NHS
Countess of Chester Hospital
NHS Foundation Trust

# Countess of Chester Hospital NHS Foundation Trust

## Annual Report and Accounts 2019/20

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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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# The performance report

## Performance overview

### Statement from the Chairs and Chief Executive

Welcome to the 2019/20 Annual Report of The Countess of Chester Hospital NHS Foundation Trust. This has been a significant year for reviewing and tightening our assurance, governance, processes and accountability. The decision-making processes and responsibilities have been embedded in our culture and behaviours.

The development of our Corporate Strategy began in early 2020 with our aims to develop a five-year forward view with focus on the priorities for the services we provide to the people of Cheshire, Deeside and Flintshire. We recognised that the strategy needed to be influenced by a broad range of people from within the Trust and also by our partners. We therefore held a hugely successful engagement event with Countess of Chester Hospital colleagues and all key partners from across the local health and social care system with an attendance of over 150 stakeholders. The outcome of this event provided us with key strategic direction in a number of critical areas such as workforce, digital and estates to name only a few. Whilst further development of the Corporate Strategy and further enabling strategies has been delayed due to the recent Covid-19 pandemic, the Board is committed to finalising the strategy as soon as possible as it recognises its strategic importance in providing a road map for The Countess of Chester Hospital over the coming five years.

Throughout 2019, The Countess of Chester Hospital also developed and published its Clinical Strategy which was launched formally at the Annual Members Meeting in September 2019. Similar to the Corporate Strategy, the Clinical Strategy was also co-created with staff from a wide range of professions and key external stakeholders through a number of large and small engagement events. Our Clinical Strategy is very important in articulating the direction of our clinical services over the next five years and in meeting the needs of our local population.

The Cheshire West Integrated Care Partnership has strengthened during 2019/20. Although there were some early issues in getting traction, progress has been made in our approach to integrated care. There is recognition of the importance of the Cheshire West Place and its nine care communities as the building blocks for joining up the health and social care local people need and want. The new single Clinical Commissioning Group for the whole of Cheshire (from 1 April 2020) is a positive development which is supporting closer collaboration between local providers and ensuring services are designed and aligned to meet the needs of the population.

The demands and pressures on acute services have been as strong as ever. However, we have seen exceptional progress and results in our operational and financial performance and achievements against standards. We have achieved our control total with a small surplus at the end of the year. This is well over and above what we could have hoped for a year ago. Pending the outputs of the external audit, we are in a strong position. We are contributing to the four key programmes for addressing financial recovery across Cheshire – particularly in the transformation agenda.

The Countess of Chester Hospital has an excellent reputation for delivering high quality patient care and is nationally accredited at the highest levels in many areas, in particular those relating to clinical outcomes and patient safety. We have continued to achieve our accreditations in spite of Covid-19 pressures, and this remains high on our agenda for 2020/21.

For the first time, this year's Staff Survey was only available online, meaning we were able to send it out to more staff compared to the paper format. However, the response rate was disappointing – particularly from

clinical colleagues. It is hard to get meaningful results from such a low uptake, so we recognise that we need to find ways to get meaningful feedback – from all our workforce – in the future.

Extending the emergency department by constructing separate adult and paediatric waiting areas that incorporate rapid streaming and triage and facilities was important to us. This new area enhances the safe and timely delivery of emergency care to our patients. This new environment allows staff to make initial clinical decisions in an informed way that ultimately improves safety and patient experience. It also improves wellbeing and welfare of our frontline staff. Changes have also been made to the internal structure of the emergency department which have enabled improved patient assessment with greater ongoing visibility of flow and emerging clinical need within the department. This transformation was achieved with remarkable speed in spite of winter operational pressures. We also installed a new modular ward on site which was commissioned rapidly in the face of the oncoming pressure of the Covid-19 pandemic. The resulting extra capacity and new facilities have improved our initial operational readiness ability and will enable a continued safe, controlled response to the expected surges of both the pandemic and forthcoming winter. A programme of changes has already been delivered to enable maximum effectiveness and a Silver Command response team has been established which facilitates the intention to continually adopt strict new infection prevention and control measures to maintain the safety of patients and staff.

Moving the organisation to a Cerner-based solution for electronic medical records has involved very intensive work over the past year. However, it is fundamental for the future of how we develop IT around the patient. Unfortunately, implementation is necessarily paused as a result of Covid-19, but plans are being made to restart the project as soon as practically possible.

Being a clinically-led organisation, we worked closely with senior clinicians to plan early for the foreseen and unexpected challenges posed by the impending pandemic. We are proud of how our clinical and operational leaders recognised the severity of the situation and started preparations so promptly. At no point have we been unable to provide staff with the necessary personal protective equipment (PPE). We have provided mutual aid to help colleagues in primary care, hospices and care homes and will continue to work to support the whole local system throughout the pandemic. Although we will still work on other projects, the impact of Covid-19 will remain the primary challenge for the foreseeable future. Throughout this period we have worked to ensure that all patients waiting for urgent operations or investigations continue to receive this service. We are working closely with local private hospitals and our military colleagues to ensure, as much as possible that we can still provide essential surgical services to our patients in a safe manner.

After seven years in the role of Chair, Sir Duncan Nichol retired on 31 March 2020. Chris Hannah as new Chair is looking forward to continuing to play a full part in The Countess of Chester Hospital's lead role across the Cheshire West system in pursuing integration of health and care.

| | | |
|---|---|---|
| **Susan Gilby** | **Sir Duncan Nichol** | **Chris Hannah** |
| **Chief Executive Officer** | **Chair to 31 March 2020** | **Chair from 1 April 2020** |


## About the Countess of Chester Hospital NHS Foundation Trust

The Trust comprises the Countess of Chester Hospital – a 600-bed hospital, providing the full range of acute and a number of specialist services, and Ellesmere Port Hospital – a rehabilitation, intermediate care and outpatient facility. Foundation Trust status was authorised by Monitor in 2004.

The Countess of Chester Hospital NHS Foundation Trust employs over 5,000 staff and provides acute emergency and elective services, primary care direct access services and obstetric services to a population of approximately 264,000 residents – mainly in Chester and surrounding rural areas, Ellesmere Port and Neston and also to patients from the Deeside area of Flintshire which has a population of approximately 152,000. There are more than 500,000 patient attendances at the hospital every year, ranging from a simple outpatient appointment to major cancer surgery.

We provide services to West Cheshire and Welsh patients covered by Betsi Cadwaladr University Health Board. Welsh patients represent approximately one fifth of our patients.

Foundation Trusts were established as public benefit corporations and operate as independent public institutions which are not subject to direction by the Secretary of State for Health or the performance management requirements of the Department of Health. As a Foundation Trust, we set our own strategy within the framework of contracts with our commissioners of health services and other regulatory bodies to continually improve the quality and safety of patient care. We work closely with our local health system partners in the Wirral and Cheshire area and our local communities.

The Countess of Chester Hospital is arranged into three clinical divisions: Urgent Care, Planned Care and Diagnostics and Pharmacy, with support services which include estates and facilities, human resources, corporate services, finance and information technology.

The Countess of Chester Hospital is the host of the Cheshire West Integrated Care Partnership (ICP) which focusses on developing integrated care in health and social care.

For the local NHS and Cheshire West and Chester Council it represents the evolution of our work over recent years. By joining up services which are currently provided separately, we can make better patient decisions by pooling experience, expertise and resources. By focussing on preventing ill-health and unnecessary hospital admissions we can ensure local services are sustainable for the future.

The Countess works collaboratively within the wider Cheshire and Merseyside Sustainability and Transformation Partnership – the Cheshire and Merseyside Health and Care Partnership.

# Strategic context

The Countess of Chester Hospital continues to face a significant challenge in West Cheshire and North Wales with regards to the continued growth in our older population. This impacts upon our delivery of emergency service and also waiting time targets. Due to this increase in demand, we continue to explore new ways of working, both locally and more widely to meet the current and future needs of patients and the wider community.

## Corporate and Clinical Strategy

During the year, we began to develop our Five-Year Corporate Strategy which aims to provide our high level goals and aims. It will incorporate a clear view of The Countess of Chester Hospital's relationship with the Integrated Care Partnership, and with all the other parts of the West Cheshire and North Wales health and social care economy. It will define our approach to a range of considerations including workforce, estates, digital strategy, education, and research and innovation, corporate social responsibility and environmental impact.

The Corporate Strategy will be supported by our newly-developed Clinical Strategy, which describes the direction of clinical services over the next five years. Our Clinical Strategy was ratified in September 2019 by the Board and is now a dynamic living document. Work is underway to translate this into operational planning, so that business plans and timelines can be applied over a five-year cycle. Priorities include reducing outpatient activity on-site and increasing the use of technology to provide digital alternatives where appropriate.

The development of our Clinical Strategy was an opportunity to re-engage medical colleagues. An engagement plan helped to involve clinicians in setting priorities and shaping the Strategy. Our divisional medical directors and leads worked with their teams to identify how the Strategy could be applied to day-to-day working.

Further operational enabling strategies that support the delivery of both the Corporate and Clinical Strategy will be developed over the next 12 months including our People, Estates, Involvement, Digital and Environmental strategies.

## Electronic patient record replacement

The Countess of Chester Hospital began work to develop and plan the replacement of its existing electronic patient record (EPR) system which has been in place since 1999. A range of multi-disciplinary staff and clinicians have been leading this work with the support of the Board.

This is a complex programme of whole hospital clinical transformation and is the largest strategic change the organisation has ever undertaken. EPR+ will transform the way we provide care for patients in all areas and will make us a safer and smarter acute hospital, as we move towards becoming a more digitally mature organisation.

The EPR+ project is in hibernation during the Covid-19 pandemic and will resume as soon as possible.

## Cheshire system working

We recognise the need for working in partnership with the wider Cheshire system if services are to be financially sustainable in the future. In the last 12 months, we have developed closer joint working with partners across the Cheshire system in supporting three key areas of work:

- Grip and control
- Collaboration at scale
- Transformation.

The Countess of Chester Hospital will have a key role in the delivery of programmes of work across all three portfolios and will ensure change is led and supported where there are demonstrable benefits for the local population.

## Cheshire West Integrated Care Partnership

The Countess of Chester Hospital is the host organisation for Cheshire West Integrated Care Partnership (ICP).

The ICP is a collaboration of six organisations – NHS providers, GP federations and Cheshire West and Chester Council's adult social care and public health services. Its care model is based on nine 'care communities' in which GPs, local groups and community teams provide care and support for populations ranging from 20,000 to 70,000 people.

The ICP's transformation goals are to:

1. Understand and actively mobilise the population
2. Actively promote self-care, self-service and develop community assets
3. Actively divert people to the most effective and efficient access points
4. Support and encourage the flow of people to the right resources
5. Provide care and support to people with complex needs through multiagency teams
6. Support community professionals with advice and expertise from hospital-based colleagues.

2019/20 focused on a number of areas of transformation, including:

- The development of nine 'care communities' across the borough of Cheshire West – delivering our Model of Care with GP practices, community health and social care teams and the voluntary sector, all working together to improve the health of local people
- Intermediate Care and Therapy Services provided by The Countess of Chester Hospital – increasing the capacity of these services to look after people in their own home.

## Cheshire and Merseyside Health and Care Partnership

To transform our services and become sustainable, we need to mitigate demand, unwarranted variation, duplication, and cost. To achieve this, we have continued to support the strategic workstreams across Cheshire and Merseyside where it has or will directly support the provision of care to our local population.

### Acting on patient feedback

Seeking patient feedback is vital in ensuring that the services provided are meeting the needs of the population. Following the launch of a revised Patient Experience and Involvement Strategy, the Patient Experience Operational Group (PEOG) continues to monitor patient feedback from compliments, complaints, Friends and Family Test and correspondence received. A rich picture of patient insight is gathered by understanding lived experience stories and implementing change with patient involvement.

Condition-specific user groups such as cancer, diabetes and respiratory involve patients in consultative groups to understand how services can be improved to meet their needs.

The elected governors play an essential part in providing feedback about how services can improve on behalf of patients and the public. Governors undertake independent reviews of departments and clinical areas every six weeks in GovRounds which are welcomed by staff as an opportunity to give their own experiential feedback to an independent body of representatives.

Executive walkabouts are also regularly undertaken to visit departments and clinical areas to seek feedback from patients and staff.

In addition to regular Enter and View visits, which are reported to PEOG, Healthwatch conducted a pan-Cheshire A&E Watch in January 2020 which we welcomed to learn from patient and staff feedback. The learning will be used to inform the 2020 Involvement Strategy.

## Principal risks faced by the Trust

The Board considers and agrees its principle risks quarterly via the Board Assurance Framework. The following table shows The Countess of Chester Hospital's 2019/20 strategic risks from our assurance framework, and the final risk score during the last quarter of the year:

***Table 1 - Strategic risks 2019/20***

| Strategic risks 2019/20 | | Board committee | Risk score at quarter 4* | |
|---|---|---|---|---|
| **CR1** | Failure to maintain and enhance the quality and safety of the patient experience and ensure regulatory compliance | Quality and Safety | 4 x 4 | = 16 |
| **CR2** | Unable to meet demand for services within available resources | Finance and Performance | 4 x 4 | = 16 |
| **CR3** | Failure to collaboratively innovate and transform clinical services | Finance and Performance | 4 x 3 | = 12 |
| **CR4** | Failure to deliver the culture, values and staff engagement plan | Finance and Performance | 4 x 3 | = 12 |
| **CR5** | Failure to deliver in year financial plan and manage consequences of delivering a deficit budget | Finance and Performance | 4 x 2 | = 8 |
| **CR6** | Failure to comply with Compliance Framework | Finance and Performance | 4 x 4 | = 16 |
| **CR7** | Failure to maintain robust corporate governance and overall assurance | Finance and Performance | 3 x 4 | = 12 |
| **CR8** | Failure to maintain Information Governance standards | Finance and Performance | 3 x 4 | = 12 |
| **CR9** | Failure to provide appropriate informatics infrastructure, systems and services that affect high quality patient care in-line with business objectives | Finance and Performance | 3 x 4 | = 12 |
| **CR10** | Failure to recruit, train and retain professional staff | Finance and Performance | 4 x 4 | = 16 |

**The risk score is formed based on 'likelihood' and 'severity/impact rating' as follows:*

*Severity/Impact: 5 Catastrophic, 4 Major, 3 Moderate, 2 Minor, 1 Insignificant.*

*Likelihood: 5 Almost certain, 4 Likely, 3 Possible, 2 Unlikely, 1 Rare.*

*The grading bands of risks are: 1-5 Very low, 6-8 Low, 9-15 Moderate, 16-25 High.*

2019/20 has been a demanding year for The Countess of Chester Hospital, as we have operated below the emergency standards access measure of four hours A&E waiting times. Financial plan risks along with financial and recovery plans have been high risk in quarter one to three of 2019/20 but reduced in quarter four. During the last quarter of the year, the Board Assurance Framework was updated to include Covid-19 risks. These specific risks will be considered further by the Quality and Safety Committee, Finance and Performance Committee and the Board during 2020/21.

In quarter four of 2019/20, a new Assurance Framework has been developed and tested in order to inform a new Assurance Framework for 2020/21. This will ultimately be aligned to new corporate objectives.

# Going concern overview

International Accounting Standard (IAS) 1 requires management to assess, as part of the accounts preparation process, the NHS Foundation Trust's ability to continue as a going concern. In accordance with the Department of Health and Social Care (DHSC) Group Accounting Manual the financial statements have been prepared on a going concern basis as we do not either intend to apply to the Secretary of State for the dissolution of the NHS Foundation Trust without the transfer of the services to another entity, or consider that this course of action will be necessary for at least 12 months from the date of the accounts approval.

The Countess of Chester Hospital's performance in-year showed a pre-impairment surplus of £0.3 million which is in line with plan. At the year end, the organisation has interim revenue loans outstanding of £16.9 million and interim capital loans of £7.6 million. On 2 April 2020, the Department of Health and Social Care (DHSC) and NHS England and NHS Improvement announced reforms to the NHS cash regime for the 2020/21 financial year. During 2020/21, existing DHSC interim revenue and capital loans as at 31 March 2020 will be extinguished and replaced with the issue of Public Dividend Capital (PDC) to allow the repayment. The affected loans totalling £24,468,000 interim loan principal and £44,000 interest accrual are classified as current liabilities. As the repayment of these loans will be funded through the issue of PDC, this does not present a going concern risk.

In 2020/21, in response to the Covid-19 pandemic, all detailed financial planning was suspended. In addition, the requirement for Trusts to agree contracts with its commissioners was removed. Instead, Trusts are receiving regular monthly 'block' payments together with top-up payments designed to ensure that there are sufficient funds available to adequately deal with the crisis. Currently The Countess of Chester Hospital is unclear what form of contracting and payment mechanism will replace this approach, which is currently confirmed only until the end of July 2020.

The Countess of Chester Hospital finished the year with £12.2 million cash balance to support the £7.4 million of outstanding capital creditors and the ongoing revenue position. As part of the new cash regime, Trusts have received two months payments in April. At the end of April, The Countess of Chester Hospital had a cash balance of £30 million. If the monthly revenue costs / loss of non-NHS income exceed the block and top-up payments then additional funding can be applied for. DHSC has confirmed that temporary revenue support arrangements will continue, in order to support providers with demonstrable cash needs. At the point when contracting was abandoned for 2020/21, The Countess of Chester Hospital was budgeting for additional revenue support of £4.9 million. It is unlikely that this level of support will now be required, although it is not clear what alternative assumption should be considered most likely.

The Countess of Chester Hospital still has £20.5 million of 'normal course of business' capital loans outstanding at 31 March 2020, which will require principle repayments of £4.0 million in 2020/21. This means that, as in previous years, the majority of the capital programme will need additional external funding. Details of the capital financing regime have yet to be issued in detail, but it is understood that access to urgent and necessary capital funding will be via Public Dividend Capital applications.

Providers have been told by DHSC to continue to expect NHS funding to flow at similar levels to that previously provided where services are reasonably still expected to be commissioned. While mechanisms for contracting and payment are not definitively in place, it is clear that NHS services will continue to be funded, and government funding is in place for this. As with any Trust placing reliance on the DHSC for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

# Performance analysis

The Board receives the Integrated Performance Report each month, which includes detailed exception reports, and performance against key quality indicators. This includes actions being undertaken to address any risks and uncertainties. The Board receives quarterly updates on cancer performance, a Winter Resilience Plan during quarter three and ad-hoc reports pertaining to specific areas of operational risk.

*Table 2 - Key performance indicators, by quarter ('Q'), 2019/20*

| Infection control targets | Target | Q1 | Q2 | Q3 | Q4 |
|---|---|---|---|---|---|
| Clostridium difficile | 36 | 6 | 13 | 11 | 12 |
| Methicillin-resistant Staphylococcus aureus (MRSA) | 0 | 1 | 0 | 2 | 0 |
| **Waiting times** | **Target** | **Q1** | **Q2** | **Q3** | **Q4** |
| Total time in A&E | 95% | 83.8% | 86.0% | 76.3% | 80.4% |
| Diagnostic six-week target | 99% | 96.5% | 92.5% | 92.1% | 80.8% |
| % referral to treatment incomplete pathway | 92% | 82.1% | 82.9% | 80.0% | 75.8% |
| **Cancer targets** | **Target** | **Q1** | **Q2** | **Q3** | **Q4** |
| 14 days – all cancers | 93% | 97.7% | 97.4% | 97.7% | 95.88% |
| 14 days – breast symptomatic | 93% | 100% | 98.7% | 97.6% | 93.58% |
| 31 day – decision to treat to treatment | 96% | 98.9% | 93.7% | 91.5% | 96.11% |
| 31 days – subsequent surgical treatment | 94% | 86.1% | 90.6% | 94.3% | 96.3% |
| 31 days – subsequent non-surgical treatment | 98% | 100% | 100% | 100% | 100% |
| 62 days – first treatment from urgent GP referral | 85% | 84.8% | 83.7% | 81.1% | 81.56% |
| 62 days – first treatment from screening referral | 90% | 95.5% | 88.9% | 98.2% | 94.44% |

## Infection control

In 2019/20, 42 cases of Clostridium difficile infection have been reported. There were also three cases of avoidable MRSA bacteraemia infections during 2019/20 – similar to the previous year.

## Emergency Department / A&E access measure

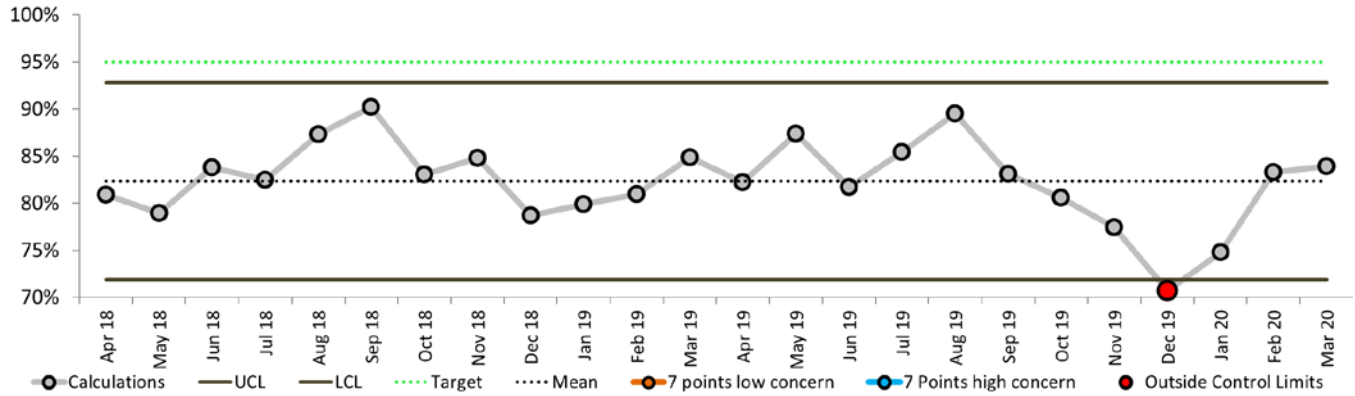
This access measure is to achieve a maximum wait of four hours in A&E from patient arrival to admission, transfer or discharge. Performance has remained below the 95% target all year. Along with other trusts nationally, we have found this a challenging time, due to increasing demand and higher patient acuity. We have focused on a number of areas to improve this target and therefore patient care, including:

- Redesigning and expanding our A&E department to improve dignity and care for patients but also improve flow through the department
- Providing enhanced assessment areas to pull patients from A&E
- Improving our workforce models to deliver seven-day services

- Developing our same-day emergency care which is now delivering over 35% consistently, avoiding unnecessary patient stays overnight
- Remodelling of our bed capacity to provide improved access for patients requiring overnight stay.

It is envisaged that the improvements we have made towards the end of this year will improve patient care but also improve the four-hour performance.

***Figure 1 - A&E four-hour wait standard***
***% of A&E attendances that were seen within four hours of arrival***

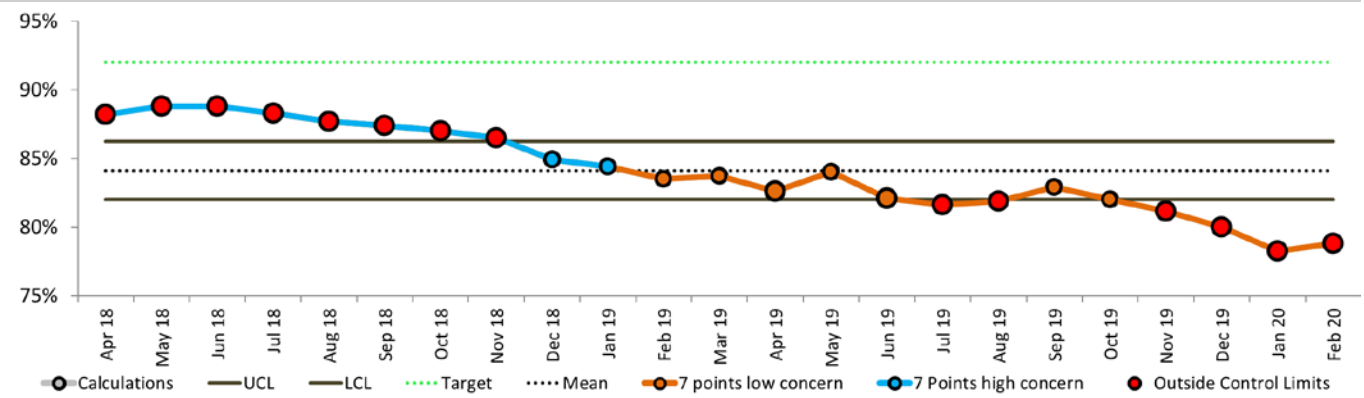



## 18 weeks referral to treatment (RTT)

The threshold for this target is 92% and monitors the percentage of incomplete pathways for English patients within 18 weeks of referral to treatment. We did not achieve this threshold during 2019/20. Increases in demand, particularly for suspected cancer referrals, coupled with high bed occupancy from pressures in urgent and emergency pathways, have required close monitoring and intervention throughout the year. In response to the deteriorating position, The Countess of Chester Hospital has commissioned a full review of our RTT processes and performance which will aim to identify areas of focus to improve our position.

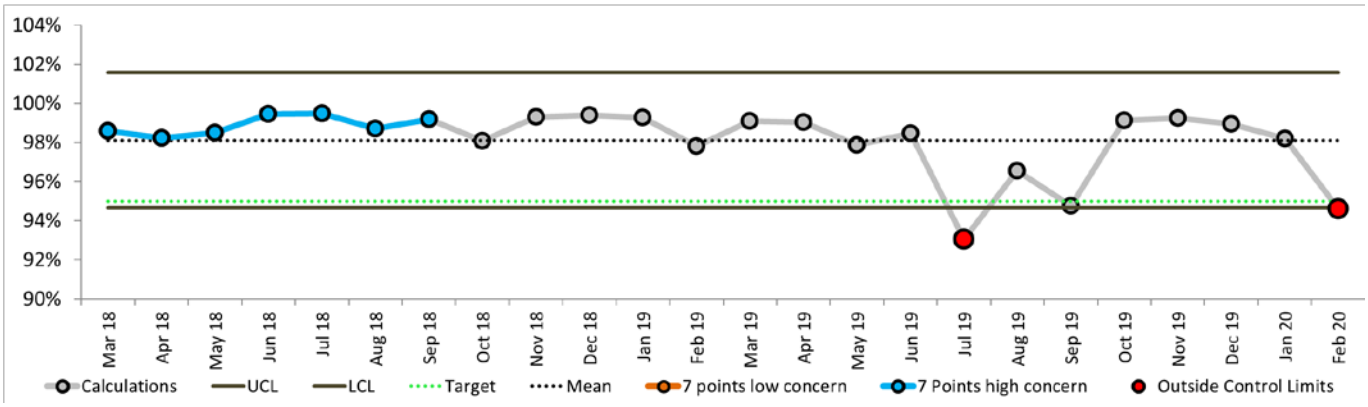
The following graph shows the English referral to treatment performance by month.

***Figure 2 - English 18 weeks referral to treatment – incomplete pathways***
***% of incomplete pathways for English patients within 18 weeks***




The RTT target in Wales of 26 weeks is different to the English target and Welsh patients are normally seen within the contractual target. The following graph shows the Welsh target performance for admitted and non-admitted patients, by month.

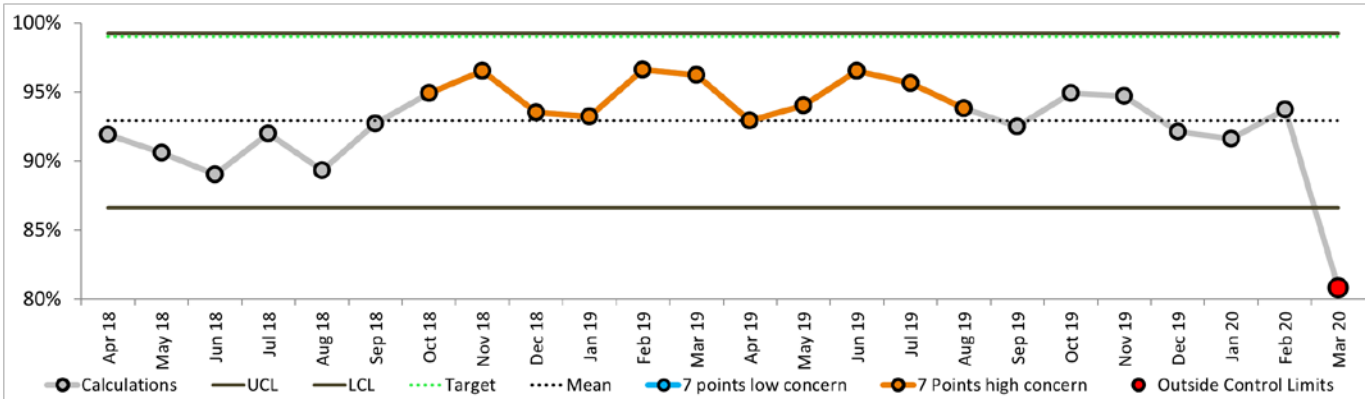
*Figure 3 - Welsh 26 weeks referral to treatment – incomplete pathways*
*Non-admitted patients starting treatment within 26 weeks of referral*




## Diagnostics six-week standard

This standard is for diagnostic tests to be carried out within six weeks of the request being received. We did not achieve the 1% target during 2019/20. High demand on our diagnostic services continues to place a pressure on these services. We will continue to ensure proactive management of capacity and demand within endoscopy and imaging services.

*Figure 4 - Diagnostic tests within six weeks*
*% of diagnostic tests that were carried out within six weeks of the request being received*

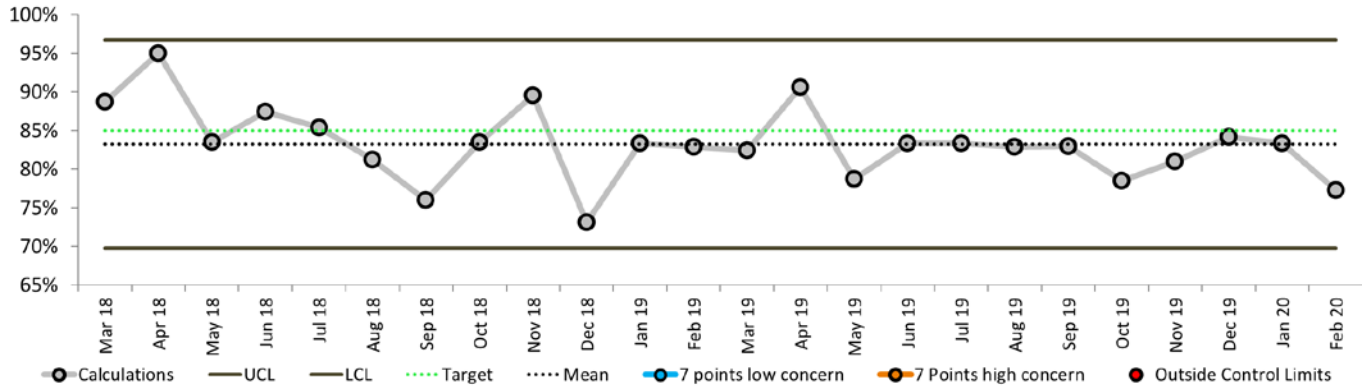



## Cancer 62-day standard

Whilst The Countess of Chester Hospital performs relatively well nationally, the 62-day cancer standard continues to be a challenge. We are working collaboratively with primary care to improve patient pathways. Certain specialities have been prioritised and we are monitoring outcomes against agreed actions.

The Countess of Chester Hospital has seen some in-year improvements which has led to performance being more consistent, but further work is required to deliver our target.

*Figure 5 - Cancer treatments – 62-day standard*
*% of patients having their first treatment for cancer within 62 days of an urgent referral through GP two-week referral route*




## Activity

2019/20 saw a further significant increase in A&E attendances, with a subsequent impact on increased non-elective admissions also. Outpatient new referrals increased due to rising demand from primary care.

*Table 3 - Activity 2017/18 to 2019/20*

| | 2017/18 | 2018/19 | 2019/20 | % change |
|---|---|---|---|---|
| Elective inpatients | 4,905 | 4,690 | 4,200 | -10.45% |
| Elective day case patients (same day) | 32,902 | 37,395 | 35,444 | -5.22% |
| Non-elective (urgent) inpatients | 31,991 | 32,682 | 33,422 | 2.26% |
| Outpatients – first attendance | 67,767 | 65,142 | 75,195 | 15.43% |
| A&E | 70,743 | 75,645 | 77,891 | 2.97% |

## Summary Hospital Mortality Indicator (SHMI)

*Table 4 - SHMI quarterly values 2019/20*

| | Countess of Chester Hospital SHMI | Best trust | Worst trust | Outlier alert level |
|---|---|---|---|---|
| April 2018 – March 2019 | 1.10 | 0.71 | 1.20 | Band 2 – As expected |
| July 2018 – June 2019 | 1.08 | 0.70 | 1.19 | Band 2 – As expected |
| October 2018 – September 2019 | 1.09 | 0.70 | 1.19 | Band 2 – As expected |
| November 2018 – October 2019* | 1.10 | 0.68 | 1.20 | Band 2 – As expected |

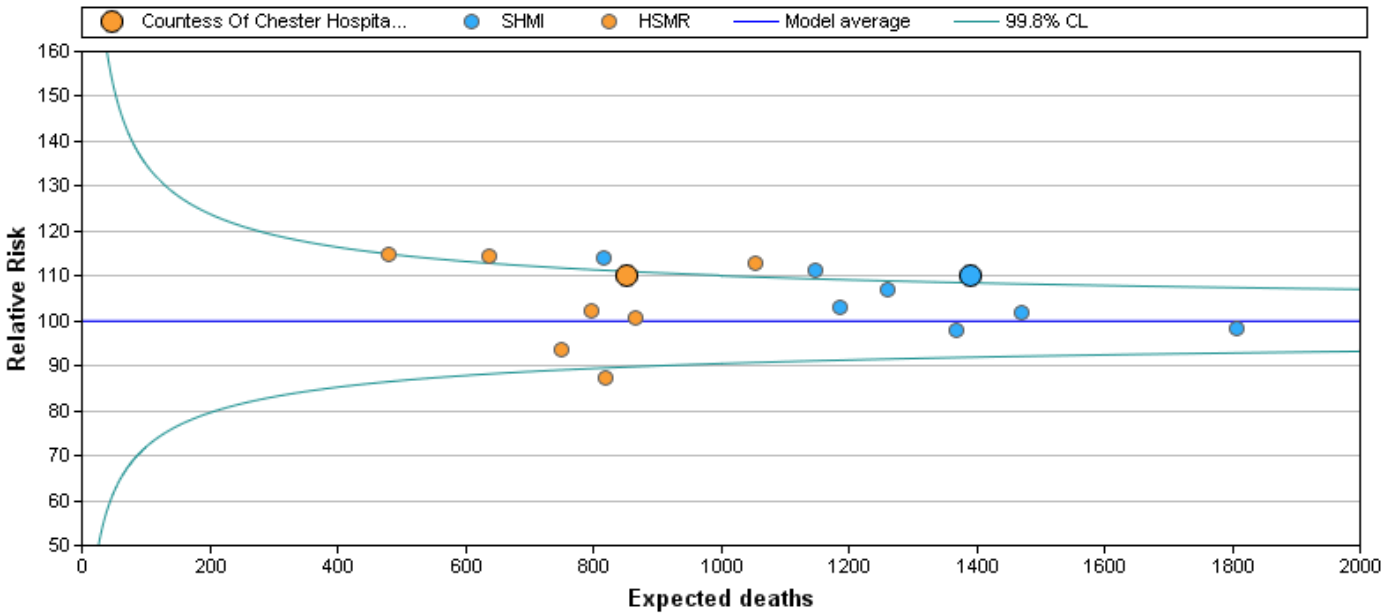
**Latest period available*

Both SHMI and the Hospital Standardised Mortality Ratios (HSMR) indicators are analysed and reviewed within The Countess of Chester Hospital on a monthly basis, via the Learning from Deaths group.

A significant amount of work has been undertaken to understand the patient care being provided and to scrutinise all deaths at the hospital. Governance structures have been overhauled, a new software provider has been commissioned, and the Board received an education workshop in March.

The Countess of Chester Hospital has been working with renewed vigour to identify areas to improve – which will continue into the coming year.

***Figure 6 - SHMI and HSMR by provider (Countess of Chester Hospital Mortality Peers) for all admissions November 2018 to October 2019***




## Equality, diversity and human rights

We have a well-developed and award-winning equality governance framework, which includes patients and third sector organisations from across the full range of protected characteristics. We undertake a significant number of inclusion and engagement activities with protected groups who sit as members of our equality groups for Gender and Sexuality, Equality Disability Age and Safeguarding, and Faith and Culture. Equality groups are chaired by external stakeholders from local charities and organisations.

The following achievements in 2019/20 are a consequence of our transparent, inclusive and engaging equality, diversity and human rights agenda. We are proud to have achieved the following:

### Public Sector Equality Duty

- NHS Equality Delivery System 2 (EDS2) rating in 2019/20 scored The Countess of Chester Hospital at *'Achieving'* status across 15 of the 18 EDS2 outcomes. Following assessment by stakeholder groups from the protected characteristics and Healthwatch, the remaining three outcomes were rated as *'Excelling'*.
- Published our fifth annual NHS Workforce Race Equality Standard (WRES), submission in July 2019.
- Published our first annual NHS Workforce Disability Equality Standard (WDES), submission in July 2019.
- Achieved a 3% reduction in The Countess of Chester Hospital's gender pay gap from 31% to 28% on the previous year.

### Networking and establishing best practice

- The Countess of Chester Hospital is a member of the following regional multi-stakeholder groups: North West Equality Group, Cheshire Equality Leads Forum, Cheshire and Merseyside Health and Care Partnership Equality Diversity and Inclusion (EDI) Steering Group, and Cheshire and Wirral EDI Leads.

- Researched and produced the initial report to the Cheshire and Merseyside Health and Care Partnership EDI Steering Group to launch the first Equality and Inclusion Apprentice Trailblazer and establish The Countess of Chester Hospital as a potential pilot site.
- Continued to facilitate stakeholders from across the protected characteristics to be involved in – and in some cases chair – The Countess of Chester Hospital's equality groups, the equality governance framework and joint working initiatives.

## Events and community engagement

- Organised a march in Chester Pride 2019 for the fifth year running, with representation from Cheshire and Wirral Partnership NHS Foundation Trust (FT), Wirral University Teaching Hospital NHS FT, Wirral Community Health and Care NHS FT and North West Boroughs Healthcare NHS FT.
- Held the organisation's first information stall at Chester Pride 2019 to promote NHS careers.
- Held the first Equality and Diversity discussion group of Year 10 students from local schools as part of Work Experience Week in July 2019. The group discussed equality in the workplace and designed tablecloths and banners that were used in Chester Pride 2019 and our 'careers night'.
- Facilitated a carers' stall for colleagues in the hospital corridor with Cheshire Carers in November 2019.
- Held an information stall at the careers night to promote the ways The Countess of Chester Hospital supports good equality and inclusion practice to local community and colleagues.
- Sent staff representation to Chester's 'City of Sanctuary' group monthly meeting.
- Hosted a 'careers night' in January 2020 which included reaching out to under-privileged areas and young carers.
- Continued to run a hospital tour every quarter in conjunction with Cheshire and Wirral Partnership NHS Foundation Trust to allow patients with learning disabilities to familiarise themselves with the hospital prior to treatment – to ease stress and anxiety.
- Facilitated bespoke careers day with Cheshire Young Carers to introduce them to NHS careers and alternative training routes as part of Carers Week in June 2019.
- Organised a bespoke information stand in the main entrance to support Transgender Day of Remembrance with Unique in November 2019.
- Increased the membership of The Countess of Chester Hospital's equality groups to include Youth Parliament, the Proud Trust and Silver Rainbows.

## Accessibility

- Enhanced the governance and accessibility of the Health Passport and Reasonable Adjustments for disabled people and carers, and promoted these at the front of the hospital.
- Identified a location for a Changing Places accessible toilet and made an application for grant funding (awaiting funding decision).
- Installed hearing loops in all ward and outpatient areas, and trained colleagues to use, care for and maintain equipment.
- Undertook a mystery shopper exercise in partnership with the Deafness Support Network and the Royal National Institute of Blind People to improve the experience of patients and visitors with sensory needs.

## Training and staff development

- Procured training from Unity House – West Cheshire's Multicultural Hub – to train colleagues about the needs of refugees in Cheshire.

- Increased equality training and launched talks about early onset dementia and LGBT+ dementia (lesbian, gay, bisexual, and transgender and related communities) as part of Dementia Action Week 2019.
- Ran training sessions about transgender awareness.
- Introduced fully-funded NCFE level 2 training for colleagues about equality and diversity, dementia, mental health awareness, safeguarding vulnerable adults and autism.
- Launched Rainbow Badges in February 2020 as part of LGBT+ History Month. Launch includes all badge holders to attend an hour's training: 'A history of LGBT+ presence, discrimination and action in Chester'.
- Produced and shared Rainbow Badge training material and guide to local services with all local trusts for their use via the Cheshire and Wirral EDI Leads group.
- Invited all local trusts to attend any equality and diversity training.
- Rated number 20 in the UK's Top 50 Most Inclusive Employers Award 2019 – rising four places from the previous year.
- Hosted the first national engagement event about increasing diversity in staff in partnership with the top 50 employers and local businesses in April 2019.
- Sent staff representation to Cheshire and Wirral Partnership NHS Foundation Trust's Trans Awareness Day in November 2019, featuring trans male speakers.
- Facilitated a 'dyslexia and neurodiversity' event with The North West NHS Dyslexia Network in November 2019. The event was for both internal and external stakeholders and included workplace assessors approved by the British Dyslexia Association.
- Hosted numerous 12-week pre-employment programmes in partnership with the job centre and local college in 2019, providing additional support for unemployed local people where needed.

## Health and safety

Health and safety training and policies have continued to be developed throughout the year. In particular, there has been a focus on enhancing and embedding health and safety risk assessment processes across the hospital. Risk assessment training for all levels has been carried out and this is promoted at all mandatory training sessions. Over 700 colleagues have been trained to date, who have then been used to help manage the annual reviews of risk assessments in their areas to ensure compliance.

## Modern slavery statement

We are committed to ensuring there is no modern slavery or human trafficking in any part of our business activity. Our commitment to social and environmental responsibility is covered by our approach to modern slavery and human trafficking, which is part of our Safeguarding Strategy and arrangements.

## Safeguarding

Our commitment to 'no modern slavery or human trafficking' is reflected in a number of our policies and procedures. These include our *Safeguarding and Promoting the Welfare of Children, Safeguarding Adults Policy* and *Safeguarding Strategy*, which have been developed and maintained within the national and local safeguarding children governance and accountabilities frameworks. It includes guidance on initial contact with a suspected human trafficking victim and the National Referral Mechanism.

### Training and promotion

Our safeguarding training includes role relevant modern slavery awareness and resources to promote understanding of the Department of Health's Provider Responses, Treatment and Care for Trafficked People (PROTECT) project.

# Progress against our Sustainable Development Plan

Simon Stevens, Chief Executive Officer of NHS England, has described the climate emergency as a health emergency: "We, the NHS, as the single biggest organisation across this country are both part of the solution and part of the problem. The NHS contributes to 40% of public sector emissions, and although we have reduced our carbon footprint by around a fifth over the past decade, we've got to make major changes if we're going to help this country become carbon net neutral."

We are mandated by NHS England to reduce our carbon emissions by 51% by 2025 as part of the NHS Long Term Plan. This is a fundamental part of our corporate and social responsibility. Our Sustainable Development Plan identifies the key targets and milestones to help us achieve this mandate, and by incorporating the principles of 'sustainability' at the heart of our whole business, will assist us to maintain the Carbon Reduction Strategy and conduct all future business in a sustainable way.

## Our results so far

We have implemented a number of improvements to significantly improve our environmental sustainability, including:

### Energy

LED lighting has been installed throughout the hospital as part of our capital investment programme, which in turn will see a reduction in energy usage as well as a substantial saving in energy costs of £300,000.

We refurbished and upgraded our Combined Heating and Power (CHP) unit in 2019. At full capacity, our CHP is capable of generating 1.6 Mega-Watts (1,600kW) of electrical energy via an alternator which is driven by the combustion of natural gas (its primary fuel) in a reciprocating combustion engine. In addition to electrical energy, the engine produces a significant amount of heat energy which is used to produce hot water and primary heating to the Women and Children's building, supplemental heating to the main hospital building and steam for the sterilisation of clinical instruments.

### Transport

We actively promote alternative travel and have worked closely with Cheshire West and Chester Council over the last two years. This has included securing a dedicated bus route through The Countess of Chester Hospital site, and the introduction of a Park and Ride bus service at concessionary rates.

We have two electric vehicles in our fleet, with a further three being added in 2020. The vehicles will form part of the transport services collecting and delivering patient specimens across the region, as well as two on-site vehicles within the Security and Portering services. Four fixed e-vehicle charge points with dedicated vehicle parking bays support these vehicles and colleagues wishing to charge their own vehicles.

### Environmental

We send no waste to landfill and work closely with our waste contractors to ensure waste is fully segregated. Any waste that cannot be recycled is converted to Refuse Derived Fuel (RDF) – with the exception of a small volume of clinical waste that is incinerated.

### The Countess of Chester Country Park

The Country Park is now a thriving, 29-hectare public space – having been transformed from a derelict brownfield site. The Countess of Chester Hospital continues to work with partners, led by the Land Trust, to

sustain and enhance the Country Park though appropriate maintenance whilst maximising opportunities for community engagement through a range of health and wellbeing, educational and environmental initiatives.

## Our plans for the future

Our objectives toward sustainability will see us focus on the following areas over the next five years:

### Energy

- We will produce a thermal map of the hospital site, including all outlying buildings, in order to understand where and how we insulate to save energy and reduce carbon emissions
- We will conduct a feasibility study into use of ground source heat pumps for warming water and providing supplemental heating
- We will identify and implement technologic advances in solar heat reflection (such as films) to reduce reliance on comfort cooling and 'fans' for temperature control during the warmer summer months
- We will convert all external lighting to low-power consumption LEDs
- We will conduct a feasibility study to de-steam the site and identify more efficient, local heating strategies. Sterilisation will be achieved via locally-generated 'clean' steam production – i.e. by the machine itself
- We will use heat batteries to capture excess heat generation from combined heat and power in the summer months.

### Travel

- We will actively promote the use of alternative modes of transport to and from the site, by re-energising the two cycle to work schemes and using Cheshire West and Chester Council's Park and Ride service
- We will assess what improvements we can make to our existing secure cycle facilities and shower/changing facilities that positively contribute to colleagues using pedal power to and from work
- We will continue to invest in e-vehicles as part of vehicle strategy, working toward a fully e-vehicle fleet.

### Waste management

We will introduce additional waste streams as part of wider Waste Management Responsibilities Strategy – including plastic bottles, aluminium cans and wastepaper. We also propose to investigate to better segregate and manage used silicone tubing as part of $O_2$ (oxygen) administration, giving sets (spent liquid bags and tubes) as part of IV (intravenous) equipment, and glass bottles and receptacles.

### Procurement

We recognise the impact of our procurement activities on our overall carbon footprint. The Countess of Chester Hospital's Procurement Strategy will incorporate sustainable development principles with greater prominence given to procuring goods and services in a sustainable manner.

### Pharmaceuticals

Anaesthesia and the associated gases are high on the NHS England and NHS Improvement list of contributors that increase $CO_2$ (carbon dioxide) emissions. We will work with colleagues in this specialism to identify less-polluting alternatives.

# Financial review for 2019/20

## The Countess of Chester Hospital NHS Foundation Trust reported a balanced financial position (before impairment) at the end of the 2019/20 financial year, after receipt in full Provider Sustainability Funding (£8.04 million).

Delivery of NHS Improvement's compliance regime and associated financial metrics are summarised below:

***Table 5 - Financial metrics 2019/20***

| | Q3 2019/20 | | Q4 2019/20 | |
|---|---|---|---|---|
| **Use of resources rating** | **Metric** | **Rating** | **Metric** | **Rating** |
| Capital service cover | 0.40 | 4 | 1.13 | 4 |
| Liquidity | -14.73 | 4 | -43.8 | 4 |
| Income and expenditure margin | -1.80% | 4 | 0.0% | 2 |
| Income and expenditure margin variance from plan | 0.00% | 1 | 0.0% | 1 |
| Agency | -40.00% | 1 | -35.0% | 1 |
| Risk ratings before overrides | | 3 | | 2 |
| Risk ratings after overrides | | 3 | | 3 |

**The Trust is allocated to the NHS Improvement's Segment 2:** Support needs identified in quality of care, finance and use of resources and operational performance.

In accordance with the Department of Health and Social Care Group Accounting Manual, the financial statements have been prepared on a 'going concern' basis as we do not either intend to apply to the Secretary of State for the dissolution of the NHS Foundation Trust without the transfer of the services to another entity, or consider that this course of action will be necessary.

## Income and expenditure

The following summary table shows a pre-impairment balanced financial position. The Countess of Chester Hospital's total income for 2019/20 was £271.9 million. The majority of income comes from our main commissioner NHS West Cheshire Clinical Commissioning Group (CCG) at £171.1 million, with £25.1 million received from Betsi Cadwaladr University Health Board, and £8.2 million from NHS England.

In 2019/20, The Countess of Chester Hospital operated Payment by Results contracts with all commissioners, although our year-end position was fixed based on month 11 contract performance due to the impact of Covid-19 on delivering elective activity.

The Countess of Chester Hospital experienced a number of expenditure pressures on its budget during the year, with both medical and nursing pay spend exceeding planned levels. The consequent expenditure on medical agency was £2.1 million for the year, however overall we were still below the agency cap set by NHS Improvement in 2019/20 (£4.576 million). Consumable costs were generally in-line with demand.

*Table 6 - Income and expenditure 2017/18 to 2019/20*

| Income and expenditure | 2017/18 £m | 2018/19 £m | 2019/20 £m |
|---|---|---|---|
| Income | 238.2 | 238.2 | 271.9 |
| Expenses (before net impairment and re-organisation costs) | (230.7) | (240.4) | (264.7) |
| **EBITDA (earnings before interest, taxes, depreciation, and amortisation)** | **7.5** | **(2.2)** | **7.2** |
| Interest, depreciation and dividend | (5.7) | (5.9) | (6.9) |
| **Surplus / (Deficit) prior to exceptional items** | **1.8** | **(8.1)** | **0.3** |
| Impairments and re-organisation costs | 12.1 | (5.1) | 0 |
| **Surplus / (Deficit) for the year** | **13.9** | **(13.2)** | **0.3** |

The majority of The Countess of Chester Hospital's expenditure is spent on clinical care, with staff representing the largest proportion of spend at £187 million.

The following charts summarise income and expenditure by category:

*Figure 7 - Pay expenditure (£187 million) 2019/20*

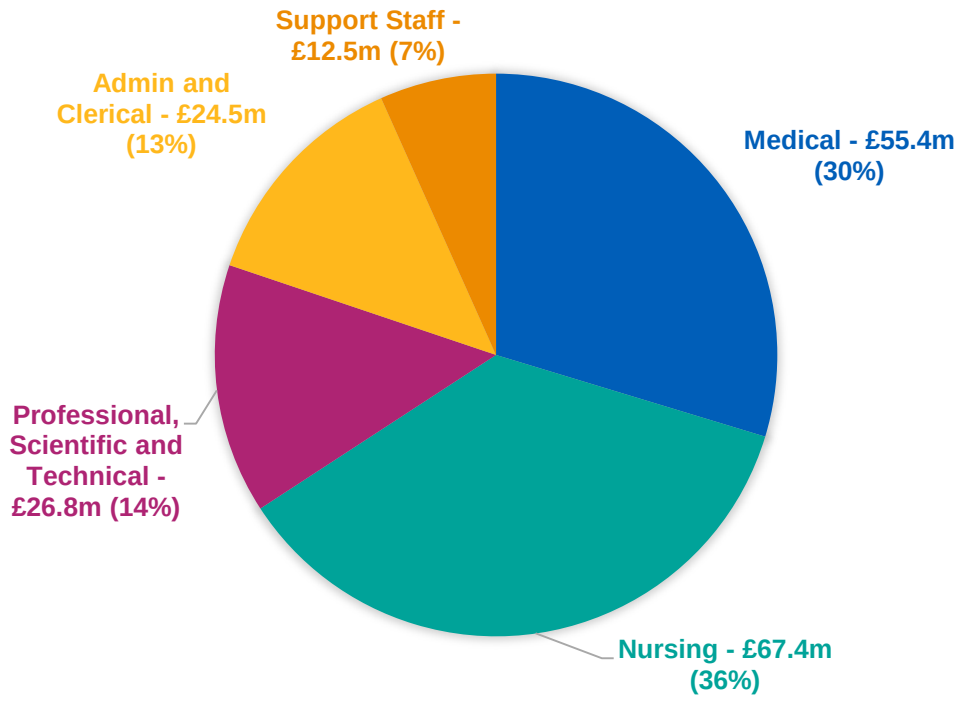
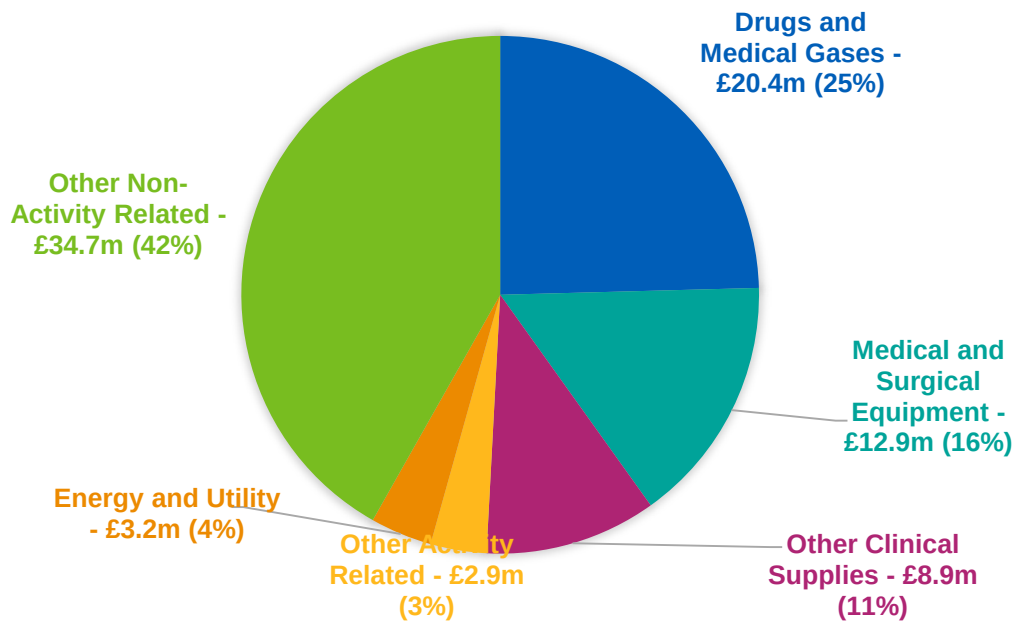


*Figure 8 - Non-pay expenditure (£83 million) 2019/20*

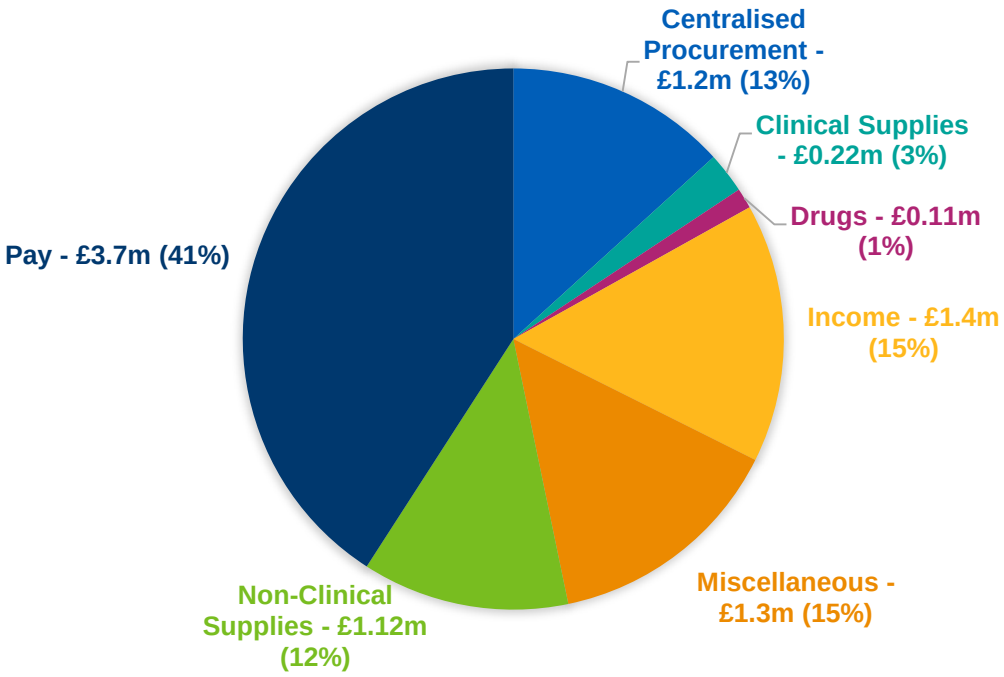



## Cost Reduction and Efficiency (CRS)

The Countess of Chester Hospital's efficiency target for 2019/20 year was £9.4 million, however, only £9.0 million savings (96%) were achieved (56% on a recurrent basis), resulting in a financial pressure of £4.1 million being carried forward into 2020/21.

The following chart shows the breakdown of where the savings have been delivered during the year:

*Figure 9 - Cost reduction and efficiency achievement 2019/20*

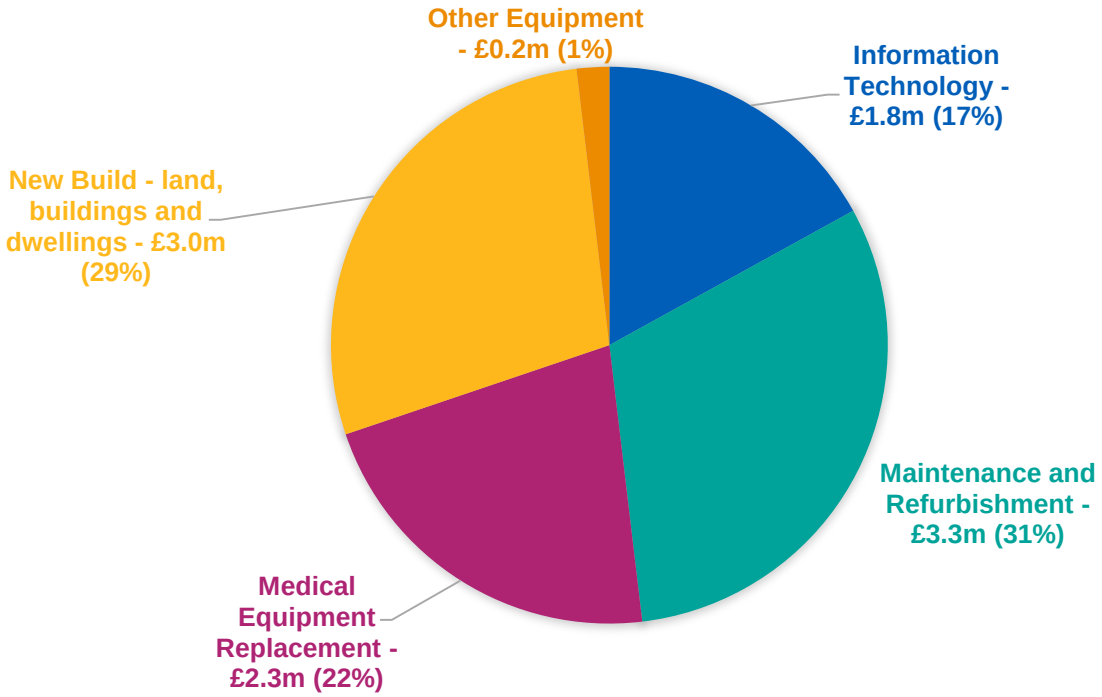


The Countess of Chester Hospital will be required to continue to deliver significant savings annually for the foreseeable future. This can no longer be achieved in isolation, and The Countess of Chester Hospital will need the continued support of our commissioners, along with partnership working to continue to reconfigure and transform services within the local health system.

## Capital investment

Being a Foundation Trust allows us to manage our finances so that we can invest in the infrastructure and estate of the hospital. Capital resources amounting to £10.6 million were spent during 2019/20 in the areas shown in the chart below:

*Figure 10 - Capital expenditure (£10.6 million) 2019/20*




The Countess of Chester Hospital will seek approval for additional capital expenditure during 2019/20 from NHS Improvement and NHS England.

**Susan Gilby**
**Chief Executive Officer**
5 June 2020

# The accountability report

## Director's report 2019/20

### Quality governance and governance structures

The Countess of Chester Hospital NHS Foundation Trust has structures and processes in place at and below Board level which enables the Board to assure the quality of care it provides. Maintaining an effective quality governance system supports The Countess of Chester Hospital's compliance against national standards. We are committed to the continuous improvement of these systems and achieving compliance against NHS Improvement's Well-led Framework for governance.

Our governance structures ensure that the Board has an overarching responsibility through its leadership and oversight, to ensure and also be assured that the organisation operates with openness, transparency and candour in relation to its patients, colleagues and the wider community. The Board holds itself to account through a wide range of stakeholders for the overall effectiveness and performance of the organisation.

Robust quality governance includes our values and structures in conjunction with the supporting processes that enable the Board to discharge its responsibilities for quality. Our responsibilities include ensuring essential Care Quality Commission (CQC) Key Lines of Enquiry based on their framework of Safe, Effective, Caring, Responsive and Well-led for quality and safety is met. We strive for continuous quality improvement and ensuring that the leadership, management and governance of the organisation assures the delivery of high-quality and person-centred care, supports learning and innovation, and promotes an open and fair culture by ensuring that every member of staff that has contact with patients is motivated and enabled to deliver safe, kind and effective care.

Throughout 2019/20, there has been a focus on further implementation and sustained compliance against the outputs of the last CQC well-led inspection. Specific governance arrangements have been implemented to ensure both committee and Board oversight on progress against CQC 'Must Do' actions in particular. In the main, all have been achieved, however two have remained a challenge; nurse staffing levels regarding consistent compliance and safe management of medicines (although progress has been made in year with both), details of which are reflected in the Quality Report. Since the last inspection in November/December 2018, there have been no unannounced inspections or concerns raised by the local regulatory inspection team.

During 2019/20, The Countess of Chester Hospital has continued to implement the recommendations of the external Governance Review which was undertaken in quarter four of 2018/19. In light of this, the sub-committees have been reviewed during the year in order to strengthen and support assurances provided to the Board of Directors in respect of quality, safety and patient experience, finance, performance and workforce.

Assurance regarding key quality and safety measures are provided to the Quality and Safety Committee which is chaired by a non-executive director. This key scrutiny committee requests assurance that high standards of care are provided by The Countess of Chester Hospital and ensures that there are adequate and appropriate governance structures, processes and controls in place across the organisation. An operational Quality Governance Group (chaired by the Deputy Chief Executive Officer / Director of Nursing and Quality) provides a Chair's Report to the Quality and Safety Committee regarding key agenda items, discussion points and actions taken.

It is recognised that a more consistent approach to quality governance is required across all Divisional and Corporate teams, and will be developed further during 2020/21, when a risk management training programme will be implemented (as a recommendation of the external governance review). The implementation of this programme has been delayed in light of the operational response required to manage Covid-19 but when operationally appropriate, this will be a priority during 2020/21.

Reporting to West Cheshire commissioners on quality standards such as Commissioning for Quality and Innovation (CQUINs) and Clinical Audit is undertaken as a national requirement. We seek and use feedback from patients via the Friends and Family Test, along with national surveys, and the outputs from our Patient Experience Operational Group. To support staff engagement, The Countess of Chester Hospital has formal and informal processes including a programme of Executive walkabout sessions, and a weekly 'What's Brewing' question and answer briefing session. With the appointment of a Director of Communication and Corporate Affairs during the year, it has provided an opportunity to refocus on both the patient/public and staff engagement agenda. Communication both internally and externally has already improved and 2020/21 will further focus on strengthening those key relationships but at the same time raising the profile of the organisation in general.

## By well-led, we mean that

Our quality of care is incorporated into the national Single Oversight Framework that The Countess of Chester Hospital is assessed against by NHS Improvement. The framework looks at five themes:

1. Quality of care
2. Finance and use of resources
3. Operational performance
4. Strategic change
5. Leadership and improvement capability (well-led).

Our quality reporting also forms part of our Board integrated performance report which triangulates quality and safety, workforce and operational and financial indicators and provides the Board visibility on all key areas of performance. This report is produced and reviewed monthly, with the metrics of the report structured across the CQC Domain headings of Safe, Effective, Caring, Responsive and Well Led. During 2019/20, this monthly report has been a dynamic, iterative document which has changed its format, language and data-capture to clearly illustrate trends, areas of concern and areas of improvement. The Board recognises that there is still further work required to ensure the Board are fully sighted on the relevant metrics and that these are easy to understand. It has been beneficial that a number of new non-executive directors have joined the Board during the latter end of 2019/20. This has provided a fresh perspective to inform planned changes to ensure the report is a true representation.

With the Board having oversight of the Integrated Performance Report (as described above), this enables challenge of the control systems in place and, where appropriate, seeks further intelligence on the current trend analysis with The Countess of Chester Hospital's performance indicators. The report is also shared with members of the Council of Governors and comments or queries are received from them via their links with members of the public, patients and colleagues.

As briefly described previously, the two new sub-committees of the Board of Directors, developed during 2019/20 comprises of the Quality and Safety Committee and the Finance and Performance Committee. The Finance and Performance Committee also incorporates all aspects of the People agenda. It is important to note that quality and safety are not exclusively discussed within the Quality and Safety Committee and the Board is clear that an oversight of quality and safety is provided in both committees. Both committees are chaired by a non-executive director and clinical and managerial representatives make up the membership. The Audit Committee is a statutory committee of The Countess of Chester Hospital which reports to the Board, chaired by a non-executive director and the composition includes two further non-executive directors.

Further to the inception of the new sub-committees, each of the sub-committees receives a Chair's Report (as previously described). There is an opportunity at each meeting for the relevant group's Chair's Reports to be questioned and where needed, further details can be requested and clarified. This revised way of working has proved effective in highlighting key and pertinent issues and has been also implemented at divisional level.

As part of the implementation of the recommendations from the external Governance review, a key focus has been on risk management. It was recognised within the review that the current risk management systems and processes were not clear or robust. In light of this, The Countess of Chester Hospital has continued to be supported externally with risk management expertise. This has been in the form of facilitating Board workshops about risk appetite and assurance frameworks. Each executive has supported the facilitation of a new, simplified Board Assurance Framework (which will be launched in quarter one of 2020/21).

In respect of the above and with the implementation of Trust-wide risk management training, a revised Risk Management Strategy will be developed during 2020/21 with supporting procedures set out with the key responsibilities for managing risk within the organisation, including ways in which the risk is identified, evaluated and controlled. Leadership from managers at all levels will be required to ensure risk management is part of an integrated approach to corporate and quality governance, performance management and assurance. A dedicated executive risk management group was commenced during the year, however, in light of the changes articulated above, this will be further revised and re-launched to support all risk management reporting from ward to Board.

Further detailed information on The Countess of Chester Hospital's risk management system and risk training is detailed within the Annual Governance Statement section of this Annual Report.

The Countess of Chester Hospital self-assesses each year the validity of its Corporate Governance Statement that it is fully compliant with the requirements of the NHS Improvement Provider License.

The Foundation Trust is registered with the CQC to provide care, treatment and support, without compliance conditions. Further information about the CQC well-led inspections can be found within the Annual Governance Statement section of this Annual Report.

In respect of quality, safety and patient experience, further details of aspects focused upon will be found in the Quality Accounts which will be published later in 2020.

## Focusing on governance

### The NHS Foundation Trust Code of Governance

The Board of Directors places emphasis on ensuring governance is effective and robust and is reflective of best practice. The Code of Governance provides the structure to support the many aspects of an effective Board. It is adopted on a 'comply or explain' basis and any variation from the best practice is detailed within the Disclosures section of this Annual Report.

### The Council of Governors and relationship with the Board

The Council of Governors has a duty to hold the non-executive directors individually and collectively to account for the performance of the Board of Directors and are also responsible for representing the interests of the members, public and colleagues in the governance of the Trust. Governors are responsible for regularly feeding back information about the Trust, its vision and its performance to members and the public and the stakeholder organisations that either elected or appointed them.

## View from our Lead Governor, Peter Folwell

"The role of a governor is to represent the people who elected us (the majority of governors are elected, but others are appointed). Our primary role is to hold the unitary board to account via the non-executive directors. The governors ensure there is sufficient scrutiny from the non-executives of what the executives are saying and doing. The governors make sure that planned actions are being carried out and delivered. The executive directors are full-time employees and sit on the Board. Added to those are people who have a broad experience in all sorts of other fields, not necessarily related to healthcare but have skills, expertise and fresh perspectives from other industries and sectors that can be utilised (such as accountancy skills). These are the non-executive directors – they are not full-time employees.

There are three types of governors: elected governors who represent their regions, appointed governors who represent partner organisations, and staff governors. Elections take place every year.

It is impossible to represent 250,000 people and talk with them all. In the past, we have gone out to other organisations such as patient groups to tell them about our role and encourage more people to become members. We have also organised a few focus groups to collate member feedback and would like to do more of these in the future.

There are positions for up to 27 Governors at The Countess of Chester Hospital. These are divided into 16 public governors, like me, six partner governors and five staff governors. Public governors are elected by the members to represent their area and staff governors are elected by you, the staff. Partner governors are appointed and represent bodies like the local authority, the University etc.

One of the main ways we report back to members is through articles in the Countess Matters magazine, but the Annual Members Meeting also provides opportunities for discussion. These are our main ways of feeding back, along with the Annual Report and our website.

News and updates are posted on our website, and we are hoping to renew and revise the site in future. We are also making more efforts to engage with members over social media and will be pursuing other avenues in terms of engagement and working with partner organisations in future, with support from our new Director of Communication and Corporate Affairs.

Governors are updated on regular issues such as finance and clinical matters through a monthly Governors Forum. We also operate a governors' round every six weeks, visiting different wards in the hospital, or other areas such as A&E and the new building work. After the visit, a report is written and then fed back to the Patient Experience Operations Group. The group report back to the ward manager who then has an opportunity to respond. If improvements need to be made, they tell us what they are going to do.

A new thing we have implemented this year is for governors to have a separate meeting before our official Governor's Forum. In our prior session, we decide the aims and goals of the meetings we attend. We reflect on what is missing and what we want to see more of, and this has been working very well."

The Council of Governors holds the non-executive directors and Board of Directors to account by analysis of the integrated performance reports that they receive, challenging assumptions and raising questions as appropriate.

In addition to the formal quarterly meetings of the Council of Governors and the Annual Members Meeting, the governors hold a Governors Forum meeting at least nine times a year. Non-executive directors and executive directors regularly attend these meetings. At these meetings, the governors receive an update about Trust matters in relation to quality and operational information and have the opportunity to raise any issues on behalf of the members.

Governors Forum topics during 2019/20 have included:

- Quality initiatives
- Transformation plans
- Welsh contract position
- Response to the CQC report
- Winter plans
- Statistics Process Control awareness in relation to the integrated performance report
- Equality and diversity awareness
- Patient Experience Team processes.

At the Council of Governors' meetings there are interactive sessions where governors hold the Board to account and provide feedback from the membership about the quality of our services received by members. During 2019/20, there have been regular updates at Council of Governors meetings about the development of the Cheshire West Integrated Care Partnership, along with introduction of questions from governors about Chair's Reports from Board committees, in order to strengthen the role of the governors in holding the non-executive directors to account.

The types of decision taken by each of the Boards together with any delegated powers are set out below. The Board of Directors may delegate any of its powers to a Committee of Directors or to an executive director. The Board has reserved the issues set out in its Scheme of Reservation and Delegation and further guidance about the operation is set out in the Standing Orders and Standing Financial Instructions.

The main decisions taken by the Board of Directors include those relating to:

- Strategic direction and policy determination
- The quality agenda
- Actions required to address significant performance issues
- Governance and compliance arrangements
- Major business cases for capital or revenue investment
- The Annual Plan, Financial Strategy and Annual Report/Accounts
- The acquisition, disposal or change of land or buildings
- Major contracts
- Risk, clinical governance standards and policies
- The Constitution, terms of authorisation and working arrangements of its committees
- Approval of Standing Orders, Standing Financial Instructions and Schemes of Reservation and Delegation
- Arrangements for the Trust's responsibilities as a corporate trustee for its charitable funds.

The types of decisions taken by the Council of Governors include:

- Appoint and, if appropriate, remove the Chair



- Appoint and, if appropriate, remove the other non-executive directors
- Decide the remuneration and allowances, and the other terms and conditions of office, of the Chair and the other non-executive directors
- Approve the appointment of the Chief Executive
- Appoint and, if appropriate, remove the NHS Foundation Trust's External Auditor
- Decide on a quality of care issue to be reviewed for the Quality Account
- Determine a local quality measure for auditing internally and externally for the Quality Account
- To agree the Membership Strategy and the policy for the composition of the Council of Governors.

## Composition of Council of Governors

The total number of governor positions established within the Constitution is 27, as follows:

*Table 7 - Composition of Council of Governors*

| Area | Number of governors |
|---|---|
| Chester and Rural Cheshire | 8 |
| Ellesmere Port and Neston | 4 |
| Flintshire | 3 |
| Out of area | 1 |
| Staff | 5 |
| Partnership organisations | 6 |
| Total | 27 |

A number of governor vacancies have arisen during the year and also following the summer 2019 election where some governor positions lacked nominations. As at 31 March 2020, there were nine governor vacancies, including three staff governors, four public governors and two partnership governors. Consideration is underway to enhancing communication with members in order to make the position of public governor more attractive in future.

The membership of the Council of Governors during 2019/20, for both elected and appointed, and their length of tenure, is as follows:

*Table 8 - Membership of Council of Governors*

| Governor/Constituency | Term of office |
|---|---|
| ***Public – Chester and Rural Cheshire*** | |
| Ms Caroline Stein | Re-elected for second term of office for three years until October 2020 |
| Ms Sue McClelland-Sheldon | Re-elected October 2016 for three years until 24 September 2019 |
| Mr Roger Howells | Elected October 2016 for three years until 24 September 2019 |
| Ms Karen Newbury | Re-elected for a second term of office for three years until September 2022 |
| Mr John Jones | Elected October 2017 for three years until October 2020 |

| | |
|---|---|
| Mr Hems de Winter | Elected October 2018 for three years until October 2021 |
| Ms Brenda Southward | Elected October 2018 for three years until October 2021 |
| Ms Jennifer Gill | Elected October 2017 for three years until October 2020 |
| ***Public – Ellesmere Port and Neston*** | |
| Cllr Brian Jones | Re-elected for a second term of office for three years until October 2021 |
| Mr Peter Folwell (Lead Governor from October 2018) | Re-elected for a second term of office until September 2022 |
| Dr Mike Morris | Elected September 2019 for three years until September 2022 |
| ***Public – Flintshire*** | |
| Ms Fran Parry | Elected October 2018 for three years until October 2021. Stood down 16 December 2019 as moved out of the Flintshire constituency |
| Mr Stuart Hatton | Appointed 18 February 2020 until October 2020 or next annual election, as per process outlined within Constitution following Flintshire Governor standing down |
| Mr Russell Jackson (Deputy Lead Governor from October 2018) | Re-elected for a third term of office for three years until September 2022 |
| Ms Ruth Overington | Re-elected for a second term of office for three years until September 2022 |
| ***Public – wider area*** | |
| This position remains vacant | |
| ***Partnership organisations*** | |
| Mr Michael Hemmerdinger<br>Voluntary Services | Appointed January 2018 until 8 January 2020 |
| Ms Carol Berry<br>Voluntary Services | Appointed 14 January 2020 |
| Prof Dorothy Marriss<br>University of Chester | Appointed February 2011 until September 2019 |
| Prof Annette McIntosh-Scott<br>University of Chester | Appointed 10 October 2019 to 17 January 2020 |
| Prof Angela Simpson<br>University of Chester | Appointed from 18 January 2020 |
| Mr Alan Whittle<br>NHS West Cheshire CCG | Appointed September 2019 to 23 January 2020 |
| Cllr Eleanor Johnson<br>Cheshire West and Chester Council | Appointed June 2017 to June 2019 |
| Cllr Steve Collings<br>Cheshire West and Chester Council | Appointed 12 June 2019 |
| Mr Michael Boyle<br>Flintshire Community Health Council | Appointed September 2016 |
| Betsi Cadwaladr Health Board<br>Partnership Governor | Position remains unappointed/vacant |



| ***Staff*** | |
|---|---|
| Dr Ian Benton<br>Doctors | Re-elected for second term of office October 2017 for three years until October 2020 |
| Mrs Chris Price<br>Allied Health Professionals | Elected October 2016 for three years until 24 September 2019 |
| Anita Eccleston<br>Allied Health Professionals | Elected September 2019. Stood down 23 January 2020 |
| Ms Lisa Myers<br>Nurses/Midwives | Elected October 2016 for three years until 24 September 2019 |
| Mr Steve Bridge<br>Other staff groups | Re-elected October 2017 for three years until October 2020 |

## Election of Council of Governors

Notice of elections were published in July 2019 in the following public constituencies:

- Chester and Rural Cheshire
- Ellesmere Port and Neston
- Flintshire
- Wider area.

Notice of elections were published in July 2019 in the following staff constituencies:

- Allied Healthcare Professionals and Technical/Scientific
- Nursing and Midwifery (Qualified).

An election was held in September 2019 and the election turnout was as follows:

- Chester City and Rural Cheshire – uncontested; one governor re-elected
- Ellesmere Port and Neston – uncontested; one governor re-elected and one new governor appointed
- Flintshire – contested; two governors re-elected. One governor was also subsequently appointed as the third candidate in February 2020 following an existing governor moving out of the Flintshire constituency
- Wider area – no nominees
- Staff – Allied Health Professionals – one new governor appointed
- Staff – Nursing and Midwifery (Qualified) – no nominees.

The Board confirm that elections are held in accordance with the model election rules and were undertaken independently by Electoral Reform Services.

## Attendance at Council of Governors' meetings

There have been four Council of Governors' meetings held during 2019/20. A further meeting was scheduled for 13 March 2020, but was postponed due to the Covid-19 pandemic.

The attendance by governors is shown below, along with expenses of governors and directors:

*Table 9 - Attendance at Council of Governors' Meetings*

| No. meetings 2019/20 | 4 | Governors' expenses 2019/20 |
|---|---|---|
| ***Council of Governors*** | | |
| Mr Peter Folwell (Lead Governor) | 3 | £334.40 |
| Ms Karen Newbury | 1 | |
| Mr John Jones | 4 | |
| Ms Jennifer Gill | 3 | |
| Cllr Brian Jones | 1 | |
| Mr Michael Hemmerdinger | 1/3 | |
| Ms Carol Berry | 1/1 | |
| Prof Dorothy Marriss | 1/2 | |
| Prof Annette McIntosh-Scott | 0/1 | |
| Prof Angela Simpson | 1/1 | |
| Ms Sue McClelland-Sheldon | 1/2 | |
| Ms Ruth Overington | 3 | £140.80 |
| Ms Fran Parry | 1/3 | |
| Mr Stuart Hatton | 0/0 | |
| Dr Mike Morris | 1/2 | |
| Cllr Eleanor Johnson | 1/1 | |
| Cllr Steve Collings | 1/4 | |
| Mr Michael Boyle | 3 | |
| Mr Russell Jackson | 4 | |
| Dr Caroline Stein | 4 | |
| Hems de Winter | 3 | |
| Dr Ian Benton | 3 | |
| Mr Steve Bridge | 3 | |
| Brenda Southward | 2 | |
| Roger Howells | 2/2 | |
| Chris Price | 1/2 | £76.07 |
| Lisa Myers | 0/1 | |
| Mr Alan Whittle | 1/2 | |

| No. meetings 2019/20 | 4 | Directors' expenses 2019/20 |
|---|---|---|
| ***Board of Directors*** | | |
| Sir Duncan Nichol, Chairman | 4/4 | £186.10 |
| Dr Susan Gilby, Chief Executive Officer | 2/2 | £2,117.06 |
| Mrs Alison Kelly, Director of Nursing and Quality/Deputy Chief Executive | 1/2 | £139.50 |
| Dr Darren Kilroy, Executive Medical Director | 2/2 | nil |
| Mrs Sue Hodkinson, Director of People and Organisational Development | 0/0 | nil |
| Mrs Alyson Hall, Director of Human Resources and Organisation Development | 1/2 | nil |
| Ms Lorraine Burnett, Chief Operating Officer | 0/2 | £688.15 |
| Mr Simon Holden, Director of Finance | 1/2 | £1,185.96 |
| Mrs Anna Collins, Director of Communication and Corporate Affairs | 2/2 | £59.74 |
| Ms Chris Hannah, Non-Executive Director | 2/4 | £1,989.56* |
| Mrs Ros Fallon, Non-Executive Director | 2/4 | nil |
| Mrs Rachel Hopwood, Non-Executive Director | 2/2 | nil |
| Mr Andrew Higgins, Non-Executive Director | 1/4 | nil |
| Mr Ed Oliver, Non-Executive Director | 1/1 | nil |
| Mr David Williamson, Non-Executive Director | 2/2 | nil |
| Mr Mark Adams, Non-Executive Director | 0/1 | nil |
| Mr Paul Jones, Non-Executive Director | 0/0 | nil |
| Ms Bridget Fletcher, Non-Executive Director | 0/0 | nil |

*Note: Executive directors' attendance was only requested at two of the four Council meetings.*

**Expenses figure for Chris Hannah includes expenses claimed as ICP Chair*


## Summary of Declaration of Interests of Governors

The register of Declaration of Interests is held by the Director of Communication and Corporate Affairs.

Anyone requiring a copy of the register should email coi.declarations@nhs.net.

The Council of Governors have individually signed to confirm that they meet the eligibility criteria for governors.

The Board of Directors have received information about the views of the governors and members about the Trust and its services in the following ways:

- Regular attendance at the Council of Governors' meetings
- A Corporate Strategy development stakeholder event, held in February 2020
- Regular feedback received from Governor Forum meetings
- Regular communication with the Lead Governor
- Introduction of a report in January 2020 at Board of Directors from the business of the Council of Governors meetings
- Discussion at Annual Members Meetings.

# Board of Directors

The composition of the Board of Directors during 2019/20 was as follows:

## Non-Executive Directors (Independent)

- Sir Duncan Nichol CBE – Chairman
  Re-appointed 1 November 2018 for a further three-year term of office. Retired on 31 March 2020
- Mr Andrew Higgins – Senior Independent Director
  Re-appointed September 2019 for one further year to 31 October 2020
- Mrs Rachel Hopwood – Deputy Chairman
  Re-appointed 1 December 2017 for a three-year term of office and left on 30 November 2019
- Mr Ed Oliver
  Re-appointed 1 September 2016 for a three-year term of office until 31 August 2019
- Mrs Ros Fallon
  Appointed March 2019 for a one-year term of office to 30 April 2020 and re-appointed in December 2019 for a further two-year term of office to 30 April 2022
- Mrs Chris Hannah
  Appointed 1 April 2018, for a three-year term of office (term to end 31 March 2020, as Chair elect from 1 April 2020). Also appointed as Chair of Cheshire West Integrated Care Partnership, hosted by The Countess of Chester Hospital, for a two-year term of office until 31 March 2020
- Mr David Williamson
  Appointed 1 November 2019 for a three-year term of office
- Mr Mark Adams
  Appointed 1 January 2020 for a three-year term of office
- Ms Bridget Fletcher
  Appointed 1 February 2020 for a three-year term of office
- Mr Paul Jones
  Appointed 1 March 2020 for a three-year term of office.

## Executive Directors

- Dr Susan Gilby – Chief Executive Officer
- Mrs Alison Kelly – Director of Nursing and Quality and Deputy Chief Executive
- Mr Simon Holden – Director of Finance
- Mrs Sue Hodkinson – Director of People and Organisational Development (to 31 May 2019)
- Mrs Alyson Hall – Director of Human Resources and Organisation Development (from 12 August 2019)
- Ms Lorraine Burnett – Chief Operating Officer (to 30 November 2019)
- Mr Darren Kilroy – Executive Medical Director (from 1 June 2019. Acting Medical Director prior to this)
- Mrs Anna Collins – Director of Communication and Corporate Affairs (from 2 December 2019).

## Attendance at Board of Directors and Board committee meetings

Attendance at the Board meetings held during 2019/20 and Board committees were as follows:

*Table 10 - Attendance at Board of Directors and Board committee meetings*

| | Board of Directors | Audit Committee | Finance and Performance Committee | Quality, Safety and Patient Experience Committee | Quality and Safety Committee | People and Organisational Development Committee | Charitable Funds Committee |
|---|---|---|---|---|---|---|---|
| **No of meetings held for 2019/20** | 8 | 6 | 5 | 2 | 3 | 1 | 2 |
| Sir Duncan Nichol | 8 | - | 1 | 0 | - | - | - |
| Susan Gilby | 8 | 1 | 3 | - | 2 | - | 2 |
| Darren Kilroy | 7 | 1 | 3 | 2 | 2 | 0 | 1 |
| Alison Kelly | 8 | 1 | 1 | 2 | 3 | 1 | - |
| Sue Hodkinson | 0/1 | - | - | 1/2 | - | 1 | - |
| Lorraine Burnett | 3/5 | - | 2/3 | - | 1/2 | 1 | - |
| Alyson Hall | 5 | 1 | 3/4 | - | 1 | - | |
| Simon Holden | 8 | 4 | 4 | - | 1 | - | 2 |
| Anna Collins | 3/3 | 0/1 | 0/2 | - | 1/1 | - | - |
| Andrew Higgins | 4 | 6 | 5 | 2 | - | - | - |
| Rachel Hopwood | 5/5 | 5/5 | 1/3 | 2/2 | 2/2 | - | - |
| Ed Oliver | 3/3 | 2/3 | 1/1 | - | - | 1 | 2 |
| Ros Fallon | 7 | - | - | 2 | 3 | 1 | - |
| Chris Hannah | 8 | - | 5 | - | 3 | - | - |
| David Williamson | 4/4 | 1/1 | 2/2 | - | - | - | |
| Mark Adams | 2/2 | 1/1 | 2/2 | - | - | - | |
| Bridget Fletcher | 1/1 | - | 1/1 | - | - | - | - |
| Paul Jones | 1/1 | - | - | - | - | - | - |

## Background of the Board members

### Sir Duncan Nichol – Chairman (to 31 March 2020)

Sir Duncan was re-appointed as Chairman on 1 November 2018 for a third three-year term of office. He spent most of his NHS managerial career in the North-West of England, becoming Chief Executive Officer of the NHS in 1989, before his appointment as Professorial Fellow at the University of Manchester. Since then, he has divided his commitments between the public and private sectors, formerly as Chairman of the Parole Board; HM Courts Service, Deputy Chairman of the Christie NHS FT, Non-Executive Director of Steris and UKAS, and currently as Non-Executive Director of Deltex Medical Ltd. Sir Duncan retired as Chairman of The Countess of Chester Hospital on 31 March 2020.

### Dr Susan Gilby – Chief Executive Officer

Dr Susan Gilby joined The Countess on 1 August 2018, as Medical Director before becoming Acting Chief Executive in September 2018 and then the substantive Chief Executive in April 2019.

Dr Gilby, who first had a spell at The Countess of Chester Hospital during her specialist training, has previously worked as Medical Director at Wirral University Teaching Hospital NHS Foundation Trust and Wye Valley NHS Trust and as Associate Medical Director at Mid Cheshire Hospitals NHS Foundation Trust.

### Dr Darren Kilroy – Executive Medical Director

Darren trained in Emergency Medicine in the North West as well as Australia and, following an initial subspecialty interest in medical education, worked in several leadership roles in Greater Manchester alongside his Consultant post. He holds a Masters in Healthcare Business Administration from Keele Business School, and his PhD thesis examined the sociological aspects of medical training in the UK. He sits on NHS Employers' Medical Workforce Forum and advises NHS Improvement in relation to bank and agency pay in healthcare.

Darren joined The Countess of Chester Hospital full-time in April 2018 after working between The Countess of Chester and East Cheshire NHS Trust, where he was Deputy Medical Director.

### Simon Holden – Director of Finance

Simon joined the Board in January 2016, and is an experienced senior NHS leader, having held both Chief Executive and Director of Finance posts, with a number of different NHS organisations. He is financially qualified with a successful track record of delivery and achievement.

Simon is a Fellow Member of the Association of Chartered Certified Accountants (FCCA), and also a Fellow of the Royal Institution of Chartered Surveyors (FRICS) and has held a number of senior roles during his 36 years within the NHS.

Simon has previously been the Chief Executive of NHS Property Services Limited (2012-15), Director of Finance for Bedfordshire CCG (2015-16), and has previously been the Director of Finance for NHS Cheshire, Warrington and Wirral. He is also

Treasurer of the Cheshire Centre for Independent Living (CCIL), a user-led charitable organisation empowering disabled people to have independence, and also Chairman of the Pear Tree Primary School Academy Trust in Nantwich, Cheshire.

### Alison Kelly – Director of Nursing and Quality and Deputy Chief Executive

Alison joined The Countess of Chester Hospital in March 2013, having previously been the Deputy Chief Nurse at the University Hospital of South Manchester since 2008.

Alison has a wide range of experience as a senior nurse, such as work on practice development in a number of trusts in the North West, including Blackpool and East Cheshire. She is particularly interested in driving the patient experience agenda and identifying how patient feedback can enhance service development and improvement.

### Sue Hodkinson – Director of People and Organisational Development (to 31 May 2019)

Sue joined The Countess of Chester Hospital in February 2011 and was appointed to the post of Director of People and Organisational Development in November 2014. Having worked in a number of senior HR posts in the NHS for over 10 years and as a Chartered Member of the Chartered Institute of Personnel Development (CIPD), she brings extensive healthcare and private sector HR experience and knowledge to the Executive Team.

Sue works very closely with other members of the executive team to focus on the staff experience and culture within The Countess of Chester Hospital and the links to improving the patient experience. Sue was executive lead for staff health and wellbeing – in addition to being the Chair of the collaborative HR and Wellbeing Business Service, which the Trust operates in conjunction with Wirral University Teaching Hospital NHS Foundation Trust.

### Alyson Hall – Director of Human Resources and Organisation Development (from 12 August 2019)

Alyson Hall joined The Countess of Chester Hospital in 2019 as Executive Director of HR and Organisation Development. Alyson is a human resources and OD professional, with over 30 years' experience gained in both the public and private sector. She began her NHS career in 2015 when she joined the former Manchester Central University Hospitals NHS Foundation Trust as Head of Corporate HR. Prior to joining the NHS, she has worked with various Blue Light services and was Director of People and Organisation Development with Greater Manchester Fire and Rescue Service where she was employed since 2007.

Alyson is a Fellow Member of the Chartered Institute of Personnel and Development (FCIPD) and holds a postgraduate qualification in OD and Employment law and has extensive employee relations and transformational change experience gained within the public sector working at a local, regional and national level. Alyson lives in North Wales and is pleased to be able to have the opportunity to work at The Countess of Chester Hospital, with which she has strong personal links.

### Lorraine Burnett – Chief Operating Officer (to 30 November 2019)

Lorraine joined The Countess of Chester Hospital in March 2013 as the Divisional Director for Urgent Care and was substantively appointed as Director of Operations from May 2016. She started her career as a paediatric nurse at the Royal Manchester Children's Hospital in 1990 and later spent eight years as a nurse specialist. She has since held senior management roles in community services before moving to hospital management in 2011.

### Anna Collins – Director of Communication and Corporate Affairs (from 2 December 2019)

Anna has over 20 years' experience in the public sector working in leadership roles in communication, engagement and corporate services.

Driven by a dual aim to keep the hospital legally safe and reputationally intact, she is committed to making sure that hospital patients, their carers and the wider community have sufficient information and understanding to make informed choices about the services they receive and that colleagues are armed with the right information to provide safe and effective care. She is passionate about creating accessible channels for people to provide feedback to the organisation which it can learn from and make improvements to the services it provides. As Trust Secretary, Anna is a non-voting member of the Board and is responsible for ensuring good governance prevails.

Anna is a Chartered Marketer, member of the Chartered Governance Institute and Advanced Practitioner with The Consultation Institute.

### Andrew Higgins – Non-Executive Director/Senior Independent Director

Andrew is a chartered accountant with a background in audit and advisory services. In 2010 he retired from KPMG, a major accounting and advisory firm, after a career spanning 33 years in the UK and overseas. Andrew has experience of working with a variety of commercial and not-for-profit organisations, with particular emphasis on the financial services and housing sectors. He has expertise in all aspects of audit and corporate governance, and has advised on a wide range of corporate transactions.

From 2008-10, Andrew worked in Japan in an international liaison role and advised US and European multi-nationals with interests in the Far East. Now settled south of Tarporley, Andrew pursues a variety of interests including volunteering with a community based Credit Union.

### Rachel Hopwood – Non-Executive Director/Deputy Chairman (to 30 November 2019)

Rachel is a chartered accountant, qualifying with major accounting and advisory firm Ernst and Young. After a career in finance and investment banking in the City of London, latterly as an Executive Director at ABN AMRO Bank, she relocated with her family back to Cheshire in 2008.

Prior to joining the Board, Rachel was a Non-Executive Director of Western Cheshire Primary Care Trust and Lay Advisor to West Cheshire CCG. She is also a Director in a company providing risk, management and financial consultancy services in the region.

### Ed Oliver – Non-Executive Director (to 31 August 2019)

Ed joined The Countess of Chester Hospital in September 2013 and was re-appointed for a second term office with effect from 1 September 2016. A Graduate Electrical Engineer from the University of Strathclyde, Glasgow. Following this, he had a 28-year career with Marks and Spencer before retiring in 2000 as the Regional Manager for Merseyside. He joined a family business in 2001 called Tops Estates who owned a number of shopping centres across the UK. This was to develop the operational side of the business, before finally retiring in 2009.

Ed has always, during his business career, been involved in outside agencies such as: Vice Chairman of Prince's Trust on Merseyside, Vice Chairman and Chairman of Liverpool Chamber of Commerce and Industry, a Board member and Chairman of Ronald McDonald Family House, Alder Hey Children's Hospital and a Non-Executive Director of Alder Hey Children's Hospital NHS FT. He founded Liverpool Business Improvement District (BID) Co in 2003 and was Chairman of the Exec Board 2004-13. He is the current Chairman of the CH1 Chester City BID Co.

### Ros Fallon – Non-Executive Director

Ros joined The Countess of Chester Hospital in May 2016 and was appointed for a three-year term of office with effect from 1 May 2016, which was recently extended for a further 12 months in early 2019/20. Ros was born in Liverpool and qualified there as a Registered Nurse in 1980. Ros then moved to Manchester to work in cardiothoracic surgery and subsequently qualified as a Registered Midwife. She practised as a clinical midwife for 17 years in Manchester, Cheshire and Warrington before undertaking an MSc in Health Informatics and moving into strategic leadership roles.

Ros has experience of whole system strategic planning, operational delivery and performance improvement. Ros has led transformational change programmes both locally and nationally and has held executive director positions in the NHS in Cumbria and Liverpool. Ros retired from permanent NHS employment in 2013, however, she still undertakes some ad hoc improvement assignments within the NHS. This is Ros' first Non-Executive Director position.

### Mrs Chris Hannah – Non-Executive Director (to 31 March 2020. Appointed as Chair from 1 April 2020)

Chris has almost four decades of experience in NHS management, including a number of Chief Executive positions including Cheshire and Merseyside Strategic Health Authority.

She has more recently worked both as Chair of the Cheshire West Integrated Care Partnership and as a Non-Executive Director at The Countess of Chester Hospital since 2018. Chris is a former Chair of Skills for Health – a charity providing support to people with mental health and learning disabilities.

### David Williamson – Non-Executive Director (from 1 November 2019)

David joined the Board of The Countess of Chester Hospital on 1 November 2019 as Non-Executive Director. He brings a valuable blend of business consulting skills, gained during 10 years with Accenture and over 20 years in senior business change and IT leadership roles across a range of consumer facing industries including multi-channel retail, financial services, automotive services and manufacturing.

David has 15 years of Board-level experience as Chief Information Officer, IT Director, Programme Director with companies such as GUS Home Shopping, RAC, Aviva and Northern Foods. These executive-level roles had a particular emphasis on joined-up strategic planning and effective governance of both operational and transformational delivery. David now runs his own company providing part-time consultancy services in the region.

Living in Heswall, David can often be found walking the Wirral Way.

### Mark Adams – Non-Executive Director (from 1 January 2020)

Mark was born on the Wirral and has worked in Healthcare Management for over 30 years. As past Chief Executive Officer of AXA PPP Healthcare, Virgin Healthcare and Denplan and similar roles in America and the Middle East, Mark is now back in the North West running the Charity Times 'Charity of the Year' – Community Integrated Care. CIC is one of the UK's largest health and social care organisations supporting 3,500 individuals with learning disabilities or living with dementia.

Mark is a former Trustee of the David Lewis Children's Hospital and a past Non-Executive of Common Purpose, Common Purpose International and the British Quality Foundation. Mark is married with six children and lives just outside Wrexham.

### Bridget Fletcher – Non-Executive Director (from 1 February 2020)

Bridget has over 40 years clinical and board experience in the NHS, most latterly as Chief Executive of Airedale NHS Foundation Trust.

Her passion has always been delivering a great patient experience through enabling clinical leadership and teamwork. She is credited with encouraging continuous improvement and innovation at every level including leading digital transformation with health and social care, as well as commercial partners. She has extensive experience of leading integration within health and care settings, and is well versed in the challenges of delivering care on a day-to-day basis, whilst transforming care for the future.

She initially trained as a nurse and worked within acute and specialist hospitals, moving into a variety of leadership and management roles including that of Chief Nurse.

### Paul Jones – Non-Executive Director (from 1 March 2020)

Paul graduated in Mechanical Engineering from Manchester Metropolitan University, going on to work in the automotive industry for over 30 years.

A Chartered Engineer by profession, he was primarily based in Cheshire, initially with Foden Trucks at Sandbach and from 2000 with Bentley Motors at Crewe. He has also completed assignments in USA, Germany and the Netherlands. He brings over 15 years of Board-level experience both as a Vehicle Line Director and latterly as Director of Product Management, with executive responsibility for all future Bentley product strategy.

Paul is a Fellow of the Institution of Mechanical Engineers and is also the current Chair of its Automobile Division Board. He now runs his own consultancy business based in Heswall, which is also home.

The Board members provide a breadth of public and private sector expertise. Board composition has been refreshed during 2019/20.

The Directors of the Board undergo an annual performance assessment, reviewing performance against agreed objectives, personal skills and competencies and progress with personal development plans.

In year, the Board have held a number of workshops to aid Board development and progress The Countess of Chester Hospital's vision.

## Summary of Declaration of Interests of Directors

The register of Declaration of Interests is held by the Director of Communication and Corporate Affairs and Board members declarations have been made available on The Countess of Chester Hospital's website during 2019/20. Anyone requiring a copy of the register should email coi.declarations@nhs.net.

The Board of Directors have individually signed to confirm that they meet the *Fit and Proper Persons Test*.

During 2019/20, the Chairman, Sir Duncan Nichol, held the following other significant commitments:

- Non-Executive Director of Deltex Medical Ltd
- Non-Executive Director of Steris – retired July 2019
- Non-Executive Director of United Kingdom Accreditation Service (UKAS) – retired October 2019.

These three other significant commitments did not in any way impact on his role as Chairman of The Countess of Chester Hospital.

## Audit Committee

The Audit Committee consists of three independent non-executive directors, two of whom were qualified accountants in the period up to 30 November 2019 (one from 1 December 2019). Following the recruitment of new non-executive directors, Audit Committee membership changed significantly in the year, with two new committee members and a change in the Audit Committee Chair, as follows:

- Rachel Hopwood – 1 April 2019 to 30 November 2019
- Andrew Higgins – 1 December 2019 to 31 March 2020.

In addition to committee members, executive directors and senior staff are regularly invited to attend the Committee to answer questions and inform agenda content, and internal and external auditors are also present at meetings. Private meetings with both internal or external auditors are held as and when required.

During the year, there have been no changes in either internal or external audit providers, who are Mersey Internal Audit Agency (MIAA) and KPMG respectively.

Audit Committee attendance during 2019/20 is included within the previous meeting table.

The overall purpose of the Audit Committee is to provide independent assurance to the Board on matters including the adequacy of the Trust's system of risk management, monitoring the integrity of the financial statements, and reviewing the system of internal control and internal financial controls.

During the year, the Audit Committee undertook the following in discharging its responsibilities:

- Reviewed the Annual Governance Statement and supporting assurance processes in conjunction with the Head of Internal Audit opinion
- Approved a risk-based internal audit plan and actively reviewed the findings of all audits and monitored progress
- Approved the plan and reviewed the work of the local anti-fraud specialist
- Reviewed Accounting Policies and significant judgements
- Reviewed and approved the updated corporate governance manual covering standing orders, standing financial instructions and scheme of delegation
- Agreed the nature and scope of the external audit plan and reviewed the reports, recommendations and management responses
- Reviewed the annual financial statements and recommended their adoption to the Board of Directors
- Reviewed the effectiveness of the Committee
- Agreed updated Terms of Reference for the Committee and recommended these to Board for ratification
- Reviewed procurement waivers
- Reviewed bad debt write-off
- Reviewed the Annual Report and data quality of the Quality Account
- Approved the policy for engagement of the auditors for non-audit work
- Reviewed the effectiveness of internal audit process
- Reviewed the NHS Provider Licence self-assessment
- Agreed the cycle of business of the Committee
- Approved a change to the Constitution in relation to Board balance and recommended this to Board for ratification
- Reviewed any proposals for work outside the audit plan, which is subject to approval by the Audit Committee in accordance with the non-audit services policy. All additional work provided in-year was undertaken in accordance with this policy.

There has been no change in-year to the external audit provider which is KPMG.

Based on the work carried out by the Committee during the year and the reports and assurances reviewed by it, the Committee members have concluded that the Trust's system of risk management is adequate in identifying risks and enabling the appropriate management of those risks. Further, the Committee has used the Board Assurance Framework and considers it sufficient to support the Board's decisions and declarations. In arriving at these conclusions, Committee members acknowledge the need for continuous scrutiny of and improvement in risk management processes. Full details of developments in the year and improvements in hand are set out in the Annual Governance Statement within this Annual Report.

## Governors' Nominations Committee

Non-executive directors including the Chair are appointed by the Council of Governors for the specified terms – subject to re-appointment thereafter at intervals of no more than three years, and are subject to the 2006 Act provisions relating to the removal of a director.

The Nominations Committee met five times during 2019/20.

The Governor Nominations Committee met on 23 August 2019 to undertake shortlisting for the appointment of a non-executive director following the end of a term of office and to consider the extension to the term of office of another non-executive director. The non-executive director recruitment was undertaken without external support using NHS networks and non-executive recruitment sites.

The Governor Nominations Committee met and took part in the non-executive director interviews on 13 September 2019 and recommended the appointment of the successful candidate, David Williamson, to the Council of Governors on 24 September 2019.

A meeting of the Governor Nominations Committee was held on 6 December 2019 to consider a non-executive director candidates shortlist, extension of non-executive director positions and also held a discussion about the Chairman's forthcoming retirement. The non-executive director recruitment was supported by Gatenby Sanderson.

The Governor Nominations Committee met and took part in the non-executive director interviews on 16 December 2019 and recommended the appointment of three successful candidates, Bridget Fletcher, Mark Adams and Paul Jones, to the Council of Governors on 16 December 2019, along with extension to terms of office for non-executive directors.

A further meeting was held by the Governor Nominations Committee on 9 January 2020 to consider the appointment of an existing Non-Executive Director to the position of Interim Chair for a period of 12 months. A recommendation was made to the Council of Governors on 24 January 2020 to appoint Chris Hannah as Interim Chair from 1 April 2020.

The attendance at the Governors' Nominations Committee meeting by its members was as follows in 2019/20:

***Table 11 - Attendance at Governors' Nominations Committee Meetings 2019/20***

| Date | 23.08.19 | 13.09.19 | 06.12.19 | 16.12.19 | 09.01.20 |
|---|---|---|---|---|---|
| Russell Jackson (Chair) | ✓ | ✓ | ✓ | ✓ | ✓ |
| Peter Folwell | ✓ | ✗ | ✓ | ✓ | ✓ |
| Karen Newbury | ✓ | ✓ | ✓ | ✓ | ✗ |
| Steve Bridge | ✓ | ✗ | ✓ | ✓ | ✓ |
| Michael Hemmerdinger | ✗ | ✗ | ✓ | ✓ | ✓ |
| Caroline Stein* | | ✓ | | | |
| John Jones* | | ✓ | | | |

**Denotes attendance at non-executive director interview process where a Committee member was unavailable.*

## Board of Directors' Nominations Committee

Executive appointments were considered during the year as follows:

- Alyson Hall, Director of Human Resources and Organisation Development
- Anna Collins, Director of Communication and Corporate Affairs
- Chief Digital Information Officer (Cara Williams to be appointed from 1 May 2020).

## Membership

The members of the Foundation Trust are those individuals whose names are entered in the register of members. Every member is either a member of one of the public constituencies or a member of one of the classes of staff constituency. Membership is open to any individual who is over 16 years of age.

### Public membership

There are four public constituencies:

- Chester and Rural Cheshire
- Ellesmere Port and Neston
- Flintshire
- Wider area.

### Staff membership

The staff constituency is divided into four classes as follows:

- Doctors
- Nursing and midwifery
- Allied healthcare professionals and technical/scientific
- Other staff groups.

A person may not become a member of the Foundation Trust if within the last five years they have been involved as a perpetrator in a serious incident of violence at the hospital or its facilities, or against any of the employees or other persons who exercise functions for the purposes of the Foundation Trust, or against registered volunteers.

### Membership size and movements

Membership changes in 2019/20 and those estimated for 2020/21 are shown in the following table:

***Table 12 - Changes in membership during 2019/20 and estimated changes for 2020/21***

| Public constituency | Last year (2019/20) | Next year (estimated 2020/21) |
|---|---|---|
| At year start | 6,357 | 6,144 |
| New members | 15 | 200 |
| Members leaving* | 228 | 200 |
| At year end | 6,144 | 6,144 |

**The figures now include those members who are deceased or have moved away.*

*Table 13 - Changes in staff constituency during 2019/20 and estimated changes for 2020/21*

| Staff constituency | Last year (2019/20) | Next year (estimated 2020/21) |
|---|---|---|
| At year start | 4,918 | 5,109 |
| New members | 658 | 570 |
| Members leaving | 467 | 500 |
| At year end | 5,109 | 5,179 |

## Membership Strategy

The 2019/20 target to maintain current levels of public membership was not achieved and there will be a focus on this during 2020/21, along with a validation of the current membership and a focus on enhanced membership engagement via the establishment of a Hospital User Group. It is The Countess of Chester Hospital's intention to maintain public membership to at least its current levels and review its Membership Strategy in 2020/21. The focus will be on developing a quality membership by diversity, age and gender.

## Current and future engagement with members

The Trust has engaged with its members via the following:

- Countess Matters magazine
- Local newspaper articles
- Facebook and social media
- Website
- Participating in governor elections and notice of elections
- Drop-in session for potential governor candidates in 2019
- Annual Members Meeting in September 2019.

Contact for members to communicate with governors and directors is available on The Countess of Chester Hospital's website.

## Other information

Section 43(2A) of the NHS Act 2006 (as amended by the Health and Social Care Act 2012) requires that the 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. This requirement was met in 2019/20.

## Accounting information

As far as the directors are aware, all relevant audit information has been fully disclosed to the auditors and no relevant audit information has been withheld or made unavailable nor have any undisclosed post balance sheet events occurred.

The management of risk is a key function of the Board. The Countess of Chester Hospital seeks to minimise all types of service, operational and financial risk through the Board Assurance Framework which is subject to quarterly review and audit.

## Better payment practice code

***Table 14a - Better payment practice code***
***% payment within 30 days of receipt of undisputed invoices – target 95%***

| | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---|---|---|---|---|---|
| Volume | 96.79% | 94.78% | 97.74% | 98.20% | 98.20% |
| Value | 95.86% | 93.71% | 96.33% | 98.80% | 99.40% |

***Table 14b - Revised better payment practice code***
***% payment within 30 days of receipt of undisputed invoices – target 95%***

| | 2018/19 NHS | 2018/19 Non NHS | 2019/20 NHS | 2019/20 Non NHS |
|---|---|---|---|---|
| Volume | 95.90% | 98.30% | 94.00% | 98.40% |
| Value | 99.70% | 98.60% | 99.50% | 99.40% |

No interest was paid to suppliers under the Late Payment of Commercial Debts (Interest) Act 1998.

## Cost allocation and charging requirements

The Trust can confirm that it has complied with the cost allocation and charging requirements set out in HM Treasury and office of public sector information guidance.

**Susan Gilby**
**Chief Executive Officer**
5 June 2020

# Remuneration report 2019/20

The Remuneration Committee is responsible for the appointment of the Chief Executive Officer (CEO) and executive directors who form part of the Board of Directors. The Committee reviews and recommends the terms and conditions of service for Very Senior Managers (VSMs) who are not subject to "Agenda for Change" terms and conditions. It supports the annual review of colleagues' performance, conducted by the CEO, and has oversight of the senior management pay framework.

The Committee is chaired by the Chair and includes attendance from all non-executive directors. The Chief Executive Officer, Director of HR and Organisation Development and Director of Communication and Corporate Affairs attend by invitation to ensure the Committee is appraised of relevant internal or external advice, data or information. It is important to note that the CEO or relevant executive would not be present where discussions related to their appraisal, terms and conditions or appointment.

The Remuneration Committee is required to ensure levels of remuneration are sufficient to attract, retain and motivate directors of the quality required to run the organisation successfully, but to avoid paying more than is necessary.

The Committee meets as and when is required and met twice during 2019/20.

The Remuneration Committee met on 25 June 2019 to consider the remuneration of the substantive Executive Medical Director and the Deputy Chief Executive.

The Remuneration Committee also met on 13 March 2020 and undertook the following:

- Approved revised Terms of Reference for a Remuneration and Nominations Committee, to be recommended to the Board of Directors for ratification
- Proposed a new Chair of the Committee from 1 April 2020
- Considered the Very Senior Manager pay award for 2019/20
- Discussed the approach to succession planning
- Noted a statement received about the CEO remuneration.

In considering the executive directors' remuneration, the Committee takes into account the national inflationary uplifts recommended for other NHS colleagues, any variation in or change to the responsibility of executive directors and relevant benchmarking information. Executive directors are subject to annual appraisal by the Chief Executive Officer who is in-turn appraised by the Chairman. It is intended that the appraisals of the executive directors and the Chief Executive Officer will be discussed at the next Remuneration and Nominations Committee to be held during 2020/21 and to consider and agree an annual workplan for the Committee.

The contracts of employment of all executive directors, including the CEO, are permanent and are subject to six months' notice of termination with the exception of the Director of Human Resources and Organisation Development who is employed on a fixed-term contract until August 2021 to support the people transformation programme.

Earn-back is in place for the Chief Executive Officer and Executive Medical Director as per national guidelines and no other performance-related pay scheme (e.g. pay progression or bonuses) is in operation within the organisation. There are no special provisions regarding early termination of employment.

All other senior managers are subject to Agenda for Change pay rates, terms and conditions of service, which are determined nationally.

There are two executives who were paid more than £150,000 in 2019/20, when the remuneration is considered on a pro-rata basis for the whole year. For the purposes of this disclosure, pay is defined as salary and fees, all taxable benefits and any annual or long-term performance-related bonuses, of which there were none during the year. We are satisfied that the remuneration is reasonable, following scrutiny by the Remuneration Committee.

## Council of Governors' Remuneration Committee

There was no requirement for the Council of Governors' Remuneration Committee to meet during 2019/20.

The remuneration tables are included on the following pages.

**Susan Gilby**
**Chief Executive Officer**
5 June 2020

## Salary and pension entitlements of senior managers

*Table 15 - Salary and pension entitlements of senior managers - 2019/20 and 2018/19*

| | **Salary** bands of £5,000 | **Other taxable remuneration** to nearest £100 | **Benefits in kind** to nearest £100 | **Pension related benefits** bands of £2,500 | **Total** bands of £5,000 | **Salary** bands of £5,000 | **Other taxable remuneration** to nearest £100 | **Benefits in kind** to nearest £100 | **Pension related benefits** bands of £2,500 | **Total** bands of £5,000 |
|---|---|---|---|---|---|---|---|---|---|---|
| | ***2019/20*** | | | | | ***2018/19*** | | | | |
| | **(£000)** | **(£)** | **(£)** | **(£000)** | **(£000)** | **(£000)** | **(£)** | **(£)** | **(£000)** | **(£000)** |
| Dr Susan Gilby - Medical Director (from 01.08.18 to 20.09.18) | | | | | | 25-30 | - | - | - | 25-30 |
| Dr Susan Gilby - Chief Executive | 220-225 | - | - | - | 220-225 | 100-105 | - | - | - | 100-105 |
| Mr Tony Chambers - Chief Executive (to 20.09.18) | - | - | - | - | - | 75-80 | - | - | - | 75-80 |
| Mr Simon Holden - Director of Finance | 140-145 | - | - | - | 140-145 | 140-145 | - | - | - | 140-145 |
| Dr Darren Kilroy - Medical Director | 165-170 | 15,500 | - | 230-232.5 | 410-415 | 65-70 | 18,700 | - | 42.5-45 | 130-135 |
| Mr Ian Harvey - Medical Director (to 21.08.18) | - | - | - | - | - | 65-70 | - | - | - | 65-70 |
| Mrs Susan Hodkinson - Director of People and Organisation Development (to 31.05.19) | 20-25 | - | - | 20-22.5 | 40-45 | 95-100 | - | 200 | 35-37.5 | 130-135 |
| Mrs Alyson Hall - HR Solutions by Design - Acting Director of People and Organisation Development (from 01.06.19 to 09.08.19) | 25-30 | - | - | - | 25-30 | | | | | |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Mrs Alyson Hall - Director of Human Resources and Organisation Development (from 12.08.19) | 50-55 | - | - | - | 50-55 | | | | | |
| Mrs Alison Kelly - Director of Nursing and Quality | 125-130 | - | - | 147.5-150 | 270-275 | 100-105 | - | - | 20-22.5 | 120-125 |
| Ms Lorraine Burnett - Operations Director (to 30.11.19) | 70-75 | - | - | 27.5-30 | 95-100 | 105-110 | - | - | 32.5-35 | 135-140 |
| Mr Stephen Cross - Director of Corporate and Legal Affairs (to 03.06.19) | 10-15 | - | 1,570 | - | 15-20 | 85-90 | - | 6,300 | 20-22.5 | 110-115 |
| Anna Collins - Director of Communication and Corporate Affairs (from 02.12.19) | 25-30 | - | - | - | 25-30 | - | - | - | - | - |
| Alison Lee Integrated Care Pathway Managing Director | 45-50 | - | - | 15-17.5 | 65-70 | 30-35 | - | 700 | 20-22.5 | 55-60 |
| Sir Duncan Nichol - Chairman | 45-50 | - | - | - | 45-50 | 45-50 | - | - | - | 45-50 |
| Mr Andrew Higgins - Non-Executive Director | 10-15 | - | - | - | 10-15 | 10-15 | - | - | - | 10-15 |
| Mrs Rachel Hopwood - Non-Executive Director (to 30.11.19) | 5-10 | - | - | - | 5-10 | 10-15 | - | - | - | 10-15 |
| Mr Ed Oliver - Non-Executive Director (to 31.08.19) | 5-10 | - | - | - | 5-10 | 10-15 | - | - | - | 10-15 |
| Mrs Ros Fallon - Non-Executive Director | 10-15 | - | - | - | 10-15 | 10-15 | - | - | - | 10-15 |
| Mrs Chris Hannah - Non-Executive Director (from 01.04.18) | 10-15 | - | - | - | 10-15 | 10-15 | - | - | - | 10-15 |
| D Williamson - Non-Executive Director (from 01.11.19) | 5-10 | - | - | - | 5-10 | - | - | - | - | - |
| Mark Adams - Non-Executive Director (from 01.01.20) | 0-5 | - | - | - | 0-5 | - | - | - | - | - |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Bridgette Fletcher - Non-Executive Director (from 01.02.20) | 0-5 | - | - | - | 0-5 | - | - | - | - | - |
| Paul Jones - Non-Executive Director (from 01.03.20) | 0-5 | - | - | - | 0-5 | - | - | - | - | - |
| Total directors remuneration | | | | | | 1,040-1,045 | 18,700 | 7,200 | 177.5-180 | 1,225-1,230 |

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

*Alison Kelly was working for Salford CCG as a Governing Body Nurse on a part-time basis. This arrangement ended on 31 March 2019.*

*Other taxable remuneration for Darren Kilroy relates to payments outside of his role as Medical Director.*

| | 2020 | 2019 |
|---|---|---|
| Band of highest paid director's total remuneration | 220-225 | 195-200 |
| Median total remuneration | 28,285 | 26,619 |
| Ratio | 7.88 | 7.40 |

*Payments made to agency staff and bank staff have also been excluded as these mainly relate to payments made to cover absence of existing employees whose whole-time, full-year equivalent remuneration is already included in the calculation. To include the payments made to agency staff would distort the overall figures.*

*The total remuneration includes salary and benefits-in-kind, it does not include employer pension contributions and the cash equivalent transfer value of pensions.*

*Pension-related benefits figures show the amount of annual increase in the future pension entitlement at the normal retirement age, in accordance with the HMRC method. The source information is provided by the NHSBSA.*

***Table 16 - Pension benefits***

| | **Real increase in pension at age 60** bands of £2,500 | **Real increase in pension lump sum at age 60** bands of £2,500 | **Total accrued pension at age 60 at 31.03.20** bands of £5,000 | **Lump sum at age 60 related to accrued pension at 31.03.20** bands of £5,000 | **Cash Equivalent Transfer Value at 31.03.20** to nearest £1,000 | **Cash Equivalent Transfer Value at 31.03.19** to nearest £1,000 | **Real increase in Cash Equivalent Transfer Value** to nearest £1,000 |
|---|---|---|---|---|---|---|---|
| | ***2019/20*** | ***2019/20*** | ***2019/20*** | ***2019/20*** | ***2019/20*** | ***2018/19*** | ***2019/20*** |
| | **(£000)** | **(£000)** | **(£000)** | **(£000)** | **(£000)** | **(£000)** | **(£000)** |
| Dr Susan Gilby - Chief Executive | - | - | - | - | - | - | - |
| Mr Tony Chambers - Chief Executive (to 20.09.18) | - | - | - | - | - | 662 | - |
| Dr Darren Kilroy - Medical Director | 10-12.5 | 20-22.5 | 55-60 | 130-135 | 1,063 | 840 | 203 |
| Mrs Susan Hodkinson - Director of People and Organisation Development (to 31.05.19) | 2.5-5 | 2.5-5 | 20-25 | 35-40 | 345 | 290 | 48 |
| Mrs Alison Kelly - Director of Nursing and Quality | 5-7.5 | 17.5-20 | 45-50 | 145-150 | 1045 | 867 | 157 |
| Ms Lorraine Burnett | 0-2.5 | - | 35-40 | 85-90 | 713 | 666 | 31 |
| Anna Collins - Director of Communication and Corporate Affairs (from 02.12.19) | - | - | 15-20 | - | 228 | 257 | - |
| Mr Stephen Cross - Director of Corporate and Legal Affairs | - | 30-32.5 | 10-15 | 70-75 | - | - | - |
| Alison Lee - Integrated Care Pathway Managing Director | 0-2.5 | - | 45-50 | 105-110 | 931 | 860 | 50 |

***Table 17 - Other arrangements***

| | **Salary** bands of £5,000 | **Other taxable remuneration** to nearest £100 | **Benefits in kind** to nearest £100 | **Pension related benefits** bands of £2,500 | **Total** bands of £5,000 | **Salary** bands of £5,000 | **Other taxable remuneration** to nearest £100 | **Benefits in kind** to nearest £100 | **Pension related benefits** bands of £2,500 | **Total** bands of £5,000 |
|---|---|---|---|---|---|---|---|---|---|---|
| | ***2019/20*** | | | | | ***2018/19*** | | | | |
| | **(£000)** | **(£)** | **(£)** | **(£000)** | **(£000)** | **(£000)** | **(£)** | **(£)** | **(£000)** | **(£000)** |
| Mr Tony Chambers (to 30.06.19) | 35-40 | - | - | - | 35-40 | 80-85 | - | - | 52.5-55 | 135-140 |
| Mrs Susan Hodkinson (to 30.09.20) | 75-80 | - | - | - | 75-80 | - | - | - | - | - |

*Tony Chambers stood down as Chief Executive of the Trust on 20 September 2018. He continued to be employed by the Trust until 30 June 2019.*

*Sue Hodkinson stood down as Director of People and Organisation Development on 31 May 2019. She continued to be employed by the Trust until 30 September 2019.*

*The benefit in kind is for a lease car scheme and a home technology scheme which is open to all members of staff. It is a scheme whereby the employee agrees to reduce their salary for the full cost of the benefit. If an employee withdraws from the schemes this will have an effect of increasing their pay as they are not then sacrificing it for a benefit.*

*As non-executive members do not receive pensionable remuneration, there are no entries in respect of pensions for non-executive members.*

*A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised 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 the other pension details, include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme.*

*They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries. The NHS Pension scheme will not make a cash equivalent transfer once a member reaches the age of 60 and is then therefore, not applicable.*

*Real Increase in CETV – This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.*

*The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20, less the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.*

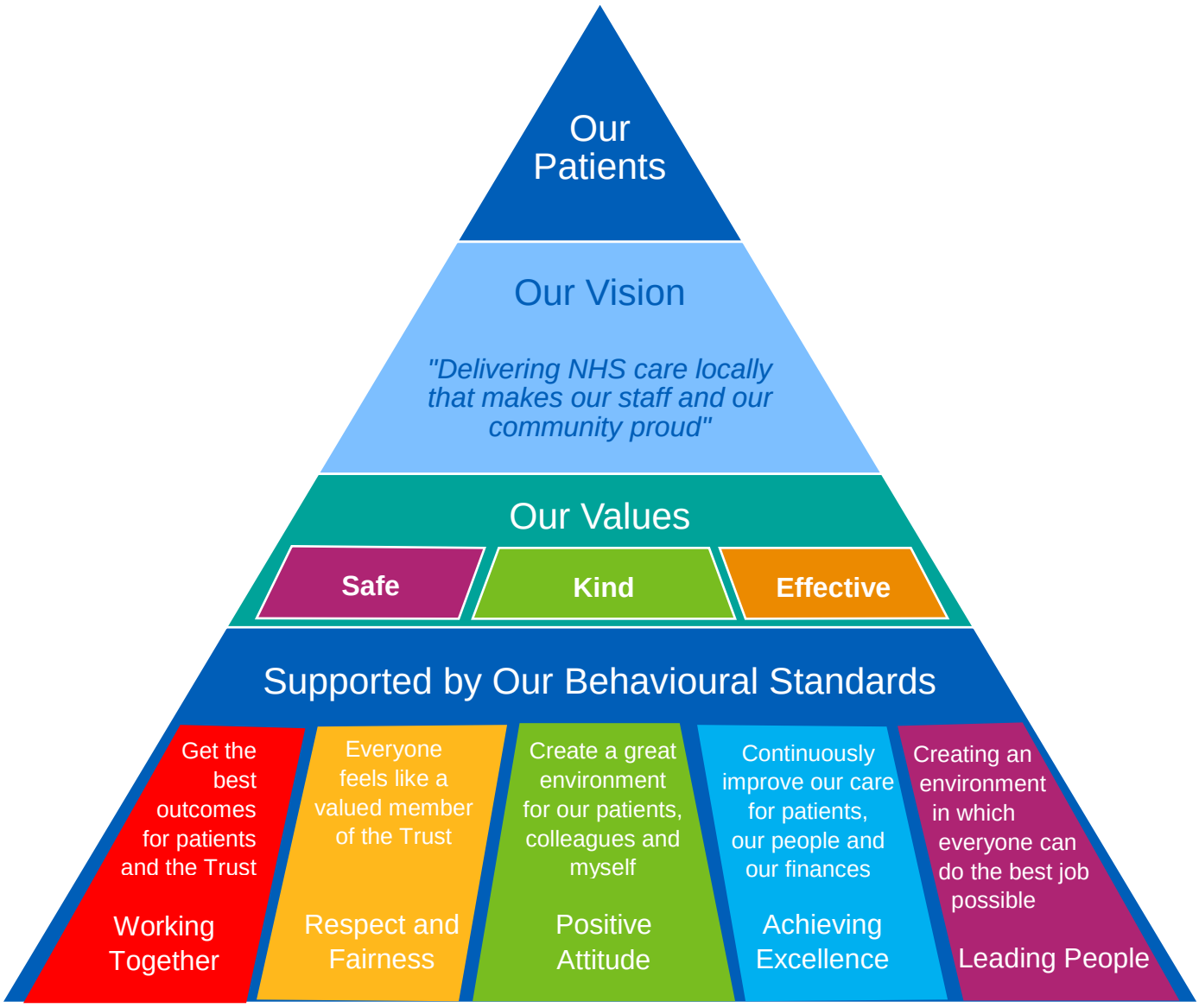
*This value derived does not represent an amount that will be received by the individual. It is a calculation that is intended to provide an estimation of the benefit being a member of the pension scheme could provide. The pension benefit table provides further information on the pension benefits accruing to the individual.*

# Staff report 2019/20

The Countess of Chester Hospital's key priorities for 2019/20 are based on our vision of delivering "NHS care locally that makes our staff and our community proud". This vision, as shown in the graphic below, is underpinned by our core values of Safe, Kind and Effective – whereby we focus on:

- Getting it right first time for all patients to ensure the right care and treatment is started at the right time in the patient's journey
- Continuing with the creating of the culture within The Countess of Chester Hospital that fosters the values and behaviour that patients, the public and staff expect; one where colleagues come to work, to do their work and to improve their work and getting the right number of nursing and clinical staff with the right skills, to the right patient at the right time
- The way in which we work to ensure we improve the safety, quality and experience of patients.

*Figure 11 - Our vision, values and behavioural standards*



A key area of focus is concerned with how we engage with colleagues and develop a high-performance culture, which requires collective leadership at every level and inspiring everyone to be the best they can be. The Countess of Chester Hospital's People and Organisation Development Strategy is to be refreshed and supported by an Education Plan that will be informed by, as well as act as a key enabler for the new Corporate Strategy.

## Organisational culture

We aspire to be one of the most clinically-led and engaged organisations in the NHS, with The Countess of Chester Hospital clinicians leading improvements and innovation activities. In looking at our values and behaviours, we re-energise what our values and behaviours mean for all colleagues as well as exploring personal accountability in delivering change. This led to further embedding our behavioural standards.

***Figure 12 - Behavioural standards***


Our Leadership Framework is linked to our behavioural standards and encourages supportive development conversations between line managers and the people they are responsible for. The Leadership Framework is being developed further to enable systems for talent management and succession planning to be implemented.

Compliance with mandatory training and core skills has been made clearer for colleagues through implementation of the Core Skills Training Framework. All mandatory training has been reviewed with new programmes being implemented from autumn 2020. Work is continuing on the quality of the appraisal process to move to an electronic version.

Partnering arrangements with the University of Chester and other educational providers remain a priority with new career development pathways established to prepare colleagues to take on promotion opportunities. This work has included a growth in apprenticeships at all levels and increased utilisation of the apprenticeship levy. The Countess of Chester Hospital has seen its first cohort of Trainee Nursing Associates commence at the start of 2020 and the intention is to have a cohort of suitable staff commence every intake through the apprenticeship route.

The Countess of Chester Hospital continues to support, through the provision of placements, undergraduate students in all health-related programmes with significant numbers of nursing students from the University of Chester being supported. Significant work is in progress to increase placement capacity, particularly for pre-registration nursing students. To enable this, The Countess of Chester Hospital will be implementing a version of the CLiP (Collaborative Learning in Practice) model over the next 12 months. The Countess of Chester Hospital has opened up placements to other universities in the North West and also from Glyndwr University.

Reward and recognition remains at the heart of how we work and value our people. There are award and celebration events, with an emphasis on increased frequency and support for more informal team-led recognition activities.

Our policies and procedures continue to be reviewed and developed, drawing on the feedback from our Staff Partnership Forum, and Local Negotiating Committee (LNC). During times of significant organisational change, we recognise the contribution from staff representatives to help us get the engagement and communication with our workforce right.

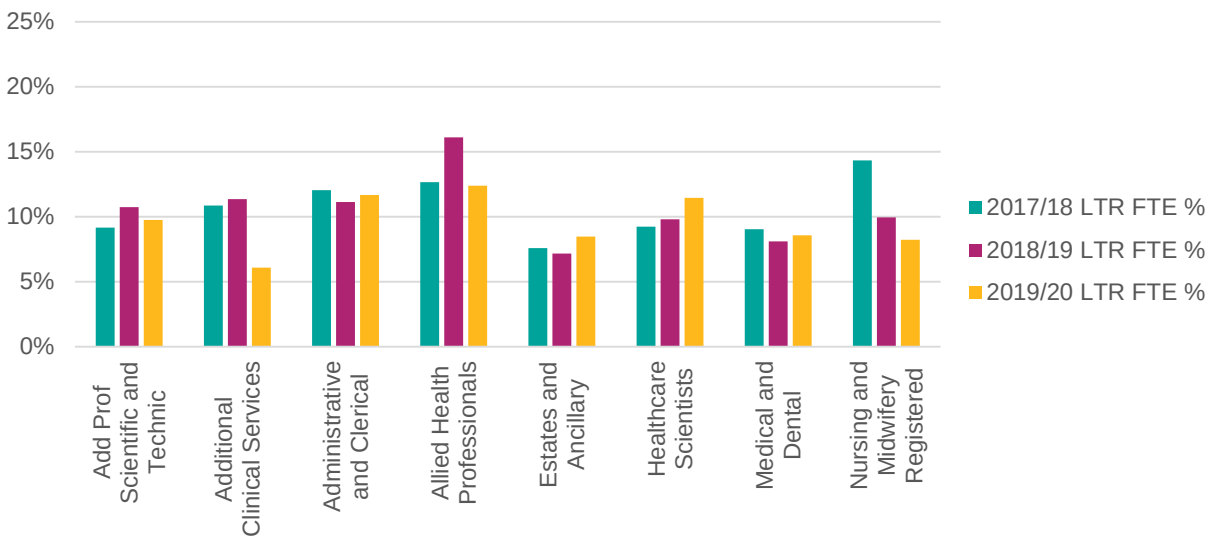
## Retention of staff

Whilst The Countess of Chester Hospital recognises the need to retain staff and skills wherever possible, it acknowledges that circumstances and opportunities can arise that result in colleagues leaving. The Countess of Chester Hospital utilises an exit interview process where it captures the reasons for people leaving. Where patterns indicate potential concerns, the Equality and Diversity Manager, with support from Human Resources and our Staff Side colleagues, will investigate.

We have also been working with NHS Improvement in Cohort Four of the Recruitment and Retention workstream, to assess and implement further actions to improve the retention of nursing and midwifery colleagues particularly. This programme of work has had a positive impact on the turnover rate of our nursing and midwifery workforce reducing from 14.33% in 2017/18 to 9.96% in 2018/19 and further reducing in 2019/20 to 8.23%.

As such, our labour turnover is as follows:

***Figure 13 - Labour turnover for full-time equivalents % by year and staff group***




## Attendance management

Supporting staff attendance remained high on our list of priorities in terms of close monitoring and effective processes to support and address any issues, as well as practical options to keep people fit and healthy:

- Wellbeing and stress management, mindfulness courses, resilience sessions and counselling services remain available to everyone working at The Countess of Chester Hospital
- The Countess of Chester Hospital's 2019/20 staff flu vaccination campaign continued to be recognised for a further year as one of the top 20 achieving trusts nationally – with over 83% of front-line workers vaccinated. This exceeded the national target which had been increased this year from 75% to 80%.

The Countess of Chester Hospital's ability to achieve the target for sickness absence continues to prove challenging which has been further exacerbated by the outbreak of Covid-19, which impacted on our staffing absence rates from the beginning of March 2020.

*Table 18 - Sickness absence figures 2019*

| Trust target | Trust target FTE days lost to sickness absence | Average % over 12 months (January 2019 to December 2019) |
|---|---|---|
| 3.65% | 58,752.12 | 4.56% |

## Staff health and wellbeing

Supporting the wellbeing of colleagues to enable safe, kind and effective care is delivered by The Countess of Chester Hospital's SEQOHS (Safe Effective Quality Occupational Health Service) accredited Occupational Health and Wellbeing Department, enabled through the Health and Wellbeing Strategy.

Staff physical and mental wellbeing is supported by offering opportunities to join physical exercise classes and a range of mental health initiatives, particularly focusing on resilience and mindfulness. Training is also available for colleagues to become Mental Health First Aiders (MHFA England) to understand the impact of supporting mental health and to develop the skills to look after our own, and others' mental health and wellbeing. This course is delivered by two Occupational Health Specialists who are also MHFA qualified instructors.

We recognise the need for colleagues to be able to access counselling, health advice, financial and legal advice, and have therefore agreed to extend our contract this year with the Employee Assistance Programme provider we contracted last year. This service also provides a 24-hour confidential telephone helpline, face-to-face counselling within five working days, an online health portal, and mobile phone health e-Hub App.

This year's staff flu campaign concluded in February 2020, with 83.1% of our front-line workers vaccinated, with 3,447 colleagues protecting patients, themselves, and their family by having their flu vaccine.

Employee health and wellbeing influences whether colleagues are able to work at their peak and are critical success factors for individual and organisational performance, and improved patient outcomes.

## Equality and diversity

We have built on our regionally and nationally recognised programme of work to support Equality and Diversity within The Countess of Chester Hospital and we are now recognised as an Equality and Diversity Alumni Partner by NHS Employers. We have also been successful in achieving number 20 in the Top 50 Most Inclusive Employers in 2019.

We pride ourselves in communicating with stakeholders both internally and as part of our wider community in work. Our robust governance structure includes The Countess of Chester Hospital's equality groups comprising of Faith and Culture, Gender and Sexuality, and Equality, Disability Age and Safeguarding. Key areas of focus include the assessing delivery against the Workforce Race Equality Standard (WRES), Workforce Disability Equality Standard (WDES), Gender Pay Gap Action Plan and the Equality Delivery System 2 (EDS2).

The WRES was implemented by NHS England in July 2015 and WDES in 2019. These standards are sets of key indicators outlining how The Countess of Chester Hospital can demonstrate data and engagement evidence on how colleagues are represented in recruitment, HR formal procedures and leadership and development. It also sets standards to outline actions The Countess of Chester Hospital will undertake to improve Electronic Staff Record and training data-capture and engagement with its staff. We continue to meet all of our WRES and WDES objectives in 2019.

The Equality Delivery System 2 (EDS2) is an equality performance assessment framework introduced in January 2012 by NHS England. It covers 18 outcomes around the patient care, quality, safety, workforce and leadership domains.

The Countess of Chester Hospital has attained recurrent high grading from assessors, with 15 outcomes being rated as '*Achieving*' and the remaining three outcomes being rated as '*Excelling*' in 2019/20.

From 2017, all organisations with over 250 employees must report on their Gender Pay Gap (GPG). Therefore under the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017, The Countess of Chester Hospital is required to report annually, utilising a reporting framework set out by the Government Equalities Office (GEO) and to register with the GEO and submit its annual Gender Pay Gap Report (GPGR). The Countess of Chester Hospital saw an overall reduction in its GPG in 2019 of almost 3% – reducing from 31% to 28% from the previous year.

## Equal opportunities policy

The Countess of Chester Hospital has policies in place to facilitate fair and non-discriminatory consideration for employment applications from disabled people and with regard to access to training, career development and promotion. The Countess of Chester Hospital sets this out in the Equal Opportunities Policy and in the Disability Equality Policy. Reasonable adjustment options with regard to learning and development are identified within the Learning and Development Strategy. The Countess of Chester Hospital also publishes detailed data on its disabled employees and job applicants within its annual Workforce Equality Analysis Report, as per the specific duties of the Equality Act (2010).

***Table 19 - Gender breakdown of employees 2017/18 to 2019/20***

| Gender – employees | 2017/18 | 2018/19 | 2019/20 |
|---|---|---|---|
| Female | 3,219 | 3,312 | 3,292 |
| Male | 758 | 770 | 802 |
| Total | 3,977 | 4,082 | 4,094 |

***Table 20 - Gender breakdown of directors 2017/18 to 2019/20***

| Gender – directors | 2017/18 | 2018/19 | 2019/20 |
|---|---|---|---|
| Female | 4 | 5 | 5 |
| Male | 3 | 3 | 2 |
| Total | 7 | 8 | 7 |



*Table 21 - Staff cost analysis 2019/20 and 2018/19*

| ***Employee expenses*** | **Total 2019/20** | **Permanently employed** | **Other** | **Total 2018/19** |
|---|---|---|---|---|
| | **(£000)** | **(£000)** | **(£000)** | **(£000)** |
| Short-term employee benefits – salaries and wages | 146,605 | 130,506 | 16,099 | 135,680 |
| Post-employee benefits social security costs | 13,021 | 11,793 | 1,228 | 12,103 |
| Apprenticeship levy | 688 | 623 | 65 | 638 |
| Post-employee benefits employer contributions to NHS Pensions Agency | 23,657 | 21,437 | 2,220 | 15,239 |
| Other employment benefits | - | - | 0 | - |
| Termination benefits | - | - | 0 | - |
| Agency/contract staff | 2,971 | - | 2,971 | 4,422 |
| Total | 186,942 | 164,359 | 22,583 | 168,082 |
| ***Average number of persons employed*** | **Total 2019/20** | **Permanently employed** | **Other** | **Total 2018/19** |
| Medical and dental | 351 | 213 | 138 | 466 |
| Ambulance staff | 1 | 1 | - | 1 |
| Administration and estates | 679 | 619 | 61 | 719 |
| Healthcare assistants and other support staff | 915 | 882 | 33 | 846 |
| Nursing, midwifery and health visiting staff | 1,010 | 926 | 83 | 981 |
| Nursing, midwifery and health visiting learners | - | - | - | - |
| Scientific, therapeutic and technical staff | 437 | 411 | 26 | 443 |
| Healthcare scientists | 131 | 121 | 10 | 132 |
| Bank staff | 242 | - | 242 | 207 |
| Total | 3,767 | 3,174 | 593 | 3,795 |

The Countess of Chester Hospital spent £810,000 on consultancy during 2019/20 (2018/19 - £75,000).

## Staff Survey

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

The response rate to the 2019 Staff Survey among The Countess of Chester Hospital staff was 29.7% (2018: 36%). Scores for each indicator together with that of the survey benchmarking group, namely acute trusts are presented below:

*Table 22 - Staff Survey scores 2017/18 to 2019/20*

| | 2017/18 | | 2018/19 | | 2019/20 | |
|---|---|---|---|---|---|---|
| **Indicator** | **Trust** | **Benchmark group** | **Trust** | **Benchmark group** | **Trust** | **Benchmark group** |
| Equality, diversity and inclusion | N/A | N/A | 9.20 | 9.06 | 9.20 | 9.0 |
| Health and wellbeing | N/A | N/A | 6.05 | 5.85 | 5.8 | 5.9 |
| Immediate managers | 3.75 | 3.74 | 6.70 | 6.72 | 6.7 | 6.8 |
| Morale | N/A | N/A | 5.98 | 6.06 | 5.9 | 6.1 |
| Quality of appraisals | 3.04 | 3.11 | 5.37 | 5.39 | 5.2 | 5.6 |
| Quality of care | 3.85 | 3.92 | 7.51 | 7.35 | 7.2 | 7.5 |
| Safe environment – bullying and harassment | N/A | N/A | 8.05 | 7.88 | 7.95 | 7.9 |
| Safe environment – violence | 20% | 15% | 9.37 | 9.44 | 9.43 | 9.41 |
| Safety culture | 3.57 | 3.65 | 6.32 | 6.53 | 7.2 | 7.5 |
| Staff engagement | 3.75 | 3.79 | 6.93 | 6.93 | 6.9 | 7.0 |

As a result of the NHS Staff Survey in 2019, we know that we need to improve in many aspects of the key themes, and particularly in the area of increasing engagement and motivation. We understand from the feedback that we are struggling against the increasing levels of demand and activity to provide the level of care our colleagues that we aspire to. This is comparable with the national results.

Looking ahead, we have to do more to focus on our safety culture, particularly the reporting of near misses, staff engagement, the pressure colleagues put themselves under to attend work, the quality of our appraisals, the communication and involvement of colleagues across The Countess of Chester Hospital regarding decisions that affect their work, and to continue to create an environment free from discrimination, bullying and harassment.

In respect of overall staff engagement, The Countess of Chester Hospital recognises the need to do more to encourage participation in the systems and processes used to elicit their views and opinions. This will help us to help improve the future direction of the organisation, and this has been identified as a key area for improvement on 2020/21. Much has already been done to start to involve colleagues in those matters which affect them by encouraging their contribution in the development of our Clinical and Corporate Strategies.

What is encouraging to see is that despite scoring below the average for safety, a large majority of incidents are being reported, and knowledge of how to report unsafe practice stands at 95%.

## Off-payroll engagements

Off-payroll engagements are arrangements where an individual provides their services to the Trust, but, under HMRC rules, they are not paid through the Trust payroll. Typically, this is because the individual is working through a temporary staffing agency, or they are legitimately in business in their own right, and the legal nature of the arrangement between the Trust and the off-payroll individual is a commercial business arrangement, rather than one of employment.

The Trust makes use of off-payroll engagements in a number of circumstances:

- when there is a short term need that cannot be met from internal staffing resources, including bank staff
- when specialist expertise is required that is not available internally
- when there is difficulty recruiting to a post.

***Table 23 - Off-payroll engagements as of 31 March 2020, for more than £245 per day and that last for longer than six months***

| **Number of existing engagements as of 31 March 2020** | **4** |
|---|---|
| Of which, the number that have existed: | |
| • for less than one year at time of reporting | 3 |
| • for between one and two years at time of reporting | 0 |
| • for between two and three years at time of reporting | 0 |
| • for between three and four years at time of reporting | 0 |
| • for four or more years at time of reporting | 1 |

*Table 24 - New off-payroll engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020, for more than £245 per day and that last for longer than six months*

| **Number of new engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020** | **21** |
|---|---|
| Of which: | |
| • number assessed as within the scope of IR35 | 16 |
| • number assessed as not within the scope of IR35 | 4 |
| Number engaged directly (via PSC contracted to the Trust) and are on the Trust's payroll (the rest are on the payroll of the temporary staffing agency) | 0 |
| Number of engagements reassessed for consistency/assurance purposes during the year | 1 |
| Number of engagements that saw a change to IR35 status following the consistency review | 0 |

*Table 25 - Off-payroll engagements of Board members, and/or, senior officials with significant financial responsibility, between 1 April 2019 and 31 March 2020*

| **Number of off-payroll engagements of Board members, and/or, senior officials with significant financial responsibility, during the financial year** | **1** |
|---|---|
| Total number of individuals that have been deemed "Board members and/or senior officials with significant financial responsibility" during the financial year. This figure should include both off-payroll and on-payroll engagements. | 20 |

## Exit packages

A mutually agreed resignation scheme was open to all colleagues, whereby they could apply to leave. These relate to actual departures during the financial year.

*Table 26 - Exit package costs by band 2019/20*

| Exit package cost band | Number of compulsory redundancies | Number of other departures agreed | Total number of exit packages by cost band |
|---|---|---|---|
| <£10,000 | - | 22 | 22 |
| £10,000 - £25,000 | - | 1 | 1 |
| £25,001 - £50,000 | - | 1 | 1 |
| £50,001 - £100,000 | - | 1 | 1 |
| £100,000 - £150,000 | - | - | - |
| Total number of exit packages by type | - | 25 | 25 |

*Table 27 - Exit package costs by band 2018/19*

| Exit package cost band | Number of compulsory redundancies | Number of other departures agreed | Total number of exit packages by cost band |
|---|---|---|---|
| <£10,000 | - | 15 | 15 |
| £10,000 - £25,000 | - | 1 | 1 |
| £25,001 - £50,000 | - | 2 | 2 |
| £50,001 - £100,000 | - | 1 | 1 |
| £100,000 - £150,000 | - | - | - |
| Total number of exit packages by type | - | 19 | 19 |

*Table 28 - Exit packages: non-compulsory departure payments 2018/19 and 2019/20*

| | 2019/20 Agreements number | 2019/20 Total value of agreements (£000) | 2018/19 Agreements number | 2018/19 Total value of agreements (£000) |
|---|---|---|---|---|
| Mutually agreed resignations (MARS) contractual costs | - | - | 4 | 161 |
| Non-compulsory payments in lieu of notice | 22 | 117 | 15 | 30 |
| Exit payments following Employment Tribunals or court orders | 3 | 84 | - | - |
| Non-contractual payments requiring HMT approval | - | - | - | - |
| Total | 25 | 201 | 19 | 191 |

## Facilities time

'Facilities time' is time provided to any employee who is either an official or representative member of any trade union recognised by The Countess of Chester Hospital for the purpose of undertaking trade union duties and activities in accordance with the Trade Union and Labour Relations (Consolidation) Act 1992. Facility time covers the duties of a trade union or union learning representative on behalf of their members. It involves duties such as accompanying employees to disciplinary or grievance hearings. It also covers training received and duties carried out under the Health and Safety at Work Act 1974.

In response to the introduction of the Trade Union (Facility Time Publication Requirements) Regulations 2017 which came into effect on 1 April 2017, The Countess of Chester Hospital and Trade Union representatives work together to ensure The Countess of Chester Hospital complies with the requirement to publish information in relation to 'relevant union officials' and 'facility time'.

The table below illustrates the utilisation of facilities time within The Countess of Chester Hospital. It should be noted that The Countess of Chester Hospital seconds 0.8 full-time equivalent representative to act in capacity as Staff Side Chair who co-ordinates and liaises with all 16 individual trade unions recognised by The Countess of Chester Hospital on behalf of the various professions and staff associations.

*Table 29 - Relevant union officials*

| Relevant union officials | Number of employees |
|---|---|
| Number of employees who were relevant union officials during 2019/20 | 25 |
| Full-time equivalent employee number | 23.13 |

*Table 30 - Percentage of time spent on facility time*

| Percentage of time spent on facility time | Number of employees |
|---|---|
| 0% | 8 |
| 1-50% | 16 |
| 51-99% | 1 |
| 100% | 0 |

*Table 31 - Percentage of pay bill spent on facility time*

| Percentage of pay bill spent on facility time | £ |
|---|---|
| Total cost of facility time | £63,800.58 |
| Total pay bill | £186,828,000 |
| Percentage of the total pay bill spent on facility time | 0.03% |

*Table 32 - Paid trade union activities*

| Paid trade union activities | % |
|---|---|
| Time spent on paid trade union activities as a percentage of total paid facility time hours | 1.49% |

## Countering fraud and corruption policy

The Countess of Chester Hospital does not tolerate fraud, corruption or bribery within the NHS. We have an overarching Anti-Fraud, Corruption and Bribery Policy and Response Plan in place, produced by our Anti-Fraud Specialist, which has been reviewed in 2019/20. The aim is to eliminate all NHS fraud, corruption and bribery as far as possible, freeing up public resources for better patient care.

NHS Protect is a business unit of the NHS Business Services Authority. It has responsibility for all policy and operational matters relating to the prevention, detection and investigation of fraud, corruption and bribery and the management of security in the NHS. All instances where fraud, corruption and bribery are suspected are properly investigated by staff trained by NHS Protect – until their conclusion. Any investigations will be handled in accordance with the *NHS Counter Fraud and Corruption Manual*.

## Ill-health retirements

During 2019/20, there were two early retirements from The Countess of Chester Hospital agreed on the grounds of ill-health. For the previous year (2018/19), there was one early retirement. The estimated additional pension liabilities of these ill-health retirements will be £87,000 (£40,000 for 2018/19). The cost of these ill-health retirements will be borne by the NHS Business Services Authority – Pensions Division. This information was supplied by NHS Business Services Authority – Pensions Division.

## The disclosures

The Countess of Chester Hospital NHS Foundation Trust has applied the principles of the NHS Foundation Trust Code of Governance on a comply or explain basis. The Code of Governance, most recently revised in July 2014, is based on the principles of the UK Corporate Governance Code issued in 2012. Disclosures are included within the 2019/20 Annual Report on this 'comply or explain' basis.

In line with Code provision B1.2, and as disclosed within the 2018/19 annual report, the Board has redressed, during 2019/20, the balance between executive directors and non-executive directors on the Board via the recruitment of an additional non-executive director. This is referenced within the 2019/20 Annual Governance Statement.

The Accountability Report provides disclosures including:

- the composition of the Board and Council of Governors
- membership of Nominations, Audit and Remuneration Committees
- the Chair's other significant commitments
- the work of the Audit Committee
- the work of the Remuneration and Nomination Committees.

The Annual Governance Statement outlines how the Board of Directors has conducted a review of the effectiveness of its system of internal controls.

# NHS Improvement's Oversight Framework

NHS Improvement's Oversight Framework provides the framework for overseeing providers and identifying potential support needs.

The framework looks at five themes:

1. Quality of care
2. Finance and use of resources
3. Operational performance
4. Strategic change
5. Leadership and improvement capability (well-led).

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

The Trust is in NHS Improvement's Segment 2: Providers Offered Targeted Support – Support needs identified in finance, use of resources and operational performance. This segmentation information is the Trust's position as at 23 December 2019. Current segmentation information for NHS trusts and foundation trusts is published on the NHS Improvement website.

## Finance and use of resources

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

# Statement of Accounting Officer's responsibilities

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.

In exercise of the powers conferred on Monitor by the NHS Act 2006, NHS Improvement has given Accounts Directions to prepare a statement of accounts. The Countess of Chester Hospital NHS Foundation Trust is required to prepare this every financial year, 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 Countess of Chester Hospital 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 the requirements of the Department of Health and Social Care's Group Accounting Manual and in particular to:

- Observe the Accounts Direction issued by NHS Improvement, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- Make judgements and estimates on a reasonable basis
- State whether applicable accounting standards – as set out in the NHS Foundation Trust Annual Reporting Manual (and the Department of Health and Social Care Group Accounting Manual) – have been followed, and disclose and explain any material departures in the financial statements
- Ensure that the use of public funds complies with the relevant legislation, delegated authorities and guidance
- Confirm that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for patients, regulators and stakeholders to assess the organisation's performance, business model and strategy
- 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 the NHS Foundation Trust and to enable them to ensure that the Accounts comply with requirements outlined in the above mentioned Act. The Accounting Officer is also responsible for safeguarding the assets of the NHS Foundation Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

**Susan Gilby**
**Chief Executive Officer**
5 June 2020

# Annual Governance Statement 2019/20

## Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of The Countess of Chester Hospital 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 Countess of Chester Hospital 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 The Countess of Chester Hospital, to evaluate the likelihood of those risks being, the impact should they be realised and to manage them efficiently, effectively and economically. The system of internal control has been in place in The Countess of Chester Hospital for the year ended 31 March 2020 and up to the date of approval of the Annual Report and Accounts.

## Capacity to handle risk

As the Chief Executive Officer, I am responsible for overseeing risk management across all organisational, financial and clinical activities. I have delegated the executive lead for risk management to the Director of Nursing and Quality who in turn is supported by an Associate Director of Risk and Safety who manages the Risk and Safety team.

A full Well-led inspection was undertaken by the Care Quality Commission in December 2018. The review of the Trust found that there were ineffective systems in place to manage risk. The risk management system did not connect to the Board Assurance Framework, committee reporting accountabilities were not clear, and some issues raised in the last inspection had not been addressed in a timely manner, with gaps in governance and safety issues. The Countess of Chester Hospital received a rating of *'Requires Improvement'* in the final report published on 17 May 2019.

The Countess of Chester Hospital was rated as *'Requires Improvement'* overall for the following reasons:

- Safe, Effective, Responsive and Well-led domains were rated as *'Requires Improvement'*
- Caring was rated as *'Good'*
- Three core services were inspected: medical, surgical and urgent and emergency care. All three were rated as *'Requires Improvement'*
- Rating of services not inspected at this time was also taken into account
- The overall rating for the Trust regarding Well-led was *'Requires Improvement'*
- The Trust's Use of Resources assessment was given a rating of *'Requires Improvement'*.

Prior to the CQC inspection, gaps had already been identified and an independent review of governance was commissioned which also identified areas for improvement and made recommendations for change.

The Countess of Chester Hospital accepted the CQC report and findings and also a requirement to improve the Trust's culture. The regulatory delivery of the action plan was monitored by a CQC Task and Finish Group which was jointly chaired by the Director of Nursing and Quality and the Medical Director. Progress against these actions and updates on implementation was presented at the Board Quality and Safety Committee.

The overall structure of this annual governance statement is to define the system of internal control and risk management. It also addresses the development and continuous improvement work undertaken throughout the year with respect to the internal control system and environment.

The emergence of Covid-19 in quarter four of 2019/20 did obviously impact upon the Trust and following the decision by the UK Chief Medical Officer in early February 2020 to raise the threat level for Covid-19 from low to moderate, we put in place additional measures at the Countess of Chester Hospital to ensure our ability to maximise business continuity. The following content within this Annual Governance Statement outlines the internal control environment put in place during the year and prior to Covid-19.

Following the external review of our governance arrangements referred to above, a new model of integrated governance had been agreed and implemented by the Board through a new structure of sub-committees that provides oversight and realignment of governance and risk processes, including; quality, clinical governance, finance, information governance and people and performance. New Terms of Reference have been established which set out clear accountability and assurance structures. The development of a new Board Assurance Framework which has increased alignment with the Trusts risk management process also commenced at the end of 2019/20.

Divisional triumvirates of clinicians, nursing and executives hold monthly meetings with Executive colleagues which provide an environment where the clinical divisions and corporate teams are constructively challenged on their risk management, as well as supported to implement actions for improvement.

The revised Terms of Reference for the Quality and Safety Committee has improved the Board's visibility of the clinical and non-clinical processes and controls which seek to set and monitor high standards of safety and patient experience. The metrics and 'Deep Dives' monitored and commissioned by the committee link to the risk management function and Audit Committee. Work is progressing towards the Audit Committee obtaining a clearer view of the totality of assurances that are in place and the interdependencies between them.

There is a Risk Management Strategy in place which outlines the framework for managing risk across the organisation. Roles and responsibilities in relation to the identification and management of risk are identified in this and other related documents including the incident management policy. The Director of Nursing and Quality / Deputy Chief Executive is the lead executive for risk management.

Risk management is supported in the following ways:

- A centralised Risk and Safety team is led by the Associate Director of Risk and Safety
- A team of risk and safety leads support the divisions and corporate teams.

The divisions manage operational risks at a local level through Divisional Governance Committees, and each manager is responsible for overseeing their Risk Registers. Risks are escalated or de-escalated through the Senior Leaders Group. Divisional Governance Committees are chaired by the Divisional Medical Director, and have responsibility for providing leadership to, and oversight of, the achievement of the division's objectives through the mitigation of risk and review of relevant assurance. The divisional risk and safety leads facilitate discussion and provide reports and updates on mitigations being implemented to address areas of concern.

Alongside regular risk training, an external facilitator has provided root cause analysis training for 25 senior clinical leaders, including consultants, to support serious incident investigation. The Trust has further

developed its processes for learning from serious incidents during the year with the establishment of safety summits designed to be clinical conversations about significant events which all staff can learn from.

A weekly Serious Incident Panel is chaired by the Director of Nursing and Quality, with representatives from the Legal, Patient Experience and Risk Management teams. Themes and trends are shared via reports and reviews at the Quality Governance Group which is chaired by the Director of Nursing and Quality. The panel reviews all significant incidents, complaints, learning from inquests and legal claims. When an event is deemed significant enough to require formal investigation, in line with the Serious Incident Framework; they are reported externally to the Strategic Executive Information System (StEIS). These incidents, the quality of the review and report, and its subsequent action plan, are monitored internally via a monthly report to the Quality Governance Group and via the monthly Clinical Commissioning Group (CCG) serious incident meeting. Externally, The Countess of Chester Hospital reports incidents, complaints, claims and HM Coroner's Inquests twice annually.

Patient experiences and stories are shared across the Trust, including the Board of Directors, Council of Governors, Patient Experience Operational Group and new staff induction events. The Countess of Chester Hospital encourages patients and families to become involved in sharing their stories directly and are involved in quality improvement where appropriate.

All serious incidents are reported to commissioners and to other relevant bodies (CQC, NHS England) in line with current reporting requirements (StEIS Framework). We continue to revisit our systems and processes to ensure learning, and any necessary changes identified become business as usual. Serious incidents are reported through the Quality Governance Group and Divisional Governance Committees.

Lessons learned are fed back to the nursing teams at ward managers' meetings and safety briefs to make sure relevant staff groups can act upon key learning and implement change. Medical staff present their findings at whole hospital rolling half days. These are monthly sessions when elective work is suspended so that clinical groups can attend joint learning sessions.

Medicines related incidents and monitoring meetings link with the safety agenda during the year through mutli-professional monthly medication incident review meetings with findings fed back to clinical teams at safety briefs. There is a clinical audit programme in place which is developing and includes subsequent audit on selected incidents to make sure that changes made as a result of an investigation have been effective. The Board has a view of the scope and effectiveness of the assurances that the clinical audit programme achieves through the clinical audit annual report to the Quality and Safety Committee and the Quality and Safety Committee Chair's report to Board of Directors.

## Risk training

All new recruits receive an overview of risk management processes as part of the corporate induction programme, supplemented by local induction organised and approved by line managers. Further education is provided with cyclical mandatory training undertaken by both clinical and non-clinical staff. The risk content for this programme was updated in-year and is continually reviewed and is responsive to changes in guidance and operating practice.

Learning from incidents is integrated into training throughout the year by updated mandatory training. There is an appraisal process which enables the identification of individual staff training needs. These are reviewed as part of the annual performance and development programme.

Risk policies are available to colleagues via the intranet, including:

- Risk Management Strategy
- Incident management – including reporting and management of serious incidents
- Procedure for listening and responding to concerns and complaints.



The Countess of Chester Hospital aspires to be a learning organisation, using a range of mechanisms including clinical supervision, reflective practice, individual and peer reviews, performance management, continuing professional development, clinical audit and the application of evidence-based practice. The revalidation process that a number of health professionals are required to practice further supports learning and development.

Lessons learned and good practice is shared via mechanisms such as the Quality Governance Group, the Senior Leadership Group and all-staff briefings.

## The risk and control framework

The Countess of Chester Hospital seeks to manage and mitigate risk as far as possible, however, it is understood that delivering healthcare carries inherent risks that cannot be completely eradicated but can be minimised through effective identification and mitigation. Risk management requires participation, commitment and collaboration from all staff. The process begins with the systematic identification of risks via structured risk assessments. These risks are documented on Risk Registers which are held in the 'Datix' system – the electronic system of collating risks, incidents, complaints, clinical audit and claims.

All risks are assessed and scored using an approved scoring matrix which takes into account the likelihood and severity of each risk. This results in each risk being awarded a score of between 1 (very low) to 25 (high). The potential consequence and likelihood of the risk occurring are scored along with the effectiveness of existing control measures. It is the sum of these scores which determine the level at which the risk is reported and monitored to ensure effective mitigation and controls are put in place.

Following a risk assessment, if the risk score is *'significant'*, the risk is entered onto the Datix Risk Register System and the owner of the risk, the ward or department manager, is identified. The Datix Risk Register System automatically generates a confirmation email to notify the identified risk owner about the risk. Low-scoring risks are managed by the area in which they are identified, whilst higher-scoring risks are managed at progressively higher levels in the organisation. High-scoring risks are presented at the executive risk review meeting for confirm and challenge purposes.

The Countess of Chester Hospital's Board Assurance Framework (BAF) sets out the strategic risks that could impact on the delivery of the corporate objectives. During the year 2019/20, the BAF included ten strategic risks, which were reviewed quarterly at the Board of Directors meetings. Each risk is owned by an executive lead. The risks are as follows:

- Failure to maintain and enhance the quality and safety of the patient experience and ensure regulatory compliance
- Unable to meet the demand for services within available resources
- Failure to collaboratively innovate and transform The Countess of Chester Hospital's clinical services
- Failure to deliver The Countess of Chester Hospital's culture, values and staff engagement plan
- Failure to deliver in year financial plan and manage consequences of delivering a deficit budget
- Failure to comply with compliance framework
- Failure to maintain robust corporate governance and overall assurance
- Failure to maintain information governance standards
- Failure to provide appropriate informatics infrastructure, systems and services that effect high quality patient care in-line with the business objectives
- Failure to recruit, train and retain professional staff.

The strategic risks are considered in more detail by the relevant sub-committees of the Board.

Work has been undertaken during the year to develop and align the work plans of committees to strategic risks, with executive focus on strategic risk and assurance. A review of the Board Assurance Framework

was undertaken in quarter four and will inform the development of a refreshed BAF in quarter one of 2020/21. The annual programme of internal audit is risk-based and aligns to the most significant corporate risks.

At the time of this report, The Countess of Chester Hospital remains fully compliant with the registration requirements of the Care Quality Commission. An unannounced inspection of three core services (urgent and emergency services, medical and surgical) was held during its unannounced inspection in November 2019. This was followed up by a formal well-led inspection in December 2019, resulting in an overall *'Requires Improvement'* rating. Following this, the Director of Nursing and Quality / Deputy Chief Executive provides regular reports to the Board's Quality and Safety Committee about our response to the recommendations and the action plan implementation.

To ensure that quality and safety are considered in the context of the Cost Reduction Schemes (CRS), a robust Quality Impact Assessment (QIA) is undertaken for all schemes. The documentation is then reviewed and signed off accordingly by the Medical Director and Director of Nursing and Quality. The process of tracking the impact of schemes is monitored via the divisional governance committees with oversight provided at the Quality Governance Committee. The Executive Team receive updates of the Cost Reduction Schemes and challenge through the Trust Transformation Group and quarterly review meetings with divisions.

Incident reporting continues to be encouraged at all levels of the organisation. Excellence reporting has continued throughout the year as a method of recognition of quality work. This promotes the reporting of positive behaviours such as teamwork, individual performance or delivery of care. This is proving a beneficial way for staff to gain feedback about their contribution to delivering safe services for patients. These reports feed into staff recognition awards and clinicians who require feedback as part of their professional revalidation.

Seeking patient feedback is vital in ensuring that the services provided are meeting the needs of the population. Following the launch of a revised Patient Experience and Involvement Strategy, the Patient Experience Operational Group continues to monitor patient feedback from compliments, complaints, Friends and Family Test and correspondence received. A rich picture of patient insight is gathered by understanding lived experience stories and implementing change with patient involvement.

User groups for specific conditions such as cancer, diabetes and respiratory involve patients in consultative groups to understand how services can be improved to meet their needs.

The elected governors play an essential part in providing feedback about how services can improve on behalf of patients and the public. Governors undertake independent reviews of departments and clinical areas every six weeks in GovRounds which are welcomed by colleagues as an opportunity to give their own experiential feedback to an independent body of representatives.

Executive walkabouts are also regularly undertaken to visit departments and clinical areas to seek feedback from patients and colleagues.

The Board considers the integrated performance report which is arranged by safe, effective, caring, responsive and well-led domains which includes detailed statistical process control reports and performance against key quality indicators. This also includes actions being undertaken to address risks and uncertainties.

The Countess of Chester Hospital's compliance with the constitutional targets has been challenging throughout the year. Emergency Department performance has been compromised during 2019/20 due to continued increases in demand, complexity of patients and high bed occupancy levels.

The organisation is compliant with Emergency Preparedness, Resilience and Response (EPRR) standards within the Civil Contingency requirements. The Countess of Chester Hospital commissioned an external review of EPPR functions in quarter four. This feedback will form part of the organisation's strategic plan for

2020/21 to support the achievement of full compliance with EPRR standards. An EPRR Committee is in place with an executive lead and refreshed Terms of Reference have recently been put in place. This committee provides oversight of major incident procedures and business continuity processes. A Health and Safety Committee is in place which reports to the EPRR Committee.

The Countess of Chester Hospital has recently developed an Environmental Impact Strategy and undertaken risk assessments which takes account of UK Climate Projections 2018 (UKCP18). The organisation ensures that its obligations under the Climate Change Act and the adaptation reporting requirements are complied with.

## Foundation Trust governance

The Countess of Chester Hospital NHS Foundation Trust ensures compliance with NHS Foundation Trust Licence Condition FT4 Corporate Governance. The Board is satisfied that Trust has established and implemented all requirements of the licence condition with no material risks identified. The Board of Directors, Audit Committee and other Board committees all play a role in ensuring the Trust and Group has robust and effective governance structures.

The Constitution and Terms of Reference for all standing committees of the Board have been reviewed within the last 12 months as part of the governance review. Any changes have been recommended to the board and agreed. The minutes of Board Committees are presented to the Board as standing agenda items. The responsibilities of directors and committees are clarified in the Trust's governance structure, which includes clear reporting lines and the accountabilities of committees and individuals. Systems are in placed to ensure the organisation complies with its duty to operate efficiently, effectively and economically, with timely and effective scrutiny and oversight by the Board, including securing compliance with healthcare standards as specified by the Secretary of State for Health, the CQC, NHS England, NHS Improvement, and statutory regulators of healthcare professions.

The Board of Directors, as required under NHS Foundation Trust condition 4(8)(b) assures itself of the validity of its Corporate Governance Statement. The Board of Directors review the Corporate Governance Statement every year to ensure that declarations being made can be supported with evidence. It considers the risks and mitigating actions that management provided to support the statements and determine, both from its own work throughout the year – particularly the testing of the controls set out in the Board Assurance Framework – and assurances provided from the work of internal, external auditors and other external audits or reviews, whether the statements are valid.

The external auditors, through their audit of the Annual Report and Accounts, also provide a degree of assurance to the Audit Committee and Board that financial control systems are robust. Effective financial decision making, management and control includes having appropriate systems and processes in place to ensure the Trust and Group can continue as a going concern. Measures are also in place to provide accurate, comprehensive, timely and current information for Board and committee decision-making, including the identification of material risks.

The Board receives business cases which are over a specified threshold. All business cases are reviewed at the Business Case Review Meeting who meet on a monthly basis. This process is underpinned by quarterly performance reviews and scrutiny by the Finance and Performance Committee.

There is periodic assessment of Board level capability to provide effective organisational leadership on the quality of care, planning and decision-making processes.

In December 2019, The Countess of Chester Hospital appointed a new Director of Communication and Corporate Affairs. The Director takes a senior leadership role in good governance management and is the designated Trust Secretary.

The governance structure ensures that the Board has an overarching responsibility through its leadership and oversight, to be assured that the organisation operates with openness, transparency and candour, particularly in relation to its patients, their carers, staff and the wider community.

In December 2018, an independent governance review was commissioned to assist the Board to review the relationship and responsibilities of the Board, Board committees and governance practices across the organisation. The findings of the review were received by the Board, and a governance improvement plan was agreed in May 2019. The phases of the governance improvement plan include:

- Phase one – A focus on achieving compliance and building the basics, including the development of a governance handbook, revised Board and committee structure with Terms of Reference and an action plan to implement the recommendations from the independent review of governance
- Phase two – A focus on better basics: a comprehensive programme from Board to ward that develops the understanding of our workforce to implement good governance in their day-to-day business
- Phase three – A focus on embedding practice to ensure that good governance is business as usual.

An update on progress of phase one of the governance improvement plan was received by the Board in November 2019, along with a proposed governance structure, the draft governance handbook and proposal to move to phase two. The Board continues to drive forward the action plan from the external governance review.

The CQC well-led review indicated that leadership and culture within the organisation needed to be improved, executive visibility was reported as low, and colleagues' morale on medical wards was poor. This has been a key area of focus in 2019/20 for the Board. The Executive Team undertake regular walkabouts to seek colleagues' feedback and a weekly 'What's Brewing' drop-in meet and greet is held in the staff restaurant. The Chief Executive personally writes to all staff every week as a minimum. This correspondence moved to a daily update in response to the Covid-19 pandemic.

The governors play a significant role in holding the Board, and in particular the non-executive directors, to account. The Council of Governors meets quarterly and a meeting of the Governor's Forum is held at least nine times per year. Governors are represented across a wide range of committees, including the introduction in 2019/20 of a governor in attendance at the Finance and Performance Committee and Quality and Safety Committee.

Although it has not been possible to meet with our governors face-to-face during the Covid-19 lockdown, governors have been kept up-to-date with the organisation's response to the operational challenges and there is a clear line of access for them to raise questions.

The Board reviewed and recommissioned its sub-committees during 2019/20, to redesign the spread of assurance across each. New Terms of Reference were agreed by the Board for a:

- Quality and Safety Committee
- Finance and Performance Committee.

In addition, refreshed Terms of Reference were agreed for the Audit Committee, which is a statutory committee of the Board and has a key role in ensuring the system of internal control.

The Audit Committee's primary roles are to review the relevance and rigour of the Assurance Framework focus, seek assurance that financial reporting and internal control principles are applied and to maintain an appropriate relationship with The Countess of Chester Hospital's auditors – both internal and external.

The Audit Committee has considered the validity of the Corporate Governance Statement submission as required under NHS Foundation Trust condition 4(8)(b), prior to approval by the Board.

Where risks are identified across the Board Assurance Framework and audit report outcomes to the Audit Committee, executive directors and senior managers are held to account at the Audit Committee meetings.

The position of Audit Chair changed from 1 December 2020, following the departure of the previous Audit Committee Chair.

The Board receives the minutes of each of the sub-committees to gain further assurance and in 2019/20 Chair's Reports from individual committees to Board were introduced. To further support the Board, each of the sub-committees receive regular updates and minutes from the operational groups which are chaired by the executive directors.

The Board has been developing a new Corporate Strategy for the organisation. Workshops have been held with Board members, wider groups of clinicians and operational managers during the second half of 2019/20 culminating in a wider stakeholder event of 140 key stakeholders in February 2020 which included partner and provider organisations from across the health and care system. Sadly, as this work was progressing well to develop a mid- to long-term strategic direction and priorities for the hospital and its place within the wider system, the work was paused due to the Covid-19 pandemic.

The Corporate Strategy will be underpinned by a series of enabling strategies including workforce, estates, environmental, involvement and digital maturity strategies. It will lay the foundation for the organisation's future prosperity.

Work was completed in the year to develop an overarching Clinical Services Strategy for the organisation. The Strategy describes the scope of care provision over the next five years. It has been developed in consultation with internal and external stakeholders and was agreed by the Board in September 2019. The ethos of the Strategy is one of system collaboration, premised upon known and predicted clinical demand whilst being aligned in scope to the NHS Long Term Plan.

The current Trust electronic patient record (EPR) system is due for upgrade. In April 2018, a contract was signed with the American IT provider Cerner to provide a new EPR on a shared platform with Wirral University Teaching Hospitals (WUTH). The Trust was awarded the status of 'fast follower' of WUTH in the national global digital exemplar programme. This status brought with it significant national funding for implementation. The Cerner EPR platform, which is called Millennium, has a very strong track record across the world for enabling health systems and providers to provide better outcomes and integrated services. Whilst there is much that we can learn from WUTH in terms of implementation of Millennium and digital enabling of population health management, strategic developments since April 2018 led to the Trust exploring the possibility of having its own instance of the EPR programme, rather than a shared one with our colleagues on the Wirral. We were pleased to receive support in this regard from NHS England, NHS Improvement and NHS Digital, at national and local level.

During 2019/20, we were granted permission to implement a stand-alone version of Millennium whilst remaining a fast follower of WUTH in terms of learning from their experience. The hard work and commitment to implement the upgraded EPR has already started with both technical work and a successful senior leadership alignment event. This is the biggest project ever undertaken by the trust. However, given the emergence of Covid-19 and its impact on the Trust position, this timescale has had to be extended.

Work has continued to progress on the development of the Cheshire West Integrated Care Partnership (ICP), with The Countess of Chester Hospital acting as the host under a collaborative governance arrangement. The ICP Transformation Programme has been further developed during the year with a number of strategic and enabling workstreams and a programme of engagement with stakeholders, which is overseen by the Integrated Care Partnership Board. During the year, there was a focus on developing the nine Care Communities and a series of *Thinking and Acting Differently for Transformation* events were held with wide stakeholder involvement.

The Place Plan was developed by system partners in 2019 and approved by the Cheshire and Merseyside Health and Care Partnership.

As part of wider partnership working, The Countess of Chester Hospital has fully engaged with the Cheshire NHS system Financial Recovery Plan during the year and the Chief Executive Officer took the lead for the

Transformational Change Programme. The Board has considered the Cheshire NHS system Financial Recovery Plan position during the year and has agreed to make a realistic contribution towards this.

The Countess of Chester Hospital maintains a register of interests and during the year has published a register of Board member interests, including gifts and hospitality. The Countess of Chester Hospital has not published an up-to-date register of interests of all decision-making staff within the past twelve months, as required by the *Managing Conflicts of Interest in the NHS* guidance. However, this will be addressed following a review and update of the current declaration form and policy and the commissioning of a new website which will better lend itself to storing and making such information easily accessible, along with other key requirements of the publication scheme.

## People, organisational development and workforce planning

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

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

Monitoring provides data, which informs plans and strategies to achieve an inclusive workplace and make improvements to the working environment for all staff. The outcomes are reported to the Board annually, and the Equality and Diversity Action Plan is updated as appropriate.

The Equality Duty requires public bodies to have due regard to the need to eliminate discrimination, advance equality of opportunity, and foster good relations in the course of developing policies and delivering services. Equality Analysis is completed on all policies, procedures, strategies and service developments. The Equality Delivery System is designed to specifically support service delivery that is fair, providing equality of access to employment and delivery of services that meets the needs of a diverse population.

An interim Director of Human Resources and Organisation Development was appointed in August 2019 to undertake a review of the HR function. Since taking up her appointment, she has completed the delivery of The Countess of Chester Hospital's interim 2019/20 work plan and has been working towards embedding the results of a cultural review which was undertake in 2019.

The Countess of Chester Hospital now has a well-established series of formal and informal processes to raise the visibility and accessibility of its Executive Team. These include regular walkabouts undertaken by each executive director allowing staff the time to meet informally with them and discuss and showcase local initiatives and good practice. The use of safety briefings, huddles and executive presence within the induction process for all new starters are also important ways in which the executive leadership team keep themselves informed of Trust matters, whilst at same time providing the opportunity to gain directly feedback from colleagues.

We recognised that our organisation can only ever be as good as those people who work within it. Our staff are our most important asset and we believe that recognising their achievements creates a culture where staff are supported to reach their full potential. Therefore, employee recognition continues to be an important area of focus. The Countess of Chester Hospital promotes a monthly employee recognition scheme allowing colleagues to nominate a 'Countess Gem'. There is a wide range of reward and recognition schemes to recognise the outstanding work our staff undertake to support our patients and each other. These schemes include our annual Celebration of Achievement Awards, Long Service Recognition, Apprenticeship Awards, Foundation Doctor and Clinical Excellence Awards.

An integrated approach to workforce planning, succession planning and talent management is in development as the need for our entire workforce to be more agile and flexible to meet the challenges of delivering a first class health service becomes increasingly important. A Strategic Workforce Group has been created which monitors and scrutinises the effective use of resources and ensures that processes are safe, sustainable and effective. There are a range of measures in place to support the medical and nursing workforce including the appointment in 2019 of its new Guardian of Safe Working and the development of processes for exception reporting for Junior Doctors. The newly-appointed Freedom to Speak Up Guardian recently implemented a new policy to support staff to raise concerns in a confidential and timely basis.

Nurse vacancies and turnover rates remain low compared to peer organisations. A comprehensive programme of overseas recruitment has commenced and retention schemes are in place.

The workforce planning process is a joint task between workforce and finance colleagues. Year-end baseline data is added to staffing developments and risks identified by divisional senior managers and collated into a single plan which informs the establishment for staffing.

The Countess of Chester Hospital is in the process of implementing and embedding e-Roster system to monitor safer staffing levels across key areas of the organisation. All safer staffing issues brought by the professional judgement of service leads, and the information generated from our e-Roster/job planning systems influence the Trust Risk Register and Board Assurance Framework so that any staffing risks are clearly escalated and monitored across the organisation. Safe Staffing reports are also provided to the Board and relevant sub-committees on the required timelines. With current work streams relating to e-Roster and job planning, variable pay and improvements in data quality, The Countess of Chester Hospital is compliant with the Developing Workforce Safeguards Document issued by NHS Improvement in October 2018 and a full analysis of the compliance was provided to the Divisional Board in April 2019.

A significant part of the guidance relates to scheduling the “right staff, right skills, right place, right time” and NHS Improvement is promoting the agenda for rostering and job planning for all of the workforce – not just select groups. The Countess of Chester Hospital is ahead of this drive, as e-Roster has already been implemented for all nursing and midwifery colleagues, and is about to be piloted for medical and dental colleagues. The latter is being done in conjunction with improvements in e-job planning.

The medium- and long-term workforce plans are currently in development, and include the increased use of new roles, including physicians associates and nursing associates, as well as expanding the use of apprenticeships, particularly clinical apprenticeships. Greater collaboration with the Integrated Care Partnership will see additional workforce developments and system wide workforce planning, particularly in intermediate care, and closer working with other partners across the local system and across the Cheshire and Merseyside Health Care Partnership.

Supporting the wellbeing of our staff to enable them to provide safe and effective care to our patients has been a key area of focus. We continue to support the delivery of a comprehensive occupational health and wellbeing service as well as delivering a range of resilience awareness sessions, and health and wellbeing events held at both The Countess of Chester Hospital and Ellesmere Port Hospital. We continue to encourage and follow-up on any reports of incidents of violence against staff in the workplace including the use of the Datix system and a review of the bullying and harassment policy is scheduled. The Countess of Chester Hospital regularly engages with staff representative bodies who provide feedback on any emerging workforce concerns and issues.

## Review of economy, efficiency and effectiveness of the use of resources

Resources are managed within a sound financial governance framework defined in the Corporate Governance Manual and Standing Financial Instructions. The Board approved the revenue budget for 2019/20 and the capital programme – including associated loan applications.

Overall performance is monitored by the Board, supported by the Finance and Performance Committee and other committees. Monthly integrated performance reports are produced, which provide data in respect of financial, quality, national and locally agreed contractual target performance. Any areas of risk are highlighted through the use of a red, amber, green (RAG) rating. In additional, a detailed finance report is also made available to the Board including detail on the Cost Reduction Strategy.

The performance of individual divisions, departments and wards is measured and monitored through budgetary control and service-line reporting systems, and a performance management framework which is linked to the delivery of operational plans. These plans incorporate financial as well as quality, efficiency and productivity targets. All plans are subject to scrutiny and monitoring via the Finance Working Group, the Executive Directors Group and stocktake meetings.

The Countess of Chester Hospital had originally forecast a deficit, before Provider Sustainability Fund (PSF) monies, of £8.04 million for 2019/20 (with PSF monies being allocated of £8.04 million); giving a control total of breakeven if the organisation was successful in achieving 100% of its Provider Sustainability Fund metrics. This position was based upon delivering £9.4 million of Cost Reduction Savings. The Trust delivered £9.0 million (equating to 96%) of the target, and was able to deliver the break-even position for 2019/20.

The Countess of Chester Hospital broke-even in 2019/20, although reported a £8.04 million deficit before Provider Sustainability Funding. Therefore an advisor has been employed to support the further development of a financial turnaround programme (alongside implementing operational improvements), reporting to the Board via the Finance and Performance Committee. The work programme delivered by the Improvement Director mitigated risks in 2019/20 and identified further opportunities for 2020/21 to make progress in addressing this underlying position.

The Countess of Chester Hospital is an active member of the Cheshire health and care system, and contributes to a number of system / regional workstreams working to improve the economic, efficient and effectiveness of resources across a wider footprint.

Internal and external auditors provide assurance with respect to the internal control environment and the use of the organisation’s resources. Audit findings and recommendations are monitored and progressed by the sub-committees of the Board and the Audit Committee has an overarching overview for assurance purposes through the internal audit progress reports.

Any report which offers limited assurance results in the development of a management action plan with an agreed timescale for improvement, and progress is monitored by the Audit Committee. Serious issues are escalated to the Board of Directors. Information Governance

The Countess of Chester Hospital is required to undertake a mandatory annual Data Security and Protection Toolkit (DSPT) self-assessment (previously IG Toolkit). The Data Security and Protection Toolkit draws together legislation and relevant guidance and presents them in a single standard as a set of requirements. The assessment enables The Countess of Chester Hospital to measure its compliance against National Data Guardian data security standards to provide assurance to the organisation, patients and staff that information is handled correctly and protected from unauthorised access, loss, damage and destruction.

The Data Security and Protection Toolkit has increased the spectrum since last year and now assesses compliance against the following areas:

- Personal confidential data
- Staff responsibilities
- Training
- Managing data access
- Process reviews

- Responding to incidents
- Continuity planning
- Unsupported systems
- IT protection
- Accountable suppliers.

The Data Security and Protection Toolkit assessment provides an overall compliance score with each standard measured requiring multiple evidence standards to be met. The Trust's most recent DSPT submission to NHS Digital in March 2020 returned a *'limited assurance'* identifying five areas of concern: Personal confidential data, Training, Continuity planning, Unsupported systems and IT protection. An action plan is in place to address these gaps and to ensure full ongoing compliance with the General Data Protection Regulations (GDPR). This issue is high on the informatics agenda and a key focus for the coming year. An improvement plan is in place which is monitored by the Information Governance Committee.

## Information governance incident report

***Table 33 - Summary of serious incident(s) requiring investigations involving personal data as reported to the Information Commissioner's Office (ICO) in 2019/20***

| Date of incident (month) | Nature of incident | Nature of data involved | Number of data subjects potentially affected | Notification steps |
|---|---|---|---|---|
| December 2019 | 15 x Lost Dictation Devices | Unable to determine any data loss | Unknown | Notification sent to ICO. ICO have closed incidents on the basis this issue was raised due to an audit, a plan of lessons learned has been implemented and additional controls put in place with the IT Department to control mobile devices. |

***Table 34 - Summary of other personal data related incidents in 2019/20***

| Category | Breach type | Total |
|---|---|---|
| A | Corruption or inability to recover electronic data | 8 |
| B | Disclosed in error | 80 |
| C | Lost in transit | 41 |
| D | Lost or stolen hardware | 0 |
| E | Non-secure disposal – hardware | 1 |
| F | Non-secure disposal – paperwork | 15 |
| G | Uploaded to website in error | 0 |
| H | Technical security failing (including hacking) | 2 |
| I | Unauthorised access/disclosure | 20 |
| J | Other | 69 |

Regular communication is shared on themes and trends regarding incidents. Learning is fed into training and a programme of audit is in place to monitor compliance, this takes place across all areas of The Countess of Chester Hospital.

The Countess of Chester Hospital continues with a comprehensive approach to GDPR. All existing sharing agreements are not required to be updated with GDPR details unless there is a significant change, but, as a matter of diligence, the organisation is updating them as and when required. All new agreements are validated with full reference to GDPR and Data Protection Act 2018 before being approved. Data Protection Impact Assessments are regularly created for all new projects and any changes to the way in information is processed.

## Data quality and governance

The Countess of Chester Hospital has an extensive range of clinical governance policies. These are reviewed at appropriate intervals but no later than three years to ensure our operating policies reflect the best practice. We have robust policies for the recruitment and the development of staff. In addition, mandatory and statutory training of staff is a key performance indicator and this is also reported to the Board of Directors. Systems and processes are in place to ensure the organisation continues to improve and maintain the quality of patient-related data.

The core principles of the Data Quality Policy is to improve and maintain the quality of patient-related data. This is underpinned by a range of regular audit reports and initiatives such as regular validation of clinical and administrative data, in particular inpatient and outpatient waiting lists and the production of regular data quality reports to identify and collect missing data items and errors. To assure the data used in the Quality Account, The Countess of Chester Hospital has an Information Governance Committee. The group reviews data quality and associated workflows to ensure that NHS data standards are adhered to. This provides assurance to the Board that data is regularly validated and reviewed.

A robust Performance Management Framework is in place to define the structure and process for effective management of performance throughout The Countess of Chester Hospital and processes, roles and responsibilities are well defined at all levels of the organisation. The Performance Management Framework is firmly integrated throughout The Countess of Chester Hospital to ensure directorate and department level processes and systems feed into and support the high-level organisational objectives and priorities. An Integrated Performance Report is produced and reported routinely to the Board of Directors, which details performance against metrics and quality priorities.

Divisional Quality and Performance Reviews take place throughout the organisation at divisional level, which focuses on performance on a range of metrics. The purpose of Performance Reviews is to ensure that divisions, directorates and departments are progressing in line with aims, objectives and priorities, as well as focussing on any outliers in performance metrics.

The Countess of Chester Hospital's Access Policy provides the operational framework for the management of patients who are waiting for elective treatment. The policy reflects national guidance and is reviewed annually and agreed by NHS Cheshire CCG.

Routine elective waiting time data (both inpatient and outpatient) is produced, which is subject to review and analysis in-line with good standards of corporate governance. A Qlikview operational management tool is in place to better support the management and analysis of patients on an elective pathway.

An independent Referral to Treatment (RTT) Programme Manager has been appointed, who is currently reviewing the Access Policy, operational management of RTT and a training plan for both clinical and operational colleagues.

Quality data reflects both internal and external sources of information to ensure the consistency and accuracy of reported data. The priorities of safety, experience and effectiveness are derived from public and service users and from areas of concern that have been highlighted.

The Board reviews safety and quality performance indicators monthly, as part of the monthly Integrated Performance Report. This report provides trend as well as cumulative performance information and exception reports are provided on metrics/indicators requiring improvement. The metrics have been reviewed in-year, in conjunction with the implementation of the use of Statistical Process Control charts and will give further assurance that improvements are being made or areas for improvement are being monitored.

## 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 Countess of Chester Hospital NHS Foundation Trust who have responsibility for the development and maintenance of the internal control framework. I have drawn on the content of the quality report attached to this Annual Report and other performance information available to me.

My review is also informed by comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee, and other Board committees, and a plan to address weaknesses and ensure continuous improvement of the system is in place. The Head of Internal Audit provides me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of the internal audit work. The Head of Internal Audit Opinion for the financial year 2019/20 provided a good level of assurance that there is a sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently.

Executive managers within the organisation, who have responsibility for the development and maintenance of the system of internal control, provide me with assurance. The Board Assurance Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principle objectives have been reviewed.

My review is also informed by the programme of reviews undertaken by internal and external auditors, monitoring of actions related to previous controls assurance assessments, the clinical audit programme, CQC monitoring of clinical governance development, risk management assessments aligned to the standards originally set in the Clinical Negligence Scheme for Trust and Group, external benchmarking processes, and a range of inspections by professional bodies and agencies.

The effectiveness of the system of internal control has been maintained and reviewed by the Board of Directors via its Board Committees and individual management responsibilities at Director and Senior

Manager level. I am satisfied that this annual governance statement describes a system and approach which remained robust for the period from 1 April 2019 to 31 March 2020, and up to the date of approval of the Annual Report and Accounts, that supports preparation for the Annual Accounts on an ongoing basis.

Regular reports have been reviewed from Board committees and individual officers in relation to all key risks. Annual reports have been received by the Board of Directors in relation to all important areas of activity, as well as ad hoc report as required. Clinical governance and processes to ensure quality of patient care are overseen by the Quality and Safety Committee Executive Medical Director and Director of Nursing and Quality. Minutes of this Committee were received by the Board of Directors together with ad hoc reports, as required, and an annual report summarises the most significant issues in this area.

The Director of Nursing and Quality has delegated lead responsibility for risk management across the Trust. Practical support and co-ordination is provided by Corporate Risk Management Department. Individual directors and senior managers are empowered to assess and manage risks within their own areas of responsibility, linking closely with wider Trust processes. Significant support was provided via training, advice and guidance documentation to enable senior staff to effectively fulfil their functions.

An analysis of controls and assurance in relation to key organisational risks has been undertaken via the Board Assurance Framework. Underpinning this, the corporate Risk Register has been further developed to provide a detailed assessment of specific risk for all departments and key functions.

The Board Assurance Framework has been subject to review at Board and Executive Director level. The Board Assurance Framework provides the Board with assurance about the way it manages the organisation at a strategic level and high level potential risks have been documented and assurances identified. Following a recommendation from the December 2018 external governance review, further review work has been undertaken on the Board Assurance Framework to link it further with the risk management system and driving the Board and sub-committee agendas. An externally-facilitated workshop was undertaken with the Board in May 2019 to consider the Assurance Framework in relation to risk appetite. The Assurance Framework was updated in-year to include the interim strategic objectives of the organisation, whilst a refreshed organisational strategy is developed. In quarter four, a new Assurance Framework was drafted for 2020/21 in consultation with the risk owners, which will ultimately be aligned to the new corporate objectives.

Following their independent assessment of the Trust Board Assurance Framework (BAF) in 2019/20, our internal auditors concluded that:

***Table 35 - Internal auditors' opinion***

| **Opinion** | |
|---|---|
| Structure | The BAF is structured to meet the NHS requirements |
| Engagement | The BAF is visibly used by the organisation |
| Quality and Alignment | The BAF clearly reflects the risks discussed by the Board |
| Deep Dive *'Controls and Assurances'* | The identified controls and assurances are relevant |

The Board has risk identification and risk management processes to deliver its annual plan, and comply with the provider licence.

A number of executive appointments were made during 2019/20 including the substantive appointment of the Chief Executive Officer with effect from 1 April 2019, the substantive appointment of the Executive Medical Director, the appointment of the Executive Director of Human Resources and Organisation Development, and the appointment of the Director or Communication and Corporate Affairs from December 2019.

The Council of Governors appointed four new non-executive directors during 2019/20 as a number of terms of office had come to an end, plus there was one additional appointment agreed by the Board to address Board balance. The appointment of David Williamson in November 2019 was undertaken using NHS networks and non-executive recruitment sites to promote and target the opportunities. A further recruitment programme was undertaken by Gatenby Sanderson which resulted in the appointments of Mark Adams, Paul Jones and Bridget Fletcher.

Following the retirement of the Chair, the process to appoint an Interim Chair from 1 April 2020 was undertaken during the year in conjunction with the Governor Nominations Committee and with approval by the Council of Governors, with Ms Chris Hannah appointed.

The Governor Nomination Committee will meet during early 2020/21 to review non-executive director succession planning, including the Chair, along with terms of office.

The Board has redressed the previous Board imbalance between executive directors and non-executive directors in order to comply with the *NHS Foundation Trust Code of Governance*. This has been achieved via a specific change to the Trust's Constitution, which was approved by the Council of Governors, and by the appointment of an additional non-executive director during the year.

The Audit Committee is a source of assurance to the Board and its independence is paramount with a clearly defined challenge and scrutiny role. The Audit Committee have reviewed risks and gained assurance on the effectiveness of controls through the work of the internal and external auditors. This Committee has undertaken a review of its effectiveness, with facilitation from internal audit, and also reviewed and refreshed its terms of reference. The Director of Internal Audit (MIAA) provides the Trust with an annual opinion, substantially derived from the conduct of risk based reviews within the internal audit plan, generated from and aligned to the risks identified in the Trust's Assurance Framework. The overall opinion for the period 1 April 2019 to 31 March 2020 provides *'moderate assurance'* that there is an adequate system of internal control, however, in some areas weaknesses in design and/or inconsistent application of controls puts the achievement of some of the organisation's objectives at risk.

With regards to the risk-based reviews undertaken by MIAA:

I have received zero '*high assurance'* opinions.

I have received five '*substantial assurance*' opinions on the systems and processes operated for:

- Financial systems, integrity and reporting
- Activity data capture
- Clinical coding 2018/19
- ESR / HR payroll controls
- Sickness absence.

I have received two '*moderate assurance'* opinions on the systems and processes operated for:

- Cyber security 2018/19
- Critical applications: financial system.

I have received six '*limited assurance'* opinions on the systems and processes operated for:

- Service level agreement / contract management
- HR and wellbeing shared service payroll review
- Disciplinary and grievance procedures
- Quality spot checks
- Data Security and Protection Toolkit assurance review
- Agency costs and cap 2018/19.

I have received zero *'no assurance'* opinions.

Actions have been taken by the Executive Team to address the recommendations made in the audit reports to improve the control environment, including the 14 high-risk recommendations. The Head of Internal Audit informs me that during the course of the year they have undertaken follow up reviews and can conclude that the organisation has made good progress with regards to the implementation of recommendations. Any outstanding actions will continue to be tracked and followed up.

Areas where internal audit have supported the organisation in strengthening arrangements in respect of governance, risk management and internal control in 2019/20 include:

- MIAA facilitated Audit Committee training for new non-executive directors
- An advisory review of the Neonatal Action Plan undertaken by MIAA Solutions
- Advice and support provided in relation to the revised Standing Financial Instructions (SFIs).

## Conclusion

During the year, no significant internal control issues have been identified. It is recognised that *'moderate assurance'* was provided on the system of internal control and actions are in place or have been identified or completed to address the areas where limited assurance opinions were received. The Board has implemented new governance structures and reporting arrangements during the year via its governance improvement plan and following receipt of the CQC well-led inspection report.

The Board of Directors remain committed to developing a supportive learning culture for quality governance, continuous improvement and enhancement of the system of internal control as and when issues are identified. The corporate strategy is paused during the Covid-19 pandemic response phase and will be revisited during the recovery phase.

Many changes implemented during quarter three of 2019/20 will continue to be embedded into 2020/21.

The Board, like other organisations across the NHS, is facing a number of challenging issues and wider organisational factors. There are key challenges for Trust performance targets and these remain an area of board focus via regular review of the integrated performance report. The Board regularly monitors the financial position and areas of financial risk.

The Board takes account of how it can work with its health system partners to address the current challenges the organisation faces.

**Susan Gilby**
**Chief Executive Officer**
5 June 2020

# Annual accounts 2019/20

# Countess of Chester Hospital NHS Foundation Trust

## Annual Accounts
**for the year ended 31 March 2020**

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

**Countess of Chester Hospital NHS Foundation Trust - Annual Accounts 2019/20**

# Independent auditor's report

## to the Council of Governors of Countess of Chester Hospital NHS Foundation Trust

### . REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### 1. Our opinion is unmodified

We have audited the financial statements of Countess of Chester Hospital NHS Foundation Trust ("the Trust") for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows, and the related notes, including the accounting policies in note 1.

In our opinion:

— the financial statements give a true and fair view of the state of the Trust's affairs as at 31 March 2020 and of its income and expenditure for the year then ended; and

— the Trust's financial statements have been properly prepared in accordance with the Accounts Direction issued under paragraphs 24 and 25 of Schedule 7 of the National Health Service Act 2006, the NHS Foundation Trust Annual Reporting Manual 2019/20 and the Department of Health and Social Care Group Accounting Manual 2019/20.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Trust in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

| Overview | |
|---|---|
| **Materiality:** financial statements as a whole | £4.5m (2019:£4.0m)<br>1.88% (2019: 1.75%) of total revenue |

| Risks of material misstatement | | vs 2019 |
|---|---|---|
| **Recurring risks** | Valuation of land and buildings | ◀▶ |
| | Recognition of income from patient care activities | ◀▶ |
| | Accrued expenditure recognition | ◀▶ |

## 2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on:the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows (unchanged from 2019). We continued to perform procedures over going concern. However, due to changes in the NHS cash regime we no longer consider there to be a material uncertainty related to going concern and this is not separately identified as a key audit matter in our report this year.

| | The risk | Our response |
|---|---|---|
| **Valuation of land and buildings**<br><br>Land and buildings (£69.7 million; 2018/19: £69.3 million)<br><br>*Refer to note 1.6, 1.20 (accounting policy) and note 8 (financial disclosures – Annual Accounts).* | **Subjective valuation:**<br><br>Land and buildings are required to be maintained at up to date estimates of year- end market value in existing use (EUV) for non-specialised property assets in operational use, and, for specialised assets where no market value is readily ascertainable, the depreciated replacement cost (DRC).of a modern equivalent asset that has the same service potential as the existing property (MEA).<br><br>The Trust's accounting policy requires revaluations are performed with sufficient regularity to ensure that carrying values are not materially different from those that would be determined at the end of the reporting period. This is achieved through a periodic desk top valuation (usually every three years) and a full valuation (usually in five yearly intervals), supported by an annual impairment review.<br><br>When considering the cost to build a replacement asset the Trust may consider whether the asset would be built to the same specification or in the same location. Assumptions about changes to the asset must be realistic.<br><br>For 2019/20 the Trust undertook its own internal valuation exercise, informed by an external expert engaged by the Trust and using publicly available construction indices. This was supplemented by an impairment review.<br><br>Valuations are inherently judgmental. There is a risk that the methodology, assumptions and underlying data, are not appropriate or correctly applied. Accurate records of the current estate are also required.<br><br>The Trust last had a full valuation at 1 April 2016. Following discussions with the valuation expert, the Trust established that the relevant cost indices had been largely static during 2019/20, once the additional obsolescence that would have accrue was factored in. On this basis no revaluation adjustment was made. | Our procedures included:<br><br>— **Assessing valuer's credentials**: We assessed the competence, capability, objectivity and independence of the Trust's external valuer and considered the information provided to the Trust in 2019/20 for consistency with the requirements of the DHSC Group Accounting Manual;<br><br>— **Test of detail:** We critically assessed the Trust's formal consideration of indications of impairment and surplus assets within its estate, including the process undertaken.<br><br>— **Test of detail:** We tested the accuracy of the estate base data used to assess indices movements to ensure it accurately reflected the Trust's estate.<br><br>— **Methodology choice:** We critically assessed the assumptions used in assessing the need for indices movements for the Trust's land and buildings to ensure they were appropriate.<br><br>— **Accounting analysis:** We undertook work to understand the basis for making no indices adjustment to the valuation of land and buildings and determined whether figures disclosed had complied with the requirements of the DHSC Group Accounting Manual 2019/20.<br><br>— **Assessing transparency:** We considered the appropriateness of the disclosures included in the financial statements by the Trust to reflect the Covid-19-related uncertainty risk communicated by the Royal Institute for Chartered Surveyors (RICS) and the Trust's own valuation experts. In doing so we consulted our own internal valuation experts and took account of NHS Improvement guidance |

## 2. Key audit matters: our assessment of risks of material misstatement

| | The risk | Our response |
|---|---|---|
| **Valuation of land and buildings (cont.)**<br><br>Land and buildings (£69.7 million; 2018/19: £69.3 million)<br><br>*Refer to note 1.6, 1.20 (accounting policy) and note 8 (financial disclosures – Annual Accounts).* | **Accounting Treatment**<br><br>There is a risk that valuation adjustments are not applied to the financial statement balances appropriately to recognise valuation gains and impairment losses in line with the requirements of the Department of Health and Social Care Group Accounting Manual 2019/20.<br><br>The effect of these matters is that, as part of our risk assessment, we determined that the valuation of land and buildings has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.<br><br>Following the outbreak of Covid-19, supplementary guidance was issued by RICS (mirrored by direct communications from the Trust's valuation expert) which highlighted uncertainty around asset values. This uncertainty has been reflected (as directed by NHS Improvement) in the Trust's accounts. | |

| | The risk | Our response |
|---|---|---|
| **Recognition of income from patient care activities**<br><br>Income from activities (£246.1 million; 2018/19: £217.0 million)<br><br>*Refer to note 1.3 (accounting policy) and note 2.2 and 2.4 (financial disclosures – Annual Accounts)* | **Subjective estimate**<br><br>The main source of income for the Trust is the provision of healthcare services to the public under contracts with NHS commissioners.<br><br>The Trust participates in the national Agreement of Balances (AoB) exercise for the purpose of ensuring that intra-NHS balances are eliminated on the consolidation of the Department of Health's resource accounts. The AoB exercise identifies mismatches between income and expenditure and receivable and payable balances recognised by the Trust and its commissioners, which will be resolved after the date of approval of these financial statements.<br><br>Mis-matches can occur for a number of reasons, but the most significant arise were:<br><br>— the Trust and Commissioners record different accruals for completed periods of healthcare which have not yet been invoiced; or<br>— income relating to partially completed period of healthcare is apportioned across the financial years and the Commissioners and the Trust make different apportionment assumptions.<br><br>Where there is a lack of agreement, mis-matches can also be classified as formal disputes as set out in the relevant contract.<br><br>In 2019/20 the Trust secured £8.3 million of income from the Provider Sustainability Fund (PSF) for achieving agreed financial and performance targets.<br><br>We do not consider income from patient care activities to be at high risk of significant misstatement, or to be subject to a significant judgement. However, due to its materiality in the context of the financial statements as a whole, income from patient care activities is considered to be one of the areas that had the greatest effect on our overall audit strategy and the allocation of resources in planning and completing our audit work | Our procedures included:<br><br>— **Test of detail:** We compared the actual income for the Trust's most significant commissioners against the block contracts agreed at the start of the year and checked the validity of any significant variations between the actual income and the contract via agreement to appropriate third party confirmations;<br><br>— **Test of detail:** We inspected confirmations of balances provided by the Department of Health as part of the AoB exercise and compared the relevant income recorded in the Trust's financial statements to the expenditure balances recorded within the accounts of Commissioners. Where applicable we investigated variances and reviewed relevant correspondence to assess the reasonableness of the Trust's approach to recognising income from Commissioners;<br><br>— **Test of detail:** We assessed the Trust's calculation of performance against the financial and operational targets used in determining receipt of PSF to determine the amount the Trust qualified to receive. We agreed the amounts recorded in the accounts to our calculation<br><br>— **Test of detail:** We considered the impact of any identified audit adjustments on the delivery of the Trust's control total and reconciled the year-end performance to the original plan to understand any deviations. |

## 2. Key audit matters: our assessment of risks of material misstatement

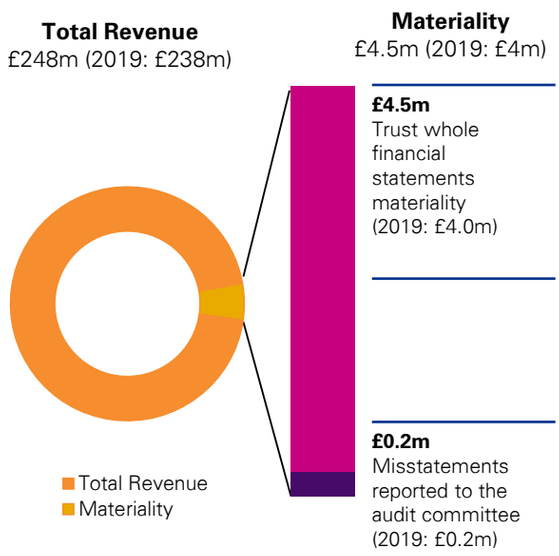
| | The risk | Our response |
|---|---|---|
| **Accrued expenditure recognition**<br><br>Trade and other payables (£24.0 million; 2018/19: £20.2 million)<br><br>Other liabilities deferred income (£4.08 million; 2018/19: £2.49 million)<br><br>Provisions (£2.3 million; 2018/19: £1.8 million)<br><br>*Refer to note 1.5, 1.9, 1.11 (accounting policy) and note 12 and 14 (financial disclosures – Annual Accounts)* | **Effects of irregularities**<br><br>As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may be greater than the risk of fraud related to revenue recognition. There is a risk that the Trust may manipulate expenditure to meet externally set targets and we had regard to this when planning and performing our audit procedures.<br><br>This risk does not apply to all expenditure in the period. The incentives for fraudulent expenditure recognition relate to achieving financial targets and the key risks relate to the manipulation of creditors and accrued non-pay expenditure at year-end, as well as the completeness of the recognition of provisions or the inappropriate release of existing provisions. | Our procedures included:<br><br>– **Test of detail:** We inspected all material items of expenditure in the March and April 2020 cashbooks and evaluated whether these had been accounted for correctly by reference to when the service had been delivered;<br><br>– **Test of detail:** We inspected all material items of expenditure in the April 2020 bank statements to identify if there were any unrecorded liabilities that should have been accounted for in the 2019/20 financial statements;<br><br>– **Test of detail:** We agreed a sample of individual accruals to supporting documentation to confirm the method of calculation and to confirm inclusion in the correct period;<br><br>– **Test of detail:** We considered the completeness of provisions based on our cumulative knowledge of the Trust, inquiries with Directors, and inspection of legal correspondence. We considered whether there were events that would require a contingent liability disclosure in the accounts. We also considered the appropriateness of releases of provisions made in year by critically assessing the justification for the release against the relevant accounting standards;<br><br>– **Test of detail:** We agreed a sample of journals posted before and after the year end to supporting documentation to confirm inclusion in the correct period and to critically assess whether any manual adjustments to expenditure were appropriate;<br><br>– **Test of detail:** We agreed a sample of creditor balances to supporting documentation and post year-end cash payments to agree the correct treatment as a payable at year-end; and<br><br>— **Test of detail:** We inspected confirmations of balances provided by the Department of Health as part of the AoB exercise and compared the relevant payables recorded in the Trust's financial statements to the receivables balances recorded within the accounts of other providers and other bodies within the AoB boundary. Where applicable we investigated variances and reviewed relevant correspondence to assess the reasonableness of the Trust's approach to recognising expenditure to other providers and other bodies within the AoB boundary. |

## 3. Our application of materiality

Materiality for the Trust financial statements as a whole was set at £4.5 million (2019: £4 million), determined with reference to a benchmark of total revenue (of which it represents approximately 1.8%) {2019: 1.75%). We consider total revenue to be more stable than a surplus- or deficit-related benchmark.

We agreed to report to the Audit Committee any corrected and uncorrected identified misstatements exceeding £0.2 million (2019:£0.2 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Trust was undertaken to the materiality level specified above and was all performed at the Trust's headquarters in Chester or remotely.




## 4. We have nothing to report on going concern

The Accounting Officer has prepared the financial statements on the going concern basis as they have not been informed by the relevant national body of the intention to dissolve the Trust without the transfer of its services to another public sector entity. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Accounting Officer's conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Trust will continue in operation.

In our evaluation of the Accounting Officer's conclusions, we considered the inherent risks to the Trust's business model and analysed how those risks might affect the Trust's financial resources or ability to continue operations over the going concern period.

The risk that we considered most likely to adversely affect the Trust's available financial resources over this period was the availability and extent of temporary revenue and capital support from DHSC to enable it to meet liabilities. This was in the context of changes to the cash and capital regime published by DHSC in April 2020 alongside revised arrangements for NHS contracting and payment applicable for at least part of the 2020/21 year and published in March and May 2020.

As this was the risk that could potentially cast significant doubt on the Trust's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Trust's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these changes individually and collectively and evaluated the achievability of the actions the Accounting Officer consider they would take to improve the position should the risk materialise. We also considered less predictable but realistic second order impacts, such as the impact of Brexit.

Based on this work, we are required to report to you if we have anything material to add or draw attention to in relation to the Accounting Officers statement at page 71 of the annual report and in Note 1.1a to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Trust's use of that basis for a period of at least twelve months from the date of approval of the financial statements.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

## 5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

In our opinion the other information included in the Annual Report for the financial year is consistent with the financial statements

### Remuneration report

In our opinion the part of the remuneration report to be audited has been properly prepared in accordance with the NHS Foundation Trust Annual Reporting Manual 2019-20.

### Corporate governance disclosures

We are required to report to you if:

— we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for stakeholders to assess the Trust's position and performance, business model and strategy; or

— the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or

— the Annual Governance Statement does not reflect the disclosure requirements set out in the NHS Foundation Trust Annual Reporting Manual 2019-20, is misleading or is not consistent with our knowledge of the Trust and other information of which we are aware from our audit of the financial statements.

We have nothing to report in these respects.

## 6. Respective responsibilities

### Accounting Officer's responsibilities

As explained more fully in the statement set out on page 71, the Accounting Officer is responsible for the preparation of financial statements that give a true and fair view. They are also responsible for: such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Trust without the transfer of its services to another public sector entity

### Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

# REPORT ON OTHER LEGAL AND REGULATORY MATTERS

### We have nothing to report on the statutory reporting matters

We are required by Schedule 2 to the Code of Audit Practice issued by the Comptroller and Auditor General ('the Code of Audit Practice') to report to you if:

— any reports to the regulator have been made under Schedule 10(6) of the National Health Service Act 2006.

— any matters have been reported in the public interest under Schedule 10(3) of the National Health Service Act 2006 in the course of, or at the end of the audit.

We have nothing to report in these respects.

KPMG

### Our conclusion in respect of our work on the Trust's arrangements for securing economy, efficiency and effectiveness in the use of resources is qualified

Under the Code of Audit Practice we are required to report to you if the Trust has not made proper arrangement for securing economy, efficiency and effectiveness in the use of resources.

### Qualified conclusion

Subject to the matters outlined in the basis for qualified conclusion paragraph below we are satisfied that in all significant respects Countess of Chester Hospital NHS Foundation Trust put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources for the year ended 31 March 2019.

### Basis for qualified conclusion

The Trust's outturn position for 2019/20 was a pre-impairment surplus of £0.3 million. During the year, the Trust received £8.3 million of recovery funding from the Department of Health and Social Care (DHSC) which allowed it to achieve this breakeven position.

The Trust's financial plans for 2020/21 were approved in draft by the Board in early March 2020 before being paused as part of the response to the Covid-19 pandemic. These plans showed a forecast deficit position of £11.8 million. This included cost savings of £7.8 million – a similar level to the level of savings achieved in 2019/20, largely through non-recurrent means.

In approving these plans the Board rejected its proposed control total of a £4.65 million deficit, potentially impacting on its ability to access further recovery funding. This was on the basis that the cost savings required to achieve that position were considered unachievable.

The plans also included an assumption of DHSC revenue support of £4.9 million in the financial year to assist with cashflow. The Trust ended the year owing £45 million to DHSC. Of this balance £24.5 million will be extinguished in 2020/21 and converted to Public Dividend Capital (PDC). The balance remains due and will require principal repayments of £4 million during 2020/21.

Temporary funding arrangements introduced by DHSC in response to Covid-19 are currently in place and supporting the short-term breakeven position of the Trust. However, its long-term plans are not yet sufficiently progressed to achieve a break-even position in the foreseeable future.

These issues are evidence of weaknesses in proper arrangements for planning finances effectively to support the sustainable delivery of the Trust's strategic priorities.

### Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

The Trust is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources

Under Section 62(1) and Schedule 10 paragraph 1(d), of the National Health Service Act 2006 we have a duty to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in the 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 the use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the specified criterion issued by the Comptroller and Auditor General (C&AG) in April 2020, as to whether the Trust had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We planned our work in accordance with the Code of Audit Practice and related guidance. Based on our risk assessment, we undertook such work as we considered necessary.

## Report on our review of the adequacy of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required by guidance issued by the C&AG under Paragraph 9 of Schedule 6 to the Local Audit and Accountability Act 2014 to report on how our work addressed any identified significant risks to our conclusion on the adequacy of the Trust's arrangements for securing economy, efficiency and effectiveness in the use of resources. The 'risk' in this case is the risk that we could come to an incorrect conclusion in respect of the Trust's arrangements, rather than the risk of the arrangements themselves being inadequate.

We carry out a risk assessment to determine the nature and extent of further work that may be required. Our risk assessment includes consideration of the significance of business and operational risks facing the Trust, insofar as they relate to 'proper arrangements'. This includes sector and organisation level risks and draws on relevant cost and performance information as appropriate, as well as the results of reviews by inspectorates, review agencies and other relevant bodies.

The significant risks identified during our risk assessment are set out overleaf together with the findings from the work we carried out on each area.

| Significant Risk | Description | Work carried out and judgements |
|---|---|---|
| **Overall financial performance** | Due to a combination of regulatory scrutiny and significant financial challenge in the sector and locally across the health economy, we identified a significant risk around the Trust's overall financial performance, including its achievement of targets.<br><br>We undertook a detailed review of the Trust's arrangements for planning its finances effectively to support the sustainable delivery of strategic priorities and the maintenance of its statutory functions. | Our work included:<br><br>— Reviewing the number of material contracts with commissioners which had been agreed for 2019/20 and the supporting risk analysis as reported to the Board;<br><br>— Performing an analysis of the Trust's forecast position against plan for 2019/20;<br><br>— Considering the extent to which recurrent cost improvement schemes were achieved in 2019/20 and identified for 2020/21; and<br><br>— Considering the core assumptions in the Trust's 2020/21 draft Annual Plan submission, noting the operational planning round was deferred due to Covid-19.<br><br>**Our findings on this risk area:**<br>Trust forecasts for 2019/20 showed a planned breakeven position and this was achieved through attainment of the agreed deficit control total and planned drawdown of £8.3 million support and recovery funding as agreed with NHSI.<br><br>Contracts with the Trust's main English commissioner, West Cheshire CCG, were agreed early in the financial year for 2019/20, and latterly with its second largest commissioner, Betsi Cadwaladr University Health Board. These were on improved terms to the prior year, particularly the Welsh contract.<br><br>The Trust's financial plans for 2020/21 were approved in draft by the Board in early March 2020 before being paused as part of the response to the Covid-19 pandemic. These plans showed a forecast deficit position of £11.8 million, including cost savings of £7.8 million – a similar level to the level of savings achieved in 2019/20, largely through non-recurrent means. Planning for these cost savings was at an early stage in early March and Covid-19 will impact on the achievement of most during 2020/21.<br><br>In approving its plans the Board rejected a proposed financial trajectory target of a £4.65 million deficit, potentially impacting on its ability to access further recovery funding. This was on the basis that the additional cost savings required to achieve that position were considered unachievable.<br><br>Temporary funding arrangements introduced by DHSC in response to Covid-19 are currently in place and supporting the short-term breakeven position of the Trust. However, its long-term plans are not yet sufficiently progressed to achieve a break-even position in the foreseeable future.<br><br>These issues are evidence of weaknesses in proper arrangements for planning finances effectively to support the sustainable delivery of the Trust's strategic priorities. |

| Significant Risk | Description | Work carried out and judgements |
|---|---|---|
| **Borrowing and cash levels** | As at March 2018 the Trust had £36.6 million of loans from the Department of Health, including £6.7 million of interim revenue funding drawn down in 17/18.<br><br>The Trust had drawn down an additional £6.7 million of interim revenue funding in 18/19, £1.58 million of interim revenue funding in April 2019, with a further £1.87 million drawn down in May 2019.<br><br>The Trust was also in the process of applying for a capital loan of £6.8 million though this had yet to be approved.<br><br>Cash balances are monitored on a daily basis to inform the Trust's quarterly cash-flow forecasts.<br><br>The current level of borrowing increases pressure on financial performance with increased debt servicing costs. | Our work included:<br>– Reviewing the Trust's cash flow forecasts and the use of distress funding;<br>– Reviewing correspondence with NHS Improvement around the Trust's current financial health, financial risk ratings and requirements for further distress funding;<br>– Confirming the terms of the loans to consider the timing of future repayments and the availability of funding;<br>– Considering the overall level of debt within the Trust and impact on cash flow forecasts for debt servicing costs; and<br>– Reviewing long-term forecasts to assess the cash and loan position in the Trust to support the going concern assessment.<br><br>**Our findings on this risk area:**<br><br>We are satisfied that the Trust has appropriate arrangements in place to:<br>- Manage working capital, including forecasting cash flow requirements on a quarterly basis;<br>- Monitor cash flow against forecasts to identify any unexpected variances;<br>- Forecast and communicate the level of required cash flow, such that DHSC cash can be accessed in a way that enables the Trust to continue to meet its obligations as they fall due; and<br>- Produce accurate and complete monthly finance reports for Trust Board and Finance Committee.<br><br>The Trust ended the year owing £45 million to DHSC. Of this balance £24.5 million will be extinguished during 2020/21 and converted to Public Dividend Capital (PDC), in line with national guidelines.<br><br>Changes to the cashflow funding approach for the NHS in 2020/21 will mean that future revenue and capital support will also be provided in the form of PDC. Financial plans for 2020/21 included an assumption of DHSC revenue support of £4.9 million in the financial year to assist with cashflow.<br><br>Capital loan balances totalling £20.5 million will remain due following the PDC conversion process and will require principal repayments of £4 million during 2020/21. This is built into cashflow forecasts and current projections suggest the Trust has adequate resources to meet these payments. However, these payments will also require the Trust to seek additional capital support funding for any capital needs in 2020/21.<br><br>While some uncertainty remains around the likelihood of receipt of capital and revenue support funding for the Trust, the elimination of over half the loan balance in 2020/21, and therefore the removal of the risk of payment of principal for these loans falling due, reduces the significance of this value for money risk. On this basis it is not a driver of our qualified conclusion for 2019/20. |

## THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Council of Governors of the Trust, as a body, in accordance with Schedule 10 of the National Health Service Act 2006 and the terms of our engagement by the Trust. Our audit work has been undertaken so that we might state to the Council of Governors of the Trust, as a body, those matters we are required to state to them in an auditor's report, and the further matters we are required to state to them in accordance with the terms agreed with the Trust, 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.

## CERTIFICATE OF COMPLETION OF THE AUDIT

We certify that we have completed the audit of the accounts of Countess of Chester Hospital NHS Foundation Trust for the year ended 31 March 2020 in accordance with the requirements of Schedule 10 of the National Health Service Act 2006 and the Code of Audit Practice issued by the National Audit Office.

**Robert Jones**
**for and on behalf of KPMG LLP**

*Chartered Accountants*
1 St Peters Square
Manchester
M2 3AE

19 June 2020

KPMG

## FOREWORD TO THE ACCOUNTS

### Countess of Chester Hospital NHS Foundation Trust

These accounts for the year ended 31 March 2020 have been prepared by the Countess of Chester Hospital NHS Foundation Trust in accordance with paragraphs 24 and 25 of Schedule 7 of the National Health Service Act 2006.

5 June 2020 Susan Gilby - Chief Executive Officer

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 March 2020

| | NOTE | 2019/20 Total £000 | 2018/19 Total £000 |
|---|---|---|---|
| **Operating Income from Patient Care Activities** | 2 | **246,140** | 216,966 |
| **Other Operating Income** | 2.4 | **25,760** | 21,280 |
| **Operating Expenses of Continuing Operations** | 3 | **(269,887)** | (249,846) |
| **Operating Surplus/(Deficit)** | | **2,013** | (11,600) |
| **Net Finance Costs:** | | | |
| Finance Income | 7.1 | **120** | 102 |
| Finance Expense - Financial Liabilities | 7.2 | **(754)** | (678) |
| **PDC Dividends payable** | 1.14 | **(914)** | (1,018) |
| **Net Finance Costs** | | **(1,548)** | (1,594) |
| **(Losses)/Gains of disposal of assets** | | **(177)** | 33 |
| **SURPLUS/(DEFICIT) FOR THE YEAR** | | **288** | (13,161) |
| **Other comprehensive income:** | | | |
| Impairment losses on property, plant and equipment | 1.6 | **-** | (586) |
| **TOTAL COMPREHENSIVE INCOME AND EXPENSE FOR THE YEAR** | | **288** | (13,747) |

The notes on pages 16 to 51 form part of these financial statements

## STATEMENT OF FINANCIAL POSITION AS AT 31 March 2020

| | NOTE | 31 March 2020 £000 | 31 March 2019 £000 |
|---|---|---|---|
| **NON-CURRENT ASSETS:** | | | |
| Property plant and equipment | 8 | **100,492** | 95,232 |
| Receivables | 11 | **696** | - |
| **Total Non-Current Assets** | | **101,188** | 95,232 |
| **CURRENT ASSETS:** | | | |
| Inventories | 10 | **1,813** | 1,687 |
| Trade and other receivables | 11 | **15,301** | 11,209 |
| Other investments | 15.1 | **2,076** | 2,591 |
| Cash and cash equivalents | 15.2 | **12,173** | 7,434 |
| **Total Current Assets** | | **31,363** | 22,921 |
| **CURRENT LIABILITIES:** | | | |
| Trade and other payables | 12 | **(24,035)** | (20,212) |
| Borrowings | 13 | **(28,665)** | (4,788) |
| Provisions | 14 | **(840)** | (530) |
| Tax payables | | **(3,540)** | (3,458) |
| Other liabilities | 12.1 | **(4,147)** | (2,552) |
| **Total Current Liabilities** | | **(61,227)** | (31,540) |
| **Total Assets less Current Liabilities** | | **71,324** | 86,613 |
| **NON-CURRENT LIABILITIES:** | | | |
| Borrowings | 13 | **(18,408)** | (36,001) |
| Provisions | 14 | **(1,465)** | (1,272) |
| Other liabilities | 12.1 | **(1,526)** | (1,592) |
| **Total Non-Current Liabilities** | | **(21,399)** | (38,865) |
| **Total Assets Employed** | | **49,925** | 47,748 |
| **FINANCED BY:** | | | |
| Public dividend capital | | **68,501** | 66,612 |
| Revaluation reserve | | **5,039** | 5,039 |
| Income and expenditure reserve | | **(23,615)** | (23,903) |
| **TOTAL TAXPAYERS' EQUITY** | | **49,925** | 47,748 |

The notes on pages 16 to 51 form part of these financial statements

Signed

Susan Gilby - Chief Executive Officer
5 June 2020

## STATEMENT OF CHANGES IN TAXPAYERS' EQUITY 31 MARCH 2020

| | Total | Public Dividend Capital | Revaluation Reserve | Income and Expenditure Reserve |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Taxpayers' Equity at 1 April 2019** | 47,748 | 66,612 | 5,039 | (23,903) |
| **Changes in Taxpayers' Equity for 2019/20** | | | | |
| Public Dividend Capital received | 1,889 | 1,889 | - | - |
| Public Dividend Capital repaid | - | - | - | - |
| (Deficit)/Surplus for the year | 288 | - | - | 288 |
| Revaluation gains/(losses) and impairment losses property, plant and equipment | - | - | - | |
| **Taxpayers Equity at 31 March 2020** | **49,925** | **68,501** | **5,039** | **(23,615)** |

| | Total | Public Dividend Capital | Revaluation Reserve | Income and Expenditure Reserve |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Taxpayers' Equity at 1 April 2018** | 58,483 | 63,600 | 5,625 | (10,742) |
| **Changes in Taxpayers' Equity for 2018/19** | | | | |
| Public Dividend Capital received | 3,012 | 3,012 | - | - |
| Public Dividend Capital repaid | | - | - | - |
| (Deficit)/Surplus for the year | (13,161) | - | - | (13,161) |
| Revaluation gains/(losses) and impairment losses property, plant and equipment | (586) | - | (586) | - |
| **Taxpayers Equity at 31 March 2019** | **47,748** | **66,612** | **5,039** | **(23,903)** |

The notes on pages 16 to 51 form part of these financial statements

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 March 2020

| | **2019/20** | 2018/19 |
|---|---|---|
| | **£000** | £000 |
| **Cash flows from operating activities:** | | |
| Operating surplus/(deficit) from continuing operations | **2,013** | (11,600) |
| **Operating surplus/(deficit)** | **2,013** | (11,600) |
| **Non-cash income and expense:** | | |
| Depreciation and amortisation | **5,193** | 4,293 |
| Income recognised in respect of capital donations | **(121)** | (223) |
| Impairments | **-** | 5,056 |
| Reversals of impairments | **-** | - |
| Amortisation of PPP credit | **(66)** | (65) |
| (Increase)/Decrease in Trade and Other Receivables | **(4,453)** | 3,081 |
| Increase in Inventories | **(126)** | (250) |
| Increase in Trade and Other Payables | **1,231** | 958 |
| Increase in Other Liabilities | **1,595** | 748 |
| Increase/(Decrease) in Provisions | **503** | (780) |
| **Net cash generated from operations** | **5,769** | 1,218 |
| **Cash flows from investing activities:** | | |
| Interest Received | **120** | 102 |
| Proceeds from sales of investments | **516** | - |
| Purchase of Property, Plant and Equipment | **(7,957)** | (6,824) |
| Sales of property, plant and equipment | **-** | 96 |
| Receipt of cash donations to purchase capital assets | **121** | 223 |
| **Net cash used in investing activities** | **(7,199)** | (6,403) |
| **Cash flows from financing activities:** | | |
| Public dividend capital received | **1,889** | 3,012 |
| Movement in loans from the Department of Health and Social Care | **6,315** | 2,036 |
| Capital element of Public Private Partnership obligations | **(41)** | (37) |
| Interest paid | **(561)** | (495) |
| Interest element of Public Private Partnership obligations | **(183)** | (179) |
| PDC Dividend paid | **(1,249)** | (830) |
| **Net cash generated from financing activities** | **6,170** | 3,507 |
| **Increase/(Decrease) in cash and cash equivalents** | **4,739** | (1,678) |
| **Cash and Cash equivalents at 1 April** | **7,434** | 9,112 |
| **Cash and Cash equivalents at 31 March** | **12,173** | 7,434 |

The notes on pages 16 to 51 form part of these financial statements

## NOTES TO THE ACCOUNTS

### 1 ACCOUNTING POLICIES

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

#### 1.1a Going Concern

These accounts have been prepared on a going concern basis. International Accounting Standard (IAS) 1 requires management to assess, as part of the accounts preparation process, the NHS Foundation Trust's ability to continue as a going concern. In accordance with the Department of Health and Social Care (DHSC) Group Accounting Manual the financial statements have been prepared on a going concern basis as we do not either intend to apply to the Secretary of State for the dissolution of the NHS Foundation Trust without the transfer of the services to another entity, or consider that this course of action will be necessary for at least 12 months from the date of the accounts approval.
The Trust's performance in-year showed a pre-impairment surplus of £0.3m which is in line with plan. At the year end, the Trust has interim revenue loans outstanding of £16.9m and interim capital loans of £7.6m. On 2 April 2020, the Department of Health and Social Care (DHSC) and NHS England and NHS Improvement announced reforms to the NHS cash regime for the 2020/21 financial year. During 2020/21 existing DHSC interim revenue and capital loans as at 31 March 2020 will be extinguished and replaced with the issue of Public Dividend Capital (PDC) to allow the repayment. The affected loans totalling £24,468,000 interim loan principal and £44,000 interest accrual are classified as current liabilities within these financial statements. As the repayment of these loans will be funded through the issue of PDC, this does not present a going concern risk for the Trust.

In 2020/21, in response to the Covid-19 pandemic, all detailed financial planning was suspended. In addition, the requirement for Trusts to agree contracts with its commissioners was removed. Instead, Trusts are receiving regular monthly 'block' payments together with top-up payments designed to ensure that there are sufficient funds available to adequately deal with the crisis. Currently the Trust is unclear what form of contracting and payment mechanism will replace this approach, which is currently confirmed only until the end of July 2020.

The Trust finished the year with £12.2m cash balance to support the £7.4m of outstanding capital creditors and the ongoing revenue position. As part of the new cash regime, Trusts have received two months payments in April. At the end of April the Trust had a cash balance of £30m. If the monthly revenue costs / loss of non-NHS income exceed the block and top-up payments then the Trust can apply for additional funding. DHSC has confirmed that temporary revenue support arrangements will continue, in order to support providers with demonstrable cash needs. At the point when contracting was abandoned for 2020-21 the Trust was budgeting for additional revenue support of £4.9m. It is unlikely that this level of support will now be required, although it is not clear what alternative assumption should be considered most likely.

The Trust still has £20.5m of 'normal course of business' capital loans outstanding at 31 March 2020, which will require principle repayments of £4.0m in 2020/21. This means that, as in previous years, the majority of the Trust capital program will need additional external funding. Details of the capital financing regime have yet to be issued in detail, but the Trust understands that access to urgent and necessary capital funding will be via Public Dividend Capital applications.

Providers have been told by DHSC to continue to expect NHS funding to flow at similar levels to that previously provided where services are reasonably still expected to be commissioned. While mechanisms for contracting and payment are not definitively in place, it is clear that NHS services will continue to be funded, and government funding is in place for this. As with any Trust placing reliance on the DHSC for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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

### 1.2 Consolidation

These accounts are for The Countess of Chester Hospital NHS Foundation Trust alone.

The NHS Foundation Trust is the Corporate Trusteee to The Countess of Chester Hospital NHS Charitable Fund. The Foundation Trust has assessed its relationship to the charitable fund and determined it to be a subsidiary because the Foundation Trust is exposed to, or has rights to, variable returns and other benefits for itself, patients and staff from its involvement with the Charitable Funds and has the ability to affect those returns and other benefits through its power over the fund. However the transactions are immaterial in the context of the group and the transactions have not been consolidated. Details of the transactions with the charity are included in the related parties note.

### 1.3 Revenue from contracts with customers

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

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

**Revenue from NHS contracts**

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

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

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

In the event that the Trust does not receive income where a patient is readmitted within 30 days of discharge from a previous planned stay. This is considered an additional performance obligation to be satisfied under the original transaction price. An estimate of readmissions is made at the year end this portion of revenue is deferred as a contract liability.

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

**Revenue from the Provider Sustainability Fund and Other Central Funding**

The funding regime for 2019/20 included distributions from a Provider Sustainability Fund, intended to incentivise performance. Distributions were made once a Trust had achieved certain targets, predominantly the achievement of financial 'Control Totals'. Income is recognised when the award is achieved during the year.

Other central funding is recognised on the basis of the particular award, following notification from the relevant body.

**NHS injury cost recovery scheme**

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

**Revenue grants and other contributions to expenditure**

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

The value of the benefit received when accessing funds from the the Government's apprenticeship service is recognised as income at the point of receipt of the training service. Where these funds are paid directly to an accredited training provider, the corresponding notional expense is also recognised at the point of recognition for the benefit.

**Other income**

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

**1.4 Expenditure on Employee Benefits**

**Short-Term Employee Benefits**

Salaries, wages and employment-related payments such as social security costs and the apprenticeship levy are recognised in the period in which the service is received from employees.

**Termination Benefits**

Termination benefits are recognised as an expense when the Trust is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement age, or to provide termination benefits as result of an offer made to encourage voluntary resignations in accordance with IAS 37. Termination benefits for voluntary resignations are recognised as an expense if the Trust has made an offer of voluntary resignation, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If the benefits are payable more than twelve months after the reporting period, then they are discounted to their present value.

**Pension costs**

Past and present employees are covered by the provisions of the two NHS Pensions Scheme. Both schemes are unfunded, defined benefit schemes 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 in a way that would enable employers to identify their share of the underlying scheme assets and liabilities. Therefore, the schemes are accounted for as though they are defined contribution schemes.

Employers pension costs contributions are charged to operating expenses as and when they become due.

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

**1.5 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.

**1.6 Property, Plant and Equipment**

**1.6.1 Recognition**

Property, plant and equipment is capitalised where;

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

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

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

**1.6.2 Measurement - Valuation**

All property, plant and equipment assets are measured initially at cost, representing the costs directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. Thereafter they are stated at cost less accumulated depreciation and any recognised impairment loss. All assets are measured subsequently at fair value.

Subsequent to their initial recognition, property, plant and equipment are carried at revalued amounts. Valuations are carried out by Cushman & Wakefield, professionally qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) Valuation Standards. These valuations 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. In practice this is usually achieved by a full valuation exercise at least every five years, and an interim valuation in the intervening years if required.

Fair values are determined as follows:
Land and non specialised operational property - market value for existing use

The depreciated replacement cost of specialised buildings has been valued on a modern equivalent asset basis and, where it would meet the location requirements of the service being provided, an alternative site has been used. For the current year, an interim valuation was carried out, based on market indices provided by Cushman & Wakefield. The last full asset valuation was undertaken as at 1 April 2016.

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

An item of property, plant and equipment 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 of IFRS 5.

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

In applying these policies, the Trust is aware that the Royal Institute of Chartered Surveyors (RICS) has issued a valuation practice notice which gives guidance to valuers where a valuer declares a material uncertainty attached to a valuation in light of the impact of COVID-19 on markets. As explained above, the Trust has not obtained a valuation report for 2019/20 but it should be noted that there may now be greater uncertainty in markets on which the valuation obtained in April 2016 and reflected in these financial statements is based. Given the judgements explained above in preparing these 2019/20 financial statements, the Trust has not deviated from its existing accounting policy by obtaining an additional valuation to which a materiality uncertainty might be attached.

**Subsequent expenditure**

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

**Depreciation**

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

Property, plant and equipment which has been reclassified as 'Held for Sale' ceases to be depreciated upon the reclassification. Assets in the course of construction are not depreciated until the asset is brought into use.

**Useful economic lives of property, plant and equipment**

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

Plant and Equipment are depreciated evenly over the estimated life of the asset, as follows:

| | |
|---|---|
| Buildings, excluding dwellings | 5 to 79 years |
| Dwellings | 60 years |
| Plant and Equipment | 5 to 15 years |
| Transport Equipment | 5 to 7 years |
| Information Technology | 5 to 10 years |
| Furniture & Fittings | 5 to 10 years |

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

**Disposals**

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Statement of Comprehensive Income.

**Revaluation Gains and Losses**

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

**Impairments**

In accordance with the GAM, impairments that arise from a clear consumption of economic benefit 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 that arises from a clear consumption 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 expenditure to the extent that the asset is restored to the carrying amount it would have had if the impairment had never been recognised in the revaluation reserve. 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.

### 1.6.3 De-recognition

Assets intended for disposal are reclassified as 'Held for Sale' once all of the following criteria are met:

- the asset is available for immediate sale in its present condition subject only to terms which are usual and customary for such sales;
- the sale must be highly probable i.e.;
  - management are committed to a plan to sell the asset;
  - an active programme has begun to find a buyer and complete the sale;
  - the asset is being actively marketed at a reasonable price;
  - the sale is expected to be completed within 12 months of the date of classification as 'Held for Sale'; and
  - the actions needed to complete the plan indicate it is unlikely that the plan will be dropped or significant changes made to it.

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

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

### 1.6.4 Donated, Government Grant and Other Grant Funded Assets

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

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

### 1.6.5 Public Private Partnership (PPP) Transactions

PPP transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's FReM are accounted for as 'on-Statement of Financial Position' by the Trust. In accordance with IAS 17 the underlying assets are recognised as property, plant and equipment at their fair value together with an equivalent finance lease liability. Subsequently, the assets are accounted for as property, plant and equipment.

Where a significant part of the operators income derives from charges to users rather than payments from the Trust a deferred income credit is established and released to the Statement of Comprehensive Income over the life of the agreement.

The annual contract payments are apportioned between the repayment of the liability, a finance cost and the charges for services. The finance cost is calculated using the implicit interest rate for the scheme.

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

### 1.7 Revenue grants and other contributions to expenditure

Government grants are grants from government bodies other than income from commissioners or trusts for the provision of services. Where a grant is used to fund revenue expenditure it is taken to the Statement of Comprehensive Income to match that expenditure.

The value of the benefit received when accessing funds from the the Government's apprenticeship service is recognised as income at the point of receipt of the training service. Where these funds are paid directly to an accredited training provider, the corresponding notional expense is also recognised at the point of recognition for the benefit.

### 1.8 Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of investories is measured using the weighted average method.

### 1.9 Financial Assets and Financial Liabilities

**Recognition**

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

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

**Derecognition**

All financial assets are de-recognised when the rights to receive cashflows from the assets have expired or the Trust has transferred substantially all of the risks and rewards of ownership.

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

**Classification and measurement**

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

Financial assets are classified as subsequently measured at amortised cost, fair value through income and expenditure or fair value through other comprehensive income as appropriate.

Financial liabilities are classified as subsequently measured at amortised cost, fair value through income and expenditure or fair value through other comprehensive income as appropriate.

**Financial assets and financial liabilities at amortised cost**

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

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

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

**Cash and Cash Equivalents**

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

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

**Impairment of Financial Assets**

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

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

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

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

**Derecognition**

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

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

**1.10 Leases**

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

### 1.10.1 The Trust as Lessee

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

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

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

**Operating leases**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term.

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

**Leases of land and buildings**

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

### 1.10.2 The Trust as Lessor

**Finance leases**

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

**Operating leases**

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

### 1.11 Provisions

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

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

**Clinical Negligence Costs**

NHS Resolution operates a risk pooling scheme under which the NHS Foundation Trust pays an annual contribution to NHS Resolution which in return settles all clinical negligence claims. Although the NHS Resolution is administratively responsible for all clinical negligence cases the legal liability remains with the NHS Foundation Trust. The total value of clinical negligence provisions carried by NHS Resolution on behalf of the Trust is disclosed at note 14.1, but is not recognised in the NHS Foundation Trust's accounts.

**1.12 Non-Clinical Risk Pooling**

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

**1.13 Contingencies**

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

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

Contingent liabilities are defined as:

- possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or

- present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

**1.14 Public Dividend Capital (PDC)**

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

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.

A charge, reflecting the cost of capital utilised by the NHS Foundation Trust, is payable as public dividend capital dividend. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the NHS Foundation Trust during the financial year. Relevant net assets are calculated as the value of all assets less the value of all liabilities, except for (i) donated assets (including lottery funded assets) (ii) average daily cash balances held with the Government Banking Service (GBS) and National Loans Fund (NLF) deposits, excluding cash balances held in GBS accounts that relate to a short-term working capital facility (iii) any PDC dividend balance receivable or payable. In accordance with the requirements laid down by the Department of Health and Social Care (as the issuer of PDC), the dividend for the year is calculated on the actual average relevant net assets as set out in the 'pre-audit' version of the annual accounts. The dividend thus calculated is not revised should any adjustment to net assets occur as a result of the audit of the annual accounts.

**1.15 Value Added Tax**

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

**1.16 Corporation Tax**

The Countess of Chester Hospital NHS Foundation Trust is a Health Service body within the meaning of s519AICTA 1988 and accordingly is exempt from taxation in respect of income and capital gains within categories covered by this. There is a power for the Treasury to disapply the exemption in relation to the specified activities of a Foundation Trust (s519A (3) to (8) ICTA 1988). Accordingly, the Trust is potentially within the scope of Corporation Tax but there is no tax liability arising in respect of the current financial year.

### 1.17 Foreign Exchange

The functional and presentational currencies of the Trust are sterling.

A transaction which is denominated in a foreign currency is translated into the functional currency at the spot exchange rate on the date of the transaction.

Where the Trust has assets or liabilities denominated in a foreign currency at the Statement of Financial Position date:

- monetary items (other than financial instruments measured at 'fair value through income and expenditure') are translated at the spot exchange rate on 31 March;
- non-monetary assets and liabilities measured at historical cost are translated using the spot exchange rate at the date of the transaction; and
- non-monetary assets and liabilities measured at fair value are translated using the spot exchange rate at the date the fair value was determined.

Exchange gains or losses on monetary items (arising on settlement of the transaction or on re-translation at the Statement of Financial Position date) are recognised in income or expense in the period in which they arise.

Exchange gains or losses on non-monetary assets and liabilities are recognised in the same manner as other gains and losses on these items.

### 1.18 Third Party Assets

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

### 1.19 Critical Judgements in Applying Accounting Policies

In the application of the Trust 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. The estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision accefts only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The main area which requires the exercise of judgement is the calulation of provisions in note 14.1.

### 1.20 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the Statement of financial Position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:
Asset valuation and impairments: the valuation of the Trust's Land and Buildings Excluding Dwellings is subject to significant estimation uncertainty, since it derives from estimates provided by the Trust's external valuers who base their estimates on local market data as well as other calculations to reflect the age and condition of the Trust's estate.

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

### 1.21 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 the 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 NHS Trust not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure).

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

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

***IFRS 16 Leases***

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

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

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

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

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

| | |
|---|---|
| IFRS 14 Regulatory Deferral Accounts | Not EU endorsed. Applies to first time adopters after 1 January 2016. Therefore not applicable to DHSC Group bodies. |
| IFRS 17 Insurance Contracts | Application required for accounting periods beginning on or after 1 January 2023, but not yet adopted by the FReM: early adoption is not therefore permitted. |

**1.2 Accounting standards, amendments and interpretations issued that have been adopted early**

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

## 2 Income

### 2.1 Segmental Reporting

All of the Countess of Chester Hospital NHS Foundation Trust's activities are in the provision of healthcare, which is an aggregate of all the individual speciality components included therein, and the very large majority of the healthcare services provided occur at the one geographical main site.

Similarly, the large majority of the Countess of Chester Hospital NHS Foundation Trust's revenue originates with the UK Government. The majority of expenses incurred are payroll expenditure on staff involved in the production or support of healthcare activities generally across the Trust together with the related supplies and overheads needed to establish this production. The business activities which earn revenue and incur expenses are of one broad combined nature and therefore on this basis one segment of 'Healthcare' is deemed appropriate.

The operating results of the Countess of Chester Hospital NHS Foundation Trust are regularly reviewed by the Trust's chief operating decision maker which is the overall Foundation Trust Board and which includes senior professional non-executive directors. The Trust Board review the financial position of the Countess of Chester Hospital NHS Foundation Trust as a whole in their decision making process, rather than individual components included in the totals, in terms of allocating resources. This process again implies a single operating segment under IFRS 8.

The finance report considered monthly by the Trust Board contains summary figures for the whole Trust together with graphical line and bar charts relating to different total income activity levels, and directorate expense budgets with their cost improvement positions.

Likewise only total balance sheet positions and cashflow forecasts are considered for the whole of the Countess of Chester Hospital NHS Foundation Trust. The Board as chief operating decision maker therefore only considers one segment of healthcare in its decision-making process.

The single segment of 'Healthcare' has therefore been identified consistent with the core principle of IFRS 8 which is to enable users of the financial statements to evaluate the nature and financial effects of business activities and economic environments

### 2.2 Total Income from activities

| | NOTE | **2019/20 £000** | 2018/19 £000 |
|---|---|---|---|
| Income from activities | 2.3 | **246,140** | 216,966 |
| Other operating income | 2.4 | **25,760** | 21,280 |
| **Operating Income from Continuing Operations** | | **271,900** | 238,246 |
| **Operating Income from Patient Care Activities** | | **2019/20 £000** | 2018/19 £000 |
| Elective income | | **34,851** | 35,665 |
| Non elective income | | **76,238** | 67,424 |
| First Outpatient income | | **11,829** | 12,393 |
| Follow up outpatient income | | **29,842** | 32,522 |
| Other type of activity income | | **62,677** | 44,581 |
| A&E income | | **10,415** | 9,080 |
| High cost drugs income from commissioners | | **12,969** | 12,169 |
| Agenda for Change pay award central funding* | | **-** | 2,875 |
| Additional pension contribution central funding** | | **7,146** | - |
| Total income | | **245,967** | 216,709 |
| **Income from activities - Commissioner Requested Services** | | **245,967** | 216,709 |
| Private patient income | | **173** | 257 |
| **Income from activities** | | **246,140** | 216,966 |

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

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

As an NHS Foundation Trust, the majority of income in respect of patient care is received under a block contract with our host Clinical Commissioning Group with the remainder under Payment by Results (PBR).

The Terms of Authorisation set out the goods and services that the Trust is required to provide (Commissioner Requested Services). All of the income from activities before private patient income shown above is derived from the provision of Commissioner Requested Services.

All other income arises from non-mandatory services.

| **2.3 Income from Patient Care Activities (by source)** | **2019/20** | 2018/19 |
|---|---|---|
| | **£000** | £000 |
| Income from patient care activities received from: | | |
| NHS England | **19,959** | 11,336 |
| Clinical commissioning groups | **190,987** | 166,330 |
| NHS Foundation Trusts | **8,698** | 8,796 |
| NHS Trusts | **155** | 150 |
| Local authorities | **434** | 452 |
| Department of Health and Social Care | **-** | 2,875 |
| NHS other (including Public Health England) | **24,807** | 25,059 |
| Non NHS: private patients | **173** | 257 |
| Non NHS: overseas patients (non-reciprocal, chargeable to patient) | **70** | 92 |
| Injury cost recovery scheme | **43** | 1,382 |
| Non NHS: other | **814** | 237 |
| | **246,140** | 216,966 |

| **2.4 Other Operating Income** | **2019/20** | 2018/19 |
|---|---|---|
| | **£000** | £000 |
| Research and development | **684** | 634 |
| Education and training | **8,253** | 7,771 |
| Charitable contributions to expenditure | **242** | 636 |
| Non-patient care services to other bodies | **2,032** | 1,999 |
| Provider sustainability fund / Financial recovery fund / | | |
| Marginal rate emergency tariff funding (PSF/FRF/MRET) | **8,317** | 4,547 |
| Car parking | **1,642** | 1,512 |
| Catering | **1,249** | 1,259 |
| Other income | **3,275** | 2,857 |
| Amortisation of PPP deferred credits | **66** | 65 |
| | **25,760** | 21,280 |

| **2.5 Directly Invoiced Overseas Visitors** | **2019/20** | 2018/19 |
|---|---|---|
| | **£000** | £000 |
| Income recognised this year | **70** | 92 |
| Cash payments received in-year (relating to invoices raised in current and previous years) | **19** | 44 |
| Amounts added to provision for impairment of receivables | **(37)** | 37 |
| Amounts written off in-year | **63** | 95 |

## 2.6 Additional information on revenue from contracts with customers recognised in the period

| | Total 2019/20 £000 | Revenue recognised from NHS providers Accounts 2019/20 £000 | Revenue recognised from other DHSC group bodies Accounts 2019/20 £000 | Revenue recognised from non DHSC group bodies Accounts 2019/20 £000 |
|---|---|---|---|---|
| Revenue recognised in the reporting period that was included in contract liabilities at the previous period end | **2,486** | **-** | **167** | **2,319** |

| 3 Operating expenses | 2019/20 | 2018/19 |
|---|---|---|
| | £000 | £000 |
| Operating expenses comprise: | | |
| Purchase of healthcare from non-NHS and non-DH bodies | **247** | 447 |
| Staff and executive directors costs | **186,741** | 168,052 |
| Remuneration of non-executive directors | **122** | 120 |
| Drug Costs | **20,355** | 20,083 |
| Supplies and services (excluding drug costs) | | |
| - clinical | **26,934** | 26,281 |
| - general | **3,341** | 3,264 |
| Establishment | **2,333** | 2,097 |
| Transport | **177** | 159 |
| Premises | **12,205** | 10,704 |
| Depreciation & Amortisation | **5,193** | 4,293 |
| (Decrease)/Increase in bad debt provision | **31** | (112) |
| Provisions arising / released in year | **(99)** | (555) |
| Audit fees - statutory audit | **61** | 55 |
| Other services: audit related assurance services | **1** | 13 |
| Other services: other | **-** | - |
| Contribution to clinical negligence scheme | **7,684** | 8,315 |
| Consultancy | **810** | 75 |
| Internal audit costs | **93** | 93 |
| Training courses | **571** | 544 |
| Notional training funded from apprenticeship fund | **258** | 185 |
| Insurance | **38** | 39 |
| Impairment of property, plant and equipment | **-** | 5,056 |
| Other | **2,791** | 638 |
| | **269,887** | 249,846 |

| 4 Arrangements containing an operating leases | | |
|---|---|---|
| Minimum lease payments | **2,891** | 2,360 |
| | **2,891** | 2,360 |

| 4.1 Total future minimum operating lease payments | | |
|---|---|---|
| - Payable: | | |
| - not later than one year; | **1,630** | 1,656 |
| - later than one year and not later than five years; | **5,473** | 6,648 |
| - later than five years. | **-** | 325 |
| **Total** | **7,103** | 8,629 |

The Trust has short term operating leases for various types of equipment usually on a short term basis and the payments for these are included in the minimum lease payments for the financial year.

The Trust is also committed under contract for five managed service contracts which provide equipment as part of the contract. These contracts have between 1 and 5 years left before expiry, with an opportunity to extend to 10 years. Also included are a number of lease cars and vans. These leases are for a period of three years.

## 5 Employee Expenses and Numbers

### 5.1 Employee expenses

| | **Total 2019/20** | Total 2018/19 |
|---|---|---|
| | **£000** | £000 |
| Short term employee benefits - salaries and wages | **146,605** | 135,680 |
| Social security costs | **13,021** | 12,103 |
| Apprenticeship levy | **688** | 638 |
| Employer's contributions to NHS pensions | **16,511** | 15,239 |
| Pension cost - employer contributions paid by NHSE on provider's behalf (6.3%) | **7,146** | - |
| Other Employment Benefits | **-** | - |
| Temporary staff (including agency) | **2,971** | 4,422 |
| | **186,942** | 168,082 |

### 5.2 Retirements due to ill-health

During 2019/20 (prior year 2018/19) there was 2 (1) early retirement from the Trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £87,000 (£40,000). The cost of these ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division. This information was supplied by NHS Business Services Authority - Pensions Division.

### 5.3 Executive Directors Remuneration

| | **Total 2019/20** | Total 2018/19 |
|---|---|---|
| | **£000** | £000 |
| Executive Directors Remuneration | **870** | 956 |
| Employers contributions for national insurance | **108** | 119 |
| Employer contributions to the pension scheme | **62** | 90 |

There are a total of 7 Executive Directors in total at the end of the financial year, 4 to whom benefits are accruing under defined benefit pension schemes. For further information please see the remuneration report on page 49 of the annual report.

### 5.4 Losses and Special Payments

NHS Foundation Trusts are required to record cash payments and other adjustments that arise as a result of losses and special payments. In the year the Trust had 233 (2018/19 186) separate losses and special payments, totalling £341,000 (2018/19 £551,000). These losses were mainly due to bad debts and damage/loss of property, and are reported on an accruals basis.

## 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 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 are accepted as providing suitably robust figures for financial reporting purposes. The valuation of scheme liability as at 31 March 2020, is based on valuation data as 31 March 2019, updated to 31 March 2020 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) **Full actuarial (funding) valuation**

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the schemes (taking into account its recent demographic experience), and to recommend the 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. The employer contribution rate for 2019/20 is 20.6% and the scheme regulations were amended accordingly.

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

### 6.1 Auto-Enrolement

The Pensions Act 2008 introduced automatic enrolment of eligible workers into a qualifying workplace pension scheme. The NHSPS is such a scheme and the legislation took effect from 2013. This took effect for the Countess of Chester NHS Foundation Trust from July 2013.

The Trust has a duty to automatically enrol eligible works, between the ages of 22 and State Pension age subject to certain pay criteria. For the Countess of Chester Hospital NHS Foundation Trust the number of enrolments and conributions are immaterial.

## 7 Net Finance Costs

### 7.1 Finance Income

| | **2019/20** | 2018/19 |
|---|---|---|
| | **£000** | £000 |
| Interest on loans and receivables | **120** | 102 |

### 7.2 Finance Costs

| | **2019/20** | 2018/19 |
|---|---|---|
| | **£000** | £000 |
| Interest on Loans from the Department of Health and Social Care | **571** | 499 |
| Interest on obligations under PPP contracts: | | |
| - finance cost | **108** | 109 |
| - contingent finance cost | **75** | 70 |
| **Total** | **754** | 678 |

## 8 Property Plant and Equipment

### 8.1 Fixed Asset Movement 2019/20

| | Land | Buildings Excluding Dwellings | Dwellings | Assets Under Construction | Plant & Machinery | Transport Equipment | Information Technology | Furniture & Fittings | Total 31 March 2019 |
|---|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | | £000 | £000 | £000 | £000 | £000 | £000 |
| **Cost or valuation** | | | | | | | | | |
| At 1 April 2019 | 3,086 | 66,185 | 2,591 | 5,860 | 34,260 | 20 | 9,450 | 4,639 | **126,091** |
| Additions - purchased | - | 2,115 | - | 5,986 | 1,751 | - | 485 | 173 | **10,509** |
| Additions - donated and grant funded | - | 34 | - | - | 88 | - | - | - | **121** |
| Reclassifications | - | 300 | - | (880) | 580 | - | - | - | **0** |
| Impairments / Reversals | - | - | - | - | - | - | - | - | **-** |
| Other in year revaluation | - | - | - | - | - | - | - | - | **-** |
| Disposals | - | - | - | - | (1,275) | - | - | - | **(1,275)** |
| **At 31 March 2020** | **3,086** | **68,633** | **2,591** | **10,966** | **35,404** | **20** | **9,935** | **4,812** | **135,447** |
| **Accumulated depreciation** | | | | | | | | | |
| At 1 April 2019 | - | - | 682 | - | 20,098 | 20 | 6,306 | 3,753 | **30,859** |
| Impairments / Reversals | - | - | - | - | - | - | - | - | **-** |
| Other in year revaluation | - | - | - | - | - | - | - | - | **-** |
| Disposals | - | - | - | - | (1,098) | - | - | - | **(1,098)** |
| Provided during the year | - | 2,000 | 62 | - | 1,904 | - | 1,018 | 210 | **5,193** |
| **At 31 March 2020** | **-** | **2,000** | **744** | **-** | **20,904** | **20** | **7,324** | **3,963** | **34,955** |
| **Net book value** | | | | | | | | | |
| - Purchased at 1 April 2019 | 1,976 | 64,756 | 1,909 | 5,860 | 13,520 | - | 3,144 | 886 | **92,051** |
| - PPP Obligations at 1 April 2019 | 1,110 | - | - | - | - | - | - | - | **1,110** |
| - Donated at 1 April 2019 | - | 1,429 | - | - | 642 | - | - | - | **2,071** |
| **Total at 1 April 2019** | **3,086** | **66,185** | **1,909** | **5,860** | **14,162** | **-** | **3,144** | **886** | **95,232** |
| **Net book value** | | | | | | | | | |
| - Purchased at 31 March 2020 | 1,976 | 65,223 | - | 10,966 | 13,869 | - | 2,612 | 848 | **95,495** |
| - PPP Obligations at 31 March 2020 | 1,110 | - | 1,847 | - | - | - | - | - | **2,957** |
| - Donated at 31 March 2020 | - | 1,410 | - | - | 630 | - | - | - | **2,040** |
| **Total at 31 March 2020** | **3,086** | **66,633** | **1,847** | **10,966** | **14,500** | **-** | **2,612** | **848** | **100,492** |

### 8.2 Net Book Value of Assets held under PPP Obligations

| **PPP Arrangements** | **2019/20** | 2018/19 |
|---|---|---|
| | **£000** | £000 |
| Cost or valuation at 1 April | **4,033** | 4,033 |
| **Cost or valuation at 31 March** | **4,033** | 4,033 |

| | **2019/20** | 2018/19 |
|---|---|---|
| | **£000** | £000 |
| Depreciation at 1 April as previously stated | **1,014** | 952 |
| Accumulated depreciation at 1 April as restated | **1,014** | 952 |
| Provided during the year | **62** | 62 |
| Accumulated depreciation at 31 March | **1,076** | 1,014 |
| **Net Book Value under PPP obligations at 31 March** | **2,957** | 3,019 |

In 2005/06, the Trust entered into a Public Private Partnership with Frontis Homes Limited, a registered social landlord, to provide our staff accommodation and on-call facilities. The £5.9m scheme has significantly improved the quality of the previous accommodation, and increased the ability of the Trust to continue to attract the best staff. The Trust will contribute annually toward the cost of the rent and services to be provided for the on-call facility. The term of the agreement is 40 years.

**9.1 Gross PPP Obligations**

| | 31 March 2020 | 31 March 2019 |
|---|---|---|
| | £000 | £000 |
| **Gross PPP Liabilities** | **3,125** | 3,274 |
| of which liabilities are due: | | |
| Not later than one year | **208** | 149 |
| Between one and five years | **695** | 743 |
| After five years | **2,222** | 2,382 |
| Finance charges allocated to future periods | **(1,088)** | (1,196) |
| **Net PPP Liabilities** | **2,037** | 2,078 |
| | | |
| Not later than one year | **103** | 41 |
| Between one and five years | **323** | 353 |
| After five years | **1,611** | 1,684 |
| | **2,037** | 2,078 |

**9.2 Total Future Payments in respect of PPP Arrangements.**

| | 31 March 2020 | 31 March 2019 |
|---|---|---|
| | £000 | £000 |
| of which due: | | |
| - not later than one year; | **441** | 430 |
| - later than one year and not later than five years; | **1,878** | 1,832 |
| - later than five years. | **8,587** | 9,074 |
| Total future payments committed | **10,906** | 11,336 |

**9.3 Analysis of Amounts Payable to Service Concession Operator**

| | 31 March 2020 | 31 March 2019 |
|---|---|---|
| **Unitary payment payable to service concession operator** | **£000** | £000 |
| Consisting of: | | |
| Interest Charge | **108** | 109 |
| Repayment of finance lease liability | **41** | 37 |
| Service element | **206** | 204 |
| Contingent rent | **75** | 70 |
| | **430** | 420 |

| | | **31 March 2020** | 31 March 2019 |
|---|---|---|---|
| | | **£000** | £000 |
| **10** | **Inventories** | | |
| | Drugs | **1306** | 1161 |
| | Consumables | **507** | 526 |
| | | **1,813** | 1,687 |

| | | **31 March 2020** | 31 March 2019 |
|---|---|---|---|
| | | **£000** | £000 |
| **10.1** | **Inventories recognised in expenses** | **21,639** | 21,765 |
| | Write-down of inventories recognised as an expense | **91** | 50 |
| | **Total Inventories recognised in expenses** | **21,730** | 21,815 |

| 11 Trade and Other Receivables | 31 March 2020 £000 | 31 March 2019 £000 |
|---|---|---|
| **Current** | | |
| Trade receivables | **-** | - |
| Contract receivables | **9,946** | 6,610 |
| Contract assets | **-** | - |
| Allowance for impaired contract receivables/assets | **(424)** | (509) |
| Amounts due in respect of NHS Improvement Sustainability and Transformation Fund (STF) | **2,563** | 2,759 |
| PDC Dividend Receivable | **504** | 169 |
| VAT recoverable | **293** | 164 |
| Other receivables | **443** | 382 |
| Accrued Income | **-** | - |
| Prepayments | **1,976** | 1,634 |
| **Total Current Trade and Other Receivables** | **15,301** | 11,209 |
| **Non-Current** | | |
| Clinician pension tax provision reimbursement funding from NHSE | **696** | - |
| **Total Non-Current Receivables** | **696** | - |
| **Of which receivables from NHS and DHSC group bodies:** | | |
| Current | **11,112** | 7,334 |

The majority of trade is with other NHS organisations, which are funded by government, therefore no credit scoring of them is considered necessary.

### 11.1 Allowance for Credit losses 2019/20

| | 31 March 2020 £000 | 31 March 2019 £000 |
|---|---|---|
| **Contract receivables and contract assets** | | |
| Allowances as at 1 Apr - brought forward | **509** | 2,703 |
| Impact of implementing IFRS 9 (and IFRS 15) on 1 April 2018 | | (1,857) |
| New allowances arising | **250** | 264 |
| Changes in existing allowances | **-** | - |
| Reversals of allowances | **(219)** | (376) |
| Utilisation of allowances (write offs) | **(116)** | (225) |
| **At 31 March 2020** | **424** | 509 |

| 12 Trade and Other Payables | Current | | Non-current | |
|---|---|---|---|---|
| | **31 March 2020** | 31 March 2019 | **31 March 2020** | 31 March 2019 |
| | **£000** | £000 | **£000** | £000 |
| Trade payables | **17,442** | 12,716 | - | - |
| NHS Pension Scheme | **2,313** | 2,183 | - | - |
| Other payables | **2,028** | 1,563 | - | - |
| Accruals | **2,252** | 3,750 | - | - |
| **Total** | **24,035** | 20,212 | - | - |
| **Of which payable to NHS and DHSC group bodies:** | | | | |
| Current | **3,847** | 3,714 | - | - |

| 12.1 Other Liabilities | Current | | Non-current | |
|---|---|---|---|---|
| | **31 March 2020** | 31 March 2019 | **31 March 2020** | 31 March 2019 |
| | **£000** | £000 | **£000** | £000 |
| Deferred Income | **4,081** | 2,486 | **-** | - |
| Deferred PPP Credits | **66** | 66 | **1,526** | 1,592 |
| Total | **4,147** | 2,552 | **1,526** | 1,592 |

## 13 Borrowings

| | Current | | Non-current | |
|---|---|---|---|---|
| | **31 March 2020** | 31 March 2019 | **31 March 2020** | 31 March 2019 |
| | **£000** | £000 | **£000** | £000 |
| Loans from the Department of Health and Social Care | **28,562** | 4,747 | **16,474** | 33,964 |
| Obligations under PPP Contracts | **103** | 41 | **1,934** | 2,037 |
| Total | **28,665** | 4,788 | **18,408** | 36,001 |

| **Schedule of Borrowing** | **Date Started** | **Date to be completed** | **Interest Rate** | **Loan Amount £000** | **Amount outstanding (excluding interest accrued) £000** |
|---|---|---|---|---|---|
| Loan 8 - Interim revenue loan | Jan-18 | Jan-21 | 1.50% | 1,724 | 1,724 |
| Loan 9 - Interim revenue loan | Feb-18 | Feb-21 | 1.50% | 1,305 | 1,305 |
| Loan 10 - Interim revenue loan | Mar-18 | Mar-21 | 1.50% | 3,720 | 3,720 |
| Loan 11- Interim revenue loan | Dec-18 | Dec-21 | 1.50% | 1,638 | 1,638 |
| Loan 12 - Interim revenue loan | Jan-19 | Jan-22 | 1.50% | 1,578 | 1,578 |
| Loan 13 - Interim revenue loan | Mar-19 | Mar-22 | 1.50% | 3,506 | 3,506 |
| Loan 14 - Interim revenue loan | Apr-19 | Apr-22 | 1.50% | 1,580 | 1,580 |
| Loan 15 - Interim revenue loan | May-19 | May-22 | 1.50% | 1,866 | 1,866 |
| Loan 7 - Interim capital loan | Oct-19 | Sep-34 | 0.40% | 7,551 | 7,551 |
| | | | | | 24,468 |
| Loan 1 - Normal course of business capital loan | Mar-10 | Mar-20 | 3.09% | 6,000 | - |
| Loan 2 - Normal course of business capital loan | Mar-12 | Sep-21 | 2.46% | 5,000 | 792 |
| Loan 3 - Normal course of business capital loan | Mar-13 | Mar-18 | 0.48% | 4,500 | - |
| Loan 4 - Normal course of business capital loan | Mar-13 | Sep-27 | 1.39% | 16,800 | 9,341 |
| Loan 5 - Normal course of business capital loan | Oct-14 | Nov-21 | 1.36% | 11,000 | 3,387 |
| Loan 6 - Normal course of business capital loan | Sep-17 | Aug-32 | 1.03% | 8,090 | 6,974 |
| | | | | | **20,494** |

**Events After The Reporting Period**

On 2 April 2020, the Department of Health and Social Care (DHSC) and NHS England and NHS Improvement announced reforms to the NHS cash regime for the 2020/21 financial year. During 2020/21 existing DHSC interim revenue and capital loans as at 31 March 2020 will be extinguished and replaced with the issue of Public Dividend Capital (PDC) to allow the repayment. Given this relates to liabilities that existed at 31 March 2020, DHSC has updated its Group Accounting Manual to advise this is considered an adjusting event after the reporting period for providers. Outstanding interim loans totalling £24,468,000 loan principal and £44,000 interest accrual as at 31 March 2020 in these financial statements have been classified as current as they will be repayable within 12 months.

**13.1 Reconciliation of liabilities arising from financing activities**

| | Loans from DHSC £000 | PPP schemes £000 | Total £000 |
|---|---|---|---|
| Carrying value at 1 April 2019 | 38,711 | 2,078 | **40,789** |
| Cash movements: | | | |
| Financing cash flows - payments and receipts of principal | 6,315 | (41) | **6,274** |
| Financing cash flows - payments of interest | (561) | (108) | **(669)** |
| Application of effective interest rate | 571 | 108 | **679** |
| **Carrying value at 31 March 2020** | **45,036** | **2,037** | **47,073** |

## 14 Provisions

| | **Current 31 March 2020 £000** | **Non Current 31 March 2020 £000** | Current 31 March 2019 £000 | Non Current 31 March 2019 £000 |
|---|---|---|---|---|
| Pensions - Early Departure Costs | **15** | **151** | 15 | 162 |
| Pensions - Injury Benefit | **28** | **618** | 37 | 1,110 |
| Legal Claims | **647** | **-** | 250 | - |
| Other | **150** | **-** | 150 | - |
| Clinician pension tax reimbursement | **-** | **696** | - | - |
| Restructuring | - | - | 78 | - |
| | **840** | **1,465** | 530 | 1,272 |

| | **Pensions - Early Departure Costs** | **Pensions - Injury Benefit** | **Legal Claims** | **Other** | **Clinician Pension Tax Reimbursement** | **Restructuring** | **Total** |
|---|---|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| At 1 April 2019 | 177 | 1,147 | 250 | 150 | - | 78 | **1,802** |
| Arising during the year | 5 | - | 634 | - | 696 | - | **1,335** |
| Utilised during the year | (15) | (36) | (137) | - | - | (30) | **(218)** |
| Change in Discount Rate | - | 124 | - | - | - | - | **124** |
| Reversed unused | - | (589) | (100) | - | - | (49) | **(738)** |
| | | | | | - | | |
| **At 31 March 2020** | **167** | **646** | **647** | **150** | **696** | **(0)** | **2,305** |
| Expected timing of cashflows: | | | | | | | |
| - not later than one year | 15 | 28 | 647 | 150 | - | - | **840** |
| - later than one year and not later than five years | 61 | 113 | - | - | - | - | **174** |
| - later than five years | 90 | 505 | - | - | 696 | - | **1,291** |
| | **166** | **646** | **647** | **150** | **696** | **-** | **2,305** |

## 14.1 Provisions

### Pensions - Early Departure Costs

Provisions for capitalised pension benefits are based on tables provided by the Office for National Statistics, reflecting years to normal retirement age and the additional pension costs associated with early retirement. No further capitalisations of pension benefits have been applied during the financial year. This provision relates to two former employees.

### Pensions - Injury Benefit

Permanent Injury Benefits are payable to eligible individuals, and are calculated in the same way as capitalised pension benefits. The calculations are based on current payments in relation to expected life tables as issued by the Office for National Statistics. These are discounted using the Treasury published discount rate.

### Legal claims

Legal claims consist of amounts due as a result of third party and employee liability claims. The values are based on information provided by the Trust's solicitors and the NHS Litigation Authority.

### Clinician Pension Tax Reimbursement

During the year the UK Government committed to pay the pension tax costs of clinicians working additional sessions. The agreed mechanism was that the tax charge arising would be rolled over into the NHS pension scheme under the 'Scheme Pays' rules and on retirement of the individual concerned, when the impact of the tax charge crystallises, the pension scheme will charge the Trust for the cost of enhancing the pension back to its pre-rolled over tax value. The Trust will then recharge NHS England (or whichever successor body exists at the time) with the cost. The amount that is due at 31 March 2020 is very difficult to estimate, but NHS England have provided Trusts with a methodology for calculating the maximum likely provision and this has been included in the accounts along with a corresponding debtor to NHS England. The net impact on the Trust surplus is therefore nil.

### Other

The other provision relates to outstanding pay reform assimilations and changes in legislation.

### Restructuring

The restructuring provision is for those staff that have applied for the Mutually Agreed Resignation Scheme but which have not yet been paid out.

£158,129,000 is included in the provisions of the NHS Litigation Authority at 31/3/20 in respect of clinical negligence liabilities for the Trust (31/3/2019 £130,234,000)

The provisions for legal claims are calculated by reference to expected cash flows discounted back at the relevant current Treasury discount rate.

### 15.1 Other Investments

| | **31 March 2020** | 31 March 2019 |
|---|---|---|
| | **£000** | £000 |
| Balances at 1 April | **2,591** | 2,591 |
| Net change in year | **(515)** | - |
| **Other Investments** | **2,076** | 2,591 |

Other investments at 31 March 2020 represent amounts held in a designated deposit account set up as part of a funding agreement to deliver a new Neonatal Unit. Release of the funds is dependent on successful delivery of each phase of the construction, which is expected to last for around 18 months and commenced in April 2019. The account is denominated in sterling. The account attracts interest at rates based on LIBOR or equivalent market rates. The carrying amounts are equivalent to their fair values.

### 15.2 Cash and cash equivalents

| | **31 March 2020** | 31 March 2019 |
|---|---|---|
| | **£000** | £000 |
| Bank balances at 1 April | **7,434** | 9,112 |
| Net change in year | **4,739** | (1,678) |
| **Cash and cash equivalents in the statement of cash flows at 31 March** | **12,173** | 7,434 |
| **Broken down into:** | | |
| Cash at commercial banks and in hand | **524** | 237 |
| Cash with the Government Banking Service | **11,649** | 7,197 |
| **Total cash and cash equivalents as in SoFP** | **12,173** | **7,434** |

Cash and cash equivalents at 31 March 2020 are held in instant access bank accounts, short-term money market investments and other deposit accounts denominated in sterling. They attract interest at rates based on LIBOR or equivalent market or public sector rates. The carrying amounts are equivalent to their fair values.

### 16.1 Capital Commitments

| | 31 March 2020 | 31 March 2019 |
|---|---|---|
| **Contractual Capital Commitments at 31 March not otherwise included in these financial statements:** | **£000** | £000 |
| Property, Plant and Equipment | **118** | 1,863 |

### 16.2 Events After the Reporting Date

There are no disclosable events after the reporting date other than as disclosed in note 13

### 17 Third Party Assets

The Trust held £0k In the Bank (2018/19 £0) which relates to monies held by the NHS Foundation Trust on behalf of patients.

### 18 Related Party Transactions

The Countess of Chester Hospital NHS Foundation Trust is a public interest body Authorised by NHS Improvement the Independent Regulator for NHS Foundation Trusts.

The Trust has received £242,000 (2018/19 £595,000 total) payments from a number of charitable funds for which the Trust acts as Corporate Trustee.

Other NHS entities that interact with the Countess of Chester Hospital NHS Foundation Trust are regarded as related parties. The transactions are in the normal course of business and are on a arms length basis. During the year the Countess of Chester Hospital NHS Foundation Trust had a number of material transactions with other NHS entities which are listed below.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

| | 2019/20 Income £000 | 2019/20 Expenditure £000 | 2019/20 Current Receivables £000 | 2019/20 Current Payables £000 |
|---|---|---|---|---|
| **Value of transactions with:** | | | | |
| Department of Health | 23 | - | 7 | - |
| Other NHS Bodies | 232,364 | 16,156 | 10,584 | 4,042 |
| Charitable Funds | - | - | - | - |
| Other WGA Bodies | 25,377 | 38,408 | 425 | 5,968 |

**18 Related Party Transactions (continued)**

**Material Related Party transactions with Other NHS Bodies are further detailed below:**

| | 2019/20 Income £000 | 2019/20 Expenditure £000 | 2019/20 Current receivables £000 | 2019/20 Current payables £000 |
|---|---|---|---|---|
| Alder Hey Childrens NHS Foundation Trust | 169 | 172 | 4 | 57 |
| Bridgewater Community HealthCare NHS Foundation Trust | 129 | 7 | 87 | 11 |
| Cheshire and Wirral Partnership NHS Foundation Trust | 1,525 | 676 | 318 | 426 |
| Liverpool Heart and Chest Hospital NHS Foundation Trust | 80 | 589 | 222 | 433 |
| Liverpool University Hospitals NHS Foundation Trust (formerly Aintree University Hospitals NHS Foundation Trust, acquired RQ6 on 1 October 2019) | 80 | 589 | 222 | 433 |
| Liverpool Women's NHS Foundation Trust | 16 | 112 | 6 | 30 |
| Mid Cheshire NHS Foundation Trust | 327 | 4 | 92 | 1 |
| The Clatterbridge Cancer Centre NHS Foundation Trust | 329 | 5 | 22 | - |
| The Walton Centre NHS Foundation Trust | 151 | 30 | 53 | 7 |
| Warrington and Halton Hospitals NHS Foundation Trust | 329 | 808 | 256 | 274 |
| Wirral Community Health and Care NHS Foundation Trust | 200 | - | 6 | - |
| Wirral University Teaching Hospital NHS Foundation Trust | 6,693 | 3,804 | 1,305 | 1,228 |
| East Cheshire NHS Trust | 165 | 75 | 17 | 16 |
| Royal Liverpool and Broadgreen University Hospitals NHS Trust (demised 1 October 2019) | 710 | 108 | - | - |
| St Helens and Knowsley Hospitals NHS Trust | 8 | 163 | 1 | 225 |
| NHS Chorley and South Ribble CCG | 106 | - | 23 | - |
| NHS Eastern Cheshire CCG | 219 | - | 25 | - |
| NHS Greater Preston CCG | 151 | - | 19 | - |
| NHS Halton CCG | 1,541 | - | 64 | - |
| NHS Liverpool CCG | 432 | - | 88 | - |
| NHS Shropshire CCG | 647 | - | 39 | - |
| NHS South Cheshire CCG | 602 | - | 1 | - |
| NHS St Helens CCG | 334 | - | 6 | - |
| NHS Vale Royal CCG | 1,516 | - | 1 | 17 |
| NHS Warrington CCG | 1,740 | - | - | 117 |
| NHS West Cheshire CCG | 176,641 | 65 | 2,392 | 261 |
| NHS Wirral CCG | 6,334 | - | 46 | - |
| NHS England - Core (including 19/20 PSF, FRF and MRET) | 9,573 | 37 | 3,275 | 25 |
| NHS England - North East Specialised Commissioning Hub | 366 | - | 93 | - |
| NHS England - North West Specialised Commissioning Hub | 8,813 | - | 586 | - |
| North West Regional Office | 2,449 | - | 297 | - |
| Public Health England | 52 | 552 | - | 59 |
| Health Education England | 8,052 | - | 146 | - |
| NHS Resolution | - | 7,684 | - | - |
| Care Quality Commission | - | 162 | - | - |
| NHS Property Services | 153 | 341 | 281 | 505 |
| HM Revenue & Customs - VAT | - | - | 293 | - |
| HM Revenue & Customs - Other | - | 13,709 | - | 3,540 |
| National Heath Service Pension Scheme | - | 23,657 | - | 2,313 |
| Welsh Health Bodies - Cardiff and Vale University Local Health Board | 24,631 | 8 | 64 | 110 |
| NHS Blood and Transplant | 16 | 904 | 16 | - |
| Cheshire East Unitary Authority | 359 | - | 12 | - |
| Cheshire West and Chester Unitary Authority | 274 | 71 | 21 | - |

## 19 Financial Instruments

Disclosure is required under International Accounting Standards of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. The Countess of Chester Hospital NHS Foundation Trust actively seeks to minimise its financial risks. In line with this policy, the Trust neither buys nor sells financial instruments. Financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Trust in undertaking its activities.

### Market Risk

### Interest-Rate Risk

All of the Trust's financial liabilities carry nil or fixed rates of interest. In addition, the only element of the Trust's assets that are subject to a variable rate are short term cash investments. The Trust is not, therefore, exposed to significant interest-rate risk. Interest rate profiles of the Trust's relevant financial assets and liabilities are shown in notes 12 and 15.

### Foreign Currency Risk

The Trust has negligible foreign currency income or expenditure.

### Credit Risk

The Trust operates primarily within the NHS market and receives the majority of its income from other NHS organisations, as disclosed in note 18. There is therefore little risk that one party will fail to discharge its obligation with the other. Disputes can arise, however, around how the amounts owed are calculated, particularly due to the complex nature of the Payment by Results regime. For this reason the Trust makes a provision for irrecoverable amounts based on historic patterns and the best information available at the time the accounts are prepared. The Trust does not hold any collateral as security.

### Liquidity Risk

The Trust's net operating costs are incurred under three year agency purchase contracts with local Clinical Commissioning Groups, which are financed from resources voted annually by Parliament. The Trust receives such contract income in accordance with Payment by Results (PBR), which is intended to match the income received in year to the activity delivered in that year by reference to the National Tariff procedure cost. The Trust received cash each month based on an annually agreed level of contract activity and there are quarterly payments made to adjust for the actual income due under PBR. This means that in periods of significant variance against contracts there can be a significant cash-flow impact. The Trust has adequate liquidity to deal with these variances.

The Trust finances it's capital expenditure from internally generated funds or funds made available from Government, in the form of additional Public Dividend Capital, under an agreed limit. In addition, the Trust has borrowed from the Department of Health Financing Facility and may also borrow commercially in order to finance capital schemes. Financing is drawn down to match the capital spend profile of the scheme concerned and the Trust is not, therefore exposed to significant liquidity risks in this area.

## 20 Auditors Liability Limitation Agreements

As determined in the engagement letter with KPMG, external auditors to the trust, the liability of either party under or in connnection with the contract, whether arising in contract, tort, negligence, breach of statutory duty or otherwise, shall not exceed the sum of £2 million in any one year.

| | **2019/20** | 2018/19 |
|---|---|---|
| | **£000** | £000 |
| Limititation on Auditors Liability | **2,000** | 2,000 |

## 21 Carrying values of financial assets

| Carrying values of financial assets as at 31 March 2020 | Held at amortised cost £000 | Held at fair value through I&E £000 | Held at fair value through OCI £000 | Total book value £000 |
|---|---|---|---|---|
| Trade and other receivables excluding non financial assets | 12,024 | - | - | **12,024** |
| Other investments / financial assets | 2,076 | - | - | **2,076** |
| Cash and cash equivalents at bank and in hand | 12,173 | - | - | **12,173** |
| **Total at 31 March 2020** | **26,273** | **-** | **-** | **26,273** |

| Carrying values of financial assets as at 31 March 2019 | Loans and receivables £000 | Assets at fair value through the I&E £000 | Held to maturity £000 | Total book value £000 |
|---|---|---|---|---|
| Trade and other receivables excluding non financial assets | 9,019 | - | - | 9,019 |
| Other investments / financial assets | 2,591 | - | - | 2,591 |
| Cash and cash equivalents at bank and in hand | 7,434 | - | - | 7,434 |
| **Total at 31 March 2019** | 19,044 | - | - | 19,044 |

**Carrying value of financial liabilities**

| Carrying values of financial liabilities as at 31 March 2020 | Held at amortised cost £000 | Held at fair value through the I&E £000 | Total book value £000 |
|---|---|---|---|
| Loans from the Department of Health and Social Care | 45,036 | - | **45,036** |
| Obligations under finance leases | - | - | **-** |
| Obligations under PFI, LIFT and other service concession contracts | 2,037 | - | **2,037** |
| Other borrowings | - | - | **-** |
| Trade and other payables excluding non financial liabilities | 21,723 | - | **21,723** |
| Other financial liabilities | - | - | **-** |
| Provisions under contract | - | - | **-** |
| **Total at 31 March 2020** | **68,796** | **-** | **68,796** |

| | Other financial liabilities £000 | Held at fair value through the I&E £000 | Total book value £000 |
|---|---|---|---|
| **Carrying values of financial liabilities as at 31 March 2019 under IAS 39** | | | |
| Loans from the Department of Health and Social Care | 38,711 | - | 38,711 |
| Obligations under finance leases | - | - | - |
| Obligations under PFI, LIFT and other service concession contracts | 2,078 | - | 2,078 |
| Other borrowings | - | - | - |
| Trade and other payables excluding non financial liabilities | 18,029 | - | 18,029 |
| Other financial liabilities | - | - | - |
| Provisions under contract | - | - | - |
| **Total at 31 March 2019** | 58,818 | - | 58,818 |

| **Maturity of financial liabilities** | **31 March 2020 £000** | **31 March 2019 £000** |
|---|---|---|
| In one year or less | **50,387** | 22,817 |
| In more than one year but not more than two years | **2,120** | 10,871 |
| In more than two years but not more than five years | **8,271** | 16,139 |
| In more than five years | **8,018** | 8,991 |
| **Total** | **68,796** | 58,818 |

**Countess of Chester Hospital NHS Foundation Trust**
Countess of Chester Health Park
Liverpool Road
Chester
CH2 1UL