South Tees Hospitals
NHS Foundation Trust

South Tees Hospitals NHS Foundation Trust
Annual Report and Accounts 2021/22

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

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Annual Report, 2021/22

1. Performance Report

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

Overview by Joint Chair

As Joint Chair for South Tees Hospitals NHS Foundation Trust, I am proud to present our annual report for 2021/22.

I wish to express my huge thanks to all our colleagues for their outstanding work during the last year. I also wish to say thank you to Neil Mundy who was Chair of the Trust until July (2021) our Vice Chair Ada Burns, our Lead Governor Angela Seward, and the Council of Governors.

This year, as well as providing care for patients with COVID-19, colleagues have worked tirelessly to continue providing care for patients without COVID whose needs have been equally urgent, and patients whose care has been disrupted during the pandemic.

The recovery of NHS services from the COVID-19 pandemic has once again led to a renewed focus on need to work closely together across hospitals and other health services.

As literally hundreds of thousands of patients, service users and families in Teesside and North Yorkshire know, our local hospitals have been doing this for many years.

There are countless examples where our hospitals have worked together as one NHS to make sure patients receive the right care with the right specialists at the right time.

As well as delivering better outcomes for patients and service users, working closely together is also essential to recruiting the specialist clinicians who we want to join us on our journey in the months and years ahead.

As we embark on a new year, I am looking forward to keeping the conversation going about the many areas of fantastic practice that we need to celebrate, and how we can make it easier to tackle the common issues which are bigger than any single organisation in the singular interests of our patients, service users and colleagues.

Signed: 

Date: 24.6.22

Professor Derek Bell OBE
Interim Joint Chairman

Overview by Chief Executive

I am pleased to introduce the 2021/22 Annual Report and Account as Chief Executive of South Tees Hospitals NHS Foundation Trust.

Over the last two years we have been empowering our clinicians to make the decisions about how we allocate resources and deliver care.

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

Since the start of the pandemic, our fantastic clinicians have provided care for more than 6,000 patients with COVID-19.

In December 2021, a year after becoming one of the world's first world's first COVID vaccination centres, our infectious diseases team became one of the first in our region to offer new antibody and antiviral treatments to eligible patients when they first test positive for coronavirus.

Despite the success of the vaccination programme and development of new treatment options, Omicron played a significant role in the winter of 2021/22 being one of the most challenging we have ever experienced, and I want to say an enormous thank you to all our colleagues for again going above and beyond.

The onset of the Delta variant in the summer of 2021 was replaced by Omicron in winter the same year, and quickly saw COVID-19 community infection rates surpassing the previous record peak seen in January 2021. The slower increase in the number of people requiring hospital care during the Omicron surge spoke to the importance of the vaccination programme.

As we continue our recovery from COVID-19 next year, we will carry on empowering our clinicians to take the decisions about how we manage our resources and deliver safe, quality care across our hospitals and services for children, adults, families and our communities.

Signed: 

Date: 24.6.22

Sue Page CBE
Chief Executive

Introduction to South Tees Hospitals NHS Foundation Trust

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

Since the autumn of 2019, we have been empowering our clinicians to take the decisions about how we manage our resources and deliver care across our hospitals and services – supported by our scientific teams, administrative, support staff and volunteers.

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

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

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

By enabling clinicians to come together to shape and deliver the care they want for their patients, we were rated by our colleagues in the top-two most improved trusts in the country for the second consecutive year.

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

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

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

Our mission, vision values and behaviours

Our mission – Safety and Quality First

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

Our vision

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

Our values and behaviours – The South Tees Way

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

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

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

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

Our strategic intent and objectives

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

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

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

Stabilising care

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

Sustaining care

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

Connecting care

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

Caring for our communities

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

Our strategic objectives

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

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

Performance Analysis

How the Trust measures performance

We measure performance according to the delivery of objectives outlined in our two-year improvement strategy and plan. The Trust refreshed its clinically-led two-year plan in 2021 and this sets out our clinical priorities and five key objectives:

- Best for safe, quality patient care and experience
- A great place to work
- A centre of excellence, for specialist services, research, education and innovation in the Tees Valley and North Yorkshire
- Deliver care without boundaries in collaboration with our health and social care partners
- Make best use of our resources

Activity

The Trust uses an evidence-based approach to forecasting demand and understanding capacity needs within the wider context of the COVID-19 pandemic and health and social care system. Activity is monitored against expectations for the year, and we continually adapt our approach best meet the needs of patients and service users.

Quality

One of the central ways in which we monitor the quality of care we provide and how we are continually improving as a Trust is through our annual priorities for quality improvement.

Other sources of information which inform how we are performing from a quality perspective include:

- Patient experience data
- Complaints and patient feedback
- Clinical audit

Further information on how we monitor quality and performance against our quality priorities is outlined in our Quality Account.

Operations

We consider a wide range of national, regulatory, and internal measures in order to assess operational performance. This includes, for example, analysis of performance against the national target for the elimination of long waits (104 weeks) for patients awaiting non-urgent procedures whose care has been disrupted by the COVID-19 pandemic.

Finance

Each year the Trust develops to a financial plan which includes a cost improvement target to be achieved, a capital plan, and a forecast outturn for the year end.

Patient and service user experience

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

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

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

We invite patients and service users to share their stories at our Trust Board meetings and other internal meetings to allow colleagues to hear their experiences first-hand. Patient experience is integral to the multidisciplinary teams across the Trust to facilitate shared learning and improvements.

The Trust works collaboratively with external partners, including Healthwatch South Tees and Redcar and Cleveland, North East NHS Independent Complaints Advocacy Service, Carers Together, Carers Plus and Age Concern to ensure we hear the voices of patients and service users who we may otherwise not receive feedback from.

Complaints and PALS

In 2021/22 there were 339 formal complaints received by the Trust, an increase of 16% on the previous year (2020/21) when 291 formal complaints were received. The reduction in the number received in 2020/21 may be due to the COVID-19 pandemic, therefore not providing a clear comparison.

There were 1,539 advice/enquiry/concerns received by the Trust in 2021/22 which is a decrease from 2020/21 when 1,709 were received (a reduction of 11% on the previous year). This is the second consecutive year which has seen a reduction in concerns being logged via the Patient Advice and Liaison Service (PALS).

Patient Surveys

Sentiment analysis of patient feedback from surveys - There are currently twenty-five patient surveys utilised in the Trust. These include the adult inpatient, outpatient, A&E, maternity, and community surveys.

Many comments received from the patient surveys are either positive or neutral. Wards and departments have access to their data to discuss and share at ward/departmental meetings. Any comments which are negative are actioned at ward/department level.

The National Adult Inpatient Survey - The trust scored 'somewhat better' than other trusts in the questions relating to nurses and in the top four trusts nationally as better than expected for medical care.

The Children and Young Person survey - The trust scored better in areas of play and activities, parents and carers feeling that staff played with their child while they were in hospital. Quiet hospital wards and patients feeling it was quiet enough to sleep on the ward.

Urgent and Emergency Care Survey - For type 1 service (which include A&E departments) the trust was in the top 20% of trusts on 12 questions and the bottom 20% in 4 questions. Areas of strength were doctors and nurses involving patients in discussions about their care, giving enough privacy when being examined or treated. Areas for improvement are waiting times for ambulance crew handover, side effects of medication and arrangements on leaving the department.

For type 3 services (urgent care centres, urgent treatment centres and minor injury units) the trust was in the top 20% of trusts on 11 questions and the bottom 20% in 1 question. Areas of strength were receiving test results and information on condition after leaving the department, waiting times to be seen, privacy when being examined or treated and the opportunity to discuss the condition with a health care professional. Areas for improvement were access to suitable food or drinks.

Maternity Survey – the trust scored somewhat better in three questions and better than expected in one question. Areas where mother's experiences are best included, during antenatal check-ups, being asked about their mental health, being provided with relevant information, during their pregnancy, about feeding their baby, being able to see or speak to a midwife as much as they wanted during their care after birth. Partner or companion involvement and their attendance at the hospital was identified as an area of improvement.

Staff experience and engagement

In 2019 the trust's summer staff survey showed a steep drop in a number of areas, including the proportion of colleagues who said they would recommend the trust as a place to work, and who felt patient care was the organisation's number one priority.

The national 2019 NHS staff survey was carried out just a few weeks later, in early October 2019, and unsurprisingly the views expressed then by colleagues were very similar. Since this time the Trust has undergone a number of significant changes which colleagues have made together.

The Trust's Clinical Policy Group now makes the decisions on how the Trust allocates its resources and deliver care, and this clinically-led approach has been at the heart of the way South Tees have met the enormous challenge of COVID-19 and the goal of helping to keep patients, service users and one another safe.

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

Colleagues across the trust have also helped to develop our values and behaviours which we want our patients and colleagues to be able to use to describe how it feels to receive care or work at South Tees.

The results from the 2020 NHS staff survey showed significant improvements. For example, there was a significant increase in the number of colleagues who feel patient care is the organisation's number priority and would recommend the trust as a place to work.

Following receipt of the 2020 NHS staff survey results, the Trust's Clinical Collaboratives and teams worked together on areas highlighted by colleagues for continued improvement. A summary of actions is shown in the appendices.

The 2021 NHS staff survey results show that, in comparison to 2020, the trust has improved or maintained across the vast majority of questions, while overall national average scores have declined.

On the following questions, the Trust's 2021 NHS staff survey results are:

- If a friend or relative needed treatment I would be happy with the standard of care provided by this organisation (increase to 89 per cent and now above the 87 per cent national average).

- Care of patients / service users is my organisation's top priority (increase to 76 per cent and now above the 75 per cent national average).

- I would recommend my organisation as a place to work (increase to 59 per cent and now at the national 59 per cent average).

- If a friend or relative needed treatment I would be happy with the standard of care provided by this organisation (increase to 76 per cent and now above the 68 per cent national average).

Diversity and equality

In addition, the work the Trust has undertaken over the last 12-months has seen a significant increase in the number of colleagues reporting that the organisation acts fairly with regard to career progression / promotion, regardless of ethnic background, gender, religion, sexual orientation, disability or age (increase to 57 per cent and now above the national 55 per cent average).

Raising concerns

In line with progress seen the 2020 NHS staff survey results which saw the trust ranked as the most improved trust in the country on the national Freedom to Speak Up Index, the 2021 NHS staff survey results show further significant improvement:

- I would feel secure raising concerns about unsafe clinical practice (77 per cent and now above the national average of 74 per cent).

- I am confident that my organisation would address my concern (61 per cent and now above the 58 per cent national average).

- I feel safe to speak up about anything that concerns me in this organisation (65 per cent and now above the 61 per cent national average).

- If I spoke up about something that concerned me I am confident my organisation would address my concern (50 per cent and now above the 48 per cent national average)

Staff engagement

Further improvement has seen an increase in overall staff engagement to 6.92 which is now above the 6.81 the national average.

NHS Staff survey 2021/22

As described above, the NHS staff survey is conducted annually. From 2021/22 the survey questions align to the seven elements of the NHS 'People Promise' and retains the two previous themes of engagement and morale. These replace the ten indicator themes used in previous years. All indicators are based on a score out of 10 for specific questions with the indicator score being the average of those. The response rate to the 2021/22 survey among trust staff was 31% (2020/21: 28%).

Scores for each indicator together with that of the survey benchmarking group (Acute and Acute & Community Trusts) are presented below:

Indicators ('People Promise' elements and themes)	2021/22	
	Trust score	Benchmarking group score
People Promise:		
• We are compassionate and inclusive	7.3	7.2
• We are recognised and rewarded	5.9	5.8
• We each have a voice that counts	6.8	6.7
• We are safe and healthy	5.9	5.9
• We are always learning	5.1	5.2
• We work flexibly	5.8	5.9
• We are a team	6.7	6.6
Staff engagement	6.9	6.8
Morale	5.8	5.7

NHS Staff Survey 2019/20 and 2020/21

Scores for each indicator together with that of the survey benchmarking group (Acute and Acute & Community Trusts) are presented below:

	2020/21		2019/20	
	Trust score	Benchmarking group score	Trust score	Benchmarking group score
Equality, diversity and inclusion	9.2	9.1	9.2	9.2
Health and wellbeing	5.6	6.1	5.2	6.0
Immediate managers	6.7	6.8	6.5	6.9
Morale	6.1	6.2	5.7	6.2
Quality of appraisals	N/A	N/A	4.4	5.5
Quality of care	7.4	7.5	7.1	7.5
Safe environment – bullying and harassment	8.2	8.1	8.1	8.2
Safe environment – violence	9.6	9.5	9.5	9.5
Safety culture	6.7	6.8	6.2	6.8
Staff engagement	6.9	7.0	6.5	7.1

Future priorities and targets

Following the publication of the 2021 NHS staff survey, the Trust's Clinical Collaboratives will develop action plans with progress monitored through the organisation's People Committee.

In partnership with our staff side colleagues the Trust will take a theme per month and develop a 'you said we did' plan with a focus on appraisals in April and flexible working in May 2022.

Equality of service delivery to different group

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

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

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

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

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

The Trust reviews its waiting list for inequalities and this information is presented and discussed at each of its Board meetings. For example, while the Trust's overall inpatient waiting list has reduced, the separation of the overall position and the long waiter position for the most deprived quintile has been resistant. This is in the context of lower uptake of COVID vaccination, which may lead to cancellation/DNAs of appointments/treatments and multiple indicators of poorer health in more deprived populations which can lead to more complex care pathways. The Trust is working with local authority partners as part of its response.

Engaging with stakeholders

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

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

Subsidiary undertakings

The Trust created a Limited Liability Partnership (LLP) in May 2016 to act a body through which research funds could be managed. The LLP is called South Tees Institute of Learning, Research and Innovation LLP. The company was dormant during 2021/22 and will not be consolidation as part of the Trust Group for the financial year to 31 March 2022.

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

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

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

When changes to the provision of the Trust's outpatient pharmacy took place in 2019, South Tees Healthcare Management Limited was chosen to enable outpatient pharmacy services to be placed back under the control of the Trust as a wholly owned subsidiary. The operations of this company were consolidated and are reported in the Group position at 31 March 2022.

Key issues and risks

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

- **Access targets**

Treating more than 6,000 patients with COVID-19 has inevitably had an impact on the Trust's ability to meet constitutional access targets. Recovery is a clinically-led process with the risk managed through the Trust's Clinical Policy Group and reported each month through the Trust's Board.

- **Quality targets**

All services that the Trust provides are reviewed through our Quality and Safety Committee. In addition, the Trust's Leadership Improvement and Safety Academy provides a range of support, including leadership and management training, quality improvement skills, team and service support, coaching and human factors training.

- **Financial sustainability**

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

The revenue costs of the James Cook PFI were £46 million in 2021/22. In addition, 'life-cycle' costs (mandatory annual maintenance charges built into the PFI scheme) are required to be paid each year from the Trust's capital budget.

The total annual payments (revenue and capital) by the Trust for the James Cook PFI scheme are now £58 million per year. The PFI scheme is now adding approximately £20 million each year to the Trust's expenditure compared to a hospital provided through public capital/borrowing. This additional cost is the largest single contributor to the Trust's structural deficit.

Going concern

The Trust has prepared its 2021/22 accounts on a going concern basis. The financial reporting framework applicable to NHS bodies, derived from the HM Treasury Financial Reporting Manual, defines that the anticipated continued provision of the entity's services in the public sector is normally sufficient evidence of going concern. For that reason, the Trust continues to adopt the going concern basis in preparing the accounts.

The day-to-day operations of the Trust are funded from agreed contracts with NHS commissioners with funds provided in advance in 2021/22 to meet demands on liquidity. The Trust has agreed contracts for 2022/23 with Clinical Commissioning Groups and NHS England for a further year with payments starting in early April. The Trust's budget and expenditure plans are prepared using national guidance on tariff and inflationary factors with income based on agreements with Commissioners.

The Trust recorded a financial performance deficit in 2021/22 of £23.4 million as agreed with NHS England/Improvement (NHSE/I) and the regional Integrated Care Board (ICB). The balance sheet shows net current assets of £181.2 million with all loans from the Department of Health and Social Care (DHSC) now repaid. The Group utilised support, in the form of specific and emergency PDC, amounting to £19.5 million to fund its capital programme in 2021/22.

The operational stability of the Trust is dependent on the Trust delivering the 2022/23 financial position. The Trust submitted the Annual Plan for 2022/23 in April 2022 with a financial deficit of £35.2 million. with the adjusted financial performance deficit at £29.6 million. The Trust has included a request for PDC revenue support amounting to £27.2 million to support this position.

The planned Capital Programme for 2022/23 amounts to £33.1 million which is supported by £5.4m of earmarked PDC to fund the programme. During 2021/22 the Trust received monthly funding from NHS England and commissioners which included a monthly block payment (£51.4 million) and COVID and top-up payment (£5.6 million). These arrangements, and those in place for the start of 2021/22, will continue to ensure the Trust's financial position is stable. At 31 March 2022 the Trust's closing cash position amounted to £70.6 million. The Group has not been notified by any relevant national body of any intention to dissolve the Group or to transfer services to another public sector body. In the prior period 2020/21, DHSC and NHSE/I announced reforms to the NHS cash regime and confirmed that existing DHSC interim revenue and capital loans as at 31 March 2020 would be extinguished and replaced with the issue of PDC to allow the repayment. Based on the above factors the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Better Payment Practice Code

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

Non NHS	NHS
Target: 95%	Target: 95%
Result by number: 94.7%	Result by number: 79.3%
Result by value: 92.4%	Result by value: 81.8%

A detailed breakdown of the figures is shown below:

	2021/22		2020/21	
	Number	£000	Number	£000
Total non NHS trade invoices paid in the year	92,133	462,098	85,346	417,215
Total non NHS trade invoices paid within target	87,243	426,766	81,068	393,740
% of non NHS trade invoices paid within target	94.7%	92.4%	95.0%	94.4%
Total NHS trade invoices paid in the year	786	13,216	3,580	23,372
Total NHS trade invoices paid within target	623	10,807	3,085	21,017
% of NHS trade invoices paid within target	79.3%	81.8%	86.2%	89.3%

Interest paid under the Late Payment of Commercial Debts (Interest) Act 1998 amounted to £882.

Freedom to Speak Up Guardian

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

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

A wide range of data is collected by the Guardians. The information collected and collated in 2020/21 and 2021/22 reflects the significant positive impact the new model for speaking up has had for colleagues, patients and service users.

Sustainability and the Environment

The NHS has set out its targets for carbon emissions as follows:

- The NHS Carbon Footprint, these are emissions that we control directly, we are going to reach net zero by 2040, with an ambition to achieve an 80% reduction by 2028 to 2032.

- With regards to the emissions we can influence, our NHS Carbon Footprint Plus, we will reach net zero by 2045, with an ambition to achieve an 80% reduction by 2036 to 2039.

In order to achieve this South Tees NHS Foundation Trust has aligned itself with The North East and North Cumbria Integrated Care System (NENC ICS).

By working collaboratively with the NENC ICS a regional Green Plan has been approved in order to ensure faster progress towards the 2030 vision to be 'England's Greenest region'.

To support this further the Trust has maintained and accelerated its own Green Plan, which is now been reduced to three instead of five years. New ideas and concepts are included from all areas of the Trust, thereby giving our patients and staff a 'voice' into how they perceive, and can improve, our environment here at the Trust and the local community.

Examples of areas which have seen improvements include:

- The installation of more EV points around hospitals sites
- Enhancements in waste handling
- LED lighting installation
- Progressing work of the new operating theatre build at the Friarage Hospital.
- The loan of a hydrogen powered vehicle for our Pathology service
- Introduction of metal recycling in theatres
- Introduction of anaerobic digestion
- Procurement sourcing more environmentally friendly products
- The removal of desflurane from our operating theatres

South Tees Hospitals NHSFT has aligned itself with the regional ICS network to deliver an ambitious 3 year Green Plan in order to achieve the target of the NHS becoming net zero for carbon emissions by 2040. This takes into account the NHS Standards Contract for 2022 - 2023, whilst also supporting our ISO 14001:2015 Environmental Management System accreditation.

Clinical Waste

The clinical waste produced over the past year has still been at a high level due to the ongoing response to the COVID-19 pandemic. However, this has been managed effectively by our PFI provider at The James Cook University Hospital, and estates team at the Friarage Hospital. In addition, there are robust waste contracts in place which have enabled the Trust to remain compliant and safe.

2. Accountability Report

Director's report

The Board of Directors – role and responsibility

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

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

The Board is led by the Chair, Professor Derek Bell, who was appointed in September 2021 as Joint Chair across both South Tees Hospitals NHS Foundation Trust and North Tees and Hartlepool NHS Foundation Trust.

This joint appointment supports the work of the strategic board which was established in April 2021 to bring members of South Tees Hospitals NHS Foundation Trust and North Tees and Hartlepool NHS Trust Boards together to consider common issues that affect both Trusts. The Trust's Senior Leadership Team is led by Ms Sue Page, Chief Executive.

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

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

These committees are: Audit & Risk Committee, Chaired by Mr Jennings; Quality Assurance Committee Chaired by Ms Reape; Resources Committee, Chaired by Mr Ducker; Remuneration Committee, Chaired by Professor Bell and People Committee, Chaired by Ms Harris.

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

Board composition

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

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

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

Additional assurance of independence and commitment for those Non-Executive Directors serving longer than six years is achieved via a rigorous annual appraisal and review process in line with the recommendations outlined in the Code.

The Executive Directors and Directors are appointed by the Remuneration Committee on behalf of the Board of Directors. All Directors are appointed on permanent contracts and undertake an annual appraisal process to ensure that the focus of the Board remains on the patient and delivering safe, high quality, patient-centred care.

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

Board of Director Meetings

The Board held ten meetings during 2021/22 - all in public with a small element of business conducted in private due to the confidential nature of business to be discussed.

Board of Directors Profiles

Non-executive Directors

Professor Derek Bell OBE – (Joint Chair)

Derek has 40 years' experience in the NHS and previously served as president of the Royal College of Physicians. He was awarded an OBE in 2018 for services to unscheduled care and quality improvement.

Appointed 1 September 2021

Ada Burns – Non-executive Director/Vice Chair

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

Appointed 1 October 2019 for a three-year term

Richard Carter-Ferris – Non-executive Director

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

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

Mike Ducker – Non-executive Director

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

Appointed 1 February 2018 for a three-year term
Reappointed for second three-year term to 31 January 2024
Resigned 31 March 2022

Debbie Reape – Non-executive Director/ Senior Independent Director

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

Appointed 1 November 2018 for a three year term
Reappointed 27 July 2021 for a second term of office

Maria Harris - Non-executive Director

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

Appointed 3 December 2020 for a three year term
Resigned 31 March 2022

David Jennings - Non-executive Director

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

Appointed 3 December 2020 for a three-year term

David Redpath - Non-executive Director

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

Appointed 3 December 2020 for a two-year term
Appointed as full Non-executive Director on 1 August 2021 for three-year term

Neil Mundy – Interim Joint Chair

Appointed 2 February 2021 for six months as interim joint chair
Stepped down as Interim Joint Chair on 5 July 2021

David Heslop – Non-executive Director

Appointed 1 August 2015 for a three-year term
Reappointed 1 August 2018 for a further three-year term
Term of office ended 31 July 2021

Executive Directors

Sue Page – Interim Chief Executive Officer

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

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

Rob Harrison – Managing Director

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

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

Dr Michael Stewart – Chief Medical Officer

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

Appointed 1 February 2021

Dr Hilary Lloyd – Chief Nurse

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

Appointed 1 March 2021

Chris Hand – Chief Finance Officer

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

Appointed 1 March 2021

Attendance at Board meetings 2021/22

Non-executive Directors		Total number attended	% attendance
Ms A Burns	Non-executive Director & Vice Chair	7 / 10	70%
Ms D Reape	Non-executive Director & SID	10 / 10	100%
Mr R Carter-Ferris	Non-executive Director	10 / 10	100%
Mr M Ducker*	Non-executive Director	4 / 10	40%
Ms M Harris	Non-executive Director	8 / 10	80%
Mr D Jennings	Non-executive Director	10 / 10	100%
Mr D Redpath	Non-executive Director	10 / 10	100%
Mr N Mundy	Interim Joint Chairman	4 / 4	100%
Prof D Bell	Joint Chairman	6 / 6	100%
Executive Directors			
Ms S Page	Chief Executive	7 / 10	70%
Mr R Harrison	Managing Director from 1 September 2020	9 / 10	90%
Dr M Stewart	Chief Medical Officer	10 / 10	100%
Dr H Lloyd	Chief Nurse	10 / 10	100%
Mr C Hand	Chief Finance Officer	10 / 10	100%

Declaration of Interests of the Board of Directors

An annual review of the Board of Director's Register takes place alongside the annual review of the Fit and Proper Person Regulation assessment. This is in addition to any changes to Directors interests declared at the next routine meeting following the change to their interests. The Board of Directors has a standing agenda item which requires Executive and Non-executive Directors to declare any interest in relation to agenda items and any changes to their declared interests. The Register of Board interests is available for public inspection via the Trust's website.

Foundation Trust Membership

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

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

During 2021/22 the Governor Task and Finish Group for the Constitution met and made recommendations to the Council of Governors concerning changes to meet legal and regulatory requirements as well as changes to membership constituent areas.

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

Public members

We have 4,222 public members covering Middlesbrough, Redcar and Cleveland, Hambleton and Richmondshire and the remainder of the United Kingdom.

Public membership	**Number of members (31 March 2023**	**Eligible membership**
Age (years)		
16-21	3	23,117 (R – 26,998)
22-59	1,739	197,875 (R – 200,463)
60+	2,325	118,360 (R – 118,772)
Unknown	155	-

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

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

Staff members

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

The tables below provide details of STHFT's membership:

Constituency	Actual 31 March 2022	Actual 31 March 2021
Staff	8628	9,685

Public Constituency	Actual 31 March 2022	Actual 31 March 2021
Middlesbrough	2,630	1,175
Redcar and Cleveland	2013	1,172
Hambleton and Richmondshire	1367	1,113
Rest of England	2618	307
Patient and/or Carers	522	530

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

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

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

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

Council of Governors

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

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

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

The Council of Governors collectively has responsibility for supporting STHFT in taking account of the views of its members when developing forward plans and services. Our Governors were engaged with the formation of STHFT's operational plan for 2022/23.

Other statutory duties of the Council of Governors include:

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

There were a number of changes to the Council of Governors during 2021/22 including elections that were held. Details of the composition and changes that occurred are described in the following table:

Governor	Constituency	Term of Office	Number of Terms	Term due to end/ended	Council of Governor Meeting Attendance
Public Elected Governors					
Ann Arundale	Middlesbrough	3 years	2	November 2022	5/11
Rebecca Hodgson	Middlesbrough	3 years	2	November 2022	11/11
Jean Milburn	Middlesbrough	3 years	2	March 2024	7/11
Yvonne Bytheway	Middlesbrough	3 years	1	November 2022	11/11
Paul Fogarty	Middlesbrough	3 years	1	March 2021	7/11
Barbara Hewitt	Redcar and Cleveland	3 years	2	March 2024	1/11
Allan Jackson	Redcar and Cleveland	3 years	3	March 2024	8/11
Graham Fawcett	Redcar and Cleveland	3 years	1	March 2024	9/11
Jon Winn	Redcar and Cleveland	3 years	1	May 2022	4/11
Jennifer Rutland	Redcar and Cleveland	3 years	1	May 2022	4/11
Janet Crampton	Hambleton and Richmondshire	3 years	2	November 2022	11/11
Graham Lane	Hambleton and Richmondshire	3 years	1	March 2024	8/11
Sue Young	Hambleton and Richmondshire	3 years	1	March 2023	10/11
Mike Holmes	Hambleton and Richmondshire	3 years	2	November 2022	10/11
Nigel Puttick	Hambleton and Richmondshire	3 years	1	March 2024	6/11

Angela Seward	Rest of England	3 years	3	November 2022	11/11
Elaine Lewis	Patient/Carer	3 years	1	March 2024	7/11
David Bennett	Patient/Carer	3 years	1	May 2022	9/11
Staff Elected Governors					
Jonathan Broughton		3 years	3	May 2022	10/11
Steve Bell		3 years	1	May 2022	7/11
Martin Fletcher		3 years	1	May 2022 – **resigned July 2021**	4/5

Appointed/Partnership Governors

Governor	Partner Organisation	Date appointed	Council of Governor meeting attendance
Erik Scollay	Middlesbrough Council	January 2017 **Stood down January 2022**	0/8
Cllr David Coupe	Middlesbrough Council	January 2022	2/2
Cllr Caroline Dickinson	North Yorkshire Council	July 2017	10/11
Patrick Rice	Redcar and Cleveland Council	August 2019	0/11
Dr Philip Warwick	Durham University	June 2020	8/11
Prof Stephen Jones	Newcastle University	January 2016	5/11
Prof Stephen Cummings	Teesside University	October 2020 **Stood down May 2021**	
Carlie Johnston-Blyth	Teesside University	May 2021	6/11
Lee O'Brien	Carer Organisation	February 2020	3/11
Paul Crawshaw	Healthwatch Organisation	February 2015	0/11
Lisa Bosomworth	Appointed substitute for Healthwatch Organisation	May 2019	8/11

Council of Governor Meetings

From 1 April 2021, the Council of Governors met on 11 occasions which included six meetings held in public and five meetings held in private:

- 11 May 2021
- 1 July 2021
- 13 July 2021
- 14 September 2021
- 9 November 2021
- 18 January 2022
- 15 March 2022

Council of Governor Committees

The Council of Governors delegates some of its powers to Committees of Governors and these matters are described within STHFT's Constitution which includes the Nomination Committee. Further details on the workings of the Nomination Committee can be found within the Remuneration Report. The Council of Governors established other groups including the Membership and Engagement Committee as mentioned previously in this section of the report, Annual Operating Plan Group, the Constitution Working Group, Quality Account Group, Smoke Free Working Group. Due to the restrictions during COVID Governors were unable to participate in Governor Drop-in sessions across outpatient departments.

In line with NHS trusts across England, the Trust received letters from Amanda Pritchard, Chief Operating Officer, NHS England & NHS Improvement, in relation to reducing burden and releasing capacity at NHS providers in response to COVID-19. The letters contained details setting out guidance to free-up management capacity and resources. Governors were kept up to date with all guidance received and as a result of COVID-19, all Council of Governor meetings were carried out via Microsoft Teams.

Governor training and development

During the year Governors have been provided with access to a range of training and development opportunities to further support them in their role. These included inductions and learning and educational sessions held prior to Council of Governor meetings. There are a number of ways members of the Trust and members of the public can communicate with the Council of Governors:

Telephone: 01642 854151

Email: stees.foundation.trust@nhs.net

Write to your Governor at:
Membership Office
South Tees Hospitals NHS Foundation Trust
The Murray Building
James Cook University Hospital
Marton Road
Middlesbrough
TS4 3BW

The Board of Directors relationship with the Council of Governors

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

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

Declaration of Interests of the Council of Governors

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

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

Nomination Committee

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

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

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

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

- A review of the appraisal documentation for the previous 12 months
- Confirmation from the Chair that he considers the Non-executive Directors to be independent or the mitigating actions to ensure the effectiveness of the Board is not compromised
- Review of the skills mix of the Board of Directors

At the end of March 2022 two Non-executive Directors have resigned from their post; Mr Ducker and Ms Harris both for personal reasons.

The Committee met on four occasions during the period of the 1 April 2021 to 31 March 2022 to address the performance, appointment and re-appointment of the Non-executive Directors.

Non-executive Directors		**Total number attended**	**% attendance**
Ms D Reape	Non-executive Director & SID	3 / 4	75%
Mr J Broughton	Staff Governor	2 / 4	50%
Mr M Holmes	Public Governor	4 / 4	100%
Mr P Crawshaw	Appointed Governor	0 / 4	0%
Mrs A Seward	Lead Governor	4 / 4	100%
Mr S Bell	Staff Governor	3 / 4	75%
Ms J Crampton	Public Governor	4 / 4	100%
Ms R Hodgson	Public Governor	3 / 3	100%
Mr D Hall	Governor	1 / 1	100%

During 2021/22 the Council of Governors through the Nomination Committee agreed and had oversight on the following:

- Recommended the appointed of Mr Redpath to a full Non-executive Director following review of performance and appraisal data
- Recommended the reappointment of Ms Reape for a second term
- Recommend the remuneration of Ms Ada Burns as Vice Chair
- Considered the succession plan for the Board of Directors
- Agreed a short-term sabbatical for Mr Ducker
- Agreed the approach for the Non-Executive Director appraisals and received a report on the Non-executive Director appraisals from the Vice Chair
- Agreed the joint approach for the interim Joint Chair's appraisal and received a report on the appraisal from the SID
- Reviewed the terms of reference and annual cycle of business for the Committee

Service Contracts

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

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

NHS Improvement's Well Led Framework

During 2021/22 the Board carried out self-review against the Well Led Framework. An action plan was developed with updates received by the board and work continues to deliver the outcomes agreed by the Board.

Statutory statement required within the Directors Report

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

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

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

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

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

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

Annual Remuneration Report

Annual Statement on Remuneration

We present on behalf of the Board of Directors' Remuneration Committee the Trust's Remuneration Report for the financial year ending on 31st March 2022. The Remuneration Committee is a committee of the Board and is responsible for the recruitment, succession planning and remuneration of the Executive Directors and other Directors.

In accordance with the requirements of the HM Treasury Financial Reporting Manual (FReM) and NHS Improvement, we have divided this Remuneration Report into the following parts:

- An annual statement on remuneration from the Remuneration Committee;
- Senior Managers' Remuneration Policy; and
- Annual Report on Remuneration.

The process the Trust uses for assessing the performance of its Chief Executive and Directors is determined by the Remuneration Committee and is reviewed annually to ensure it is fit for purpose and meets current good practice for Board Directors. The Trust's policy on pay is that it will, for all staff groups, endorse any national proposals for pay, subject to the Trust being able to afford to pay any changes/increases.

The Trust Remuneration Committee aims to ensure that Executive Directors and Directors remuneration is set appropriately. The Committee takes into account relevant market conditions to ensure Executive Directors and Directors are remunerated appropriately and that their pay is reasonable and comparable to other Executive Director and Director pay.

The Committee was assured that salaries above the threshold displayed within the Remuneration table within the Accountability Report are reasonable and comparable to other Executive Director and Director pay.

The Chief Executive and Executive Directors receive a fixed salary which is reviewed annually and determined by independent benchmarking against NHS organisations throughout the country with the use of NHS Provider benchmarking information, NHS Annual Reports and Accounts and knowledge of job descriptions, person specifications and market pay.

Executive Directors and Directors are substantive employees and their contacts can be terminated by either party giving notice of three months.

For the purpose of this Remuneration Report only voting members of the Board are considered as 'senior managers'.

Due regard is also given to the diversity and complexity of the roles undertaken by the Directors when reviewing and benchmarking pay against comparators.

Any pay changes/increases will always be subject to formal review of both the individual Director's performance and the Trust's performance, taking cognisance of the national framework for pay.

The Remuneration Committee considers the key business objectives as set out in the Trust Strategic objectives and Improvement Plan allocated to each Director through the appraisal process. Performance is closely monitored and discussed through both an annual and on-going appraisal process. The Chief Executive and Managing Director take a joint lead on the evaluation of Directors and the Chairman takes the lead on the Chief Executive's performance.

During 2021-22, appraisals were held with the Chief Executive and Managing Director and each Director and all senior managers' remuneration is subject to satisfactory performance.

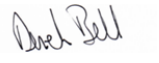
Major Decisions on Remuneration in 2021/22:

- The Remuneration Committee approved the post of Digital Director, remuneration and recruitment process
- The Remuneration Committee approved the appointment of a Joint Strategy & Partnership Director, remuneration and recruitment process
- The Remuneration Committee received a report on the performance and appraisal of the Executive Directors and Director team.
- The Remuneration Committee received a report on the Chief Executive's appraisal
- The Remuneration Committee approved the extension of the interim Director of Clinical Development

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

Signed: 

Date: 24.6.22
Sue Page CBE
Chief Executive & Accounting Officer

Signed: 

Date: 24.6.22
Professor Derek Bell OBE
Joint Chair

Senior Manager Remuneration and Benefits

The Remuneration Committee is committed to ensuring the Trust is able to offer proportionate and fair remuneration packages, reflective of the responsibility of working in a large and complex environment and to promote the long-term sustainable success of the Trust by attracting, recruiting and retaining high calibre staff in a competitive marketplace.

It considers the prevailing market conditions, benchmarks pay and employment conditions against appropriate peer, national and regional comparators and the Trust workforce. When appointing Directors and Executive Directors to the Trust, the Remuneration Committee aligns with the Trust's strategy to deliver Workforce Race Equality standards, Workforce Disability Equality Standards and increase inclusive leadership. The Trust values and promotes diversity and is committed to equality of opportunity for all. The Trust believes that the best boards are those that reflect the communities they serve and applications are particularly welcomed from women, people from the local black and minority ethnic communities, and disabled people who we know are under-represented in senior manager roles.

The Remuneration Committee always considers the pay and terms and conditions of service of all Trust employees when making any decisions relating to the Executive Directors' pay and conditions. This is to ensure that levels of responsibility and experience are reflected appropriately, take account of pay surveys conducted by NHS Providers, as well as comparisons with other North East trusts and consider any national inflationary pay awards awarded to agenda for change/medical and dental staff.

NHS England/NHS Improvement outlined recommendations for the 2021 annual pay increase for very senior managers in September 2021. Following a recommendation from the Senior Leadership Team, the Remuneration Committee agreed not to award a cost of living rise for the Chief Executive and Executive Directors in 2021-22 in line with the national recommendations.

Details of Directors' remuneration and pension entitlements for the year ending 31 March 2022 are published in this Remuneration Report and the Annual Accounts section.

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

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

There are no components to senior manager salaries other than those disclosed within the tables in this report. Total remuneration includes salary, non–consolidated performance-related pay and benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions for 2021-22. There have been no special contractual compensation provisions attached to the early termination of a senior manager's contract of employment and there has been no payment for compensation for loss of office paid or receivable under the terms of an approved compensation scheme.

Service contract obligations

Director and Executive Director service contracts do not include obligations on the foundation Trust which could give rise to or impact on remuneration payments or payments for loss of office. Trust does not make payments for loss of office outside the standard contract terms included in the employment contracts of senior managers.

Policy on payment for loss of office

The Members of the Executive Team are appointed on permanent contracts with a notice period of three months for them to serve and a period of three months for the Trust to serve.

The Medical Director's salary is in accordance with the terms and conditions of the National Health Service Consultant Contract plus a responsibility allowance payable for the duration of office which is three years.

Early termination by reason of redundancy is in accordance with the provision of the NHS redundancy arrangements and in accordance with the NHS pension scheme. Employees above the minimum retirement age that request termination by reason of early retirement are subject to the normal provisions of the NHS pension scheme.

Element	Link to Strategy	Operation	Maximum	Changes
Base salary	To set a level of reward for performing the core role. To provide a competitive salary relative to comparable healthcare organisations in terms of size and complexity.	The aim is to offer benchmarked salary which the Committee consider appropriate for experience and performance	There is no prescribed maximum annual increase. When reviewing salaries, the Committee take account of personal and organisational performance and any national award offered to the wider employee population	No
Taxable benefits Annual performance related bonuses	The current remuneration policy of the Trust does not make provision for taxable benefits or performance related bonuses unless specifically agreed by the Remuneration Committee on a case-by-case basis.			
Pension related benefits	To provide pensions in line with NHS Policy	Directors are automatically enrolled in the NHS pension scheme on the same basis as all other colleagues with the NHS	Pension arrangements for the chief Executive and Executive Directors and Directors are in accordance with the NHS pension scheme. The Accounting policies for pensions and other relevant benefits are set out in the note 1.5 to the accounts	No

Directors' costs table 2021/22 *(subject to audit)*

Figures below are for the 12-month period from 1 April 2021 to 31 March 2022 for comparison purposes a table showing figures for the prior year is also included.

Name and title	Salary & fees (in bands of £5k)	Taxable benefits (total to the nearest £100)	Performance-related bonuses (in bands of £5k)	Long-term performance-related bonuses (in bands of £5k)	All pension-related benefits (in bands of £2.5k)	Total
	£000	£00	£000	£000	£000	£000
Alan Downey (1)	-	-	-	-	-	-
Chairman						
Neil Mundy (2)	10-15	-	-	-	-	10-15
Joint Chair						
Derek Bell (3)	25-30	-	-	-	-	25-30
Joint Chair						
David Heslop (4)	5-10	-	-	-	-	5-10
Non-executive Director						
Richard Carter-Ferris	15-20	-	-	-	-	15-20
Non-executive Director						
Maureen Rutter (5)	-	-	-	-	-	-
Senior Independent Director and Non-executive Director						
Ada Burns	20-25	-	-	-	-	20-25
Non-executive Director						
Debbie Reape	15-20	-	-	-	-	15-20
Non-executive Director						
Michael Ducker	15-20	-	-	-	-	15-20
Non-executive Director						
Maria Harris	10-15	-	-	-	-	10-15
Non-executive Director						
David Redpath	10-15	-	-	-	-	10-15
Non-executive Director						
David Jennings	10-15	-	-	-	-	10-15
Non-executive Director						
Sue Page	235-240	24	-	-	-	240-245
Chief Executive						
Robert Harrison	160-165	1	-	-	90-92.5	250-255
Managing Director						
Steven Mason (6)	-	-	-	-	-	-
Director of Finance						
Chris Hand	140-145	1	-	-	242.5-245	385-390
Chief Finance Officer						
Gill Hunt (7)	-	-	-	-	-	-
Director of Nursing						
Mike Stewart	175-180	1	-	-	-	175-180
Medical Director						
David Chadwick (8)	-	-	-	-	-	-
Medical Director						
Adrian Clements (9)	-	-	-	-	-	-
Medical Director						
Sath Nag (10)	-	-	-	-	-	-
Medical Director						
Deirdre Fowler (11)	-	-	-	-	-	-
Director of Nursing						
Hilary Lloyd	140-145	-	-	-	225-227.5	365-370
Director of Nursing						
Band of Highest Paid Director's Total Remuneration in £000s (excluding redundancy payments and payments in lieu of notice)	**235-240**					

(1) Alan Downey left the Trust on 2 February 2021.
(2) Neil Mundy left the Joint Chair role on 5 July 2021.
(3) Derek Bell was appointed to the Joint Chair role on 1 September 2021.
(4) David Heslop left the Trust on 31 July 2021.
(5) Maureen Rutter left the Trust on 30 August 2020.
(6) Steven Mason stepped down as voting board director on 28 February 2021
(7) Gill Hunt left the Trust on 31 October 2020.
(8) David Chadwick resigned as Medical Director and stepped down as voting board director on 31 August 2020
(9) Adrian Clements resigned as Medical Director on 30 October 2020 and stepped down as voting board director on 30 October 2020
(10) Sath Nag Resigned as Medical Director and stepped down as voting director on 31 January 2021
(11) Deirdre Fowler left the Trust on 15 January 2021.

Directors' costs table 2020/21

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

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

The figures for Taxable Benefits relate to lease cars and accommodation costs

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

** In accordance with NHS Improvement's NHS Foundation Trust Annual Reporting Manual s2.48, where the calculations for Pension-Related Benefits result in a negative value the result should be reported as zero.

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

Pension Information

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

The figures below are for the 12-month period from 1 April 2021 to 31 March 2022:

	Real increase in pension at pension age	Real increase to pension lump sum at pension age	Total accrued pension at pension age at 31 March 2022	Lump sum at pension age related to accrued pension at 31 March 2022	Cash equivalent transfer value at 1 April 2021	Real increase in cash equivalent transfer value	Cash equivalent transfer value at 31 March 2022	Employer's contribution to stakeholder pension
Executive Directors	Bands of £2,500	Bands of £2,500	Bands of £5,000	Bands of £5,000	£000s	£000s	£000s	£000s
Robert Harrison Managing Director	5-7.5	5-7.5	40-45	70-75	510	56	592	0
Chris Hand Chief Finance Officer	10-12.5	25-27.5	35-40	80-85	406	175	604	0
Hilary Lloyd Director of Nursing	10-12.5	30-32.5	55-60	165-170	989	242	1,256	0

The comparative figures for the 12-month period from 1 April 2020 to 31 March 2021 are as follows:

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

Note: In the tables above, the benefits and related CETVs do not allow for any potential future adjustment arising from the McCloud judgment.

Notes to Senior Managers remuneration and Pension benefits

A Cash Equivalent Transfer (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme, or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies.

The CETV figures, and from 2004-2005 the other pension details, include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme.

Fair Pay Multiple *(subject to audit)*

As an NHS Foundation Trust, the Trust is required to disclose the relationship between the remuneration of the highest paid Executive Director in their organisation and the lower quartile, median and upper quartile remuneration of the organisation's workforce (this excludes one-off severance payments and pension related benefits). For this Trust, Executive Directors are deemed those with voting rights on the Board, as disclosed in the salary table above. In 2021/22 the highest paid Director in the Trust is the Chief Executive (in 2020/21 the highest paid Director was also the Chief Executive).

The banded remuneration of the highest paid Director at the Trust in 2021/22 was £237,500 (2020/21 £237,500). This was 7.5 times (2020/21 7.8 times) the median remuneration of the workforce, which was £31,593 (2020/21 £30,474).

This exercise has included all staff employed by the Trust during the financial period, regardless of whether they were still employed at 31 March 2022. The remuneration figures used are based on Trust employees including locum staff, the Trust's in-house nurse, clerical bank staff and excludes external agency staff.

In 2021/22, three employees received remuneration in excess of the highest paid Director (four employees in 2020/21). Remuneration ranged from £18,545 to £305,148 (2020/21 £18,005 to £290,255). The percentage change in average employee remuneration (based on total for all employees on an annualised basis divided by full time equivalent number of employees) between years is 5.3%. Total remuneration includes salary, non-consolidated performance-related pay, benefits in kind but not severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions. The starting point for the ranges for the financial periods is based on the minimum agenda for change pay scales.

The remuneration of the employee at the 25th percentile, median and 75th percentile is set out below. The 2020/21 values have been restated to aid comparison to 2021/22 values as part of this disclosure. The pay ratio shows the relationship between the total pay and benefits of the highest paid director (excluding pension benefits) and each point in the remuneration range for the organisation's workforce.

	2021/22			2020/21		
	25th percentile	Median	75th percentile	25th percentile	Median	75th percentile
Total pay and benefits excluding pension benefits	23,071	31,593	41,617	22,262	30,474	40,123
Banded remuneration of highest paid director	237,500	237,500	237,500	237.500	237,500	237,500
Ratio of total pay and benefits and the mid-point of the banded remuneration of the highest paid director	10.3	7.5	5.7	10.7	7.8	5.9

Expenditure on consultancy

In 2021/22, expenditure on consultancy was £0.888 million (2020/21 £0.596 million). Consultancy expenditure in the year related mainly to support in developing and delivering the Trust's Financial Improvement Programme.

Staff exit packages

In 2021/22, the Trust agreed an exit package with 25 members of staff (there were no instances in 2020/21) which cost £0.380 million. Further information to support the exit packages is included in Note 5.3 and Note 5.4 of the Financial Statements.

Governors' expenses

In accordance with STHFT's Constitution Governors are eligible to claim expenses for travel at rates determined by STHFT. Out of the Council of Governor membership there were seven Governors who claimed expenses which totalled £111.95.

Directors' expenses

In 2021/22, expenses paid to those holding the office of Director at the Trust totalled £17,561. All costs paid related to the reimbursement of travel, subsistence costs and course expenses. Details of remuneration and benefits in kind can be found within the remuneration table.

Analysis of staff costs *(subject to audit)*

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

Off-payroll engagements

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

Highly paid off-payroll worker engagements as at 31 March 2022 earning £245 per day or greater:	
Number of existing engagements as of 31 March 2022 of which:	1
Number that have existed for less than one year at time of reporting	0
Number that have existed for between one and two years at time of reporting	1
Number that have existed for between two and three years at time of reporting	0
Number that have existed for between three and four years at time of reporting	0
Number that have existed for four or more years at time of reporting	0

All highly paid off-payroll workers engaged at any point during the year ended 31 March 2022 earning £245 per day or greater:	
Number of off-payroll workers engaged during the year ended 31 March 2022:	1
Of which:	
Not subject to-off-payroll legislation	0
Subject to off-payroll legislation and determined as in-scope of IR35	0
Subject to off-payroll legislation and determined as out-of-scope of IR35	1
Number of engagements reassessed for compliance or assurance purposes during the year	0
Of which: number of engagements that saw a change to IR35 status following review	0

Any off-payroll engagements of Board members, and/or, senior officials with significant financial responsibility, between 1 April 2021 and 31 March 2022:	
Number of off-payroll engagements of Board members, and/or senior officials with significant financial responsibility, during the financial year	0
Number of individuals that have been deemed 'Board members and/or senior officials with significant financial responsibility' during the financial year. This figure must include both off-payroll and on-payroll engagements	0

The Audit Committee

The Audit & Risk Committee has been chaired by Richard Carter-Ferris since September 2015 and during 2021/22 Mr Carter Ferris handed over responsibility to Mr David Jennings as Chair of the Committee as part of planned and managed transition as Mr Carter Ferris comes towards the end of his non executive Director tenure. In compliance with the Code, we have ensured that the committee is chaired by a Non-Executive Director with recent and relevant financial experience.

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

During 2021/22 the Audit Committee terms of reference was expanded to have a stronger focus on Risk Management and become the Audit & Risk Committee. The agenda is split into two sections in order to separate out the duties.

Meeting attendance for 2021/22 is shown in the table below:

Non-executive Directors	Total number attended	% attendance
Mr R Carter-Ferris	6 / 6	100%
Mr D Heslop	1 / 3	33%
Mr M Ducker	0 / 6	0%
Mr D Jennings	6 / 6	100%

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

The Committee ensured a focus on the effectiveness of arrangements in place for counter fraud, anti-bribery and corruption to ensure that these met the NHS Counter Fraud Authority's requirements standards.

The Committee met its responsibilities during 2021/22 by:

- Reviewing the Board Assurance Framework
- Reviewing risk and internal control-related disclosures, such as the Annual Governance Statement
- Reviewing the work and findings of Internal Audit, including the Internal Audit annual plan
- Reviewing the work and findings of External Audit
- Reviewing the work and findings of the Local Counter Fraud Officer
- Reviewing the process by which clinical audit is undertaken in the organisation
- Reviewing the process by which staff are able to speak up in the organisation
- Monitoring the extent to which our external auditors undertake non-audit work having reference to the Auditors Guidance Note 1 (AGN01) 'General Guidance Supporting Local Audit'
- Receiving assurance that the organisation is compliant with the NHS England EPRR core standards and has an effective business continuity process in place

- Reviewing the 2021/22 Financial Statements and Annual Report, prior to submission to the Board and NHS Improvement
- Seeking assurance that the financial statements have been appropriately compiled on a going concern basis
- Reviewing and approving the Trust's Standing Financial Instructions and Scheme of
- Delegation
- Receiving assurance regarding PFI lifecycle
- Reviewing Trust policies such as standing financial instructions, accounting policies and BAF standard operating procedure
- Approving the Register of Interests for the Trust Board of Directors
- Seeking assurance in relation to the Trust's compliance with regulatory changes
- Reviewed the schedule of losses and compensations, the annual fraud report and provided assurance to the Board following each of its meetings
- Undertook a deep dive into the work of the sub committees and management of risk including People Committee, Resources Committee and Quality Assurance Committee.

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

A review of the Committee effectiveness was undertaken in April 2022, based on a survey of members and attendees. Members were satisfied with the way the Committee was operating and a small number of considerations are identified in the report.

In the review of internal audit and management assurance reports, Audit & Risk Committee identified a number of high-risk areas including Patient Experience, Key Financials systems and controls, GDPR, Estates Management and Maintenance/ Major Capital Projects, Maternity, Digital Governance, Health & Safety and Consent.

Charitable Funds Committee

The Charitable Funds Committee has continued to meet during 2021/22 for the on-going management of charitable funds on behalf of the Corporate Trustees.

NHS Trust Code of Governance

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

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

South Tees Hospitals NHS Foundation Trust has applied the principles of the NHS Foundation Trust Code of Governance on a 'comply or explain' basis. The NHS Foundation Trust Code of Governance, most recently revised in July 2014, is based on the principles of the UK Corporate Governance Code issued in 2012. There are other disclosures and statements (mandatory disclosures) that we are required to make, even where we are fully

compliant. The mandatory disclosures have already been made within the main text of the Annual Report and page references are therefore provided below.

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

Provision reference	Compliance evidence
A.1.1.	The board meetings monthly in public (10/12). There is a annual cycle of business which sets out matters reserved for its decision. Standing Orders of the Board and Council of Governors, Scheme of Delegation, and Standing Financial Instructions. The annual report outlines the role of the board and COG.
A.1.2.	The board of Directors role and responsibilities, identifies the Chair, Vice Chair, CEO and Senior Independent Director. Details of the number of meetings and attendance for the board, Council of Governors, Nomination Committee, Remuneration Committee and Audit committee is included in the annual report
A.3.1.	The Board of Directors considers all Non-Executive Directors of the Trust to be independent. Further detail is provided within the Directors' report of the Annual Report
B.1.1.	The Board of Directors considers all Non-Executive Directors of the Trust to be independent. Further detail is provided within the Directors' report
B.2.1.	A nominations committee is in please made up of members of the council of governors. This is described in the annual report. The Chairman chairs the committee. Terms of reference are in place explaining the role.
B.2.4.	The annual report describes the work of the nomination committee in relation to board appointments. This includes diversity.
B.3.1.	A job description is available for the chairman as agreed with the nomination committee. Significant commitments were disclosed before appointment and interests are included in the annual report.
B.3.2.	A service contract setting out the conditions of appointment for NEDs are included in their personal files. Registers of interest are disclosed and updated routinely. This is available on the Trust website.
B.6.1.	The Annual Governance Statement, details how the performance of the Board and its committees has been conducted.
B.6.2.	An external facilitator has not been used.
B.7.1.	The Nomination Committee consider the appointment or reappointment of non-executive directors of the board. They consider appropriate information including biographical details to enable them take an informed decision on their appointment
B.7.2.	The nomination committee consider the terms of office for non-executive directors and make recommendations to the council of governors on their reappointment
C.1.1.	The Director's explanation of responsibility in relation to the preparation of the Annual Report and Accounts is detailed in the statement of the Chief Executive's responsibilities as the Accounting Officer of South Tees Hospitals NHS Foundation Trust the Directors approach to quality governance is detailed in the Annual Governance Statement
C.1.2	Annual Governance Statement details the review of effectiveness of the Trust's internal controls.
C.1.3.	A going concern audit is undertaken annually by the external auditor and reported to the Audit committee and in the accounts.
C.2.1.	Annual Governance Statement details the review of effectiveness of the Trust's internal controls.
C.2.2.	The Annual Governance Statement details how the Trust's internal audit function is structured and the role that it performs.

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

NHS System Oversight Framework

System Oversight Framework

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

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

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

Segmentation

Across the themes of the SOF (quality of care, finance and use of resources, operational performance, strategic change, leadership and improvement capability) the Trust is placed in segment 3, mandated support for significant concerns, under the NHSI Regulatory Approach (Support Regime). The Trust is currently gaining external support on emergency care pathways and cost improvement and transformation.

Staff Report

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

National NHS Staff Survey 2021

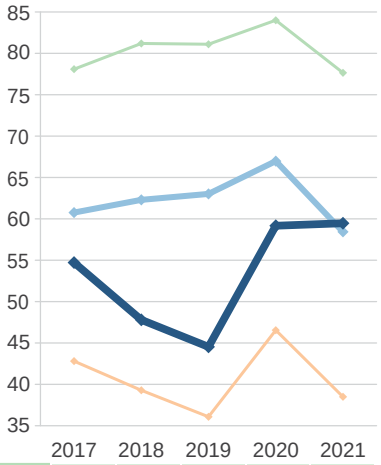
The NHS annual staff survey was carried out from 4th October to 26th November 2021. The survey mode was mixed and the sample type was census with a response rate of 31% (2,877 members of staff).

For the 2021 survey onwards the questions in the NHS Staff Survey are aligned to the People Promise. This sets out, in the words of NHS staff, the things that would most improve their working experience, and is made up of seven elements:

On the core questions, the Trust's 2021 NHS Staff Survey results are:

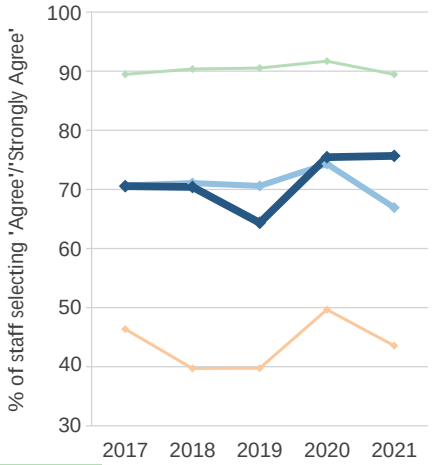
- If a friend or relative needed treatment I would be happy with the standard of care provided by this organisation (increase to 75.7 per cent and now above the 66.9 per cent national average).
- Care of patients / service users is my organisation's top priority (increase to 76 per cent and now above the 75.5 per cent national average).
- I would recommend my organisation as a place to work (increase to 59.5 per cent and now above national 58.4 per cent average).

Q21c
I would recommend my organisation as a place to work



	2017	2018	2019	2020	2021
Best	89.5%	90.4%	90.5%	91.7%	89.5%
Your org	70.5%	70.4%	64.4%	75.4%	75.7%
Average	70.7%	71.1%	70.6%	74.3%	66.9%
Worst	46.4%	39.7%	39.8%	49.7%	43.6%

Q21d
If a friend or relative needed treatment I would be happy with the standard of care provided by this organisation



	2017	2018	2019	2020	2021
Best	78.1%	81.2%	81.1%	84.0%	77.6%
Your org	54.7%	47.8%	44.5%	59.2%	59.5%
Average	60.8%	62.3%	63.0%	67.0%	58.4%
Worst	42.8%	39.3%	36.1%	46.5%	38.5%

Best	7.8	6.5	7.3	6.5	6.0	6.7	7.1	7.4	6.5
Your org	7.3	5.9	6.8	5.9	5.1	5.8	6.7	6.9	5.8
Average	7.2	5.8	6.7	5.9	5.2	5.9	6.6	6.8	5.7
Worst	6.7	5.3	6.1	5.5	4.3	5.4	6.2	6.3	5.3

We are Compassionate and inclusive

Key indicators in the section relate to care of our patients, raising concerns and recommending the Trust as a place to work. We have improvements in all of these areas and now benchmark above the national average.

We are recognised and rewarded

This theme includes recognition for good work, feeling values and satisfaction with level of pay. Our results are comparable with last year with no significant deviation.

We each have a voice that counts

This theme explores the how colleagues feel about their work environment with opportunities to use initiative, are trusted to do their role and are able to make suggestions.

Compared to our results from 2020 we have seen an improvement in this theme, with a significant improvement in colleagues being trusted to do their job which has increased from 89.5% in 2020 to 92.0% in 2020. We have also significantly improvement in colleagues feeling secure about raising concerns about unsafe clinical practice which has improved from 67.6% in 2019, to 72.7% in 2020 and 76.9% in 2021.

We are safe and healthy

This theme covers staffing, health and wellbeing and bullying and violence. The survey reports a reduction in musculoskeletal problems and work-related stress against an increase in the national portion. Bullying from managers and other colleagues has also reduced.

We are always learning

This theme focuses on development opportunities and appraisals. We are in line with the national average for supporting staff to develop and career opportunities. We have improved on our 2020 position for colleagues suggesting the appraisal helped to improve colleagues to do their role and left them feeling valued.

In addition, the work the Trust has undertaken over the last 12-months has seen a significant increase in the number of colleagues reporting that the organisation acts fairly with regard to career progression / promotion, regardless of ethnic background, gender, religion, sexual orientation, disability or age (increase to 57.2 per cent and now above the national 55.7 per cent average).

We work flexibly

This theme relating to home life balance and flexible working. We have improved our position for opportunities for flexible working patterns.

We are a team

This theme looks at the support, respect and encouragement from line managers and team working. We have seen an improvement in all questions when benchmarked to our results from 2020. There has been significant improvement in the respect colleagues receive when at work which has increased from 68.5% in 2020 to 72.3% in 2021.

Morale

The theme covered in this section are colleagues thoughts on leaving the organisation, materials, staffing and relationships. We have seen an increase in colleagues feeling they get the respect they deserve and encouragement.

Staff engagement

This theme looks at motivation, enthusiasm and ability to make suggestions and improvements in the role. Further improvement has seen an increase in overall staff engagement to 6.9 which is now above the 6.8 national average.

Staff Engagement – Creating a Sense of Belonging

We want to make the Trust a great place to work and encourage people to develop their career here. It is important for our people to know that we listen and take action on suggestions for improvement.

Our People Plan for 2020/23 articulates how we will deliver on the national People Plan priorities by improving the working experience of our people through five key strategic enablers:

- Addressing workforce shortages
- Improving learning and leadership culture
- Embedding equality, diversity and inclusion
- Creating a sense Belonging
- Improve health and wellbeing

The objective of the strategic enabler – creating a sense of belonging are:

- Actively engage and listen to colleagues so they feel values and respond positively to annual staff survey and regular check in surveys to improve job satisfaction
- Ensure that we have open and honest and transparent and positive channels in which colleagues can raise concerns
- Reward, praise and celebrate colleagues for the contribution they make to the Trust, patients and other colleagues

The following are examples of activities where the Trust has actively sort to engage with its workforce to gain insight and feedback to improve the workplace environment making the Trust a place whereby staff feel involved.

Staff Engagement Network

The Staff Engagement Network which has been in place for 12 months has identified the following 4 key focus areas:

- Recognising and celebrating success
- Employee Offer and Experience
- Creating a sense of pride and belonging
- Values and Behaviours

Staff Recognition

Over the last year we have continued to develop our STAR awards to recognise excellence and celebrate success. These are presented by our Non-Executive Director colleagues and published on our social media.

Appraisals

During December 2021 and January 2022, a survey link was emailed directly to all 1,510 colleagues, to evaluate the new values-based appraisal that was rolled out in May 2021. We received 282 responses which equates to an 18.7% return rate. We are now in the process of establishing a small working group to review the feedback and to identify further improvements to the new appraisal process. Our new values, supportive, caring and respectful are at the heart of our appraisal documentation.

A task and finish group has also been established which is reviewing and improving the current Management Essentials Programme. Within the programme the module on Appraisal is also being reviewed and the feedback from the survey is being incorporated into the redesign of this module.

Value Based Recruitment

Values Based Recruitment is an approach to help attract and select employees whose personal values and behaviours align with the values of the Trust. All successful candidates are provided with the opportunity to have a voice, via a recruitment questionnaire which prompts them to be honest about their recruitment experience. Anyone who wishes to express any comments regarding the recruitment process are provided with direct access to the Recruitment Manager.

Homeworking Forum

A homeworking forum, to reach out to those colleagues who undertake agile working from home, had its first meeting in October 2021. The event was hosted by the Head of HR, Health and Wellbeing Nurse and Staff Side Representatives. Approximately 30 staff attended the event. The event focussed on staff views and feedback on their experiences of remote working, specifically focussed on their relationship with colleagues and managers. A monthly support group has now been established and includes colleagues from Staff Side.

Raising Concerns and Issues

The HR team, in partnership with Staff Side, have developed their engagement relationship by jointly promoting their achievements over the last 12 months and promoting the positive outcomes achieved which have benefited staff within the organisation.
By communicating the successful conclusion of a number of issues that were raised by staff, they are able to demonstrate that staff have a voice that is listened to and acted upon. Some of the positive outcomes include:

- Staff who were subject to a change process which resulted in a change of base would receive excess mileage for a total of 4 years.
- Introduction of a robust risk assessment process and review with a total of 98% of the organisation with an up-to-date risk assessment.
- Reviewed the policy and process for suspension of staff as a result of gross misconduct – adopting a just culture approach.
- Undertook a review of the on-call payments, to ensure consistency across the organisation.
- Promoted redeployment opportunities for staff returning from absence who were not able to return to their substantive duties.

Health and Wellbeing

COVID-19 has heightened our awareness that it is crucial for us to care more about our own and each other's health and wellbeing. Good health and wellbeing of our people is a key focus and we want to ensure that we provide support for mental, physical, personal and financial wellbeing.

We want a positive wellbeing culture with initiatives that are relevant to our colleagues both now and in the future. We promote our health and wellbeing and engagement initiatives to ensure all colleagues are aware of what is available and that it is embedded across the whole Trust. We support colleagues to enable them to achieve good attendance and we have strengthened our focus specifically on mental health awareness to address identified issues of concern.

The Trust health & wellbeing objectives are:

- Develop a positive workplace environment that supports health and wellbeing
- Ensure our policies and practices support health and wellbeing
- Support healthy body for all and ensuring healthy eating options are available
- Encourage a healthy mind and reduce stigma relating to mental health
- Promote and support financial wellbeing

Better Health at Work Award

In Dec 2021 the Trust were successful in gaining the Bronze level - Better Health at Work Award, overall feedback included:

"This is a sound Bronze submission (with some very good aspects) for South Tees and there has clearly been an increased impetus to deliver a meaningful health and wellbeing offer to support staff and ultimately create a healthier, happier, higher-performing workplace over the last 12-18 months, and long may this continue".

Impact of COVID-19

2021/22 has again been a challenging year with the continuing workplace pressures placed on our staff following the outbreak of COVID in March 2020. This has had one of the greatest impacts on the NHS in its history and in particular, upon its amazing and dedicated workforce. Never before has the need to support our colleagues' health and wellbeing been such an essential element of our People Plan.

We continue to support our colleagues throughout the COVID-19 pandemic by maintaining positive and supportive working environments. We continue to undertake welfare calls to staff who are struggling with ongoing COVID symptoms. We have continued to provide on-site Covid testing for our colleagues and their household contacts, whilst continuing with our COVID vaccination programme with more than 95% of the workforce vaccinated.

Embedding Health & Wellbeing

Health and Wellbeing is included within the new Welcome Induction to new employees. This is a valuable opportunity to showcase how we can support employee's health and wellbeing. We have also now embedded health and wellbeing conversations into our new appraisal processes. This ensures that during appraisal discussions staff are able to discuss any health and wellbeing related issues and managers can then signpost staff to Health & Wellbeing support services.

Psychological Wellbeing

We have seen a significant increase in demand from across our workforce for access to staff psychological support services especially counselling. Our Wellbeing Guardian, Staff Psychological Wellbeing Advisor and Staff Support Psychologist now also undertake monthly wellbeing walkabouts. During 2021/2022 wards and departments have continued to be visited to ensure staff feel listened to and any concerns are noted and fed back at the Wellbeing Strategy Group for action.

Utilising charitable funds, a project has commenced developing three new 'Wellbeing Pods' which will be located at James Cook Hospital and the Friarage Hospital. This will provide staff with dedicated spaces to take time out in a relaxing purposed built environment. There will also be a specific pod for staff to access wellbeing initiatives and psychological support.

Physical Wellbeing

The Physiotherapy Service continues to be in high demand 97% of staff with work related MSK issues felt that the service helped to keep them at work and avoid sickness absence. 76% of referrals for staff who were absent felt that the service helped them to return to work quicker.

We are committed to support physical wellbeing and have undertaken a wide range of Health & Wellbeing awareness raising campaigns that include interactive events and activities. Following are some examples of activities rolled out during 2021/22:

- # World Run challenge
- Menopause awareness days
- Doctor bike clinics to encourage and support cycling
- Caring 4 U campaign topics via a series of informative videos included Menopause Awareness, Mindfulness, Sleep Hygiene and Relaxation
- Back Care Awareness Week
- Mental Health Awareness Day where staff were encouraged to acknowledge It's Ok not to be Okay and where to access support in the Trust.
- During the month of December alcohol use and the party season was the wellbeing campaign for the month.

Financial Wellbeing

Through partnership working with our staff side colleagues on our Joint Partnership Committee, an agreement was reached that we would continue to provide support with our own Hardship Fund provided through the Trust's Charity and provision of Salary Advance through the Trust's finance department.

We are now working with 'The Money and Pensions Service' - an arm's-length body sponsored by the Department for Work and Pensions, with a joint commitment to ensuring that our colleagues have guidance and access to the information they need to make effective financial decisions over their lifetime, delivered across five core functions: Pension guidance, Debt advice, Money guidance, Consumer protection, strategy.

To address this, we have updated our intranet page to provide a comprehensive range of financial wellbeing services which includes:

- National Debt Advice and Management Services
- Government help to save scheme
- Benefit calculators
- Credit score and report services
- Gambling support
- Childcare
- Financial wellbeing - NHS website
- Pensions
- Benefits and discounts
- Travel

Occupational Health Services

On top of this amazing work our Occupational Health team have continued to provide normal business as usual activities including physiotherapy services, annual health campaigns and roll out of the flu vaccination. Due to COVID restrictions the team has utilised new and creative approaches to deliver their services including the rollout of wellbeing videos and access to online services.

Embedding Equality, Diversity and Inclusion

Through our equality, diversity and inclusion initiatives we continue to promote our values and behaviours at every opportunity and specifically to engender a sense of belonging for all by creating an environment where we value unique differences.

We strive to ensure our workforce is representative of the communities that we serve and recognise the contribution of all colleagues is supportive, fair and free from discrimination and ensure there is psychological safety for all.

The Trust Equality, Diversity and Inclusion objectives are:

- Ensure open and transparent opportunities for all
- Review people policies and procedures
- Create diverse and inclusive culture
- To keep our colleagues safe and well at work

Staff Equality and Diversity Information 2022

Below is the current EDI data relating to the workforce at Year Ended 31-MAR-2022:

Gender	FTE	Headcount
Female	6715.90	7943
Male	1618.89	1847
Total	**8334.80**	**9790**

Ethnicity	FTE	Headcount
BME	891.20	1006
Not Stated	291.99	353
White	7151.62	8431
Total	**8334.80**	**9790**

Sexual Orientation	FTE	Headcount
Bisexual	47.19	53
Do not wish to disclose	1873.60	2307
Gay or Lesbian	120.69	133
Heterosexual or Straight	6260.05	7241
Other sexual orientation not listed	6.20	9
Undecided	2.00	2
Unspecified	25.07	45
Total	**8334.80**	**9790**

Religious Belief	FTE	Headcount
Christianity	3844.79	4499
Atheism	1245.38	1423
Buddhism	27.23	31
Do not wish to disclose	2164.30	2628
Hinduism	106.06	118
Islam	219.55	251
Judaism	2.76	3
Other	685.92	777
Sikhism	12.40	13
Unspecified	26.41	47
Total	**8334.80**	**9790**

Disability	FTE	Headcount
Learning disability/difficulty	64.13	74
Long-standing illness	54.35	64
Mental Health Condition	25.31	29
No	6060.67	7036
Not Declared	1825.14	2184
Other	12.40	14
Physical Impairment	12.67	17
Prefer Not to Answer	15.53	17
Sensory Impairment	14.41	20
Unspecified	180.25	253
Yes - Unspecified	69.95	82
Total	**8334.80**	**9790**

Reciprocal Mentorship programme

We have worked in collaboration with the BAME network to launch a Reciprocal Mentorship programme.

We were the first Trust in our region to take part in the Reciprocal Mentoring Programme which is a systemic intervention designed to enable change that leads to greater equity of outcomes across the whole organisation.

Equality Delivery System (EDS 2)

Overarching all of the EDI work within the Trust is the Public Sector Equality Duty which is delivered in the NHS through the Equality Delivery System (EDS 2), which supports the following four goals:

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

Work is currently underway to update the EDS 2 assessment and a new governance structure has been developed to ensure that we are able to demonstrate through an evidence base how we are performing against the EDS 2.

Gender Pay Gap Report

This report details our headline pay gap figures as at 31 March 2021, a brief analysis of why we have a pay gap and an overview of our actions to close the gap. We are committed to ensuring that our pay practices are transparent, fair and equitable. The Trust has adopted and implemented national NHS pay schemes which have undergone an equality analysis.

Our mean gender pay gap is 31.9% and our median gender pay gap is 19.2% which is a marginal improvement of 0.5% for the same period last year. This suggests that our pay gap is impacted by the highest (male) earners in the organisation.

The main reason for the gender pay gap is an in-balance in the numbers of men and women across the whole workforce and a 36% pay gap in the upper quartile. The Medical Consultant workforce predominantly consists of men (71%) and Consultants are the highest paid group of staff - this difference is influencing the gender pay gap.

The progress we have made over the last year has seen an increase % of our female medical staff aged 40 and under is now 51.43% in 2021 versus 48.57% of male Medical staff, placing the Trust in a strong position to influence gender ratios at Consultant grade in the future.

EDI Steering Group & Staff Networks

The Equality Diversity and Inclusion (EDI) Steering Group monitors and supports progress against the strategic goal of Embedding EDI, which is within the Trust's People Plan. This group reports into the People Committee which feeds up into the Trust Board providing assurance of progress against the plan.

The EDI Steering Group has representatives from across a range of EDI staff networks and groups, including staff side representatives. The EDI Steering Group meets monthly and includes the Patient Experience Lead and integrates work from other Trust strategies (i.e. health and wellbeing, education, learning and development) to ensure our patients and carers have a positive experience. The work of the group has included the development of EDI network groups, providing a forum for individuals to come together, to share ideas, raise awareness of challenges and provide support to each other. The network groups identified so far are:

- Lesbian, Gay, Bisexual and Transgender Networks (LGBT+)
- Black Asian Minority Ethnic Network (BAME)
- Faith Network
- Menopause Group
- Childless Not By Choice (CNBC) Group

We are currently working to relaunch the Disability and Long-Term Health Network group in 2022.

EDI Calendar of Events

From the start of 2022 a new calendar of EDI awareness events has commences including to events linked to Race, Sexual Orientation, Gender Reassignment, Disability, Religion & Belief and Gender.

Support to develop a range of initiatives is provided through representatives of the EDI Steering Group as well as the various staff networks and support groups.

The Trust's is committed to EDI education and a range of training is made available to staff, in addition to mandatory EDI training. The training focuses on the Trust's commitment to ensure all staff are free from discrimination and feel equally supported in career progression and opportunities. We introduce all new starters to EDI at the Trust Welcome Induction including an overview of the staff networks.

Workforce Race Equality Scheme and the Workforce Disability Equality Scheme

The Trust has reviewed its Workforce Race Equality Scheme (WRES) and Workforce Disability Equality Scheme (WDES) and updated the annual action plans to support further improvements to support the further development of an inclusive culture. The Trusts Workforce Disability Equality Scheme and supporting information is being used to underpin and provide an evidence base in the development of the Health and Wellbeing Strategic Plan, including achieving the Better Health at Work Award at Bronze level.

Reciprocal Mentoring Programme

The Trust has successfully launched a Reciprocal Mentoring Programme. The first cohort on the programme which is planned to last for 2 years is focused on establishing mentoring partnerships with our Black, Asian and Minority Ethnic (BAME) colleagues, who are partnered with members of the Trusts Senior Leaders.

We currently have 23 pairs of mentors who have commenced onto the programme.

Reciprocal Mentoring is a systemic intervention designed to enable change that leads to greater equity of outcomes across the whole organisation. In reciprocal mentoring the mentors are partners developing each other's ability to make significant improvements in equality.

Reciprocal mentoring is a mutually beneficial relationship where each participant learns from each other and improves their professional performance. They hold each other accountable and give each other encouragement and feedback on their goals.

Some key aims of the programme are to create strong partnerships that enable a greater understanding of issues that affect colleagues from different ethnic backgrounds. Together the programme is looking to gain greater insight, which will then enable system change and improvements in equality for staff, patients and service users from across our communities.

Sickness Absence

The Trust remains committed to promoting and maintaining the health and welfare of all staff. We continue to encourage colleagues to have good wellbeing and to achieve a good work life balance. We have focussed on stress and anxiety management and, in partnership with Staff Side and Occupational Health colleagues, have a developed a detailed framework to support both managers and staff.

In 2021/22 the average sickness absence rate for the Trust was 5.26% which exceeded the Trust target of 3.9% and reflected the impact of COVID-19. We are confident that the focus on absence management will enable us to better meet 3.9% target within 2022/23.

NHS Doctors and Dentists in Training

The vacancy rate greatly improved in 2021/2022 compared to the previous year with the annual vacancy rate dropping from 4.1% to 0.5%. Vacancies have been covered in the main via re-adjusting rotas to accommodate the reduced number of Doctors. Vacancies have been actively recruited to throughout the year whilst an increased use of recruitment of Doctors via the Medical Training Initiative has helped to fill ST3+ level vacancies in a number of specialties.

We continue to fill approximately 96% of all locum shifts each month with the majority (approximately 90%) being filled by internal locum cover as opposed to agency. The regional locum bank (FlexiShift) hosted by the North East Lead Employer Trust (LET) is now well established for all LET employees. The regional bank provides the Trust with access to an additional pool of LET employed doctors who work in other Trusts and GP surgeries.

In line with the Terms and Conditions of Service for NHS Doctors and Dentists in Training (England) 2016, we have an established Guardian of Safe Working (GOSW), reporting quarterly to the Board and People Committee, and a Junior Doctors' Forum meeting quarterly.

Developing a Sustainable Workforce

We have some difficulties recruiting to some role, particularly where there are national shortages such as medical staff, specialist nursing, midwives and some allied health professionals. In addition, in some areas we have high projections for retirements over the next five years.

Our objectives for developing a sustainable workforce are:

- Develop a long-term sustainable workforce planning process to identify workforce needs now and in the future with recruitment plans in place to support them, alongside efficient resourcing plans to ensure that we utilise our people to support the, alongside efficient resourcing plans to ensure that we utilise our people when and where they are needed
- Establish real time reportable establishment and vacancy rates for our clinical collaborative to support recruitment
- Develop creative and flexible values-based approaches to recruitment, attracting and retaining colleagues who are looking for flexibility throughout their employment
- Overall reduction in agency spend and overtime
- Work with our colleagues and local communities to develop South Tees as the employer of choice

Values Based Recruitment is a recruitment process to help attract and select employees whose personal values and behaviours align with the values of the Trust. Since the beginning of 2022, over 300 interviews have taken place using the values-based recruitment approach.

The new Trust half day Welcome Induction has been running since July 2021 and provides a comprehensive overview of the organisational priorities and services.

We have developed and implemented a workforce planning model for clinical and non-clinical roles based on capacity and demand to include an action plan to address areas of concern in terms of culture and resourcing and also a detailed succession plan.

We continue to build our relationships with higher education and further education sectors which will provide an opportunity for us to develop a talent pipeline and also enable our colleagues to develop into new roles.

Day Nursery

Playdays Nursery is an excellent onsite facility, offering quality and flexible childcare for our staff's children whilst they are at work. It was awarded a 'good' rating following our recent Ofsted inspection. Nursery fees are competitive in comparison to other local nurseries, offering the staff assurance that their COVID-19 PPandemic.

Relationships with Trade Unions

We continue to develop our partnership with Trades Unions colleagues, with a Partnership Agreement which supports the following aims:

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

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

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

The Joint Partnership Committee (JPC) attended by both management and Staff Side colleagues meets on a monthly basis; agenda items including the areas summarised above. The NHS and Trust continues to be a changing and challenging environment with both management and Staff Side recognising that their interest are mutually compatible with the aim of preserve jobs and the quality of services.

Employment Policies and Partnership Working

The Joint Partnership Committee ensures that HR policies and procedures are fit for purpose, reflective of any changes to employment law and support equality and diversity within the workplace. The JPC also provides Staff Side with an opportunity to be updated regarding other policies that are led by other corporate areas e.g. Freedom to Speak Up; Raising Concerns at Work policy. Policies are revised and presented to JPC on a scheduled basis.

List of reviewed and approved policies for 2021/2022 -

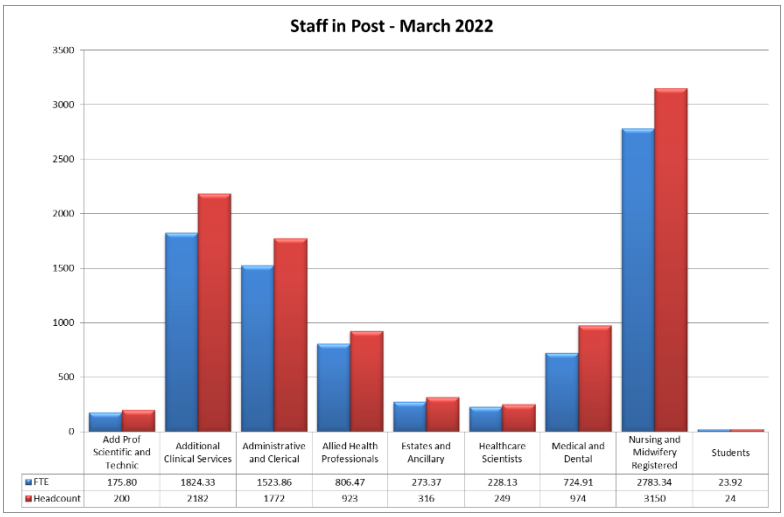
- Disciplinary Policy
- Staff Rostering Policy
- Recruitment & Selection Policy
- Management of Capability Policy
- Prevention of Illegal Working Policy
- Starting Salaries & Assimilation Policy
- Secondment Policy
- Avoidance of Compulsory Redundancy Policy

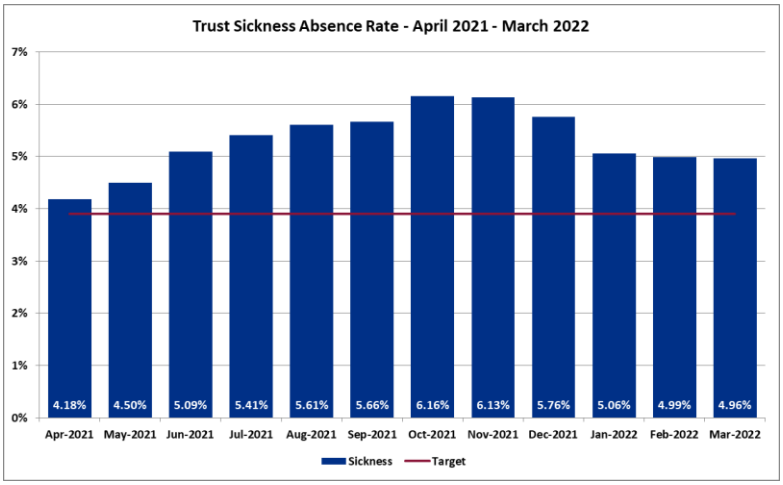
- Time Off for Public Duties Policy
- Professional Registration Policy
- Disclosure & Barring Policy
- Healthcare Professionals Alert Notices Guidance
- Consultant SAS Doctor Job Planning Policy
- Staff Appraisal Policy
- Sickness Absence Policy
- Working Time Directive Policy
- Flexible Working Policy
- Preceptorship Policy
- Medical Appraisal for Revalidation Policy
- Pay Protection Policy
- Fit & Proper Persons Procedure

Trades Union Facility Time

Time spent on paid trade union activities as a percentage of total paid facility time hours was 4.45% in 2020/21. This figure is based on 26 Trade Union Representatives.

Workforce data





EPRR Assurance

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

For 2021/22 there were 46 standards that the Trust was required to report against, split into 9 domains. In addition, there was a separate 'deep dive' into oxygen supply arrangements although this is not taken into account within the overall statement of compliance.

Following completion of the 2021/22 self-assessment process, the Trust was able to declare **substantial compliance** against the EPRR core standards.

Domain	No of standards	Fully compliant	Partially compliant
Governance	5	5	0
Duty to assess risk	2	2	0
Duty to maintain plans	9	8	1
Command and control	1	1	0
Response	5	5	0
Warning and informing	3	3	0
Co-operation	2	1	1
Business continuity	7	6	1
CBRN	12	12	0
Deep dive - oxygen supply *(not included in overall total)*	7	7	0
Total	**46**	**43**	**3**

COVID-19

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

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

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

Health and Safety Policies

Regulation 5 of The Management of Health & Safety Regulations sets out that organisations must have suitable arrangements in place for their undertakings. South Tees Hospitals NHS Foundation Trust fulfils this obligation by providing a number of specific health and safety related policies. The Trust's policies have been introduced and constantly developed as part of an ongoing commitment to its statutory and moral obligations. All the Trust's health and safety policies have a systemic approval route via the Health and Safety Subgroup and the Quality Assurance Committee ensuring key stakeholders, including staff-side colleagues, have the opportunity to contribute to policy development. Examples of these policies include:

- Health & Safety policy
- Lone Worker Policy
- Working with Display Screen equipment Policy
- Dealing with the safe handling of sharps Policy
- Reporting under RIDDOR Regulations Policy
- HS24 E-inspections Policy

Application of the Modern Slavery Act

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

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

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

Income disclosures

In 2021/22, the Trust met the requirement that income from the provision of goods and services for the purposes of the Health Service in England must be greater than its income from the provision of goods and services for any other purposes as defined under section 43(2A) of the NHS Act 2006 (as amended by the Health and Social Care Act 2012).

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

Quality and Clinical Governance

The Care Quality Commission (CQC) has a role to ensure that health and social care services that are provided are done so safely, effectively, compassionately, and are of the highest quality. The CQC is responsible for monitoring, inspecting and regulating services to ensure they meet core standards of quality and safety and publish their findings to help people choose their care provider.

During 2019/20, the CQC carried out a planned unannounced inspection of urgent and emergency care, medical, surgical and diagnostics services provided at the Trust.

In addition, a further announced inspection took place between 5 to 7 February 2019 where the CQC looked at the quality of leadership at the trust and how well the trust managed the governance of its services. Finally on the 21 to 23 February 2018 a further unannounced inspection of critical care was undertaken. They published their findings, on their website on 2 July 2019. The overall rating for the Trust is 'Requires Improvement'. A detailed improvement plan is in place to address all of the actions identified by the CQC in their report. The Care Quality Commission conducted a focused inspection on 9-10 February 2022. The CQC identified a number of improvements to take place during 2022 and issued a formal notice on changes required which the Trust is taking forward as it continues its recovery from COVID-19.

The Trust is fully compliant with the registration requirements of the Care Quality Commission.
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Accounting Officer's Responsibilities

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

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

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

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

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

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

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

Signed: 

Date: 24.6.22

Sue Page CBE
Chief Executive & Accounting Office

Annual Governance Statement

Scope of Responsibility

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

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of South Tees Hospitals NHS Foundation Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in South Tees Hospitals NHS Foundation Trust for the year ended 31 March 2022 and up to the date of approval of the annual report and accounts.

Capacity to Handle Risk

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

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

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

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

Each Collaborative and Non clinical Directorate has their own Risk Register. The registers describe all the risks that have been assessed, details of the controls and mitigations in place, the action plan to reduce the risk and the current progress towards the target risk score. The Corporate Risk Register is a collated summary of the risks identified as being the high-level risks to the Trust, as set out in the Risk Management Policy. These are the operational risks of 16 and above. The Company Secretary maintains the Corporate Risk Register; however, all of the individual risks are identified to the relevant Collaborative, corporate directorate and Director.

The governance structure for risk management was reviewed during 2021/22. This resulted in a new group (Corporate Risk Review Group) being established to replace the Risk Validation Group with a renewed focus on overseeing the operation of the Trust's risk management process. This included a refreshed membership of the group covering clinical and non-clinical representation across the Collaboratives and Directorates along with Director level input.

The Corporate Risk Review Group is accountable to the Clinical Policy Group (Trust clinical decision making group) and is responsible for holding Collaboratives and Directorates to account for the management of risk. Assurance to the Board is provided through the Audit & Risk Committee as appropriate.

During 2021/22 the Audit Committee terms of reference was expanded to include the work of the Risk Committee. This was undertaken to recognise an increased profile and focus on risk, assurance and the ability to 'deep-dive' into areas of concern or focus for the Trust. The Audit & Risk Committee is now tasked with reviewing the establishment and maintenance of an effective system of integrated governance, risk management and internal control, across the whole of the organisation's activities (both clinical and non-clinical), that supports the achievement of the organisation's objectives.

The risk and control framework

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

Risk management by the Trust board is underpinned by five (5) interlocking systems of internal control:

- The Board Assurance Framework
- Corporate Risk Register (informed by Collaboratives, corporate directorates and team)
- Board Sub Committees (1st line)
- Audit and Risk Committee (2nd line)
- Annual Governance Statement

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

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

The Board achieves this primarily through the work of its sub-committees, through use of Internal Audit and other independent inspection and by systematic collection and scrutiny of performance data to evidence the achievement of the objectives. It does this by using a model of assurance which shows the boundaries between different roles and responsibilities in the management and assurance of risks. This helps to avoid duplication and gaps in its risk management, performance management, governance and control arrangements. By setting out roles and responsibilities relating to risk management and assurance, the model links to the Trust's assurance framework using a three lines of defence model, with assurance sources mapped to risks. This model has been adopted by the sub committees during 2021/22 and increasingly the sub committees have been able to measure quality of assurance not just its quantity.

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

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

During 2021/22 the Board refreshed its strategic objectives and principal risks within the BAF. The Trust Board has received and reviewed the Board Assurance Framework in full four times throughout the year with monthly reports on assurance. The three main Board sub committees have received and reviewed the Board Assurance Framework relevant to their area on a monthly basis.

The Board and its committees are not involved in operational management and delivery, but exercise oversight of the management of the organisation. The Board and its committees require assurance from management (and other sources) in order to carry out their role in corporate governance. In 2021/22 a new front sheet template for Board and its sub committees was introduced to provide the Board with a recommendation on the level of assurance to reflect the conclusion of this report being presented.

The proforma Board Assurance Framework Document complies with HM Treasury Guidance on Assurance Frameworks.

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

- Inability to achieve standards of safety and quality of patient care across the Trust resulting in substantial incidents of avoidable harm and poor clinical outcomes
- A critical infrastructure failure caused by an interruption to the supply of one or more utilities (electricity, gas, water), an uncontrolled fire or security incident or failure of the built environment that renders a significant proportion of the estate inaccessible or unserviceable, disrupting services for a prolonged period and compromises ability to deliver high quality care
- Failure to deliver sustainable services due to gaps in establishment, due to ability to recruit and retain
- Failure to deliver as a centre of excellence, resulting in a lack of priority and recognition from commissioners and other stakeholders
- Working more closely with local health and care partners does not fully deliver the required benefits
- Inability to agree financial recovery plan with the regulator
- Failure to deliver the Trust's financial recovery plan

The *Corporate Risk Register* is a collated summary of the risks identified as being the high-level risks to the Trust, as set out in the Risk Management Policy. These are the operational risks of 16 and above. Each Collaborative and Corporate Directorate has in place risk registers which are overseen by the Corporate Risk Review Group, CPG and the Audit & Risk Committee. It directs management focus to the mitigation of significant risks.

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

The Audit & Risk Committee reports to the Board via a Chair's log after every meeting and annually on its work via the Annual Report of the Audit & Risk Committee in support of the *Annual Governance Statement*, specifically commenting on the fitness for purpose of the BAF, the completeness and extent to which risk management is embedded in the Trust and the integration of governance arrangements. It has fulfilled the role by undertaking a deep dive into the management of risk within each of the Board sub committees.

The Audit & Risk Committee has also assessed its own effectiveness, what it has accomplished and whether it has fulfilled its responsibilities along with that of the Board sub committees during 2021/22, and has concluded its is content with the scrutiny it, and Committees, have provided.

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

The Trust Board is responsible for setting the risk appetite of the organisation as described in the Risk Management Policy. Risk Appetite is defined as 'the amount of risk the organisation is prepared to accept, tolerate, or be exposed to at any point in time.' It allows the board to take considered risks and to seek assurance that risks of any grade in areas of low tolerance are being managed, rather than focussing predominately on high rated risks. During 2021/22 the sub committees have considered their risk appetite and expect to report on this at Board in May 2022.

The Trust continued to review its the governance arrangements to manage the COVID-19 incident and stepped the processes up and down during the 2021/22 period to effectively manage emerging risks.

Quality Governance Arrangements

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

- The Quality Assurance Committee, chaired by Ms Reape, Non Executive Director and Senior Independent Director, which has oversight of the Quality Governance framework, with sub-groups focusing on patient experience, patient safety, clinical effectiveness, Infection Control, Safeguarding, Safer Medication and Health & Safety.
- an annual clinical audit programme which is approved at Quality Assurance Committee and Audit & Risk Committee
- Serious Incidents occurring within the organisation are subject to human factors and systems based investigation and are reported to the Quality Assurance Committee for discussion and understanding of the learning from the event, in addition to being shared with SLT on a weekly basis.
- all staff are encouraged to report incidents and learning is shared across the organisation
- Freedom to Speak Up Guardians are effective and visible across the whole of the organisation
- the Trust Board is assured by minutes and a report from the Chair of the Quality Assurance Committee, and private discussions around key issues arising.
- the Board Assurance Framework provides assurance against the strategic objectives of delivering excellence in patient outcomes and experience.

The Trust has introduced a Collaborative Assurance Framework which maintains a focus on strong governance and leadership across quality, finance and clinical care, ensuring that there is clinically led management decision-making, as close as possible to the point of care delivery.

The Trust continues to have a focus on learning from previous CQC inspections and developing a readiness for future inspections. A CQC Project Team have supported a weekly meeting to review evidence of progress with embedding actions from the 2019 inspection, and evidence of compliance with standards and key lines of enquiry. A monthly update is reported to the CQC Compliance Group, Quality Assurance Committee and Trust Board.

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

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

During the COVID 19 pandemic, many QEIAs have been submitted and considered as part of the Trusts response to the crisis and as rapid change and transformation has taken place. Regular updates have also been provided to QAC.

Well Led

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

During 2021/22 the Trust received ongoing quality monitoring and regulatory oversight from the CCG and CQC with regular engagement meeting taking place throughout the year.

Compliance with NHS Provider Licence

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

- G6 – Meeting the requirements of the licence and the NHS Constitution, and having implemented effective arrangements for the management of risk
- FT4 – Relates to corporate governance arrangements covering systems and processes of corporate governance in place and effective; effective Board and Committee arrangements; compliance with healthcare standards; effective financial decision making; sufficient capability and capacity at Board and all levels in the organisation; accountability and reporting lines.
- Condition CoS7 - for NHS foundation trusts only, the required resources available if providing commissioner requested services (CRS).

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

Data quality and governance

Annual Quality Account

Organisations are required under the Health Act 2009 and subsequent Health and Social Care Act 2012 to produce Quality Accounts and to publish these for the 2021-22 financial year by 30 June 2022.

In view of the COVID-19 pandemic and associated national response, the processes for producing Quality Accounts remain the same as previous years, with the following exceptions to NHS providers:

1. NHS foundation trusts are no longer required to produce a Quality Report as part of their Annual Report.

2. There is no national requirement for NHS trusts or NHS foundation trusts to obtain external auditor assurance on the quality account or quality report.

3. The publication process has been amended for this year, as noted above

4. Integrated Care Boards (ICBs) will assume Clinical Commissioning Group (CCG) responsibilities for the review and scrutiny of Quality Accounts (subject to the Health and Care Bill receiving Royal Assent). Where this function has not transferred from CCGs to ICBs, CCGs must continue to undertake it for the 2021-22 reporting cycle. ICBs/ CCGs must clarify with providers where they are expected to send their Quality Account.

Governance and leadership

We have a developed an integrated performance report based on national guidance which provides the organisation with one version of the truth and is discussed in detail at the board and board Sub committees. Work has commenced on developing a collaborative and directorate IPR following the same principles and will be embedded in the Trust in the first two quarters of 2022/23. Furthermore, national guidance from the Department of Health and Social Care Medical Director that Boards of Directors should review all their services over a reasonable period has placed a commitment on Board of Directors to review all services over a three-year period based on five quality domains that are safety, effectiveness, caring, responsive and well led.

Policies

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

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

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

Systems and processes

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

People and skills

The Trust has created a Leadership Improvement and Safety Academy which is supporting individual service areas which have been identified as requiring support and focus by providing bespoke training and expertise to improve their service areas. Quality improvement training has been rolled out across the organisation as has patient safety investigation training. The Trust has recruited Patient Safety Ambassadors for each Clinical Collaborative who will influence and contribute to patient safety governance, and are the key link between the Patient Safety Faculty and their Collaborative, ensuring that national, regional and local learning is shared and embedded widely across the organisation. . Leadership and development programmes have been established and are being delivered to our leaders at all levels across the organisation to support our new operational Collaborative structure.

The results from 2021 NHS Staff Survey show significant improvements. For example there has been an increase in the number of colleagues who feel patient care is the organisation's number one priority, who would recommend the trust as a place to work or would feel able to speak up if they had a concern.

Data use and reporting

There are robust systems in place to report clinical prioritisation and clinical harm reviews in line with national guidance. DATIX cloud was implemented during August 2021, and there has been a consistent increase in incident reporting over the last three years, reflecting a strategic priority to create the conditions for better reporting as the Trust were historically a low reporter nationally.

In March 2021, the Trust rolled out the Electronic Staff Record which was chosen as the system to be used going forward to complete statutory and mandatory e-learning. Our IPR reflects monthly on the achievement of our targets around training, and this is scrutinised via the People Committee.

Workforce and Pension

The Trust continues to drive forward the recommendations for Developing Workforce safeguards and staffing reports are presented to the People committee. In the past year, Nursing, Midwifery and Allied Health (AHP) colleagues have met weekly to highlight staffing issues with teams working together to support areas of highest need. There has been collaboration between community and acute teams to support patient needs and organisational priorities with Therapy service leads meeting weekly to ensure a safe, effective and efficient use of staff throughout the organisation.

A report is produced every two years for nursing, midwifery, theatres, accident and emergency and community nurse staffing to the Board which sets out how the Trust deploys sufficient, suitably qualified, experienced staff who are competent and skilled to provide safe and effective care for all service users. South Tees has met these requirements for all its professional groups.

SafeCare huddles are held twice daily giving a full overview of staffing in real time and over the reporting period. Ward Managers and Matrons continue to conduct a look forward within their collaborative for all staffing on Mondays and Fridays and a weekly look back at Critical Care and Emergency Department to ensure safe staffing. Safer Nursing Care Tools have been obtained under licence and are being utilised for staffing establishment reviews and template for biannual reporting

The Trust has supported trainee nursing associates, student nurses, international nurses and midwives into post throughout the year to support workforce pressure, this has formed a revised recruitment process for newly qualified nurses whereby onboarding is personalised offering continuous contact with the Trust throughout the full recruitment process 6 months prior to qualification . The volunteer response is outstanding, and this support continues to support the Trust to maintain patient safety and staff well-being and offer a platform for many volunteers to embark on an NHS career

E-rostering Levels of Attainment are reviewed annually for all staff groups and reported through the Workforce Assurance Group, reporting to the People Committee and escalating reporting to Board as required. Nursing is now fully set up on E roster with the target to remove all paper versions by August 2022. Most AHP teams now utilise Eroster with the Chief AHP receiving monthly Unify reports which show levels of fill for all rosters, allowing for the Chief AHP to address staffing levels and sickness absence rates within teams and offer support as needed.

The Trust utilises an external staffing bank provided by NHS Professionals (NHSP) , this partnership has allowed for the successful implementation of allocate on arrival critical shifts and rapid recruitment of support workers through the care support worker programme
Regionally the Trust is involved in a Healthcare support worker recruitment programme that is to date proving successful

The Trust also received limited funding from Health Education England to support AHP workforce strategies and introduce the support worker framework, which will ensure there is clear framework from which support workers work within and can develop.

The Trust is now linking with regional colleagues to develop strategies aimed at addressing national shortages of staff within the smaller professions. These include apprenticeships for Podiatry, Dietetics, Speech and Language Therapy and increasing placement capacity within radiology to meet increasing demand. AHP services are benchmarked against regional peers with Acute services involved in the Acute Therapies benchmarking programme which is led by the Model Hospital.

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

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

Care Quality Commission

The overall rating for the Trust is 'requires improvement" following an inspection in 2019/20. The CQC conducted a focused inspection of wards at The James Cook University Hospital and Friarage Hospital on 9-10 February 2022. Following the focused inspection, the Trust's overall rating is not expected to change. During their visit, the CQC recognised the enormous efforts of colleagues in the face of unprecedented Omicron winter pressure on services at the time of their inspection and issued a Section 29A warning notice identifying improvements to take place over the coming months on ward-based documentation, nutrition and hydration, MCA/DOLS and discharge. The trust was already taking action on these areas as part of its clinically-led recovery from the winter Omicron surge, which at its peak saw more than 500 COVID-related staff absences, and has now made additional changes following feedback from inspectors.

A CQC Project Team has supported a weekly meeting to review evidence of progress with embedding actions from the 2019 inspection, and evidence of compliance with standards and key lines of enquiry. The Trust continues to work as part of its recovery from COVID-19 to ensure robust evidence of compliance. Progress updates will be reported to the CQC Compliance Group, Quality Assurance Committee and Trust Board continues to work as part of its recovery from COVID-19 to ensure robust evidence of compliance on the necessary changes, learning and improvement. The Trust is fully compliant with the registration requirements of the Care Quality Commission.

Register of Interests

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

Trust Board

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

The changes made to the Board during 2021/22 included the permanent appointment of a Joint Chairman across South Tees Hospitals NHS Foundation Trust and North Tees & Hartlepool NHS Trust with effect from September 2021 and the appointment of the Associate Non-Executive Director to a full Non-Executive Director in August 2021.

Leavers included Mr Neil Mundy, Interim Joint Chairman, who's temporary contract was concluded. Mr David Heslop, Non-executive Director whose term of office ended, Ms Maria Harris, Non-executive Director and Ms Mike Ducker, Non-executive Director who leave for personal reasons.

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

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

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

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

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

Sustainable Development

The Trust has undertaken risk assessments and has plans in place which take account of the 'Delivering a Net Zero Health Service' report under the Greener NHS programme. The trust ensures that its obligations under the Climate Change Act and the Adaptation Reporting requirements are complied with.

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

The financial plan is approved by the Board of Directors and submitted to NHSE/I our independent regulator (in exercising its powers conferred by Monitor). The process for approving the plan involves the Integrated Care System (ICS) and regional NHSE/I teams to create a coordinated strategic and transformational submissions from the North East and Cumbria ICS. This plan includes forward projections and is monitored by the Resources Committee with key performance indicators and financial sustainability metrics also reviewed monthly by the Senior Leadership Team and the Board of Directors at each of its meetings.

In 2021/22 the planning process continued to be suspended and the Trust and the wider ICP/ICS had a fixed level of income to cover its total costs. The ICP and ICS have an overall requirement to break even at the end of the 12-month period which it achieved.

The Group's (excluding the South Tees Hospitals Charity) recorded an adjusted financial performance deficit in 2021/22 of £23.4 million as agreed in discussions with the ICS and NHS England/Improvement (NHSE/I). At 31 March 2022 the Trust's closing cash position amounted to £69.1 million.

The Group's (excluding the Charity) deficit within the annual accounts of £30.9 million reconciles to the financial performance deficit of £23.4 million by adjusting for the impairment of assets £12.8 million, donations towards capital expenditure £7.5 million, depreciation on donated assets £1.8 million, DHSC centrally procured inventories for COVID response £0.6 million and gains on disposal of assets £0.1 million.

The lack of available capital funding in 2021/22 represents a risk to the Trust in relation to essential replacement and priority investment in the estate. The programme was mainly funded internally by the Trust although the Trust sought capital funding, in the form of Public Dividend Capital, to cover specific investment in the Friarage estate. The Trust will continue in 2022/23 to review and prioritise all capital expenditure bids to minimise clinical and organisational risk.

Financial governance arrangements are managed within the corporate governance framework which includes Standing Orders, Standing Financial Instructions and a Scheme of Delegation.

Financial governance is supported by internal and external audit to ensure economic, efficient and effective use of resources and is monitored by the Audit & Risk Committee.

The Trust's Internal Auditor (PwC) has drafted the Audit Opinion on the adequacy and effectiveness of governance, risk management and control. Their annual opinion for the year ending 31 March 2022 is 'Substantial improvement required'. Their annual plan, agreed with the Audit & Risk Committee, focussed on key BAF risks and Trust strategic priorities, including known areas of weakness. In total, eleven reports have been issued to the Trust, of which seven were graded as High risk, three were graded as medium risk and one was graded as low risk. The High-risk reports relate to the following:

- Patient Experience
- Key Finance Controls
- Estates
- Maternity
- Digital Governance
- H&S
- Consent

Information Governance

In 2021/22 Information Governance has reported 2 Data Security Incidents through the Data Security Incident Reporting Tool.

In January 2022 there was an incident where a copy of a GP letter was sent to a patient's old home address which was occupied by an ex-partner. The letter included personal information. The incident was reported to the Information Commissioners Office (ICO) who confirmed that they had considered the information provided by the Trust and decided that no further action by the ICO is necessary on this occasion. They did recommend the Trust continue to investigate the cause of the incident and ensure it understands how and why the incident occurred, and what steps it needs to take to prevent it happening again.

In February 2022 there was an incident where Patient A (who has same forename, surname and date of birth as another patient - B), has received correspondence to their address relating to a procedure that occurred with Patient B. The incident was reported to the ICO who considered the information the Trust provided and decided that no further action by the ICO is necessary on this occasion. However, the ICO recommend that the Trust investigate the causes of this incident to ensure that you understand how and why it occurred, and what steps you need to take to prevent it from happening again.

The Data Security and Protection Toolkit

The Data Security and Protection Toolkit is an online self-assessment tool that allows organisation to measure their performance against the National Data Guardian's 10 data security standards.

All organisations that have access to NHS patient data and systems must use this toolkit to provide assurance that they are practising good data security and that personal information is handled correctly.

Unlike the older IG Toolkit 3-tiered system, the 2021/22 DSPT submission is assessed against compliance with 38 assertion areas which are comprised over 149 pieces of evidence, 110 of these are mandatory.

Due to the impact of COVID-19 the submission deadline has been moved to the 30th June 2022.

The Trust maintains an action plan regarding compliance which is monitored at the bi-monthly Information Governance Steering Group and reported to the Trust Senior Information Risk Owner (SIRO) as well as being reviewed by the annual DSPT Internal audit review (which this year has been performed by KPMG as part of a national review to deliver consistent independent third-party assurance.) The Trust awaits this final report and the findings of which are monitored and discussed at the Trusts Audit and Risk Committee.

Last year's submission (2020/21) was confirmed as "Standards Not Met – Plan Agreed" with four outstanding items of the 110 requirements – although compliance was not ultimately achieved during the year (and these areas remain non-compliant in the 2021/22 submission) the plan was regularly updated and submitted to NHS Digital.

Currently 107 of the 110 mandatory requirements have been met and the action plan will be monitored at the Trusts Cyber Security meeting and Information Governance Steering Group. Information on the final submission due in June 30th 2022 will be included in next year's Quality Accounts.

Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, clinical audit and the executive managers and clinical leads within the NHS Foundation Trust who have responsibility for the development and maintenance of the internal control framework. I have drawn on performance information available to me. My review is also informed by comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit & Risk Committee, the Resources Committee, the Quality Assurance Committee, and People Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Conclusion

In conclusion, the Trust had the following significant internal control issues in 2021/22:

1) CQC

The overall rating for the Trust is 'requires improvement" following an inspection in 2019/20. The CQC conducted a focused inspection of wards at The James Cook University Hospital and Friarage Hospital on 9-10 February 2022. Following the focused inspection, the Trust's overall rating is not expected to change. During their visit, the CQC recognised the enormous efforts of colleagues in the face of unprecedented Omicron winter pressure on services at the time of their inspection and issued a Section 29A warning notice identifying improvements to take place over the coming months on ward-based documentation, nutrition and hydration, MCA/DOLS and discharge. The trust was already taking action on these areas as part of its clinically-led recovery from the winter Omicron surge, which at its peak saw more than 500 COVID-related staff absences, and has now made additional changes following feedback from inspectors.

A CQC Project Team has supported a weekly meeting to review evidence of progress with embedding actions from the 2019 inspection, and evidence of compliance with standards and key lines of enquiry. The Trust continues to work as part of its recovery from COVID-19 to ensure robust evidence of compliance.

Progress updates will be reported to the CQC Compliance Group, Quality Assurance Committee and Trust Board continues to work as part of its recovery from COVID-19 to ensure robust evidence of compliance on the necessary changes, learning and improvement. The Trust is fully compliant with the registration requirements of the Care Quality Commission.

2) Provider Licence Additional Restrictions

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

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

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

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

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

In relation to item b) an updated s.106 enforcement undertaking was set out in a letter dated May 2021. The Trust has developed with the support of NHSE/I a Medium Term Financial Plan (recovery plan) to demonstrate future financial stability, and the budget arising from this for 2022/23 has been submitted to the ICS, and awaits final ratification but has so far not be revised.

3) System Oversight Framework

Treating more than 6,000 patients with COVID-19 has inevitably had an impact on the Trust's ability to meet system oversight framework targets. Detailed recovery and improvement trajectories are developed at service and clinical team level and considered by the recovery meeting. Updates are provided to CPG and SLT routinely. A clinical strategy and improvement group has been establish which aims to refresh the Trust improvement plan and have oversight on behalf of the Trust board and SLT/ CPG of progress on delivery, risk to delivery and monitoring plans.

Signed: 

Chief Executive

Date: 24.6.22

Sue Page CBE
Chief Executive & Accounting Officer

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

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of South Tees Hospitals NHS Foundation Trust ('the Trust') and its subsidiaries ('the Group') for the year ended 31 March 2022 which comprise the Group Statement of Comprehensive Income, the Trust and Group Statements of Financial Position, the Trust and Group Statements of Changes in Taxpayers' Equity, the Trust and Group Statements of Cash Flows, and notes to the financial statements, including the summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted and adapted by HM Treasury's Financial Reporting Manual 2021/22 as contained in the Department of Health and Social Care Group Accounting Manual 2021/22, and the Accounts Direction issued under the National Health Service Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Trust and Group as at 31 March 2022 and of the Trust's and the Group's income and expenditure for the year then ended;
- have been properly prepared in accordance with the Department of Health and Social Care Group Accounting Manual 2021/22; and
- have been properly prepared in accordance with the requirements of the National Health Service Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in these regards.

Responsibilities of the Accounting Officer for the financial statements

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

The Accounting Officer is required to comply with the Department of Health and Social Care Group Accounting Manual 2021/22 and prepare the financial statements on a going concern basis, unless the Trust is informed of the intention for dissolution without transfer of services or function to another entity. The Accounting Officer is responsible for assessing each year whether or not it is appropriate for the Trust and Group to prepare financial statements on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Our audit procedures were designed to respond to those identified risks, including noncompliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:
discussing with management and the Audit and Risk Committee the policies and procedures regarding compliance with laws and regulations;

- communicating identified laws and regulations throughout our engagement team and
- remaining alert to any indications of non-compliance throughout our audit; and

- considering the risk of acts by the Trust and Group which were contrary to applicable
- laws and regulations, including fraud.

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

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

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

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

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

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

Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have not completed our work on the Trust's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in December 2021, we have identified the following significant weakness(es) in the Trust's arrangements for the year ended 31 March 2022.

In June 2021 we identified a significant weakness in relation to Governance. In our view this significant weakness remains for the year ended 31 March 2022:

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

how the Trust plans and manages its resources to ensure it can continue to deliver its services.	

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

Responsibilities of the Accounting Officer

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

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

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

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

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Code of Audit Practice

In our opinion:

- the parts of the Remuneration and Staff Report subject to audit have been properly prepared in accordance with the requirements of the NHS Foundation Trust Annual Reporting Manual 2021/22; and
- the other information published together with the audited financial statements in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the NHS Foundation Trust Annual Reporting Manual 2021/22; or
- the Annual Governance Statement is misleading or is not consistent with our knowledge of the Trust and Group and other information of which we are aware from our audit of the financial statements; or
- we refer a matter to the regulator under Schedule 10(6) of the National Health Service Act 2006; or
- we issue a report in the public interest under Schedule 10(3) of the National Health Service Act 2006.

We have nothing to report in respect of these matters.

Use of the audit report

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

other than the Council of Governors of the Trust as a body for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

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

Cameron Waddell (Key Audit Partner)
For and on behalf of Mazars LLP
The Corner
Bank Chambers
26 Mosley Street
Newcastle
NE1 1DF
United Kingdom

24 June 2022

Audit Completion Certificate issued to the Council of Governors of South Tees Hospitals NHS Foundation Trust for the year ended 31 March 2022

In our auditor's report dated 24 June 2022 we explained that the audit could not be formally concluded until we had completed the work necessary to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness is its use of resources. In addition, we were not able to conclude our audit as we had not completed work required to report to the National Audit Office as group auditor of the Consolidated Provider Account.

This work has now been completed.

No matters have come to our attention since 24 June 2022 that would have a material impact on the financial statements on which we gave our unqualified opinion.

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

We are required to report to you if, in our opinion, we are not satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

In our auditor's report dated 24 June 2022 we reported that we had identified a significant weakness in the Trust's arrangements for the year ended 31 March 2022. On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in December 2021, we have no further matters to report in this respect.

Certificate

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

Cameron Waddell
Key Audit Partner For and on behalf of Mazars LLP
The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF
23 August 2022

South Tees Hospitals
NHS Foundation Trust

Accounts

For the year 1 April 2021 to 31 March 202

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2022

		GROUP		TRUST	
	NOTE	**2021/22 £000**	2020/21 £000	**2021/22 £000**	2020/21 £000
Operating income	3	**799,745**	764,160	**799,460**	762,889
Operating expenses	4	**(805,493)**	(765,146)	**(804,011)**	(763,819)
OPERATING DEFICIT		**(5,748)**	(986)	**(4,551)**	(930)
FINANCE COSTS:					
Finance income		**213**	190	**36**	7
Finance costs - financial liabilities	7.1	**(15,005)**	(14,494)	**(15,005)**	(14,494)
Finance costs - unwinding of discount on provisions	22	**34**	(25)	**34**	(25)
PDC dividends payable		**(3,123)**	(2,071)	**(3,123)**	(2,071)
NET FINANCE COSTS		**(17,881)**	(16,400)	**(18,058)**	(16,583)
(Loss) / Gain on disposal of assets		**107**	319	**107**	319
Corporation tax		**(3)**	0	**0**	0
Movement in fair value of other investments	13	**473**	932	**0**	0
DEFICIT FOR THE YEAR		**(23,052)**	(16,135)	**(22,502)**	(17,194)
Other comprehensive Expenditure					
Will not be reclassified to income and expenditure:					
Impairments	7.2	**(15)**	(1,685)	**(15)**	(1,685)
Revaluation gains on property, plant and equipment	7.2	**625**	759	**625**	759
TOTAL OTHER COMPREHENSIVE EXPENDITURE		**610**	(926)	**610**	(926)
TOTAL COMPREHENSIVE EXPENDITURE		**(22,442)**	(17,061)	**(21,892)**	(18,120)

The notes on pages 5 to 44 form part of these accounts.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022

		GROUP		TRUST	
		31 March 2022	31 March 2021	**31 March 2022**	31 March 2021
	NOTE	**£000**	£000	**£000**	£000
Non-current assets					
Property, plant and equipment	8	**250,841**	232,987	**250,841**	232,987
Intangible assets	9	**17,134**	11,917	**17,134**	11,917
Trade and other receivables	16	**3,662**	1,766	**3,662**	1,766
Other investments	13	**6,512**	6,039	**0**	0
Total non-current assets		**278,149**	252,709	**271,637**	246,670
Current assets					
Inventories	14	**14,426**	13,054	**13,727**	12,492
Trade and other receivables	16	**47,794**	43,528	**49,928**	44,533
Cash and cash equivalents	15	**71,587**	59,664	**69,090**	57,380
Total current assets		**133,807**	116,246	**132,745**	114,405
Total assets		**411,956**	368,955	**404,382**	361,075
Current liabilities					
Trade and other payables	17	**(138,079)**	(90,100)	**(136,892)**	(89,157)
Borrowings	18	**(2,375)**	(3,727)	**(2,375)**	(3,727)
Provisions	22	**(800)**	(1,011)	**(800)**	(1,011)
Total current liabilities		**(141,254)**	(94,838)	**(140,067)**	(93,895)
Total assets less current liabilities		**270,702**	274,117	**264,315**	267,180
Non-current liabilities					
Borrowings	18	**(87,126)**	(89,333)	**(87,126)**	(89,333)
Provisions	22	**(2,347)**	(591)	**(2,347)**	(591)
Total non-current liabilities		**(89,473)**	(89,924)	**(89,473)**	(89,924)
Total assets employed		**181,229**	184,193	**174,842**	177,256
Financed by taxpayers' equity:					
Public dividend capital		**367,100**	347,622	**367,100**	347,622
Income and expenditure reserve		**(250,891)**	(230,641)	**(250,783)**	(230,485)
Revaluation reserve		**32,049**	33,643	**32,049**	33,643
Other reserves		**26,476**	26,476	**26,476**	26,476
Others' equity					
Charitable fund reserve	12	**6,495**	7,093	**0**	0
Total taxpayers' equity		**181,229**	184,193	**174,842**	177,256

The notes on pages 5 to 44 form part of these accounts.

The financial statements on pages 1 to 44 were approved by the Audit Committee on 14 June 2022 and signed on its behalf by:

Signed: ..... (Director of Finance) Date: 24 June 2022

Signed: ..... (Chief Executive) Date: 24 June 2022

STATEMENT OF CHANGES IN TAXPAYERS' AND OTHER EQUITY FOR THE YEAR ENDED 31 MARCH 2022

	Public Dividend Capital (PDC)	Income and Expenditure Reserve	Revaluation Reserve	Other reserves	Trust total	South Tees Healthcare Management Ltd	Charitable funds reserve	Group total
	£000	£000	£000	£000	£000	£000	£000	£000
Taxpayers' equity at 1 April 2020	167,083	(213,849)	35,127	26,476	14,837	8	5,902	20,747
Adjustment to opening position at 1 April 2020	0	0	0	0	0	0	(32)	(32)
Changes in taxpayers' equity for 2020/21								
(Deficit)/ Surplus for the year	0	(17,194)	0	0	(17,194)	(164)	1,223	(16,135)
Revaluation gains and impairment losses on property, plant and equipment.	0	0	(926)	0	(926)	0	0	(926)
Total comprehensive (expense) / income for the year	0	(17,194)	(926)	0	(18,120)	(164)	1,223	(17,061)
Public dividend capital received	180,539	0	0	0	180,539	0	0	180,539
Public dividend capital repaid	0	0	0	0	0	0	0	0
PDC adjustment for cash impact of legacy transfer	0	0	0	0	0	0	0	0
Other transfers between reserves	0	558	(558)	0	0	0	0	0
Taxpayers' equity at 31 March 2021	347,622	(230,485)	33,643	26,476	177,256	(156)	7,093	184,193
Taxpayers' equity at 1 April 2021	347,622	(230,485)	33,643	26,476	177,256	(156)	7,093	184,193
Adjustment to opening position at 1 April 2021	0	0	0	0	0	0	0	0
Changes in taxpayers' equity for 2021/22								
(Deficit)/Surplus for the year	0	(22,502)	0	0	(22,502)	48	(598)	(23,052)
Revaluation gains and impairment losses on property, plant and equipment.	0	0	610	0	610	0	0	610
Total comprehensive expense for the year	0	(22,502)	610	0	(21,892)	48	(598)	(22,442)
Public dividend capital received	19,478	0	0	0	19,478	0	0	19,478
Public dividend capital repaid	0	0	0	0	0	0	0	0
Other transfers between reserves	0	2,204	(2,204)	0	0	0	0	0
Taxpayers' equity at 31 March 2022	367,100	(250,783)	32,049	26,476	174,842	(108)	6,495	181,229

Note: Additional PDC received by the Trust during the year related to funding from the Department of Health and Social Care for investment in the Friarage Hospital, Critical Care, Linear Accelerator funding, Pathology LIMS and Digitisation. The amount shown as 'Other Reserves' represents the value of assets transferred to South Tees Hospitals NHS Foundation Trust following the acquisition of the former Northallerton Health Services NHS Trust, over and above the value of Public Dividend Capital repayable on dissolution of that Trust.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2022

		GROUP		TRUST	
	NOTE	**2021/22 £000**	2020/21 £000	**2021/22 £000**	2020/21 £000
Cash flows from operating activities					
Operating (deficit)/ surplus from continuing operations		**(5,748)**	(986)	**(4,551)**	(930)
Non-cash income and expense					
Depreciation and amortisation	4	**20,286**	19,041	**20,286**	19,041
Net impairments	4	**4,268**	9,171	**4,268**	9,171
Decrease /(Increase) in trade and other receivables		**(810)**	36,846	**(1,939)**	34,953
(Increase) / Decrease in inventories	14	**(1,372)**	(281)	**(1,235)**	(281)
(Decrease) / Increase in trade and other payables		**46,412**	33,368	**46,168**	35,356
Increase / (Decrease) in provisions	22	**1,579**	125	**1,579**	125
Other movements in operating cash flows		**(120)**	(145)	**(117)**	(4)
Net cash generated from operations		**64,495**	97,139	**64,459**	97,431
Cash flows from investing activities					
Interest received		**213**	158	**36**	7
Purchase of intangible assets	9	**(6,556)**	(736)	**(6,556)**	(736)
Purchase of property, plant and equipment	8	**(38,803)**	(40,565)	**(38,803)**	(40,565)
Donated assets from DHSC for COVID		**(6,456)**	(3,111)	**(6,456)**	(3,111)
Sales of property, plant and equipment		**142**	445	**142**	445
Net cash used in investing activities		**(51,460)**	(43,809)	**(51,637)**	(43,960)
Cash flows from financing activities					
Public dividend capital received		**19,478**	180,539	**19,478**	180,539
Loans repaid		**0**	(159,260)	**0**	(159,260)
Capital element of finance lease rental payments		**(347)**	(572)	**(347)**	(572)
Capital element of private finance initiative obligations		**(3,318)**	(2,399)	**(3,318)**	(2,399)
Interest on loans	7	**0**	(637)	**0**	(637)
Interest element of finance leases	7	**(317)**	(165)	**(317)**	(165)
Interest element of private finance initiative obligations	7	**(14,687)**	(13,919)	**(14,687)**	(13,919)
Other interest		**(1)**	0	**(1)**	0
PDC dividend paid		**(1,920)**	(3,101)	**(1,920)**	(3,101)
Net cash used in financing activities		**(1,112)**	486	**(1,112)**	486
Decrease in cash and cash equivalents		**11,923**	53,816	11,710	53,957
Cash and cash equivalents at 1 April		**59,664**	5,848	**57,380**	3,423
Cash and cash equivalents at 31 March	15	**71,587**	59,664	**69,090**	57,380

NOTES TO THE ACCOUNTS

1. Accounting policies

NHS Improvement, in exercising the statutory functions conferred on Monitor, is responsible for issuing an accounts direction to NHS Foundation Trusts under the NHS Act 2006. NHS Improvement has directed that the accounts of NHS Foundation Trusts shall meet the accounting requirements of the Department of Health and Social Care Group Accounting Manual (DHSC GAM), which shall be agreed with HM Treasury and the Secretary of State. Consequently, the following accounts have been prepared in accordance with the DHSC GAM 2021/22 issued by the Department of Health and Social Care. The accounting policies contained in that manual follow International Financial Reporting Standards (IFRS) and HM Treasury's Financial Reporting Manual to the extent that they are meaningful and appropriate to NHS Foundation Trusts, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the DHSC GAM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Trust for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Trust are described below. They have been applied consistently during the financial year when dealing with items considered material in relation to the accounts.

1.1 Accounting convention

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

1.2 Basis of consolidation

NHS Charitable Fund

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

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

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

1.2.1 Alignment to accounting policies

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

Fund balances

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

Investments

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

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

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

1.2.1 Alignment to accounting policies (continued)

Other subsidiaries

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

The Trust formed 2 subsidiaries, the South Tees Institute of Learning, Research and Innovation LLP and South Tees Healthcare Management Limited. The financial year end of both companies is 31 March. Operations within South Tees Institute of Learning, Research and Innovation LLP are currently dormant, there have been no transactions within this company in 2021/22 and the company has not been consolidated on the basis of materiality.

South Tees Healthcare Management Limited

This company started operations on 6 October 2019 and the financial statements for the year to 31 March 2022 are consolidated in these accounts. The subsidiary's accounting policies are aligned with the Trust and the amounts included have been adjusted during consolidation with inter-entity balances and transactions eliminated on full on consolidation.

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

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

a) Incomplete inpatient and critical care spells - the Trust no longer accounts for income accruals relating to inpatient and critical care spells that are part-completed at the year end. This exercise ceased in the NHS during 2020/21.
b) Asset valuation and indices - the valuation of land and buildings is based on building cost indices and location factors provided by and used by Cushman and Wakefield in their valuation work. These indices are based on an indication of trend of accepted tender prices within the construction industry as applied to the Public Sector.

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

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

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

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

1.3.1 Going concern

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

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

1.3.2 Key sources of estimation uncertainty

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

On 31 March 2022 Land and Buildings were revalued using the Modern Equivalent Valuation methodology by Cushman and Wakefield (who is an appropriately qualified member of the Royal Institute of Chartered Surveyors). From 1 April 2014 these valuations did not include VAT. (note 1.3)

1.4 Income

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

Income in respect of goods or services provided is recognised when and to the extent that, performance obligations are satisfied and is measured at the fair value of the consideration receivable. At the year end, the Trust accrues income relating to performance obligations satisfied in that year. Where the Trust's entitlement to consideration for those goods or services is unconditional a contract receivable will be recognised. Where consideration received or receivable relates to a performance obligation that is to be satisfied in a future period, the income is deferred and recognised as a contract liability.

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

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

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

The Group and Trust receives income under the NHS Injury Cost Recovery Scheme, designed to reclaim the cost of treating injured individuals to whom personal injury compensation has subsequently been paid e.g. by an insurer. The Group and Trust recognises the income when it receives notification from the Department of Work and Pension's Compensation Recovery Unit that the individual has lodged a compensation claim. The income is measured at the agreed tariff for the treatments provided to the injured individual, less a provision for unsuccessful compensation claims and doubtful debts.

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

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

1.4 Income (continued)

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

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

1.5 Employee benefits

1.5.1 Short-term employee benefits

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

1.5.2 Pension costs

NHS Pension Scheme

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of the Secretary of State for Health and Social Care in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period. Employer's pension cost contributions are charged to operating expenses as and when they become due.

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

1.6 Expenditure on other goods and services

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

1.7 Property, plant and equipment

1.7.1 Recognition

Property, plant and equipment is capitalised if:

● it is held for use in delivering services or for administrative purposes;

● it is probable that future economic benefits will flow to, or service potential will be supplied to, the Group and Trust;

● it is expected to be used for more than one financial year;

● the cost of the item can be measured reliably;

● the item has a cost of at least £5,000; or

● collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or

● Items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

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

1.7 Property, plant and equipment (continued)

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

1.7.2 Valuation

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

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

A standard approach to depreciated replacement cost valuations has been adopted based on HM Treasury guidance and the concept of Modern Equivalent Asset (MEA) Valuations. The valuation included in the Statement of Financial Position at 31 March 2022 is based on an alternative site MEA valuation, undertaken specifically in accordance with the HM Treasury guidance which states that such valuations are an option if the Group and Trust's service requirements can be met from the alternative site. The valuation has been adjusted from 1 April 2014 to exclude VAT in line with existing VAT regulations on recovery from the cost of construction (in line with the existing PFI arrangement on the James Cook Site).

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees and, where capitalised in accordance with IAS 23, borrowings costs. Assets are re-valued and depreciation commences when they are brought into use.

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

1.7.3 Subsequent expenditure

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

1.7.4 Depreciation

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

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

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

1.7 Property, plant and equipment (continued)

1.7.5 Revaluation gains and losses

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

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

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

1.7.6 Impairments

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

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

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

1.8 Intangible assets

1.8.1 Recognition

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

1.8.2 Software

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

1.8.3 Measurement

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

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

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

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

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

1.8 Intangible assets (continued)

1.8.4 Amortisation

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

1.9 Donated, government grant and other funded assets

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

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

1.10 Revenue government and other grants

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

1.11 Leases

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

1.11.1 Finance lease

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

The annual rental is split between the repayment of the liability and a finance cost to achieve a constant rate of finance over the life of the lease. The annual finance cost is calculated by applying the implicit interest rate to the outstanding liability and is charged to Finance Costs in the Statement of Comprehensive Income. The lease liability is de-recognised when the liability is discharged, cancelled or expires.

1.11.2 Operating leases

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

1.11.3 Leases of Land and Buildings

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

1.12 Private Finance Initiative (PFI) transactions

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

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

a) Payment for the fair value of services received;

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

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

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

1.12.1 Services received

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

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

1.12 Private Finance Initiative (PFI) transactions (continued)

1.12.2 PFI Asset

The PFI assets are recognised as property, plant and equipment, when they come into use. The assets are measured initially at fair value in accordance with the principles of IAS 17. Subsequent measurements to current value are kept up to date in accordance with the Group and Trust's approach for each relevant class of asset in line with the principles of IAS 16.

1.12.3 PFI liability

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

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

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

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

1.12.4 Lifecycle replacement

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

The element of the annual unitary payment allocated to lifecycle replacement is pre-determined for each year of the contract from the operator's planned programme of lifecycle replacement. Where the lifecycle component is provided earlier or later than expected, a liability or prepayment will be recognised. Where the fair value of the lifecycle component is less than the amount determined in the contract, the difference is recognised as an expense when the replacement is provided. If the fair value is greater than the amount determined in the contract, the difference is treated as a 'free' asset and a deferred income balance is recognised. The deferred income is released to operating income over the shorter of the remaining contract period or the useful economic life of the replacement component.

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

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

1.12.6 Other assets contributed by the Trust to the operator

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

1.13 Inventories

Inventories are valued at the lower of cost or net realisable value. Provision is made for obsolete, slow moving and defective stock whenever evidence exists that a provision is required.

In 2020/21 and 2021/22, the Trust received inventories including personal protective equipment from the Department of Health and Social Care at nil cost. In line with the GAM and applying the principles of the IFRS Conceptual Framework, the Trust has accounted for the receipt of these inventories at a deemed cost, reflecting the best available approximation of an imputed market value for the transaction based on the cost of acquisition by the Department.

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

1.14 Cash and cash equivalents

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

1.15 Provisions

Provisions are recognised when the Group and Trust has a present legal or constructive obligation as a result of a past event, it is probable that the Group and Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision in the Statement of Financial Position is the best estimate of the expenditure required to settle the obligation, taking into account the risks and uncertainties. Where the effect of the time value of money is significant, the estimated risk adjusted cash flows required to settle the obligation are discounted using 3 real time HM Treasury discount rates that range from 0.47% (2020/21, minus 0.02%) in the short term to 0.66% (2020/21, 1.99%) for long term cash flow expectations. This excludes early retirement provisions and injury benefit provisions which both use the HM Treasury's pension discount rate of minus 1.30% in real terms (2020/21, minus 0.95%).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursements will be received and the amount of the receivable can be measured reliably.

1.15.1 Clinical negligence costs

NHS Resolution operates a risk pooling scheme under which the Group and Trust pays an annual contribution and NHS Resolution, in return, settles all clinical negligence claims. The contribution is charged to expenditure. Although NHS Resolution are administratively responsible for all clinical negligence cases, the legal liability remains with the Group and Trust. The total value of clinical negligence provisions carried by NHS Resolution on behalf of the Group and Trust is disclosed at Note 22 but is not recognised in the Group and Trust's accounts. Since financial responsibility for clinical negligence cases transferred to NHS Resolution, the only charge to operating expenditure in relation to clinical negligence in 2021/22 relates to the contribution to the Clinical Negligence Scheme for Trusts.

1.15.2 Non-clinical risk pooling

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

1.16 Climate Change Levy

Expenditure on the Climate Change Levy is recognised in the Statement of Comprehensive Income as incurred, based on the prevailing chargeable rates for energy consumption.

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

1.17 Financial Instruments and financial liabilities

1.17.1 Recognition

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

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

Financial assets or financial liabilities in respect of assets acquired or disposed of through finance leases are recognised and measured in accordance with the accounting policy for leases are described in policy 1.11.1.

1.17.2 De-recognition

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

1.17.3 Classification and measurement

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

1.17.4 Loans and receivables

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

1.17.5 Financial liabilities

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

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

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

1.17.6 Impairment of financial assets

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

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

For financial assets that have become credit impaired since initial recognition, 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.

1.18 Value Added Tax

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

1.19 Foreign currencies

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

1.20 Third party assets

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

1.21 Public Dividend Capital (PDC) and PDC dividend

Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities at the time of establishment of the predecessor NHS Trust. At any time the Secretary of State can issue new PDC to, and require repayments of PDC from, the Trust. PDC is recorded at the value received. HM Treasury has determined that PDC is not a financial instrument within the meaning of IAS 32 and 39.

An annual charge, reflecting the cost of capital utilised by the Group and Trust, is payable to the Department of Health as PDC dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the Trust during the financial year. Relevant net assets are calculated as the value of all assets less the value of all liabilities, except for donated assets, average daily cash balances held with the Government Banking Services (GBS), excluding cash balances held in GBS accounts that relate to a short-term working capital facility, assets under construction for nationally directed schemes and any PDC dividend balance receivable or payable. In accordance with the requirements laid down by the Department of Health and Social Care, the dividend for the year is calculated on the actual average relevant net assets as set out in the 'pre-audit' version of the annual accounts. The dividend thus calculated is not revised should any adjustment to net assets occur as a result of the audit of the annual accounts.

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

1.22 Losses and Special Payments

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

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

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

The DHSC GAM does not require the following IFRS Standards and interpretations to be adopted in 2021/22. These Standards are still subject to HM Treasury FReM adoption.

- IFRS 14 Regulatory Deferral Accounts (not EU endorsed and applies to first time adopters of IFRS after 1 January 2016. Therefore, not applicable to DHSC group bodies);
- IFRS 16 Leases (standard is effective from 1 April 2022 per the FReM);
- IFRS 17 Insurance Contracts (application required for accounting periods beginning on or after 1 January 2021. The standard is not yet adopted by the FReM which is expected to be from April 2023 and early adoption is not permitted. The impact of this standard has not been quantified with guidance still to be issued.

IFRS 16

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

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

On transition to IFRS 16 on 1 April 2022, the Trust will apply the standard retrospectively without restatement and with the cumulative effect of initially applying the standard recognised in the income and expenditure reserve at that date. For existing operating leases with a remaining lease term of more than 12 months and an underlying asset value of at least £5,000, a lease liability will be recognised equal to the value of remaining lease payments discounted on transition at the Trust's incremental borrowing rate. The Trust's incremental borrowing rate will be a rate defined by HM Treasury. For 2022, this rate is 0.95%. The related right of use asset will be measured equal to the lease liability adjusted for any prepaid or accrued lease payments. No adjustments will be made on 1 April 2022 for existing finance leases.

For leases commencing in 2022/23, the Trust will not recognise a right of use asset or lease liability for short term leases (less than or equal to 12 months) or for leases of low value assets (less than £5,000). Right of use assets will be subsequently measured on a basis consistent with owned assets and depreciated over the length of the lease term.

1.23 Accounting standards that have been issued but have not yet been adopted (continued)

IFRS 16 continued

The Trust has estimated the impact of applying IFRS 16 in 2022/23 on the opening statement of financial position and the in-year impact on the statement of comprehensive income and capital additions as follows:

Estimated impact on 1 April 2022 statement of financial position	**£000's**
Additional right of use assets recognised	104,100
Additional lease obligations recognised	(104,100)
Net impact on net assets on 1 April 2022	0
Estimated in-year impact in 2022/23	
Additional depreciation on right of use assets	6,133
Additional finance costs on lease liabilities	1,372
Lease rentals no longer charged to operating expenditure	(7,505)
Estimated impact on surplus / deficit in 2022/23	0
Estimated increase in capital additions for new leases commencing in 2022/23	67

From 1 April 2022, the principles of IFRS 16 will also be applied to the Trust's PFI liabilities where future payments are linked to a price index representing the rate of inflation. The PFI liability will be remeasured when a change in the index causes a change in future repayments and that change has taken effect in the cash flow. Under existing accounting practices, amounts relating to changes in the price index are expensed as incurred. This is expected to increase the PFI liability on the statement of financial position upon transition to IFRS 16. The effect of this has not yet been quantified as a final decision on treatment is expected from NHSE/I and HM Treasury and guidance has not been issued at this stage.

1.24 Accounting standards issued that have been adopted early

There have not been any accounting standards issued with an effective date of 1 April, 2022, that have been adopted early.

1.25 Segmental reporting

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

2. Operating segments

The Group received £741.021 million under contracts with commissioners during the year (£708.635 million in 2020/21) from Clinical Commissioning Groups and NHS England, which equated to 93% (93% in 2020/21) of total Trust income. There were no other significant external customers amounting to more than 8% of total income. Commissioner funding was provided under a block contract arrangement during 2021/22 in response to the COVID pandemic. The previous Acute split by service has been updated in the following disclosures.

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

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

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

3. Operating income

3.1 Income from activities by classification

	GROUP		TRUST	
	2021/22 £000	2020/21 £000	**2021/22 £000**	2020/21 £000
Block contract/system envelope income (*)	**595,656**	549,202	**595,656**	549,202
High cost drugs income from Commissioners	**75,945**	61,085	**75,945**	61,085
Accident and emergency income	**2,102**	1,032	**2,102**	1,032
Community services	**41,333**	40,656	**41,333**	40,656
Private patient income	**931**	165	**853**	135
Elective Recovery Fund	**7,149**	0	**7,149**	0
Additional pension contribution central funding	**17,085**	15,985	**17,085**	15,985
Other non-protected clinical income	**84**	34	**84**	34
Total income from activities	**740,285**	668,159	**740,207**	668,129
Research and development	**5,262**	5,039	**5,262**	5,039
Education and training	**20,698**	19,874	**20,698**	19,874
Charitable and other contributions to expenditure	**7,464**	3,961	**7,464**	3,961
COVID consumables donated from DHSC group	**2,211**	10,208	**2,211**	10,208
Non-patient care services to other bodies	**3,404**	2,376	**3,404**	2,376
Top up funding reimbursement	**3,853**	41,707	**3,853**	41,707
Charitable fund - incoming resources	**152**	1,212	**0**	0
Other income (**)	**16,416**	11,624	**16,361**	11,595
	59,460	96,001	**59,253**	94,760
Total income from continuing operations	**799,745**	764,160	**799,460**	762,889

* Further information on the change in policy between years is available within the Accounting Policies, Note 1.4.
** Other income includes consideration arising from car parking charges £0.947 million (2020/21 £0.542 million), income in respect of recovered staff costs £ 0.510 million (2020/21 £0.510 million), clinical excellence awards £1.445 million (2020/21 £0.626 million), staff accommodation £1.139 million (2020/21 £1.234 million), clinical tests £2.147 million (2020/21 £1.000 million) and creche services £0.659 million (2020/21 £0.486 million). The Trust has not received an individual transaction within fees and charges greater than £1.0 million in the financial year.

Under the Terms of Authorisation the Group's total activity income from Commissioner Requested Services amounts to £712.934 million (2020/21 £650.943 million). All other activity income relates to Non-Commissioner Requested Services.

3.2 Income from activities by source

	2021/22 £000	2020/21 £000
Group and Trust		
Clinical Commissioning Groups and NHS England	**737,168**	666,928
Non-NHS - overseas patients (non-reciprocal) (*)	**2**	34
Non-NHS - private patients	**931**	165
Non-NHS - other	**82**	0
NHS Injury Scheme	**2,102**	1,032
Total income from activities	**740,285**	668,159

(*) Cash payments received in year from overseas visitors, where patients are charged directly by the Trust, and relating to invoices raised in the current and prior years amounted to £0.041 million (£0.085 million in 2020/21). Additions to the provision for the impairment of receivables amounted to £0.030 million (£0.041 million increase in 2020/21) and the Trust did not write off any charges in year (no write offs in 2020/21).

Injury cost recovery is subject to a charge for credit loss allowances on receivables of 23.76% (2020/21, 22.43%) to reflect expected rates of collection.

4. Operating expenses

4.1 Operating expenses comprise:

	GROUP		TRUST	
	2021/22 £000	2020/21 £000	**2021/22 £000**	2020/21 £000
Services from NHS Foundation Trusts	**6,197**	5,496	**6,197**	5,496
Services from NHS Trusts,CCGs and NHS England	**0**	18	**0**	18
Purchase of healthcare from non NHS bodies	**6,790**	7,369	**7,321**	7,765
Employee expenses - executive directors	**0**	1,565	**0**	1,565
Employee expenses - non-executive directors	**157**	166	**157**	166
Employee expenses - staff	**475,440**	443,296	**474,887**	442,807
Employee expenses - charitable fund	**775**	568	**0**	0
Drug costs	**78,669**	69,216	**78,624**	69,100
Supplies and services - clinical	**89,448**	65,893	**89,448**	65,901
Supplies and services - donated from DHSC for COVID	**2,821**	8,402	**2,821**	8,402
Supplies and services - general	**3,553**	7,274	**3,553**	7,274
Research and development	**1,672**	2,327	**1,672**	2,327
Establishment	**12,728**	11,275	**12,718**	11,261
Transport	**4,485**	4,244	**4,485**	4,244
Premises	**71,621**	80,886	**71,621**	80,884
(Decrease)/increase in provision for impairment of receivables	**502**	31	**502**	31
Increase/(decrease) in other provisions	**108**	95	**108**	95
Change in provisions discount rate	**24**	41	**24**	41
Inventories written down	**251**	1,025	**251**	1,025
Depreciation of property, plant and equipment	**17,788**	17,489	**17,788**	17,489
Amortisation of intangible assets	**2,498**	1,552	**2,498**	1,552
Net impairments of property, plant and equipment	**4,268**	9,171	**4,268**	9,171
Audit fees - audit services - statutory audit (*)	**93**	138	**88**	133
- audit services - charitable fund (*)	**11**	9	**0**	0
Clinical negligence	**17,446**	17,400	**17,446**	17,400
Legal fees	**206**	209	**206**	209
Consultancy costs	**888**	596	**888**	596
Internal audit costs	**145**	247	**145**	247
Training, courses and conferences	**2,504**	2,572	**2,504**	2,572
Redundancy	**0**	785	**0**	785
Other services	**968**	1,338	**968**	1,338
Hospitality	**8**	8	**8**	8
Insurance	**313**	362	**313**	362
Losses, ex gratia and special payments	**1,242**	321	**1,242**	321
Other resources expended - charitable fund	**614**	525	**0**	0
Other	**1,260**	3,237	**1,260**	3,234
	805,493	765,146	**804,011**	763,819

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

5. Employee expenses and numbers

5.1 Employee expenses (including Executive Directors' costs)

Group and Trust	2021/22 Total	2021/22 Permanently employed	2021/22 Other	2020/21 Total
	£000	£000	£000	£000
Salaries and wages	**365,845**	**363,726**	**2,119**	344,022
Social security costs	**33,721**	**33,721**	**0**	31,346
Pension costs - defined contribution plans employer contributions to NHS Pensions	**56,093**	**56,093**	**0**	52,555
Termination benefits	**0**	**0**	**0**	785
Agency/contract staff	**20,387**	**0**	**20,387**	16,938
Charitable fund staff	**775**	**775**	**0**	568
Total staff costs	**476,821**	**454,315**	**22,506**	446,214
Costs capitalised as part of assets	**(606)**	**(606)**	**0**	0
Total staff costs excluding capitalised costs	**476,215**	**453,709**	**22,506**	446,214

The executive costs covers 5 directors (2020/21, 11) and consists of salaries amounting to £0.866 million (2020/21 £1.377 million) including employers NI contributions £0.111 million (2020/21 £0.148 million) and employers superannuation contributions £0.064 million (2020/21 £0.090 million). Included within these values the highest paid director receives a salary amounting to £0.225 million (2020/21 £0.240 million) including employers NI contributions £0.030 million (2020/21 £0.030 million) and £nil for employers superannuation contributions (2019/20 £0.031 million). For further information on Directors' remuneration and pension benefits please refer to the Remuneration Report in the Trust's Annual Report.

5.2 Monthly average number of people employed

Group and Trust	2020/21 Total	2020/21 Permanently Employed	2020/21 Other	2020/21 Total
	Number	Number	Number	Number
Medical and dental	**1,252**	**1,211**	**41**	1,156
Administration and estates	**1,903**	**1,860**	**43**	1,653
Healthcare assistants and other support staff	**530**	**392**	**138**	483
Nursing, midwifery and health visiting staff	**2,775**	**2,690**	**85**	2,667
Nursing, midwifery and health visiting learners	**1,128**	**1,128**	**0**	1,280
Scientific, therapeutic, technical staff and other	**1,376**	**1,362**	**14**	1,301
Total	**8,964**	**8,643**	**321**	8,540
Number of staff (WTE) capitalised in capital projects (included above)	**10**			0

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

5. Employee expenses and numbers

5.3 Staff exit packages

Exit package cost band **2021/22** 2020/21

Group and Trust	Number of compulsory redundancies	Cost of compulsory redundancies	Number of other departures agreed	Cost of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages by cost band	Number of compulsory redundancies	Cost of compulsory redundancies	Number of other departures agreed	Cost of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages by cost band
	Number	**£000's**	**Number**	**£000's**	**Number**	**£000's**	Number	£000's	Number	£000's	Number	£000's
< £10,000	**0**	**0**	**18**	**81**	**18**	**81**	0	0	0	0	0	0
£10,000 to £25,000	**0**	**0**	**1**	**11**	**1**	**11**	0	0	0	0	0	0
£25,001 to £50,000	**0**	**0**	**2**	**65**	**2**	**65**	0	0	0	0	0	0
£50,001 to £100,000	**0**	**0**	**2**	**119**	**2**	**119**	0	0	0	0	0	0
£100,001 to £150,000	**0**	**0**	**2**	**224**	**2**	**224**	0	0	0	0	0	0
£150,001 to £200,000	**0**	**0**	**0**	**0**	**0**	**0**	0	0	0	0	0	0
> £200,001	**0**	**0**	**0**	**0**	**0**	**0**	0	0	0	0	0	0
Total number and cost of exit packages by type	**0**	**0**	**25**	**500**	**25**	**500**	0	0	0	0	0	0

Redundancy and other departure costs have been paid in accordance with NHS Agenda for Change terms and conditions. Exit costs are accounted for in full in the year of departure. Where the Group has agreed to early retirements, the additional costs are met by the Group and not by the NHS Pension Scheme. Ill health retirement costs are met by the NHS Pension scheme and are not included in the table. There were no departures in 2021/22 or in 2020/21 where special payments were made.

5.4 Exit packages: non-compulsory departure payments

	2021/22		2020/21	
	Agreements	**Total value**	**Agreements**	**Total value**
	number	**£000**	**number**	**£000**
Voluntary redundancies including early retirement contractual costs	8	391	0	0
Mutually agreed resignations (MARS) contactual costs	0	0	0	0
Contractual payments in lieu of notice	17	109	0	0
Total	25	500	0	0

Further information on exit packages is included in the Remuneration statements in the Annual Report. There were no non-contractual payments requiring HMT approval in 2021/22 or 2020/21.

5. Employee expenses and numbers (continued)

5.5 Retirements due to ill-health

During 2021/22 there were 8 (2020/21, 5) early retirements from South Tees Hospitals NHS Foundation Trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £0.533 million (2020/21, £0.182 million). The cost of these ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division.

6. Pension costs

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

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

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2022, is based on valuation data as 31 March 2021, updated to 31 March 2022 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

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

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

HMT published valuation directions dated 7 October 2021 (see Amending Directions 2021) that set out the technical detail of how the costs of remedy are included in the 2016 valuation process. Following these directions, the scheme actuary has completed the cost control element of the 2016 valuation for the NHS Pension Scheme, which concludes no changes to benefits or member contributions are required. The 2016 valuation reports can be found on the NHS Pensions website at https://www.nhsbsa.nhs.uk/nhs-pension-scheme-accounts-and-valuation-reports.

6. Pension costs (continued)

c) Scheme provisions

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

Annual pensions

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

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

Pensions indexation

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

Ill-health retirement

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

Early retirements other than ill-health

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

Death benefits

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

Additional Voluntary Contributions (AVCs)

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

7. Finance costs

7.1 Finance costs - interest expenses

	2021/22	2020/21
	£000	£000
Group and Trust		
Loans from Department of Health:		
- Capital loans	**0**	410
Finance leases	**317**	165
Interest on late payment of commercial debts	**1**	0
Finance costs in PFI obligations		
- Main finance cost	**7,352**	7,572
- Contingent finance costs	**7,335**	6,347
Total	**15,005**	14,494

7.2 Impairment of assets (property, plant and equipment)

Group and Trust	2021/22	2020/21
	£000	£000
Income and Expenditure:		
Impairment of PPE	**4,268**	9,171
Other Comprehensive Income:		
Revaluation losses	**15**	1,685
Revaluation gain	**(625)**	(759)
Total	**3,658**	10,097

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

8. Property, plant and equipment

8.1 Property, plant and equipment comprise the following:

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Total
Group and Trust									
Cost or valuation	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2021	3,926	376,151	1,256	23,618	117,894	63	28,079	2,548	553,535
Additions purchased	0	10,915	0	16,039	3,757	0	541	0	31,252
Additions leased	0	0	0	0	106	0	0	0	106
Additions equipment donated from DHSC	0	0	0	0	663	0	0	0	663
Additions donated and government granted	0	565	0	5,409	446	0	200	69	6,689
Reclassifications from assets under construction	0	954	0	(12,892)	7,895	0	4,668	0	625
Disposals	0	0	0	0	(991)	0	0	0	(991)
Impairments charged to the revaluation reserve	0	(15)	0	0	0	0	0	0	(15)
Revaluation surpluses credited to revaluation reserve	0	625	0	0	0	0	0	0	625
Adjustment for accumulated depreciation on valuation	(916)	(221,925)	(695)	0	0	0	0	0	(223,536)
Cost or valuation at 31 March 2022	**3,010**	**167,270**	**561**	**32,174**	**129,770**	**63**	**33,488**	**2,617**	**368,953**
Depreciation									
Accumulated depreciation at 1 April 2021	1,236	215,709	701	118	79,740	56	20,535	2,453	320,548
Disposals	0	0	0	0	(956)	0	0	0	(956)
Impairments	0	10,519	0	0	2,047	0	190	0	12,756
Reversal of impairments credited to operating expenses	(320)	(8,142)	(26)	0	0	0	0	0	(8,488)
Provided during the year	0	3,839	20	0	10,667	2	3,224	36	17,788
Adjustment for accumulated depreciation on valuation	(916)	(221,925)	(695)	0	0	0	0	0	(223,536)
Accumulated depreciation at 31 March 2022	**0**	**0**	**0**	**118**	**91,498**	**58**	**23,949**	**2,489**	**118,112**
Net book value at 1 April 2021									
Owned	2,690	16,571	555	23,374	33,393	6	7,444	95	84,128
Private Finance Initiative	0	137,411	0	0	0	0	0	0	137,411
Finance Lease	0	40	0	0	530	0	0	0	570
Donated and government granted	0	6,420	0	126	2,217	1	100	0	8,864
Donated from DHSC for COVID response	0	0	0	0	2,014	0	0	0	2,014
Net book value total at 1 April 2021	**2,690**	**160,442**	**555**	**23,500**	**38,154**	**7**	**7,544**	**95**	**232,987**
Net book value at 31 March 2022									
Owned	**3,010**	**17,066**	**561**	**26,521**	**34,019**	**5**	**9,268**	**65**	**90,515**
Private Finance Initiative	**0**	**143,467**	**0**	**0**	**0**	**0**	**0**	**0**	**143,467**
Finance Lease	**0**	**0**	**0**	**0**	**367**	**0**	**0**	**0**	**367**
Donated and government granted	**0**	**6,737**	**0**	**5,535**	**1,973**	**0**	**271**	**63**	**14,579**
Donated from DHSC for COVID response	**0**	**0**	**0**	**0**	**1,913**	**0**	**0**	**0**	**1,913**
Net book value total at 31 March 2022	**3,010**	**167,270**	**561**	**32,056**	**38,272**	**5**	**9,539**	**128**	**250,841**

8. Property,plant and equipment (continued)

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

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Total
Group and Trust									
Cost or valuation	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2020	3,386	367,434	1,256	6,385	99,947	63	25,568	2,546	506,585
Additions purchased	0	9,982	0	28,861	7,409	0	177	0	46,429
Additions equipment donated from DHSC	0	0	0	0	3,111	0	0	0	3,111
Additions donated and government granted	0	0	0	112	486	0	9	0	607
Reclassifications from assets under construction	0	201	0	(11,740)	9,212	0	2,325	2	0
Disposals	0	0	0	0	(2,271)	0	0	0	(2,271)
Impairments charged to the revaluation reserve	0	(1,685)	0	0	0	0	0	0	(1,685)
Revaluation surpluses credited to revaluation reserve	540	219	0	0	0	0	0	0	759
Cost or valuation at 31 March 2021	**3,926**	**376,151**	**1,256**	**23,618**	**117,894**	**63**	**28,079**	**2,548**	**553,535**
Depreciation									
Accumulated depreciation at 1 April 2020	1,236	203,032	676	118	69,813	54	18,701	2,403	296,033
Disposals	0	0	0	0	(2,145)	0	0	0	(2,145)
Impairments	0	8,785	5	0	314	0	67	0	9,171
Provided during the year	0	3,892	20	0	11,758	2	1,767	50	17,489
Accumulated depreciation at 31 March 2021	**1,236**	**215,709**	**701**	**118**	**79,740**	**56**	**20,535**	**2,453**	**320,548**
Net book value at 1 April 2020									
Owned	2,150	18,858	580	5,851	26,522	8	6,755	141	60,865
Private Finance Initiative	0	138,791	0	47	0	0	0	0	138,838
Finance Lease	0	120	0	0	925	0	0	0	1,045
Donated and government granted	0	6,633	0	369	2,687	1	112	2	9,804
Net book value total at 1 April 2020	**2,150**	**164,402**	**580**	**6,267**	**30,134**	**9**	**6,867**	**143**	**210,552**
Net book value at 31 March 2021									
Owned	**2,690**	**16,571**	**555**	**23,374**	**33,393**	**6**	**7,444**	**95**	**84,128**
Private Finance Initiative	**0**	**137,411**	**0**	**0**	**0**	**0**	**0**	**0**	**137,411**
Finance Lease	**0**	**40**	**0**	**0**	**530**	**0**	**0**	**0**	**570**
Donated and government granted	**0**	**6,420**	**0**	**126**	**2,217**	**1**	**100**	**0**	**8,864**
Donated from DHSC for COVID response	**0**	**0**	**0**	**0**	**2,014**	**0**	**0**	**0**	**2,014**
Net book value total at 31 March 2021	**2,690**	**160,442**	**555**	**23,500**	**38,154**	**7**	**7,544**	**95**	**232,987**

8. Property, plant and equipment (continued)

8.3 Property, plant and equipment - revaluation

A desktop revaluation exercise was undertaken during March as at 31 March, 2022 on the Group and Trust's owned land and buildings by Cushman and Wakefield. The exercise was undertaken in accordance with the HM Treasury's Modern Equivalent Asset (MEA) recommendation adjusting the valuation undertaken at 31 March 2021, for movements in building cost indices and location factors since that date.

The desk top exercise undertaken as at 31 March, 2022, identified a net revaluation increase of £9.1 million over the James Cook and Friarage sites. The resulting changes in valuation on both sites are summarised in Note 8.2.

8.4 Economic lives of property, plant and equipment

The economic asset lives are as follows:

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

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

8.5 Capital management

The Trust's capital programme is approved on an annual basis via the Capital Planning Oversight Group, Senior Leadership Team and Clinical Policy Group with final approval through the Board of Directors. The full plan is included in the Annual Plan submitted to NHS England/Improvement. The revised capital programme for the year amounted to £47.1 million and included essential investment in infrastructure through the COVID pandemic, investment in the estate, medical equipment and Information Technology replacement programmes and lifecycle works under the PFI contract.

8.6 Donated assets

There are no restrictions or conditions imposed by the donor on the use of a donated assets reported within the Trust's Statement of Financial Position. The Department of Health and Social Care gifted equipment amounting to £0.7 million to the Trust to help deliver patient care in 2021/22 to support treatment through the COVID pandemic (£3.1 million in 2021/22). This equipment is held on the Trust's Statement of Financial Position at 31 March 2022.

9. Intangible assets

9.1 Intangible assets

2021/22:	Computer software purchased	Assets under construction	Total
Group and Trust	**£000**	**£000**	**£000**
Gross cost at 1 April 2021	12,992	6,970	19,962
Additions purchased	451	7,889	8,340
Reclassifications from assets under constuction	1,930	(2,555)	(625)
Gross cost at 31 March 2022	**15,373**	**12,304**	**27,677**
Accumulated amortisation at 1 April 2021	8,045	0	8,045
Provided during the year	2,498	0	2,498
Accumulated amortisation at 31 March 2022	**10,543**	**0**	**10,543**
Net book value at 1 April 2021			
Purchased	4,620	6,970	11,590
Donated	327	0	327
Net book value total at 1 April 2021	**4,947**	**6,970**	**11,917**
Net book value at 31 March 2022			
Purchased	4,555	12,304	16,859
Donated	275	0	275
Net book value total at 31 March 2022	**4,830**	**12,304**	**17,134**

9.2 Prior year Intangible assets

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

9. Intangible assets (continued)

9.3. Intangible assets - asset lives

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

Economic lives of assets

	Min life Years	Max life Years
Computer software	7	7

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

10. Assets held under finance leases

10.1 Assets held under finance leases comprise of the following:

2021/22:	Buildings excluding dwellings	Plant and machinery	Information technology	PFI	Total
	£000	£000	£000	£000	£000
Group and Trust					
Cost or valuation at 31 March 2022	**10,053**	**9,364**	**2,658**	**214,224**	**236,299**
Accumulated depreciation at 31 March 2022	**10,053**	**8,997**	**2,658**	**70,757**	**92,465**
Net book value at 1 April 2021					
Finance lease	40	530	0	0	570
PFI	0	0	0	137,411	137,411
Net book value total at 1 April 2021	**40**	**530**	**0**	**137,411**	**137,981**
Net book value at 31 March 2022					
Finance lease	0	367	0	0	367
PFI	0	0	0	143,467	143,467
Net book value total at 31 March 2022	**0**	**367**	**0**	**143,467**	**143,834**

10.2 Prior year assets held under finance leases:

2020/21:	Buildings excluding dwellings	Plant and machinery	Information technology	PFI	Total
	£000	£000	£000	£000	£000
Group and Trust					
Cost or valuation at 31 March 2021	**10,053**	**9,258**	**2,658**	**195,037**	**217,006**
Accumulated depreciation at 31 March 2021	**10,013**	**8,728**	**2,658**	**57,626**	**79,025**
Net book value at 1 April 2020					
Finance lease	120	925	0	0	1,045
PFI	0	0	0	138,838	138,838
Net book value total at 1 April 2020	**200**	**1,219**	**109**	**140,008**	**141,536**
Net book value at 31 March 2021					
Finance lease	40	530	0	0	570
PFI	0	0	0	137,411	137,411
Net book value total at 31 March 2021	**40**	**530**	**0**	**137,411**	**137,981**

11. Capital commitments

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

Group and Trust	31 March 2022 £000	31 March 2021 £000
Property, plant and equipment	**1,778**	628
Intangible assets	**2,216**	3,049
Total	**3,994**	3,677

12. Subsidiaries and consolidation of charitable funds

The Trust's 1 principal subsidiary, South Tees Healthcare Management Limited, and South Tees Hospitals Charity and Associated Funds are included in the consolidation at 31 March 2022. The accounting date of the financial statements for these subsidiaries is in line with the Trust date of 31 March 2022. The South Tees Institute of Learning, Research and Innovation LLP also has a financial year end of 31 March 2022 but the transactions of this company in 2021/22 have not been consolidated on the basis of materiality. Key financial information for the charitable fund and South Tees Healthcare Management Limited are provided as follows:

South Tees Hospitals Charity and Associated Funds

12.1 Reserves

	31 March 2022 £000	31 March 2021 £000
Restricted funds	**285**	364
Unrestricted funds	**6,210**	6,729
Total	**6,495**	7,093

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

12.2 Aggregated amounts relating to the charitable fund

	31 March 2022 £000	31 March 2021 £000
Summary Statement of Financial Position:		
Non-current assets	**6,512**	6,039
Current assets	**1,180**	1,603
Current liabilities	**(1,197)**	(549)
Net assets	**6,495**	7,093
Reserves	**6,495**	7,093
Summary Statement of Financial Activities:		
Income	**1,292**	1,890
Expenditure	**(2,363)**	(1,599)
Total	**(1,071)**	291
Net realised gains on investment assets and other reserve movements.	**473**	932
Net movement in funds	**(598)**	1,223

12. Subsidiaries and consolidation of charitable funds (continued)

South Tees Healthcare Management Limited

12.3 Subsidiary undertakings

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

12.4 Aggregated amounts relating to the the company

	31 March 2022	31 March 2021
	£000	£000
Summary Statement of Financial Position:		
Current assets	**2,989**	2,131
Current liabilities	**(3,097)**	(2,287)
Net assets	**(108)**	(156)
Reserves	**(108)**	(156)
Summary Statement of Financial Activities:		
Income	**18,328**	**14,151**
Expenditure	**(18,277)**	**(14,315)**
Total	**51**	**(164)**
Corporation Tax	**(3)**	**0**
Net movement in funds	**48**	**(164)**

12.5 Group eliminations of the subsidiary and charitable funds

In 2021/22 on the charity, eliminations consisted of a £0.963 million adjustment to income and expenditure for capital transactions (£0.495 million in 2020/21) and adjustments to working capital amounted to £1.093 million (£0.386 million in 2020/21).

On the subsidiary, intra group eliminations on income and expenditure consisted of a £18.142 million adjustment for drug and rendering recharges and corporate service charges (£14.091 million in 2020/21) and adjustments for working capital amounting to £3.232 million (£1.499 million in 2020/21).

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

13. Other investments

The management of the investment portfolio of South Tees Hospitals Charity and Associated Funds was undertaken by CCLA during 2021/22. Cash funds are held outside the portfolio by the fund to deal with short term cash flow issues. As a consequence of the economic and market uncertainty caused by COVID-19 there was a fall in the valuation of the investment porfolio in 2019/20 which has been recovered in 2020/21 and 2021/22. The impact of these movements are detailed in the table below.

	31 March 2022 £000	31 March 2021 £000
Market value brought forward	**6,039**	5,107
Fair value (losses) / gains	**473**	932
Market value at 31 March	**6,512**	6,039
Investments held:		
Alternative assets	**326**	326
COIF Charities Ethical Investment Fund	**6,186**	5,713
	6,512	6,039

14. Inventories

14.1 Inventories

	Group		**Trust**	
	31 March 2022 £000	31 March 2021 £000	**31 March 2022 £000**	31 March 2021 £000
Group and Trust				
Drugs	**5,004**	4,373	**4,305**	3,811
Consumables	**8,926**	7,572	**8,926**	7,572
Consumables donated from DHSC	**496**	1,109	**496**	1,109
Total	**14,426**	13,054	**13,727**	12,492

14.2 Inventories recognised in expenses

	31 March 2022 £000	31 March 2021 £000	**31 March 2022 £000**	31 March 2021 £000
Group and Trust				
Inventories recognised as an expense	**181,520**	155,865	**181,475**	155,806
Write-down of inventories recognised as an expense	**251**	1,025	**251**	1,025
Total	**181,771**	156,890	**181,726**	156,831

15. Cash and cash equivalents

	Group		Trust	
Group and Trust	**31 March 2022 £000**	31 March 2021 £000	**31 March 2022 £000**	31 March 2021 £000
At 1 April	**59,664**	5,848	**57,380**	3,423
Net change in year	**11,923**	53,816	**11,710**	53,957
Balance at 31 March	**71,587**	59,664	**69,090**	57,380
Broken down to:				
Cash with the Government Banking Service	**68,173**	57,186	**68,189**	57,186
Commercial banks and in hand	**3,414**	2,478	**901**	194
Cash and cash equivalents as in statement of cash flows	**71,587**	59,664	**69,090**	57,380

16. Trade and other receivables

16.1 Trade and other receivables

	Group		Trust	
Group and Trust	**31 March 2022 £000**	31 March 2021 £000	**31 March 2022 £000**	31 March 2021 £000
Current				
Contract receivables invoiced	**13,060**	5,774	**13,060**	5,774
Contract receivables not yet invoiced	**6,547**	6,396	**10,396**	7,899
Other trade receivables	**187**	411	**187**	411
VAT	**7,322**	6,332	**5,607**	5,826
PDC dividend receivable	**177**	1,380	**177**	1,380
Allowance for impaired contract receivables	**(751)**	(574)	**(751)**	(574)
Clinicians Pension tax provision reimbursement	**32**	0	**32**	0
Prepayments	**21,220**	23,809	**21,220**	23,817
Total	**47,794**	43,528	**49,928**	44,533
Non-current				
Contract receivables not yet invoiced	**3,568**	3,432	**3,568**	3,432
Allowance for impaired contract receivables	**(1,839)**	(1,666)	**(1,839)**	(1,666)
Clinicians Pension tax provision reimbursement	**1,933**	0	**1,933**	0
Total	**3,662**	1,766	**3,662**	1,766

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

Following the application of IFRS 15 from 1 April 2018, the Trust's entitlements to consideration for work performed under contracts with customers are shown separately as contract receivables and contract assets. This replaces the previous analysis into trade receivables and accrued income.

16. Trade and other receivables (continued)

16.2 Allowance for credit losses

	31 March 2022 £000	31 March 2021 £000
Balance at 1 April	**2,240**	5,303
Utilisation of allowances	**(152)**	(3,094)
Reversal of allowances	**(733)**	(303)
Increase in allowance	**1,235**	334
Balance at 31 March	**2,590**	2,240

The allowance relates to outstanding Compensation Recovery Unit debts concerning Road Traffic Accidents (23.76% allowance created on all outstanding debt), and allowances on non-NHS debtors (providing between 10 and 100% dependant on the type of debt) that includes allowances for individual invoices in dispute and in formal recovery . The Group does not hold any collateral in support of these debts.

17. Trade and other payables

	GROUP		TRUST	
	31 March 2022 £000	31 March 2021 £000	**31 March 2022 £000**	31 March 2021 £000
Current				
NHS payables	**15,398**	5,599	**15,398**	5,599
Amounts due to other related parties	**1,208**	112	**1,208**	112
Other trade payables - revenue	**59,598**	44,110	**58,423**	43,169
Other trade payables - capital	**19,920**	18,353	**19,920**	18,353
Taxes payable (VAT, Income Tax and Social Security)	**9,699**	0	**9,691**	0
Accruals	**7,259**	6,591	**7,258**	6,590
Annual Leave accrual	**8,338**	6,785	**8,337**	6,784
Receipts in advance	**10,056**	3,291	**10,056**	3,291
Other payables	**6,603**	5,259	**6,601**	5,259
Total current trade and other payables	**138,079**	90,100	**136,892**	89,157

Other payables includes £5.498 million for outstanding pensions contributions (31 March 2021, £5.207 million).

18. Borrowings

Group and Trust	31 March 2022 £000	31 March 2021 £000
Current		
Obligations under:		
Finance leases	**250**	409
Private finance initiative contracts	**2,125**	3,318
Total current borrowings	**2,375**	3,727
Non-current		
Obligations under:		
Finance leases	**0**	82
Private finance initiative contracts	**87,126**	89,251
Total non-current borrowings	**87,126**	89,333

19. Finance lease obligations

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

Minimum lease payments outstanding on the lease agreements amount to £0.339 million (£0.700 million as at 31 March 2021). The Present Value of minimum lease payments included on the Group and Trust's Statement of Financial Position amounts to £0.250 million (£0.491 million at 31 March 2021), with the variance of £0.089 million (£0.209 million at 31 March 2021) relating to future finance charges on the agreements. The values disclosed do not include any liabilities relating to the private finance initiative.

Amounts payable under finance leases:	**Minimum lease payments**	
Group and Trust	**31 March 2022 £000**	31 March 2021 £000
Within one year	**339**	615
Between one and five years	**0**	85
Less: finance charges allocated to future years	**(89)**	(209)
Present value of minimum lease payments	**250**	491
Net lease liabilities		
Not later than one year	**250**	409
Later than one year and not later than five years	**0**	82
	250	491

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

20. Private finance Initiative contracts

20.1 PFI schemes on Statement of Financial Position

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

The scheme comprised 60,000m^2 of new build with 11,000m^2 of refurbishment, with an approximate capital cost of £157 million. Upon completion of the scheme the Trust granted a head lease with associated rights to Endeavour SCH Plc for a period of 30 years. Endeavour maintain the site, providing facilities management services via Serco Group plc (formerly Sovereign Healthcare), and grant an underlease with associated rights to the Trust for the use of the buildings. The Trust makes a unitary payment, quarterly in advance, to Endeavour SCH Plc for use of the building and associated facilities management services that amounts to approximately £58.587 million per annum excluding VAT. An element of the payment is also set aside to fund lifecycle expenditure amounting to £9.470 million. In return the Trust receives guaranteed income of approximately £0.341 million in respect of mall retail units, laundry and catering income. Responsibility for the collection of car parking income transferred back to the Trust from 1 April 2014.

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

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

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

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

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

Group and Trust	**31 March 2022 £000**	31 March 2021 £000
Not later than one year	**9,241**	10,670
Later than one year, not later than five years	**46,282**	42,484
Later than five years	**86,414**	99,453
Sub total	**141,937**	152,607
Less: interest element	**(52,686)**	(60,038)
Total	**89,251**	92,569

Net PFI liabilities

Not later than one year;	**2,125**	3,318
Later than one year and not later than five years;	**20,570**	15,436
Later than five years	**66,556**	73,815
	89,251	92,569

20. Private finance initiative contracts (continued)

20.2 Charges to expenditure

The total charged in the year to expenditure in respect of the service element of on-Statement of Financial Position PFI contracts was £41.054 million (2020/21 £53.409 million).

The Trust is committed to the following annual charges:

	31 March 2022	31 March 2021
Group and Trust	**£000**	£000
Not later than one year	**32,358**	31,900
Later than one year, not later than five years	**145,114**	135,777
Later than five years	**265,040**	290,278
Total	**442,512**	457,955

20.3 Total concession arrangement charges

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

	31 March 2022	31 March 2021
Group and Trust	**£000**	£000
Not later than one year	**63,345**	60,383
Later than one year, not later than five years	**297,060**	258,512
Later than five years	**549,676**	558,415
Total	**910,081**	877,310

20.4 Total unitary payment charge on PFI scheme

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

	31 March 2022	31 March 2021
Group and Trust	**£000**	£000
Interest charge	**7,352**	7,572
Repayment of finance lease liability	**3,318**	2,399
Service element	**31,113**	31,122
Capital lifecycle maintenance	**3,040**	4,741
Contingent finance costs	**7,335**	6,347
Addition to capital lifecycle prepayment	**6,429**	0
Total	**58,587**	52,181

21. Reconciliation of Liabilities arising from financing activities

The total outstanding liability from financing is detailed below:

	Finance Leases	**PFI**	**Total**
Group and Trust	**£000**	**£000**	**£000**
Carrying value at 1 April 2021	**491**	**92,569**	**93,060**
Cash movements:			
Financing cash flows - principal	(347)	(3,318)	(3,665)
Financing cash flows - interest	(317)	(7,352)	(7,669)
Additions in year	106	0	106
Interest charge arising in year	317	7,352	7,669
Carrying value at 31 March 2022	**250**	**89,251**	**89,501**

22. Provisions

	Current		Non-current	
	31 March 2022	31 March 2021	**31 March 2022**	31 March 2021
Group and Trust	**£000**	£000	**£000**	£000
Pensions relating to staff	**119**	126	**263**	260
Legal claims	**455**	600	**151**	331
Restructuring	**194**	285	**0**	0
Clinicians Pension Reimbursement	**32**	0	**1,933**	0
Total	**800**	1,011	**2,347**	591

	Pensions relating to staff	**Legal claims**	**Restructuring**	**Clinicians pension reimbursement**	**Total**
Group and Trust	**£000**	**£000**	**£000**	**£000**	**£000**
At 1 April 2021	386	931	285	0	1,602
Arising during the year	108	174	0	1,965	2,247
Changes in discount rate	16	8	0	0	24
Utilised during the year	(102)	(325)	(91)	0	(518)
Reversed unused	(2)	(172)	0	0	(174)
Unwinding of discount	(24)	(10)	0	0	(34)
At 31 March 2022	382	606	194	1,965	3,147
Expected timing of cash flows:					
- not later than one year;	119	455	194	32	681
- later than one year and not later than 5 years:	216	56	0	133	189
- later than five years.	47	95	0	1,800	1,895
Total	382	606	194	1,965	2,765

Pensions relating to staff

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

Legal claims

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

£327,493 million is included in the provisions of the NHS Litigation Authority at 31 March 2022, in respect of clinical negligence liabilities of the Group and Trust (2020/21 £247,138 million). This is not provided for within these financial statements.

Restructuring

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

Clinicians pension tax reimbursement

The provision is held for lump sums due to clinicians on retirement where 'scheme pays' is expected to be used to settle the additional tax liability due under the 2019/20 scheme.

23. Financial instruments

23.1 Financial assets

	GROUP		TRUST	
	31 March 2022 £000	31 March 2021 £000	**31 March 2022 £000**	31 March 2021 £000
Financial Assets held at amortised cost				
Receivables excluding non financial assets with DHSC and other bodies	**22,737**	13,773	**26,439**	14,892
Cash and cash equivalents at bank and in hand	**71,587**	59,664	**69,089**	57,380
Assets at fair value through income and expenditure				
Investments	**6,512**	6,039	**0**	0
Total	**100,836**	**79,476**	**95,528**	**72,272**

23.2 Financial liabilities

	GROUP		TRUST	
	31 March 2022 £000	31 March 2021 £000	**31 March 2022 £000**	31 March 2021 £000
Financial Liabilities held at amortised cost				
Obligations under finance leases	**(250)**	(491)	**(250)**	(491)
Obligations under PFI contracts	**(89,251)**	(92,569)	**(89,251)**	(92,569)
Trade and other payables excluding non financial liabilities with DHSC and other bodies	**(112,826)**	(81,602)	**(106,140)**	(80,658)
Total	**(202,327)**	(174,662)	**(195,641)**	(173,718)

23.3 Maturity of financial liabilities

	GROUP		TRUST	
	31 March 2022 £000	31 March 2021 £000	**31 March 2022 £000**	31 March 2021 £000
In one year or less	**(122,406)**	(93,544)	**(115,720)**	(92,600)
In more than one year but not more than five years	**(46,282)**	(42,569)	**(46,282)**	(42,569)
In more than five years	**(86,414)**	(99,453)	**(86,414)**	(99,453)
Total	**(255,102)**	(235,566)	**(248,416)**	(234,622)

23.4 Fair values of financial instruments

The fair values of financial instruments are considered to be materially similar to the book values.

23.5 Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the year in creating or changing the risks a body faces in undertaking its activities. Due to the continuing service provider relationship that the NHS Foundation Trust has with Clinical Commissioning Groups and NHS England and the way that these are financed, the NHS Foundation Trust is not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which the financial reporting standards mainly apply. The Group has limited powers to invest surplus funds and requires support to deliver the capital programme in the form of Public Dividend Capital (PDC) from the Department of Health and Social Care. Financial assets and liabilities are only generated by the day-to-day operational activities of the Group in undertaking its operations.

The Group’s treasury management operations are carried out by the finance department, within parameters defined formally within the Group’s Treasury Management Policy and Standing Financial Instructions agreed by the Board. A key theme of the Group's strategic direction is business stability which means achieving target levels of financial performance. To support this target, the key objectives of the Treasury Management Policy includes the achievement of a competitive return on surplus cash balances and effectively identifying and managing financial risk.

23. Financial instruments (continued)

23.5 Financial risk management (continued)

Currency risk

The Group is principally a domestic organisation with the great majority of transactions, assets and liabilities being in the UK and sterling based. The Group has no overseas operations. The Group therefore has low exposure to currency rate fluctuations.

Interest rate risk

The Group and Trust receives support from the government for capital expenditure, subject to affordability. The Group and Trust therefore has low exposure to interest rate fluctuations.

The Trust is exposed to interest rate risk on the PFI scheme due to the linkage of the availablity payment to RPI which impacts on contingent rent, PFI lifecycle and non-operating expenditure.

Credit risk

The majority of the Group's income comes from contracts with other public sector bodies, the Group has low exposure to credit risk. The maximum exposures as at 31 March 2022 are in receivables from customers, as disclosed in Note 16.

The financial instruments utilised by the Group and Trust are deemed to be minimum risk. The Group's investments are held within the Charity with investment management undertaken by CCLA utilising a COIF Charities Ethical Investment Fund.

Liquidity risk

The Group's operating costs are incurred under contracts with Clinical Commissioning Groups and NHS England, which are financed from resources voted annually by Parliament . The Group and Trust funds its capital expenditure from funds allocated by the Department of Health and Social Care and does not have any flexibility to vary principal or interest payments on any of its fixed term liabilities, including those relating to the PFI contract. Further information on risk within the Group and Trust's annual plans is included within the disclosure on Going Concern within the Annual Report.

24. Events after the reporting year

There have been no significant events since the end of the reporting period.

25. Related party information

25.1 Related party transactions

South Tees Hospitals NHS Foundation Trust is a body corporate established by order of the Secretary of State for Health. The Trust completes national returns in accordance with the requirements of IAS 24 "Related Party Disclosures".

25.2 Whole of Government Accounts bodies

All government bodies which fall within the Whole of Government accounts boundary are regarded as related parties because they are all under the common control of HM Government and Parliament. This includes for example, all NHS bodies, all local authorities and central government bodies. The Trust's major related parties include:

- Tees Valley CCG;
- North Yorkshire CCG;
- County Durham CCG;
- Health Education England;
- NHS Property Services;
- NHS Resolution;
- Department of Health and Social Care;
- NHS England;
- County Durham and Darlington NHS Foundation Trust;
- North Tees and Hartlepool NHS Foundation Trust;
- Northumbria Healthcare NHS Foundation Trust;
- The Newcastle Upon Tyne Hospitals NHS Foundation Trust;
- HM Revenue and Customs;
- Ministry of Defence;
- NHS Pension Scheme;
- NHS Blood and Transplant; and
- NHS Professionals.

25.3 Charitable funds

The Trust receives revenue and capital payments from a number of charitable funds, including South Tees Hospitals Charity and Associated Funds. The Trust Board members are also corporate trustees of the charity. The accounts of South Tees Hospitals Charity and Associated Funds are consolidated into the Trust's Annual Accounts as detailed in Accounting Policies 1.2 and Note 12 to the Accounts.

25.4 Board Members and Directors

During the year no Group Board Members or members of the key management staff, or parties related to any of them, have undertaken any material transactions with South Tees Hospitals NHS Foundation Trust.

Declarations of interests, completed on an annual basis by Executive and Non-Executive Directors, have been reviewed to identify any related party relationships requiring disclosure within this note.

IAS 24 specifically requires the separate disclosure of compensation payments made to management. In line with the standard, the HM Treasury has given dispensation that this requirement will be satisfied through disclosure in the Remuneration Report included in the Group and Trust's Annual Report.

27. Losses and special payments

The total number and value of losses and special payments in year amounted to the following:

	2021/22		2020/21	
Group and Trust	**Number of cases**	**Total value of cases £000**	Number of cases	Total value of cases £000
Losses:				
Losses of cash	**20**	**4**	14	1
Bad debts and claims abandoned	**0**	**0**	0	0
Damage to buildings, property as a result of theft, criminal damage etc.	**128**	**21**	78	3
Special payments:				
Ex gratia payments	**146**	**170**	151	317
Overtime corrective payments (*)	**1**	**1,047**	0	0
Total	**295**	**1,242**	243	321

(*) Overtime corrective payments includes nationally funded payments and additional amounts agreed and paid by the Trust in line with the Flowers judgement. These payments are considered special payments for which HMT approval was sought nationally by NHS England on local employers' behalf. The corrective pay settlement payments that were accrued for and funded by NHSE/I in 2020/21 should have been disclosed under special payments in the losses and compensation register in 2020/21. The table above has not been amended to include these payments which amounted to £0.996 million

The amounts included above are reported on an accruals basis and exclude provisions for future losses.

There were no special severance payments (2020/21, there were no cases over £100,000 and there were no severance payments requiring HMT approval) arising from divisional restructuring or other cases of clinical negligence, fraud, personal injury, compensation under legal obligation or fruitless payment cases where the net payment exceeded £300,000.