NHS
West Hertfordshire Hospitals
NHS Trust

# 2020/21 ANNUAL REPORT

team westHerts

## CONTENTS

**Page Number**


**PERFORMANCE REPORT**

**Overview by chief executive and chairman**

**Performance analysis**

**ACCOUNTABILITY REPORT**

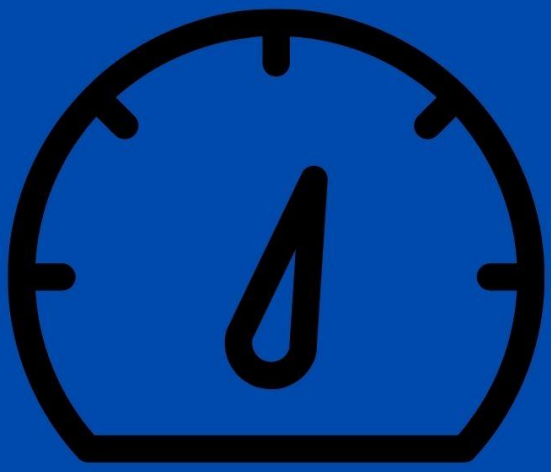
**Corporate governance report**

**Auditors' report**

**Staff and remuneration report**

**Financial statements and notes**

# Performance report



This section of the report provides a summary of the actions that the Trust set out to achieve in 2020/21 and the progress it made in meeting them

# Overview from Phil Townsend, Chairman and Christine Allen, Chief Executive

Welcome to our 2020/21 annual report which looks back on a year like no other for the NHS; a year when our staff have been in the eye of the storm leading our response to the COVID-19 pandemic; and a year in which the support and gratitude from our community has been absolutely breath-taking.
The lows have been enormously hard for staff. As a Trust we have cared for very high numbers of COVID-19 patients, and we have lost colleagues who have died from the virus. We have held a memorial service at Watford Football Club where hundreds of staff could pay their respects and also created a memorial garden at Watford General which provides a tranquil space for reflection.

It will take time for many of us to process the full extent of what we have experienced. We know that lots of staff may be struggling with their mental health and wellbeing and we have put in place many sources of pastoral or psychological support which they can access.

At the peak of the first wave in April 2020 we admitted more than 600 COVID-19 patients at a time when 20 per cent of our workforce was absent due to self-isolation or sickness. During the height of the second wave in January 2021, we cared for more than 900 patients and doubled the capacity of our critical care beds by expanding ICU into our endoscopy unit.

Our teams have shown incredible resilience and ingenuity. They have adapted our clinical areas to accommodate successive peaks in demand and devised separate and safe pathways of care across our hospitals for COVID-19 positive, suspect or negative patients. Staff have also been highly innovative in their approach to providing services to patients through the use of technology and we also developed a COVID-19 pathway of care for staff.

The support from our neighbours Watford Football Club has been unparalleled. They have been by our side all year, literally and figuratively, opening their doors to us to provide a space for respite and recuperation which we called The Sanctuary.

We have also received support like no other from our volunteer response team. We were one of the first trusts in the country to launch this model of volunteering.

While the pandemic forced us to pause many services, we have been able to celebrate the launching of others. An emergency assessment unit (EAU) opened at Watford General in March 2021, an Urgent Treatment Centre (UTC) was opened at Watford General Hospital in July 2020, our phlebotomy service at Hemel Hospital relocated to improve the patient experience and at St Albans we opened an orthopaedic centre in October 2020.
Our 2020 NHS staff survey had the best response rate for five years, with 47% of staff taking part, higher than the national score of 45%. Staff gave a broadly positive view of working life and rating our patient care highly too. There remain some challenging areas which we will be focussing on in the coming year.

In 2019/20 the trust ended with a deficit of £22.47m, a slightly better position than the £22.74m plan set out at the start of the financial year. For the current financial year, the interim financial regime has mitigated against most costs related to the pandemic and we have ended the year with a £258,000 surplus.

As you would expect, our ability to deliver services and meet performance targets has been adversely affected by the pandemic and you can read more about this in the performance section of this report.

Against the backdrop of the pandemic, our plans to transform our buildings and services through our acute redevelopment programme has continued apace. In October 2020 the decision was made by the boards of the Trust and Herts Valleys Clinical Commissioning Group (HVCCG) to support the option of retaining and redeveloping our existing three hospital sites. To help inform the planning process and decision-making, we have continued to work closely with HVCCG to engage with external stakeholders and staff on the development of the outline business case (OBC) which is planned to be completed later in 2021 and engagement with stakeholders will continue.

In closing, we would like to acknowledge the support from our community which has been overwhelming. We would like to thank and pay tribute to our staff, volunteers and our health and social care partners who have worked so incredibly hard to provide the very best care for our patients in the most challenging of years.

**Phil Townsend**
**Chairman**

**Christine Allen**
**Chief Executive Officer**

## Our Vision, Values, Aims and Strategic Objectives

The Trust's vision is to provide *"the very best care for every patient, every day".*

The vision is underpinned by values:


The Trust has set itself a set of corporate aims for 2020 to 2022:

***BEST CARE*** ***BEST VALUE*** ***GREAT TEAM*** ***GREAT PLACE***

The aims are underpinned by a set of six corporate ambitions which are driven by the Trust's ambition statements set out within its five-year strategy and represent the priority areas of focus for the organisation in 2020 to 2022 in order to support the delivery of the strategy.

This report demonstrates the progress made by the Trust in 2020/21 towards achieving its aims and ambitions. Clearly the COVID-19 outbreak has significantly impacted on the delivery of a number of these objectives and safely managing the outbreak and continuing to deliver safe, clinically urgent care (both COVID and non COVID) over this period of time was the organisations priority focus. Supporting and protecting our frontline workforce was critical to this effort and to the long-term delivery of all of our aims and objectives.

## Our services

### Watford General Hospital

- Accident and emergency
- Urgent treatment centre
- Intensive care unit
- Elective care for high-risk patients
- Outpatient services
- Diagnostic services
- Women's and children's services

### Hemel Hempstead Hospital

- Urgent treatment centre
- Outpatient services
- Diagnostics services

### St Albans City Hospital

- Day surgery unit
- Outpatient services
- Diagnostic services
- Inpatient beds
- Minor injuries unit *(closed during the reporting year to focus efforts at Watford during the pandemic )*

## Performance against national indicators

As with all NHS trusts, the COVID-19 pandemic has presented the Trust with a challenging time, not just with respect to the response required to deliver care to those affected within the local community, but in its delivery of critical services to the local population and subsequent return to 'pre-COVID' activity. The full details on how the Trust responded to COVID-19 can be seen on page 9 of this report.

Performance is assessed through the corporate governance structure as set out on page 32. A performance management framework sets out how performance is managed and is also reviewed and approved annually. The Board's Finance and Performance Committee considers the finance and performance reports in detail; the Quality Committee considers all quality-related issues and the People, Education and Research Committee does the same for workforce related reports. All are presented to the Board each month and are available on the Trust's website.

As would be expected, the COVID-19 pandemic had a significant negative impact on operational performance across all indicator standards in 2020/21. The table below sets out the position the Trust reached against the national performance indicators at the end of the financial year.

| Indicator | National Standard | 2019/20 | 2020/21 |
|---|---|---|---|
| 95% of patients should be treated, admitted or discharged in 4 hours in accident and emergency | National target for over 95% patients to be within 4 hours | Under achieved - 81.1% (However achieved the biggest improvement in four hour waits in England in the three month period to January 2020). | Under achieved - 80.7% |
| Incidence of C.difficile should be identified and numbers minimised | Trust target was to have fewer than 34 cases of C. difficile through the year. | Definitions have changed at the beginning of the year. Under achieved – 49 | Under achieved - 47 |
| Hospital acquired MRSA bacteraemias should be identified and steps taken to reduce them | Trust target was to have zero cases | Achieved – 0 | Under achieved – 2 |
| All cancers – patients should have a maximum wait of 14 days for all urgent referrals of suspected cancer and referrals for breast symptoms | National target to see 93% of those referred within 14 days. | 94.2% (2ww)<br><br>95.9% (breast symptomatic) | Achieved (95% suspected cancer referrals)<br><br>Under achieved (86.9% breast symptomatic patients) |
| All cancers patients should have a maximum wait of 31 days for diagnosis to first treatment | National target was to have 96% of patients seen within 31 days | 97.3% | Achieved (97%) |
| All cancers patients should have a maximum wait of 62 days between urgent GP referral or screening service to first treatment | National target was to see: 85% referred by GP; and 90% of those referred by the screening service | 82% (62 day first)<br><br>84.7% (screening) | Under achieved (80.2% referred by GP)<br><br>Under achieved (72.2% referred by screening service) |

| | | | |
|---|---|---|---|
| All cancers patients should have a maximum wait of 31 days for second or subsequent treatment | National target was to have 94% patients seen within 31 days for surgery, palliative and other, and 98% for anti-cancer drugs. | 96.6% (surgery)<br><br>99.7% (drugs)<br><br>100% (radiotherapy) | Under achieved (89.2% for surgery)<br>Achieved (99.3% for anti-cancer drugs)<br>(100% for radiotherapy treatments) |
| Maximum wait time of 18 weeks referral to treatment – patients not yet treated | >92% | Under achieved - 85.4% | Under achieved - March 2021 - 72.2% |

For staffing performance, please refer to page 48. For financial performance please see page 21.

## Data quality and governance

There are a series of checks in place to validate data quality for referral to treatment (RTT), diagnostic and cancer wait times for reporting, including routine and deep dives into each patient pathway. All patient pathways for RTT, diagnostic and cancer waiting times standards are managed under the Trust's access policy, which describes the processes to be followed to ensure transparent, fair and equitable management of waiting lists. It includes guidelines and procedures to ensure that waiting lists are managed effectively, a high quality of service is maintained and optimum use is made of resources at all locations across the Trust. A series of specific online RTT training modules are available to relevant staffing groups to strengthen the understanding of RTT rules further and provide greater assurance on the accuracy of elective waiting time reporting.


## Managing during COVID-19

Over the course of this unprecedented challenging year, everything possible has been done to continue to deliver quality services and maintain safe environments for patients and staff. To ensure that the Trust adhered to ongoing changing risks and national legal and ethical frameworks during the COVID-19 pandemic, at both an operational and strategic level, the corporate governance arrangements were reviewed and modified on a regular basis.

Two extraordinary specific groups were established to ensure an open and transparent overview of clinical decision making and resource allocation; a clinical advisory panel, chaired by the chief executive with executive support and senior clinical leadership; and an ethical advisory panel, led by the director of governance and the chief nurse with appointed senior clinical and nursing membership, lay-person, and safeguarding representation.

Early in the pandemic, the Trust enacted measures to free up capacity to cope with the unprecedented demand, postponing non-urgent elective care, stopped accepting patient referrals other than for urgent or suspected cancer cases and closing the minor injuries unit at St Albans hospital to focus all efforts and resources on treating COVID-19 patients.

It became evident during the spring and summer 2020 that the number of cases of patients with COVID-19 was very high when compared to regional and national figures. Staffing shortages, challenges procuring the right amount of PPE for staff, and the need to create additional intensive care capacity, all added to the imperative to streamline day-to-day operations to keep staff and patients safe, and avoid the NHS becoming overwhelmed.

In response to extreme critical care pressures and the changes required to maintain service delivery and quality of care, the nursing establishments were reviewed and modified in line with NHS England and Improvement's critical care staffing guidance. Staff were redeployed to areas of most need and were required to work outside their normal practice areas. The response to the pandemic also impacted on the establishment of inpatient wards which was managed by the formation of zoning within adult service areas and the introduction of a new night senior sister role.

The Trust had to quickly adjust to new ways of working, including carrying out many patient consultations by video or phone wherever possible. To allow management and administration staff to continue to work in safe environments and to self-isolate if necessary, all office areas were assessed against social distancing restrictions and many staff began to work from home, with all meetings held on conferencing software applications.

Throughout the pandemic the Trust has liaised closely with other organisations within the Herts and West Essex Sustainability and Transformation Partnership to agree the management of referrals and new models of care and to ensure a consistent workforce approach. Thanks to partnership working with the private sector, over 1,500 time-critical patients from the trust's waiting list were treated at Spire Bushey Hospital.
Amid evidence that fewer people were accessing emergency medical care, and signs that the nationwide lockdown was having an impact on people's physical and mental health, the Trust received a direction from NHS England and Improvement on 29 April 2020 to assess its capacity to be able to reintroduce some services which had been de-prioritised.

A phased 'restart and transform' programme began with the aim of enabling clinically prioritised planned care pathways to recommence in a safe way, with a view to maximising activity and capacity towards pre-COVID-19 levels over the coming months.

It was vitally important that the restart of services was measured against the continuing need to deliver emergency care and support for patients with COVID-19 and therefore an operational recovery group was established to review and approve requests by divisions.

**Visiting restrictions during COVID-19**

To keep patients and staff safe, it was unfortunately necessary to put restrictions on visiting our hospitals during the pandemic, except in extreme circumstances, such as visiting an end-of-life patients, accompanying a woman in labour or visiting a child or someone with mental health issues.

When it was recognised that due to the increased demands on clinical staff on wards, it was becoming difficult to respond to calls or provide information to families, a family liaison line was established as an extension of the patient advice and liaison service (PALS).

The local community also came together to create knitted hearts as part of a project to help patients and their families feel together even when they could not physically be together.

Watford Hospital was categorised as a 'blue' site as it managed an undifferentiated caseload, including emergency care and COVID-19 positive patients. St Albans City Hospital was categorised as a 'green' site which means it needed to be 'COVID-free' (as much as is possible), focusing on planned care with rigorous protocols to reduce the risk of transmission.

The Trust worked with several local independent sector providers throughout the pandemic to ensure the ongoing delivery of time critical surgery.

Surgical services at St Albans City Hospital restarted on 27 July 2020, initially for day-case patients, but after a successful restart there was a resumption of inpatient cases. The start of surgical services was more of a challenge in Watford due to the acute site status. To ensure that patients were treated in the appropriate order, the Trust participated in a national programme of clinical validation of its waiting list and work is continuing to reduce the backlog of patients waiting for surgery and outpatient appointments.

As the number of new COVID-19 cases began to reduce in June 2020, the ethical advisory panel was stood down and two additional groups were added to the governance arrangements to oversee the Trust's operational recovery programme. These consisted of a restart and transform planning group

and an operational delivery group, underpinned by a set of working groups covering specific areas for PPE and procurement, staff testing, environment, outpatients, workforce and activity tracking.

Hospital specialists and senior GPs worked together to review patient lists, reassess patients' needs and agree the best course of action in every case – making sure that patients with the most urgent needs were prioritised. Patient consultations continued to be carried out by video or phone wherever possible which, as well as being more convenient for patients, reduced visits to hospital sites. The Trust also introduced a 'wait in your car until called' process to reduce the number of patients in outpatient waiting areas.

In conjunction with the restart and transform programme, the Trust began to put in place robust contingency plans to prepare for the possibility of a second wave of the pandemic and to ensure that sufficient capacity was in place over the winter period to manage a potentially very high level of demand for both COVID-19 and non-COVID-19 emergency cases over the remainder of the year. This followed the national 'adopt, adapt, abandon' model, in line with the findings from a regional COVID-19 pandemic response and system learning exercise conducted by the Clinical Senate Council. In response to the changing requirements and clinical configuration to restart services, the Trust again evaluated and adapted its staffing establishment and its bed base configuration to maintain safe patient care and target staff resources.

In mid to late December 2020, a rapid increase in patient demand associated with a second wave of COVID-19 admissions began again to impact on the Trust's ability to maintain safe services. The second wave was more intensive than the first and resulted in even more operational pressures and further reduction of inpatient bed capacity. A decision was taken to suspend non-urgent inpatient activity at St Albans hospital to facilitate the release of staff for redeployment at Watford and as the position deteriorated further, it was necessary to cancel some elective care activity and re-establish the ethical advisory panel and the clinical decision panel.

COVID-19 presented the NHS with arguably the greatest challenge it had faced since its creation, however, through its skilled and dedicated workforce, the Trust has responded to all the challenges and has strived to continue to provide safe and effective care to its patients.

**Staff testing and vaccination programme**

An important element as the Trust moved through its recovery plan was the testing and vaccination of staff. A drive-through testing facility was set up for staff that had symptoms as well as lateral flow testing was available for staff to test themselves twice a week. Pathways were also developed to support the tracking and tracing of staff to assess levels of patient contact and self-isolation requirements.

The Trust began to plan for the COVID-19 vaccination programme in early November 2020 when it became clear that several potential vaccines were near to gaining approval from the Medicines and Healthcare Products Regulatory Authority (MHRA).

A phased vaccination programme kicked off on 04 January 2021 which aimed to vaccinate all Trust staff, as well as supporting partners in the community and mental health.

By the close of the vaccination programme in April 2021, 22,000 doses of the Pfizer-BioNTech vaccine had been delivered to health and social care staff across West Hertfordshire and nearly 80% of Trust staff had received their two doses.

**Using digital technology to treat COVID-19 patients**

At the beginning of the pandemic, two of the Trust's respiratory consultants, Dr Matthew Knight and Dr Andrew Barlow worked together to develop a service which aimed to reduce admissions safely for patients presenting with COVID-19 and to facilitate safe early supported discharge from wards.

With the support of redeployed front-line staff and some volunteers, the virtual hospital was born and the first patient was seen on 14 March 2020. The virtual hospital enables patients to recover at home whilst keeping the respiratory team looking after them fully updated via an app. Depending on the health of each patient, they follow a schedule for uploading key health data; such as heart rate, temperature and the oxygen levels in their blood, which they measure using a small piece of equipment called an oximeter.

The pilot began with limited technology and with the team calling every patient, every day. But with support from NHSX and product development by tech firm Huma, the model is now far more sophisticated. Algorithms work with the app and can track subtle changes in patients' symptoms, sending alerts when measurements move out of a set range. Patients whose data is a cause for concern can quickly be transferred to hospital if needed or have an online consultation arranged.

At present, more than 4,000 patients have been through the virtual hospital. It is estimated that at least 1,000 'bed days' have been saved since the pilot started.

Congratulation to Dr Matthew Knight who was awarded an MBE in recognition of his contribution to setting up the virtual hospital and to Dr Andrew Barlow who has been appointed the clinical lead for COVID-19 virtual hospitals for the East of England region for the work they have led on the virtual hospital.

*"The virtual hospital has allowed us to avoid hospital admissions and return patients to their family quickly to complete their convalescence at home with continued monitoring supported by technology. The feedback from patients and their families on the virtual hospital has been overwhelmingly positive."*

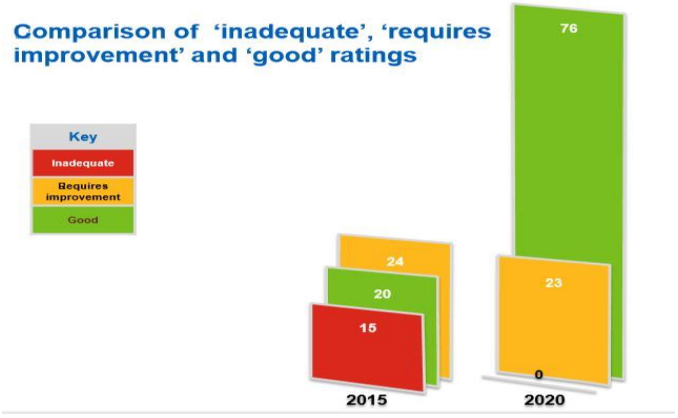
*Dr Andrew Barlow, Respiratory Consultant*

## Care Quality Commission

The Trust underwent a partial announced inspected by the Care Quality Commission (CQC) in February and March 2020. All three hospitals were inspected with urgent and emergency care inspected on each of the three hospitals, medical care services inspected at Watford and Hemel Hempstead and surgical services inspected at Watford. The Trust was also inspected for 'use of resources'.

Overall, the Trust's rating remained as 'requires improvement'; with all services at Watford Hospital and St Albans Hospital rated overall as 'good' (eight and three services respectively) and two out of three services at Hemel Hempstead are rated overall as 'good' with one rated as requires improvement.

The Trust has seen a significant improvement in its CQC ratings over the past five years, as clearly demonstrate below:




*"The support received from the community has been phenomenal. The demands on staff, especially those caring for our sickest patients, have been huge. Having a space to talk about the day or just sit and reflect after work and before going home can really help staff manage their stress."*

**Christine Allen, Chief Executive**

The tremendous offers of support and kindness from local people and companies during this extraordinary year was overwhelming. This included donations of technology to keep patients in touch with loved ones, toiletries for essential staff care boxes and continuous supplies of food. From the countless messages received from the public, to rainbow posters on the side of Trust buildings and painted on roadways, knitted hearts and patchwork blankets through to the #ClapForCarers, the Trust cannot express how much all these kind gestures of support meant to staff. Thank you also to Warner Bros. Studios Leavesden, Golden Tours and Barnett's Coaches who hosted a free shuttle bus to transport staff between the sites throughout the pandemic.

The support shown to the Trust by its neighbour, Watford Football Club was incredible. It started with a request to use their large meeting rooms to allow the Trust to plan its COVID-19 response whilst adhering to social distancing regulation and developed into a wonderful staff wellbeing facility called the Sanctuary which offered staff a much-needed change of scene from the busy hospital environment. Over 1,000 staff a day were given free breakfast and lunch and there was overnight accommodation and seating areas for staff to chat and reflect after a tough shift.

People visiting the Sanctuary were also well looked after by staff from four major airlines who served drinks and snacks, as well as having access to a range of massage chairs.

The Sanctuary finally closed its door in the middle of June 2020 when the football season restarted and to say thank you to the Football Club for its kind generosity, around 700 staff turned out to 'clap for the club' on 29 May 2020. To recognise the kindness and solidarity shown to staff, a special 'honorary Team West Herts' badge was handed out to Watford Football Club staff and volunteers.

In 2021, the Football club once again came to the support of the Trust when it opened up its facilities to become the venue for the staff vaccination programme.

## Remembering colleagues that died from COVID-19

Tragically, a number of in-service and past staff died as a result of COVID-19. The Sanctuary provided counselling rooms for staff who needed help with the emotional trauma and the Trust's chaplaincy team created a memorial room for staff who wished to remember colleagues that had died during the outbreak.

The Football Club was also the venue for a staff memorial service in April 2020 which was hosted by the Trust's chairman and chief executive and included a one-minute silence and a special private ceremony also took place in a new memorial garden at Watford hospital.

## Quality Account

The Trust is required to prepare a quality account for each financial year and is due for submission at the end of June 2021. The account is produced according to the relevant national guidance and includes the progress of identified quality priorities that were set for 2020/21.

## Serious incidents

The Trust reported seventy serious incidents (SI) in 2020/2021, which were fully discussed by an executive-led panel and, all externally reported incidents were investigated in collaboration with the divisions. Of these, 33 were health care-associated infection (HCAI) and infection control incidents, mainly due to COVID-19 incidents. The remaining SIs fall into the following categories: maternity/obstetrics incidents meeting *HSIB criteria, delayed diagnosis, suboptimal care of the deteriorating patient, surgical/invasive procedure (including never events), and falls. The table below identifies the actions taken in 2020/2021. (*HSIB – healthcare and safety investigation branch)

| Serious incidents | Actions taken |
|---|---|
| HCAI infection | At the beginning of COVID-19 pandemic:<br><br>• COVID-19 and non-COVID-19 patient pathways implemented.<br>• Outbreak meetings held, involving multi-professional and multi-agency input.<br>• Screening of patients presenting with symptoms.<br>• Infection prevention control extra resources implemented e.g. daily auditing, training for donning and doffing of PPE, COVID-19 training. |

| Serious incidents | Actions taken |
|---|---|
| | • Screening of all contacts, including staff.<br>• Enhanced cleaning implemented.<br>• Flow charts developed to aide management of patients and support, infection, prevention and control and operational management.<br>• Other additional work, including spot checks and updated audits. |
| Maternity obstetrics meeting HSIB criteria | • All incidents which meet the criteria for HSIB referral, including stillbirth and transfer to the neonatal unit, reported.<br>• Incidents discussed at the maternity unit safety meeting.<br>• SI panel meetings held promptly to review incidents.<br>• All referrals to, and accepted by HSIB, automatically graded as an SI. |
| Delayed diagnosis | • Communication between each department/ward streamlined.<br>• Clinicians provided with additional training sessions, inductions, and handovers to improve abdominal pain diagnosis.<br>• Clinicians recapitulated on providing complete information when referring patients for urgent procedures to prevent delay in diagnosis.<br>• Protected time for radiologists to further consolidate different reporting techniques and methods required within acute settings. |
| Falls | • Post falls management reinforced to ensure that appropriate clinical priority is given to the request and neurological observations carried out. |
| Sub optimal care of the deteriorating patient | • Decisions on the level of harm usually requested first and subjected to receipt of a post-mortem report.<br>• SI panel decides the level of investigation.<br>• Incidents identified by the medical examiner may be referred to the morbidity and mortality panel for review and immediate lessons learned pending the outcome of the investigation. |

## Never Events

In 2020/21, four serious incidents were declared as never events. All never events are subjected to intense investigation and scrutiny and action plans are drawn up with the multi-disciplinary teams to ensure that national guidance is embedded and, where required, changes in practice are implemented to prevent a recurrence. Never events are routinely shared with the Herts Valleys Clinical Commissioning Group (HVCCG) as well as with CQC and the NHS England and Improvement. The table below demonstrates the learning which resulted from the investigations into the four never events.

| Category | Incident details | Actions taken to prevent future incidents |
|---|---|---|
| Object missing drill bits | Broken drill pin during total knee replacement surgery. | The investigation into this event is still in progress and actions will be established when it is completed. |
| Retained swab | Swab left during surgery. | • Following the Trust's surgical procedure, all staff completing any invasive surgical procedure must count all items in the delivery and surgical packs before and after the procedure<br>• The Trust's perineal suturing guidelines will be altered to state that all items within the delivery and instrumental packs must be counted before and after the procedure.<br>• To introduce the perineal repair, Local Safety Standards for Invasive Procedures (**LocSSIPs**) LocSSIP audit is undertaken on a quarterly basis, in line with national guidance<br>• All staff must endeavour to ensure they actively engage in the swab and instrument count for the |

| | | |
|---|---|---|
| | | surgery they have been involved with and document in the patient notes as confirmation.<br>• The delivery pack must be fully counted and cleared away prior to the perineal pack being opened. |
| Wrong site surgery | Wrong site nerve root injection. | • Consent forms to be visible at all times by the operating surgeon acting to act as a visual aid to remind the surgeon to double check side and site.<br>• When performing unilateral injections, the side that is not being injected to be covered with a sterile drape.<br>• Using a dyed skin prep to mark the side of the injection to act as a visual aid.<br>• Grouping together same sided injections on theatre lists.<br>• Using radio-opaque left and right markers on a patient as a visual aid and reference when taking x-rays using the image intensifier. |
| Wrong size implant | Patient given the wrong size implant. | The investigation into this event is still in progress and actions will be established when it is completed. |

## Harm free care

Harm free care is a national programme to help NHS teams in their aim to eliminate harms such as pressure ulcers, harm from a fall, urine infection (in patients with a urine catheter), new venous thromboembolism (VTE) and harm from medication errors. Each month “test your care” audits are carried out in many clinical areas and this information is incorporated into the ward scorecard, which enables clinical areas to be aware of performance and develop initiatives for improvement. The Trust continues to work collaboratively to improve the assessment and planning of care within pressure ulcers and falls which enables peer support and sharing of ideas both regionally and nationally. A quality improvement form was introduced in 2020/21 where senior members discuss areas of support and guidance in a proactive way to improve the safety and quality of care.

## Learning from deaths

In year, the Trust successfully recruited a full medical examiners team to provide a strong element of independent oversight to the structured judgement review (SJR) process, improve quality of death certification and to provide a senior independent clinical portal for communication with bereaved relatives. The medical examiners also serve as the principle point of contact for referrals to the Coroner’s Office and screen patient deaths and trigger structured judgement review when they are alerted to one or more of the criteria listed in the Trust’s learning from deaths policy.

During 2020/21, there were 1968 inpatient deaths, including 18 neonatal deaths and 11 stillbirths. 71 deaths (3.6%) met the selection criteria for structured judgement review with 48 (68% of those selected) having scored adequate to good care. In 1% of all deaths, it was judged that some aspect of care could have been improved. For quality assurance purposes, one in every 10 SJRs are repeated by another reviewer.

Narrative from SJR cases is routinely captured, with both negative and positive aspects of care recorded. This information is presented at divisional governance forums and the learning is shared with divisional directors, their specialty teams and divisional quality governance facilitators.

## Safeguarding

Safeguarding patients has continued to be a key priority during the pandemic with a number of adaptions to existing frameworks and legislations. the Trust's safeguarding policy was reviewed against the national guidance, with particular reference to the Coronavirus At (2020) and the safeguarding panel meetings continued throughout the year. A new safeguarding handbook was developed and an e-learning training packages were created as face-to-face training was suspended. A focused piece of work was undertaken in partnership with the Acute Health Liaison Team to support patients with learning difficulties and the safeguarding team worked clinically with staff to ensure that the Mental Health Act was used appropriately in the admission process and considered when patients had a positive diagnosis of COVID-19. The Trust also remained active in maintaining a focus on domestic abuse and delivering care to children and young people.

## Getting it right first time

Getting It Right First Time (GIRFT) is an NHS improvement programme delivered in partnership with the Royal National Orthopaedic Hospital NHS Trust. It is designed to improve the quality of care within the NHS by reducing unwarranted variations. By tackling variations in the way services are delivered, and by sharing best practice between trusts, GIRFT identifies changes that will help improve care and patient outcomes, as well as delivering efficiencies such as the reduction of unnecessary procedures and cost savings.

As a result of COVID-19, the GIRFT programme has been held virtually and a range of network wide events were introduced which the Trust took part in, such as the London network pathology deep dive, an emergency medicine regional workshop and an East of England eye care workshop.

The Trust held several GIRFT deep dive meetings throughout 2020/21, which included both gastroenterology and neurology. Reviews in ways of working and changes in practice have resulted in improvements across a range of specialities, examples of which are reported through regular updates to the quality committee as part of the internal GIRFT governance process.

## Quality improvement

A partnership with the Royal Free London NHS Foundation Trust has continued in 2020/21 which supports the Trust's central quality improvement (QI) hub. The hub uses a consistent QI methodology developed by the Institute of Healthcare Improvement (IHI) to facilitate service improvements and drive quality commitment throughout every area of the Trust.

## Addressing patient concerns

In 2020/21, performance in responding to complaints in a timely manner was adversely impacted by COVID-19 and fell below the 80% target in April and May 2020. Following this, performance significantly improved and remained consistently above 80% for the remainder of the year, even during the second wave of the pandemic, with the annual performance at 83%. Complaints management is carried out in line with the NHS complaints procedure, with complaints being acknowledged within three working days and initial contact made wherever possible in order to discuss the detail and context of the issues.

There has been a small increase in the number of complaints compared to the same period in 2019/20 (335 against 327), however this was against a backdrop of the pandemic and, as seen nationally, a change in patient pathways in areas such as elective care.

The loss of patient property featured as an area of concern during the pandemic, especially in circumstances where the patient had passed away. As a result, a patient property task and finish group was created to identify and implement immediate actions to improve this area of concern. This action resulted in a significant reduction in the number of complaints received.

Due to restrictions in visiting during the pandemic and families of patients not being able to speak to clinical staff, complaints relating to communication were also a prominent feature in complaints. A family liaison telephone line was established which was well received and helped to address some of the communication issues.

The complaints team works in collaboration with divisional teams, holding weekly meetings to ensure that detailed responses to complaints are provided. All complaints are reviewed by the chief nurse or designated deputy and signed-off by the chief executive.

Key performance indicators are used to monitor complaints management and the number of complaints, themes and trends are discussed in detail within divisional governance meetings to ensure that learning takes place and actions are implemented.

Although patients have not been able to attend in person due to the visiting restrictions, patient stories have continued to be presented at the start of Board meetings. These stories reflect on individual patient experiences to provide assurance to the Board that the processes in place are effective and ensure that the Board has considered some of the detail that supports the formal reporting through the quality committee and the annual complaints report.

### Duty of Candour

The Trust is committed to open and effective communication with patients, their families and/or carers throughout the time spent under its care. When something goes wrong with the clinical care provided and a patient has or could have suffered harm as a result, the Trust ensures full compliance with its statutory duty to be open and honest as outlined in its duty of candour policy.

This remained a priority during the COVID-19 pandemic and a review of the risk management activities was undertaken to establish the best way to communicate with patients, relatives, and carers during the time of pressure. As would be expected in a national pandemic, the numbers of incidents requiring duty of candour to be undertaken rose significantly. This was mainly attributed to COVID-19 healthcare acquired infections reported according to the national classification. The processes for capturing and accurately reporting duty of candour compliance were reviewed and additional governance processes and resources were put in place to support the Trust to achieve the required compliance.

### Learning from patient feedback

Although the friends and family test (FFT) survey was temporarily suspended by NHS England and Improvement due to the pandemic, it still remained important to continue listening to patients and to enable them to give feedback about the services they were using. As such, the Trust undertook electronic FFT survey using iPads.

In 2020/21, a co-production board was established which acts as an oversight and advisory group and aims to jointly develop and deliver a patient involvement model that helps realise the ambitions within the Trust's patient experience strategy. A co-production model is a way of working that involves people who use health and care services, carers and communities in equal partnership; and which engages groups of people at the earliest stages of service design, development and evaluation.

A variety of forums and methods are used to collect patient feedback to improve services. PALS and formal complaints act as a vital channel for patient feedback, as do the results of national and local surveys and the national friends and family test. The Trust is also involved in multi-organisational patient engagement initiatives to capture views of service users, including the 'whose shoes' model and an aftercare patient call back programme.

The patients' panel has maintained its loyal support of the Trust in 2020/21, with a focus on communication in all its forms. This has been achieved through continual involvement in the work of the patient experience group.

Gill Balen retired in 2020/21 after seven year as chair of the patients' panel and 17 years as a founding member. Gill generously gave her time to support the Trust to improve patients' experience and she will be sorely missed.

As part of a new model of patient involvement, the patients' panel will continue to play an important role in the work of the new co-production board as described above.

## Key achievements and improvements

Despite the challenges faced this year with the COVID-19 pandemic, the Trust continued to implement changes to improve the experience of patients.

### Acute respiratory care unit opens

The Trust opened a new acute respiratory care unit. The new eight bed unit is a respiratory high dependency unit (HDU) that cares for patients with respiratory failure. Previously these patients were cared for on Aldenham, the respiratory ward at Watford.

### New secure rooms in children's emergency department

Two new secure rooms were created in the children's emergency department at Watford. These rooms provide the children's emergency department with the facility to isolate resus patients safer, more family centred environment.

### New CT scanner, St Albans

A new CT scanner at St Albans went into operation in October 2020. This was supplied by NHS Improvement and enables the Trust to offer rapid CT scanning for outpatients and inpatients.

## Outpatient digital call centre

A new digital call centre for the outpatient department and cancer two-week wait teams went live in June 2020. The new digital call centre allows patients to request a call back instead of holding on the line. It also has a triage system so that patients are digitally directed to the OPD service they require.

## New orthopaedics centre, St Albans

A new orthopaedics centre opened at St Albans in April 2020 which allows the Trust to provide more treatments and services.

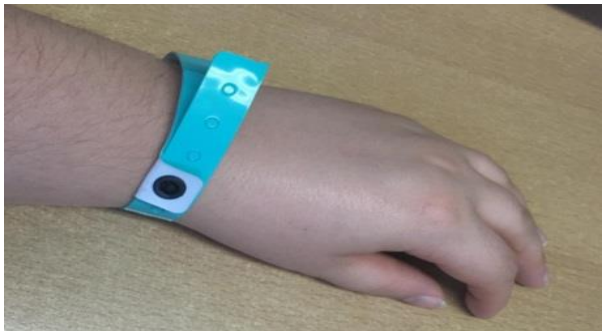


## Urgent Treatment Centre at Watford opens

A new urgent treatment centre at Watford opened in July 2020. This service is located in the minors areas of the emergency department and is run by Greenbrook Healthcare and staffed by experienced GPs and nurses and other healthcare practitioners.

## Falls wristband introduced

A new falls prevention project was restarted in June 2020 which included the introduction of a wristband to identify patients who were at high risk of falling.




## Get up, get dressed and get moving

A new initiative to improve the physical and mental health of inpatients at Watford by reducing deconditioning and changing the culture to encourage patients to get out of bed and wear their own clothes. Patients who maintain their level of function are less likely to develop complications and are more likely to return to their pre-admission place of residence, which can significantly improve quality of life.


## Financial headlines

For the 2020/21 financial year, the Trust reports an improving financial position by recording a revenue surplus within the target set by NHS England and NHS Improvement (NHSE/I).

The Trust has continued to improve services by implementing innovative patient pathways while upgrading its estates infrastructure within the limitations of available funding. The progress the Trust is making has been reflected in both an improvement in the conclusions emerging from of our Care Quality Commission inspections as well as better clinical experiences and outcomes for patients. Our efforts to improve our estate received a boost when the trust's large-scale plans to redevelop our estate were given the green light in 2019/20 by being included in the first wave of the Department of Health and Social Care (DHSC) Health Infrastructure Plan now termed the New Hospital Programme (NHP) . The trust's plans are among six targeted for construction starting within the next four years.

The management of finances during the 2020/21 financial year was obviously dominated by the effects of the COVID-19 pandemic and the Trust's efforts to save lives. The NHS introduced an emergency financial regime mandating fixed levels of funding topped up by funds that were specifically targeted to cover additional costs arising from managing the pandemic.

In setting a financial plan for the 2020/21 financial year within this emergency regime, the Trust agreed to manage services within a target, of spending up to £4.2m more than revenue funding that would be made available. This target included expectations for £55.0m of 'top up'1 income from NHSE/I. The Trust ended the 2020/21 year with a revenue surplus of £0.3m2, compared with a revenue deficit of £22.5m3 for the 2019/20 year.This performance was clearly better than the £4.2m deficit plan agreed for the year with NHS England and Improvement. . The improved performance was achieved through increased funding compared to the plan and lower than forecasted expenditure for planned care activities. For example, the expenditure forecast included significant internal outsourcing funds. Some national funding of this work contributed ultimately to lower costs for the Trust.

[1] Top Up income replaces the Sustainability Transformation Partnership and Financial Recovery Funds in previous years.
[2] This is the adjusted surplus which the Trust's financial performance is measured against.
[3] This is the deficit reported against the breakeven duty of the Trust. Provider sustainability funds were not earned in that year, as the Trust did not agree to the control total of planned deficit of £7.9m.

Due to the ongoing pandemic plans for savings were curtailed. However the Trust managed to make efficiency savings totalling £1.9m over the course of the year.

On face value Trust income increased by 20.0% in 2020/21. (£472.5m in comparison to £393.7m in 2019/20). A main contributor to this increase was due to additional income (£24.9m) to cover costs related to managing the pandemic. In addition the emergency financial regime allowed for £55m of income broadly equivalent to financial recovery fund and emergency marginal rate income that had been planned for the 2020/21 year. In 2019/20 the Trust received £27.8m from a combination of the Provider Sustainability Fund, the Financial Recovery Fund and emergency marginal rate funds.
£8.3m of donated PPE from DHSC is shown as income as part of Other Operating Income.

The Trust's ability to treat as many patients as possible was limited due to the pandemic. The unprecedented situation required the Trust to introduce many changes supported by national policy such as the suspension of car parking charges for much of the 2020/21 year.

The emergency financial regime provided some degree of fixed funding cover to support these changes.

The flow of funds under the emergency regime mirrored patterns seen under the usual contractual arrangements. Much of the fixed funding was routed through the Herts Valleys Clinical Commissioning Group (HVCCG) as would have been the case for contractual funding under the usual financial framework. The underlying value of fixed sumsrouted through CCGs was based largely on activity numbers valued at rates determined by the national tariff payment system in 2019/20.

The Trust's operating costs (excluding impairments) rose from £411.9m in 2019/20 to £463.8m in 2020/21, a 12.6% increase.
Within this, staff costs increased by £26.1m. The increases can be summarised as:

- £7.5m associated with inflation and the impact of pay awards.
- £8.9m has been included in pay costs as a provision for annual leave that remains untaken but owed to staff. (The Trust would normally manage the leave of staff such that minimal levels remain owed. However the unprecedented situation required the Trust to allow staff to relax obligations to use allocated leave).
- A total spend of £12.8m was recognised against specific pay initiatives for dealing with the COVID-19 pandemic. This was partly offset by business-as-usual pay costs as resources were redirected as appropriate.

Non pay expenditure includes a total £17.7m of COVID 19 related expenditure. These costs were partially met through reimbursement process through NHSE&I. Non pay expenditure rose by £25.9m from £140.1m in 2019/20 to £165.9m in 2020/21, driven mainly by estate costs to facilitate pathway changes throughout the COVID-19 pandemic. In addition to this the costs for ongoing testing and the creation of a vaccination hub are contained within the non-pay position.

In addition to the above DHSC procured £8.3m of Personal Protective Equipment (PPE). £7.8m of this was consumed as expenditure within the financial year and is reflected within the statement of comprehensive income (SoCI). £0.5m was not consumed and held as stock at year end and reflected within the statement of financial position (SoFP). The total amount spent in relation to the COVID-19 pandemic was £38.3m.

The Trust continued to reduce its reliance on agency staff to reduce costs and improve quality. 2020/21 saw agency costs of £12.0m (the Trust spent £13.7m in 2019/20). Since 2015/16, the trust has reduced its agency spend from £36.7m to £12.0m. In order to support meeting our 2021/22 income and expenditure target, we expect to reduce reliance on agency staff even more by continuing to make substantive appointments more attractive and encouraging staff to join the internal bank. The Trust has made very good progress in recruitment drives from overseas nurses.

Although the Trust recorded a small surplus in 2020/21; this was insufficient to support break even over a seven-year period, taking one year with another. Technically the Trust is in breach of the Statutory Breakeven Duty over the permitted five-year period.

The cash flow throughout the financial year has been healthy due to the emergency regime supporting payments in advance at the start of the year. Investment in new assets (capital expenditure) totalled £57.3m which included £2.9m worth of donated equipment. This was supported by a public dividend capital injection of £43.3m. £2.6m worth of funding was received specifically to support capital expenditure related to managing the pandemic.

The main areas of spending were:

- Over £3.3m on fire safety improvements throughout the Trust to ensure compliance with current Health & Safety standards
- £4.2m on Critical Infrastructure Risks due to ageing of the estates and mitigating operational risks.
- £2.0m to develop plans to significantly improve theatres at Watford General Hospital.
- £5.4m to develop options, business plans and consultations for the complete redevelopment of the Trust's sites.
- Over £6.0m investment in Electronic Patient Records. The main focus of the change brought about by the EPR is on the internal transformation and organisation of the Trust's services, which will be critical to the development of an effective clinical service model to support the Acute Development and the Trust's service provision regardless of where services are provided from.
- Over £14m spend on the Multi Storey Car Park. The new car park will be opened in 2022. This will immensely improve upon patient and staff experience with car parking at Watford General Hospital with direct link to the new hospital.
- Over £4.5m spent to replace ageing medical equipment including defibrillators and donated equipment funded centrally, by government from COVID fund.
- Over £1.5m to replace one of our cardiac catheter laboratories. This project will complete in 2021 with a second replacement. The cardiac catheter labs provide cardiac interventions for both inpatients and day-cases.
- Over £1.6m on new MRI/CT scanners at both Watford and St Albans Hospital. These replace ageing diagnostics medical equipment and improve on patient experiences.
- Over £2.6m on increasing capacity in A&E.
- Over £2.5m of COVID-19 related expenditure. This is funded separately by DHSC.

Outstanding DHSC loans had reached a value of £236.7m on the Trust's balance sheet before being replaced with public dividend capital (a form of government equity investment) in August 2020. The Trust will be required to pay a dividend against this new injection of public dividend capital, but this will be offset by no longer paying interest on loans. Dividends payable at 3.5% exceeds the previous loan interest charge however financial recovery funding had been set at a level to compensate for this increased cost. Trust liquidity and cash flow will improve in future years due to no longer needing to repay loan principle.

The plan for the 2021/22 financial year anticipates appropriate funding to support our response to any further recurrence of COVID-19 without incurring a financial deficit. It is planned for expenditure the first 6 months of the year to balance with expected funds.

Providing services in 2021/22 will require capital investments supported by public dividend capital to complete the electronic patient record, the major redevelopment of our sites the refurbishment of Watford General Hospital theatres, multi storey car park, fire safety improvements together with other essential projects and ongoing replacement of medical equipment. All COVID-19 related investments will be funded separately if it is required in addition to what has already been invested in 2020/21. Other investments will be planned for as part of a Hertfordshire and West Essex system wide agreement for capital investment. Our draft plans target further investment in the estate ahead of our approved New Hospital Programme scheme.

## Financial risk

The Trust's financial risk is assessed against a five-point rating developed by NHSI, each one scored from 1 to 4. The Trust's performance for the year against these financial indicators provides an overall score of 1, reflecting the small operating surplus and improvement in cash and liquidity situation alongside and a continued reduction in agency costs. The Board uses this each month, together with other information to manage its finances. An overall score of greater than 2 is unsatisfactory.

The outcome of strategic work on the provision of healthcare to West Hertfordshire will support the Trust's longer term financial plans to address the overall financial risk score. As cash flow is a key component of any future financial recovery, future plans and agreements with regulators, it is good news that the DHSC loans have been written off in 2021.

## Internal audit

Internal audit and counter fraud services contracts were re-tendered in 2019/20. BDO LLP won the contract for Internal Audit Services. The Counter Fraud Service contract was retained by RSM4. The new contracts commenced for 2 years on 1 April 2020 to 31 March 2022. Internal Audit services were successfully transitioned from RSM to BDO LLP. With Trust input, BDO LLP developed an annual plan of work that was approved by the audit committee. Progress reports highlighting any significant weaknesses identified are reviewed at each committee meeting to ensure action is taken to manage risks and resolve weaknesses in the system of internal control. For further details please refer to the head of internal audit opinion in the governance statement on page 61.

## External audit

The Trust has a statutory duty to appoint external auditors under the Local Audit and Accountability Act 2014. Grant Thornton UK LLP was appointed after a competitive tender exercise for two years, as from 01 April 2019, for the provision of external audit services. The contract has been renewed for 2 years to 31 March 2021. The tender for services as from 1 April 2021 to 31 March 2023 have been further awarded to Grant Thornton UK LLP.

In the event that the Trust appoints Grant Thornton for work other than that of external audit, the expense is shown separately in the annual accounts as "other auditor remuneration" (see note 7.2 of the accounts). Any award of such work is subject to appropriate competitive processes and assurance that there is no conflict of interest with the role of external auditor.

## Better payment practice code

The Trust strives to pay its suppliers on time. Performance in achieving this is set out in note 33 of the accounts. Performance during 2020/21 was improved in comparison to 2019/20. The improvement was supported by the emergency financial regime in place to support the management of services during the COVID-19 pandemic. The Trust actively engages with suppliers where issues may arise in order to put in place arrangements which are appropriate to both parties' needs. Much improvement to BPPC was seen throughout the year.

## Fraud

The Trust's counter fraud policy is available on the Trust's intranet and internet to provide advice for staff in relation to reporting and dealing with suspected fraud. The Trust has a nominated local counter fraud specialist who assists the chief financial officer in raising awareness and dealing with fraud matters. The Trust has developed an action plan to improve its counter-fraud effectiveness after consulting with NHS Protect. The local counter fraud services contract is currently held by RSM. RSM won the competitive tender in 2019/20 for further 2 years from 1 April 2020 to 31 March 2022.

[4] RSM provided both Internal Audit and Counter Fraud Services to the Trust to 31 March 2020.

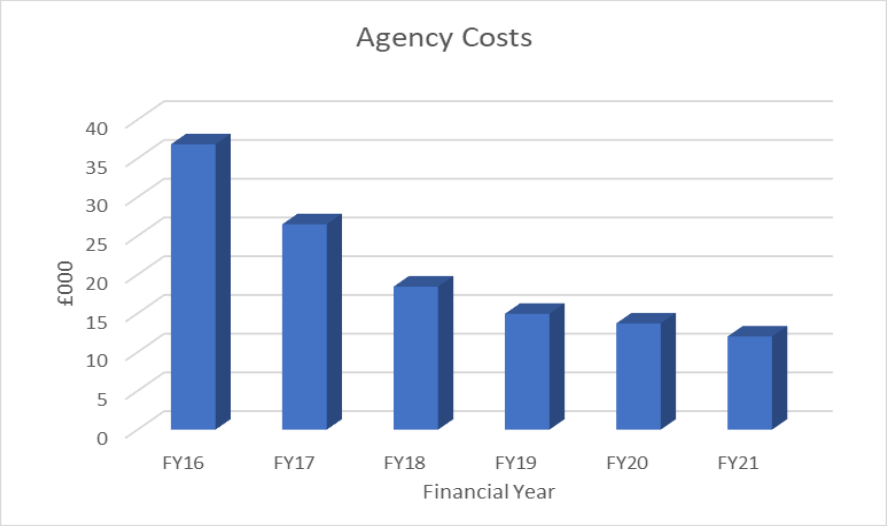
## Income generation activities

The Trust does not conduct material income generation activities outside of its usual business, where the aim is to achieve profit. Any financial benefit derived from these activities is used in patient care. Due to COVID-19 pandemic, staff and patients parked free of charge for the financial year 2020/21. There was very little income generated from its car parking facility.

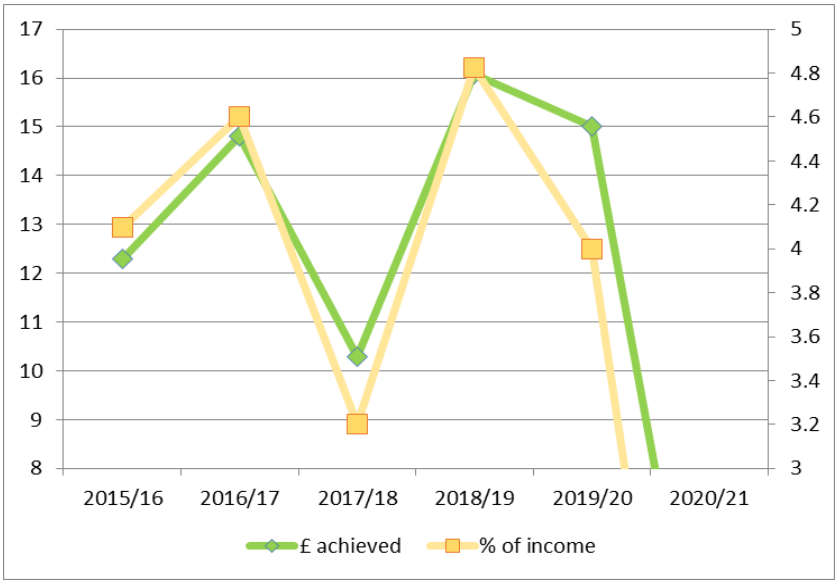
## Pensions

Past and present employees are covered by the NHS pension schemes. Details of the benefits payable under these provisions can be found on the NHS pensions website at https://www.nhsbsa.nhs.uk/nhs-pensions. Further details can be found in note 9 of the accounts.

## Agency expenditure for financial years 2015/16 – 2020/21




## Efficiency savings for financial years 2015/16 – 2020/21 (£k & % of income)



Since 2018/19 achievement is clearly an improvement upon prior years. Coordinated and systematic approaches to efficiency schemes, in conjunction with those involved in more strategic work, have yielded (and will continue to yield) recurrent improvements. Due to the COVID-19 pandemic Trust efficiencies were lower than in previous years.

raise
West Hertfordshire
Hospitals Charity

2020/2021 has been an unprecedented year for the Trust's charity, Raise. The COVID-19 pandemic has meant that the past year been very different for the charity, but the sheer generosity and kindness of the local community has been incredible and overwhelming. From the start of the first lockdown, Raise was flooded with kind offers of gifts and services to support our amazing NHS staff and patients in the fight against Covid-19.

In addition to this, in December 2020, Raise ran its successful Christmas appeal, Raise a Smile, for the third year and raised £20,000 in contributions and gifts, which enabled it to deliver nearly 70 Christmas hampers and over 300 meals to staff and patients across the Trust.

In 2021/22, the charity will focus its efforts on its Raise a Rainbow appeal – an appeal to raise money to support the wellbeing of patients and staff across the Trust.


## People strategy

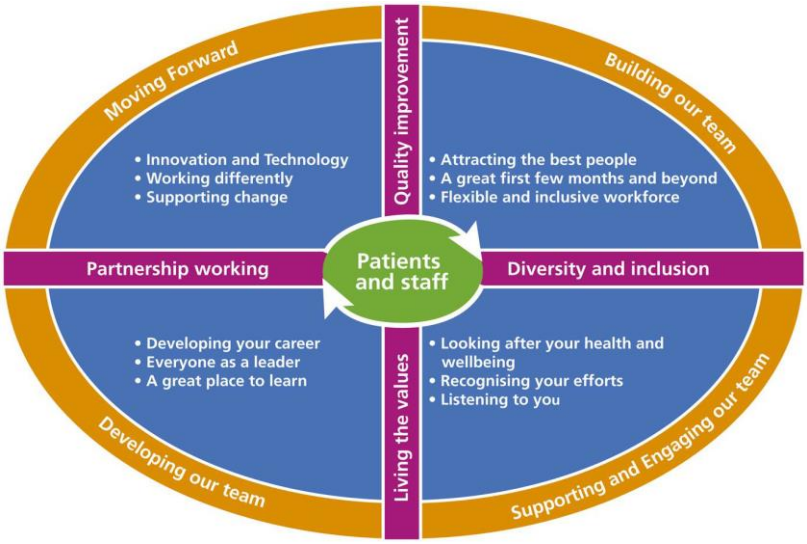
The Trust's refreshed People Strategy for 2020-2025 was launched in February 2020, building on the 2016-2019 workforce and development strategy.

A great place to work steering group monitors the delivery of the strategy, which reports into the People, Education and Research Committee.

The new strategy places much greater emphasis on partnership working, quality improvement, diversity and inclusion, and living our values.

The People Strategy was launched, knowing that the NHS People Plan was expected to be published at some point during the year. It was finally published in July 2020 and the People Strategy was cross referenced against the commitments made in the plan 'We are the NHS: People Plan for 2020/21 – action for us all' and the NHS 'People Promise' which was contained within the plan. Due to the COVID-19 pandemic the People Plan commitments cover the period to the end of 2021 and it is expected this will be refreshed towards the end of the year. We are currently reviewing our strategy to ensure our priorities are consistent and appropriate for the rest of 2021.

The graphic wheel below shows the overall strategy and how the four different phases fit together with the four threads that run through and join up the people strategy.




## Progress towards achieving equality

The People Strategy which has diversity and inclusion running through it and join up all elements of the strategy. As soon as it became clear, that there was evidence that COVID-19 did not affect all population groups equally; for example, the risk of getting the infection, experiencing more severe symptoms and higher rates of death was particularly high in people with a black, Asian or minority ethnic (BAME) background, the Trust acted fast to communicate this across its workforce.

The Trust's BAME staff network Connect was re-launched and expanded and this network was instrumental in securing around £100,000 for cultural intelligence training, as well as staffing support for the network. Action was also taken to ensure that all BAME colleagues who tested positive to COVID-19 were immediately admitted to the Trust's 'virtual hospital' to ensure they received daily calls from a consultant. Other BAME staff, as well as those with health conditions had regular conversations through the Trust's absence support hub.

The Trust's diversability staff network also provided psychological safe environments for colleagues with disabilities or long-term health conditions, which has led to an increase in staff identifying themselves as disabled in the year. This is important as it enables the Trust to evaluate disabled staff experiences more effectively.

A third equalities network was launched in February 2021 to support LGBT+ (lesbian, gay, bisexual, or transgender, and people with gender expressions outside traditional norms) staff. The network runs alongside the Trust's skills boosters online learning platform, which includes several LGBT+ awareness courses.

The Trust's equality related action plans and data can be viewed in detail via the following link: https://www.westhertshospitals.nhs.uk/about/equality.asp


All staff were encouraged to take part in the National staff survey which ran from October to November 2020. The Trust achieved a response rate of 47% (41.9% in 2019) against an average of 45% for the sector. This demonstrated the best level of engagement based on the results of the last five years. The survey was divided into five key areas: your job; your manager; health, wellbeing and safety at work and your organisation and there were additional questions relating to COVID-19.

Staff gave a broadly positive view of working life, with 69.9% of those from COVID-19 wards and departments reporting satisfaction with support from managers – compared to 69.1% nationally. Our staff rated our patient care highly too. They have an excellent insight and so we were pleased that 73.3% ranked our care as 'inspirational' compared to a national average of 70%.

Feedback from the staff survey continues to feed into a programme of work supporting the People Strategy 2020-2025. Divisions are responsible for reviewing and considering actions for their respective areas and equality, diversity and inclusion will be an area of focus over the next year, as well as morale and safety culture.

## Supporting the health and wellbeing of staff

A key aim of the Trust is to create a culture of care and compassion so staff feel looked after and this has been even more important than ever during the pandemic. During the year, the Trust has partnered with Watford Football Club and Project Wingman to offer staff additional areas in which to rest and get away from the pressures of work.

As the additional rest areas were so well received by staff, the Trust has since established a changing Herts project group to oversee plans to redevelop the outside space, as well as the refurbishment of staff rest areas which includes enhancing the physical environment within critical care with a 'calm zone'. A recent refurbishment of the onsite pastoral and counselling rooms has also proved to be extremely beneficial for staff and is used regularly by a great deal of staff.

*Photo: The Trust's wellbeing Champions*

Recognising that stress and anxiety has significant impact on staff, a new programme and toolkit has been developed to support staff and managers. As staff were unable to meet in person during the pandemic, webinars on topics such as financial seminars, wellbeing and home working, yoga sessions and mindfulness have been offered. Furthermore, the Trust aim is to provide specialist onsite psychological support for staff and has appointed a full-time onsite counsellor. A referral pathway is also being developed to embed and enhance a coordinated and streamlined service which links in with other services such as occupational health and pastoral care. This will be aligned with remote psychological support offered across the integrated care system.

A new training package will be developed over the coming year which is aimed at helping managers to spot the signs of distress and to facilitate a conversation. Furthermore, as part of the wider system strategy and NHS People Plan, the Trust plans to introduce and embed wellbeing conversations into the organisation through different channels and training. Mental health first aiders will be used to support this initiative and training across the Trust.

As the Trust continues to support flexible and remote working due to the pandemic, future strategies for staff wellbeing will be developed. Health checks will be offered to staff, as well as fast-tracked physiotherapy assessments, together with free eye tests and contributions to glasses required for computer screen use.

Information on the Trust's COVID-19 testing and vaccination programme can be found on page 11.

## Education, learning and development

The delivery of education, learning and development services throughout the Trust was severely impacted by the COVID-19 pandemic and all face-to-face training was suspended between April and September 2020 and between January and March 2021. Despite this, some excellent achievements and milestones were still reached.

In medical education, although the studies of some medical students were paused due to the suspension by partner universities, most training programmes continued and were adapted to run either remotely or face-to-face with stringent social distancing and PPE measures. To further support learners, a weekly COVID-19 forum with junior doctors' representatives was established to ensure that key messages continued to be communicated and feedback from trainees was received. This proved particularly useful in managing the necessary organisational changes, such as ward zonal systems. In addition, some disused student accommodation was redeveloped into on-call facilities.

The Trust's first-line leadership programmes were completed in 2020/21 and preparatory work continued towards the launch of a senior leadership programme planned for the summer of 2021. The remaining suite of courses and programmes continued where possible during the year, with some cases adapted for online delivery. Several bite-sized remote delivery leadership and coaching courses were developed to support staff during the height of the pandemic, as well as considerably expanding the amount of individual and group coaching delivered. A new compassionate leadership module was launched in November 2020 and will be embedded into all future leadership and management programmes.

Mandatory training for staff was suspended between April and September 2020 and the opportunity taken to introduce some improvements to the system and the reporting methods, so that when mandatory training resumed in September 2020 it was much easier for managers to pinpoint areas of compliance and excellence. As would be expected, mandatory training compliance dipped below 90% in September 2020, however it returned to 90% before December 2020 as clearer reporting and improved courses made it easier for non-compliance to be traced and rectified.

Development programmes for nurse and allied health professionals continued online during the year and on international nurses day (12 May 2020) a new Florence Nightingale leadership programme for band five nurses was launched.

Simulation played a key role in the upskilling of staff during the pandemic, in areas such as proning, crucial care skills, donning and doffing PPE, airway management and many other scenarios. Several training videos were produced which have been used across the NHS, including in the Nightingale Hospitals and internationally. The Trust's simulation centre is now seen as a centre of excellence amongst its business partners and received a considerable equipment upgrade in its technical equipment in November of 2020.

Although progress towards becoming a Teaching Hospital was delayed by the pandemic, it is now back on track and the Trust will be ready to formally submit its application in the early part of 2021/2022.

**Recognising staff**

The pandemic has meant that the Trust has not been able to celebrate its staff in the ways that it would normally, however new ways have been found to recognise and thank them. The chief executive sent thank you letters to every member of staff to acknowledge the challenges of the year and explain how to access wellbeing and psychological support. Staff have also been given a voucher to receive a free coffee and cake and in November 2020 a 'We Value You' week was held in November 2020 to say thank you and acknowledge the selflessness and personal sacrifice that staff had made during the pandemic.

Chocolates were also sent to staff who were shielding and the chairman and chief executive held virtual coffee morning sessions with them in March 2021.

Unfortunately, it was not possible to celebrate the staff long service awards in the usual way, however, the chief executive and chairman were able to personally thank a small group of the Trust's longest serving staff at a virtual awards ceremony.

In recognition of the incredible dedication of staff during the COVID-19 pandemic, the Trust's successful #StarsofHerts social media campaign was re-launched to shine a light on individual members of staff and show them how much they were valued.


*Photo: Staff receiving their goodie bag in 'We Value You' Week*

The Trust's monthly staff awards scheme will be relaunched in 2021/22.

## National recognition

In 2020/21, the Trust was shortlisted in three categories in the Healthcare Financial Management Association Awards scheme and was awarded the winner in two of these; the excellence in organisational development category for a senior medics' assessment and review trial (SMART) initiative and the HR team of the year category.

In addition, the Trust's chief nurse Tracey Carter and respiratory consultant Dr Matthew Knight were appointed MBEs (Member of the Order of the British Empire) for services to the NHS in the Queen's Birthday 2020 Honours List.

The Trust hosted a number of high-profile visits during the year, including welcoming Professor Jo Martin, president of the Royal College of Pathologists (RCPath) who visited the microbiology department at Watford to hear about rapid diagnostic testing for COVID-19. She said that the department had always had a fantastic reputation nationally and this was yet another example of how well the team had risen to COVID-19 challenges. The Chief Executive of NHS England, Sir Simon Stevens also visited Watford to see the virtual hospital in action (further information on the virtual hospital can be found on page 12).

## Thank you to our fantastic volunteers


Photo: Two of our brilliant volunteers

Due to the pandemic, a decision was taken to stand down the majority of the Trust' volunteers, from around 1,000 to less than 100 as most fell into the high-risk category and it was important to put their safety first. However, it was evident that the Trust needed more help to ensure that patients had the right support and to look after the health and wellbeing of staff.

Following an urgent recruitment campaign 300 applications were received within a week which led to the establishment of a team of response volunteers who were quicky trained and set to work. The volunteers helped with a variety of tasks, such as refilling food and drink supplies for staff, delivering belonging and letters to patients, distributing personal protective equipment and donations, supporting wards at mealtimes and assisting with the Trust's vaccination programme.

A volunteer hub was established to act as a central place to coordinate the response volunteers and since 31 March 2020, over 200 response volunteers have supported the Trust and have donated over 12,000 hours.

As well as the role of response volunteers, the Trust's regular volunteers have supported specialist projects throughout the year, including in the emergency department and the women and children's service, as well as end of life care and with teens and young people. The age of the volunteers range from 16 to 69, with half being under 20 years old.

The volunteer team, and three individual volunteers were awarded the Helpforce 'Wall of Fame' in November 2020, and in December 2020, 22 of the Trust's volunteers were given a Hero of Hertfordshire award by the Lord Lieutenant of Hertfordshire for having donated at least 100 hours per person to the response volunteer programme.

## Research and development

The Trust continues to be committed to contributing to clinical research to support the development of new ideas, products, and clinical services for the benefit of patients. As a result of COVID-19 and the change of emphasis and working practices, work is underway to review and update the Trust's research and development strategy 2020/23. There are systems in place to ensure that the principles and requirements of research governance are applied consistently through a full set of policies and standard operating procedures which have been ratified by the Trust.

During 2020/2021, the Trust recruited more participants to National Institute for Health Research (NIHR) studies than ever before, including to the well-publicised urgent public health COVID-19 clinical trials which contributed much to the evidence on effective treatments for patients with COVID-19.

During 2020/21, 3831 participants took part in research at the Trust which was approved by the Health Research Authority (HRA), with 2262 of these being studies supported by the NIHR. Participants were recruited to 87 studies, 72 of which were NIHR. An additional 57 clinical research studies have participants in follow-up and the NIHR supported 125 of these 144 studies through its research networks.

The research involved several different types of studies; including patients on medications and treatments, involving patients completing a questionnaire, or a review of data held on systems. The projects involved participating in large non-commercial and commercial studies and some were sponsored by pharmaceutical companies. Divisions have worked hard throughout the year to ensure that research was available alongside standard clinical care and one hundred percent of research participants who completed a national satisfaction survey in 2019/20 reported that they had found the process to be a good experience and would be happy to participate in another research study.

## Freedom to speak up

Freedom to speak up continues to be widely promoted throughout the Trust through posters, leaflets, and a wide range of internal communications channels. The Trust appointed a permanent, independent, freedom to speak up guardian in July 2020 with the current non-executive director offering support when required.

In 2020/21, 35 freedom to speak up cases were reported with themes mainly relating to managerial behaviour and bullying and harassment. It is recognised that many of the concerns raised through freedom to speak up are linked to conflicts that should have been addressed sooner and therefore supporting colleagues through informal resolution is a key priority. The themes for concerns raised during the beginning of the response to the COVID-19 pandemic changed to reflect key national issues such as availability of appropriate personal protective equipment (PPE).

Through positive, targeted recruitment, the numbers and diversity of the freedom to speak up champions has increased during the year. It became obvious that different members of staff feel comfortable raising concerns to different champions and therefore in 2020/21 the Trust will continue with targeted recruitment at particular bands, job roles and protected characteristic groups where champions are currently under-represented to ensure that as many people raising concerns as possible have a champion they feel comfortable approaching.

## Flu vaccination

The 2020/21 staff flu vaccination campaign ran from September to December 2020 which was shorter than usual as the Trust prepared to roll-out the COVID-19 vaccination programme with a seven-day window required between the flu and COVID-19 vaccinations. Due to the COVID-19 were held this year and all vaccinations were given to frontline staff by the flu vaccination nurse and peer vaccinators. The total 79.1% of patient facing staff received the flu vaccine.


## Strategy

The Trust's five-year strategy was developed in 2020 with input from a wide range of staff, stakeholders and patients and builds on the huge progress that has been made over the past few years to improve services for patients and the working lives of staff, including moving out of 'special measures', winning a range of national awards, significantly reducing vacancy levels and seeing a rise in staff morale.

## Working in partnership / sustainability and transformation partnership

A Healthier Future
Improving health & care in Herts and west Essex

In line with all NHS organisations and local authorities, the Trust is working closely with partners to develop new ways of working to meet the challenges facing health and care services and deliver the ambitions in the NHS long term plan. The Trust is part of the Hertfordshire and West Essex Integrated Care System, where health, local government and voluntary sector organisations work together to improve health outcomes and ensure that services are managed in the most cost-effective way possible to meet the needs of the population.

Locally the Trust is working with other health and care organisations that deliver services in west Hertfordshire in an integrated care partnership. This local level of working enables the Trust to join up care more effectively at a patient level and to tailor services to better meet the needs of the local communities. Over the next year the Trust will be changing the way it cares for children, people with diabetes, and frail people, to help them to stay as healthy as possible and reduce their need to spend time in hospital.

The partnership has been really put to the test during the last year by working together to respond to the COVID-19 19 pandemic. The strong relationships and shared focus on the best interests of patients has allowed changes to be made to support people in care homes, facilitate rapid discharges from hospital and manage people safely at home through the Trust's virtual hospital model.

The experience has really shown how important it is for all the local health and care organisations to work together to deliver much better care for patients.

## Acute redevelopment

While COVID-19 has felt all consuming at times, it has not diminished the Trust's ambition to provide patients and staff with new buildings and up-to-date facilities by 2025. In September 2020, the Trust received the fantastic news that it was one of six trusts to share £2.7bn of Treasury funds to improve buildings and facilities and since then planning has continued in earnest, considering detailed costings and designs.

In October 2021, a decision was made by the Boards (which include clinicians) of this Trust and Herts Valleys Clinical Commissioning Group (HVCCG) and unanimous support was given for retaining and redeveloping the Trust's existing three hospital sites.

The estimated cost of the Trust and HCCCG's emerging preferred option is approximately £590m (at today's prices). Much of the funding would be spent at Watford which treats a far higher number of patients and has more buildings in poor condition than the Trust's other hospitals in Hemel Hempstead and St Albans. Around £50m of the £590m would be invested at these two smaller hospitals.

A previous funding envelope was set last year by the Prime Minister at £400m but NHS England and the Department of Health and Social Care confirmed that higher cost options (up to approximately £590m) could be considered and that proposals should demonstrate that new buildings could be delivered by 2025, or soon after.

This will be set out in an outline business case which will include updated activity modelling and the latest information on population growth and forecasts. It will also contain the results from a review of the site options available. The two key factors in deciding how suitable a site is will be how quickly it can be developed and whether the site can be developed within the available funding. The Boards will consider a raft of information as they make their decisions, including views from clinical staff, from patients and from the public.

*"I can give the communities we serve and our staff a cast iron guarantee that we will work tirelessly to deliver the very best buildings and facilities possible. That's our sole intention and we are keen to focus on the next steps."*

*Phil Townsend, Chairman*

If funding is approved, the plans for Watford will include a large new clinical block to replace nearly all the clinical facilities on the site at present – excluding the current acute admissions unit. Most clinical services would be accommodated within brand new hospital facilities and most inpatient accommodation would be single occupancy rooms. The redeveloped hospital will sit within a major regeneration project called Watford Riverwell, which will be landscaped and will offer green spaces and shops.

At Hemel Hempstead there are plans to provide a new purpose-built urgent treatment and diagnostics centre and to further develop the range of medical care such as specialist diabetes and dermatology, which will move to this site. Hemel Hempstead Hospital will continue to provide diagnostic and outpatient services, with a focus on medical specialties and long-term conditions.

St Albans City Hospital has been designated as the Trust's 'COVID-free' site and so its ability to continue to provide planned surgery is very important. This will be further enhanced by plans to overhaul its theatres, create a rapid access cancer diagnostic centre and expand the range of diagnostics available by providing MRI and CT scanners. This will increase the number of 'one stop shop' clinics and speed up diagnosis.

An engagement draft of the Trust's clinical strategy was discussed and approved to proceed by the Trust Management Committee in January 2021. It was approved on the acknowledgement that the draft would be further developed following stakeholder engagement in spring 2021.

The Trust launched its Your Care, Your Views public engagement programme in early 2021 to gather feedback on how it can improve services and build the best possible hospitals for the future. The first phase of the engagement ran from 18 February 2021 to 24 March 2021 and included a series of public meetings which focused on specific service areas. The feedback from this first phase of engagement will be independently analysed to help the Trust consider the feedback as it develops more specific plans. Further meetings and events are planned from mid-May to early June 2021 as part of the second phase of the Your Care, Your Views engagement. A key milestone in the programme is to agree the shortlist of options for more detailed appraisal. This is expected to take place in the autumn 2021.

## Estates

The COVID-19 pandemic highlighted the significant challenges associated with the Trust's estate. Urgent upgrade and expansion works were carried out at speed throughout the year where possible to create new and reconfigured facilities and infrastructure to meet the needs of clinical staff, however it is evident that the current estate does not meet the needs of 21st century healthcare.

Works continued throughout the year to address critical infrastructure and lifesaving system risks, and significant investment was made to fire, water hygiene, electrical infrastructure and heating systems across all the hospital sites.

The Trust will continue to manage, monitor, and mitigate the risks associated with its estate for the coming years prior to the upcoming redevelopment schemes. Further six-facet and condition surveys are due to be undertaken in 2021/22 which will allow for further refinement and planning of investment of capital funding by focussing on areas of the estate which have the greatest need, whilst also establishing baseline information for service delivery model optioneering which will be undertaken over the coming years.

## Strategic projects

In addition to the development of the Trust's clinical strategy and working with the integrated care partnership on key priorities, the Trust identified several initiatives as priorities to be delivered in-year. These varied in scale and impact and included internal facing projects focussed on improving the quality and/or efficiency of care, as well as a range of external or partnership programmes where the Trust is working with a range of local partners to drive improvements to care. A list of the areas of focus in 2021/22 is set out below:

- Repatriating inpatient chemotherapy
- Interventional radiology
- Virtual SMART (Senior Medics Assigning & Re-designing the Take) and SMART models
- Vascular hub
- Mount Vernon Cancer Centre review
- Outpatient transformation
- Children and young people
- Urgent treatment centre, Watford
- Urgent treatment centre, Hemel Hempstead
- Minor injury unit/urgent care development, St Albans
- Medical equipment programme
- Multi-storey car park, Watford
- Emergency department development project
- Emergency assessment unit expansion
- Windows 10 deployment
- Theatres reconfiguration project, Watford
- Backlog maintenance
- Fire safety improvements
- Fire door installations
- Local area network (LAN)
- Off-site back office project
- Health records programme
- MRI scanner, St Albans
- CT scanner, Watford
- Cardiac catheterisation lab

## IT developments

The Trust has continued to make good progress this year towards achieving its IT and digital work programme, including the sign off of a five-year digital strategy, signing a contract to deliver a full electronic patient record following a successful full business case being approved by NHS England. The Trust anticipates that it will go live with its EPR in Autumn 2021 and this is the core focus of the work undertaken during the year. In addition, the Trust continues to develop its IT service and began deploying a Windows 10 programme, looking to secure the funds to embark on deploying Office 365 and has chosen a new managed print provider, with the change to that provider to be completed by August 2021. These additional changes keep the Trust on the pathway of digital transformation.

## Sustainability

The complex challenges caused by the COVID-19 pandemic resulted in the Trust's sustainability agenda being restricted during this year. However, improved operation of plant and equipment resulted in a reduction in energy consumption, a significant portion of which was generated onsite at Watford hospital. Also, a timely negotiation of energy contracts resulted in a reduced energy spend of over 20% compared to the previous financial year. Looking ahead, the Trust remains focussed upon decarbonisation of its estate and putting sustainability at the heart of its operations, with plans to resume the production of the Trust's new Green Plan; its purpose being to improve the health, wellbeing, quality of life, and quality of care experienced by patients, visitors and staff alike.

Energy infrastructure upgrades have continued throughout the reporting year: the vast majority of the Trust's old-style fluorescent lighting has now been replaced with contemporary LEDs, which has reduced energy consumption and the requirement for ongoing maintenance, as well as creating financial savings. Replacement of aged boiler and chiller plant has also supported improved energy efficiency, reducing the risk of breakdown and helping to address the Trust's burden of backlog maintenance.

A number of efficiency projects are planned for the coming year which will bolster the Trust's ambition to contribute to a net-zero society. As part of embedding the spirit of sustainability in the core functions, the Trust will be taking part in the Green Ward Competition initiative, which is run by the Centre for Sustainable Healthcare, Oxford. The involves comparable wards being encouraged to make small changes in practice and undertake simple initiatives with the most-successful ward being crowned the winner. The newly adopted approach can then be rolled-out and repeated throughout the Trust. As well as energy, this project often realises savings in waste and the way in which medicines are dispensed.

As Accountable Officer, I confirm that this is an accurate reflection of the Trust's performance in 2020/21.

**Christine Allen**
**Chief Executive**

1 July 2021

**Statement of the Chief Executive's responsibilities as the accountable officer of the Trust**

The Chief Executive of NHS Improvement, in exercise of powers conferred on the NHS Trust Development Authority, has designated that the chief executive should be the accountable officer of the Trust.

The relevant responsibilities of Accountable Officers are set out in the NHS Trust Accountable Officer memorandum. These include ensuring that:

- there are effective management systems in place to safeguard public funds and assets and assist in the implementation of corporate governance;
- value for money is achieved from the resources available to the Trust;
- the expenditure and income of the trust has been applied to the purposes intended by Parliament and conform to the authorities which govern them;
- effective and sound financial management systems are in place; and
- annual statutory accounts are prepared in a format directed by the Secretary of State to give a true and fair view of the state of affairs as at the end of the financial year and the income and expenditure, recognised gains and losses and cash flows for the year.

As far as I am aware, there is no relevant audit information of which the 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 my letter of appointment as an accountable officer.

Signed Date 1 July 2021

**Christine Allen**
**Chief Executive**

**Board and Committee membership and register of meeting attendance 2020/2021**

| Name of member | | Board (10) | Audit (5) | Charity (4) | Finance and Performance Committee (12) | Great Place Committee (formed 09/2020) (5) | People Education and Research Committee (**6**) | Quality Committee (12) | Remuneration Committee (3) | Trust Management Committee (12) |
|---|---|---|---|---|---|---|---|---|---|---|
| **Phil Townsend** | Chair | 10/10 | | | 12/12 | | | | 3/3 | |
| **Christine Allen** | Chief Executive | 10/10 | | | 9/12 | 5/5 | | 8/12 | 1/3 | 9/12 |
| **Non-Executive Directors** | | | | | | | | | | |
| **Ginny Edwards Non-Executive Director** | Non-Executive Director | 10/10 | | 4/4 | | | | 12/12 | 3/3 | |
| **Jonathan Rennison** | Non-Executive Director | 9/10 | | 4/4 | | | | 12/12 | 3/3 | |
| **Paul Cartwright** | Non-Executive Director | 10/10 | 4/4 | | 4/4 | 5/5 | 6/6 | | 3/3 | |
| **John Brougham** | Non-Executive Director (April 2020 – 4 January 2021*) [8 months]* | 8/8 | 4/4 | | 8/8 | 3/3 | | | 2/2 | |
| **Natalie Edwards** | Associate Non-Executive Director (April 2020 – 5 Jan 2021*) [8* | 8/8 | 0/1 | | | | 5/6 | | | |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | *months]* | | | | | | | | | |
| | Non-Executive Director (appointed 6 Jan 2021) *[3 months]* | 2/2<br>10/10 | | | | | | | 1/1 | |
| **Edwin Josephs** | Non - Executive Director (appointed November 2020) | 2/2 | 1/1 | | | | 1/1 | | 1/1 | |
| **Helen Davis** | Associate Non-Executive Director (appointed May 2020) | 9/9 | | | | 5/5 | | | | |
| **Executive Directors** | | | | | | | | | | |
| **Helen Brown** | Deputy Chief Executive | 10/10 | | 4/4 | | 5/5 | | | | 10/12 |
| **Paul Bannister** | Chief Information Office | 10/10 | | | | 4/5 | | | | 12/12 |
| **Tracey Carter** | Chief Nurse | 10/10 | 1/1 | 4/4 | 12/12 | 4/5 | 6/6 | 12/12 | | 12/12 |
| **Paul da Gama (from April 2020 to February 2021) *[11 months]*** | Chief People Officer | 8/9 | | 3/3 | | 3/3 | 5/5 | | 2/2 | 11/11 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Andrew McMenemy (from March 2021)** ***[1 month]*** | | 1/1 | | 1/1 | | 1/2 | | | 1/1 | 1/1 |
| **Don Richards** | Chief Financial Officer | 9/10 | 5/5 | 2/4 | 12/12 | 5/5 | | | | 10/12 |
| **Sally Tucker** | Chief Operating Officer | 10/10 | | | 8/12 | 4/5 | | 10/12 | | 7/12 |
| **Mike van der Watt** | Chief Medical Officer | 9/10 | | | 9/12 | 3/5 | 4/6 | 11/12 | | 10/12 |

# Accountability report

This section of the report includes the corporate governance, remuneration and staff reports.  It also includes a report from internal auditors and financial statements and notes

## Corporate Governance Report

### 1. Scope of responsibility

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the 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 Trust is administered prudently and economically and that resources are applied efficiently and effectively. I also acknowledge my responsibilities as set out in the *NHS Trust Accountable Officer Memorandum.*

### 2. 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 on-going process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of the Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively, and economically. The system of internal control has been in place in the Trust for the year ended 31 March 2021 and up to the date of approval of the annual report and accounts.

### 3. Capacity to handle risk

### 3.1 Leadership

As Accountable Officer, I have overall responsibility for ensuring that there are effective risk management and integrated governance systems in place within the Trust and for meeting all statutory requirements and adhering to guidance issued by NHS Improvement in respect of governance and risk management.

The Board has overall responsibility for setting the strategic direction of the Trust and managing the risks to delivery of the strategy. All committees have risk management responsibilities and report directly to the Board. The Trust's corporate governance structure is shown in appendix 1.

The risk management strategy describes the roles and responsibilities of all employees within the Trust and sets out the requirement for an active lead from managers at all levels to ensure risk management is a fundamental part of the total approach to quality, safety, corporate and clinical governance, performance management and assurance. There is a clearly defined structure for the management and ownership of risk which through the risk register enables significant risks to be escalated to the Board via the Board Assurance Framework (BAF) and Corporate Risk Register (CRR).

Through the internal audit plan, the Audit Committee has continued to seek assurance on the effectiveness and compliance with the risk management strategy.

A lead executive director has been identified for each strategic risk defined within the BAF; each risk is in relation to the Trust's strategic objectives. These 'high level' strategic risks within the BAF, supported by the CRR which contains 'high level' operational risks are subject to monthly review by the Board and its committees.

The Chief Medical Officer has overall responsibility for the implementation and compliance with the Risk Management Framework within the Trust in order that the executive directors are supported in providing strategic leadership for:

- Financial risks and the effective coordination of financial controls throughout the Trust.
- Clinical quality and safety risks.
- Workforce and staffing risks.
- Medical risks.
- Information risks.
- Estates and capital risks.
- Governance risks; and
- Divisional risks.

All divisional triumvirate members have responsibility for the risk management activity in their division, including:

- Providing leadership for risk management activities in their division.
- Promoting and supporting the implementation of the risk management strategy.
- Monitoring the risk mitigation activities within their division to ensure that risks and remedial actions plans are being appropriately managed, reviewed and updated in accordance with the risk management strategy.
- Monitoring and, where appropriate, challenging the scoring of risks to ensure consistency with the risk matrix.
- Ensuring divisional risk management activity is discussed and reviewed at relevant divisional meetings.
- Ensuring that staff are made aware of risks within their work environment and of their personal responsibilities for risk management.
- Presenting risk management reports to Trust committees, where required.
- Management of the identified risks within their division/department, including the escalation of risks, where appropriate.
- Promoting and embed an ‘open’ and ‘just’ culture; and
- Monitoring that all relevant risk assessments are undertaken, reviewed, and documented appropriately.

Senior managers routinely attend monthly risk review meetings to advise on specialty matters and provide assurance on operational risk management and divisional risk registers. The divisional risk registers are reviewed at divisional governance meetings at least on a quarterly basis to ensure actions have been taken to mitigate the risks. The divisional triumvirate is responsible for ensuring that any agreed local risks are added to the appropriate risk register and submitted to the risk review group for consideration.

**Risk management of COVID-19**

NHS England and other national regulatory bodies issued a range of targeted directives and essential guidance that focus on the delivery of patient safety and operational activity within healthcare in response to COVID-19 pandemic. In response the Trust introduced new ways of working that complement existing governance systems and processes. The new ways of working have continued to evolve through the pandemic, with a clinical decision panel which aimed to provide rapid, senior clinical and executive overview and scrutiny to all national and local changes and adapting new ways of working.

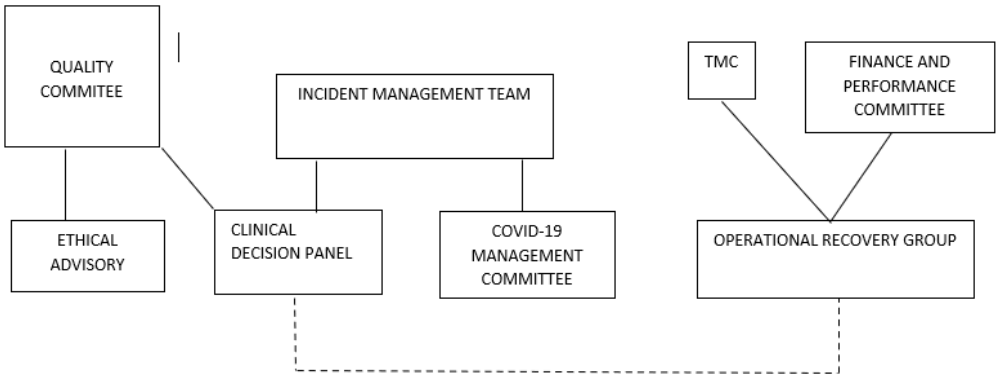
To address elective recovery and health inequalities the operational recovery group has been developed to prioritise service delivery and use a framework to evaluate recovery plans.

All identified risks were managed in line with Trust policies and procedures and remained within the existing organisational governance arrangements. Risks were reviewed via the divisional governance arrangements or directly raised with the lead executive director. The risk review group chaired by the Chief Medical Officer reviews and accepts risks onto the corporate risk register as appropriate. Executive scrutiny and assurance was managed on a day by day basis in partnership with divisions

and specialties, escalation as appropriate was also received into the incident management team and risk assessed as appropriate.

A range of risks recorded within the divisional and corporate risk registers, have all been separately coded to indicate they were as a direct result of, or have been influenced by COVID-19 pandemic. This approach supports the monitoring of risks across the whole organisation as well as aligning to the divisions and specialities.

**COVID-19 additional governance arrangements**




## 3.2 Training

Training is provided to staff members who have direct responsibility for risk management within their area of work, as defined by the Trust's risk management strategy, including the principles of risk management and escalation, when a risk is deemed to be tolerable and the frequency of review for the controls that mitigate risks and the operation and review of the risk register module of the safeguarding system.

Through the local workplace induction checklist, new employees are trained and notified of local risk arrangements including health and safety, incident reporting/escalation, and risk assessments. In addition, the Trust's mandatory training programme reflects essential training needs and includes risk management processes such as health and safety, clinical risk management, fire safety, conflict resolution, resuscitation, moving and handling, safeguarding adults and children, infection prevention and equality and diversity.

Facilitated by the training and development team, the Trust has a training needs analysis in place, which documents the mandatory training requirements for all staff within the financial year.

## 4. The risk and control framework

### 4.1 Key elements of the Risk Management Strategy

The Trust's risk management strategy covers all aspects of risk and is subject to annual review to ensure it remains appropriate and current. The risk management strategy assigns responsibility for the ownership, identification, and management of risks to all individuals at all levels to ensure that risks are managed appropriately at a local level together with a framework which allows risks to be escalated through the organisation. The process populates the BAF and CRR, committee risk registers, divisional risk registers and specialty/departmental risk registers to form a systematic record of risks including the control measures designed to mitigate and minimise identified risks.

In 2020/21, the Board and its assurance committees continued to refer to its risk appetite statement and threshold matrix approved by the Board during the previous year. These are both dynamic documents and are used by the Board and assurance committees to influence decision making at an individual risk level.

Risks are identified from a variety of different sources through the operation of the Trust's business; these can be proactive processes (planning processes, general observations, and internal/external audits) or reactive processes (incidents, complaints, claims, inspections, assessments, accreditations, reviews) and regulatory assessments. All identified risks are assessed and are entered into the Trust's risk register system, DATIX. The risk management strategy is available to all staff via the Trust's intranet.

The Trust uses risk registers to both manage the key strategic risks, receive assurances that mitigating actions are effective and to enable the escalation of any new areas of risk representing through the year. The risks managed on the risk register are derived from a number of internal and external sources including national requirements, national guidance, complaints, claims, incident reports and internal audit findings and are all contextualised against the Trust's strategic objectives.

All risks on the risk registers have an active, robust and time specific mitigation plan. It is understood that some strategic risks associated with the business of the Trust carry a high level of inherent risk and provided that the condition of reasonableness has been met, the Trust is prepared to tolerate strategic risks at a high level. This approach forms a fundamental part of the Trust's thinking on risk, risk tolerance and corporate decision making. The National Patient Safety Agency's risk matrix is used to aid the Trust in making decisions on risk, and this is used by the Board as a basis of identifying acceptable and unacceptable risk.

Strategic risks are owned at an executive level in the organisation; however, the management of operational risks and their control measures and actions is undertaken at various levels in the Trust. Lead executive directors and lead managers are identified for each risk that assumes responsibility for addressing any gaps in control or gaps in assurance by developing and managing the corresponding action plans.

### 4.2 Key elements of the quality governance arrangements

- **Strategy**

Patient safety, clinical effectiveness, and patient experience, alongside improving efficiency, drive the Board's strategic framework, which identifies key elements in the quality of care it delivers to patients and provides the basis for annual objective setting. The potential risks to patient safety, clinical effectiveness or patient experience are identified and escalated to the Board in accordance with the process outlined in the section above.

- **Capabilities and culture**

The Board ensures that it has the necessary leadership, skills, and knowledge to deliver on all aspects of the quality agenda. Board development activities are in place to support the Board in its leadership and strategic decision making and all Board members receive an annual appraisal. The Board keeps under review its clinical leadership model which puts senior medical and nursing colleagues at the heart of decision-making and management of each division within the Trust. During 2020/21, the culture of the Trust continued to place patients at the heart of everything, as well as being honest, open and striving to provide the best care possible.

- **Processes and structure**

Accountability for patient safety, clinical effectiveness and patient experience and improved efficiency are set out in the Trust's Quality Commitment which was approved by the Board in March 2018.

The Board holds ultimate accountability for ensuring the Trust's services are safe, effective and reflective of the needs of patients; to that end it is the responsibility of the Board to foster a culture of quality and patient safety within the organisation by driving and overseeing the implementation of this strategy plan.

The Board regularly monitors the progress of the Quality Commitment and delivery plan through its assurance Committees and scrutinises the information contained in the integrated performance report and quality, workforce and finance performance reports which are produced regularly for the Board and committees.

Divisional directors, heads of nursing, lead allied health professionals and divisional managers have responsibility for facilitating the implementation of this strategy and plan. Furthermore, it is the responsibility of the divisional teams to contribute to the delivery of the Trust's quality targets. This is managed through the development and delivery of divisional business plans which include specific requirements relating to quality, patient safety, and risk.

All managers and staff have a responsibility for supporting the Trust in its implementation of this strategy and plan and to adopt the principles of quality to guide them in their day-to-day roles.

The Board commences every meeting with a patient story or service improvement story, reflecting on positive and negative experiences of patients using the Trust's services. The assurance committees receive quality and integrated performance reports to provide assurance on quality outcomes, including compliance with the CQC registration requirements and CQC essential quality and safety standards.

The Board actively seeks feedback from patients, staff, visitors, commissioners, and other stakeholders in the pursuit of excellence as part of the continuous improvement cycle. All Board members participate in walkabouts to engage with frontline teams and evaluate the safety, clinical effectiveness, and experience of care for patients.

Information reported to the Board regarding performance against nationally mandated targets is collated from the dataset submitted to the Department of Health and Social Care. Likewise, data to support compliance with locally commissioned services and targets is reported to the Board from the dataset provided to commissioners.

- **Data security**

Data quality and data security risks are the responsibility of the Chief Information Officer and compliance is monitored by the Informatics Group, chaired by the Chief Clinical Information Officer. Independent assurance is provided by the data security and protection (DSP) toolkit review process and any risks identified are added to the risk register.

- **Major risks**

**The estate**

Whilst the Trust aims to provide the best care, the age of its buildings makes it harder to always deliver the best experience for patients and staff. The Trust is progressing with its proposal to redevelop its hospital sites within the New Hospital Programme announced by the government as part of its Health Infrastructure Plan. It will continue to be in discussions with regulators to confirm the anticipated next steps.

The Covid-19 pandemic over the last 14 months has highlighted the significant challenges associated with our estate. Urgent upgrade and expansion works were carried out at speed throughout the year where possible to create new/ reconfigure existing facilities and infrastructure to meet the needs of our clinical staff. However, it is evident that the current estate does not meet the needs of 21st century healthcare.

Works continued throughout the year to address critical infrastructure and lifesaving systems risks, where significant investment was made in fire, water hygiene, electrical infrastructure, and heating systems across all sites. Several new service developments were completed, for example the new Emergency Assessment unit at WGH which has been designed to accommodate an additional 20 beds to support the ED clinical workstream.

A significant number of diagnostic imaging schemes have been completed in year – CT & MRI at SACH, new CT scanner adjacent to ED, 2x new digital imaging in PMOK, and works have commenced to deliver 2x new Cath labs, and an additional CT scanner to replace the existing unit in AAU.

The Environment Division will continue to manage, monitor, and mitigate the risks associated with our estate for the coming years prior to the upcoming redevelopment schemes. Further 6 facet and condition surveys are due to be undertaken in 21/22 which will allow for further refinement and planning of investment of capital funding by focussing on areas of the estate which have the greatest need, whilst also establishing baseline information for service delivery model optioneering which will be undertaken over the coming years.

**Finances**

Benchmarking analysis indicates that WHHT costs are comparable to those of similar sized acute hospital trusts. However poor estate, IT and the three-site configuration make it more difficult for the Trust to maximise efficiency opportunities compared to those Trusts with a more modern infrastructure. It is acknowledged that there is much to do and a great deal of opportunity to be capitalised on in driving the productivity and efficiency of the Trust's services. The Trust will be implementing a new Electronic Patient Record in the autumn of 2021 and that will result in sustainable financial and operational benefits longer term.

An in-depth assessment "Drivers of the deficit" has been undertaken to analyse and understand the areas of focus in the short to medium term. A combination of operational, structural (poor estates and digital infrastructure) and strategic (system wide) issues were identified. These findings, together with intelligence yielded from Model Hospital and GIRFT findings are being used to further develop the 5-year efficiency and productivity programme.

In 2020 the Trust as mandated nationally has a block contract with all commissioners. The related performance obligation is the delivery of healthcare and related services during the period, with the trust's entitlement to consideration not varying based on the levels of activity performed. This is intended to support the emergency financial regime in place to fight against the COVID 19 pandemic. This is an important step towards the new ways of working that the proposed west Hertfordshire Integrated Care Partnership will bring.

**IT infrastructure**

The Trust recognises the importance of improving its IT infrastructure and this will be a key feature of future redevelopment plans. A significant programme of work is already underway, year one focused on improving the core infrastructure, year two will focus on operating software and clinical applications (which will include upgrading to work with Windows 10) with year three representing the initialisation of an electronic patient record implementation.

Other key risks to the Trust achieving its strategic objectives can be found in the BAF via the Board papers published on the Trust website. All risks remain under constant review and are assessed by reviewing progress with measurable targets, auditing compliance with national and local standards and regulations. Mitigating actions and outcomes are monitored by the reporting committees and the escalation and de-escalation of risks is dependent upon progress to achieve outcomes.

### 4.5 Compliance with licence conditions

As an NHS Trust, compliance with the UK Corporate Governance Code is not required, however, it has reported on its corporate governance arrangements by drawing upon the best practice available, including those aspects of the UK Corporate Governance Code its considers to be relevant to the Trust.

In April 2020, on behalf of the Board, the Quality Committee approved two regulatory NHS self-certification; Condition G6(3), the provider has taken all precautions to comply with the licence, NHS Acts and NHS Constitution; and Condition FT4(8), the provider has complied with required governance arrangements. Actions identified to mitigate these risks are outlined below:

- **Effectiveness of governance structures**

The corporate governance team works with divisional management team to strengthen and embed the following areas within the Trust:

- Risk management.
- Incident reporting and investigation.
- Clinical audit.
- NICE guidance.
- Patient reported outcome measures.
- Complaints and litigation.
- CQUIN; and
- Involving and engaging patients and the public.

The quality compliance programme incorporates national requirements and locally identified measures. Quality goals have been selected to have the highest possible impact across the overall Trust. Most measures are specific, measurable and time bound.

Each division has a divisional governance framework in place. Divisional performance meetings are held monthly, and executive directors hold divisions to account for their performance. Areas of concern are escalated to the assurance committees.

To test the effectiveness of its governance structures and process, the Trust employs BDO as its internal auditors. Set out below is the 2020/21 work programme delivered by internal audit:

| Review title | Level of Assurance | |
|---|---|---|
| | Design | Operational Effectiveness |
| Mental Health Act Compliance | Moderate | Moderate |
| Divisional Governance (Emergency Medicine) | Moderate | Moderate |
| Medical Device Management | Moderate | Moderate |
| Medical Resourcing | Moderate | Limited |
| Equality and Diversity | Advisory | |
| Research | Advisory | |
| Key Financial Systems/CIPS | Moderate | Moderate |
| Data Protection Security & Protection Toolkit | Substantial | Moderate |
| Data Quality | Substantial | Moderate |
| Redevelopment | Substantial | Moderate |
| IT Contract | Moderate | Substantial |

- **Responsibilities of directors and committees**

The Board provides leadership and sets the tone for the organisation. As a unitary board, the non-executive directors share responsibility with the executive directors for ensuring that resources are in place to meet the objectives set.
The Board comprises of 11 directors: the chair, five non-executive directors and five executive directors including myself.

To discharge its duties effectively, the Board is required to have a number of statutory committees. All assurance committees are chaired by a non-executive director and the membership includes other non-executive directors, all of which have relevant experience and qualifications. Attendance at Board meetings and assurance committees is shown on pages 38-40.

The Audit Committee provides an independent and objective view of the Trust's internal control environment and the systems and processes by which the Trust leads, directs and controls its function. The Audit Committee independently reviews the effectiveness of risk management systems, ensuring that all significant risks are properly considered and communicated to the Board. It reviews the management of the BAF to assure itself that risks are being accurately identified and managed and appropriate assurance is obtained.

The assurance committees seek assurance from executive directors and divisions about risk and performance. Through the integrated performance report and finance, quality and workforce reports, non-executive directors can seek assurance and hold directors to account for quality, risk and performance.

The Board also receives assurances through external assessments, clinical audit, internal and external audit which report regularly to the assurance committees. Visits are undertaken by Board members which enable the Board to meet with staff and patients and triangulate assurances received in formal meetings.

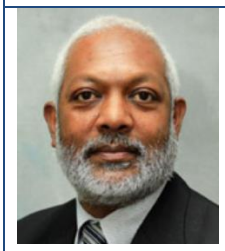
Together with internal and external audit, the Audit Committee receives reports on the effectiveness of the governance systems and structures to ensure they remain fit for purpose.

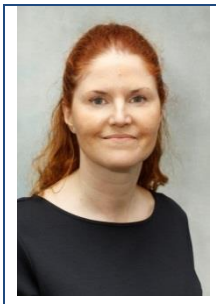
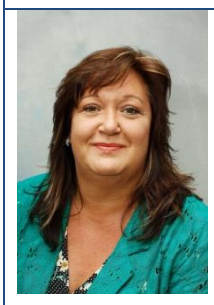
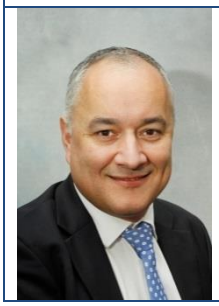
During 2020/21 the Trust continued to meet its requirements to undertake a fit and proper person assessment of its directors. All directors required to undertake the assessment met the requirements.

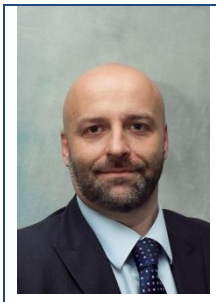
- **Reporting lines and accountability**

| **Non-Executive Directors** | |
|---|---|
|  | **Phil Townsend, Chair**<br><br>Joined the Trust as a non-executive director in 2011, he was vice chair for five years and non-executive director for nearly eight years, before becoming the substantive chairman in February 2020. Phil comes from a commercial background, having spent over 30 years in the complex telecommunications industry, focused on IT and business transformation.<br><br>Responsibilities: Chair of Board |

| | |
|---|---|
|  | **Ginny Edwards, Vice-Chair**<br><br>Joined the Trust in 2014 and is a registered nurse who has been working within the NHS and the healthcare industry since 1975. She has held a number of director-level positions in organisations and at national level.<br><br>Responsibilities: Lead for Freedom to Speak UP. Chair of Quality Committee. |
|  | **John Brougham, Non-Executive Director (April 2020 - 5 January 2021)**<br><br>Joined the Trust in 2014 and has 40 years' experience of working in large and small businesses, mainly in the technology and telecoms sectors, including 22 years at BT (British Telecom) where he was a divisional finance director. He has served as a non-executive director on the boards of both private and public limited companies and has also been audit committee chair.<br><br>Responsibilities: Chair of Finance and Performance Committee (March 2020 – 5 January 2021). |
|  | **Paul Cartwright, Non-Executive Director**<br><br>Joined the Trust in 2014 after working for Accenture (management consultants) for more than 20 years, where he specialised in finance, risk management and regulation.<br>He is a Member of Council of King's College London.<br><br>Responsibilities: Chair of Audit Committee and Remuneration Committee. (March 2020 to December 2020) Chair of Finance and Performance Committee (January 2021 to March 2021)<br>Lead for End-of-Life Care |
|  | **Jonathan Rennison, Non-Executive Director**<br><br>Joined the Trust in 2104 with over 20 years' experience of working in the education, voluntary and public sectors. He currently runs an organisation which provides coaching for private businesses, as well as public sector and voluntary organisations and his expertise lies in helping leadership teams to manage change and development.<br><br>Responsibilities: Senior Independent Director. Chair of Charity Committee.<br>Lead for Care of the Elderly, Learning from Deaths, Maternity |
|  | **Natalie Edwards, Associate Non-Executive Director (April 2020 to 5 January 2021), Non-Executive Director from 6 January 2021**<br><br>Appointed associate non-executive director in 2019 and non-executive director on 6 January 2021. She has 20 years' extensive HR experience working in both strategic and operational roles. She has a strong track record of delivering business focused people strategies and transformation change projects.<br><br>Responsibilities: Chair of People, Education and Research |

| | |
|---|---|
| | Committee.<br>Lead for Health and Wellbeing. |
|  | **Helen Davis, Associate Non-Executive Director – appointed May 2020**<br>Helen was appointed as an Associate Non-Executive Director in May 2020. She has over 30 years' experience of the NHS working in both operational delivery and in a strategic advisory capacity. Helen has a background in all stages of the NHS estates and capital investment processes from strategic planning, through to business case approval, procurement and into construction and operation. She was previously UK Head of Health for an international advisory company and was the private sector Director on two NHS/private Strategic Estates Partnerships. In addition, Helen is a local Justice of the Peace.<br>Responsibilities: Chair of the Great Place Committee |
|  | **Edwin Josephs, Non-Executive Director – appointed December 2020**<br>Edwin joined the board as a non-executive director in November 2020. He qualified as a chartered management accountant in 1984 and has extensive knowledge of corporate governance, risk and assurance and has held several senior financial positions.<br>Edwin has also held senior roles in the public and charity sectors, including at the National Consumer Council and the Legal Services Board and was previously a non-executive board member for Chartered Institute of Management Accountants (CIMA) UK.<br>Edwin worked for an NHS hospital trust in Buckinghamshire early in his career in a variety of roles, including finance and auditing and senior leadership. He has lived in Abbots Langley for 23 years.<br><br>Responsibilities: Chair of the Audit Committee |
| **Executive Directors** | |
|  | **Christine Allen, Chief Executive Officer**<br><br>Appointed chief executive in March 2019. Christine has worked for the NHS for over 30 years, including chief executive and other board level roles. She has also led service transformation and held senior positions in business development and IT in her NHS career.<br><br>Responsibilities: Accountable officer. Chair of Trust Management Committee. |
|  | **Helen Brown, Deputy Chief Executive Officer**<br><br>Joined the Trust in 2014 and has an in depth understanding of the NHS developed over a 20-year career in North and East London. She has worked in both provider and commissioning organisations, with a focus on community and integrated care service development and major service change.<br><br>Responsibilities: Lead executive for Charity Committee, deputising for the chief executive, strategy, acute redevelopment, sustainability and transformation partnership, estates and facilities, communications and engagement, integrated care, redevelopment of hospitals. |

| | |
|---|---|
|  | **Tracey Carter, Chief Nurse**<br><br>Joined the Trust in 2104 with over 30 years' experience as a nurse and has held several senior positions. In May 2019, Tracey received a prestigious Chief Nursing Officer award.<br><br>Responsibilities: Lead executive for Quality Committee, maternity safety champion, governance, nursing, midwifery and allied health professional (NMAHP), quality improvement, NMAHP education, infection prevention and control, safeguarding, end of life care, duty of candour, CQC. |
|  | **Mike van der Watt, Chief Medical Officer**<br><br>Joined the Trust in 2011 as a consultant cardiologist before becoming divisional director of medicine a year later. He was appointed as chief medical officer (formerly known as medical director) in April 2013.<br><br>Responsibilities: Caldicott Guardian, medical establishment, medical education, medical revalidation, risk management, serious incidents, discharge services, mortality, medicines management, clinical strategy, patient safety. |
|  | **Don Richards, Chief Financial Officer**<br><br>Joined the Trust in 2014, having previously been an NHS director of finance with over 20 years' experience in director roles for a number of NHS organisations, mostly in the acute sector.<br><br>Responsibilities: Financial performance and management, operating and financial plan, procurement, efficiency delivery, income, contracts and commerce, service line reporting and patient level costing, financial accounts, treasury accounting and cashiers, accounts receivable and payable, private patient services, overseas visitors. |
|  | **Sally Tucker, Chief Operating Officer**<br><br>Appointed in November 2016, with over 35 years extensive experience in NHS operational management, initially joining as a management trainee. Her previous roles include deputy mental health services manager and deputy director of strategy and corporate services.<br><br>Responsibilities: Emergency services, business continuity, elective care, bed management, A&E performance, space utilisation, divisional performance, senior managers and directors on call service, service delivery, RTT/ED/cancer performance. |
|  | **Paul da Gama, Chief People Officer (1 April 2020 – 4 February 2021)**<br><br>Joined the Trust in 2014 as director for human resources.<br>Paul career has included teaching, banking and the Royal Mail, before joining the NHS in 2012. |



**Paul Bannister, Chief Information Officer**

Appointed in 2019, Paul is a qualified accountant with 15 years' NHS experience and extensive experience in commissioning, financial and acute contract management.

Responsibilities: Senior information responsible officer
ICT, digital transformation, business intelligence and reporting, performance assurance, outpatient administration, including medical records, information governance and data protection.

**Andrew McMemeny, Chief People Officer – appointed in February 2021**

Appointed in February 2021, Andrew has worked in the NHS since 1997 in a variety of HR positions across NHS organisations in Scotland and the West Midlands. He worked on providing staff well being solutions during the pandemic and will focus on developing the Trust's workforce with an emphasis on diversity and inclusion, further enhancing wellbeing support for all staff and improving the work-life balance.

Responsibilities: Medical education, recruitment, occupational health, employee relations, education, learning and development, temporary staffing, medical resourcing, health and wellbeing, organisational development, apprenticeship, workforce redesign STP lead for workforce planning, leadership and temporary staffing, East of England locum consortium lead

**Clinical representatives**

**Dr Andy Barlow Director, Divisional Medicine**

**Dr Anna Wood Director of Governance**

**Mr Simon West Divisional Director, Surgery, Anaesthetics and Cancer**

**Mr William Forson**

**Divisional Director, Women's and Children's Services**

- **Submission of timely and accurate information**

Through its governance structures, the Trust can assure itself on its performance. The Board receives submission of timely and accurate information in the integrated performance report and in quality, workforce, and finance reports, the BAF and the CRR which are produced regularly for the Board and its assurance committees.

The Board also receives assurances through external assessments, inspections and visits, clinical audit and internal and external audit which report on a regular basis to the assurance committees, including the Audit Committee. The Trust is therefore satisfied that there is a high degree of rigour and Board oversight of risk and performance.

- **Board oversight of performance**

The Trust has an annual plan which is approved by the Board and submitted to NHS Improvement. The plan is monitored by the assurance committees and the Board.

A monthly integrated performance report is produced which contains performance indicators and NHS Improvement's metrics for quality, performance, workforce, and finance information.

The Trust's resources are managed within the corporate governance framework and include standing financial instructions, standing orders and scheme of delegation. Financial governance arrangements are supported by internal and external audit that assess the economic, efficient, and effective use of resources and provide assurance to the Audit Committee.

Divisional and corporate departments are responsible for the delivery of financial and other performance targets through a performance management framework which incorporates service reviews with the executive team in four key areas, and compliance with the Trust's financial accountability framework.

The Trust utilises external support to identify areas of improvement and develop and implement action plans to deliver the required efficiency. Through the contracts and commissioning team, business cases are developed to ensure that rigour is applied to significant changes in operation and service provision. This includes impact assessments and due diligence tests.

The Trust's cost improvement programme achieved savings of £1.9m for 2020/21 against a plan of £1.9m (2019/20 outturn savings programme was £15m). The plan set was low due to COVID 19 pandemic, a part of emergency financial regime in place for 2020/21. Efficiency schemes are quality impact assessed and approved by the Chief Nurse and Chief Medical Officer prior to implementation.

**How risk management is embedded in the activity of the Trust**

The Trust has a risk management strategy in place which ensures that risks are considered and managed as part of the activity of the Trust. Each division has a risk register which is regularly reviewed and updated, and operational risks are considered through the divisional governance framework. The risk registers are used to develop the quarterly CRR and BAF report for the Board and monthly risk reports for assurance committees.

The Trust openly encourages staff to report incidents and near misses using the Trust's incident reporting system (DATIX). The Trust encourages reporting within an open and fair culture, where reporting is congratulated, and individuals are not blamed or penalised if they speak out. The Trust has adopted and supported the Speak out Safely initiative.

Following the publication of NHS Employers' *Review into Raising Concerns* in March 2015, the organisation continues to promote the culture of speaking up for patients to improve and maintain the patient and staff experience.

The Trust's Freedom to Speak up Guardian is supported by the lead non-executive director for Freedom to Speak Up. The Trust continues to closely follow the recommendations from Robert Francis' *Freedom to Speak Up* report.

An incident reporting system is in place and incidents are entered onto a database for analysis. All incidents that are submitted using the incident reporting system are evaluated, with root cause analysis undertaken for instances of harm that are deemed to be serious under the Trust's incident reporting (including serious incident) and management policy. A weekly incident review meeting led by the Chief Medical Officer or Chief Nurse reviews the previous week's incidents and determines whether rapid reviews or other actions are required. All identified changes in practice identified through a root cause analysis are signed-off by the serious incident review group.

Impact assessments are used by the Trust in respect to business cases, programme management activities and cost improvement program proposals. Significant proposals must be signed off by the Chief Medical Officer and Chief Nurse and impact assessments are kept under review.

The Trust has a zero-tolerance approach to fraud. The counter fraud service is provided by RSM. This helps to embed and tackle fraud and potential fraud in several ways.

- Developing an antifraud culture across the Trusts workforce.
- Fraud proofing of all Trust policies and procedures.
- Conducting fraud detection exercises into areas of large risk.
- Investigating any allegations of suspected fraud.
- Obtaining, where possible, appropriate sanctions and re-dress.

All policies, procedures, guidelines, schemes, strategies have a completed equality impact assessment (EIA) before being submitted to the relevant committee for discussion and sign off. Likewise, completion of an EIA is expected when there is a new service to be implemented, a change to a service or cessation of the service along with the relevant consultation and engagement with service users. Where an adverse impact is identified during the completion of the initial assessment, a full EIA is carried out. This involves consulting and engaging with people who represent protected characteristic groups and other groups if required to do so.

**4.6 How public stakeholders are involved in managing risks which impact on them**

The Trust involves both patients and public stakeholders in the governance agenda, strategic planning and risks facing the Trust. This has been achieved through engagement with patients, Herts Valleys Clinical Commissioning Group, Hertfordshire County Council's Health Scrutiny Committee (HSC), local safeguarding Boards and Hertfordshire HealthWatch. The Trust is also represented at the local Health and Wellbeing Board.

Several patients attend Trust's meetings to ensure that the views of patients, carers and families are taken into consideration when the Trust is planning and developing services. Patient representatives contribute to meetings by bringing their personal experience and offering ideas and opinions and helping to facilitate the 'patient voice' being heard throughout the Trust whenever decisions that affect patient care are made.

Our redevelopment plans and the establishment of a co-production board have been at the heart of our engagement activity in 2020/21.
Online tools were used to hold meetings with our stakeholder reference group (for the redevelopment plans) and the inaugural and subsequent meetings of the co-production board, which is a forum for patient representatives to meet with the Trust and discuss a range of issues with the intention of improving the experience for patients (and carers) using our services.

Our Inclusion and Diversity Manager has supported the engagement work to attract more young people as well as BAME communities to promote equal access to appropriate and quality services and to ensure that feedback is representative of the communities we serve.

A public engagement programme called “Your Care, Your Views” was launched in February 2021 to gather feedback from everyone about how we can improve our services and build the best possible hospitals for the future. Proposals for new ways to provide care are being developed alongside rebuild and refurbishment plans for Hemel Hempstead Hospital, St Albans City Hospital and Watford General Hospital.

The first phase of the engagement ran from 18 February – 28 March 2021 and included a survey, which included:

- 14 public meetings with an attendance of 192 and 1,062 views on YouTube.
- Two stakeholder reference group meetings.
- Presented at 21 external meetings which had an attendance of 266 people.
- Held five meetings for staff.
- Released three press releases and one statement of clarification.
- 12 articles in media news outlets on Your Care, Your Views.
- Reached 52,723 people on Facebook with our posts.
- Twitter posts created 117,611 impressions with above 1% engagement rate.
- The publication of a short film which has had more than 6,000 views on social media.

There were also many meetings and briefings with local authority members and officers across west Herts.

We will now be reviewing and analysing the feedback we have received and have arranged for the feedback from this first phase of engagement to be independently analysed to help us consider the feedback as we develop more specific plans.

We are planning to share the independent analysis, our response, and updated proposals through a second phase of engagement in mid-May. This will enable us to test our proposals in more detail and get further feedback from our community and stakeholders.

Engagement on the building plans at Watford General Hospital is being led by our design-led architect team (BDP) who have been working with us to prepare an outline planning application for the proposed redevelopment of Watford General Hospital. The virtual public consultation on plans provides an opportunity to see and comment on the current proposals before they are finalised, and the planning application is submitted.

The virtual public consultation period ran from Friday 26 March to Friday 23 April 2021.

**Measures in place to ensure safe staffing processes**

Developing workforce safeguards supports the Trust to give patients safe, high quality, compassionate care that is financially sustainable. The Board recognises the need to be consistent in its approach to safe staffing levels across all clinical workforce groups.

An adult nursing establishment review is completed bi-annually and reported to the Quality Committee and Board using evidence-based tools, such as the safe care tool that uses patient acuity and dependency. Quality impact assessments are made when any ward reconfiguration occurs and have been undertaken for new roles introduced into the workforce. A quality dashboard is discussed at divisional, executive and Board meetings with a monthly divisional and organisational performance review that monitors quality metrics, patient outcomes, staff and patient experience and financial sustainability.

Throughout the day staffing is reviewed using safer care tool and senior staff undertake a risk assessment which is triangulated with professional judgement and documented. Formal escalation procedures are in place to be used in and out of hours.

There is a forward plan for establishment and skill mix reviews across nursing and midwifery services which are discussed and agreed at Board level and the Trust is one of three founder members of a shared bank across Hertfordshire that allows staff to work across all three trusts.

The right skills are monitored and supported through mandatory training, development, and education. E-roster and Medi-rota are used to manage staffing resources effectively and to enable the right staff with the right skills to be deployed daily as part of a risk assessment process which is documented and reported daily.

To enable improved productivity, the Trust continually reviews its skill mix to ensure the appropriate use of staffing and has introduced nursing associates where appropriate, using the apprenticeship levy to fund the training of new and existing healthcare support workers into these roles.

Getting It Right First Time (GIRFT) is a national programme designed to improve clinical care by increasing productivity and efficiency across a range of speciality areas, by identifying unwarranted variation in clinical practice. By sharing best practice, the programme identifies changes that will help improve patient care and outcomes.

The Trust is working in collaboration with HWE ICS on a range of workforce priorities, including leadership and management development opportunities for the region, enhancing workforce planning & modelling at system level and developing coordinated initiatives to support the well-being of staff. These priority areas look to enhance the quality of provision and accessibility of leadership development, develop plans to support challenged staff groups with workforce sustainability solutions and supporting the on-going well-being of staff considering the challenges presented by the pandemic.

### 4.7 Disclosure of registration requirements

The Trust is fully compliant with the registration requirements of the CQC and oversight of the Trust's quality compliance programme is regularly monitored through the Quality Committee and reported through to the Board. The Trust was the subject of inspection in the February and March 2020 and received a rating of "Requires Improvement" in June 2020. The report noted that the Trust's rating for caring remained as "Good" and its rating for effective and well led had improved to "Good" since the last inspection.

### 4.8 Register of interests

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

### 4.9 Compliance with the NHS pension scheme regulations

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

### 4.10 Compliance with equality, diversity, and human rights legislation

Over the past year, the Trust has been working hard to ensure the quality of its services takes account of the many different communities it serves and the diversity of its skilled and talented workforce. More details on this work can be found in the performance analysis section of this report.

### 4.11 Compliance with climate adaptation requirements under the Climate Change Act 2008

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

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

The Trust has an annual plan which is approved by the Board and submitted to NHSI. The plan is monitored by the assurance committees and the Board. A monthly integrated performance report is produced which contains performance indicators and NHSI's metrics for quality, performance, workforce, and finance information.

The Trust's resources are managed within the corporate governance framework and include standing financial instructions, standing orders and scheme of delegation. Financial governance arrangements are supported by internal and external audit that assess the economic, efficient, and effective use of resources and provide assurance to the audit committee.

Divisional and corporate departments are responsible for the delivery of financial and other performance targets through a performance management framework which incorporates service reviews with the executive teams.

Where necessary, the Trust utilises external support to identify areas of improvement and develop and implement action plans to deliver the required efficiency. Through the contracts and commissioning team, business cases are developed to ensure that rigour is applied to significant changes in operation and service provision. This includes impact assessments and due diligence tests.

The Trust's efficiency programme achieved record savings of £1.9m. All efficiency schemes were quality impact assessed and approved by the chief nurse and medical director prior to implementation.

In April 2020, the Quality Committee on behalf of the Board approved two regulatory NHS self-certifications; Condition G6(3), the provider has taken all precautions to comply with the licence, NHS Acts and NHS Constitution; and Condition FT4(8), the provider has complied with required governance arrangements.

In 2018/19, the Trust's leadership and governance arrangements were reviewed externally by NHS Improvement, the CQC and an external consultancy. The CQC inspection in November 2018 rated "well-led" for the Trust as requires improvement. The Trust implemented an improvement plan following that inspection and carried out significant improvement work during 2019/20 in relation to the well-led framework. In June 2020, it received a rating of "good" for the well-led domain.

During 2020/21, the Trust's work in relation to the well-led framework was disrupted by the pandemic. However, the Trust continued its monthly board meetings virtually, initially in private for 3 months and then in public for the remainder of the year. Sub-board committee meetings were maintained virtually, and board engagement continued albeit in a more virtual form with non-executive directors undertaking virtual visits. Risk management continued with regular reviews of the corporate and service level risk registers.

There was a continued focus on the Trust's strategic priorities with work on vision, strategy and engagement connected to the hospital redevelopment which included the approval of the Trust's Clinical Strategy for the next 5 years. Staff health & wellbeing continued as a priority during the pandemic and work continued on inclusion, speaking up and analysing and implementing the results the staff survey. Innovation work progressed with the development of the virtual hospital model to meet the needs of patients during the pandemic.

## 6. Well-led framework

In 2018/19, the Trust's leadership and governance arrangements were reviewed externally by NHS Improvement, the CQC and an external consultancy. The CQC inspection in November 2018 rated "well-led" for the Trust as requires improvement. The Trust implemented an improvement plan following that inspection and carried out significant improvement work during 2019/20 in relation to the well-led framework. In June 2020, it received a rating of "good" for the well-led domain.

During 2020/21, the Trust's work in relation to the well-led framework was disrupted by the pandemic. However, the Trust continued its monthly board meetings virtually, initially in private for 3 months and then in public for the remainder of the year. Sub-board committee meetings were maintained virtually, and board engagement continued albeit in a more virtual form with non-executive directors undertaking virtual visits. Risk management continued with regular reviews of the corporate and service level risk registers.

There was a continued focus on the Trust's strategic priorities with work on vision, strategy and engagement connected to the hospital redevelopment which included the approval of the Trust's Clinical Strategy for the next 5 years. Staff health & wellbeing continued as a priority during the pandemic and work continued on inclusion, speaking up and analysing and implementing the results the staff survey. Innovation work progressed with the development of the virtual hospital model to meet the needs of patients during the pandemic.

The Board assessed its effectiveness in June 2020 and recently undertook an annual governance review for 2020/21. It anticipates undertaking an external review of governance towards the end of 2021/22 in accordance with the requirements for external reviews set out in the well-led framework.

## 7. Information governance

Information governance incidents are graded using the NHS Digital breach assessment grid which is in line with new requirements under the UK General Data Protection Regulations 2016 and Data Protection Act 2018. Incidents are graded using a 5 x 5 breach assessment grid according to the significance of the breach and the likelihood of serious consequences occurring on the individual or groups of individuals affected, with 1 being the least serious and 25 the most serious. Incidents graded as 6 or above are reportable to the Information Commissioner's Office (ICO) via the Data Security and Protection Toolkit Incident Reporting Tool.

During the financial year 2020/21, 1 serious incident was reported to the ICO.

| Month of incident | Nature of incident | Number affected | How patients were informed | Lessons learned |
|---|---|---|---|---|
| Dec 2020 | Handover sheets were inadvertently given to a patient. The originals were later retrieved. | 11 | The patients were contacted and informed about the incident. | This incident has been investigated as a divisional learning review. |

## 7. Annual Quality Account

The Trust is required under the Health Act 2009 and the National Health Service (Quality Accounts) Regulations 2010 (as amended) to prepare Quality Accounts for each financial year. NHS Improvement (in exercise of the powers conferred on Monitor) has issued guidance to NHS trusts on the form and content of annual quality reports which incorporate the above legal requirements in the NHS Trust Annual Reporting Manual. However, due to the COVID-19 pandemic, the timetable for the publication of 2019/20 Quality Account was delayed and the deadline for publication of the Quality Account was extended to December 2020.

The 2020/21 Quality Account will be completed in line with national guidance and a formal review process has been established with external stakeholders (Commissioners, Overview and Scrutiny Committee and Healthwatch). The Quality Account goes through a number of internal sign off processes, including assurance committees and the Audit Committee before being made available on the Trust's external website.

Steps have been put in place to assure the Board that the Quality Account presents a balanced view and that there are appropriate controls in place to ensure the accuracy of the data. These steps cover the following areas as detailed below:

- **Governance and leadership**

The quality improvement system is lead directly by the Board which also exercises its governance responsibilities through monitoring and reviewing the Trust's quality performance. The Quality Committee reports directly to the Board and leads the Trust's quality agenda and provides assurance on compliance with the Trust's quality indicators.

- **Policies**

The Trust has in place a suite of policies which have quality at their heart, focusing on care that is safe, effective, and reflective of the needs of patients and staff. The Quality Committee sets out the framework in which quality improvement will be achieved within the Trust, with all key policies such as the incident policy and complaints policy.

- **Systems and processes**

The Board ensures that adequate systems and processes are maintained to measure and monitor the Trust's effectiveness, efficiency, and economy, as well as the quality of the healthcare it delivers. The Board regularly reviews the performance of the Trust in these areas against regulatory requirements and approved plans and objectives.

- **Data use and reporting**

The Trust is provided with external assurance from national data submissions and national patient survey results, local inpatient survey results and information governance toolkit results. Local internal assurance is also provided through the analysis of data following local internally led audits in relation to nursing care indicators, analysis of data following incidents in relation to medication errors and slips, trips and falls incidents for patients and other patient harm. The quality and safety metrics are also reported monthly to the Board through the integrated performance report and other quality and safety reports.

- **Data quality of elective waiting time data**

There are several ways in which the Trust carries out checks to validate data quality for referral to treatment (RTT), diagnostic, and cancer waiting times (CWT) for elective waiting time reporting.

All patient pathways for RTT, diagnostic and CWT standards are guided by the Trust's access policy, which describes the processes to be followed to ensure transparent, fair and equitable management of

waiting lists. It includes guidelines and procedures to ensure that waiting lists are managed effectively, a high quality of service is maintained, and optimum use is made of resources at all locations with the Trust.

The access policy allocates clear lines of responsibilities within the organisation for ensuring that services have the frameworks, policies, and processes to support delivery of operational standards in relation to RTT, diagnostics and CWT, including robust checking to ensure adherence to the policy a wide range of specific checks are undertaken by the Trust to validate data quality.

A series of specific RTT training modules is available via online learning for relevant staff groups to strengthen the understanding of RTT rules further and provide greater assurance on the accuracy of elective waiting time reporting.

## 8. Review of effectiveness

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

The effectiveness of the system of internal control is maintained by ensuring clear duties and accountability is allocated to each part of governance framework and to individuals within the framework. I am assured that the Trust has in place a robust escalation framework which ensures timely and effective escalation from divisions and committees.

I am assured that the Board effectively reviews risks to the delivery of the Trust's performance objectives through its monitoring of performance in the key areas of finance, activity, national targets, patient safety, quality, and workforce. This enables me, the executive team, and the Board to focus and address key issues as they arise.

The Audit Committee independently monitors the effectiveness of internal controls and risk management arrangements by approving annual audit plans, receiving regular individual and progress reports, and ensuring that recommendations arising from audits are actioned by the executive management.

I am assured that the Trust has a clinical audit strategy in place which clearly sets out clinical audit objectives and priorities in relation to resource allocation and corporate, divisional, and individual responsibilities. Clinical audit is monitored by the Quality Committee and the Audit Committee provides added assurance on the controls in place. The internal audit reports show that the Trust has been successful in embedding good controls at many levels within the Trust. However, the Trust remains vigilant and continues to strive for further improvements across all areas.

The Trust has in place a plan to bring the organisation back into financial balance by addressing the structural deficit and implementing a sustainability programme. As part of its financial plan, the Trust is working with HVCCG, NHSI and NHSE to secure the necessary resources to continue its operations and achieve financial sustainability.

The Head of Internal Audit has provided moderate assurance that there is a sound system of internal control, designed to meet the Trust's objectives and that controls are being applied consistently. In forming this view it was considered that:

- The Trust had a plan of breakeven for the year prior to the onset of the Covid-19 pandemic. Under the interim financial regime during Covid-19, the Trust revised its annual plan to a deficit of £4.2m. In its draft financial results, the Trust is reporting an adjusted surplus of £0.26m. This represents a favourable position against both the business-as-usual plan and the control total of a £4.2m deficit.
- In the current year the majority of audits provided moderate assurance in the design of controls (Substantial: 2 and Moderate: 6). In addition, we completed 3 audits which were advisory in nature and therefore did not generate an assurance level.
- In the current year the majority of audits provided moderate assurance in the operational effectiveness of controls (Substantial: 1, Moderate: 6 and Limited: 1).
- There were a total of 48 recommendations (High: 4, Medium: 39 and Low: 5) raised in the current year.
- The Trust have specifically requested audits into known areas of concern and new areas of risk e.g., Medical Resourcing.
- However, the Trust have been slow in implementing some audit recommendations in the year e.g., Estates and fire safety. This has been understandable in the current environment.

We also note that the Trust has a challenging underlying financial position, however we recognise that the Trust has met its control total for 2020/21 and has agreed its control total for 2021/22.

## 9. Conclusion

In line with the guidance on the definition of the significant internal control issues, I have not identified any significant control issues.

Signed Date 1 July 2021

**Christine Allen**
**Chief Executive**

**Oversight Framework**

NHS England and Improvement's (East of England) 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, and 5) Leadership and improvement capability (well-led).

In 2020/21, NHS England and Improvement undertook a review of the progress the Trust had made and noted the following improvements:

- Following the unannounced CQC inspection in February 2020, whilst the Trust's overall rating remained 'requires improvement' the ratings for 'safe', 'effective' and 'well-led' had all improved. Inspectors acknowledged the overall improvement and identified several areas of good practice.
- In 2018/19 and 2019/20 the Trust had delivered an acceptable level of financial performance and whilst the NHS financial framework was suspended in the first half of 2020/21 due to COVID-19, the Trust has continued to demonstrate financial grip and control.
- The Trust was making significant improvements in reducing its referral to treatment backlog position and the number of 52-week waiters. Although this position has deteriorated more recently, we recognise the impact of Covid-19 and noted that the Trust has put in place enhanced governance and review arrangements, providing robust grip and control of waiting lists. Whilst UEC performance remains challenged, we noted that there has been year on year improvements made across several areas and the Trust had been stepped down from the national escalation calls.

As a result of the progress being made in the above areas, NHS England and Improvement concluded that that the Trust did not require mandated support, and as a result, the Trust was moved from segment 3 to segment 2 of the NHS oversight framework.

Segmentation information for NHS trusts is published on the NHS England and Improvement website.

**Statement of directors' responsibilities in respect of the accounts**

The directors are required under the National Health Service Act 2006 to prepare accounts for each financial year, ensuring they meet the requirements of the Department of Health and Social Care Group Accounting manual. The Secretary of State, with the approval of HM Treasury, directs that these accounts give a true and fair view of the state of affairs of the Trust and of the income and expenditure, recognised gains and losses and cash flows for the year. In preparing those accounts, the directors are required to:

- apply on a consistent basis accounting policies laid down by the Secretary of State with the approval of the Treasury;
- make judgements and estimates which are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust and to enable them to ensure that the accounts comply with requirements outlined in the above mentioned direction of the Secretary of State. They are also responsible for safeguarding the assets of the trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm to the best of their knowledge and belief they have complied with the above requirements in preparing the accounts.

By order of the Board

Chief Executive Date: 1 July 2021

Chief Financial Officer Date: 1 July 2021

## Independent auditor's report to the Directors of West Hertfordshire Hospitals NHS Trust

## Report on the Audit of the Financial Statements

### Opinion on financial statements

We have audited the financial statements of West Hertfordshire Hospitals NHS Trust (the 'Trust') for the year ended 31 March 2021, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Accounts Directions issued under Schedule 15 of the National Health Service Act 2006, as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2020 to 2021.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Trust as at 31 March 2021 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with international accounting standards as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2020 to 2021; and
- have been prepared in accordance with the requirements of the National Health Service Act 2006.

### Basis for opinion

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

### Conclusions relating to going concern

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

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

Based on the work we have performed, we have not identified any material uncertainties relating to

events or conditions that, individually or collectively, may cast significant doubt on the Trust's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.
In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
The responsibilities of the Directors with respect to going concern are described in the 'Responsibilities of the Directors and Those Charged with Governance for the financial statements' section of this report.

**Other information**

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report 2020-2021, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.
We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement 2020/21 does not comply with the guidance issued by NHS Improvement, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement 2020/21 addresses all risks and controls or that risks are satisfactorily addressed by internal controls.
We have nothing to report in this regard.

**Opinion on other matters required by the Code of Audit Practice**

In our opinion, based on the work undertaken in the course of the audit:
the parts of the Remuneration and Staff Report to be audited have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Accounts Directions issued under Schedule 15 of the National Health Service Act 2006, as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2020 to 2021; and

based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Trust, the other information published together with the financial statements in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

Under the Code of Audit Practice, we are required to report to you if:
we issue a report in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

we refer a matter to the Secretary of State under Section 30 of the Local Audit and Accountability Act 2014 because we have reason to believe that the Trust, or an officer of the Trust, is about to make, or has made, a decision which involves or would involve the body incurring unlawful expenditure, or is

about to take, or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency; or

we make a written recommendation to the Trust under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters except on 18 June 2020 we referred a matter to the Secretary of State under section 30 of the Local Audit and Accountability Act 2014 in relation to West Hertfordshire Hospitals NHS Trust's planned breach of its break-even duty for the year ending 31 March 2021.

**Responsibilities of the Directors and Those Charged with Governance for the financial statements**

As explained in the Statement of Directors' responsibilities in respect of the accounts, the Directors are responsible for the preparation of the financial statements in the form and on the basis set out in the Accounts Directions, for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for 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.

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

**Auditor's responsibilities for the audit of the financial statements**

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

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

**Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

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

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

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Trust and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (international accounting standards and the National Health Service Act 2006, as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2020 to 2021).

We enquired of management and the Audit committee, concerning the Trust's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

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

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

- unusual journal entries made during the year and accounts production stage
- the appropriateness of assumptions applied by management in determining significant accounting estimates, such as the valuation of property plant and equipment and the completeness and accuracy of provisions and accruals.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
- journal entry testing, with a focus on testing unusual journal entries made during the year and accounts production stage for appropriateness and corroboration.
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of property, plant and equipment valuations;
- agreeing material patient care revenue to supporting documentation and bank receipts;
- inspecting transactions occurring around the end of the financial year to assess whether they had been included in the correct accounting period;
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

The team communications in respect of potential non-compliance with relevant laws and regulations, including the breach of the Trust's breakeven duty as set out in the National Health Service Act 2006, the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates

related to property, plant and equipment valuations and completeness and accuracy of accruals and payables.

Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

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

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

the Trust's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

the Trust's control environment, including the policies and procedures implemented by the Trust to ensure compliance with the requirements of the financial reporting framework.

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.
Our work on the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Trust's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in our Audit Completion Certificate. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

**Responsibilities of the Accountable Officer**

As explained in the Statement of the Chief Executive's responsibilities as the Accountable Officer of the Trust, the Chief Executive, as Accountable Officer, is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in the use of the Trust's resources.

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

We are required under Section 21(3)(c) and Schedule 13 paragraph 10(a) of the Local Audit and Accountability Act 2014 to be satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Trust plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Trust ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Trust uses information about its costs and performance to improve the way it manages and delivers its services.

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

**Report on other legal and regulatory requirements – Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate for West Hertfordshire Hospitals NHS Trust for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our work on the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources.

**Use of our report**

This report is made solely to the Directors of the Trust, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the Trust's Directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Trust's Directors, as a body, for our audit work, for this report, or for the opinions we have formed.

**Ciaran McLaughlin**, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

London
05 July 2021

## Independent auditor's report to the Directors of West Hertfordshire Hospitals NHS Trust

In our auditor's report issued on 5 July 2021, we explained that we could not formally conclude the audit and issue an audit certificate for the Trust for the year ended 31 March 2021, in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice, until we had:

- Completed our work on the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources. We have now completed this work, and the results of our work are set out below.

### Opinion on the financial statements

In our auditor's report for the year ended 31 March 2021 issued on 5 July 2021 we reported that, in our opinion the financial statements:

give a true and fair view of the financial position of the Trust as at 31 March 2021 and of its expenditure and income for the year then ended;

have been properly prepared in accordance with international accounting standards as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2020 to 2021; and

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

No matters have come to our attention since that date that would have a material impact on the financial statements on which we gave this opinion.

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

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

### Responsibilities of the Accountable Officer

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

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

We are required under Section 21(3)(c) and Schedule 13 paragraph 10(a) of the Local Audit and Accountability Act 2014 to be satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Trust plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Trust ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Trust uses information about its costs and performance to improve the way it manages and delivers its services.

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

**Report on other legal and regulatory requirements – Audit certificate**

We certify that we have completed the audit of West Hertfordshire Hospitals NHS Trust for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

**Use of our report**

This report is made solely to the Directors of the Trust, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the Trust's Directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Trust's Directors, as a body, for our audit work, for this report, or for the opinions we have formed.

**Ciaran McLaughlin**, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

16 September 2021

## Staff and remuneration report

### Staff policies applied during the financial year

The Trust has a recruitment and selection policy in place, which is committed to supporting employees whilst also delivering the highest standards of care and service to patients and service users. The Trust aims to be the employer of choice locally and draws on a wide and diverse range of people with a variety of skills and talents to deliver and manage its services; concentrating positively on the real requirements of jobs and the individual abilities of people who seek employment.

The national NHS jobs website is used to advertise all posts and applicants are asked about disabilities as part of the process. Any candidate who has declared a disability and invoked the two tick scheme within their applications is guaranteed an interview provided they meet the minimum criteria for the post. A functional requirement form is also completed as part of pre-employment checks and where a disability is identified, a discussion is held with the line manager as to what adjustments need to be made in conjunction with the occupational health department.

The Trust has a management policy in place to inform the need for reasonable adjustments and support staff who become disabled during employment. Close links are in place with the occupational health department in order to ensure that all is done to support staff with disabilities at work.

### Numbers of staff by banding and ethnicity

| Band | Unknown | Black and Ethnic Minority | Ethnicity not disclosed | White | Total |
|---|---|---|---|---|---|
| Band 2 | 26 | 364 | 14 | 398 | 802 |
| Band 3 | 34 | 206 | 18 | 324 | 582 |
| Band 4 | 22 | 139 | 12 | 371 | 544 |
| Band 5 | 59 | 536 | 12 | 307 | 914 |
| Band 6 | 31 | 289 | 24 | 419 | 763 |
| Band 7 | 20 | 142 | 13 | 349 | 524 |
| Band 8a | 6 | 62 | 2 | 135 | 205 |
| Band 8b | 4 | 21 | 2 | 42 | 69 |
| Band 8c | 7 | 6 | | 20 | 33 |
| Band 8d | 2 | 2 | 1 | 11 | 16 |
| Band 9 | | 2 | | 10 | 12 |
| Consultant | 3 | 154 | 4 | 114 | 275 |
| Foundation House Officer 1 | 7 | 31 | 5 | 20 | 63 |
| Foundation House Officer 2 | 3 | 40 | | 14 | 57 |
| Other doctors | 47 | 207 | 7 | 62 | 323 |
| Senior Manager | 2 | 1 | | 8 | 11 |
| Non-Executive Director | 1 | 2 | | 5 | 8 |
| **Grand Total** | **274** | **2204** | **114** | **2609** | **5201** |

## Staff numbers by gender

| Row Labels | Female | Male | Grand Total | Female % | Male % |
|---|---|---|---|---|---|
| Add Prof Scientific and Technic | 98 | 36 | 134 | 73.1% | 26.9% |
| Additional Clinical Services | 802 | 231 | 1033 | 77.6% | 22.4% |
| Administrative and Clerical | 1005 | 219 | 1224 | 82.1% | 17.9% |
| Allied Health Professionals | 197 | 50 | 247 | 79.8% | 20.2% |
| Estates and Ancillary | 32 | 48 | 80 | 40.0% | 60.0% |
| Healthcare Scientists | 116 | 36 | 152 | 76.3% | 23.7% |
| Medical and Dental | 326 | 392 | 718 | 45.4% | 54.6% |
| Nursing and Midwifery Registered | 1447 | 157 | 1604 | 90.2% | 9.8% |
| Students | 9 | | 9 | 100.0% | 0.0% |
| **Grand Total** | **4032** | **1169** | **5201** | **77.5%** | **22.5%** |

## Staff sickness absence data (audited)

For further details on average staff sickness per day in 2020/21 please refer to https://digital.nhs.uk/data-and-information/publications/statistical/nhs-sickness-absence-rates

## Modern Slavery Act 2015 – Transparency in supply chains

In line with the requirements of the Modern Slavery Act 2015, the Board approved a statement which provided an overview of the steps taken by the Trust during the financial year to ensure that slavery and human trafficking had not taken place in any of its supply chains, and in any part of its own business. The statement, which is published on the Trust's public website, confirms that the Trust has zero tolerance of slavery and human trafficking its policies, procedures, governance and legal arrangements are robust, ensuring that proper checks and due diligence are applied in employment procedures to ensure compliance with this legislation.

The Trust also conforms to the NHS employment check standards within its workforce recruitment and selection practices, including through managed service provider contract arrangements.

The statement can be accessed at www.westhertshospitals.nhs.uk.

## Staff numbers and composition

**Staff Numbers and composition (audited)**

| | 2020/21 | | | | | | 2019/20 | |
|---|---|---|---|---|---|---|---|---|
| | Total | | Permanently employed | | Other | | Total | |
| | Number | £'000 | Number | £'000 | Number | £'000 | Number | £'000 |
| Medical and Dental | 805 | 90,076 | 719 | 72,571 | 86 | 17,505 | 741 | 84,276 |
| Administration and Estates | 1,137 | 59,823 | 1,034 | 53,881 | 103 | 5,942 | 1,176 | 47,840 |
| Healthcare Assistants and other support staff | 1,070 | 33,472 | 882 | 27,201 | 188 | 6,271 | 1,010 | 29,791 |
| Nursing, midwifery and health visiting staff | 1,632 | 84,415 | 1,426 | 72,983 | 206 | 11,432 | 1,622 | 81,236 |
| Nursing, midwifery and health visiting learners | 0 | 0 | | 0 | | 0 | 0 | 0 |
| Scientific, theraputic and technical staff | 526 | 29,155 | 485 | 26,088 | 41 | 3,067 | 511 | 27,871 |
| Engaged on capital projects | 33 | 1,212 | 29 | 1,011 | 4 | 201 | 8 | 855 |
| TOTAL | 5,203 | 298,153 | 4,574 | 253,735 | 629 | 44,418 | 5,068 | 271,869 |

## Policy on remuneration of directors

Decisions on remuneration of directors are made by the Remuneration Committee which seeks to position the Trust in a way that is able to attract, retain and motivate very senior managers (VSM) and associated directors of sufficient calibre to maintain high quality, patient-centred healthcare and effective management of the Trust's resources. The Committee ensures that it strikes an appropriate balance between this approach and the duty to ensure effective stewardship of public resources. On an annual basis the Committee will consider the remuneration packages of all VSM and associated directors to ensure that remuneration remains appropriate and continues to ensure effective stewardship of public resources.

## Directors' salary relative to workforce (audited)

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. The banded remuneration of the highest paid director in the Trust in the financial year 2020/21 was £308k (2019/20, £ £293k). This was 8.9 (2019/20 - 8.4) times the median remuneration of the workforce, which was £34.6k (2019/20 £35.0k). In 2020/21 no employee received remuneration in excess of the highest paid director. Remuneration ranged for full time employees from pay banding £15-20k to pay banding £305-310k. Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind but not severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

## Directors' remuneration (voting members only)

| DIRECTORS' REMUNERATION 2020-2021 voting members -(audited) | | | 2020/21 | | | | | 2019/20 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| NAME | TITLE | In year start/ leave dates | SALARY bands of £5,000 | Expense payments (taxable) total to nearest £100 | Performance pay and bonuses bands of £5,000 | All pension-related benefits (bands of £2,500) | TOTAL bands of £5,000 | SALARY bands of £5,000 | Expense payments (taxable) total to nearest £100 | Performance pay and bonuses bands of £5,000 | All pension-related benefits (bands of £2,500) | TOTAL bands of £5,000 |
| C. Allen | Chief Executive | | 205-210 | 0 | 0 | 0 | 205-210 | 205-210 | 0 | 0 | 0 | 205-210 |
| P. Townsend (note 5) | Chairman | | 40-45 | 100 | 0 | 0 | 40-45 | 40-45 | 300 | 0 | 0 | 40-45 |
| V. Edwards | Non-Executive Director Freedom to speak up Guardian, and Vice Chair | | 10-15 | 0 | 0 | 0 | 10-15 | 5-10 | 0 | 0 | 0 | 5-10 |
| J. Brougham | Non-Executive Director | Left Jan 2021 | 5-10 | 0 | 0 | 0 | 5-10 | 5-10 | 0 | 0 | 0 | 5-10 |
| E.Josephs | Non-Executive Director | From Nov 2020 | 0-5 | 0 | 0 | 0 | 0-5 | 0 | 0 | 0 | 0 | 0 |
| J. Rennison | Non-Executive Director (Senior Independent Director) | | 10-15 | 0 | 0 | 0 | 10-15 | 5-10 | 0 | 0 | 0 | 5-10 |
| P. Cartwright | Non-Executive Director | | 10-15 | 0 | 0 | 0 | 10-15 | 5-10 | 0 | 0 | 0 | 5-10 |
| N. Edwards (note 1) | Non-Executive Director | From Apr 2019 | 0-5 | 0 | 0 | 0 | 0-5 | 0-5 | 0 | 0 | 0 | 0-5 |
| D. Richards | Chief Financial Officer | | 165-170 | 0 | 0 | 0 | 165-170 | 165-170 | 0 | 0 | 0 | 165-170 |
| T. Carter (Note 4) | Chief Nurse & Director of Infection Prevention and Control | | 135-140 | 0 | 0 | 60-62.5 | 195-200 | 125-130 | 0 | 0 | 57.5-60 | 185-190 |
| H. Brown (note 1 & 3) | Deputy Chief Executive | | 140-145 | 0 | 0 | 0 | 140-145 | 140-145 | 200 | 0 | 42.5-45 | 185-190 |
| M. Van Der Watt (note 2) | Chief Medical Officer | | 305-310 | 0 | 0 | 32.5-35 | 340-345 | 290-295 | 0 | 0 | 50-52.5 | 340-345 |

**NOTES**

Note 1: H. Brown and N Edwards became voting members on 5 January 2021. Both were non-voting members in 2019/20.
Note 2: 79% of salary as Chief Medical Officer and 21% for clinical work. M Van Der Watt salary includes £12k clinical excellence award in 2020/21.
Note 3: H Brown did not contribute to the pension scheme in the year ending 31 March 2021.
Note 4: T Carter salary in 2020/21 included annual leave buyback and additional COVID work
Note 5: P. Townsend was appointed as Interim Chairman from March 2019 to February 2020. In March 2020 he was substantively appointed as Chairman.

The salaries above may include salary sacrifice schemes.

**Off payroll engagements**

**Table 1: Off-payroll engagements for longer than 6 months**

**For all off-payroll engagements as of 31 March 2021, for more than £245 per day and that last longer than six months:**

| | Number |
|---|---|
| Number of existing engagements as of 31 March 2021 | 11 |
| Of which, the number that have existed: | |
| for less than one year at the time of reporting | 7 |
| for between one and two years at the time of reporting | 2 |
| for between 2 and 3 years at the time of reporting | 2 |
| for between 3 and 4 years at the time of reporting | 0 |
| for 4 or more years at the time of reporting | 0 |

**Table 2: Off Payroll Engagements**

**For all new off-payroll engagements between 1 April 2020 and 31 March 2021, for more than £245 per day and that last longer than six months:**

| | Number |
|---|---|
| Number of new engagements, or those that reached six months in duration, between 1 April 2020 and 31 March 2021 | 6 |
| Of which: | |
| No. assessed as caught by IR35 | 0 |
| No. assessed as not caught by IR35 | 6 |
| | |
| No. engaged directly (via PSC contracted to the entity) and are on the entity's payroll | 0 |
| No. of engagements reassessed for consistency / assurance purposes during the year | 6 |
| No. of engagements that saw a change to IR35 status following the consistency review | 0 |

**Table 3: Off Payroll board members (including non-executive directors)/senior official engagements**

**For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2019 and 31 March 2020:**

| | Number |
|---|---|
| Number of off-payroll engagements of board members, and/or senior officers with significant financial responsibility during the year | 0 |
| Number of individuals that have been deemed "board members, and/or senior officers with significant financial responsibility" during the financial year. This figure includes both off-payroll and on-payroll engagements. One board member left during the year. | 12 |

## Exit packages

**Exit packages in 2020/21 (audited)**

| | 2020/21 | | | | | | |
|---|---|---|---|---|---|---|---|
| **Exit packages cost band (including any special payment element)** | **Number of compulsory redundancies** | **Cost of compulsory redundancies** | **Number of other departures** | **Cost of other departures** | **Total number of exit packages** | **Cost of exit packages** | **Number of departures where special payments have been made** |
| Banding | Number | £ | Number | £ | Number | £ | Number |
| <£10,000 | 10 | 27,665 | 3 | 12,222 | 4 | 23,868 | 0 |
| £10,000-£25,000 | 1 | 22,046 | 0 | 0 | 2 | 30,819 | 0 |
| £25,000- £50,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| £50,000-£100,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| £100,000-£150,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| £150,000 - £200,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| >£200,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **11** | **49,711** | **3** | **12,222** | **6** | **54,687** | **0** |

**Exit packages - Other departure analysis**

| | **2020/21** | | **2019/20** | |
|---|---|---|---|---|
| | **Payments agreed Number** | **Total value of agreements £'000** | **Payments agreed Number** | **Total value of agreements £'000** |
| Contractual payments in lieu of notice | 3 | 12 | 30 | 129 |
| | **3** | **12** | **30** | **129** |

## Directors' pension entitlement

**DIRECTORS' PENSION ENTITLEMENT 2020-2021 (audited)**

| | Real increase in pension (bands of £2,500) | Real increase in pension lump sum at (bands of £2,500) | Total accrued pension at 31 March 2021 (bands of £5,000) | Lump sum related to accrued pension at 31 March 2021 (bands of £5,000) | Cash Equivalent Transfer Value at 31 March 2021 | Cash Equivalent Transfer Value at 31 March 2020 | Real increase/(decrease) in Cash Equivalent Transfer Value (bands of £1,000) | Employer's contribution to stakeholder pension |
|---|---|---|---|---|---|---|---|---|
| **T. Carter** | **2.5-5** | **2.5-5** | **50-55** | **110-115** | 903,547 | 810,208 | 56 | 0 |
| **M. Van Der Watt** | **2.5-5** | **7.5-10** | **65-70** | **205-210** | 1,662,741 | 1,512,023 | 75 | 0 |

Non-Executive members do not receive pensionable remuneration, therefore there are also no entries in respect of pensions for these Directors.

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed 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.

No disclosure is made for directors who did not contribute in the year ending 31 March 2021.They opted out of the pension scheme before 31 March 2020.

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 or chooses to transfer the benefits accrued in their former pension 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 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 of Faculty of Actuaries.

Real Increase / Decrease in CETV - This reflects the change in-year of CETV after adjusting the start of the year CETV for the change in consumer price indice.

* Staff Numbers and Composition
* Sickness Absence Data
* Director's salary relative to workforce
* Exit packages
* Director's Remuneration
* Director's Pension Entitlement

* I certify that the above are a true and accurate reflection of the remuneration and other associated staff reports.

I certify that the above are a true and accurate reflection of the remuneration and other associated staff reports.

Signed by:

**Christine Allen, Chief Executive**

Date: 1 July 2021

## Statement of Comprehensive Income

| | Note | 2020/21 £000 | 2019/20 £000 |
|---|---|---|---|
| Operating income from patient care activities | 3 | 400,225 | 337,289 |
| Other operating income | 4 | 72,340 | 56,386 |
| Operating expenses | 6, 8 | (471,722) | (413,560) |
| **Operating surplus/(deficit) from continuing operations** | | **843** | **(19,885)** |
| Finance income | 11 | - | 85 |
| Finance expenses | 12 | 89 | (4,205) |
| PDC dividends payable | 12.3 | (5,295) | - |
| **Net finance costs** | | **(5,206)** | **(4,120)** |
| **Deficit for the year from continuing operations** | | **(4,363)** | **(24,005)** |
| **Deficit for the year** | | **(4,363)** | **(24,005)** |
| **Other comprehensive income** | | | |
| **Will not be reclassified to income and expenditure:** | | | |
| Revaluations | 16 | 4,635 | 3,081 |
| **Total comprehensive income / (expense) for the year** | | **272** | **(20,924)** |

| | | |
|---|---|---|
| **Adjusted financial performance (control total basis):** | | |
| Deficit for the period | (4,363) | (24,005) |
| Remove net impairments not scoring to the Departmental expenditure limit | 7,910 | 1,664 |
| Remove I&E impact of capital grants and donations | (2,767) | (130) |
| Remove net impact of inventories received from DHSC group bodies for COVID response | (523) | - |
| **Adjusted financial performance surplus / (deficit)** | **257** | **(22,471)** |

*The adjusted retained surplus of £257,000 is after excluding impairments, net of donated income and depreciation and net of inventories received and consumed from Department of Health and Social Care centrally purchased Personal Protective Equipment (PPE) free of charge to the Trust. The Trust financial performance is measured on the adjusted Breakeven duty surplus of £257,000 as described in note 37.*

## Statement of Financial Position

| | Note | 31 March 2021 £000 | 31 March 2020 £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 15 | 8,391 | 8,726 |
| Property, plant and equipment | 16 | 233,712 | 190,792 |
| Receivables | 18 | 2,132 | 1,834 |
| **Total non-current assets** | | **244,235** | **201,352** |
| **Current assets** | | | |
| Inventories | 17 | 5,659 | 5,441 |
| Receivables | 18 | 35,770 | 35,330 |
| Cash and cash equivalents | 19 | 22,404 | 5,360 |
| **Total current assets** | | **63,833** | **46,131** |
| **Current liabilities** | | | |
| Trade and other payables | 20 | (62,569) | (45,032) |
| Borrowings | 22 | - | (237,761) |
| Provisions | 24 | (609) | (670) |
| Other liabilities | 21 | (1,930) | (1,929) |
| **Total current liabilities** | | **(65,108)** | **(285,392)** |
| **Total assets less current liabilities** | | **242,960** | **(37,909)** |
| **Non-current liabilities** | | | |
| Borrowings | 22 | (2,000) | (2,000) |
| Provisions | 24 | (4,711) | (4,171) |
| **Total non-current liabilities** | | **(6,711)** | **(6,171)** |
| **Total assets/ (Liabilities)** | | **236,249** | **(44,080)** |
| **Financed by** | | | |
| Public dividend capital | | 507,373 | 227,316 |
| Revaluation reserve | | 60,248 | 55,613 |
| Income and expenditure reserve | | (331,372) | (327,009) |
| **Total taxpayers' equity** | | **236,249** | **(44,080)** |

Signed by:

**Christine Allen, Chief Executive**

1 July 2021

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

| | Public dividend capital £000 | Revaluation reserve £000 | Income and expenditure reserve £000 | Total £000 |
|---|---|---|---|---|
| **Taxpayers' and others' equity at 1 April 2020 - brought forward** | **227,316** | **55,613** | **(327,009)** | **(44,080)** |
| Surplus/(deficit) for the year | - | - | (4,363) | **(4,363)** |
| Revaluations | - | 4,635 | - | **4,635** |
| Public dividend capital received | 280,057 | - | - | **280,057** |
| Other reserve movements | - | - | - | - |
| **Taxpayers' and others' equity at 31 March 2021** | **507,373** | **60,248** | **(331,372)** | **236,249** |

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

| | Public dividend capital £000 | Revaluation reserve £000 | Income and expenditure reserve £000 | Total £000 |
|---|---|---|---|---|
| **Taxpayers' and others' equity at 1 April 2019 - brought forward** | **226,023** | **52,532** | **(303,004)** | **(24,449)** |
| (Deficit) for the year | - | - | (24,005) | **(24,005)** |
| Revaluations | - | 3,081 | - | **3,081** |
| Public dividend capital received | 1,293 | - | - | **1,293** |
| **Taxpayers' and others' equity at 31 March 2020** | **227,316** | **55,613** | **(327,009)** | **(44,080)** |

**Information on reserves**

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

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

**Income and expenditure reserve**
The balance of this reserve is the accumulated surpluses and deficits of the trust.

## Statement of Cash Flows

| | Note | 2020/21 £000 | 2019/20 £000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Operating surplus / (deficit) | | 843 | (19,885) |
| **Non-cash income and expense:** | | | |
| Depreciation and amortisation | 6.1 | 11,444 | 9,072 |
| Net impairments | 7 | 7,910 | 1,664 |
| Income recognised in respect of capital donations | 4 | (2,871) | (204) |
| Increase in receivables and other assets | | (554) | (16,233) |
| Increase in inventories | | (218) | (990) |
| Increase in payables and other liabilities | | 15,923 | 6,551 |
| Increase in provisions | | 514 | 276 |
| **Net cash flows from / (used in) operating activities** | | **32,991** | **(19,749)** |
| **Cash flows from investing activities** | | | |
| Interest received | | 66 | 79 |
| Purchase of intangible assets | | (5,722) | (5,837) |
| Purchase of PPE and investment property | | (47,209) | (12,733) |
| Receipt of cash donations to purchase assets | | 113 | 204 |
| **Net cash flows used in investing activities** | | **(52,752)** | **(18,287)** |
| **Cash flows from financing activities** | | | |
| Public dividend capital received | | 280,057 | 1,293 |
| Movement on loans from DHSC | | (236,736) | 43,301 |
| Interest on loans | | (1,025) | (4,016) |
| Other interest | | - | (40) |
| PDC dividend paid | | (5,491) | - |
| **Net cash flows from / (used in) financing activities** | | **36,805** | **40,538** |
| **Increase / (decrease) in cash and cash equivalents** | | **17,044** | **2,502** |
| **Cash and cash equivalents at 1 April - brought forward** | | **5,360** | **2,858** |
| **Cash and cash equivalents at start of period for new FTs** | | **-** | **-** |
| **Cash and cash equivalents at 31 March** | 19 | **22,404** | **5,360** |

## NOTES TO THE ACCOUNTS

### 1. Accounting Policies

The Department of Health and Social Care 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 2020-21 issued by the Department of Health and Social Care. The accounting policies contained in the GAM follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the GAM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of the trust for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below. These have been applied consistently in dealing with items considered material in relation to the accounts.

### 1.1. Accounting convention

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

### 1.2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Trust's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates and these and the underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### 1.2.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (note 1.2.2) that management has made in the process of applying the Trust's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

- IAS 1 requires management to assess, as part of the accounts preparation process, the Trust's ability to continue as a going concern. In the context of non-trading entities in the public sector such as the Trust, the anticipated continuation of the provision of a service in the future is normally sufficient evidence of going concern. The financial statements are prepared on a going concern basis unless there were plans for, or no realistic alternative other than, the dissolution of the Trust without the transfer of its services to another entity within the public sector.

In preparing the financial statements the directors have considered the Trust's overall financial position, with outturn adjusted surplus of £0.3m in 2020/21, and expectation of future financial funding. The Trust's Annual Plan process for 2021/22 is in place for the first six months. It is expected the first six months for the Trust to breakeven with government funding. Currently the Trust has rolled over agreements with its commissioners, a block contract (fixed funding for providing healthcare to its patients) from 2020/21 to 30 September 2021. Additional funding will be available for the Trust to achieve break-even to 30 September 2021 if there is a monthly income and expenditure deficit during this period.

Block payment arrangements will remain in place although signed contracts between the CCGs and the Trust are not required for the first six months of 2021/22 The current funding arrangements in place for 2021-22 include an annualised efficiency savings requirement of 1.1%. This totals £4m. There is also a fixed allocation of COVID-19 funding of £13.2m and a system top-up of £31.1m for the period to September 2021.

It is expected NHS funding to flow similar to the last financial year, provided services are reasonably still expected to be commissioned. While mechanisms for contracting and payment are not definitely in place, it is clear that NHS services will continue to be funded, and government funding is in place for this. The Trust control total signalled by NHSI is to breakeven in 2021/22.

Directors are not seeking any cash support for revenue but the Trust is likely to submit a request for £5.2m in 2021/22 to support the capital expenditure plan. NHSI has not, at the date of our report, confirmed that they will provide this support. The finances of the Trust are in a stronger position after the conversion of the £236,700,000 of loans into public dividend capital (PDC) which do not require to be repaid. This strengthens the financial position and improves liquidity of the Trust and minimises risks on going concern. It shold be noted that 3.5% of PDC dividend is payable based on average net relevant assets on yearly basis. This is inlcuded in the block contract income from commissioners.

All these factors have improved the finances of the Trust and its ability to continue as a going concern. The Directors, having made appropriate enquiries, still have reasonable expectations that the Trust will have adequate resources to continue in operational existence for the foreseeable future. As directed by the Department of Health and Social Care Group Accounting Manual 2020/21 the Directors have prepared the financial statements on a going concern basis as they consider that the services currently provided by the Trust will continue to be provided in the foreseeable future. On this basis, the Trust has adopted the going concern basis for preparing the financial statements and has not included the adjustments that would result if it was unable to continue as a going concern.

**1.2.2 Key sources of estimation uncertainty**

In preparing these accounts the Trust might make assumptions concerning the future affecting the amounts of assets, liabilities, revenue or expenses reported. Any such assumptions and the basis of estimate are explained in the related notes. These include:

- from 1 April 2013 income from commissioners for maternity care is received at commencement of the Care Pathway. An estimate of incomplete elements of the pathway has been deferred. In 2021/22 the block contract arrangements have taken place. All deferred income from the maternity pathway has been paid to the commisioners in 2021/22.
- the valuation of land and buildings using the modern equivalent asset discounted replacement cost method detailed in note 17.5. The basis of estimate for Watford site includes changes to internal area informed by new drawings and revised build dates.
- management have determined that it is appropriate for surplus assets to be held at nil value and not at fair value because they were held for their service potential and there are restrictions that would prevent the marketing of the assets for sale (ie. that they are specialist hospital buildings that are integral parts of the Trust's sites).
- The land at St Albans, Watford and Hemel Hempstead sites has been valued under the Modern Equivalent Asset (MEA) methodology in 2020/21. The approach to the MEA technique used for land valuation allows an alternative site to be used where the location requirements of the service being provided can be met from this location. Should the MEA have the potential to be relocated to a less expensive area due to changes in the nature of how existing facilities are used, the value of land in this alternate location should be adopted for valuation. This principle was applied to all three Trust sites in 2020/21, details of the impact of which can be found in note 16.5.
- The estimate on land valuation is considered to be an accurate reflection of the industrial land valuation as at 31 March 2021. The valuation was done in August 2020 with a forecast to 31 March 2021. The buildings valuation is based on the BCIS index (Building Cost Information Service) which can fluctuate. A 5% increase/decrease is £4m on buildings is not considered material for the financial statements in 2021/22.
- The Trust had its land and buildings valued in September 2020 with a valuation date of 01 April 2020 with a forecast to 31 March 2021. In applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards 2020 (Red Book), the Trust's valuer has not declared a "material valuation uncertainty" in the valuation report. This is on the basis of the pandemic and the measures taken to tackle Covid-19 continue to offset economies and real estate markets globally. Nonetheless, as at the valuation date some property markets have started to function again, with transactions volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance, the valuation is not reported as being subject to 'material valuation uncertainty' clause as it was in 2019/20.
  For 2019/20 comparator the valuers have provided additional clarification that the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon. This clause is a disclosure, not a disclaimer. It is used in order to be clear and transparent with all parties, in a professional manner that in the current extraordinary circumstances less certainty can be attached to the valuation than would otherwise be the case. The values in the report have been used to inform the measurement of property assets as at 31 March 2020 within these financial statements. With the valuer having declared this material valuation uncertainty, the valuer has continued to exercise professional judgement in providing the valuation and this remains the best information available to the Trust. Given that there is no alternative information to suggest the valuations are materially incorrect, the Trust has assured itself that the values provided are an appropriate reflection of the assets worth within the financial statements.
- In 2019/20 the Trust agreed a control total of a £22.7m deficit. In order to achieve this, the trust was allocated sums from the Provider Sustainability Fund (PSF) and the Financial Recovery Fund (FRF) by DHSC. In 2020/21 PSF and FRF were replaced with top up funding. The Trust received £55m of top up funding in 2020/21.
- Due to COVID-19 pandemic, staff were unable to take annual leave within the financial year and this meant that there was in 2020/21, on average, higher than normal annual leave to be carried forward into the year 2021/22. An accrual of £9.1m has been made against pay costs to reflect the carry-over of annual leave. This is based on sample returns from Divisions specifying the number of annual leave days outstanding by staff category. This has then been multiplied against relevant daily rates to determine an estimated cost. This issue is recognised nationally and part of the cost is funded by NHSE/I which is included in the accounts. This amounts to £5.5m.
  The estimated costs in the accounts is considered materially to be sufficient to cover all the costs of backfill and subsequent sale of annual leave. The Trust policy is generally restricted to 5 days of annual leave carried forward for non-clinical staff, this did not apply to clinical staff in 2020/21. The annual leave carried forward range from 5 days for Non-Clinical, Nursing, Other Clinical and Scientific, Technical and Professional staff groups to 8 days for Medical staff based on the 20% sample received. A 5% increase/decrease on the annual leave accrual is £0.5m which is not considered material for the Trust.

### 1.3. Charitable Funds

Following Treasury's agreement to apply IFRS 10 to NHS Charities from 1 April 2013, the Trust has assessed whether it is appropriate to group the Trust's accounts and those of West Hertfordshire Hospitals NHS Trust Charity. The Trust Board as corporate trustee of the charity has the power to exercise control so as to obtain economic benefits therefore consolidation is appropriate. However the transactions are immaterial in the context of the group and are therefore not consolidated. A summary of the Charity's activities is disclosed in note 31.

### 1.4. Revenue

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). As directed by the GAM, the transition to IFRS 15 in 2018/19 was completed in accordance with paragraph C3 (b) of the Standard: applying the Standard retrospectively but recognising the cumulative effects at the date of initial application (1 April 2018).

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.

Generally revenue from contracts will be payable within 30 days upon satisfaction of performance obligation. All non NHS contract balances over 90 days old are 100% provided for as bad debt. NHS contract balances as per the GAM are not provided for bad debts.

**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.

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
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.

The Trust does not receive income where a patient is readmitted within 30 days of discharge from a previous planned stay.

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. CQUIN was not paid in 2020/21 due to the emergency financial regime in place.

2020/21

The main source of income for the Trust is contracts with commissioners for health care services. In 2020/21, the majority of the trust's income from NHS commissioners was in the form of block contract arrangements. During the first half of the year the trust received block funding from its commissioners. For the second half of the year, block contract arrangements were agreed at a Integrated Care System level. The related performance obligation is the delivery of healthcare and related services during the period, with the trust's entitlement to consideration not varying based on the levels of activity performed.
The Trust has received additional income outside of the block and system envelopes to reimburse specific costs incurred and other income top-ups to support the delivery of services. Reimbursement for COVID 19 expenditure and top-up income is accounted for as variable consideration.

Comparative period (2019/20)

In the comparative period (2019/20), the trust's contracts with NHS commissioners included those where the trust's entitlement to income varied according to services delivered. A performance obligation relating to delivery of a spell of health care was generally satisfied over time as healthcare was received and consumed simultaneously by the customer as the Trust performed it. The customer in such a contract was the commissioner, but the customer benefited as services were provided to their patient. Even where a contract could be broken down into separate performance obligations, healthcare generally aligned with paragraph 22(b) of the Standard entailing a delivery of a series of goods or services that were substantially the same and had a similar pattern of transfer. At the year end, the Trust accrued income relating to activity delivered in that year, where a patient care spell was incomplete. This accrual was disclosed as a contract receivable as entitlement to payment for work completed was usually only dependent on the passage of time. The Trust also benefited with a Minimum Income Guarantee (MIG) contract if the Trust under performed.

Where income is received for a specific activity that is to be delivered in the following year, that income is deferred and matched to the period in which it is undertaken.

### 1.4.1 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 performance obligations are satisfied. In practical terms this means that treatment has been given, it receives notification from the Department of Work and Pension's Compensation Recovery Unit, has completed the NHS2 form and confirmed there are no discrepancies with the treatment. The income is measured at the agreed tariff for the treatments provided to the injured individual, less an allowance for unsuccessful compensation claims and doubtful debts in line with IFRS 9 requirements of measuring expected credit losses over the lifetime of the asset.

Hertfordshire NHS Procurement is hosted by the Trust, it provides procurement services to 6 NHS organisations in the locality. Under IFRS 15 and the GAM the Trust will disclose net expenditure for the Trust under net accounting as from 1 April 2018.

### 1.4.2 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 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.

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

### 1.4.3 Provider sustainability fund (PSF), Financial recovery fund (FRF), Top up fund

The PSF and FRF enabled providers to earn income linked to the achievement of financial controls and performance targets. Income earned from the funds was accounted for as variable consideration. PSF and FRF was replaced by top up funding in 2020/21.

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

**1.5. Employee Benefits**

Short-term employee benefits

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

Retirement benefit costs

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

For early retirements, other than those due to ill health approved by the Trust, the additional pension is not funded by the NHS Pension Scheme. The full cost is a liability of the Trust and is charged to expenditure at the time the Trust commits itself to the retirement, regardless of the period over which the Trust pays its liability.

**1.6. Other expenses**

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.

**1.7. Property, plant and equipment**

**Recognition**

Property, plant and equipment is capitalised if:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential will be supplied to, the 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 cost of at least £5,000; or
- Collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent and had similar purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- Items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

Capital expenditure on strategic schemes, i.e. those schemes which are of a longer-term nature such as building or large infrastructure projects, is initially charged to assets in the course of construction during the construction phase. Capital schemes are regularly assessed for progress, and once completed, costs are transferred from assets in the course of construction to the appropriate asset category and are recognised as coming into full use.

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

**Valuation**

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

- Land and non-specialised buildings – market value for existing use
- Specialised buildings – depreciated replacement cost

Until 31 March 2009, the depreciated replacement cost of specialised buildings was estimated for an exact replacement of the asset in its present location. With effect from 1 April 2009, through its appointed valuers Avison Young (UK) Ltd (formerly known as GVA Grimley Ltd) the Trust has adopted the HM Treasury standard approach to depreciated replacement cost valuations based on modern equivalent assets. The effect of this estimation technique is detailed in note 16.5.

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

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

Until 31 March 2009, fixtures and equipment were carried at replacement cost, as assessed by indexation and depreciation of historical cost. From 1 April 2009 indexation has ceased. The carrying value of existing assets at that date will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a loss of service potential are charged to expenditure. Gains and losses recognised in the revaluation reserve are reported as other comprehensive income in the Statement of Comprehensive Income.

**Subsequent expenditure**

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

## 1.8. Intangible assets

### Recognition

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

Intangible assets acquired separately are initially recognised at fair value. Software that is integral to the operating of hardware, for example an operating system, is capitalised as part of the relevant item of property, plant or equipment. Software that is not integral to the operation of hardware, for example application software, is capitalised as an intangible asset. Expenditure on research is not capitalised: it is recognised as an operating expense in the period in which it is incurred. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use;
- the intention is to complete the intangible asset and use it;
- the ability to sell or use the intangible asset;
- how the intangible asset will generate probable future economic benefits or service potential;
- the availability of adequate technical, financial and other resources to complete the intangible asset and sell or use it; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

### Measurement

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the criteria above are initially met. Where no internally-generated intangible asset can be recognised, the expenditure is recognised in the period in which it is incurred.

Following initial recognition, intangible assets are carried at fair value by reference to an active market, or, where no active market exists, at amortised replacement cost (modern equivalent assets basis), indexed for relevant price increases, as a proxy for fair value. Internally-developed software is held at historic cost to reflect the opposing effects of increases in development costs and technological advances.

**1.9. Depreciation, amortisation and impairments**

Freehold land, properties under construction and assets held for sale are not depreciated.

Otherwise, depreciation and amortisation are charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, over their estimated useful lives, in a manner that reflects the consumption of economic benefits or service potential of the assets. The estimated useful life of an asset is the period over which the Trust expects to obtain economic benefits or service potential from the asset. This is specific to the Trust and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Further details of each class of asset is shown in note 16.5.

At each reporting period end, the Trust checks whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets which are not yet available for use are tested for impairment annually.

If there has been an impairment loss the asset is written down to its recoverable amount with the loss charged to the revaluation reserve to the extent there is a balance on the reserve for the asset. If there is no reserve, it will be charged directly to expenditure. Unless the impairment results from use of the asset where the impairment is charged fully to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure to the extent of the decrease previously charged there, and thereafter, to the revaluation reserve.

In compliance with the DH Group Accounting Manual, from 2011-12, impairments relating to property, plant and equipment are analysed between Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME). The analysis is used by the Department of Health in consolidating the accounts of NHS bodies. In summary, DELs set as part of NHS spending are not expected to be exceeded. AME is less predictable and, subject to Treasury approval, may be revised. The related Trust impairment is classified as AME and is detailed in note 16.5.

**1.10. Donated 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 this 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. Deferred income is recognised only where conditions attached to the donations preclude immediate recognition gain.

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

**1.11 Non-current assets held for sale**

Non-current 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 ie: 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.

The profit or loss arising on the disposal of an asset equals the difference between the sale proceeds and the carrying amount and is recognised in the Statement of Comprehensive Income. Upon disposal, the balance for the asset on the revaluation reserve is transferred to retained earnings.

**1.12.** Property, plant and equipment that is to be scrapped or demolished does not qualify for recognition as held for sale. Instead, it is retained as an operational asset and its economic life is adjusted. The asset is de-recognised when it is scrapped or demolished.

**Useful economic lives of Assets:**

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

**Property, Plant and Equipment**

| | Min life Years | Max life Years |
|---|---|---|
| Buildings, excluding dwellings | 1 | 99 |
| Dwellings | 1 | 99 |
| Plant & machinery | 1 | 15 |
| Transport equipment | 1 | 15 |
| Information technology | 1 | 8 |
| Furniture & fittings | 1 | 99 |

Finance-leased assets (including land) are depreciated over the shorter of the useful economic 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.

**Intangible assets**

| | Min life Years | Max life Years |
|---|---|---|
| Information technology | 1 | 8 |
| Development expenditure | 1 | 8 |
| Software licences | 1 | 8 |

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

**1.13. Leases**

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. The Trust does not hold any finance leases, its leases are classified as operating leases, further details of which are contained in note 10.

**The Trust as lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

**The Trust as lessor**

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 on a straight-line basis over the lease term.

**1.14. Inventories**

Inventories are valued at the lower of cost and net realisable value using the first-in first-out cost formula. This is considered to be a reasonable approximation to fair value due to the high turnover of stocks.

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

**1.15. Cash and cash equivalents**

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of 24 hours or less. 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. The Trust does not hold cash equivalents nor overdrafts.

### 1.16. Provisions

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of a past event, it is probable that the Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision in the Statement of Financial Position is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using the appropriate HM Treasury's discount rate. Liabilities expected to be settled in 0 to 5 years are discounted at 0.51%, 5 to 10 years at 0.55% and beyond 10 years at 1.99%. Those relating to employee early retirement obligations are discounted at minus 0.95%.
When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the amount receivable is recognised as an asset if it is virtually certain that reimbursements will be received and the amount of the receivable can be measured reliably.

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Trust has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

A restructuring provision is recognised when the Trust has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with ongoing activities of the entity.

**1.17. Clinical negligence costs**

The NHS Resolution (NHSR) operates a risk pooling scheme under which the Trust pays an annual contribution to the NHSR who in return settles all clinical negligence claims.
Although the NHSR is administratively responsible for all clinical negligence cases the legal liability remains with the Trust. The total value of clinical negligence provisions carried by the NHSR on behalf of the Trust is disclosed at note 24.

**1.18. Non-clinical risk pooling**

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

**1.19. Contingencies**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Trust, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Trust. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingencies are disclosed at their present value.

**1.20. Financial assets**

Financial assets are recognised when the Trust becomes party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are de-recognised when the contractual rights have expired or the asset has been transferred. Financial assets are initially recognised at fair value and subsequently measured at amortised cost.

**1.21. Financial liabilities**

Financial liabilities are recognised on the statement of financial position when the Trust becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

Loans from the Department of Health and Social Care are recognised at historical cost. Otherwise, financial liabilities are initially recognised at fair value and subsequently measured at amortised cost.

**1.21.1 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.

### 1.21.2 Impairment of financial assets

For all financial assets measured at amortised cost including lease receivables, contract receivables and contract assets, 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.

NHS financial assets are not impaired with expected losses. As per the GAM only non NHS contract receivables are impaired as explained in note 1.4.

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

### 1.21.3 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.

### 1.22. Value Added Tax (VAT)

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

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

**1.23. Foreign currencies**

The Trust's functional currency and presentational currency is sterling. Transactions denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions.

The Trust do not have any assets or liabilities denominated in a foreign currency at the Statement of Financial Position date.

**1.24. Third Party Assets**

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the 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. Details of third party assets are given in Note 19.1 to the accounts.

**1.25. Public Dividend Capital (PDC) and PDC dividend**

Public Dividend Capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities at the time of establishment of the predecessor NHS organisation. 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.

An annual charge, reflecting the cost of capital utilised by the Trust, is payable to the Department of Health as PDC. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities, except for donated assets and average daily cleared cash balances with the Government Banking Service which are excluded. The average carrying value is calculated as a simple average of opening and closing amounts.

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.

**1.26. Losses and Special Payments**

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

Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis, including losses which would have been made good through insurance cover had the Trust not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure).

**1.27. Research and Development**

Research and development expenditure is charged against income in the year in which it is incurred, except insofar as development expenditure relates to a clearly defined project and the benefits of it can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is amortised through the Statement of Comprehensive Income on a systematic basis over the period expected to benefit from the project. Deferred expenditure is revalued on the basis of current cost where material. Amortisation is calculated on the same basis as depreciation.

**Gifts**

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

**1.28. Accounting Standards that have been issued but have not yet been adopted**

The HM Treasury FReM does not require the following Standards and Interpretations to be applied in 2020/21. These standards are still subject to HM Treasury FReM interpretation, and the government implementation date for IFRS 16 is still subject to HM Treasury consideration.

- IFRS 16 *Leases* – Standard is effective at 1 April 2022 per the FReM
- 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.

**Note 2 Operating Segments**

The Trust's activities are managed collectively as a single operating segment to provide the wide range of patient healthcare usually available from a district general hospital; predominately for the population of West Hertfordshire.

Revenue relating to NHS patient care accounts for 90% of the total, further analysis of which is shown in note 3.1. This is managed through contracts established with commissioners, mainly Clinical Commissioning Groups (CCGs) which are the main commissioners, each contract covering the complete range of activities provided. The Trust's assets are used collectively to deliver the range of activities encompassed within these contracts.

**Note 3 Operating income from patient care activities**

All income from patient care activities relates to contract income recognised in line with accounting policy 1.4

| **Note 3.1 Income from patient care activities (by nature)** | **2020/21 £000** | **2019/20 £000** |
|---|---|---|
| Block contract / system envelope income* | 315,174 | 262,577 |
| High cost drugs income from commissioners (excluding pass-through costs) | 10,832 | 11,198 |
| Other NHS clinical income** | 55,496 | 49,011 |
| **All services** | | |
| Private patient income | 613 | 903 |
| Additional pension contribution central funding*** | 10,018 | 9,579 |
| Other clinical income***** | 8,092 | 4,021 |
| **Total income from activities** | **400,225** | **337,289** |

*As part of the coronavirus pandemic response, transaction flows were simplified in the NHS and providers and their commissioners moved onto block contract payments at the start of 2020/21. In the second half of the year, a revised financial framework built on these arrangements but with a greater focus on system partnership and providers derived most of their income from these system envelopes. Comparatives in this note are presented to be comparable with the current year activity. This does not reflect the contracting and payment mechanisms in place during the prior year.

**This includes reimbursement and top up money from the West Essex CCG of £40.9m. See note 3.2 for further explanation

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

***** Includes £5.5m of income for holiday pay accrual. See note 1.2.2 for further details.

**Note 3.2 Income from patient care activities (by source)**

| **Income from patient care activities received from:** | **2020/21 £000** | **2019/20 £000** |
|---|---|---|
| NHS England | 38,589 | 32,545 |
| Clinical commissioning groups* | 359,511 | 301,882 |
| Other NHS providers | 460 | 427 |
| NHS other | - | 1 |
| Non-NHS: private patients | 613 | 903 |
| Non-NHS: overseas patients (chargeable to patient) | 386 | 545 |
| Injury cost recovery scheme | 650 | 949 |
| Non NHS: other | 16 | 37 |
| **Total income from activities** | **400,225** | **337,289** |
| **Of which:** | | |
| Related to continuing operations | 400,225 | 337,289 |

* Includes £40.9m of reimbursement and top up funding in 2020/21. A further reimbursement and top up funding is recorded in other operating income, a total of £39.0m. See note 4 for further details. The total income received for reimbursement and top up is £79.9m from NHS England and West Essex CCG combined.

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

| | 2020/21 £000 | 2019/20 £000 |
|---|---|---|
| Income recognised this year | 386 | 545 |
| Cash payments received in-year | 82 | 207 |
| Amounts added to provision for impairment of receivables | 341 | 513 |
| Amounts written off in-year | 952 | 471 |

**Note 4 Other operating income**

| | 2020/21 | | | 2019/20 | | |
|---|---|---|---|---|---|---|
| | Contract income £000 | Non-contract income £000 | Total £000 | Contract income £000 | Non-contract income £000 | Total £000 |
| Research and development | - | - | - | - | - | - |
| Education and training | 11,644 | 245 | **11,889** | 10,170 | 265 | **10,435** |
| Non-patient care services to other bodies | 9,712 | - | **9,712** | 15,498 | | **15,498** |
| Provider sustainability fund (2019/20 only) | - | - | - | 8,337 | | **8,337** |
| Financial recovery fund (2019/20 only) | - | - | - | 14,807 | | **14,807** |
| Marginal rate emergency tariff funding (2019/20 only) | - | - | - | 4,648 | | **4,648** |
| Reimbursement and top up funding* | 39,023 | | **39,023** | | | - |
| Receipt of capital grants and donations | | 2,871 | **2,871** | | 204 | **204** |
| Charitable and other contributions to expenditure | | 8,285 | **8,285** | | - | - |
| Rental revenue from operating leases | - | - | - | - | - | - |
| Other income | 365 | 195 | **560** | 2,457 | - | **2,457** |
| **Total other operating income** | **60,744** | **11,596** | **72,340** | **55,917** | **469** | **56,386** |
| **Of which:** | | | | | | |
| Related to continuing operations | | | 72,340 | | | 56,386 |

* A further £40.9m of reimbursement and top up is included in note 3.1/3.2 with income from patient care activities. A total of £79.9m is received for reimbursement and top up from the West Essex CCG and NHS England combined.

In 2019/20 the Trust agreed a control total of a £22.7m deficit. In order to achieve this, the trust was allocated sums from the Provider Sustainability Fund (PSF) and the Financial Recovery Fund (FRF) by DHSC. In 2020/21 PSF and FRF were replaced with top up funding. The Trust received £55m of top up funding in 2020/21.

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

| | 2020/21 £000 | 2019/20 £000 |
|---|---|---|
| Revenue recognised in the reporting period that was included in within contract liabilities at the previous period end | 1,929 | 1,626 |

## Note 5.2 Transaction price allocated to remaining performance obligations

| | 31 March 2021 £000 | 31 March 2020 £000 |
|---|---|---|
| Revenue from existing contracts allocated to remaining performance obligations is expected to be recognised: | | |
| within one year | 1,930 | 1,929 |
| **Total revenue allocated to remaining performance obligations** | **1,930** | **1,929** |

## Note 5.3 Transaction price allocated to remaining performance obligations

The trust has exercised the practical expedients permitted by IFRS 15 paragraph 121 in preparing this disclosure. Revenue from (i) contracts with an expected duration of one year or less and (ii) contracts where the trust recognises revenue directly corresponding to work done to date is not disclosed.

**Note 5.4 Fees and charges**

HM Treasury requires disclosure of fees and charges income. The following disclosure is of income from charges to service users where income from that service exceeds £1 million and is presented as the aggregate of such income. The cost associated with the service that generated the income is also disclosed.

| | 2020/21 £000 | 2019/20 £000 |
|---|---|---|
| Income* | - | 2,102 |
| Full cost | - | (1,911) |
| **Surplus** | **-** | **191** |

**Note 5.5 Details of Trust Revenue**

Most of the Trust's income is derived through contracts with Clinical Commissioning Groups and other NHS organisations, and is almost entirely derived from the supply of services; Income from the sale of goods is immaterial. As shown in note 3 and 4, the Trust may receive additional funds outside the main contract.

In 2020/21 the Trust received reimbursement of COVID 19 (£24.9m) and top up funding (£55m).The Trust received funding from Provider Sustainability Fund (PSF) and Financial Recovery Fund (FRF) in 2019/20 of £23.1m.

*Income generation includes car parking revenue, rental of hospital space to other trusts, use of the Trust's roofs for aerials and other minor health related services. Car parking income is received net of operator charges. In 2020/21 due to Covid-19 pandemic it was nationally mandated not to charge car parking to patients and staff. This has resulted in only £26,000 of income generated in the year. The Trust has made a deficit on its income generation activities in 2020/21.

Overseas Visitors' income is recognised when payment is made by the patient. As from 1 April 2015, changes in regulation has meant that the Trust recognises 50% of the income billed to Herts Valley Clinical Commissioning Group for all Overseas Visitors excluding patient from European Economic Area with reciprocal agreement. Herts Valleys Clinical Commissioning Group will eventually be reimbursed with the advance of income if the Trust is successful in receiving full/part of the invoiced value from the patient.

**Note 6.1 Operating expenses**

| | 2020/21 £000 | 2019/20 £000 |
|---|---|---|
| Purchase of healthcare from NHS and DHSC bodies - see i) below | 4,419 | 5,193 |
| Purchase of healthcare from non-NHS and non-DHSC bodies - see ii) below | 7,924 | 6,051 |
| Staff and executive directors costs | 297,864 | 271,838 |
| Remuneration of non-executive directors | 115 | 85 |
| Supplies and services - clinical (excluding drugs costs) - see iii) below | 36,885 | 29,614 |
| Supplies and services - general | 18,888 | 15,368 |
| Drug costs (drugs inventory consumed and purchase of non-inventory drugs) | 20,592 | 22,172 |
| Inventories written down - DHSC PPE - see iv) below | 193 | - |
| Consultancy costs - see v) below | 2,240 | 1,938 |
| Establishment | 3,457 | 3,816 |
| Premises | 25,056 | 21,655 |
| Transport (including patient travel) | 523 | 551 |
| Depreciation on property, plant and equipment | 10,659 | 8,647 |
| Amortisation on intangible assets | 785 | 425 |
| Net impairments - see vi) below | 7,910 | 1,664 |
| Movement in credit loss allowance: contract receivables / contract assets - see vii) below | (1,266) | 230 |
| Increase in other provisions | 632 | 545 |
| Change in provisions discount rate(s) | 419 | 253 |
| Audit fees payable to the external auditor | | |
| audit services- statutory audit | 89 | 62 |
| other auditor remuneration (external auditor only) - see viii) below | (9) | 9 |
| Internal audit costs | 152 | 118 |
| Clinical negligence - see ix) below | 21,938 | 16,353 |
| Legal fees | 139 | 185 |
| Insurance | 133 | 185 |
| Education and training | 1,580 | 1,309 |
| Rentals under operating leases | 943 | 481 |
| Redundancy | 50 | 16 |
| Hospitality | 815 | 66 |
| Losses, ex gratia & special payments | - | 31 |
| Other - see analysis x) below | 8,597 | 4,700 |
| **Total** | **471,722** | **413,560** |
| **Of which:** | | |
| Related to continuing operations | 471,722 | 413,560 |

i) Total services from NHS bodies does not include expenditure which falls into a category below -

ii) Purchase of healthcare from non-NHS bodies relates to the outsourcing of activity both to meet waiting time targets and manage bed capacity. In 2020/21 outsourcing was used to manage the outbreak of the COVID 19 pandemic.

iii) This includes PPE consumables of £7.5m donated by DHSC in 2020/21.

iv) The written down of PPE stock centrally purchased by the DHSC. The purchase price of PPE in some cases was higher than the average market price at 31 March 2021.

v) Consultancy services includes costs of support on clinical and estates strategy in both 2019/20 and 2020/21.

vi) The Trust's revaluation of its land and buildings in 2020/21 and 2019/20 has generated impairments. See notes 16.5 and 1.2.2 for further details.

vii) Decrease in Non NHS bad debt provision now shown in this line under IFRS 15. Decrease in year of provision as old overseas visitors' debt have been written off. The write of these debts has not impacted the income and expenditure account. There has been a corresponding reduction in income from overseas visitors in the year.

viii) The other auditor remuneration (external auditor only) relates to Quality Accounts Review. There is no Quality Accounts Review in 2020/21 and 2019/20. Refund of 2019/20 fees has been refunded fully in 2020/21.

ix) Contribution paid as agreed with NHS Resolution - see notes 1.17 and 1.18.

x) Other expenditure includes the following services:

- £4,222,000 for Covid-19
- £547,000 for security
- £353,000 for external accommodation
- £429,000 for storage rentals
- £512,000 subscriptions
- £620,000 for waste disposal

**Note 6.2 Other auditor remuneration**

| | 2020/21 £000 | 2019/20 £000 |
|---|---|---|
| **Other auditor remuneration paid to the external auditor:** | | |
| Other non-audit services - Quality Accounts Review | (9) | 9 |
| **Total** | **(9)** | **9** |

The Quality Accounts Review for 2019/20 and 2020/21 due to the COVID 19 pandemic was not required. The refund of 2019/20 of Quality Accounts Review is shown in 2020/21.

**Note 6.3 Limitation on auditor's liability**

The limitation on auditor's liability for external audit work is £2 million (2019/20: £2 million).

**Note 7 Impairment of assets**

| | 2020/21 £000 | 2019/20 £000 |
|---|---|---|
| **Net impairments charged to operating surplus / deficit resulting from:** | | |
| Changes in market price | 7,910 | 1,664 |
| **Total net impairments charged to operating surplus / deficit** | **7,910** | **1,664** |
| Impairments charged to the revaluation reserve | - | - |
| **Total net impairments** | **7,910** | **1,664** |

Impairments relates to buildings at the Trust. No impairment on intangible assets is incurred. The analysis by site of the impairment on property, plant and equipment is shown in note 16.5.

**Note 8 Employee benefits**

| | 2020/21 Total £000 | 2019/20 Total £000 |
|---|---|---|
| Salaries and wages | 199,826 | 176,084 |
| Social security costs | 21,076 | 19,647 |
| Apprenticeship levy* | 973 | 840 |
| Employer's contributions to NHS pensions** | 33,034 | 31,537 |
| Temporary staff (including agency)*** | 44,217 | 44,401 |
| **Total gross staff costs** | **299,126** | **272,509** |
| **Total staff costs** | **299,126** | **272,509** |
| **Of which** | | |
| Costs capitalised as part of assets | 1,212 | 655 |

**Note 8.1 Retirements due to ill-health**

During 2020/21 there were 3 early retirements from the trust agreed on the grounds of ill-health (3 in the year ended 31 March 2020). The estimated additional pension liabilities of these ill-health retirements is £12k (£181k in 2019/20).

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

*Since 6 April 2017, employers with an annual pay bill exceeding £3 million are required to pay a levy of 0.5% of that pay bill, with payment to be made via the PAYE system along with payroll taxes. Funds paid under the levy are credited to a 'Digital Apprenticeship Services Account' (DAS) which can be used to pay for vocational training and assessment provided by government approved training/assessment organisations.
Government will also contribute to the costs of apprenticeships through a 10% 'top up' of funds paid into an employer's DAS and 90% 'co investment' when there are insufficient funds to pay for approved training/assessment. As required in the Department of Health and Social Care Group accounting Manual 2020/21, the apprentice levy together with the top up from government is shown as expenditure in the year.

**The Employer's contribution to NHS pension scheme is a total of 20.6% of which 6.3% is currently being paid directly by NHS England a total £10.02m in 2020/21 (2019/20 £9.6m). Corresponding income is included in Income from patient care activities. Refer to note 3.1 for further details.

*** Agency costs in 2020/21 is £12.0m ( £13.7m in 2019/20) for those engaged directly from agencies. The remaining costs is for directly registered temporary staff with NHS Professionals Ltd. The Trust has outsourced temporary staffing to NHS Professionals Ltd.

**Note 8.2 Staff Numbers**

The average number of staff employed at the Trust during 2020/21 is 5,203 of which 4,575 were permanently employed. This compares to 5,067 total average number of staff employed in 2019/20. Further details on staff numbers are reported in remuneration and staff section of the annual report.

**Note 8.3 Staff Sickness Absence**

For further details on average staff sickness per day please refer to https://digital.nhs.uk/data-and-information/publications/statistical/nhs-sickness-absence-rates.

**Note 8.4 Exit Packages agreed in 2020/21**

The total number of exit packages agreed in 2020/21 was 17 compared to 32 for 2019/20. Further details on exit packages are reported in remuneration and staff section of the annual report.

**Note 8.5 Exit packages - Other Departures analysis agreed in 2020/21**

The total number of other departures in exit packages agreed in 2020/21 was 6 compared to 30 for 2019/20. Further details on other departures in exit packages are reported in remuneration and staff section of the annual report.

**Note 9 Pension costs**

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

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

**a) Accounting valuation**

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2021, is based on valuation data as at 31 March 2020, updated to 31 March 2021 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

**b) Full actuarial (funding) valuation**

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

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

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

**c) Scheme provisions**

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

Annual Pensions

The 95 and 2008 schemes are "final salary" schemes. Annual pensions are normally based on 1/80th for the 1995 section and of the best of the last three years pensionable pay for each year of service, and 1/60th for the 2008 section of reckonable pay per year of membership. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon total pensionable earnings over the relevant pensionable service. The 2015 Scheme pays a pension based on the average of a members pensionable earnings throughout their whole career - calculated as 1/54th of each years pensionable earnings revalued each year in line with the CPI plus 1.5%

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

Pensions Indexation

Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. From 2011-12 the Consumer Price Index (CPI) has been used and replaced the Retail Prices Index (RPI).

Ill-health retirement

Early payment of a pension, with enhancement, is available to members of the scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension for death after retirement is payable.

Early retirement

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

Additional Pension Purchase

Members can purchase additional pension in the NHS Scheme in units of £250.

**NEST Pension Scheme**

Where staff are not eligible for, or choose to opt out of, the NHS Pensions Scheme, they are entitled to join the National Employment Savings Trust (NEST) scheme.

NEST is a government-backed, defined contribution pension scheme set up to make sure that every employer can easily access a workplace pension scheme.

The employer's contribution rate in 2020/21 was 3% (2019/20: 3%).

**Note 10 Operating leases**

**Note 10.1 West Hertfordshire Hospitals NHS Trust as a lessor**

This note discloses income generated in operating lease agreements where West Hertfordshire Hospitals NHS Trust is the lessor.

The Trust has no operating lease agreements as a lessor.

**Note 10.2 West Hertfordshire Hospitals NHS Trust as a lessee**

This note discloses costs and commitments incurred in operating lease arrangements where West Hertfordshire Hospitals NHS Trust is the lessee.

The risks and rewards of ownership of assets leased by the Trust rest with the leasing company, and rental payments are charged to the period to which they relate.

Leases relate mainly to the hire of medical equipment: contracts are entered into using standard NHS conditions that include:

- Retained asset ownership by the Lessor;
- Fixed rental payments over the agreed lease period;
- Residual value being the property of the Lessor;
- The equipment used by the Trust is for its intended purpose;
- Options for the Trust to extend the lease period or return,
- The equipment when returned is complete and in reasonable condition.

| | 2020/21 £000 | 2019/20 £000 |
|---|---|---|
| **Operating lease expense** | | |
| Minimum lease payments | 943 | 481 |
| **Total** | **943** | **481** |

In 2020/21 it includes lease payments to Portakabins. 2019/20 did not include such payments.

| | 2021 £000 | 2020 £000 |
|---|---|---|
| **Future minimum lease payments due:** | | |
| - not later than one year; | 811 | 416 |
| - later than one year and not later than five years; | 458 | 474 |
| **Total** | **1,269** | **890** |

**Note 11 Finance income**

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

| | 2020/21 £000 | 2019/20 £000 |
|---|---|---|
| Interest on bank accounts | - | 85 |
| **Total finance income** | **-** | **85** |

**Note 12.1 Finance expenditure**

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

| | 2020/21 £000 | 2019/20 £000 |
|---|---|---|
| **Interest expense:** | | |
| Loans from the Department of Health and Social Care* | - | 4,183 |
| Interest on late payment of commercial debt | (63) | 40 |
| **Total interest expense** | **(63)** | **4,223** |
| Unwinding of discount on provisions | (35) | (18) |
| **Total finance costs** | **(89)** | **4,205** |

* No interest is payable on loans in 2020/21 as the loans are considered to be converted to public dividend capital on the 1 April 2021. The finance charge on loans has been replaced by the 3.5% dividend payable. See note 12.3 for more details on public dividend capital payable. In 2019/20 the Trust paid £4.2m of interest on all loans to DHSC.

**Note 12.2 The late payment of commercial debts (interest) Act 1998 / Public Contract Regulations 2015**

| | 2020/21 £000 | 2019/20 £000 |
|---|---|---|
| Amounts included within interest payable arising from claims made under this legislation | (63) | 40 |

**Note 12.3 Public Dividend Payable**

| | 2020/21 £000 | 2019/20 £000 |
|---|---|---|
| The public dividend payable in the year | 5,295 | - |

The public dividend payable is payable on average net assets of the Trust at 3.5%. In 2019/20 as the Trust had negative average net assets due to loans to support the deficit and capital programmes there was no dividend payable. In 2020/21 the average net assets is positive due to the loan conversion of £236.7m. For the dividend payable calculation purposes it is considered to improve opening net assets by the £236.7m value. For further details please refer to acounting policy note 1.25.

**Note 13 Other gains / (losses)**

There are no gains or losses on disposals in 2020/21 or 2019/20

**Note 14 Standards, amendments and interpretations in issue but not yet effective or adopted**

**IFRS 16 Leases**

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

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

On transition to IFRS 16 on 1 April 2022, the trust will apply the standard retrospectively 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 0.91% 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 2022 for existing finance leases.

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

HM Treasury revised the implementation date for IFRS 16 in the UK public sector has been extended to 1 April 2022 on November 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 2022/23 is currently impracticable. However, the trust does expect this standard to have a material impact on non-current assets, liabilities and depreciation.

**Note 15.1 Intangible assets - 2020/21**

| | Software licences £000 | Internally generated information technology £000 | Development expenditure £000 | Intangible assets under constructio n £000 | Total £000 |
|---|---|---|---|---|---|
| **Valuation / gross cost at 1 April 2020 - brought forward** | **1,227** | **8,789** | **152** | **6,269** | **16,437** |
| Additions | - | - | - | 5,722 | **5,722** |
| Reclassifications to tangible assets | - | 1,075 | (152) | (6,195) | **(5,272)** |
| **Valuation / gross cost at 31 March 2021** | **1,227** | **9,864** | **-** | **5,796** | **16,887** |
| **Amortisation at 1 April 2020 - brought forward** | **775** | **6,936** | **-** | **-** | **7,711** |
| Provided during the year | 452 | 333 | - | - | **785** |
| **Amortisation at 31 March 2021** | **1,227** | **7,269** | **-** | **-** | **8,496** |
| **Net book value at 31 March 2021** | **-** | **2,595** | **-** | **5,796** | **8,391** |
| **Net book value at 1 April 2020** | **452** | **1,853** | **152** | **6,269** | **8,726** |

**Note 15.2 Intangible assets - 2019/20**

| | Software licences £000 | Internally generated information technology £000 | Development expenditure £000 | Intangible assets under construction £000 | Total £000 |
|---|---|---|---|---|---|
| **Valuation / gross cost at 1 April 2019 - as previously stated** | **1,148** | **7,051** | **1,421** | **980** | **10,600** |
| Prior period adjustments | - | - | - | - | **-** |
| **Valuation / gross cost at start of period for new FTs** | **-** | **-** | **-** | **-** | **-** |
| Additions | - | - | - | 5,837 | **5,837** |
| Reclassifications | 79 | 1,738 | (1,269) | (548) | **-** |
| **Valuation / gross cost at 31 March 2020** | **1,227** | **8,789** | **152** | **6,269** | **16,437** |
| **Amortisation at 1 April 2019 - as previously stated** | **383** | **6,903** | **-** | **-** | **7,286** |
| | | | **-** | **-** | **-** |
| Provided during the year | 392 | 33 | - | - | **425** |
| **Amortisation at 31 March 2020** | **775** | **6,936** | **-** | **-** | **7,711** |
| **Net book value at 31 March 2020** | **452** | **1,853** | **152** | **6,269** | **8,726** |
| **Net book value at 1 April 2019** | **765** | **148** | **1,421** | **980** | **3,314** |

**Note 16.1 Property, plant and equipment - 2020/21**

| | Land £000 | Buildings excluding dwellings £000 | Dwellings £000 | Assets under construction £000 | Plant & machinery £000 | Transport equipment £000 | Information technology £000 | Furniture & fittings £000 | Total £000 |
|---|---|---|---|---|---|---|---|---|---|
| **Valuation/gross cost at 1 April 2020 - brought forward** | **62,807** | **97,841** | **118** | **22,357** | **46,014** | **160** | **14,949** | **2,979** | **247,225** |
| Additions | - | - | - | 48,824 | 2,758 | - | - | - | **51,582** |
| Impairments | - | (13,603) | - | - | - | - | - | - | **(13,603)** |
| Reversals of impairments | 7,202 | (7,201) | - | - | - | - | - | - | **1** |
| Revaluations | - | 9,045 | (31) | - | - | - | - | (4,379) | **4,635** |
| Reclassifications | - | 8,657 | 2 | (19,207) | 3,619 | - | 7,915 | 4,286 | **5,272** |
| Disposals / derecognition | - | - | - | - | (7,222) | - | - | - | **(7,222)** |
| **Valuation/gross cost at 31 March 2021** | **70,009** | **94,739** | **89** | **51,974** | **45,169** | **160** | **22,864** | **2,886** | **287,890** |
| **Accumulated depreciation at 1 April 2020 - brought forward** | **-** | **8,067** | **30** | **-** | **34,163** | **146** | **13,643** | **384** | **56,433** |
| Provided during the year | - | 5,388 | 29 | - | 2,976 | 2 | 2,105 | 159 | **10,659** |
| Impairments | - | (5,502) | (29) | - | - | - | - | (161) | **(5,692)** |
| Disposals / derecognition | - | - | - | - | (7,222) | - | - | - | **(7,222)** |
| **Accumulated depreciation at 31 March 2021** | **-** | **7,953** | **30** | **-** | **29,917** | **148** | **15,748** | **382** | **54,178** |
| **Net book value at 31 March 2021** | **70,009** | **86,786** | **59** | **51,974** | **15,252** | **12** | **7,116** | **2,504** | **233,712** |
| **Net book value at 1 April 2020** | **62,807** | **89,774** | **88** | **22,357** | **11,851** | **14** | **1,306** | **2,595** | **190,792** |

**Note 16.2 Property, plant and equipment - 2019/20**

| | Land £000 | Buildings excluding dwellings £000 | Dwellings £000 | Assets under construction £000 | Plant & machinery £000 | Transport equipment £000 | Information technology £000 | Furniture & fittings £000 | Total £000 |
|---|---|---|---|---|---|---|---|---|---|
| **Valuation / gross cost at 1 April 2019 - as previously stated** | **62,807** | **94,081** | **136** | **18,141** | **45,013** | **176** | **14,949** | **2,874** | **238,177** |
| Additions | - | - | - | 15,460 | - | - | - | - | **15,460** |
| Impairments | - | (8,975) | - | - | - | - | - | - | **(8,975)** |
| Reversals of impairments | - | 2,067 | - | - | - | - | - | - | **2,067** |
| Revaluations | - | 5,345 | (22) | - | - | - | - | (2,242) | **3,081** |
| Reclassifications | - | 5,323 | 4 | (11,244) | 3,555 | 15 | - | 2,347 | **-** |
| Transfers to / from assets held for sale | - | - | - | - | - | - | - | - | **-** |
| Disposals / derecognition | - | - | - | - | (2,554) | (31) | - | - | **(2,585)** |
| **Valuation/gross cost at 31 March 2020** | **62,807** | **97,841** | **118** | **22,357** | **46,014** | **160** | **14,949** | **2,979** | **247,225** |
| **Accumulated depreciation at 1 April 2019 - as previously stated** | **-** | **7,636** | **27** | **-** | **34,243** | **176** | **13,163** | **370** | **55,615** |
| Prior period adjustments | - | - | - | - | - | - | - | - | **-** |
| **restated** | **-** | **7,636** | **27** | **-** | **34,243** | **176** | **13,163** | **370** | **55,615** |
| Provided during the year | - | 5,501 | 30 | - | 2,474 | 1 | 480 | 161 | **8,647** |
| Impairments | - | (5,070) | (27) | - | - | - | - | (147) | **(5,244)** |
| Disposals / derecognition | - | - | - | - | (2,554) | (31) | - | - | **(2,585)** |
| **Accumulated depreciation at 31 March 2020** | **-** | **8,067** | **30** | **-** | **34,163** | **146** | **13,643** | **384** | **56,433** |
| **Net book value at 31 March 2020** | **62,807** | **89,774** | **88** | **22,357** | **11,851** | **14** | **1,306** | **2,595** | **190,792** |
| **Net book value at 1 April 2019** | **62,807** | **86,445** | **109** | **18,141** | **10,770** | **-** | **1,786** | **2,504** | **182,562** |

**Note 16.3 Property, plant and equipment financing - 2020/21**

| | Land £000 | Buildings excluding dwellings £000 | Dwellings £000 | Assets under construction £000 | Plant & machinery £000 | Transport equipment £000 | Information technology £000 | Furniture & fittings £000 | Total £000 |
|---|---|---|---|---|---|---|---|---|---|
| **Net book value at 31 March 2021** | | | | | | | | | |
| Owned - purchased | 70,009 | 86,602 | 59 | 51,861 | 12,159 | 12 | 7,116 | 2,504 | **230,322** |
| Owned - donated/granted | - | 184 | - | 113 | 3,093 | - | - | - | **3,390** |
| **NBV total at 31 March 2021** | **70,009** | **86,786** | **59** | **51,974** | **15,252** | **12** | **7,116** | **2,504** | **233,712** |

**Note 16.4 Property, plant and equipment financing - 2019/20**

| | Land £000 | Buildings excluding dwellings £000 | Dwellings £000 | Assets under construction £000 | Plant & machinery £000 | Transport equipment £000 | Information technology £000 | Furniture & fittings £000 | Total £000 |
|---|---|---|---|---|---|---|---|---|---|
| **Net book value at 31 March 2020** | | | | | | | | | |
| Owned - purchased | 62,807 | 89,597 | 88 | 22,153 | 11,610 | 14 | 1,306 | 2,595 | **190,170** |
| Owned - donated/granted | - | 177 | - | 204 | 241 | - | - | - | **622** |
| **NBV total at 31 March 2020** | **62,807** | **89,774** | **88** | **22,357** | **11,851** | **14** | **1,306** | **2,595** | **190,792** |

**Note 16.5 Revaluations of property, plant and equipment**

Annual valuation of Land, Buildings and Dwellings is a forecast as at 31 March. The valuation is undertaken by an independent valuer; RICS Registered Valuers of Avison Young (UK) Ltd (formerly known as GVA Grimley Ltd). Because of the specialised nature of hospital buildings, i.e. they would not normally be sold on the open market, the valuations are based on the depreciated replacement cost method (DRC) using the modern equivalent asset (MEA) technique. This valuation technique estimates the cost of a MEA; for buildings, this is then adjusted to reflect the age, condition and functionality of the buildings to which the valuation relates and can result in an impairment or reversal, details of which are shown below. The approach adopted by the Trust is for a full revaluation to be undertaken every five years with a desktop review in the interim years. Valuation reflects the capital investment to July each year, after which it is included at cost. VAT is added to the valuations to the extent that it would be payable were the Trust to construct the MEA. In 2020/21 a desk top valuation has been carried out by Avison Young (UK) Ltd (formerly known as GVA Grimley Ltd). The last full valuation was carried out in the year 2018/19.

The approach to MEA technique used for land valuation is based on 'alternative site basis'. Should the MEA have the potential to be re-located to a less expensive area due to changes in the nature of how the existing facility is used, the value of the land in this alternate location should be adopted for valuation.
All three sites land have been valued on 'alternative site basis' in 2020/21 which gave an increase of £7.2m to Watford General Hospital with no corresponding increase to St Albans and Hemel Hempstead Hospitals.

The outbreak of COVID-19, declared by the World Health Organisation as a “Global Pandemic” on the 11 March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movements and operational restrictions have been implemented by many countries, in some cases “lockdowns” have been applied to varying degrees and to reflect further “waves” of COVID-19; although these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact. It was due to this unknown impact the discloser for 'material valuation uncertainty' was used for 2019/20 in the financial statements.

The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date 31 March 2021 some property markets have started to function again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, valuation is not reported as being subject to ‘material valuation uncertainty’ disclosure in valuing the land, buildings, dwellings as at 31 March 2021. In 2019/20 a 'material valuation uncertainty' disclosure was given by the Trust independent valuer Avison Young (UK) Ltd on the valuation report during the early phase of the pandemic.

The valuers have provided additional clarification that the inclusion of the ‘material valuation uncertainty’ declaration above in 2019/20 comparison does not mean that the valuation cannot be relied upon. This clause is a disclosure, not a disclaimer. It is used in order to be clear and transparent with all parties, in a professional manner that in the extraordinary circumstances less certainty can be attached to the valuation than would otherwise be the case. With the valuer having declared this material valuation uncertainty, the valuer has continued to exercise professional judgement in providing the valuation and this remains the best information available to the Trust at that time. Given that there is no alternative information to suggest the valuations are materially incorrect, the Trust has assured itself that the values provided are an appropriate reflection of the assets worth in 2019/20.

| | Watford Hospital | Hemel Hempstead Hospital | St Albans Hospital | Total |
|---|---|---|---|---|
| | 2020/21 | | | |
| | £000s | £000s | £000s | £000s |
| Operating expenses - note 7 | | | | |
| Buildings, dwellings and fittings - MEA | 6,010 | 707 | 1,193 | 7,910 |
| Total | 6,010 | 707 | 1,193 | 7,910 |
| Statement of change in taxpayers equity | | | | |
| Land - MEA (alternative site valuation) | (7,202) | 0 | 0 | (7,202) |
| Buildings, dwellings and fittings - MEA | (114) | 1,426 | 1,255 | 2,567 |
| | (7,316) | 1,426 | 1,255 | (4,635) |
| Total impairment/(reversal) 2020-21 | (1,306) | 2,133 | 2,448 | 3,275 |
| | 2019/20 | | | |
| | £000s | £000s | £000s | £000s |
| Operating expenses - note 7 | | | | |
| Buildings, dwellings and fittings - MEA | 1,956 | (24) | (268) | 1,664 |
| Total | 1,956 | (24) | (268) | 1,664 |
| Statement of change in taxpayers equity | | | | |
| Land - MEA (alternative site valuation) | 0 | 0 | 0 | 0 |
| Buildings, dwellings and fittings - MEA | (582) | (2,122) | (377) | (3,081) |
| | (582) | (2,122) | (377) | (3,081) |
| Total impairment/(reversal) 2019-20 | 1,374 | (2,146) | (645) | (1,417) |

The impairment charged to operating expenses is classified as annually managed expenditure for the purposes of NHS consolidated accounts - see note 1.9.

Assets under construction are transferred to the relevant class of assets when complete and depreciated in accordance with that class.

For plant and machinery, transport, information technology, the carrying value as at 1 April 2010 is written off over their remaining lives as per Note 1.9 to the accounts - Accounting Policies. Net assets in these classes are carried at depreciated historic cost as this is not considered to be materially different from fair value (see note 1.7). Property Plant and Equipment includes £33.6m of fully depreciated assets.

Details of asset life across the Trust's three hospital sites are tabled below:

| Asset Class | As at 31 March 2021 Maximum remaining asset life Years | As at 31 March 2021 Minimum remaining asset life Years | As at 31 March 2020 Maximum remaining asset life Years | As at 31 March 2020 Minimum remaining asset life Years |
|---|---|---|---|---|
| Buildings | **42** | **1** | 43 | 1 |
| Dwellings | **2** | **2** | 3 | 3 |
| Plant and machinery | **13** | **1** | 14 | 1 |
| Transport | **5** | **5** | 6 | 6 |
| Information Technology | **5** | **1** | 6 | 1 |
| Furniture and Fittings | **42** | **1** | 43 | 1 |

The valuation exercise included revision to the remaining asset lives of some buildings and their fittings, consequently the maximum remaining lives between 31 March 21 and 31 March 20 do not necessarily reduce by one year. Cherry Tree House is the only dwelling in both 2020/21 and 2019/20.
For all classes of assets, residual value is estimated at nil.

The Trust provides accommodation facilities to a number of other NHS organisations and a crèche provider, where these organisations occupy accommodation within the Trust's buildings. The net carrying amount of these facilities and related depreciation are included in the Trust's figures.

**Note 17 Donations of property, plant and equipment**
The Trust received donated medical equipment for a value of £2.8m in 2020/21 which was donated by the Department of Health and Social Care (DHSC). These assets were purchased centrally and given to the trust to use during the pandemic of COVID 19. No assets were donated by DHSC in 2019/20.

## Note 17.1 Inventories

| | 31 March 2021 £000 | 31 March 2020 £000 |
|---|---|---|
| Drugs | 1,325 | 1,690 |
| Consumables* | 4,205 | 3,554 |
| Energy | 129 | 197 |
| **Total inventories** | **5,659** | **5,441** |

Inventories recognised in expenses for the year were £30,607k (2019/20: £37,738k). Write-down of inventories recognised as expenses for the year were £193k (2019/20: £0k).

In response to the COVID 19 pandemic, the Department of Health and Social Care centrally procured personal protective equipment and passed these to NHS providers free of charge. During 2020/21 the Trust received £8,255k of items purchased by DHSC.

These inventories were recognised as additions to inventory at deemed cost with the corresponding benefit recognised in income. The utilisation of these items is included in the expenses disclosed above.

* £523,000 of donated PPE from DHSC is included within consumables in 2020/21 (£0 in 2019/20).

## Note 18 Receivables

| | 2021 £000 | 2020 £000 |
|---|---|---|
| **Current** | | |
| Contract receivables | 26,575 | 32,936 |
| Allowance for impaired contract receivables / assets | (1,256) | (2,522) |
| Prepayments (non-PFI) | 5,887 | 3,578 |
| Interest receivable | - | 12 |
| PDC dividend receivable | 196 | - |
| VAT receivable | 4,368 | 1,326 |
| **Total current receivables** | **35,770** | **35,330** |
| **Non-current** | | |
| Contract receivables | 2,132 | 1,834 |
| **Total non-current receivables** | **2,132** | **1,834** |
| **Of which receivable from NHS and DHSC group bodies:** | | |
| Current | 23,708 | 27,652 |
| Non-current | - | - |

## Note 18.1 Allowances for credit losses

| | 2020/21 | | 2019/20 | |
|---|---|---|---|---|
| | Contract receivables and contract assets £000 | All other receivables £000 | Contract receivables and contract assets £000 | All other receivables £000 |
| **Allowances as at 1 April - brought forward** | **2,522** | **-** | **2,475** | **-** |
| New allowances arising | - | - | 230 | - |
| Changes in existing allowances | (228) | - | - | - |
| Reversals of allowances | (1,038) | - | - | - |
| Utilisation of allowances (write offs) | - | - | (183) | - |
| **Allowances as at 31 Mar 2021** | **1,256** | **-** | **2,522** | **-** |

Allowances for credit losses is for Non NHS, over 90 days and all classified under contract receivables and contract assets.

NHS debtor provision will not be provided unless agreed with the creditor NHS organisation as required by the Department of Health and Social Care Group Accounting Manual 2020/21. Provisions will form part of the Agreement of Balance exercise.

**Note 18.2 Exposure to credit risk**

Trade and other receivables are carried at the original invoice amount. As the majority of trade is with Clinical Commissioning Groups (CCGs), as commissioners funded by government to buy NHS patient care services, no credit scoring of these is considered necessary. Other trade receivables mainly relate to private patients who are generally covered by insurance. No formal credit scoring is undertaken. Injury cost recovery relates to patients with personal injury claims, as this is administered centrally for the NHS, no credit scoring is undertaken.

**Note 19 Cash and cash equivalents movements**

Cash and cash equivalents comprise cash at bank, in hand and cash equivalents.

| | 2020/21 £000 | 2019/20 £000 |
|---|---|---|
| **At 1 April** | **5,360** | **2,858** |
| Net change in year | 17,044 | 2,502 |
| **At 31 March** | **22,404** | **5,360** |
| **Broken down into:** | | |
| Cash at commercial banks and in hand | 172 | 52 |
| Cash with the Government Banking Service | 22,232 | 5,308 |
| **Total cash and cash equivalents as in SoFP** | **22,404** | **5,360** |
| **Total cash and cash equivalents as in SoCF** | **22,404** | **5,360** |

**Note 19.1 Third party assets held by the trust**

The Trust does not any third party assets in 2020/21 and 2019/20.

**Note 20.1 Trade and other payables**

| | 31 March 2021 £000 | 31 March 2020 £000 |
|---|---|---|
| **Current** | | |
| Trade payables | 4,235 | 13,285 |
| Capital payables | 8,884 | 7,269 |
| Accruals | 46,041 | 21,196 |
| Social security costs | 29 | 38 |
| Other taxes payable | 31 | 45 |
| Other payables | 3,349 | 3,199 |
| **Total current trade and other payables** | **62,569** | **45,032** |
| **Non-current** | | |
| **Total non-current trade and other payables** | **-** | **-** |
| **Of which payables from NHS and DHSC group bodies:** | | |
| Current | 3,932 | 5,255 |
| Non-current | - | - |

**Note 20.2 Early retirements in NHS payables above**

There is no early retirement in the year payable by the Trust.

**Note 21 Other liabilities**

| | 31 March 2021 £000 | 31 March 2020 £000 |
|---|---|---|
| **Current** | | |
| Deferred income: contract liabilities | 1,930 | 1,929 |
| **Total other current liabilities** | **1,930** | **1,929** |
| | | |
| **Non-current** | | |
| **Total other non-current liabilities** | **-** | **-** |

**Note 22.1 Borrowings**

| | 2021 £000 | 2020 £000 |
|---|---|---|
| **Current** | | |
| Loans from DHSC* | - | 237,761 |
| **Total current borrowings** | **-** | **237,761** |
| | | |
| **Non-current** | | |
| Other loans | 2,000 | 2,000 |
| **Total non-current borrowings** | **2,000** | **2,000** |

**The borrowings relate to Department of Health and Social Care loans:**
*All borrowings related to DHSC has converted in to PDC in 2020/21 a total of £236,700,000. The accrued interest of £1,025,000 in 2019/20 under IFRS 9 was included which has been paid in 2020/21.

**Other borrowings:**
£2m of other loans relate to the loan from Watford Borough Council as contribution to the cost of construction of the access road*. This loan is repayable subject to investment by Trust, on Watford Health Campus**, of between £30m and £40m a payment of £1.0m crystallises and investment of over £40m the full amount is due. Any shortfall in whole or part is payable on instalments of £0.1m per annum from April 2028.

*Thomas Sawyer Way for emergency vehicles and buses only.

** The Watford Health Campus is the regeneration of the land surrounding the Watford General Hospital.

**Note 22.2 Reconciliation of liabilities arising from financing activities - 2020/21**

| | Loans from DHSC £000 | Other loans £000 | Total £000 |
|---|---|---|---|
| **Carrying value at 1 April 2020** | **237,761** | **2,000** | **239,761** |
| **Cash movements:** | | | |
| Financing cash flows - payments and receipts of principal | (236,736) | - | **(236,736)** |
| Financing cash flows - payments of interest | (1,025) | - | **(1,025)** |
| **Non-cash movements:** | | | |
| Application of effective interest rate | - | - | **-** |
| **Carrying value at 31 March 2021** | **-** | **2,000** | **2,000** |

**Note 22.3 Reconciliation of liabilities arising from financing activities - 2019/20**

| | Loans from DHSC £000 | Other loans £000 | Total £000 |
|---|---|---|---|
| **Carrying value at 1 April 2019** | **194,293** | **2,000** | **196,293** |
| Prior period adjustment | - | - | **-** |
| **Cash movements:** | | | |
| Financing cash flows - payments and receipts of principal | 43,301 | - | **43,301** |
| Financing cash flows - payments of interest | (4,016) | - | **(4,016)** |
| **Non-cash movements:** | | | |
| Application of effective interest rate | 4,183 | - | **4,183** |
| **Carrying value at 31 March 2020** | **237,761** | **2,000** | **239,761** |

**Note 23 Other financial liabilities**

The Trust has no other payables or financial liabilities.

## Note 24 Provisions for liabilities and charges analysis

| | Pensions: early departure costs £000 | Pensions: injury benefits £000 | Other £000 | Total £000 |
|---|---|---|---|---|
| **At 1 April 2020** | **4,522** | **179** | **140** | **4,841** |
| Change in the discount rate | 419 | - | - | **419** |
| Arising during the year | 644 | - | 12 | **656** |
| Utilised during the year | (483) | (20) | (34) | **(537)** |
| Reversed unused | - | - | (24) | **(24)** |
| Unwinding of discount | (35) | - | - | **(35)** |
| **At 31 March 2021** | **5,067** | **159** | **94** | **5,320** |
| **Expected timing of cash flows:** | | | | |
| - not later than one year; | 484 | 91 | **34** | **609** |
| - later than one year and not later than five year | - | - | **-** | **-** |
| - later than five years. | 4,583 | 68 | **60** | **4,711** |
| **Total** | **5,067** | **159** | **94** | **5,320** |

i) The fair value of the provision for future pension payments relating to early retirement is assessed using information provided by the Pensions Agency and Government Actuary Department (GAD) tables concerning life expectancy. The forecast cashflow is discounted in accordance HM Treasury prescribed discount rates (see note 1.16).

ii) Staff and public liability claims are managed by NHS Resolution and NHS Pensions Authority. The provision relates to the excess for which the Trust is liable.

## Note 24.1 Clinical negligence liabilities

At 31 March 2021, £428,461k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of West Hertfordshire Hospitals NHS Trust (31 March 2020: £426,834k).

## Note 24.2 Contingent assets and liabilities

The Trust has no contingent assets and liabilities.

## Note 25 Contractual capital commitments

| | 2021 £000 |
|---|---|
| Property, plant and equipment | 22,341 |
| Intangible assets | 1,121 |
| **Total** | **23,462** |

## Note 26 Other financial commitments

The Trust has no other financial commitments.

## Note 27 Financial instruments

### Note 27.1 Financial risk management

Financial reporting standard IFRS 9 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. Because of the continuing service provider relationship that the Trust has with commissioners (Clinical Commissioning Groups) and the way those commissioners are financed, the Trust is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which the financial reporting standards mainly apply. The Trust has limited powers to borrow or invest surplus funds and 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.

The Trust's treasury management operations are carried out by the finance department, within parameters defined formally within the Trust's standing financial instructions and policies agreed by the board of directors. The Trust treasury activity is subject to review by the Trust's internal auditors.

**Currency risk**
The Trust is principally a domestic organisation with the great majority of transactions, assets and liabilities being in the UK and sterling based. The Trust has no overseas operations. The Trust therefore has low exposure to currency rate fluctuations.

**Interest rate risk**
The Trust borrows from government for capital expenditure, subject to affordability as confirmed by the NHS Improvements. The borrowings are for 1 – 25 years, in line with the life of the associated assets, and interest is charged at the National Loans Fund rate, fixed for the life of the loan. The Trust therefore has low exposure to interest rate fluctuations. The Trust has reduced interest rate risks when all loans in August 2020 were converted to public dividend capital. Total loans converted to public dividend capital is £236.7m.

The Trust may also borrow from government for revenue financing subject to approval by NHS Improvement. Interest rates are confirmed and fixed by the Department of Health ( the lender) at the point borrowing is undertaken. The Trust therefore has low exposure to interest rate fluctuations.

**Credit risk**
Because the majority of the Trust's revenue comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2021 are in receivables from customers, as disclosed in the trade and other receivables note 18.

**Liquidity risk**
The Trust's operating costs are incurred under contracts with clinical commissioning groups, which are financed from resources voted annually by Parliament and funds its capital expenditure within limits set by the Department of Health and Social Care. The Trust is not, therefore, exposed to significant liquidity risks. However, the Trust's deficit position since 2014/15 and insufficient surpluses to finance loan repayments means liquidity is weaker than the board of directors would wish. This has partially been addressed with loans over the years to cover for the deficit and capital loan repayments. The Trust has not used loan finance in 2020/21 (£12.7m in 2019/20) approved by the Department of Health and Social Care to fund capital projects. The capital programme is funded by public dividend capital which does not get repaid. In the year 2020/21 the government has written off all the DHSC loans (£236.7m). This has improved the Statement of Financial Position and liquidity of the Trust.

**Note 27.2 Carrying values of financial assets**

| Carrying values of financial assets as at 31 March 2021 | Held at amortised cost | Held at fair value through I&E | Held at fair value through OCI | Total book value |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Trade and other receivables excluding non financial assets | 27,451 | - | - | **27,451** |
| Other investments / financial assets | - | - | - | **-** |
| Cash and cash equivalents | 22,404 | - | - | **22,404** |
| **Total at 31 March 2021** | **49,855** | **-** | **-** | **49,855** |

| Carrying values of financial assets as at 31 March 2020 | Held at amortised cost | Held at fair value through I&E | Held at fair value through OCI | Total book value |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Trade and other receivables excluding non financial assets | 32,260 | - | - | **32,260** |
| Cash and cash equivalents | 5,360 | - | - | **5,360** |
| **Total at 31 March 2020** | **37,620** | **-** | **-** | **37,620** |

**Note 27.3 Carrying values of financial liabilities**

| Carrying values of financial liabilities as at 31 March 2021 | Held at amortised cost | Held at fair value through I&E | Total book value |
|---|---|---|---|
| | £000 | £000 | £000 |
| Other borrowings | 2,000 | - | **2,000** |
| Trade and other payables excluding non financial liabilities | 62,461 | - | **62,461** |
| Provisions under contract | - | - | **-** |
| **Total at 31 March 2021** | **64,461** | **-** | **64,461** |

| Carrying values of financial liabilities as at 31 March 2020 | Held at amortised cost | Held at fair value through I&E | Total book value |
|---|---|---|---|
| | £000 | £000 | £000 |
| Loans from the Department of Health and Social Care | 237,761 | - | **237,761** |
| Other borrowings | 2,000 | - | **2,000** |
| Trade and other payables excluding non financial liabilities | 44,949 | - | **44,949** |
| Provisions under contract | - | - | **-** |
| **Total at 31 March 2020** | **284,710** | **-** | **284,710** |

**Note 27.4 Maturity of financial liabilities**

The following maturity profile of financial liabilities is based on the contractual undiscounted cash flows.

| | 2021 | 2020 |
|---|---|---|
| | £000 | £000 |
| In one year or less | 62,461 | 282,710 |
| In more than one year but not more than five years | - | - |
| In more than five years | 2,000 | 2,000 |
| **Total** | **64,461** | **284,710** |

**Note 27.5 Fair values of financial assets and liabilities**

After initial recognition at cost, 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.

## Note 28 Losses and special payments

| | 2020/21 | | 2019/20 | |
|---|---|---|---|---|
| | Total number of cases Number | Total value of cases £000 | Total number of cases Number | Total value of cases £000 |
| **Losses** | | | | |
| Bad debts and claims abandoned | 321 | 1,038 | 407 | 570 |
| **Total losses** | **321** | **1,038** | **407** | **570** |
| **Special payments** | | | | |
| Ex-gratia payments | 40 | 38 | 42 | 31 |
| **Total special payments** | **40** | **38** | **42** | **31** |
| **Total losses and special payments** | **361** | **1,076** | **449** | **601** |
| Compensation payments received | | - | | - |

There is no single item in excess of £300,000

## Note 29 Gifts

No gifts were made in the year.

**Note 30 Related parties**

During the year none of the Department of Health Ministers, Trust board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with the Trust. Trust Board members remuneration is shown in the Annual Report in Directors' remuneration and pension entitlement.

The Department of Health is regarded as a related party. During the year the Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. These entities and the transactions where over £0.5m are:

Department of Health and Social Care

Foundation Trusts

Chelsea and Westminster NHS Foundation Trust

Hertfordshire Partnership NHSFT

Trusts

Central London Community Healthcare NHST

Imperial College Healthcare NHS Trust

East & North Hertfordshire NHS Trust

Hertfordshire Community NHS Trust

Clinical Commissioning Groups (CCG)

Bedfordshire CCG

Brent CCG

Buckingham CCG

East and North Hertfordshire CCG

Harrow CCG

Herts Valley CCG

Hillingdon CCG

Luton CCG

North Central London CCG

West Essex CCG

NHS England
NHS England Core
East of England Regional Office

Special Health Authorities
Health Education England
NHS Resolution
NHS Blood & Transplant

Other Government Bodies
HM Revenue and Customs
NHS Pension Scheme
NHS Professionals
Watford Borough Council
Local Authority Business Vehicle (LABV)

West Hertfordshire Hospitals Charity (Raise) - see note 31 for details

**Note 31 West Hertfordshire Hospitals NHS Trust Charity Activities**

| (Unaudited) | **2020/21** | 2019/20 |
|---|---|---|
| | **£000s** | £000s |
| Income | **1,170** | 610 |
| Expenditure | **(766)** | (587) |
| **Net Incoming/Outgoing Resources Before Transfers** | **404** | 23 |
| Investment Assets | **78** | (41) |
| Funds b/fwd | **931** | 949 |
| **Funds c/fwd - Net Assets** | **1,413** | 931 |

The Trust does not consolidate charitable funds into the financial statements. Please refer to Note 1.3.

**Note 32 Events after the reporting date**

The current Coronavirus (Covid-19) global pandemic as declared by the World Health Organisation has affected the Trust's normal operations.The Trust has dedicated majority of its resources to emergency care and made alternative arrangements for the treatment of urgent, cancer and long waiting patients. Digital technology has supported the remote care of routine elective patients. The Trust with lockdown easing will be looking to move towards business as usual and start seeing patients as would have done before the pandemic of Covid-19.

The Trust from 1 April 2021 to 30 September 2021 is being funded by block contracts (fixed income for patient care activity) from its commissioners plus a top up payment for any residual deficit. All Covid-19 related expenditure, both capital and revenue will be funded separately in 2021/22. It is expected for the year 2021/22 the Trust will breakeven on its finances.

**Note 33 Better Payment Practice code**

| Non-NHS Payables | 2020/21 Number | 2020/21 £000 | 2019/20 Number | 2019/20 £000 |
|---|---|---|---|---|
| Total non-NHS trade invoices paid in the year | 53,592 | 283,079 | 64,586 | 164,370 |
| Total non-NHS trade invoices paid within target | 45,212 | 247,337 | 46,617 | 98,183 |
| Percentage of non-NHS trade invoices paid within target | 84.4% | 87.4% | 72.2% | 59.7% |
| **NHS Payables** | | | | |
| Total NHS trade invoices paid in the year | 2,460 | 37,505 | 2,984 | 28,588 |
| Total NHS trade invoices paid within target | 1,503 | 31,372 | 1,507 | 12,833 |
| Percentage of NHS trade invoices paid within target | 61.1% | 83.6% | 50.5% | 44.9% |

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

**Note 34 External financing limit**

The trust is given an external financing limit against which it is permitted to underspend

| | 2020/21 £000 | 2019/20 £000 |
|---|---|---|
| Cash flow financing | 26,277 | 42,092 |
| **External financing requirement** | **26,277** | **42,092** |
| External financing limit (EFL) | 28,120 | 44,592 |
| **Under spend against EFL** | **1,843** | **2,500** |

* Undershoot on EFL in 2019/20 is due to PSF monies of £2.5m agreed with DHSC to be repaid in 2020/21.

**Note 35 Capital Resource Limit**

| | 2020/21 £000 | 2019/20 £000 |
|---|---|---|
| Gross capital expenditure | 57,304 | 21,297 |
| Less: Disposals | - | - |
| Less: Donated and granted capital additions | (2,871) | (204) |
| Plus: Loss on disposal from capital grants in kind | - | - |
| **Charge against Capital Resource Limit** | **54,433** | **21,093** |
| Capital Resource Limit | 56,276 | 21,093 |
| **Under spend against CRL** | **1,843** | **-** |

**Note 36 Breakeven duty financial performance**

| | 2020/21 £000 |
|---|---|
| Adjusted financial performance surplus (control total basis) | 257 |
| Remove impairments scoring to Departmental Expenditure Limit | - |
| Add back non-cash element of On-SoFP pension scheme charges | - |
| IFRIC 12 breakeven adjustment | - |
| **Breakeven duty financial performance surplus** | **257** |

**Note 37 Breakeven duty rolling assessment**

| | 2008/09 £000 | 2009/10 £000 | 2010/11 £000 | 2011/12 £000 | 2012/13 £000 | 2013/14 £000 | 2014/15 £000 |
|---|---|---|---|---|---|---|---|
| Breakeven duty in-year financial performance | | 5,699 | 7,530 | 3,657 | 1,904 | (13,370) | (13,837) |
| Breakeven duty cumulative position | (4,513) | 1,186 | 8,716 | 12,373 | 14,277 | 907 | (12,930) |
| Operating income | | 254,308 | 260,398 | 266,716 | 278,230 | 291,119 | 313,291 |
| **income** | | 0.5% | 3.3% | 4.6% | 5.1% | 0.3% | (4.1%) |

| | 2015/16 £000 | 2016/17 £000 | 2017/18 £000 | 2018/19 £000 | 2019/20 £000 | 2020/21 £000 |
|---|---|---|---|---|---|---|
| Breakeven duty in-year financial performance | (41,155) | (29,431) | (41,352) | (49,641) | (22,471) | 257 |
| Breakeven duty cumulative position | (54,085) | (83,516) | (124,868) | (174,509) | (196,980) | (196,723) |
| Operating income | 299,769 | 322,643 | 324,772 | 333,367 | 393,675 | 472,565 |
| **income** | (18.0%) | (25.9%) | (38.4%) | (52.3%) | (50.0%) | (41.6%) |

i) The adjusted deficit for break-even duty in the year is after adjustments shown in note 36.

ii) In line with note 1.10 the Trust no longer maintains a donated asset reserve. Donations are credited to income, the extent that this differs from depreciation of donated assets (expense) improves the reported position. As this is not an operational activity it is excluded from the break-even duty.

The Trust reported cumulative deficit in 2014-15 of £12,930,000 (-4.13% of operating income). The Trust is in the seventh year of consecutive break-even duty breach achieving a cumulative deficit of £196,723,000 (-41.6% of operating income) above the -0.5% permitted. The Trust is working with NHS Improvement and the local economy to develop a plan to achieve the breakeven duty in future years. The Trust finances is improving, 2020/21 being the first year of surplus since 2013/14. It is planned to breakeven in year in 2021/22 subject to agreement of the Annual Plan with NHS Improvement.