whilst a documented and clear process is in place for recording and validating ambulance turnarounds, RSM found current practice was not aligned to the documented process

and was having a negative impact on the reliability of data. Furthermore, although a good level of management information and reporting was identified, we noted that current levels of performance for both 4-hour breaches and ambulance turnarounds were below revised trajectory targets. RSM have followed up and two actions from the report have been implemented and one is in the process of being implemented.

Duty of Candour
From review of a sample of 20 incidents in which duty of candour procedures were required, RSM noted several compliance exceptions against the Trust Duty of Candour procedures, included within the Trust Incident Management Policy. Exceptions were noted relating to the following:

- the Care Groups could not always evidence that an initial Duty of Candour discussion occurred within a timely manner;
- the Care Groups could not always evidence that they had produced the initial Duty of Candour letter within a timely manner; and
- the Care Groups could not always evidence that they had produced the final Duty of Candour communication with the patient or next of kin within a timely manner.

The Corporate Patient Safety team undertakes annual audits on a sample of cases using healthcare records and Datix records to determine the extent of compliance with Duty of Candour processes. Review of the draft audit results report at April 2019 confirmed that of the 10 actions that were raised in the previous year, eight actions were marked as fully
completed with the remainder having made progress and carried over into the next year.

Review of the audits demonstrates the commitment of the Trust to drive improvements around duty of candour processes. RSM agreed three management actions in the review, and one has since been fully implemented whilst two are ongoing and have not yet reached the due date.

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

- Board Assurance Framework – Significant Assurance
- Financial Systems – Significant Assurance
- Financial Management
- Radiology
- Mobile Devices
- Procurement
- Recruitment
- Staff Wellbeing and Culture
- Payroll
- Data Quality – Cancer
- 2gether Support Solutions
- Complaints Management
- Fire Safety

Advisory
RSM issued one Advisory report relating to Data Security Protection Toolkit. No significant issues were found with only one low priority action raised.

Follow up of Management Actions
During the year RSM have followed up on the implementation of management actions with progress reported to each Audit Committee. RSM concluded that generally there has been adequate progress on implementing actions, and at the time of review there were 14 actions that were in the process of being implemented but nonetheless overdue.

RSM carried out a targeted follow up review on a previous report we issued on Health & Safety and concluded that good progress had been made on the actions raised.

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.

The Trust highlighted the following significant control issues in 2018/19:

- Report from the Care Quality Commission on Children's and Young Peoples Services. The resulting action plan has been overseen by both the Trust's Quality Committee and Board and good progress has been made.
- NHSI Undertakings. The undertakings remain in place and an update is provided within the Annual Governance Statement.
- Single Tender Waiver processes. The Integrated Audit and Governance Committee has received regular updates on Single Tender Waivers and no concerns raised for 2019/20.
- Change in planned year-end financial position. The Trust has met its plan for 2019/20.

For 2019/20 the Trust is highlighting the following significant control issues in respect of its maternity services which led to NHS Improvement / England engaging Sir Bill Kirkup to undertake a review. The Trust is focussed on reviewing and improving its maternity services supported centrally by the Maternity Safety Support Programme.

The Maternity Safety Support Programme is an improvement intervention to support the Trust. It is designed nationally specifically for circumstances such pertinent to the Trust currently. The Programme is supported by the Chief Midwifery Officers National Team in partnership with the NHS England and NHS Improvement (NHSE/I) Regional Offices of the South East.

This Programme involves assisting the Trust in addressing the concerns identified by the Healthcare Safety Investigations Branch, the Care Quality Commission and NHS E/I.

The Maternity Support Programme Learning and Review Committee has been established to oversee the effective and evidenced implementation of the outputs from all task and finish groups - this to include agreement of appropriate timescales

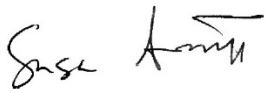
for delivery of actions. The Committee has an Independent Chair and input from stakeholders, including Healthwatch and the Maternity Voices Partnership and reports directly to the Board – the reports from which can be found on the Trusts website.

The Review is due to start on 23 April 2020 and the outcome will be published once available along with the Trust's response and an update on the improvements made.

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:



Susan Acott,
Chief Executive
Date: 24 June 2020

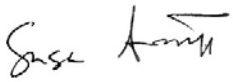
East Kent Hospitals University NHS Foundation Trust

Consolidated Annual Accounts for the Year ended 31 March 2020

Foreword to the accounts

East Kent Hospitals University NHS Foundation Trust

These accounts, for the year ended 31 March 2020, 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.

Signed 

Name **Mrs S Acott**
Job title **Chief Executive**
Date **24 June 2020**

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

Our opinion on the financial statements is unmodified

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 2020 which comprise the Consolidated Statement of Comprehensive Income, the Statements of Financial Position, the Consolidated Statement of Changes in Equity, the Statement of Changes in 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 Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Accounts Directions issued under the National Health Service Act 2006, the NHS foundation trust annual reporting manual 2019/20 and the Department of Health and Social Care Group Accounting Manual 2019 to 2020.

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 2020 and of the group's expenditure and income and the Trust's expenditure and income for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2019 to 2020; 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. 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as COVID-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Accounting Officer and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Trust's future operational arrangements.

COVID-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Trust's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an entity associated with these particular events.

Material uncertainty related to going concern

We draw attention to note 1.2 in the financial statements, which indicates that the group has forecast an unadjusted deficit of £45.3 million for the financial year commencing 1 April 2020.

As disclosed in note 1.2, the Trust and Group will continue to require additional cash support in order to settle their liabilities as they fall due over the period of twelve months from the signing of the financial statements. The directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of the financial statements, they have no reason to believe that it will not do so. The Directors have concluded that there are material uncertainties related to the financial sustainability (profitability and liquidity) of the Group.

These events or conditions, along with the other matters as set forth in note 1.2, indicate that a material uncertainty exists that may cast significant doubt about the Trust's and Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In concluding that there is a material uncertainty, our audit work included but was not restricted to:

- Discussion of the financial standing of the Trust and Group with senior managers;
- Review of management's assessment of the going concern assumptions and supporting information, e.g. 2020/21 and future budgets and cash flow forecasts;
- Examination of the terms of available cash support facilities; and
- Review of the completeness and accuracy of disclosures on material uncertainties with regard to going concern in the financial statements.

Overview of our audit approach

Financial statements audit

- Overall materiality (Group): £10,480,000, which represents 1.5% of the group's gross operating expenses;
- Overall materiality (Trust): £10,370,000, which represents 1.5% of the group's gross operating expenses;
- Key audit matters were identified as:
  - Valuation of land & buildings
  - Risk of improper revenue recognition
  - Adequacy of going concern disclosures
- The group accounts consolidate three components - the Trust and its wholly-owned subsidiaries, 2gether Support Solutions Limited and Spencer Private Hospitals Limited. We performed full-scope audit procedures of the Trust and targeted scope procedures on subsidiaries' balances and transactions significant to the group.
- 99% of group income, 99% of group expenditure and 97% of group assets and liabilities were subject to testing during the audit.

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

- We identified two significant risks in respect of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources (see Report on other legal and regulatory requirements section).

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Valuation of land & buildings The Foundation Trust and Group revalues its land and buildings in full on a five-yearly basis to ensure the carrying value in the Trust and group financial statements is not materially different from current value at the financial statements date In the intervening	Our audit work included, but was not restricted to: • Review of management's processes and assumptions for the calculation of the estimate; • Review of the competence, expertise and objectivity of the management expert used;

Key Audit Matter – Group	How the matter was addressed in the audit – Group
years, such as 2019/20, the Group requests a desktop valuation from its valuation expert. This valuation represents a significant estimate by management in the financial statements. We therefore identified valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement.	• Utilising our own valuation expert to review the instructions agreed with the valuations expert used, and their year end valuation report; • Review and challenge of the information used by the valuer to ensure it was robust and consistent with our understanding; • Testing of revaluations made during the year to ensure they were input correctly into the Trust's asset register; and • Evaluation of the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these were not materially different to current value. The group's accounting policy on Valuation of Land & Buildings is shown in note 1.8 to the financial statements and related disclosures are included in notes 16, 17, and 18 to the financial statements. **Key observations** We draw attention to Note 1.24 of the financial statements, which describes the effects of the COVID-19 pandemic on the valuation of land and buildings as at 31 March 2020. In applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards 2020 ('Red Book'), the valuer has declared a 'material valuation uncertainty' in the valuation report. This is on the basis of uncertainties in markets caused by COVID-19. The values in the report have been used to inform the measurement of property assets at valuation in the financial statements. The Trust has disclosed the estimation uncertainty related to the year-end valuations of land and buildings in note 1.23 to the financial statements. Our opinion is not modified in respect of this matter. We obtained sufficient audit assurance to conclude that: • the basis of the valuation of land and buildings was appropriate, and • the assumptions and processes used by management in determining the estimate of valuation of property were reasonable; • the valuation of land and buildings disclosed in the financial statements is reasonable.
Risk of Improper revenue recognition Trusts are facing significant external pressure to restrain budget overspends and meet externally set financial targets, coupled with increasing patient demand and cost pressures. In this environment, we have considered the rebuttable presumed risk under ISA (UK) 240 that revenue may be misstated due to the improper recognition of revenue. We rebutted this presumed risk for the revenue streams of the Trust that are principally derived from contracts that are agreed in advance at a fixed price. We determined this to be income from the aligned incentive contracts element of patient care revenues, and Education, Training, and Research Income held under significant fixed contracts agreed in advance. We did not deem it appropriate to rebut this presumed risk for all other material streams of patient care income and other operating revenue. We have therefore identified the occurrence and accuracy of these income streams of the Trust and the existence of associated receivable balances as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Evaluating the Trust and Group's accounting policy for recognition income from patient care activities and other operating revenue for appropriateness and compliance with the DHSC Group Accounting Manual 2019/20; • Updating our understanding of the Trust's system for accounting for income from patient care activities and other operating revenue, and evaluated the design of the associated controls; • Using the analysis provided by the Department of Health to identify any significant differences in income balances with contracting NHS bodies, and investigating the validity of these differences; • Agreeing, on a sample basis, amounts recognised in income in the financial statements to signed contracts and invoices; • Agreeing a sample of the income from additional non-contract activity in the financial statements to any signed contract variations, invoices, and other supporting documentation, such as correspondence from the Trust's commissioners which confirms their agreement to pay for the additional activity and the value of the income.

Key Audit Matter – Group	How the matter was addressed in the audit – Group
	The group's accounting policy on Revenue Recognition is shown in notes 1.4 and 1.5 to the financial statements and related disclosures are included in notes 3, 4, and 5 to the financial statements **Key observations** Our audit work has not identified any material issues in respect of improper revenue recognition.

Our application of materiality

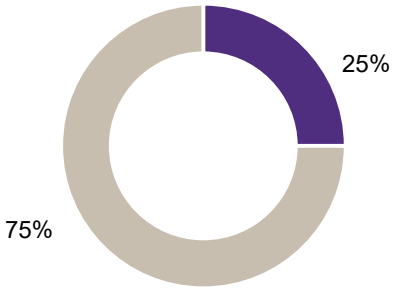
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

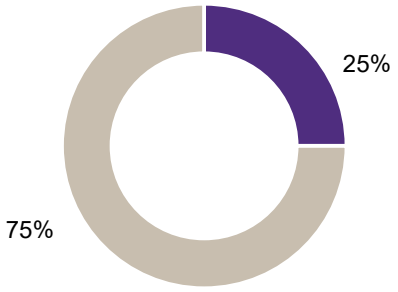
Materiality Measure	Group	Trust
Financial statements as a whole	£10,480,000 which is 1.5% of the group's gross operating costs. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how the group has expended its revenue and other funding.	£10,370,000 which is 1.5% of the Trust's gross operating costs. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how the Trust has expended its revenue and other funding.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality	75% of financial statement materiality
Communication of misstatements to the Integrated Audit & Governance Committee	£300,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£300,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – Group



Overall materiality – Trust



▪ Tolerance for potential uncorrected mis-statements ▪ Performance materiality

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

- Evaluation by the group audit team of identified components to assess the significance of each component and to determine the planned audit response based on a measure of materiality. The foundation Trust's subsidiaries, 2gether Support Solutions Limited and Spencer Private Hospitals Limited were determined to be significant for the purposes of the group audit, and additional audit procedures were undertaken to ensure appropriate testing coverage across the group through targeted testing of relevant balances;
- Full scope audit procedures on East Kent Hospitals NHS Foundation Trust, which represents over 98% of the total income and expenditure of the group and 95% of its total net assets;

- Targeted audit procedures on 2gether Support Solutions Limited and Spencer Private Hospitals Limited in respect of income, expenditure, and cash balances;
- Communication with predecessor audit firm and review of audit work performed on the financial statements for the year ending 31 March 2019 such that assurance relating to opening balances could be relied upon for the purposes of our audit;
- Evaluation of the group's internal controls environment including specialist review of its IT systems and controls; and testing the transfer of data to a new general ledger;
- Testing of 99% of Group revenue and 99% of Group operating expenses through a mixture of sample-based testing and targeted testing of significant classes of transactions;
- Substantive testing, on a sample basis, property plant and equipment and the group's other assets and liabilities;
- Engagement of an external valuations expert to evaluate the methodology of management's expert to support the audit team's challenge of assumptions within the methodology for valuation of land & buildings assets;
- Attendance of a stocktake for inventories balances significant to the group as a whole;
- Attendance at East Kent Hospitals University Foundation Trust sites during the risk assessment and interim periods, with work carried out remotely at the final audit stage as a result of policy in respect of the COVID-19 Pandemic.

Other information

The Accounting Officer is responsible for the other information. The other information comprises the information included in the Annual Report and Accounts 2019/20**,** 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable: set out on page 80 in accordance with provision C.1.1 of the NHS Foundation Trust Code of Governance – the statement given by the directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for patients, regulators and other stakeholders to assess the group and Trust's performance, business model and strategy, is materially inconsistent with our knowledge of the Trust obtained in the audit; or
- Integrated Audit & Governance Committee reporting: set out on page 45 in accordance with provision C.3.9 of the NHS Foundation Trust Code of Governance – the section describing the work of the Integrated Audit & Governance Committee does not appropriately address matters communicated by us to the Integrated Audit & Governance Committee**.**

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 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 meet the disclosure requirements set out in the NHS foundation trust annual reporting manual 2019/20 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.

Our opinion on other matters required by the Code of Audit Practice is unmodified

In our opinion:

- the parts of the Remuneration Report and the Staff Report to be audited have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the NHS foundation trust annual reporting manual 2019/20 and the requirements 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 gained through our work in relation to the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources, 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 a director or officer of the Trust, is about to make, or has made, a decision which involves or would involve the incurring of expenditure that was unlawful, 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 the Chief Executive's responsibilities set out on page 77, 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 2019/20, 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 Trust's services to another public sector entity.

The Integrated Audit & Governance Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the 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.

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

Adverse conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, because of the significance of the matters described in the basis for adverse conclusion section of our report, we are not satisfied that, in all significant

respects, East Kent Hospitals University NHS Foundation Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Basis for adverse conclusion

Our review of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources identified the following matters:

- The Trust achieved a retained deficit of £36.6 million in 2019/20 consistent with its financial plan for the year.
- The Trust anticipates it will be several years until an in-year breakeven position can be achieved
- The Trust Board agreed a draft financial plan for 2020/21 in March 2020, which included a planned deficit of £44.4 million requiring the delivery of £25 million of cost improvements plans (CIPs). The Trust recognises the delivery of the £25 million CIP plan is likely to be extremely challenging to achieve as a result of its current operational focus on the COVID-19 pandemic.
- The Trust remains in financial special measures as determined by NHS Improvement.

These matters identify weaknesses in the Trust's arrangements for setting a sustainable budget with sufficient capacity to absorb emerging cost pressures. They are evidence of weaknesses in proper arrangements for sustainable resource deployment in planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.

Significant risks

Under the Code of Audit Practice, we are required to report on how our work addressed the significant risks we identified in forming our conclusion on the adequacy of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources. Significant risks are those risks that in our view had the potential to cause us to reach an inappropriate conclusion on the audited body's arrangements. The table below sets out the significant risks we have identified. These significant risks were addressed in the context of our conclusion on the Trust's arrangements as a whole, and in forming our conclusion thereon, and we do not provide a separate opinion on these risks.

Significant risks forming part of our adverse conclusion	How the matter was addressed in the audit
Financial Resilience NHS funding continues to be stretched with increasing cost pressures and patient demand. At a national level, future arrangements regarding health funding, investment, and staffing remain somewhat uncertain. The Trust did not agree a Control Total with NHS Improvement for 2019/20 and so is not eligible for receipt of any Provider Sustainability Funding this year. Returning to a breakeven position remains a key challenge for the Trust and is dependent on sound financial management as well as robust achievement of Cost Improvement Plans. There is therefore a risk that the Trust will be unable to deliver its planned budget for the year and to develop a sustainable budget for 2020/21.	Our audit work included, but was not restricted to: • Review of the Trust's arrangements for planning short and medium-term financial resilience, recurrent financial balance and budgetary planning, and arrangements for identifying and agreeing budgeted savings and recovery plans, as well as monitoring of delivery; • Review of papers reported to the Finance and Performance Committee throughout the year; • Regular meetings with senior finance personnel within the Trust throughout the year to record progress against short and medium-term financial targets and identify key challenges to achievement of financial resilience; • Review of correspondence in respect of financial planning for future years. Delivering the 2019/20 position was identified as a key objective in the Trust's risk register and board assurance framework. **Key findings** We have qualified our conclusion in respect of this risk, as set out in the basis of adverse conclusion section of the report.

Significant risks not forming part of our adverse conclusion	How the matter was addressed in the audit
CQC & Regulatory Compliance The Care Quality Commission (CQC) inspected the Trust's services in 2018 and rated it as 'Requires Improvement'. The Trust also identified non-compliance with Duty of Candour regulations as a	Our audit work included, but was not restricted to: • Discussions with relevant officers in respect of CQC findings of the Trust and specifically Maternity Services;

Significant risks not forming part of our adverse conclusion	How the matter was addressed in the audit
significant risk. The Trust is continuing work on its improvement plan with the aim of addressing points raised by the CQC. Maternity services at the Trust were investigated by the CQC in 2020 after a coroner found that the death of a baby in November 2017 was "wholly avoidable". There is a risk that the Trust that the Trust will be unable to make sufficient progress on this action plan to improve its CQC rating.	• Review of CQC progress update reports throughout the year, to assess the extent to which CQC recommendations have been addressed, together with and any other publications from regulatory bodies, including the Healthcare Safety Investigation Branch (HSIB) • Review of the outcome of the CQC inspection into maternity services in February 2020] and evaluation of the implications for underlying arrangements. **Key findings** The Trust has demonstrated a focus on improvement in relation to effectiveness of its services during the year, as evidenced by the results of the CQC inspection in February 2020 and HSIB report issued in January 2020, which both highlight progress in recent months in respect of historically underperforming services.

Responsibilities of the Accounting Officer

The 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 and to report where we have not been able to satisfy ourselves that it has done so. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects, the Trust had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020, and to report by exception where we are not satisfied.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Trust has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
London
24 June 2020

Consolidated Statement of Comprehensive Income

		Group		Trust	
		2019/20	2018/19	2019/20	2018/19
	Note	£000	£000	£000	£000
Operating income from patient care activities	3	608,481	556,749	595,056	546,306
Other operating income	4	51,513	49,738	55,448	51,695
Operating expenses	7, 9	(699,253)	(676,125)	(691,591)	(667,762)
Operating deficit from continuing operations		**(39,259)**	**(69,638)**	**(41,087)**	**(69,761)**
Finance income	12	262	194	2,667	1,438
Finance expenses	13	(3,880)	(2,181)	(7,137)	(3,886)
PDC dividends payable		(2,373)	(4,574)	(2,373)	(4,574)
Net finance costs		**(5,991)**	**(6,561)**	**(6,843)**	**(7,022)**
Corporation tax expense		(981)	(186)	-	-
Deficit for the year from continuing operations		**(46,231)**	**(76,385)**	**(47,930)**	**(76,783)**
Deficit for the year		**(46,231)**	**(76,385)**	**(47,930)**	**(76,783)**
Other comprehensive income					
Will not be reclassified to income and expenditure:					
Impairments	8	(270)	(16,225)	(270)	(16,225)
Revaluations	18	3,874	12,489	3,874	10,640
Other reserve movements		-	81	-	-
Total comprehensive expense for the period		**(42,627)**	**(80,040)**	**(44,326)**	**(82,368)**
Deficit for the period attributable to:					
East Kent Hospitals University NHS Foundation Trust		(46,231)	(76,385)	(47,930)	(76,783)
TOTAL		**(46,231)**	**(76,385)**	**(47,930)**	**(76,783)**
Total comprehensive expense for the period attributable to:					
East Kent Hospitals University NHS Foundation Trust		(42,627)	(80,040)	(44,326)	(82,368)
TOTAL		**(42,627)**	**(80,040)**	**(44,326)**	**(82,368)**

Statements of Financial Position

		Group		Trust	
		31 March 2020	31 March 2019	31 March 2020	31 March 2019
	Note	£000	£000	£000	£000
Non-current assets					
Intangible assets	14, 15	4,355	4,065	4,347	4,064
Property, plant and equipment	16, 17	251,685	238,900	246,660	235,980
Other investments / financial assets	19	-	-	30,314	30,314
Receivables	21	1,871	1,592	68,586	70,315
Total non-current assets		**257,911**	**244,557**	**349,907**	**340,673**
Current assets					
Inventories	20	8,992	9,037	4,118	3,658
Receivables	21	35,071	22,681	38,525	29,489
Cash and cash equivalents	23	25,668	30,847	13,893	18,699
Total current assets		**69,731**	**62,565**	**56,536**	**51,846**
Current liabilities					
Trade and other payables	24	(70,546)	(67,172)	(63,724)	(57,210)
Borrowings	26	(134,434)	(326)	(140,840)	(6,505)
Provisions	28	(1,088)	(799)	(1,088)	(799)
Other liabilities	25	(6,462)	(5,586)	(6,483)	(7,472)
Total current liabilities		**(212,530)**	**(73,883)**	**(212,135)**	**(71,986)**
Total assets less current liabilities		**115,112**	**233,239**	**194,308**	**320,533**
Non-current liabilities					
Trade and other payables	24	(86)	(93)	-	-
Borrowings	26	(7,717)	(90,623)	(92,315)	(181,627)
Provisions	28	(3,559)	(3,094)	(3,559)	(3,094)
Total non-current liabilities		**(11,362)**	**(93,810)**	**(95,874)**	**(184,721)**
Total assets employed		**103,750**	**139,429**	**98,434**	**135,812**
Financed by					
Public dividend capital		207,655	200,707	207,655	200,707
Revaluation reserve		58,772	55,168	56,702	53,098
Income and expenditure reserve		(162,677)	(116,446)	(165,923)	(117,993)
Total taxpayers' equity		**103,750**	**139,429**	**98,434**	**135,812**

The financial statements on pages 11 to 14 were approaved by the Board of Directors on 24 June 2020 and signed on its behalf by:

Susan Acott
Chief Executive
Date **24 June 2020**

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

Group	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' and others' equity at 1 April 2019 - brought forward	**200,707**	**55,168**	**(116,446)**	**139,429**
Deficit for the year	-	-	(46,231)	**(46,231)**
Impairments	-	(270)	-	**(270)**
Revaluations	-	3,874	-	**3,874**
Public dividend capital received	6,948	-	-	**6,948**
Taxpayers' and others' equity at 31 March 2020	**207,655**	**58,772**	**(162,677)**	**103,750**

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

Group	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' and others' equity at 1 April 2018 - brought forward	**191,687**	**59,663**	**(40,018)**	**211,332**
Impact of implementing IFRS 9 on 1 April 2018	**-**	**-**	(883)	**(883)**
Deficit for the year	**-**	**-**	(76,385)	**(76,385)**
Impairments	-	(16,225)	-	**(16,225)**
Revaluations	-	12,489	-	**12,489**
Transfer to retained earnings on disposal of assets	-	(840)	840	**-**
Public dividend capital received	9,020	-	-	**9,020**
Other reserve movements	-	81	-	**81**
Taxpayers' and others' equity at 31 March 2019	**200,707**	**55,168**	**(116,446)**	**139,429**

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

Trust	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' and others' equity at 1 April 2019 - brought forward	**200,707**	**53,098**	**(117,993)**	**135,812**
Deficit for the year	-	-	(47,930)	**(47,930)**
Impairments	-	(270)	-	**(270)**
Revaluations	-	3,874	-	**3,874**
Public dividend capital received	6,948	-	-	**6,948**
Taxpayers' and others' equity at 31 March 2020	**207,655**	**56,702**	**(165,923)**	**98,434**

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

Trust	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' and others' equity at 1 April 2018 - brought forward	**191,687**	**59,523**	**(41,167)**	**210,043**
Impact of implementing IFRS 9 on 1 April 2018	**-**	**-**	(883)	**(883)**
Deficit for the year	**-**	**-**	(76,783)	**(76,783)**
Impairments	-	(16,225)	-	**(16,225)**
Revaluations	-	10,640	-	**10,640**
Transfer to retained earnings on disposal of assets	-	(840)	840	**-**
Public dividend capital received	9,020	-	-	**9,020**
Taxpayers' and others' equity at 31 March 2019	**200,707**	**53,098**	**(117,993)**	**135,812**

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

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

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

Statements of Cash Flows

		Group		Trust	
		2019/20	2018/19	2019/20	2018/19
	Note	£000	£000	£000	£000
Cash flows from operating activities					
Operating deficit		(39,259)	(69,638)	(41,087)	(69,761)
Non-cash income and expense:					
Depreciation and amortisation	7.1	14,544	16,525	15,982	17,160
Net impairments	8	11,222	34,207	11,222	34,207
Income recognised in respect of capital donations	4	(2,422)	(917)	(2,422)	(917)
(Increase) / decrease in receivables and other assets		(12,466)	15,155	(7,104)	10,636
(Increase) / decrease in inventories		45	(89)	(460)	5,290
Increase / (decrease) in payables and other liabilities		(5,104)	7,583	2,951	(7,950)
Increase / (decrease) in provisions		751	(196)	751	(196)
Tax paid		(981)	(186)	-	-
Other movements in operating cash flows		-	81	-	(85)
Net cash flows from / (used in) operating activities		**(33,670)**	**2,525**	**(20,167)**	**(11,616)**
Cash flows from investing activities					
Interest received		259	182	2,664	1,126
Purchase of intangible assets		(1,336)	(2,118)	(1,328)	(2,118)
Purchase of PPE and investment property		(24,554)	(24,916)	(30,661)	(17,958)
Receipt of cash donations to purchase assets		2,422	917	2,422	917
Net cash flows used in investing activities		**(23,209)**	**(25,935)**	**(26,903)**	**(18,033)**
Cash flows from financing activities					
Public dividend capital received		6,948	9,020	6,948	9,020
Movement on loans from DHSC		45,469	42,122	45,469	42,122
Movement on other loans		5,444	2,273	5,444	2,273
Capital element of finance lease rental payments		(11)	(27)	(6,190)	(3,016)
Interest on loans		(3,559)	(1,889)	(3,559)	(1,889)
Other interest		(18)	(54)	(18)	(839)
Interest paid on finance lease liabilities		-	-	(3,257)	(1,705)
PDC dividend paid		(2,573)	(4,775)	(2,573)	(4,775)
Net cash flows from financing activities		**51,700**	**46,670**	**42,264**	**41,191**
Increase / (decrease) in cash and cash equivalents		**(5,179)**	**23,260**	**(4,806)**	**11,542**
Cash and cash equivalents at 1 April - brought forward		**30,847**	**7,587**	**18,699**	**7,157**
Cash and cash equivalents at 31 March	23	**25,668**	**30,847**	**13,893**	**18,699**

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

Accounting convention

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

Note 1.2 Going Concern

The Board is required under IAS 1 Presentation of Financial Statements to undertake an assessment of the Group's ability to continue as a going concern. Due to the materiality of the financial deficit, the Board has carefully considered the advice in the Department of Health and Social Care Group Accounting Manual 2019/20 that “The anticipated continuation of the provision of a service in the future, as evidenced by inclusion of financial provision for that service in published documents, is normally sufficient evidence of going concern.” These accounts have been prepared on a going concern basis.

For the financial year commencing 1 April 2020, the Group has forecast an unadjusted deficit of £45.3 million after a savings requirement of £25 million. This plan is has been submitted to NHS Improvement and requires additional cash support of £45.3million to settle our liabilities as they fall due over the twelve months from the signing of these financial statements. As with any NHS organisation placing reliance on the DHSC for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The Board has carefully considered the principle of going concern and the Directors have concluded that there are material uncertainties related to the financial sustainability (profitability and liquidity) of the Group which may cast significant doubt about the ability of the Group to continue as a going concern.

Based on these indications the directors believe that it remains appropriate to prepare the accounts on a going concern basis. However, the matters referred to above represent a material uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

On 2 April 2020, the Department of Health and Social Care (DHSC) and NHS England and NHS Improvement announced reforms to the NHS cash regime for the 2020/21 financial year. During 2020/21 existing DHSC interim revenue and capital loans as at 31 March 2020 will be extinguished and replaced with the issue of Public Dividend Capital (PDC) to allow the repayment. The affected loans totalling £125.2m are classified as current liabilities within these financial statements. As the repayment of these loans will be funded through the issue of PDC, this does not present a going concern risk for the Foundation Trust.

Note 1.3 Consolidation

The Foundation Trust has considered the following entities for the 2019/20 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.

Note 1.3 Consolidation (continued)

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 2019/20 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 2019/20. This is consistent with the accounting treatment for 2018/19.

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 (previously East Kent Medical Services Limited).

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

The results of the subsidiary have been consolidated in full for 2019/20 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 Limited

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 2019/20. This is consistent with the accounting treatment in 2018/19. 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 Foundation 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. A performance obligation relating to delivery of a spell of health care is generally satisfied over time as healthcare is received and consumed simultaneously by the customer as the Foundation Trust performs it. The customer in such a contract is the commissioner, but the customer benefits as services are provided to their patient. Even where a contract could be broken down into separate performance obligations, healthcare generally aligns with paragraph 22(b) of the Standard entailing a delivery of a series of goods or services that are substantially the same and have a similar pattern of transfer. At the year end, the Trust accrues income relating to activity delivered in that year, where a patient care spell is incomplete. This accrual is disclosed as a contract receivable as entitlement to payment for work completed is usually only dependent on the passage of time.

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 have been 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.

Revenue from research contracts

Where research contracts fall under IFRS15, revenue is recognised as and when performance obligations are satisfied. For some contracts, it is assessed that the revenue project constitutes one performance obligation over the course of the multi-year contract. In these cases it is assumed 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.

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 1.5 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.

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.

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 (previously East Kent Medical Services 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 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised where:

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

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

Note 1.8 Property, plant and equipment (continued)

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

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

Current values in existing use are determined as follows:
- Land and non-specialised buildings – market value for existing use
- Specialised buildings – depreciated replacement cost on a modern equivalent asset basis.

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

The Foundation Trust has adopted the Alternative Site valuation for its site. 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)

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 the 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.

Revaluation gains and losses

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

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

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

Impairments

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

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

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

Note 1.8 Property, plant and equipment (continued)

De-recognition

Assets intended for disposal are reclassified as 'held for sale' once all of the following criteria are met. The sale must be highly probable and the asset available for immediate sale in its present condition.

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

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

Donated and grant funded assets

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

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

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 (freehold land considered to have an infinite life and not depreciated)	-	-
Buildings, excluding dwellings	12	55
Dwellings	28	41
Plant & machinery	1	21
Transport equipment	6	6
Information technology	1	7
Furniture & fittings	8	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 1.9 Intangible assets

Recognition

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

Internally generated intangible assets

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

Internally generated assets are recognised if and only if all of 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.

Software

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

Measurement

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

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

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

Amortisation

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

Note 1.9 Intangible assets (continued)

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
Intangible Assets - Purchased		
Software licences	1	5

Note 1.10 Inventories

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

Note 1.11 Cash and cash equivalents

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

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

Note 1.12 Financial assets and financial liabilities

Recognition

Financial assets and financial liabilities arise where the 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, i.e., when receipt or delivery of the goods or services is made.

Classification and measurement

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

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

Financial assets are classified as subsequently measured at fair value through income and expenditure.

Financial liabilities classified as subsequently measured at fair value through income and expenditure.

Financial assets and financial liabilities at amortised cost

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

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

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

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).

Note 1.12 Financial assets and financial liabilities (continued)

The Foundation Trust has used historic data for the last two years to assess the expected credit loss rates that should be applied to trade debtor categories, taking in to account the materiality of debtor classes.

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 1.13 Leases

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

The 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.

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 Trust's net investment in the leases. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the trust's net investment outstanding in respect of the leases.

Operating leases

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

Note 1.14 Provisions

The Trust recognises a provision where it has a present legal or constructive obligation of uncertain timing or amount; for which it is probable that there will be a future outflow of cash or other resources; and a reliable estimate can be made of the amount. The amount recognised in the Statement of Financial Position is the best estimate of the resources required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using HM Treasury's discount rates effective for 31 March 2020:

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

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

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

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

Note 1.14 Provisions (continued)

Clinical negligence costs

NHS Resolution operates a risk pooling scheme under which the trust pays an annual contribution to NHS Resolution, which, in return, settles all clinical negligence claims. Although NHS Resolution is administratively responsible for all clinical negligence cases, the legal liability remains with the Foundation Trust. The total value of clinical negligence provisions carried by NHS Resolution on behalf of the Foundation Trust is disclosed at note 31.2 but is not recognised in the Foundation Trust's accounts.

Non-clinical risk pooling

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

Note 1.15 Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets, but are disclosed in note 32 where an inflow of economic benefits is probable.
Contingent liabilities are not recognised, but are disclosed in note 32, unless the probability of a transfer of economic benefits is remote.

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

Note 1.16 Public dividend capital

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

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

A charge, reflecting the cost of capital utilised by the Group, 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 Group during the financial year. Relevant net assets are calculated as the value of all assets less the value of all liabilities, except for
(i) donated and grant funded assets,
(ii) average daily cash balances held with the Government Banking Services (GBS) and National Loans Fund (NLF) deposits, excluding cash balances held in GBS accounts that relate to a short-term working capital facility, and
(iii) any PDC dividend balance receivable or payable.

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

Note 1.17 Value added tax

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

Note 1.18 Corporation tax

The Foundation Trust does not have a corporation tax liability for the year 2019/20. 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 1.19 Third party assets

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

Note 1.20 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 1.21 Early adoption of standards, amendments and interpretations

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

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

IFRS 16 Leases

IFRS 16 Leases will replace *IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease* and other interpretations and is applicable in the public sector for periods beginning 1 April 2021. The standard provides a single accounting model for lessees, recognising a right of use asset and obligation in the statement of financial position for most leases: some leases are exempt through application of practical expedients explained below. For those recognised in the statement of financial position the standard also requires the remeasurement of lease liabilities in specific circumstances after the commencement of the lease term. For lessors, the distinction between operating and finance leases will remain and the accounting will be largely unchanged.

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

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

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

HM Treasury revised the implementation date for IFRS 16 in the UK public sector to 1 April 2021 on 19 March 2020. Due to the need to reassess lease calculations, together with uncertainty on expected leasing activity in from April 2021 and beyond, a quantification of the expected impact of applying the standard in 2021/22 is currently impracticable. However, the trust does expect this standard to have a material impact on non-current assets, liabilities and depreciation

Note 1.23 Critical judgements in applying accounting policies

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

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)

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 1.24 Sources of estimation uncertainty

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

- Value of land, buildings and dwellings

This is the most significant estimate in the accounts £203m (2018/19: £197m) 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 2020.

The valuation exercise was carried out in March 2020 with a valuation date of 31 March 2020. In applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards 2020 ('Red Book'), the valuer has declared a 'material valuation uncertainty' in the valuation report. This is on the basis of uncertainties in markets caused by COVID-19. The values in the report have been used to inform the measurement of property assets at valuation in these financial statements. With the valuer having declared this material valuation uncertainty, the valuer has continued to exercise professional judgement in providing the valuation and this remains the best information available to the Trust.

The valuation report 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 the buildings is £198m. The impact of a 5% change would be to change the PDC dividend by £174k in 2019/20 based on the closing value of assets. The impact in 2020/21 would be a change in depreciation of £5k as well as £347k change in PDC dividend based on the opening value of assets with no other adjustments or estimates.

It is possible that the COVID-19 pandemic will affect the Foundation Trust's future assessment of what would be required in a modern equivalent asset, but as yet there is insufficient evidence to affect the assumptions used in the valuation.

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 90% of the Foundation Trusts total income.

Note 3 Operating income from patient care activities (Group and Trust)

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 (formerly East Kent Medical Services) and from an Operated Healthcare Facility operated by 2gether Support Solutions Limited

	Group		Trust	
	2019/20	2018/19	2019/20	2018/19
	£000	£000	£000	£000
Elective income	100,827	94,951	90,069	93,223
Non elective income	188,618	168,615	188,618	168,615
First outpatient income	39,965	38,007	38,323	37,273
Follow up outpatient income	42,976	39,320	42,976	39,320
A & E income	34,865	29,208	34,865	29,208
High cost drugs income from commissioners (excluding pass-through costs)	55,778	53,197	55,778	53,197
Other NHS clinical income	124,879	116,164	125,179	116,164
Private patient income	1,262	2,798	327	366
Agenda for Change pay award central funding*		5,132		5,132
Additional pension contribution central funding**	15,126		15,126	
Other clinical income	4,185	9,357	3,795	3,808
Total income from activities	**608,481**	**556,749**	**595,056**	**546,306**

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

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

Note 3.2 Income from patient care activities (by source)

	Group		Trust	
	2019/20	2018/19	2019/20	2018/19
	£000	£000	£000	£000
Income from patient care activities received from:				
NHS England	129,829	94,547	129,019	94,547
Clinical commissioning groups	467,198	450,513	456,737	441,212
Department of Health and Social Care	519	5,132	519	5,132
Other NHS providers	2,646	2,594	2,645	2,590
NHS other	544	479	543	479
Non-NHS: private patients	1,282	167	327	366
Non-NHS: overseas patients (chargeable to patient)	619	337	620	337
Injury cost recovery scheme*	1,385	1,522	1,385	1,522
Non NHS: other	4,458	1,458	3,261	121
Total income from activities	**608,481**	**556,749**	**595,056**	**546,306**
Of which:				
Related to continuing operations	608,481	556,749	595,056	546,306

* Note: the Injury cost recovery scheme income is subject to a 23.41% (2018/19: 23.02%) provision for impairment of receivables to reflect expected rates of collection

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

	Trust	
	2019/20	2018/19
	£000	£000
Income recognised this year	619	337
Cash payments received in-year	190	196
Amounts added to provision for impairment of receivables	6	53
Amounts written off in-year	234	161

Note 4 Other operating income (Group)

	2019/20			2018/19		
	Contract income	Non-contract income	Total	Contract income	Non-contract income	Total
	£000	£000	£000	£000	£000	£000
Research and development	3,233		**3,233**	2,735		**2,735**
Education and training	16,555		**16,555**	16,029		**16,029**
Non-patient care services to other bodies	9,942		**9,942**	9,967		**9,967**
Income in respect of employee benefits accounted on a gross basis	6,103		**6,103**	5,519		**5,519**
Receipt of capital grants and donations		2,422	**2,422**		917	**917**
Charitable and other contributions to expenditure		158	**158**		151	**151**
Rental revenue from operating leases		593	**593**		861	**861**
Car parking Income	4,871		**4,871**	4,735		**4,735**
Catering Income	2,735		**2,735**	1,625		**1,625**
Staff Accommodation Rental	2,298		**2,298**	2,307		**2,307**
Other income	2,603		**2,603**	4,892		**4,892**
Total other operating income	**48,340**	**3,173**	**51,513**	**47,809**	**1,929**	**49,738**
Of which:						
Related to continuing operations			**51,513**			**49,738**

Note 4.1 Other operating income (Trust)

	2019/20			2018/19		
	Contract income	Non-contract income	Total	Contract income	Non-contract income	Total
	£000	£000	£000	£000	£000	£000
Research and development	3,233		**3,233**	2,735		**2,735**
Education and training	16,556		**16,556**	16,029		**16,029**
Non-patient care services to other bodies	15,114		**15,114**	12,847		**12,847**
Income in respect of employee benefits accounted on a gross basis	6,074		**6,074**	5,479		**5,479**
Receipt of capital grants and donations		2,422	**2,422**		917	**917**
Charitable and other contributions to expenditure		158	**158**		151	**151**
Rental revenue from operating leases		1,006	**1,006**		452	**452**
Car Park Income	4,901		**4,901**	4,788		**4,788**
Staff Accommodation Rental	2,306		**2,306**	2,312		**2,312**
Other income	3,678		**3,678**	5,985		**5,985**
Total other operating income	**51,862**	**3,586**	**55,448**	**50,175**	**1,520**	**51,695**
Of which:						
Related to continuing operations			**55,448**			**51,695**

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

	2019/20	2018/19
	£000	£000
Revenue recognised in the reporting period that was included in within contract liabilities at the previous period end	5,586	6,900

Note 5.2 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	
	2019/20	2018/19	2019/20	2018/19
	£000	£000	£000	£000
Income from services designated as commissioner requested services	473,668	441,859	473,668	441,859
Income from services not designated as commissioner requested services	186,326	164,628	176,836	156,142
Total	**659,994**	**606,487**	**650,504**	**598,001**

Note 6 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.

	2019/20	2018/19
	£000	£000
Income	9,978	8,725
Full cost	(3,427)	(2,501)
Surplus	**6,551**	**6,224**

Accommodation (Trust)	2019/20	2018/19
	£000	£000
Income	2,321	2,312
Full cost	(1,070)	(1,171)
Surplus	**1,251**	**1,141**

Car Parking (Trust)	2019/20	2018/19
	£000	£000
Income	4,901	4,787
Full cost	(86)	(408)
Surplus	**4,815**	**4,379**

Catering (Group)	2019/20	2018/19
	£000	£000
Income	2,756	1,626
Full cost	(2,271)	(922)
Surplus	**485**	**704**

Note 7.1 Operating expenses

	Group		Trust	
	2019/20	2018/19	2019/20	2018/19
	£000	£000	£000	£000
Purchase of healthcare from NHS and DHSC bodies	-	4	-	4
Purchase of healthcare from non-NHS and non-DHSC bodies	3,184	8,400	4,930	10,067
Staff and executive directors costs	446,548	397,499	414,837	378,103
Remuneration of non-executive directors	185	163	185	163
Supplies and services - clinical (excluding drugs costs)	76,736	71,829	28,808	51,071
Supplies and services - general	5,479	10,876	96,415	53,761
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	67,127	64,142	66,951	64,142
Inventories written down	108	215	108	215
Consultancy costs	1,416	1,514	799	858
Establishment	4,769	4,329	3,761	3,843
Premises	23,065	24,934	8,960	17,952
Transport (including patient travel)	3,890	3,673	2,304	2,896
Depreciation on property, plant and equipment	13,706	15,811	15,145	16,448
Amortisation on intangible assets	838	714	837	712
Net impairments	11,222	34,207	11,222	34,207
Movement in credit loss allowance: contract receivables / contract assets	580	263	714	263
Movement in credit loss allowance: all other receivables and investments	-	179	-	-
Increase in other provisions	194	172	194	172
Change in provisions discount rate	328	(82)	328	(82)
Audit fees payable to the external auditor				
audit services- statutory audit	69	68	69	68
other auditor remuneration (external auditor only)	73	113	-	15
Internal audit costs	203	214	203	214
Clinical negligence	21,475	20,756	21,475	20,756
Legal fees	346	156	302	153
Insurance	922	843	468	537
Research and development	2,177	1,790	2,177	1,790
Education and training	5,922	5,451	5,655	5,295
Rentals under operating leases	3,631	1,883	949	820
Car parking & security	1,570	1,473	712	289
Hospitality	230	198	106	109
Losses, ex gratia & special payments	-	67	-	67
Other services, e.g. external payroll	726	711	721	711
Other	2,534	3,561	2,256	2,143
Total	**699,253**	**676,125**	**691,591**	**667,762**
Of which:				
Related to continuing operations	699,253	676,125	691,591	667,762

Note 7.2 Other auditor remuneration

	Group		Trust	
	2019/20	2018/19	2019/20	2018/19
	£000	£000	£000	£000
Other auditor remuneration paid to the external auditor:				
1. Audit of accounts of any associate of the trust	73	98	-	-
2. Audit-related assurance services	-	15	-	15
Total	**73**	**113**	**-**	**15**

The 2018/19 values were paid to KPMG LLP.

The 2019/20 values were paid to Grant Thornton.

Note 7.3 Limitation on auditor's liability (Group)

The limitation on auditor's liability for external audit work is £2m (2018/19: £1m).

Note 8 Impairment of assets

	Group		Trust	
	2019/20	2018/19	2019/20	2018/19
	£000	£000	£000	£000
Net impairments charged to operating deficit resulting from:				
Changes in market price	11,222	34,207	11,222	34,207
Total net impairments charged to operating deficit	**11,222**	**34,207**	**11,222**	**34,207**
Impairments charged to the revaluation reserve	270	16,225	270	16,225
Total net impairments	**11,492**	**50,432**	**11,492**	**50,432**

For 2019/20 the Foundation Trust carried out a desk-top revaluation of all values for land, buildings and dwellings. The review was carried out by an externally appointed, 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 £7.6m with £3.6m net increase in the revalation reserve and £11.2m recognised in operating expenses. The detail by asset class is shown in note 16.

Note 9 Employee benefits

	Group		Trust	
	2019/20	2018/19	2019/20	2018/19
	Total	Total	Total	Total
	£000	£000	£000	£000
Salaries and wages	316,283	285,907	291,331	269,689
Social security costs	34,168	29,354	30,576	28,222
Apprenticeship levy	1,694	1,407	1,465	1,347
Employer's contributions to NHS pensions	50,099	32,332	49,768	31,836
Pension cost - other	-	60	-	-
Temporary staff (including agency)	50,691	53,969	48,084	52,184
Total staff costs	**452,935**	**403,029**	**421,224**	**383,278**
Of which				
Costs capitalised as part of assets	618	355	618	-

Note 9.1 Retirements due to ill-health (Group)

During 2019/20 there were 6 early retirements from the trust agreed on the grounds of ill-health (7 in the year ended 31 March 2019). The estimated additional pension liabilities of these ill-health retirements is £164k (£314k in 2018/19).

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

Note 10 Pension costs

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

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

a) Accounting valuation

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

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

b) Full actuarial (funding) valuation

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

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019 to 20.6% and the Scheme Regulations were amended accordingly.

The 2016 funding valuation was also expected to test the cost of the Scheme relative to the employer cost cap set following the 2012 valuation. Following a judgment from the Court of Appeal in December 2018 Government announced a pause to that part of the valuation process pending conclusion of the continuing legal process.

c) Other Schemes

The Foundation Trust also offers an additional defined contribution workplace pension scheme (National Employment Savings 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 (previously EKMS), 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 11 Operating leases

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	
	2019/20	2018/19	2019/20	2018/19
	£000	£000	£000	£000
Operating lease revenue				
Minimum lease receipts	593	861	1,006	452
Total	**593**	**861**	**1,006**	**452**

	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	£000	£000	£000	£000
Future minimum lease receipts due:				
- not later than one year;	35	52	35	-
Total	**35**	**52**	**35**	**-**

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, £1.5m for equipment leases and £1.7m for buildings.

The largest lease held at March 2020 was for a contract value of £8.0m for endoscopy equipment - contract ends November 2025.

	Group		Trust	
	2019/20	2018/19	2019/20	2018/19
	£000	£000	£000	£000
Operating lease expense				
Minimum lease payments	3,631	1,883	949	820
Total	**3,631**	**1,883**	**949**	**820**

	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	£000	£000	£000	£000
Future minimum lease payments due:				
- not later than one year;	3,370	2,580	787	590
- later than one year and not later than five years;	6,958	6,296	1,672	1,092
- later than five years.	1,710	2,236	706	230
Total	**12,038**	**11,112**	**3,165**	**1,912**

Note 12 Finance income

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

	Group		Trust	
	2019/20	2018/19	2019/20	2018/19
	£000	£000	£000	£000
Interest on bank accounts	262	194	255	180
Interest on other investments / financial assets	-	-	2,412	1,258
Total finance income	**262**	**194**	**2,667**	**1,438**

Note 13.1 Finance expenditure

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

	Group		Trust	
	2019/20	2018/19	2019/20	2018/19
	£000	£000	£000	£000
Interest expense:				
Loans from the Department of Health and Social Care	3,859	2,124	3,859	2,124
Finance leases	-	-	3,257	1,705
Interest on late payment of commercial debt	18	54	18	54
Total interest expense	**3,877**	**2,178**	**7,134**	**3,883**
Unwinding of discount on provisions	3	3	3	3
Total finance costs	**3,880**	**2,181**	**7,137**	**3,886**

Note 13.2 The late payment of commercial debts (interest) Act 1998 / Public Contract Regulations 2015 (Trust)

	2019/20	2018/19
	£000	£000
Amounts included within interest payable arising from claims made under this legislation	18	54

Note 14.1 Intangible assets - 2019/20

Group	Software licences	Intangible assets under construction	Total
	£000	£000	£000
Valuation / gross cost at 1 April 2019 - brought forward	**6,670**	**1,482**	**8,152**
Additions	435	901	**1,336**
Reclassifications	1,274	(1,482)	**(208)**
Valuation / gross cost at 31 March 2020	**8,379**	**901**	**9,280**
Amortisation at 1 April 2019 - brought forward	**4,087**	**-**	**4,087**
Provided during the year	838	-	**838**
Amortisation at 31 March 2020	**4,925**	**-**	**4,925**
Net book value at 31 March 2020	**3,454**	**901**	**4,355**
Net book value at 1 April 2019	**2,583**	**1,482**	**4,065**

Note 14.2 Intangible assets - 2018/19

Group	Software licences	Intangible assets under construction	Total
	£000	£000	£000
Valuation / gross cost at 1 April 2018 - as previously stated	**5,604**	**168**	**5,772**
Additions	636	1,482	**2,118**
Reclassifications	450	(168)	**282**
Disposals / derecognition	(20)	-	**(20)**
Valuation / gross cost at 31 March 2019	**6,670**	**1,482**	**8,152**
Amortisation at 1 April 2018 - as previously stated	**3,393**	**-**	**3,393**
Provided during the year	714	-	**714**
Disposals / derecognition	(20)	-	**(20)**
Amortisation at 31 March 2019	**4,087**	**-**	**4,087**
Net book value at 31 March 2019	**2,583**	**1,482**	**4,065**
Net book value at 1 April 2018	**2,211**	**168**	**2,379**

Note 15.1 Intangible assets - 2019/20

Trust	Software licences	Intangible assets under construction	Total
	£000	£000	£000
Valuation / gross cost at 1 April 2019 - brought forward	**6,607**	**1,482**	**8,089**
Additions	427	901	**1,328**
Revaluations	76	-	**76**
Reclassifications	1,274	(1,482)	**(208)**
Valuation / gross cost at 31 March 2020	**8,384**	**901**	**9,285**
Amortisation at 1 April 2019 - brought forward	**4,025**	**-**	**4,025**
Provided during the year	837	-	**837**
Revaluations	76	-	**76**
Amortisation at 31 March 2020	**4,938**	**-**	**4,938**
Net book value at 31 March 2020	**3,446**	**901**	**4,347**
Net book value at 1 April 2019	**2,582**	**1,482**	**4,064**

Note 15.2 Intangible assets - 2018/19

Trust	Software licences	Intangible assets under construction	Total
	£000	£000	£000
Valuation / gross cost at 1 April 2018 - as previously stated	**5,522**	**168**	**5,690**
Additions	636	1,482	**2,118**
Reclassifications	449	(168)	**281**
Valuation / gross cost at 31 March 2019	**6,607**	**1,482**	**8,089**
Amortisation at 1 April 2018 - as previously stated	**3,313**	**-**	**3,313**
Provided during the year	712	-	**712**
Amortisation at 31 March 2019	**4,025**	**-**	**4,025**
Net book value at 31 March 2019	**2,582**	**1,482**	**4,064**
Net book value at 1 April 2018	**2,209**	**168**	**2,377**

Note 16.1 Property, plant and equipment - 2019/20

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 2019 - brought forward	**12,267**	**172,695**	**14,712**	**12,718**	**67,478**	**8**	**23,466**	**659**	**304,003**
Additions	12	10,451	-	15,845	3,743	-	3,538	312	**33,901**
Impairments	(116)	(14,439)	-	-	-	-	-	-	**(14,555)**
Reversals of impairments	227	2,254	582	-	-	-	-	-	**3,063**
Revaluations	276	(4,445)	(211)	-	-	-	-	-	**(4,380)**
Reclassifications	-	8,415	-	(12,587)	902	-	3,478	-	**208**
Disposals / derecognition	-	(9)	-	-	-	-	-	-	**(9)**
Valuation/gross cost at 31 March 2020	**12,666**	**174,922**	**15,083**	**15,976**	**72,123**	**8**	**30,482**	**971**	**322,231**
Accumulated depreciation at 1 April 2019 - brought forward	**-**	**2,435**	**221**	**-**	**47,419**	**4**	**14,769**	**255**	**65,103**
Provided during the year	-	5,267	442	-	4,732	1	3,220	44	**13,706**
Revaluations	-	(7,591)	(663)	-	-	-	-	-	**(8,254)**
Disposals / derecognition	-	(9)	-	-	-	-	-	-	**(9)**
Accumulated depreciation at 31 March 2020	**-**	**102**	**-**	**-**	**52,151**	**5**	**17,989**	**299**	**70,546**
Net book value at 31 March 2020	**12,666**	**174,820**	**15,083**	**15,976**	**19,972**	**3**	**12,493**	**672**	**251,685**
Net book value at 1 April 2019	**12,267**	**170,260**	**14,491**	**12,718**	**20,059**	**4**	**8,697**	**404**	**238,900**

Note 16.2 Property, plant and equipment - 2018/19

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 2018 - as previously stated	**16,561**	**216,935**	**15,248**	**4,494**	**62,956**	**7**	**21,266**	**410**	**337,877**
Additions	-	5,505	23	12,508	4,271	-	1,991	265	**24,563**
Impairments	-	(23,619)	(110)	-	-	-	-	-	**(23,729)**
Reversals of impairments	447	6,684	373	-	-	-	-	-	**7,504**
Revaluations	(4,741)	(35,297)	(823)	-	-	-	-	-	**(40,861)**
Reclassifications	-	2,487	1	(4,284)	1,126	1	369	18	**(282)**
Disposals / derecognition	-	-	-	-	(875)	-	(160)	(34)	**(1,069)**
Valuation/gross cost at 31 March 2019	**12,267**	**172,695**	**14,712**	**12,718**	**67,478**	**8**	**23,466**	**659**	**304,003**
Accumulated depreciation at 1 April 2018 - as previously stated	**-**	**13,605**	**687**	**-**	**43,332**	**3**	**11,621**	**256**	**69,504**
Provided during the year	-	7,057	450	-	4,962	1	3,308	33	**15,811**
Impairments	4,927	31,338	-	-	-	-	-	-	**36,265**
Reversals of impairments	(186)	(1,779)	(93)	-	-	-	-	-	**(2,058)**
Revaluations	(4,741)	(47,786)	(823)	-	-	-	-	-	**(53,350)**
Disposals / derecognition	-	-	-	-	(875)	-	(160)	(34)	**(1,069)**
Accumulated depreciation at 31 March 2019	**-**	**2,435**	**221**	**-**	**47,419**	**4**	**14,769**	**255**	**65,103**
Net book value at 31 March 2019	**12,267**	**170,260**	**14,491**	**12,718**	**20,059**	**4**	**8,697**	**404**	**238,900**
Net book value at 1 April 2018	**16,561**	**203,330**	**14,561**	**4,494**	**19,624**	**4**	**9,645**	**154**	**268,373**

Note 16.3 Property, plant and equipment financing - 2019/20

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 2020									
Owned - purchased	12,666	171,774	15,083	14,235	17,951	-	12,493	386	**244,588**
Owned - government granted	-	-	-	1,741	-	-	-	-	**1,741**
Owned - donated	-	3,046	-	-	2,021	3	-	286	**5,356**
NBV total at 31 March 2020	**12,666**	**174,820**	**15,083**	**15,976**	**19,972**	**3**	**12,493**	**672**	**251,685**

Note 16.4 Property, plant and equipment financing - 2018/19

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 2019									
Owned - purchased	12,267	164,475	14,491	10,977	17,553	4	8,697	404	**228,868**
Finance leased	-	-	-	-	6	-	-	-	**6**
Owned - government granted	-	-	-	1,741	-	-	-	-	**1,741**
Owned - donated	-	5,785	-	-	2,500	-	-	-	**8,285**
NBV total at 31 March 2019	**12,267**	**170,260**	**14,491**	**12,718**	**20,059**	**4**	**8,697**	**404**	**238,900**

Note 17.1 Property, plant and equipment - 2019/20

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 2019 - brought forward	**12,267**	**167,963**	**14,712**	**12,587**	**24,809**	**7**	**23,543**	**408**	**256,296**
Additions	12	10,441	-	15,233	3,723	-	3,514	312	**33,235**
Impairments	(116)	(14,439)	-	-	-	-	-	-	**(14,555)**
Reversals of impairments	227	2,254	582	-	-	-	-	-	**3,063**
Revaluations	276	(3,960)	(211)	-	-	-	-	-	**(3,895)**
Reclassifications	-	8,415	-	(12,587)	902	-	3,478	-	**208**
Valuation/gross cost at 31 March 2020	**12,666**	**170,674**	**15,083**	**15,233**	**29,434**	**7**	**30,535**	**720**	**274,352**
Accumulated depreciation at 1 April 2019 - brought forward	**-**	**1,946**	**221**	**-**	**3,216**	**3**	**14,913**	**17**	**20,316**
Provided during the year	-	5,163	442	-	6,285	1	3,210	44	**15,145**
Revaluations	-	(7,106)	(663)	-	-	-	-	-	**(7,769)**
Accumulated depreciation at 31 March 2020	**-**	**3**	**-**	**-**	**9,501**	**4**	**18,123**	**61**	**27,692**
Net book value at 31 March 2020	**12,666**	**170,671**	**15,083**	**15,233**	**19,933**	**3**	**12,412**	**659**	**246,660**
Net book value at 1 April 2019	**12,267**	**166,017**	**14,491**	**12,587**	**21,593**	**4**	**8,630**	**391**	**235,980**

Note 17.2 Property, plant and equipment - 2018/19

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 2018 - as previously stated	**16,561**	**214,053**	**15,248**	**4,501**	**62,475**	**7**	**21,263**	**410**	**334,518**
Additions	2,322	81,085	23	12,377	25,748	4	1,981	560	**124,100**
Impairments	-	(23,619)	(110)	-	-	-	-	-	**(23,729)**
Reversals of impairments	447	6,684	373	-	-	-	-	-	**7,504**
Revaluations	(4,741)	(37,146)	(823)	-	-	-	-	-	**(42,710)**
Reclassifications	-	2,486	1	(4,291)	1,223	1	299	-	**(281)**
Disposals / derecognition	(2,322)	(75,580)	-	-	(64,637)	(5)	-	(562)	**(143,106)**
Valuation/gross cost at 31 March 2019	**12,267**	**167,963**	**14,712**	**12,587**	**24,809**	**7**	**23,543**	**408**	**256,296**
Accumulated depreciation at 1 April 2018 - as previously stated	**-**	**13,220**	**687**	**-**	**43,019**	**3**	**11,613**	**249**	**68,791**
Provided during the year	-	6,953	450	-	5,713	1	3,300	31	**16,448**
Impairments	4,927	31,338	-	-	-	-	-	-	**36,265**
Reversals of impairments	(186)	(1,779)	(93)	-	-	-	-	-	**(2,058)**
Revaluations	(4,741)	(47,786)	(823)	-	-	-	-	-	**(53,350)**
Disposals / derecognition	-	-	-	-	(45,516)	(1)	-	(263)	**(45,780)**
Accumulated depreciation at 31 March 2019	**-**	**1,946**	**221**	**-**	**3,216**	**3**	**14,913**	**17**	**20,316**
Net book value at 31 March 2019	**12,267**	**166,017**	**14,491**	**12,587**	**21,593**	**4**	**8,630**	**391**	**235,980**
Net book value at 1 April 2018	**16,561**	**200,833**	**14,561**	**4,501**	**19,456**	**4**	**9,650**	**161**	**265,727**

Note 17.3 Property, plant and equipment financing - 2019/20

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 2020									
Owned - purchased	10,344	93,176	15,083	13,492	6,246	-	12,412	373	**151,126**
Finance leased	2,322	74,449	-	-	12,701	-	-	-	**89,472**
Owned - government granted	-	-	-	1,741	-	-	-	-	**1,741**
Owned - donated	-	3,046	-	-	986	3	-	286	**4,321**
NBV total at 31 March 2020	**12,666**	**170,671**	**15,083**	**15,233**	**19,933**	**3**	**12,412**	**659**	**246,660**

Note 17.4 Property, plant and equipment financing - 2018/19

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 2019									
Owned - purchased	9,945	88,522	14,491	10,846	2,511	-	8,630	105	**135,050**
Finance leased	2,322	74,449	-	-	18,337	4	-	286	**95,398**
Owned - government granted	-	-	-	1,741	-	-	-	-	**1,741**
Owned - donated	-	3,046	-	-	745	-	-	-	**3,791**
NBV total at 31 March 2019	**12,267**	**166,017**	**14,491**	**12,587**	**21,593**	**4**	**8,630**	**391**	**235,980**

Note 18 Revaluations of property, plant and equipment

The date of the latest valuation of land, buildings and dwellings was 31 March 2020. 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 £7.6m. See policy note 1.8 and Impairments note 8 for further information.

Note 19 Investments in Subsidiaries

	Group		Trust	
	2019/20	2018/19	2019/20	2018/19
	£000	£000	£000	£000
Carrying value at 1 April - brought forward	**-**	**-**	**30,314**	**48**
Acquisitions in year	-	-	-	30,266
Carrying value at 31 March	**-**	**-**	**30,314**	**30,314**

The investments are in the following subsidiaries:

Healthex Limited - £48k, 100% owned

2gether Support Solutions Limited £30.3m, 100% owned

Note 20 Inventories

	Group		Trust	
	2020	2019	2020	2019
	£000	£000	£000	£000
Drugs	4,214	3,307	3,767	3,307
Energy	299	340	-	-
Other	4,479	5,390	351	351
Total inventories	**8,992**	**9,037**	**4,118**	**3,658**

Inventories recognised in expenses for the year were £68,187k (2018/19: £72,770k). Write-down of inventories recognised as expenses for the year were £108k (2018/19: £215k).

Note 21 Receivables

	Group		Trust	
	2020	2019	2020	2019
	£000	£000	£000	£000
Current				
Contract receivables	31,811	20,880	33,669	24,265
Allowance for impaired contract receivables / assets	(3,489)	(3,094)	(3,421)	(3,078)
Allowance for other impaired receivables	-	(179)	-	-
Interest receivable	23	20	23	20
PDC dividend receivable	774	574	774	574
VAT receivable	5,884	4,413	5,395	5,704
Other receivables	68	67	2,085	2,004
Total current receivables	**35,071**	**22,681**	**38,525**	**29,489**
Non-current				
Allowance for other impaired receivables	(378)	(431)	(378)	(431)
Prepayments (non-PFI)	131	143	131	134
Other receivables	2,118	1,880	68,833	70,612
Total non-current receivables	**1,871**	**1,592**	**68,586**	**70,315**
Of which receivable from NHS and DHSC group bodies:				
Current	26,836	15,987	16,492	14,534

Other receivables contains current receivables of £2.0m and non-current receivables of £66.7m in respect of intercompany loans made to the Foundation Trust's subsidiaries 2gether Support Solutions Limited and Healthex Limited.

Note 22.1 Allowances for credit losses - 2019/20

	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 2019 - brought forward	**3,525**	**179**	**3,509**	**-**
New allowances arising	724	-	714	-
Reversals of allowances	(144)	-	-	-
Utilisation of allowances (write offs)	(238)	(179)	(424)	-
Allowances as at 31 Mar 2020	**3,867**	**-**	**3,799**	**-**

Note 22.2 Allowances for credit losses - 2018/19

	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 2018 - as previously stated	**-**	**2,648**	**-**	**2,632**
Impact of implementing IFRS 9 (and IFRS 15) on 1 April 2018	3,531	(2,648)	3,515	(2,632)
New allowances arising	263	179	263	-
Utilisation of allowances (write offs)	(269)	-	(269)	-
Allowances as at 31 Mar 2019	**3,525**	**179**	**3,509**	**-**

Note 23 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	
	2019/20	2018/19	2019/20	2018/19
	£000	£000	£000	£000
At 1 April	**30,847**	**7,587**	**18,699**	**7,157**
Net change in year	(5,179)	23,260	(4,806)	11,542
At 31 March	**25,668**	**30,847**	**13,893**	**18,699**
Broken down into:				
Cash at commercial banks and in hand	1,231	578	91	92
Cash with the Government Banking Service	24,437	30,269	13,802	18,607
Total cash and cash equivalents as in SoFP	**25,668**	**30,847**	**13,893**	**18,699**
Total cash and cash equivalents as in SoCF	**25,668**	**30,847**	**13,893**	**18,699**

Note 24 Trade and other payables

	Group		Trust	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Current				
Trade payables	21,397	29,058	5,717	14,161
Capital payables	11,401	2,054	11,401	8,827
Accruals	21,693	20,394	31,992	19,866
Social security costs	4,722	4,284	4,475	4,066
Other taxes payable	3,861	3,625	3,657	3,431
Other payables	7,472	7,757	6,482	6,859
Total current trade and other payables	**70,546**	**67,172**	**63,724**	**57,210**
Non-current				
Trade payables	86	93	-	-
Total non-current trade and other payables	**86**	**93**	**-**	**-**
Of which payables to NHS and DHSC group bodies:				
Current	3,183	5,709	-	5,445

Note 25 Other liabilities

	Group		Trust	
	2020 £000	2019 £000	2020 £000	2019 £000
Current				
Deferred income: contract liabilities	6,462	5,586	6,483	7,472
Total other current liabilities	**6,462**	**5,586**	**6,483**	**7,472**

Note 26 Borrowings

	Group		Trust	
	2020 £000	2019 £000	2020 £000	2019 £000
Current				
Loans from DHSC	134,434	315	134,434	315
Obligations under finance leases	-	11	6,406	6,190
Total current borrowings	**134,434**	**326**	**140,840**	**6,505**
Non-current				
Loans from DHSC	-	88,350	-	88,350
Other loans	7,717	2,273	7,717	2,273
Obligations under finance leases	-	-	84,598	91,004
Total non-current borrowings	**7,717**	**90,623**	**92,315**	**181,627**

During 2020/21 existing DHSC interim revenue and capital loans as at 31 March 2020 will be extinguished and replaced with the issue of Public Dividend Capital (PDC) to allow the repayment. All relevant loans have therefore been categorised as current.

The £91.0m 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 26.1 Reconciliation of liabilities arising from financing activities (Group)

Group - 2019/20	Loans from DHSC	Other loans	Finance leases	Total
	£000	£000	£000	£000
Carrying value at 1 April 2019	**88,665**	**2,273**	**11**	**90,949**
Cash movements:				
Financing cash flows - payments and receipts of principal	45,469	5,444	(11)	**50,902**
Financing cash flows - payments of interest	(3,559)	-	-	**(3,559)**
Non-cash movements:				
Application of effective interest rate	3,859	-	-	**3,859**
Carrying value at 31 March 2020	**134,434**	**7,717**	**-**	**142,151**

Group - 2018/19	Loans from DHSC	Other loans	Finance leases	Total
	£000	£000	£000	£000
Carrying value at 1 April 2018	**46,228**	**-**	**38**	**46,266**
Cash movements:				
Financing cash flows - payments and receipts of principal	42,122	2,273	(27)	**44,368**
Financing cash flows - payments of interest	(1,889)	-	-	**(1,889)**
Non-cash movements:				
Impact of implementing IFRS 9 on 1 April 2018	80	-	-	**80**
Application of effective interest rate	2,124	-	-	**2,124**
Carrying value at 31 March 2019	**88,665**	**2,273**	**11**	**90,949**

Note 26.2 Reconciliation of liabilities arising from financing activities

Trust	Loans from DHSC	Other loans	Finance leases	Total
	£000	£000	£000	£000
Carrying value at 1 April 2019	**88,665**	**2,273**	**97,194**	**188,132**
Cash movements:				
Financing cash flows - payments and receipts of principal	45,469	5,444	(6,190)	**44,723**
Financing cash flows - payments of interest	(3,559)	-	(3,257)	**(6,816)**
Non-cash movements:				**-**
Application of effective interest rate	3,859	-	3,257	**7,116**
Carrying value at 31 March 2020	**134,434**	**7,717**	**91,004**	**233,155**

Trust	Loans from DHSC	Other loans	Finance leases	Total
	£000	£000	£000	£000
Carrying value at 1 April 2018	**46,228**	**-**	**-**	**46,228**
Cash movements:				
Financing cash flows - payments and receipts of principal	42,122	2,273	(3,016)	**41,379**
Financing cash flows - payments of interest	(1,889)	-	(1,705)	**(3,594)**
Non-cash movements:				**-**
Impact of implementing IFRS 9 on 1 April 2018	80	-	-	**80**
Additions	-	-	100,210	**100,210**
Application of effective interest rate	2,124	-	1,705	**3,829**
Carrying value at 31 March 2019	**88,665**	**2,273**	**97,194**	**188,132**

Note 27 Finance leases

Note 27.1 East Kent Hospitals University NHS Foundation Trust as a lessee

Obligations under finance leases where the trust is the lessee.

	Group		Trust	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	£000	£000	£000	£000
Gross lease liabilities	**-**	**11**	**126,684**	**136,107**
of which liabilities are due:				
- not later than one year;	-	11	9,444	9,443
- later than one year and not later than five years;	-	-	30,631	35,388
- later than five years.	-	-	86,609	91,276
Finance charges allocated to future periods	-	-	(35,680)	(38,913)
Net lease liabilities	**-**	**11**	**91,004**	**97,194**
of which payable:				
- not later than one year;	-	11	6,406	6,190
- later than one year and not later than five years;	-	-	20,630	23,423
- later than five years.	-	-	63,968	67,581

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 28.1 Provisions for liabilities and charges analysis (Group)

Group (all provisions relate to Trust only)	Pensions: injury benefits	Legal claims	Other	Total
	£000	£000	£000	£000
At 1 April 2019	**3,241**	**505**	**147**	**3,893**
Change in the discount rate	**328**	**-**	**-**	**328**
Arising during the year	**147**	**92**	**505**	**744**
Utilised during the year	(150)	(126)	-	**(276)**
Reversed unused	**-**	**(45)**	**-**	**(45)**
Unwinding of discount	**3**	**-**	**-**	**3**
At 31 March 2020	**3,569**	**426**	**652**	**4,647**
Expected timing of cash flows:				
- not later than one year;	1,088	-	**-**	**1,088**
- later than five years.	2,481	426	**552**	**3,459**
Total	**3,569**	**426**	**652**	**4,647**

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 28.2 Clinical negligence liabilities

At 31 March 2020, £346,385k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of East Kent Hospitals University NHS Foundation Trust (31 March 2019: £347,511k).

Note 29 Contingent assets and liabilities

	Group		Trust	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Value of contingent liabilities				
NHS Resolution legal claims	(39)	(54)	(39)	(54)
Employment tribunal and other employee related litigation	(60)	(268)	(60)	(268)
Other	(1,000)	(1,262)	(1,000)	(1,262)
Gross value of contingent liabilities	**(1,099)**	**(1,584)**	**(1,099)**	**(1,584)**
Net value of contingent liabilities	**(1,099)**	**(1,584)**	**(1,099)**	**(1,584)**

Note 30 Contractual capital commitments

	Group		Trust	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Property, plant and equipment	11,456	1,925	11,456	1,925
Intangible assets	423	72	423	72
Total	**11,879**	**1,997**	**11,879**	**1,997**

Note 31 Financial instruments

Note 31.1 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 2020 were mainly held in Government Banking Service accounts with floating interest rates. The Foundation Trust received £36.9m working capital loans from DoH during the period; these loans are at a fixed rate of 3.5%. 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 2020 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 31.2 Carrying values of financial assets (Group)

Carrying values of financial assets as at 31 March 2020	Held at amortised cost	Total book value
	£000	£000
Trade and other receivables excluding non financial assets	30,153	**30,153**
Cash and cash equivalents	25,668	**25,668**
Total at 31 March 2020	**55,821**	**55,821**

Carrying values of financial assets as at 31 March 2019	Held at amortised cost	Total book value
	£000	£000
Trade and other receivables excluding non financial assets	19,136	**19,136**
Cash and cash equivalents	30,847	**30,847**
Total at 31 March 2019	**49,983**	**49,983**

Note 31.3 Carrying values of financial assets (Trust)

Carrying values of financial assets as at 31 March 2020	Held at amortised cost	Total book value
	£000	£000
Trade and other receivables excluding non financial assets	100,811	**100,811**
Cash and cash equivalents	13,893	**13,893**
Total at 31 March 2020	**114,704**	**114,704**

Carrying values of financial assets as at 31 March 2019	Held at amortised cost	Total book value
	£000	£000
Trade and other receivables excluding non financial assets	93,966	**93,966**
Cash and cash equivalents	18,699	**18,699**
Total at 31 March 2019	**112,665**	**112,665**

Note 31.4 Carrying values of financial liabilities (Group)

Carrying values of financial liabilities as at 31 March 2020	Held at amortised cost	Total book value
	£000	£000
Loans from the Department of Health and Social Care	134,434	**134,434**
Other borrowings	7,717	**7,717**
Trade and other payables excluding non financial liabilities	40,356	**40,356**
Total at 31 March 2020	**182,507**	**182,507**

Carrying values of financial liabilities as at 31 March 2019	Held at amortised cost	Total book value
	£000	£000
Loans from the Department of Health and Social Care	88,665	**88,665**
Obligations under finance leases	11	**11**
Other borrowings	2,273	**2,273**
Trade and other payables excluding non financial liabilities	59,026	**59,026**
Total at 31 March 2019	**149,975**	**149,975**

Note 31.5 Carrying values of financial liabilities (Trust)

Carrying values of financial liabilities as at 31 March 2020	Held at amortised cost	Total book value
	£000	£000
Loans from the Department of Health and Social Care	134,434	**134,434**
Obligations under finance leases	91,004	**91,004**
Other borrowings	7,717	**7,717**
Trade and other payables excluding non financial liabilities	23,600	**23,600**
Total at 31 March 2020	**256,755**	**256,755**

Carrying values of financial liabilities as at 31 March 2019	Held at amortised cost	Total book value
	£000	£000
Loans from the Department of Health and Social Care	88,665	**88,665**
Obligations under finance leases	97,194	**97,194**
Other borrowings	2,273	**2,273**
Trade and other payables excluding non financial liabilities	53,144	**53,144**
Total at 31 March 2019	**241,276**	**241,276**

Note 31.6 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 31.6 Maturity of financial liabilities

	Group		Trust	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	£000	£000	£000	£000
In one year or less	174,790	59,026	158,034	53,144
In more than two years but not more than five years	7,717	90,949	98,721	188,132
Total	**182,507**	**149,975**	**256,755**	**241,276**

Note 32 Losses and special payments

Group and trust	2019/20 Total number of cases Number	2019/20 Total value of cases £000	2018/19 Total number of cases Number	2018/19 Total value of cases £000
Losses				
Cash losses	66	66	52	97
Bad debts and claims abandoned	260	346	397	231
Stores losses and damage to property	40	9	122	24
Total losses	**366**	**421**	**571**	**352**
Special payments				
Ex-gratia payments	121	50	122	38
Total special payments	**121**	**50**	**122**	**38**
Total losses and special payments	**487**	**471**	**693**	**390**

Note 33 Better Payment Practice code

Non-NHS Payables	2019/20 Number	2019/20 £000	2018/19 Number	2018/19 £000
Total non-NHS trade invoices paid in the year	66,066	445,697	93,469	408,826
Total non-NHS trade invoices paid within target	43,059	349,877	17,785	219,277
Percentage of non-NHS trade invoices paid within target	65.2%	78.5%	19.0%	53.6%
NHS Payables				
Total NHS trade invoices paid in the year	3,582	39,405	3,061	39,039
Total NHS trade invoices paid within target	1,822	29,348	323	24,485
Percentage of NHS trade invoices paid within target	50.9%	74.5%	10.6%	62.7%

The Better Payment Practice code requires the NHS body to aim to pay all valid invoices by the due date or within 30 days of receipt of valid invoice, whichever is later.

Note 34 Events after the reporting period

DHSC Loans

On 2 April 2020, the Department of Health and Social Care (DHSC) and NHS England and NHS Improvement announced reforms to the NHS cash regime for the 2020/21 financial year. During 2020/21 existing DHSC interim revenue and capital loans as at 31 March 2020 will be extinguished and replaced with the issue of Public Dividend Capital (PDC) to allow the repayment. Given this relates to liabilities that existed at 31 March 2020, DHSC has updated its Group Accounting Manual to advise this is considered an adjusting event after the reporting period for providers. Outstanding interim loans totalling £125.2m as at 31 March 2020 in these financial statements have been classified as current as they will be repayable within 12 months.

Covid-19 Pandemic

The UK Government has issued a mandate to NHS England for the continued provision of services in England in 2020/21 and CCG allocations have been set for the remainder of 2020/21. While these allocations may be subject to minor revision as a result of the Covid-19 financial framework, the guidance has been clarified to inform CCG's that they will be provided with sufficient funding for the year. Providers can therefore continue to expect NHS funding to flow at similar levels to that previously provided where services are reasonably still expected to be commissioned. While mechanisms for contracting and payment are not definitively in place, it is clear that NHS services will continue to be funded and Government funding is in place for this. For the period April 2020 to July 2020 the Foundation Trust is receiving income via block contract lump sums.

Note 35 Related parties

All bodies within the scope of the Whole Government Accounts (WGA) are treated as related parties of the Foundation Trust. Income and expenditure and year-end balances with these organisations are summarised below. Organisations with income or expenditure with the Foundation Trust for the year in excess of £1m have been separately identified.

For 2019/20 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 (2018/19: £1.639m) revenue and incurred £2.3m (2018/19: £1.982m) expenditure with the subsidiary during the year. As at 31 March 2020 the Foundation Trust was owed £4m (2018/19: £2.061m) by the subsidiary and owed £0.9m (2018/19: £1.574m). Non-current debt owed to the Foundation Trust amounted to £0.9m. These transactions and balances have been removed on consolidation.

A number of Directors of the Foundation Trust are also Directors of 2gether Support Solutions, a subsidiary created in 2018/19. The Foundation Trust received £4.2m (2018/19: £2.352m) revenue and incurred £98.75m (2018/19: £46.394m) expenditure with the subsidiary during the year. As at 31 March 2020 the Foundation Trust was owed £3m (2018/19: £4.628m) by the subsidiary and owed £18.6m (2018/19: £12.587m). Non-current debt owed to the Foundation trust amounted to £65.8m. These transactions and balances have been removed on consolidation.

A number of Directors of the Foundation Trust are also Directors of Beautiful Information Limited. The Foundation Trust received £50k (2018/19: £94k) revenue and incurred £187k (2018/19: £211k) expenditure with the associate during the year. As at 31 March 2020 the Foundation Trust was owed £192k (2018/19: £144k) by the subsidiary and owed £22k (2018/19: £42k).

	Receivables		Payables	
	2019/20	2018/19	2019/20	2018/19
Department of Health and Social Care	-	-	-	-
Royal Surrey County Hospital NHS Foundation Trust	18	-	-	-
Health Education England	344	159	-	1
Kent Community Health NHS Foundation Trust	1,197	769	297	578
Maidstone and Tunbridge Wells NHS Trust	821	923	1,348	1,339
Medway NHS Foundation Trust	607	279	466	500
NHS Ashford CCG	114	362	527	432
NHS Blood and Transplant	-	-	-	35
NHS Canterbury and Coastal CCG	3,173	641	581	563
NHS England	8,668	3,836	-	-
NHS Medway CCG	196	154	1	1
NHS South Kent Coast CCG	1,132	1,208	626	581
NHS Swale CCG	582	-	5	-
NHS Thanet CCG	553	2,868	2,103	479
NHS West Kent CCG	1,525	1,649	10	13
East Kent Hospitals Charity	97	109		-
	19,027	**12,957**	**5,964**	**4,522**

	Income		Expenditure	
	2019/20	2018/19	2019/20	2018/19
Department of Health and Social Care	542	5,147	-	-
Royal Surrey County Hospital NHS Foundation Trust	818	1,028	-	-
Health Education England	16,212	18,821	1	8
Kent Community Health NHS Foundation Trust	3,404	2,996	1,866	1,778
Maidstone and Tunbridge Wells NHS Trust	1,407	1,760	4,381	5,104
Medway NHS Foundation Trust	537	603	1,808	1,774
NHS Ashford CCG	75,588	71,179	-	362
NHS Blood and Transplant	33	30	2,673	2,639
NHS Canterbury and Coastal CCG	130,328	121,032	-	67
NHS England	115,040	98,450	26	-
NHS Medway CCG	2,410	2,258	-	-
NHS South Kent Coast CCG	138,345	137,169	381	16
NHS Swale CCG	3,916	2,993	-	-
NHS Thanet CCG	105,433	101,435	-	-
NHS West Kent CCG	7,379	6,170	-	-
East Kent Hospitals Charity	892	353	-	-
	602,284	**571,424**	**11,136**	**11,748**