

Annual Report and Accounts 2019/20



Royal Free London NHS Foundation Trust includes:
the Royal Free Hospital, Barnet Hospital and Chase Farm Hospital.

Royal Free London NHS Foundation Trust Annual Report and Accounts 2019/20

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Please note: Due to COVID-19, the Quality Report will be produced and published under a separate cover later in 2020.

Performance report

1.1 Overview

This section is a summary of the Royal Free London NHS Foundation Trust (RFL) – our purpose, our objectives, details about any key risks to the achievement of those objectives, and information about how we performed during 2019/20.

1.1.1 About the Royal Free London

- **1828** – The Royal Free Hospital was founded 190 years ago to provide free healthcare to those who could not afford medical treatment.
- **1837** - The title ‘Royal’ was granted by Queen Victoria in recognition of the hospital’s work with cholera patients.
- **1887** - The Royal Free Hospital was the first hospital in London to accept women medical students.
- **1991** - In April 1991, the Royal Free became one of the first NHS trusts.
- **2012** - The hospital was authorised as a foundation trust under the name the Royal Free London NHS Foundation Trust.
- **2014** - In July 2014 Barnet and Chase Farm Hospitals NHS Trust became part of the Royal Free London.
- **2016** – The trust receives a ‘good’ rating from the Care Quality Commission.
- **2017** – The Royal Free London group is established, and North Middlesex University Hospital NHS Trust joins us as our first clinical partner.
- **2018** – The new Chase Farm Hospital opens on time and on budget; West Hertfordshire Hospitals NHS Trust joins the group as our second clinical partner.
- **2019** – Chase Farm Hospital is awarded HIMMS level 6, making it one of the most digitally advanced hospitals in the country.

1.1.2 Our work and activities

The Royal Free London is one of the largest hospital trusts in the country, employing more than 10,000 staff and serving a population of over 1.6 million people across 20 sites in north London and Hertfordshire.

We attract patients from across the country and beyond to our specialist services in liver, kidney transplantation, haemophilia, renal, HIV, infectious diseases, plastic surgery, immunology, vascular surgery, cardiology, amyloidosis and scleroderma.

The Royal Free Hospital provides the only high-level isolation unit of its kind for the care of patients with the Ebola virus and similar infectious diseases.

The trust is a member of the academic health science partnership, UCL Partners.

The Royal Free London group

Our ambition is to become the leading healthcare group in Europe – bringing the best of the NHS to every patient no matter which of our hospitals they are treated in.

The Royal Free London is one of four NHS trusts which have the permission to develop and lead a group of NHS providers who will share services and resources in order to improve the quality and experience of patients.

By working as a group, we can bring together larger numbers of clinicians to share their knowledge about the very best ways to treat patients in line with very best care available across the globe.

We continue to work closely with West Herts Hospitals NHS Trust and North Middlesex University Hospital NHS Trust in clinical partnerships to share best practice and improve efficiency. Over time we believe this collaboration with other organisations will continue to develop, either through growth in the RFL group or via our work as part of the NHS focus on integrated care systems.

Our focus will take us outside of our hospital walls, expanding our horizons to the health of the population we serve. This will mean working more closely with our non-hospital partners in the NHS and in social care to help people to live longer in good health, rather than just treating people when they are sick. Our group will help us deliver this aspiration.

1.1.3 Key issues and risks

The board assurance framework identifies the biggest risks to delivering our group goals aligned to the committees responsible for managing those risks. The framework describes each risk and provides details of the mitigations in place, sources of board assurance and further actions required. See page 120.

1.1.4 World class care values

All of our staff are expected to treat our patients, visitors and each other in line with our world class care values which expect us to be:

- positively welcoming
- actively respectful
- clearly communicating
- visibly reassuring

1.1.5 A word from our chairman and chief executive

It is impossible to be prouder of our staff for their monumental efforts and achievements in what will go down as the year the NHS faced the single largest challenge in its history.

2019/20 began with a clear focus on consolidation – getting ourselves back on track in key areas where our performance was not where it should be. This meant trying to live within our means financially, but most importantly ensuring that our patients were receiving the highest standard of care, and that meant improving the time it took for them to be treated whether they attended A&E or were waiting for cancer treatment.

In addition to this keen focus on getting the basics right, there were some significant achievements.

We celebrated our 2,000th liver transplant with a wonderful event at the Emirates Stadium, attended by many of the patients whose lives had been transformed by the world-leading service since it was established in 1988.

We opened the UK's largest and most advanced decontamination unit in Enfield which will clean approximately four million instruments every year – with the capacity to do five times more.

Our Streams app, developed in partnership with Google Health and which is improving outcomes for patients with acute kidney injury, was rolled out to clinicians at Barnet Hospital. And in March, we were delighted to announce the appointment of our brilliant Royal Free London group chief nurse Deborah Sanders as the new chief executive of Barnet Hospital.

Chase Farm Hospital, which celebrated the first anniversary of its £200 million rebuild, was recognised as one the UK's most digitally advanced hospitals.

And, of course, we are now looking forward to the opening of the Pears Building, the new home to UCL's Institute of Immunity and Transplantation whose research will take our understanding of conditions like cancer and diabetes to a new level.

But it was with their response to the COVID-19 pandemic that our staff really shone – inspiring us and leaving us in awe.

They showed leadership, commitment, skill, expertise, sacrifice and devotion to our patients in the most testing circumstances.

The patients our colleagues have cared for - many of whose lives they have saved - have rightly hailed them as heroes and communities have applauded them every week from their doorsteps.

In February, as one of four specialist centres for infectious disease in the UK, the Royal Free Hospital admitted some of the first patients with the virus at a time when the aim was to contain the spread.

As the scale of the crisis became clear, the NHS went into overdrive.

Within the space of a few days, our whole trust had re-organised itself as we began to admit increasing numbers of COVID-19 patients and our clinical teams adopted new models of care at an unimaginable pace. At the time of writing, we have treated more than 1,400 COVID-19 patients, provided 350,000 free meals to our staff and received 251,000 donations of essential items from our amazing communities.

Support services including porters, domestics, catering teams and admin and clerical staff stepped up to the plate – many of them taking on new and unfamiliar roles. These were people who, like most of us, had mums, dads, sons, daughters and grandparents to worry about as they joined other key workers on their daily commute every morning. We owe them a huge debt.

It was crucial that we supported our staff in every way possible and for that we're grateful to The Royal Free Charity for managing the incredibly generous donations of food and essential items from our local communities, as well as for setting up an emergency fund.

This enabled us to provide free meals for staff during their shifts; set up a free supermarket at the Royal Free Hospital so they could get the supplies they needed after a long day at work; and deliver much-needed items to staff rooms and kitchens across Barnet Hospital.

Recognising the impact on our colleagues' wellbeing and mental health has also been hugely important. We introduced more services and avenues to help our staff take care of themselves, including guidance on our intranet, access to wellbeing apps, our mental health first-aiders and a seven-day helpline.

At the time of writing we are working closely with clinical leaders, thinking about when we are going to restart services, and how we do that. We've learned so much about how to manage infection during this last two months, and the way we run hospitals in the short to medium term is going to be very different. Restarting our 'business as usual' is much more complex than simply changing a few rotas and opening up some beds and theatres (not that any of that was particularly simple).

We need to do it in a way that keeps staff and patients safe and does not provide opportunity for spreading infection. We also have to ensure that we prioritise patients most in need. This is immensely complicated and it's something that we will tackle with all of our health and social care partners across North Central London.

What happens next will be a new chapter in our history and the history of the NHS. We have learnt so much in such a small period of time and shown just how agile and innovative the NHS can be when it's under pressure.

We have learnt how to work in partnership, with other health and social care providers, to provide the best care for our population. We have learnt how to work virtually, how to use mobile technology to avoid patients making unnecessary journeys, and we need to embrace that spirit and all of that thinking in our new world.

Whatever that world looks like, it will be a very different and improved NHS - an NHS where the Royal Free London continues to break new ground and lead the way.



Dominic Dodd
Chairman



Caroline Clarke
Chief Executive

24 June 2020

1.1.6 Our objectives

1. Excellent outcomes in clinical services, research and teaching

Clinical services

- The imaging department at the Royal Free Hospital is undergoing a major redevelopment including replacing three MRI scanners with state-of-the-art equipment, upgrading five interventional radiology and cardiology units and installing a new gamma camera and SPECT/CT scanner. Once in place, the new MRI facilities will help us to see more patients, reduce waiting times and allow staff to deliver high quality diagnostic services using the latest equipment.

Research

- A patient at the Royal Free Hospital was the first person in the world to be given a new therapy which could dramatically change the lives of people with Fabry disease. People with the rare condition have a faulty gene, which means they do not produce a particular enzyme needed to break down some fat materials. This causes cell damage and can lead to highly debilitating multi-organ disease resulting in heart problems, pain in the hands and feet, decreased ability to sweat, hearing loss and gastrointestinal problems. The new gene therapy uses a modified virus to deliver a correct copy of this gene to the liver, enabling the liver to produce the enzyme needed to break down the fat materials. It is hoped that the liver will continue producing this enzyme without the need for further treatment. The Royal Free Hospital is a national centre for Fabry disease and provides a service for more than 300 patients with the condition.
- A landmark study co-led by a consultant at the Royal Free Hospital found that HIV positive men taking antiviral drugs have no chance of passing the virus on to their partners. Professor Alison Rodger, consultant in infectious disease and HIV and director of public health at the Royal Free London, was the lead author of the study, PARTNER2, which was published in *The Lancet*. The eight-year study of nearly 1,000 gay couples in Europe, including several patients recruited at the Royal Free Hospital's Ian Charleson Day Centre, found there were no HIV transmissions between gay couples where one partner was HIV negative and the other positive and on effective treatment. The previous phase of the study (PARTNER1) was published in *JAMA* in 2016 and found the same result for heterosexual couples.

2. Excellent experience for our patients and staff

Patients

- The Royal Free Hospital has introduced an online appointment system to book adult blood tests. The system allows patients, their carers and family members to better plan their hospital visits as they have a specific time allocated for their blood test. It also means 24/7 visibility of available appointments and the flexibility for patients to book their own times. In addition, it gives them the opportunity to view, reschedule and cancel appointments.

- Parents of premature or sick babies being cared for at Barnet Hospital's specialist neonatal unit are now waking up to a very special message. Thanks to secure messaging technology vCreate, a parent who signs up to the system can receive a video or picture of their baby, taken by a member of staff working the night shift, which comes through to their e-mail. Staff scan an individual QR code located in the baby's cot and that allows them to film or take a photo of the baby on a tablet. An alert goes to the parent's designated e-mail address enabling them to access the video or photo.

Staff

- At the start of Dementia Awareness Week, more than 30 members of staff from across Barnet Hospital found out just how challenging it feels to be a person with dementia by taking part in an immersive experience on a parked bus.

The tour began with staff putting spiky inserts into their shoes to replicate peripheral neuropathy (dying nerve-endings), covering their hands with thick gloves to simulate arthritis and wearing special glasses to copy the macular degeneration that many dementia patients suffer. Staff were also made to wear headphones pumping loud white noise and static into their ear drums, punctuated with loud crashes and sirens. Created in partnership with people who have dementia, the headphones provided an ultra-realistic experience into the world of dementia, replicating 'audio-mass', a condition where nearby and distant sounds are almost indistinguishable. Staff were then instructed to complete everyday tasks such as laying a table, writing a note to their family, tying a tie and doing up buttons on a jacket. All of which proved almost impossible given the level of noise, visual impairment and disorientation involved.

3. Excellent value for taxpayers' money

- Our financial position remained challenging in 2019/20 but our business units continue to work hard to identify ways to become even more efficient. We agreed a control total for 2019/20 and have delivered in line with this financial plan. The trust achieved £46.3million of efficiency savings in year, which was 3.8% of our controllable income. We continue to have a reference cost index lower than average, despite the challenges. For a number of years, these challenges have had a significant impact on our cash position and have been reliant on the Department of Health and Social Care for working capital. However, in 2019/20 as a result of achieving our control total, and through careful working capital management, we have not needed to access any additional lending.

4. Safe and compliant with our external duties

- An army of stop-smoking specialists are helping patients at the Royal Free Hospital quit the habit – part of a new drive to ensure the site remains smoke-free. Smoking, including smoking e-cigarettes, is banned throughout the hospital grounds, in all the outdoor areas, such as car parks. Hundreds of members of staff have been trained in how to support patients to give up smoking while prevention measures to ensure patients can walk around the hospital grounds without inhaling secondary smoke

include removing cigarette butt bins (as this encourages people to smoke) and increasing the signage around the boundary of the hospital. There has been a renewed focus on cleaning the areas at the front of the hospital with regular patrols monitoring and cleaning up cigarette butts and other litter. Nicotine replacement therapy is also offered on the wards.

- A new approach to maternity care which means that women are looked after by one midwife for most of their pregnancy has led to fewer miscarriages and pre-term births. The ‘continuity of carer’ model adopted by the Royal Free London means pregnant women under the care of the trust mostly see just one named midwife or another midwife ‘buddy’ during pregnancy, birth and postnatally. See page 16 for more on this story.

5. A strong and resilient organisation

- A global body officially recognised Chase Farm Hospital as one of the most digitally advanced hospitals in the UK. The £200 million hospital, which opened in September 2018, has joined an elite group of UK healthcare organisations after it was given a brand-new rating by HIMSS Analytics® for the quality of the technology it employs. See page 14 for more.
- A new machine which mimics the human body and allows doctors to store donor livers for an additional 24 hours is helping more patients receive life-saving organ transplants. The Royal Free Hospital was the first trust in London to use the OrganOx metra and has already carried out many successful transplants aided by the machine. Rather than keeping livers on ice as is traditional, doctors at the Royal Free Hospital now have the option to use the device which mimics the human body by keeping donor livers at body temperature and pumping oxygenated blood, medications and nutrients into them, to preserve the organ. The metra allows doctors to assess how well the donated liver functions, which means they have a better understanding of whether it is suitable for transplantation. See page 16 for more.

Our governing objectives are now supported directly through our Royal Free London group goals framework. In the group we are focused on establishing group benefits alongside continuing efforts to improve financial and operational performance.

Our priorities for 2020/21 include:

- Focusing on patient safety – maintaining reductions in the risk of never events and avoidable harm
- Working with our partners to implement more integrated care pathways across North London
- Addressing areas of the Staff Survey where we perform least well, in particular addressing bullying and harassment
- Improving access to planned care services and ensuring that we have no patients who wait for more than 52 weeks

- Delivering our financial strategy and operational productivity and efficiency programmes which will help us meet our performance targets.
- Delivering the above priorities in the context of the COVID-19 response whilst ensuring resilience of services and compliance with stricter infection control requirements.

1.1.7 Highlights of the year

April 2019

New breast unit opens in dedication to pioneering surgeon

A refurbished and expanded breast unit was opened at the Royal Free Hospital and dedicated to pioneering breast cancer surgeon Professor Keshtgar who was ‘devoted to his patients’.

The unit was officially opened by chief executive Kate Slemeck alongside the family of Professor Mo Keshtgar, the first person in the UK to perform keyhole surgery on breast cancer patients. Professor Keshtgar worked at the Royal Free Hospital for 10 years and sadly died in 2017.

The Keshtgar family unveiled a plaque dedicated to the surgeon and Professor Keshtgar’s son Soroosh said: “It’s wonderful to see this beautiful new unit,” he said. “It’s a lovely tribute to his life and his work. My father was always looking to improve the patient experience and this unit would have truly made him proud.”

The unit now has two high-tech mammogram machines, offering 3D imagery and the ability to take biopsies, a new ultrasound machine, additional consulting rooms and patient and staff facilities, which enable patients to be diagnosed quicker.

May 2019

CQC report published

NHS regulator the Care Quality Commission (CQC) identified significant areas of good and outstanding practice at the Royal Free London despite a fall in our overall ratings. The trust was rated as ‘good’ in three of the five categories assessed by the CQC: for being effective, caring and well-led. Inspectors found that for the two other categories, services were safe and responsive, but improvements were required. This means that the trust now has an overall rating of ‘requires improvement’. Patients the inspectors spoke to were incredibly positive about the care they receive in our hospitals and said they were treated with kindness, dignity and compassion.

June 2019

Decontamination unit opens in Enfield

The biggest and most advanced decontamination unit in the UK opened in Chalkmill Drive in Enfield.

The state-of-the-art unit houses specialist equipment for sterilising instruments that cannot be exposed to water. It is able to decontaminate equipment safely and efficiently, offering a rapid turnaround service so our hospitals can have essential items of care equipment back in circulation quickly.

More than 80 staff work in the unit which is open 365 days a year. Each year the unit will clean approximately four million instruments and 35,000 flexible endoscopes. The unit has the ability to do more than five times this amount and bring in revenue by providing the service to other trusts and private enterprises.

Chase Farm Hospital joins digital elite

A global body officially recognised Chase Farm Hospital as one of the most digitally advanced hospitals in the UK. The £200 million hospital, which opened in September 2018, joined an elite group of UK healthcare organisations after it was given a brand-new rating by HIMSS Analytics® for the quality of the technology it employs.

Chase Farm Hospital achieved the HIMSS Analytics Electronic Medical Record Adoption Model (EMRAM) Stage 6, an international benchmark for the use of advanced IT to improve patient care. Only two other NHS organisations have achieved this, and none have so far achieved stage 7, which is the highest possible rating. The hospital's previous rating was HIMSS stage 2.

July 2019

Staff and patients celebrate 2,000th liver transplant

Staff and patients came together for 'an incredible and emotional' celebration to mark the 2,000th liver transplant at the Royal Free London.

Staff reflected on the achievements of the liver service and patients shared their personal stories during a day to remember at the Emirates Stadium in north London, home of Arsenal football club.

David Edgell, the 2,000th patient, was there to congratulate the team and he was joined by patients – some who had received their transplants many years ago.

The liver transplant service began at the Royal Free Hospital in 1988 and each year the number of liver transplants has continued to steadily increase, thanks to improvements in the referral process, as well as technology.

The event was funded by the liver service's charity.

August 2019

New research project leads the way for kidney cancer care

A new study looking at whether destroying kidney tumours by freezing them with argon gas is as effective as removing them with a scalpel was launched at the Royal Free Hospital and University College Hospital.

Currently, standard treatment for small kidney cancers that are less than 4cm in size, is surgical removal (partial nephrectomy). However, this is a complex procedure and some patients can develop complications such as leakage of urine into the abdomen, bleeding and bowel injury.

An alternative treatment option is cryoablation, which involves killing cancer cells by freezing them using needles placed into the tumour under imaging guidance in the radiology department. Cryoablation has fewer complications, faster recovery times and appears to give equally good cancer control. Cryoablation is currently not routinely offered to patients, unless they are too frail or unwell to undergo surgery. This trial will determine whether it is as effective as surgery and so could be offered to all patients. The project aims to recruit 200 patients in total and will run for three years until 2022.

September 2019

Celebrating our world class winners

More than 300 members of staff, including nurses, cleaners, doctors, midwives, porters, and clinical support staff, were recognised at the staff awards ceremony, which was funded by the Royal Free Charity.

Throughout the evening more than 30 awards were handed out to staff who had made a significant contribution to patient care and the life of the Royal Free London in 2018/19.

Hugh Dennis, who is best known for his roles in two of Britain's best loved sitcoms, Outnumbered and Not Going Out, as well as for the panel show Mock The Week, said: "If proof is needed of the goodness of human nature in difficult circumstances, then you are it. You are a fantastic group of people."

Royal Free London chair Dominic Dodd added: "I am always so inspired by the wonderful work carried out by our staff and the different ways in which you go the extra mile to care for our patients – and for each other. I'd like to take this opportunity to thank you all for your hard work and dedication and for making our trust the best place to work in the NHS."

October 2019

Pears Building reaches new milestone

The final bolt for the highest point of the Pears Building was put in place on 15 October as part of the topping out ceremony for the new home for the UCL Institute of Immunity and Transplantation.

The bolt for the seventh floor was affixed by Sir Trevor Pears, the executive chair of the Pears Foundation, which has made a £5 million donation to the building, with help from the chair of the Royal Free Charity, Judy Dewinter.

The ceremony marks the beginning of the next phase of the construction, when the focus will turn to the details of its outside appearance and the beginning of kitting out the interior.

November 2019

Tributes to a midwife who delivered the very best of care

The life and work of 'legendary' midwife, Olive Jones, was recognised at a very special event at Edgware Birth Centre.

Former colleagues, current staff, Olive's proud family, as well as mothers who have benefitted from the service she championed, attended the celebration. Chief midwifery officer of England, Professor Jacqueline Dunkley-Bent OBE, who was one of hundreds of midwives who crossed Olive's path, also joined the packed event.

Cathy Rogers, consultant midwife at the Royal Free London, who was mentored by Olive, said: "Olive was legendary. She was a visionary and promoted 'woman' centred midwifery. She played a critical role in establishing the Edgware Birth Centre, which opened in 1997. She was devoted to midwifery and was a tremendous, humble, quiet and inspirational leader, who brought out the best in all her staff and supported them in fulfilling their careers."

December 2019

Double liver transplant success thanks to successful collaboration

A life-saving device and a liver were 'blue-lighted' by ambulance in a 90-minute dash from Birmingham to London resulting in two successful transplants thanks to the quick-thinking of the Royal Free Hospital's transplant team and the generosity of another NHS trust.

The Royal Free Hospital was notified that a liver from a deceased patient had become available and, just two and a half hours later, a second potential liver was also identified for transplant for another of the trust's patients.

Since April 2019, the hospital's NHS-funded OrganOx machine, which mimics conditions in the body, has been used regularly for liver transplants. It keeps the liver alive and active for up to 24 hours outside the human body, rather than being held in a cold storage box, and allows doctors to better assess whether it is suitable for transplantation. However, only one liver can be attached to it at any one time.

To ensure both livers could be used, Professor Joerg-Matthias Pollok, the clinical lead for the Royal Free Hospital's liver transplant service and a consultant liver transplant surgeon, came up with an ingenious solution. He spoke to Mr Thamara Perera, a surgeon based at the University Hospitals Birmingham NHS Foundation Trust, who agreed to loan their OrganOx machine to the Royal Free Hospital. Both liver and machine were 'blue lighted' by ambulance arriving safely within 90 minutes and placed on the loaned machine.

January 2020

'Continuity of carer' model beneficial to pregnant women

A new approach to maternity care where women are looked after by one midwife for most of their pregnancy has led to fewer miscarriages and pre-term births.

The 'continuity of carer' model adopted by the Royal Free London means pregnant women under the care of the trust mostly see just one named midwife or another midwife 'buddy' during pregnancy, birth and postnatally.

As well as offering a significant reduction in miscarriages and pre-term births, this approach to midwifery care has the benefit of cost savings as consultant out-patient appointments and antenatal admissions are reduced along with elective and emergency caesareans.

The response from women who gave birth under the new model has been almost unanimously positive. Sarah Krasniqi, 39, from Borehamwood, gave birth to Ava at the Barnet Birth Centre at Barnet Hospital and Lisa Iles was her named midwife. Sarah said: "Lisa has taken care of me throughout my pregnancy and it's been amazing – she made me feel safe and secure. I didn't have to explain things all over again, Lisa knew how much I wanted a water birth and having her alongside me every step of the way meant I was much more relaxed and calm."

Mai Buckley, group director of midwifery for the Royal Free London, said: "We know this model of care is what women want and results in better outcomes for mothers and babies. In addition, our staff who have already adopted this model have told us they love it because it empowers them to deliver better care."

February 2020

Royal Free London treats its first COVID-19 patients

As one of a small number of specialist centres in England for treating infectious diseases the Royal Free Hospital was one of the first in the UK to admit patients with Covid-19 during the containment phase of the pandemic.

March 2020

New chief executive appointed to Barnet Hospital

Deborah Sanders was appointed as the new chief executive for Barnet Hospital after taking on the position in an interim basis since October 2019.

Deborah has worked for the trust since 1994, having trained at the Royal Free Hospital. She was appointed as the trust's director of nursing in 2010 and is also the Royal Free London group chief nurse. Before that she worked at St Bartholomew's Hospital and the London Chest Hospital.

Prime Minister visits Royal Free Hospital to thank staff

Prime Minister Boris Johnson visited the Royal Free Hospital on 1 March to thank staff for their efforts in caring for patients being treated for COVID-19.

Mr Johnson met with staff from the infectious diseases team and paid tribute to the doctors and nurses treating patients who have the virus.

BBC documentary Hospital features the Royal Free London frontline

On the same day as lockdown was announced filming commenced for a special two-part Fighting COVID-19 edition of the award-winning BBC documentary series Hospital.

Patrick Holland, the controller of BBC Two, said: "We feel so privileged to have been allowed into the Royal Free London, at a time of national emergency, to document the remarkable work of their teams."

1.2 Performance analysis

1.2.1 Key performance measures and meeting standards

2019/20 was another challenging year at the Royal Free London. High levels of demand have meant it has been difficult to maintain performance against a range of standards.

Throughout the year, the trust has focused on a number of key metrics that demonstrate our commitment to delivering safe, consistent and timely care to both elective and emergency patients.

Urgent and emergency care

Pressure on our two emergency departments (ED) and urgent care centre increased again in 2019/20, with an overall average of 5,734 attendances per month compared to 5,425 in 2018/19. The trust admitted, transferred or discharged 83.2% of patients within four hours of their arrival, falling short of the 95% government target.

The trust has worked intensively with our system partners to manage demand and to discharge patients in a timely manner once their treatment is complete.

Both the Royal Free Hospital and Barnet Hospital have been working to deliver detailed improvement plans, with some support still provided by the national Emergency Care Intensive Support Team, including:

- running ‘free-flow’ weeks focused on improving the flow of patients throughout these departments and multi-agency discharge events to ensure we optimise efficiency during particularly challenging times
- weekly reviews of all patients with a long length of stay
- implementation of the discharge to assess pathway for patients who do not require a hospital bed but who may still require care services at home or in the community
- building work at Barnet Hospital to increase space in the urgent treatment centre
- reducing discharge delays in particular at the Royal Free Hospital by escalating cases at fortnightly executive-led meetings.

Future work to improve performance against the A&E target includes:

- review of urgent care demand with our partners
- efficiency schemes to reduce pressure on urgent and emergency care
- completion of building work on Barnet Hospital’s urgent treatment centre and its acute medical unit
- review of results of long length of stay audit
- completion of review of discharge to assess pathway demand
- improving ‘Joy in Work’ for staff.

Cancer treatment waiting times

There are three main targets for cancer services:

1. Patients referred by a GP should be seen within two weeks of referral (two-week wait target).
2. Patients referred directly by their GP to a cancer pathway who are subsequently diagnosed with cancer should start treatment within 62 days of the initial GP referral (62-day target).
3. All patients diagnosed with cancer, irrespective of how they were initially referred, should start their treatment within 31 days of the diagnosis of cancer (31-day target).

In 2019/20, the trust did not meet the two-week wait target, including for those on the symptomatic breast pathway. However, the trust was compliant against the 31-day target in quarters one and two of the year but fell just below this standard in quarter three.

Throughout the year, we have been working hard to improve performance against the 62-day standard from GP referral to first treatment. Performance has been relatively stable with particular focus on reducing the backlog of those waiting over this time. The largest pressures are in those areas where we share care with other providers, including prostate, renal and gynaecological cancers. We have delivered the following improvements in 2019/20:

- Introduced a one-stop clinic for patients requiring a particular type of prostate biopsy, increasing the efficiency of the pathway
- Implemented a cancer-wide clinical practice group programme to reduce variation
- Maintained testing at first attendance of high volumes (approximately 75%) of lower GI patients at Barnet Hospital and Chase Farm Hospital
- Prepared for the introduction of the faster diagnosis standard in 2020, where patients should have cancer ruled out or diagnosed within 28 days of referral
- Continued to work with our system partners to ensure that patients on inter-trust pathways both in and out of the Royal Free London are transferred quickly and smoothly
- Continued to centralise our histopathology services, due to be completed in 2020/21.

We recognise that cancer referrals will continue to rise year on year, and that we need to provide a service that is flexible, compliant and places patient experience at the forefront of practice. As such, we plan to continue to expand our cancer clinical practice group programme, which focuses on pathway redesign as a way of managing demand and capacity, monitoring clinical outcomes and improving patient experience. This programme of work for 2020/21 will include:

- Continuing to increase the number of lower gastrointestinal patients on our straight to test service at the Royal Free Hospital.

- Centralising diagnostic support, including radiology, endoscopy and histopathology. We have introduced cancer-specific reporting for turnaround of radiology and histopathology test reporting which will assist teams in focusing resource where needed and planning appropriate demand vs capacity.
- Ensuring compliance against the faster diagnosis target.

18-week waiting times

Since August 2017, the trust has failed the referral to treatment standard where patients should wait for no more than 18 weeks before they start treatment within consultant-led services. This is primarily a result of changes made to how we compile our patient tracking list (PTL), which is aimed at better linking patient attendances together to identify their whole pathway.

As part of this work, the trust also sought external advice to assure itself of the way its PTL was constructed. This highlighted more significant issues than anticipated which meant that the trust needed to re-build the PTL in its entirety. The re-build work identified a large volume of historic patient pathways that needed to be validated to confirm whether these patients were still waiting for treatment and to ensure that the trust is reporting correctly. As a result, the trust board took the decision in March 2019 to pause national reporting while this work took place.

The trust is currently in the process of carrying out the actions required to support the development of a more accurate PTL and a return to national reporting by the end of 2020. These include:

- Commissioning external support to carry out a large-scale validation exercise of a stratified sample of the pathways from the trust's historic data. This work is on track and due to be completed in April 2020.
- Validating and correcting a large number of more recent pathways with our internal validation resource. This work is also on track with the first phase to complete by April 2020.
- Training staff to ensure that they understand referral to treatment pathways and how to record a patient's status correctly.

The trust is currently reviewing and agreeing with our regulator the remaining actions that are needed to return the trust to national reporting.

Infection control

- C. difficile

In 2019/20, there were 84 confirmed cases of C.difficile infection.

Of these cases, three were defined as 'lapses in care'. Our local clinical teams and clinical commissioning groups work together to identify whether a case is a lapse in care by applying an assessment developed by Public Health England.

Each case is discussed at the monthly divisional leads' infection prevention and control (IPC) meeting, at which commissioners are present and agree or make comments, and also at the

IPC committee where Public Health England, CCGs and commissioning support units confirm all findings. The learning from these meetings is shared with divisions.

- **MRSA**

We recorded four confirmed cases of MRSA in 2019/20, two at Barnet Hospital and two at the Royal Free Hospital.

Mortality rates

We continue to record low mortality risks compared to trusts nationally. We examine our mortality using the summary hospital level mortality indicator (SHMI). This measure describes the actual level of mortality compared to that which would have been expected based on the types of patients we treat.

Looking at SHMI for the period from October 2018 to September 2019 (the latest period for which data is available), the trust mortality risk was lower than expected at 0.82, or 18% better than expected.

Looking ahead

Our focus for 2020/21 is to ensure all parts of our trust can reach and maintain the standards of our best services. The Royal Free London group model developments will be core to delivering this. Our key challenges will be to:

1. Deliver consistent performance against the 62-day cancer standard and begin reporting against the new faster diagnosis target.
2. Improve performance against the A&E four-hour standard.
3. Complete validation of the referral to treatment PTL and return to national reporting.

Performance against key national indicators

The charts and commentary contained in this report represent the performance for all three of our hospitals. This approach has been taken to ensure consistency with the prescribed indicators the trust is required to include in the quality accounts. The prescribed indicators data is sourced from NHS Digital where in the majority of cases data is also aggregated.

Single Oversight Framework key indicators scorecard 2019/20

Measures	Target	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sept 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	Feb 2020	Mar 2020
A&E: % of patients seen within four hours	95%	83.91%	85.51%	85.63%	87.06%	87.01%	83.50%	79.49%	78.83%	79.82%	81.3%	83.7%	78.5%
Cancer: % < 14-day wait for first seen	93%	88.55%	89.97%	91.97%	92.44%	88.80%	90.04%	90.32%	91.93%	91.48%	91.35%	92.63%	92.48%
Cancer: % < 14-day wait for first seen - breast	93%	88.18%	90.91%	88%	75.26%	90.28%	88.72%	89.43%	86.82%	90.76%	91.01%	100%	92.52%
Cancer: % < 31-day wait from diagnosis to first treatment	96%	95.63%	97.33%	97.74%	98.85%	97.32%	97.45%	96.64%	95.75%	93.65%	93.17%	97.07%	97.64%
Cancer: % < 31-day wait from diagnosis to second treatment (radiotherapy)	94%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	97.62%	100%
Cancer: % < 31-day wait from diagnosis to second treatment (surgery)	94%	88.16%	93.94%	97.30%	91.30%	94.29%	98.04%	92.96%	91.49%	96.15%	90.20%	85.45%	97.06%
Cancer: % < 31-day wait from diagnosis to second treatment (chemotherapy)	98%	100%	100%	100%	100%	100%	97.44%	100%	100%	100%	93.75%	100%	100%
Cancer: % < 62-day wait for first treatment - GP referral	85%	86.15%	76.78%	76.99%	82.37%	81.82%	75.90%	80.42%	80.82%	82.98%	79.51%	82.70%	81.53%
Cancer: % < 62-day wait for first treatment – screening	85%	95.16%	96.72%	92.31%	82.09%	86.42%	92.75%	98.08%	94.37%	81.18%	80%	92.11%	85.56%
Diagnostics: % < 6-week wait for diagnostics	99%	96.3%	93%	92.4%	93.3%	90%	89.2%	93.1%	94%	92.7%	93.6%	97.6%	88.8%

1.2.2 Financial review

Income

The trust receives most of its income from clinical commissioning groups and NHS England specialist commissioning. In 2019/20, the trust received £1134.8m in income, which was £93.9m more than in 2018/19. A total of £33.7m of this amount was to cover the costs of the response to the COVID-19 pandemic, including the construction of the Nightingale Hospital

at London's Excel centre. A further £25.5m was notional funding to cover increased pension costs.

The trust has met section 43(2A) of the NHS Act 2006 (as amended by the Health and Social Care Act 2012), which requires that the income from the provision of goods and services for the purpose of the health service in England must be greater than its income from the provision of goods and services for any other purposes.

The income the trust receives from the provision of goods and services for any other purposes is generated from capacity within the organisation; such work is not given priority over NHS work. Income from such activities is undertaken only where there is a positive impact for the trust, such as a financial contribution, which can be invested for the purposes of healthcare, or as part of a wider clinical benefit analysis.

Surplus

Earnings before interest, taxes, depreciation and amortisation (EBITDA) and reporting surplus are important measures for the trust. They are indicators of how much cash the trust is generating from its activities and are used by NHS Improvement, the trust's regulator, to calculate our performance.

The trust signed up to, and delivered against, a control total for 2019/20. Efficiency savings of £46.3m were made in year, which was 3.8% of our controllable income. We continue to have a reference cost index lower than average for 2019/20, despite it being a very challenging financial year. We have also improved our cash position through working capital management and as a result we did not need to draw down on forecast loans. A capital loan of £3.3m was taken out during the year. This is interest bearing and is repayable from 2020/21. We will continue to focus on improving our financial position in the coming year which we expect will be as, if not more, challenging.

Subsidiary performance

RFL Property Services Limited (RFLPS), a wholly owned subsidiary of the trust, was incorporated on 28 June 2018 with £50,000 of called up share capital.

The agreement with RFLPS is to manage and be financially and operationally responsible for the completion of the Chase Farm site in accordance with the development contract. RFLPS will substantially fund this additional construction work through the receipt of loans from the trust and will subsequently recover those costs, together with a margin, from the trust, payable in accordance with the service agreement. Further details are given in notes 13 and 16 of the accounts.

A second wholly owned subsidiary of the trust, RFL Dispensary Services Limited (RFLDS), was incorporated on 31 July 2018 and commenced trading on 1 April 2019.

The agreement with RFLDS is to manage and be financially and operationally responsible for dispensing of out-patient prescriptions at the Royal Free Hospital and Chase Farm Hospital. Further details are given in notes 13 and 16 of the accounts.

Trust financial performance

The trust has seen a further rise in activity, which has meant more resources have had to be deployed notably on pay. The pay figures below include notional spend of £25.5m on increased employer pension contributions, which were funded. We have made concerted efforts to reduce the number of staff employed through agencies, with spend on temporary staff falling from £21.5m in 2018/19 to £18.2m in 2019/20. The number of substantive staff employed on a full-time basis has risen slightly from 7,538 in 2018/19 to 7,867 in 2019/20.

	Actual £m	Plan £m	Var. £m	Var. %
Staff costs 2019/20				
- Permanent staff	583,1			
- Temporary staff	18,2			
Total	601,3	554,5	46,8	8.4%
Staff costs 2018/19				
- Permanent staff	524,6			
- Temporary staff	21,5			
Total	546,1	543,4	-2.7	-0.5%
Permanent staff numbers (avg.) 2018/19	7867,0			
Permanent staff numbers (avg.) 2017/18	7538,0			
Temporary staff numbers (avg.) 2018/19	2597,0			
Temporary staff numbers (avg.) 2017/18	2763,0			

The accounting policies for pensions and other retirement benefits are set out in note 7 of the accounts.

Details of senior employees' remuneration can be found in the remuneration report on page 92.

The number of and average additional pension liabilities for individuals who retired early on ill-health grounds during the year are set out in note 6.1 to the accounts.

Sickness absence data can be found on page 103.

Reference costs

The 2019/20 cost collection has been postponed due to the pandemic. The trust reference cost index (RCI) for 2018/19, which measures the relative efficiency of English trusts against one another, fell from 97 to 96. An RCI of 96 implies that the trust is 4% more efficient than the national average and demonstrates our commitment to delivering value for money in a health economy facing increasing financial pressures.

Going concern and future outlook

The trust accounts are prepared on a going concern basis. This is because the Department of Health and Social Care (DHSC) group accounting manual states that; 'For non-trading entities in the public sector, the anticipated continuation of the provision of a service in the

future, as evidenced by inclusion of financial provision for that service in published documents, is normally sufficient evidence of going concern. DHSC group bodies must therefore prepare their accounts on a going concern basis unless informed by the relevant national body or DHSC sponsor of the intention for dissolution without transfer of services or function to another entity'. There is no doubt around the continuation of the provision of the service provided by the trust in the future. This is reflected in the contracts the trust has agreed with its key commissioners to provide services in 2019/20 and 2020/21.

Nonetheless, it is recognised by the trust board that there is a significant risk around the underlying position of the trust in terms of ongoing sustainability. The trust has recorded a deficit in each of the past three years. In 2019/20, it reported a deficit of £32.5m in line with its plan and the control total set by NHS Improvement. The trust continues to take measures to ensure there is sufficient working capital and liquidity in the short term, and it has a financial recovery plan to return to a sustainable position over the next three to four years. DHSC continues to make available to the trust access to borrowing facilities so that it can meet its liabilities as they fall due.

The trust's external auditors, in their auditors' report, have included a material uncertainty in relation to going concern.

Countering fraud and corruption

The trust has a fraud and bribery policy and, through the accountancy and advisory firm RSM UK Tax and Accounting Limited, has a local counter fraud service in order to prevent and detect fraud. The local counter fraud officer reports to the audit committee at each of its meetings on the work undertaken. The trust also participates in the national fraud initiative data matching exercise.

Financial risk management

The financial risk management objectives and policies of the trust, together with its exposure to financial risk, are set out in note 29 of the accounts.

Better payments practice code

The code requires the trust to aim to pay 95% of undisputed invoices by the due date or within 30 days of receipt of goods or a valid invoice, whichever is later. It is designed to promote good practice in the payment of debt from NHS organisations. Details of compliance with the code are given on page 99.

Interest paid under the Late Payment of Commercial Debts (Interest) Act 1998

There were no interest charges paid in accordance with this act in 2019/20, as in the previous year.

Cost allocation and charging

The trust has complied with the cost allocation and charging requirements set out in guidance from HM Treasury and the Office of Public Sector Information.

Future prospects, risks and uncertainties facing the trust

The future operating environment for our trust is likely to feature the following:

- Continued growth in demand and associated pressure on access standards
- Continuing increase in demand for specialised services
- Shortages in some key resources such as certain clinical staff and post acute packages of health and social care
- Continued pressure on emergency hospital services over winter
- Increased regulatory scrutiny on financial and operational performance
- Continuing expectation of real terms cost reductions across the trust.

The trust is taking action to mitigate the impact of these risks and uncertainties by:

1. Continuing to work with its local commissioners to support them in reducing costs and achieving their savings programmes in ways which also improve the outcomes and experience for patients
2. Working with health and social care partners to develop the north central London sustainability transformation plan which aims to improve health outcomes across our area over the next five years
3. Developing a group model comprising 10-15 hospitals operating under a single group board, with the intention of improving clinical outcomes, patient safety and patient experience by reducing variation across the group.

1.2.3 Improving our environment

For NHS organisations, sustainability means spending public money well, the smart and efficient use of natural resources and building healthy, resilient communities.

The 2019 NHS Long Term Plan contains ambitious sustainable development commitments and the trust continues to plan and deliver steps for their implementation, which will help protect the environment now, and in the future, and improve health. A Green NHS can:

- Reduce the carbon footprint and environmental impact of providing care
- Reduce air pollution and contribute to a cleaner environment
- Reduce the use of single use plastics where appropriate and feasible
- Ensure that prevention and wellbeing are the focus of all healthcare activities
- Develop sustainable clinical practices in all specialities and services
- Prepare and respond to climate change, including weather events and supporting vulnerable people.

The trust reports its progress each year and continues to be supported by the Sustainable Development Unit, jointly funded by NHS England and Public Health England.

1.2.4 Emergency Planning

The NHS has a key role in responding to large-scale emergencies and major incidents, and the trust ensures it is prepared for such events. Our Emergency Preparedness, Response and Resilience (EPRR) arrangements are scrutinised yearly by NHS England. We are substantially compliant with the core standards and have an action plan in place to make improvements where required.

COVID-19 response

In February, as one of four specialist centres for infectious disease in the UK, the Royal Free Hospital admitted some of the first patients with the virus at a time when the aim was to contain the spread.

As the scale of the crisis became clear, the NHS went into overdrive.

Within the space of a few days, our whole trust had re-organised itself as we began to admit increasing numbers of COVID-19 patients and our clinical teams adopted new models of care at an unimaginable pace.

Emergency incidents

In March 2019, the Royal Free Hospital declared an internal incident in response to a commercial scaffold collapse on Pond Street. This was a large amount of scaffolding covering four storeys of the building opposite to the hospital's main entrance. Fortunately, there were no casualties or fatalities. There was some disruption to ambulances coming into and leaving the hospital but this was managed until the scaffolding was cleared.

Partnership working

To ensure our emergency plans and response are joined up with that of our partners, we attend quarterly meetings in Barnet, Camden and Enfield, as well as a London-wide multi-agency workshop where we undertake training exercises.

Future planning

Our focus this year has been to encourage all service department to review their business continuity plans to ensure critical activities can still be delivered when there is a disruption. We have also been preparing for the UK's departure from the EU by taking part in regional exercises and workshops to understand how a no-deal exit might impact our supply chains and workforce. This work is ongoing across the trust.

1.2.5 Our work overseas

The Royal Free International (RFI) is part of the trust and develops international collaborations and partnerships to raise our global presence and generate additional revenue for the trust. It focuses on hospital management consultancy, education and training and research collaborations.

2019 was an excellent year for RFI. Despite challenging targets, it increased its global collaborations, resulting in a significant increase in revenue above budget. More than 350 delegates visited the Royal Free group hospitals with over 80% of RFI business generated from China and Hong Kong.

This year, we also formed new business collaborations with:

- Beijing Huatong Guokang Foundation
- East Kazakhstan Regional Hospital
- Escalla
- London Medical Exchange

- Marie Curie Hospice (Hampstead)
- Singapore Changi General Hospital
- United Hospitals Bangladesh

As well as the extensive range of observerships undertaken across clinical areas, clinical and management programmes have also increased in popularity. Following the successful delivery of the hospital president/CEO programmes for Beijing Huatong Guokang Foundation, we were asked to expand these to include one for laboratory directors.

Short delegation visits were also popular with arrangements made for governments and institutions from different countries including:

- University of Alabama, Birmingham, USA
- Switzerland Zurich University School of Management and Law
- Hunan GP Delegation
- Shanghai China RCGP GP Delegation
- Tuli Health Ningxia China Health Bureau
- Gemdale Corporation China
- Heads and advisors to the Minister of Health for Ukraine.

In addition to the courses undertaken in the UK, staff from the Royal Free also visited Kazakhstan and the United Arab Emirates to lead consultancy services and deliver training programmes in these countries.

During the final quarter of the year the department was affected by the COVID-19 pandemic and all observerships and training programmes were suspended from February 2020. However, despite this, the unit still achieved its overall financial targets.



Caroline Clarke
Chief executive

24 June 2020

2 Accountability report

2.1 Directors' report

The directors' report is prepared as required by Schedule 7 paragraph 26 of the NHS Act 2006 and in accordance with:

- sections 415, 4166 and 418 of the Companies Act 2006; (section 415(4) and (5) and section 418(5) and (6) do not apply to NHS foundation trusts)
- regulation 10 and schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("the Regulations")
- additional disclosures required by the financial reporting manual (FReM)
- The NHS Foundation Trust Annual Reporting Manual 2019/20 (FT ARM)
- additional disclosures required by NHS Improvement.

Further details of the areas included in this statement can be found on the trust's website:
<https://www.royalfree.nhs.uk/>

2.1.1 Statement as to disclosure to auditors

Each individual who is a director at the date of approval of this report confirms that:

- they consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for stakeholders to assess the trust's performance, business model and strategy
- so far as the director is aware, there is no relevant audit information of which the NHS foundation trust's auditors are unaware
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Royal Free London NHS Foundation Trust's auditors are aware of that information.

Income disclosure

The trust has met section 43(2A) of the NHS Act 2006 (as amended by the Health and Social Care Act 2012), which requires that the income from the provision of goods and services for the purpose of the health service in England must be greater than its income from the provision of goods and services for any other purposes.

The income the trust receives from the provision of goods and services for any other purpose is generated from capacity within the organisation; such work is not given priority over NHS work. Income from such activities are sought only where they can demonstrate a positive impact for the trust, such as a financial contribution which can be invested for the purposes of healthcare, or as part of a wider clinical benefit analysis.

The directors are responsible for preparing the annual report and audited financial statements. The directors consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for patients, regulators and stakeholders to assess the trust's performance, business model and strategy.

The trust board leads the organisation and provides a framework of governance within which high quality, safe services are delivered across north London, Hertfordshire and beyond. The board sets the vision and strategic direction for the trust, ensuring the appropriate culture exists and that there is sufficient management capacity and capability to deliver the strategic objectives of the organisation. It also monitors performance of the trust, keeping patient safety central to its operation and ensures that public funds are used efficiently and effectively for the benefit of patients and other stakeholders.

All voting board directors (executive and non-executive) have joint responsibility for board decisions. Board members are also there to constructively challenge the decisions of the board and assist in developing proposals on strategy, priorities, risk mitigation and standards.

2.1.2 Non-executive directors

Non-executive directors have a duty to hold the executive directors to account through constructive challenge and by scrutinising performance. They bring extensive expertise from a wide range of backgrounds to the board.

The chair is one of the non-executive directors and is responsible for the leadership of both the trust board and the council of governors.

During the financial year 2019/20, the trust had the following non-executive directors:

Non-executive director	Date of appointment	Current term of office	Term
Dominic Dodd (chair)	April 2012	30 June 2021	Third
Mary Basterfield (from 1 September 2018 vice chair and senior independent director)	December 2016	November 2022	Second
Wanda Goldwag	December 2017	November 2020	First
Professor Sir Chris Ham	January 2019	December 2021	First
Doris Olulode	December 2018	November 2021	First
Akta Raja	January 2017	December 2022	Second
Professor Anthony Schapira	April 2012	31 May 2020	Third
James Tugendhat	January 2018	December 2020	First

The board considers that all its non-executive directors are independent in character and judgement, although it notes that Professor Anthony Schapira, as an appointee of University College London Medical School, brings its views to the trust board.

Further details of each non-executive director can be found on page 35 and also on the trust's website at www.royalfree.nhs.uk

2.1.3 Executive directors

The executive directors are responsible for the day-to-day running of the organisation. The group chief executive, as accounting officer, is responsible for ensuring the trust works in accordance with national policy, public service values and maintains proper financial stewardship. The group chief executive is directly accountable to the board for ensuring its decisions are implemented.

At the end of the financial year 2019/20, there were five voting executive directors on the trust board:

Executive director	Position	Date of appointment
Caroline Clarke	Group chief executive	March 2019
Peter Ridley	Chief finance and compliance officer	September 2018
Deborah Sanders	- Chief executive of Barnet Hospital - Joint deputy group chief executive - Chief nurse	October 2019 April 2019 May 2010
Kate Slemek	Chief executive of Royal Free Hospital	February 2018
Dr Chris Streather	- Chief medical officer - Joint deputy group chief executive	February 2018 April 2019

Deborah Sanders and Dr Chris Streather were appointed joint deputy chief executives in April 2019. Ms Sanders was also chief executive of Barnet Hospital following the appointment of Dr Steve Shaw as medical director transformation London at NHS England/NHS Improvement.

Register of interests

The trust is required to hold and maintain a register setting out details of any company directorships and/or significant interests held by board members, which may conflict with their responsibilities as trust directors. At each meeting of the trust board and its committees, a standing item requires all executive and non-executive directors to make known any interests in relation to the agenda and any changes to their declared interests.

The register is held by the trust secretary and is available for public inspection via our website at www.royalfree.nhs.uk or by contacting:

Trust secretary

Royal Free London NHS Foundation Trust

Group headquarters

Anne Bryans House

77 Fleet Road

London NW3 2QG

In accordance with the Care Quality Commission's fit and proper persons standard that applies to all NHS trusts, the board has satisfied itself that all current board members fulfil the requirements.

Political donations

There are no political donations to disclose.

2.1.4 Enhanced quality governance

A new partnership with the Institute for Healthcare Improvement (IHI) saw the IHI visit the trust in November 2017 as part of its programme to embed quality improvement (QI) across the group. Following that visit, the trust identified six priority actions to be implemented:

Strategic guidance and leadership

1. Develop a QI narrative for staff and patients.
2. Increase leadership visibility and ownership for QI.

Capability and capacity

3. Develop recommendations for introducing hospital unit and divisionally-based learning systems to track QI and embed it into routine work.
4. Further develop the ability of divisional and group leaders to lead for improvement.

QI Infrastructure

5. Determine how to provide adequate support to QI projects and QI learning systems.

Signature initiative

6. Determine focus and approach to signature initiative.

2.2 Disclosures as set out in the NHS foundation trust code

How the trust applies the main and supporting principles of the code

In setting its governance arrangements, the trust has regard for the provisions of NHS Improvement's updated NHS foundation trust code of governance and the NHS Oversight Framework 2019/20. The following paragraphs together with the annual governance and corporate governance statements explain how the trust has applied the main and supporting principles of the code.

The Royal Free London is committed to maintaining the highest standards of corporate governance. It endeavours to conduct its business in accordance with the accepted standards of behaviour in public life, which includes the principles of selflessness, integrity, objectivity, accountability, openness, honesty and leadership (the Nolan principles).

For the year up to 31 March 2020, the trust has applied the principles of the NHS foundation Trust Code of Governance on a comply or explain basis. The NHS Foundation Trust Code of

Governance, most recently revised in July 2014, is based on the principles of the UK Corporate Governance Code issued in 2012.

Under provision B7.1 of the code of governance, in exceptional circumstances, non-executive directors may serve longer than six years. The length of tenure of each non-executive director is shown below:

Name	Position	Appointed	Term at 31 May 2019
Dominic Dodd	Chairman	1 April 2012*	9 years
Prof Anthony Schapira	Non-executive director	1 April 2012*	9 years
Mary Basterfield	Non-executive director	1 December 2016	3 years 4 months
Akta Raja	Non-executive director	1 January 2017	3 years 3 months
Wanda Goldwag	Non-executive director	1 December 2017	2 years 4 months
James Tugendhat	Non-executive director	1 January 2018	2 years 3 months
Prof Sir Chris Ham	Non-executive director	1 January 2019	1 year 4 months
Doris Olulode	Non-executive director	1 December 2018	1 year 5 months

*grand parenting provision under the NHS Act 2006 brought over non-executive directors who were serving at the predecessor NHS trust.

During 2019/20 Mary Basterfield was reappointed for a second term of three years from 1 December 2019 (expiring on 30 November 2022). Akta Raja was reappointed for a second term of three years from 1 January 2020 (expiring on 31 December 2023).

In advance of each decision by the council of governors to reappoint, the nominations committee considered each case individually. Reviews undertaken by the nomination committee are rigorous and only in exceptional circumstances are non-executive directors reappointed for a term beyond six years. For example, Professor Schapira's reappointment as the UCL appointed non-executive director followed his reappointment as dean of the UCL campus at the Royal Free Hospital. All reappointments were approved by NHS Improvement.

2.2.1 The role of the trust board

The trust board comprises eight non-executive directors, including the chair, and five executive directors, one of which is the group chief executive. All board members have the same legal responsibilities and have collective responsibility for the performance of the trust.

It is also responsible for the implementation of strategy and ensuring its obligations to regulators and stakeholders are met. The decisions reserved for the trust board, and those delegated to its sub committees or officers of the trust, are set out under a formal 'scheme of delegation'. This includes details of the roles and responsibilities of the chair of governors and how disagreements between itself and the board are resolved. Both the scheme of delegation and reservation of powers for the board are regularly reviewed.

The trust board reports to a range of regulatory bodies on performance and compliance matters. During 2019/20 it met its regulatory reporting requirements under NHS Improvement's single oversight framework providing certifications and notifications as required. It is also responsible for ensuring compliance with the trust provider licence, constitution, mandatory guidance issued by NHS Improvement and other relevant statutory requirements.

Strategic priorities are set by the trust board annually. The risks to achieving these priorities are monitored through the Board Assurance Framework (BAF), which provides the board with a systematic process of obtaining assurance to support the mitigation of risks. The BAF is also used to identify potential risks to compliance.

The executive directors are responsible for the operational management of the trust. Non-executive directors do not have executive powers.

The trust board's composition as at 31 March 2020 was:

53.8% Female (Seven board members)

46.2% Male (Six board members)

2.2.2 Board members' biographies

Non-executive directors



Dominic Dodd – Chair

Dominic was managing partner of Marakon Associates, a strategy consulting firm, where he worked for 15 years advising chief executives of publicly traded companies in the UK, Europe, the US and Asia. Since leaving Marakon he has worked as a chair, non-executive director and advisor in the private, public and charity sectors, specialising in growth, turnaround and governance, mainly in healthcare and financial services.

Dominic was appointed chair of the trust from November 2019. He is also chair of The Royal National Orthopaedic Hospital NHS Trust.

Elsewhere in the NHS, Dominic is a member of the National Chairs' Advisory Group for NHS England, NHS Improvement and the Care Quality Commission, a director of UCL Partners and a trustee of the health and social care think tank The King's Fund.



Professor Anthony Schapira

Appointed non-executive director in 2012

Anthony Schapira was appointed a senior lecturer and consultant neurologist at the Royal Free Hospital and the National Hospital for Neurology and Neurosurgery in 1988, and to the University Chair of Clinical Neuroscience at the University College London (UCL) Institute of Neurology in 1990. He is vice dean of UCL Medical School and director of the Royal Free campus.

His research interests focus on neurodegenerative disease, with special emphasis on Parkinson's and other movement disorders. He is the principal investigator on several Medical Research Council (MRC) grants for neurodegenerative diseases and is the principal investigator of the MRC centre of excellence in neurodegeneration (COEN) award.

During his career he has won a number of awards for his research and was elected a fellow of the Academy of Medical Sciences in 1999. He was appointed to the board of the Ministry of Justice, Office of the Public Guardian in 2012, to the NHS Independent Reconfiguration Panel in 2019 and a non-executive director of Oxford University Hospitals NHS Foundation Trust in December 2019.

Anthony chairs the trust's clinical standards and innovation committee and is a member of the remuneration committee.



Mary Basterfield

Appointed non-executive director in December 2016

Mary is a qualified accountant and is group finance director of Just Eat PLC. Her experience spans e-commerce, media, strategy and financial management of businesses undergoing rapid change. Previously, she was chief financial officer for UKTV, Britain's biggest multi-channel broadcaster, chief financial officer UK&I at agency group Dentsu Aegis Network and

chief financial officer for Hotels.com and Expedia Affiliate Network at travel technology giant Expedia Group Inc. She began her career in the music industry and held senior positions at Warner Music and Sony Music.

Mary is currently a trustee of both the National Cancer Research Institute and University College London Students' Union. She has also served as a non-executive director and chair of the audit committee for Hounslow and Richmond Community Healthcare NHS Trust.

Mary was appointed senior independent director and deputy chair in August 2018 and is chair of the trust's audit committee, chair of Barnet Hospital local members' council and a member of the remuneration and clinical standards and innovation committees.



Akta Raja

Appointed non-executive director in January 2017

Akta Raja qualified as a solicitor at Slaughter and May and practiced mainly mergers and acquisitions for five years. She then moved on to the UK mergers and acquisitions team at HSBC Bank plc as an investment banker. She also founded her own company, which reduces carbon emissions in buildings, and is now an investor in and advisor to a number of small businesses.

Akta is chair of the finance and compliance committee and the Royal Free Hospital local members council. She is a member of the group services and investment, clinical standards and innovation and remuneration committees. Akta is also the trust's appointed non-executive director for RFL Property Services Limited, which is a wholly owned subsidiary of the trust, and vice chair of the Royal Free Charity.



Wanda Goldwag

Appointed non-executive director in December 2017

Wanda has strong commercial leadership experience and a track record of developing and growing customer service businesses. She has a background in marketing and was previously chief executive of British Airways Air Miles, the subsidiary responsible for the airline's loyalty programme.

Wanda has held a number of public appointments including chair of the Office for Legal Complaints and that of Civil Service Commissioner.

She is currently a member of the QC appointments panel and an advisor to Smedvig Venture Capital. Wanda is also interim chair of LEASE (Leasehold Advisory Service), chair of the Financial Services Consumer Panel and independent network code modification panel chair in the gas industry. Wanda Goldwag has appeared in the Pride Power list 100.

Wanda chairs the group services and investment committee and is a member of the audit committee and remuneration committee.



James Tugendhat

Appointed non-executive director in January 2018

James is managing director of Bright Horizon's Europe, Asia and International. Bright Horizons is a US based stock market listed early years' care and education business whose operations outside the US span five countries and 400 sites with more than 12,000 staff.

Before Bright Horizons, James had a long career in healthcare, including several years based in Boston as chief executive of Health Dialog, a pioneer of population health management, and five years as a non-executive director of Islington Primary Care Trust.

James chairs the people committee and is a member of the population health and remuneration committees.



Professor Sir Chris Ham

Appointed non-executive director in January 2019

Professor Sir Chris Ham is non-executive chair of the NHS Assembly, a visiting fellow of health think tank The King's Fund, an advisor to health management consultancy Carnall Farrar and chair of the Coventry and Warwickshire Health and Care Partnership.

A former chief executive of The King's Fund where he held the post from 2010 and previous head of the strategy unit at the Department of Health and at the universities of Birmingham, Bristol and Leeds. Sir Chris has also advised the World Health Organisation and the World Bank and acted as a consultant to a number of governments.

In 2018, he received a knighthood in the Queen's Birthday Honours List for services to health policy and management.

Sir Chris chairs the population health committee, the Chase Farm Hospital local members' committee and is a member of the remuneration committee.



Doris Olulode

Appointed non-executive director in December 2018

Doris held senior positions in the UK and overseas including head of HR, Ford Motor Company, Australia & New Zealand and most recently HR director, Ford Motor Company for Europe, Middle East & Africa with responsibility for around 25,000 employees across 30 countries. She also led Ford's African Ancestry Network and was named by Autocar as one of the top 100 most influential women in the Auto Industry.

Doris is non-executive director for the Diocese of Chelmsford Multi Academy Trust and the Chartered Institute of Legal Executives. She is also a lay member to the HM Courts and Tribunal Service and currently freelances as an HR consultant.

Doris was appointed non-executive director of Cambridge University Hospitals NHS Foundation Trust in October 2019, and in February 2020, non-executive director of the Royal National Orthopaedic Hospital NHS Trust in Stanmore, London.

Doris is a member of the audit committee, people and remuneration committees.

Executive directors



Caroline Clarke

Group chief executive from March 2019

Caroline Clarke was appointed group chief executive of the Royal Free London NHS Foundation Trust in February 2019, following her seven-year role as deputy chief executive.

Caroline was the trust's chief finance officer between 2011 and 2018, and in 2012, she was named finance director of the year by the Healthcare Financial Management Association. She was formerly director of strategy at NHS North Central London and an associate partner in KPMG's health strategy team.

Caroline has spent most of her career in NHS finance, having been director of finance at the Homerton University Hospital NHS Foundation Trust and City and Hackney Primary Care Trust.

Caroline is a trustee of Overcoming MS and the 2020 President of the Healthcare Financial Management Association, the representative body for finance staff in healthcare.



Peter Ridley

Chief finance and compliance officer

Peter was appointed to this role in September 2018 after joining the trust as director of planning in May 2016.

Previously, he was director of finance and informatics at Royal Surrey County Hospital NHS Foundation Trust and has also worked at the Royal Free London as director of financial operations. Peter is a qualified chartered management accountant and first joined the NHS on its national financial management training scheme. He has worked for a number of NHS organisations, including the Royal Marsden, as well as on assignment with NHS IMAS (interim management and support) and Haringey Primary Care Trust.

Peter is a non-executive director of RFL Property Services Ltd and Royal Free Dispensing Ltd, which are wholly owned subsidiaries of the Royal Free London NHS Foundation Trust.



Deborah Sanders

Chief executive of Barnet Hospital, joint deputy group chief executive and chief nurse

Deborah was appointed chief executive of Barnet Hospital in March 2020 following her interim appointment to the role in October 2019. She became joint deputy group chief executive in April 2019 and has been the trust's chief nurse since 2010.

Deborah has worked at the trust since 1994, having trained at the Royal Free Hospital. Before that she worked at St Bartholomew's Hospital and the London Chest Hospital.

Deborah is a board member of the Royal Free Hospital Nurses' Home of Rest Trust and a trustee of the Royal Hospital for Neuro Disabilities.



Kate Slemeck

Royal Free Hospital chief executive

Kate joined the trust as director of operations in 2011 before being appointed as chief operating officer in 2012 and then chief executive of the Royal Free Hospital in 2018.

Prior to taking up her position at the Royal Free London, Kate was the director of operations at the Whittington Hospital NHS Trust for five years and before that, deputy director of operations. She has over 26 years' NHS management experience, mainly in acute trusts, all in London. She originally trained as an occupational therapist.

Kate is chair of NHS Elect Advisory Committee.



Dr Chris Streather

Joint deputy group chief executive and chief medical officer

Chris took up the role of Royal Free London group chief medical officer in January 2018 and was appointed joint deputy group chief executive in April 2019. He joined the trust in June 2017 as chief executive of the Royal Free Hospital. Prior to this, he was chief medical officer of HCA International, a private healthcare company.

Chris began his career as a renal physician in NHS hospital trusts in Brighton, London and Cambridge. He became medical director at St George's University Hospitals NHS Foundation Trust in 2004, and later director of strategy. In 2008 he was the clinical director for London as the capital's stroke services were comprehensively redesigned. Chris became the first chief executive officer of South London Healthcare NHS Trust in 2009, and later the managing director of the Health Innovation Network, leading on patient safety nationally. More recently, he was a non-executive director, board quality lead and senior independent director at Kingston Hospital NHS Foundation Trust.

Chris is a director of RFC Developments Ltd and HSL Ltd, and a trustee of Healthcare Management Trust, a not-for-profit organisation providing home facilities and healthcare in Lincolnshire and Swansea.

Chris is a trustee of the Royal Free Charity.

2.2.3 Statement about the balance, completeness and appropriateness of the board

The members of the trust board possess a wide range of skills and experience. The skills portfolio of the directors, both executive and non-executive, includes international strategy, healthcare management, audit, accountancy and human resources.

The trust board, alongside the council of governors' nomination committee, continues to monitor the skills and experience of the board. Clear succession planning is in place and regularly reviewed. In 2019/20 two non-executive directors were awarded second terms after careful consideration by the nominations committee and endorsement of the council of governors.

The non-executive directors are considered to be independent in character and judgment and the board believes it has the correct balance in its composition to meet the requirements of an NHS foundation trust.

2.2.4 Board meetings and directors' attendance

Trust board meetings are held in public unless there is confidential or sensitive information to be discussed. Board agendas are published, together with the meeting papers, on the trust's website five days prior to the date of meeting and circulated to the council of governors. At the request of the chief executive and with the consent of the chair, other group directors and the hospital chief executives routinely attend board meetings in order to help inform debate. Governors have a standing invitation to attend each formal meeting and the lead governor attends all board meetings.

Regular informal briefings and seminars on specific topics or services are provided outside the formal meeting structure, to explore complex issues in more depth. A comprehensive programme of scheduled 'go see' service visits across the trust sites are also undertaken to which both board members and governors attend.

Performance evaluation of the board, including the use of external agencies

A robust process for evaluating the performance of the chair and non-executive directors has been developed by the nominations committee on behalf of the council of governors. The evaluation of the chair's performance is led by the senior independent director, with input from all other board members and governors. Key external stakeholders are also invited to comment. Non-executive directors' performance is evaluated by the chair taking account of governors and other directors' input.

The performance of the executive directors is reviewed by the group chief executive, with input from the chair regarding their role as board members and considered by the remuneration committee. All executive and non-executive directors have an annual appraisal and a personal development plan, which forms the basis of their individual development for the ensuing year. All appraisals involve 360-degree evaluation and feedback.

The board holds periodic development sessions during the year. A development programme ensures the board:

- is fit to govern a foundation trust
- is able to set performance standards (informed by research into high performing boards)
- has an annual process for reviewing performance against these standards
- successfully manages, competing priorities and future challenges against the trust's governing objectives
- advocates a culture of inquiry and improvement that is modelled from the top, including clarity about the values and expected behaviours of the board and the whole organisation.

The trust board met on 12 occasions throughout the reporting period. Details of attendance by voting board members are given in the following table:

Non-executive director	Board attendance	Executive director	Board attendance
Dominic Dodd - chair	10/12	Caroline Clarke	12/12
Wanda Goldwag	12/12	Deborah Sanders	11/12
Prof Anthony Schapira	10/12	Peter Ridley	11/12
James Tugendhat	11/12	Kate Slemeck	9/12
Mary Basterfield	11/12	Dr Chris Streather	10/12
Akta Raja	12/12		
Doris Olulode	10/12		
Sir Chris Ham	10/12		

Due to the COVID-19 pandemic, an extraordinary confidential board meeting was held in early March 2020 in addition to the scheduled confidential board later that month. No public board meeting was held in March 2020.

Board meetings are also attended by other group directors, the chief executive of Chase Farm Hospital and the lead governor:

- David Grantham – chief people officer
- Emma Kearney - chief communications officer
- Natalie Forrest – Chase Farm Hospital chief executive
- Ravi Baghiratham – chief transformation officer
- Judy Dewinter – lead governor

These additional attendees do not have voting rights.

Council of governors' meetings

During 2019/20, non-executive directors attended council of governors' meetings (both informal and formal), which enabled them to listen to governors' views and concerns and to respond directly to any questions raised.

The chair meets monthly with the lead governor, ensuring governor input is incorporated into the planning process for council meetings.

Governor involvement in board activities and trust events

Governors attend the following trust board committees: group services and investment; clinical standards and innovation; quality; population health and people. The lead governor attends the confidential part of the board.

They are also invited to attend a number of events throughout the year, giving them the opportunity to influence decisions being made. In 2019/20, governors attended a presentation by the chief people officer on the trust's approach to reducing bullying and harassment, a presentation on the care pathway programme and several sessions, as part of the induction of new governors, on strategy and finance.

Annual members' meeting

The annual members' meeting was held on 24 July 2019. The 2018/19 annual report and accounts were presented and a briefing given on the overall performance of the trust in the previous year. This meeting also created an opportunity for governors to engage with the wider membership.

Joint board of directors' and council of governors' meeting

A meeting was scheduled for March 2020 to enable board members and governors to focus on priorities for the annual plan. Due to the COVID-19 pandemic this meeting has been rescheduled for July 2020.

2.2.5 The Royal Free London group and its committee structures

The trust regularly reviews its management decision making structure. During 2019/20, the committee structure was revised to ensure it meets the needs of the organisation and a finance, compliance and quality committee (later renamed quality committee) was established. The non-executive director led committees of the trust board are:

- The group services and investment committee, chaired by Wanda Goldwag
- The clinical standards and innovation committee, chaired by Professor Anthony Schapira
- The population health committee, chaired by Chris Ham
- The people committee chaired by James Tugendhat
- Finance, compliance and quality (Quality) chaired by Akta Raja
- The remuneration committee chaired by Dominic Dodd.

There is also an independent audit committee chaired by Mary Basterfield.

The group holds a weekly group executive committee, chaired by the group chief executive, to ensure its vision is delivered. Barnet Hospital, Chase Farm Hospital and the Royal Free Hospital now have their own local executive committees in place with greater autonomy over decision making at an operational level. Each hospital also has its own patient and staff experience and workforce committee, finance and performance committee and a clinical performance and patient safety committee.

During 2019/20, each committee reviewed its terms of reference and routinely reported to the trust board. The audit committee, as the senior independent committee of the trust board, undertakes a yearly self-assessment of effectiveness and provides an annual report on its performance. All committees are chaired by a non-executive director and have a number of board responsibilities delegated to them.

Clinical standards and innovation committee

The clinical standards and innovation committee is responsible for ensuring the reduction in variation in clinical practices across our hospital sites and throughout the group, and that the latest clinical innovations are applied effectively resulting in gains in safety, quality and value for money.

It met seven times in the reporting period. Two governors also attend this committee as observers.

Attendance	
Non-executive directors	
Professor Anthony Schapira	7/7
Mary Basterfield	6/7
Akta Raja	6/7
Executive directors	
Dr Chris Streather	6/7
Deborah Sanders	7/7

The group services and investment committee

The group services and investment committee is responsible for seeking and securing assurance that the group is delivering clinical and non-clinical services at a lower cost and higher quality than could be achieved without a group model. It focuses on and facilitates opportunities for consolidating, standardising and commercialising group services and investigating new opportunities.

The committee met eight times during 2019/20. Two governors attend this committee as observers.

	Attendance
Non-executive directors	
Wanda Goldwag (chair)	8/8
Akta Raja	8/8
Executive directors	
Kate Slemeck	6/8
Caroline Clarke*	3/5
Dr Chris Streather	7/8
Peter Ridley	7/8

*Caroline Clarke stood down as a member after the October 2019 meeting.

Population health committee

The population health committee started in April 2018. It is responsible for ensuring matters of strategic positioning, and that the group has effective patient pathways, resulting in better prevention, earlier diagnosis, more successful treatment, and greater value for money.

The committee met six times during the reporting period with two governors attending as observers.

	Attendance
Non-executive directors	
Chris Ham (chair)	6/6
Dominic Dodd*	4/5
Professor Anthony Schapira	4/6
James Tugendhat	6/6
Executive directors	
Caroline Clarke	6/6
Deborah Sanders	5/6
Dr Chris Streather	4/6

*Dominic Dodd joined the committee from June 2019.

People committee

The people committee held its first meeting in March 2019 and met throughout 2019/20. It has a specific focus on ensuring the group is recruiting, developing and retaining talent, and that patient and staff experience is improving across the group. It is also responsible for overseeing the trust's equality agenda.

The committee met four times in the reporting period. Two governors attend the committee as observers.

Attendance	
Non-executive directors	
James Tugendhat (chair)	4/4
Dominic Dodd	2/4
Doris Olulode	3/4
Executive directors	
Caroline Clarke	2/4
Deborah Sanders	4/4
Kate Slemeck	4/4

Audit committee

The audit committee is the senior independent non-executive committee of the trust board. It is responsible for monitoring the externally reported performance of the trust and providing independent and objective assurance on the effectiveness of the organisation's governance, risk management and internal controls.

It also monitors the integrity of the trust's financial statements, in particular the annual report and accounts, and the work of internal and external audit and local counterfraud providers, and any actions arising from that work.

The internal and external auditors and providers of local counter fraud services attend all meetings of the committee in addition to the chief finance and compliance officer, although they are not members of the committee. The group chief executive and other members of the trust board and executive team attend the meetings by invitation. The broad knowledge and skills of the members and attendees ensures that the committee is effective. The trust is satisfied the committee is sufficiently independent.

The committee met five times in the reporting period. There is no governor observer on this committee.

	Attendance
Non-executive directors	
Mary Basterfield (chair)	5/5
Wanda Goldwag	5/5
Doris Olulode	4/5
Executive directors	
Peter Ridley	5/5

During the year, members also attended an annual accounts workshop in May 2019 to review the trust's annual accounts and quality report 2018/19 in advance of its submission to the audit committee meeting later that month for approval.

Remuneration committee

The remuneration committee is made up exclusively of non-executive directors and reviews executive director pay and performance. At the end of each year it reviews the assessments of director performance made by the chief executive, and of the chief executive by the chair. It also oversees the pay of senior staff on very senior manager or senior manager pay, including any employed in trust wholly owned subsidiary companies, taking the advice of the chief executive and other executive directors where necessary.

The chief people officer attends each meeting in an advisory capacity.

The committee met four times in the reporting period. There is no governor observer on this committee.

	Attendance
Non-executive directors only	
Dominic Dodd (chair)	4/4
Wanda Goldwag	4/4
James Tugendhat	4/4
Akta Raja	4/4
Mary Basterfield	2/4
Professor Anthony Schapira	4/4
Doris Olulode	3/4
Sir Chris Ham	3/4

Finance and compliance committee

This committee was established in 2019/20 following a review of committee structures and the requirements of the board to oversee effective financial management and ensure compliance with national health care standards.

The committee met seven times in the reporting period and has two governors as observers.

Attendance	
Non-executive directors	
Akta Raja (chair)*	6/7
Wanda Goldwag*	1/1
Dominic Dodd*	6/7
Executive directors	
Caroline Clarke	6/7
Peter Ridley	7/7
Deborah Sanders**	3/6
Kate Slemeck***	1/3
Dr Chris Streather***	0/3

*Akta Raja was unable to attend the December 2019 meeting. Dominic Dodd chaired with Wanda Goldwag attending to make up the quorum.

**Deborah Sanders was not invited to the October 2019 in line with the committee's work plan but was requested to attend all meetings thereafter.

**Kate Slemeck and Dr Chris Streather were invited to join the committee from January 2020. Dr Streather was unable to attend as his membership coincided with him undertaking jury service at that time.

Group executive committee

This is the senior management committee of the trust and is chaired by the group chief executive. The group executive committee is responsible for the operational management of the group, overseeing Barnet Hospital, Chase Farm Hospital and Royal Free Hospital, providing strategy and direction and leading the development of clinical practice groups and the group's improvement facility. It meets weekly, with one meeting a month attended by the hospital chief executives and group director of clinical practice groups. It also holds regular performance improvement meetings with the hospital leadership teams, group clinical services and corporate services, plus a monthly executive finance committee. This way a close working relationship is maintained between the group and local executive teams while ensuring group-wide issues can be discussed.

2.2.6 Audit committee annual report 2019/20

Purpose of the report

The annual report has been prepared for the attention of the trust board and reviews the work and performance of the audit committee during 2019/20 in satisfying its terms of reference. The production of the audit committee report represents good governance practice and ensures compliance with the NHS audit committee handbook, the principles of integrated governance and NHS Improvement's oversight framework.

Overview

The audit committee is the senior independent non-executive committee of the trust board. Through the audit committee, the trust board ensures that robust internal control arrangements are in place and regularly monitored. The audit committee regularly reviews the group board assurance framework (BAF) and is therefore able to focus on risk, control and related assurances that underpin the delivery of the group's strategic priorities.

The audit committee is responsible for monitoring the externally reported performance of the trust and providing independent and objective assurance on the effectiveness of the organisation's governance, risk management and internal control; the integrity of the trust's financial statements, in particular the trust's annual report and accounts; and the work of internal and external audit and local counter fraud providers and any actions arising from that work.

Compliance with terms of reference

During the reporting period, the audit committee has been chaired by non-executive director Mary Basterfield. The committee is attended by the other non-executive directors listed in the table below. The internal and external auditors and providers of local counter fraud services attend meetings of the committee in addition to the chief finance and compliance officer, although they are not members of the committee. Other members of the senior executive team attend meetings by invitation. The broad coverage of knowledge and skills of the members and attendees ensure that the audit committee is effective. The trust is satisfied that the audit committee is sufficiently independent.

After every audit committee meeting, members have the opportunity to meet in private with the internal and/or external auditors and providers of local counter fraud services so that any issues of concern can be raised in confidence.

Membership and attendance

The audit committee met five times during the year.

	Attendance
Non-executive directors	
Mary Basterfield (chair)	5/5
Wanda Goldwag	5/5
Doris Olulode	4/5
Executive directors	
Peter Ridley	5/5

As part of the year-end timetable, an annual accounts workshop was scheduled for May 2020 to review the trust's draft unaudited accounts including those of the wholly owned subsidiaries - RFL Property Services Limited and RFL Dispensary Services Limited, plus asset valuation.

COVID-19 pandemic

In line with the trust's revised emergency governance arrangements, the audit committee continued to meet during the pandemic to see through the trust's year-end statutory matters. A pared down committee meeting was held in March, at the onset of the trust's response to the pandemic, with a shorter agenda and limited attendance. The audit committee has given specific focus to the emerging situation and implications for the trust, namely:

- Changes to delegated decision rights, emergency governance arrangements and business continuity.
- Increased risk to fraud and cyber security.
- Assurance on the financial controls and the right balance in the current environment, cash flow and forecasting.
- Essential regulatory matters including the closing down of the trust's annual accounts 2019/20 and the change in approach to the internal and external year-end audits.
- Compliance matters such as data security and protection.
- Management of the speaking up (whistleblowing) pathway.

The trust board agreed that Mary Basterfield, as chair of the audit committee, would be the lead non-executive for the board priorities in respect of the increased cyber threat and fraud risk during the pandemic.

The annual accounts process for NHS foundation trusts was protected during the COVID-19 pandemic. However, the statutory timetable for the submission of the annual accounts was extended to 25 June 2020. The audit committee was mindful that the trust's external auditors, PwC would be required to undertake its external audit of the trust's financial statements remotely and it wanted to understand the challenges associated with that. Similarly, the trust's internal auditors would need to complete their year-end business remotely, with consideration given to the re-sequencing of their planned reviews. Furthermore, agreement of the internal audit programme for 2020/21 with senior executives and the management team was delayed due to the current circumstances.

The audit committee was advised that whilst the trust's external auditors would not be undertaking any consistency checking or audited work on the trust's Quality Report 2019/20, in line with changes due to COVID-19, it would continue to be prepared according to guidance and statutory requirements. It would, therefore, be submitted to the audit committee for comment and approval in line with the previous year's scheduling.

An additional audit committee meeting was scheduled for June 2020 to approve the trust's audited annual accounts and annual report plus quality report, and subsequently to recommend that the trust board formally sign off both reports at its board meeting in the same month.

Work and performance of the audit committee during 2019/20

Notwithstanding the changes to the audit committee's business during the COVID-19 pandemic, it has largely adhered to its work programme. Most reports scheduled for each audit committee meeting have been received on time. The audit committee has also sought greater assurance in several areas as outlined below.

Data quality	Group board assurance framework (BAF)
<p>Oversight of the trust's data quality improvement programme. Data quality reporting is being embedded across the organisation with focus on good quality data at group and local level, in particular on the trust's referral to treatment (RTT) programme, and via engagement with staff and stakeholders.</p> <p>Monitoring the overdue recommendations arising from the internal audit review of data quality. There is now greater ownership of those with real progress and traction being seen in closing off the actions for improvement with support from the group chief finance and compliance officer.</p>	<p>Review of the effectiveness of the board assurance framework throughout the year and assurance on the process for reviewing the BAF at executive and non-executive level.</p> <p>The committee has recommended several changes to the BAF for the trust board's consideration, including risks on capital and financing. Throughout the year, the trust had been undertaking a significant refresh of its group goals and objectives, with the BAF aligned with those changes. The audit committee has wanted assurance that the trust board did not lose sight of the significant strategic risks to the trust whilst that review was happening, and that the risk scores etc. would continue to be updated and monitored accordingly. To</p>

<p>Requests for assurance on the validation of the trust's A&E data particularly at year end given that this was an area which had had an impact on external audit's limited assurance opinion in previous years. A lot of work has been done to improve emergency department admissions data and the committee was assured that the revised processes would survive audit scrutiny.</p>	<p>assist with that process, the audit committee gave its formal support to ensuring the BAF was updated regularly so it remained current.</p>
<p>Local security management service (LSMS)</p>	<p>Speaking up (whistleblowing)</p>
<p>From its annual assurance report, the committee was assured that the security service would be flexed where needed to ensure there was appropriate resource across all the trust's sites to manage the increased level of reporting on security matters. A specific focus was given to those incidents reported within the trust's emergency departments, several of which were related to mental health issues. The committee suggested data on this specifically be captured in the trust's urgent care work, as well as ensuring staff were adequately trained and supported in managing such incidents. The committee was pleased to see that increased dialogue in respect of sanctions was happening and that a lot of evolution work was planned to provide an effective LSMS going forward.</p>	<p>At every meeting, the audit committee has reviewed the adequacy of the trust's speaking up arrangements. Throughout the year, it has heard from the speaking up guardian on the number of investigations and provided additional support where needed, as well as streamlining speaking up processes to enable cases to be assessed, prioritised and closed more swiftly. To understand the complexity of cases which could affect the pace at which they were resolved, the committee requested that cases on the speaking up tracker be colour-coded to show where they stood in terms of closure. It has also been pleased to see the focus on increasing the number of speaking up champions, the work planned for the forthcoming year to continue to raise the profile of speaking up across the organisation and the planned revision to the speaking up policy to cover people who may have suffered a detriment from raising a concern.</p>
<p>Cash flow and capital forecast</p>	<p>Serious incidents (SIs)</p>
<p>Understanding the trust's approach to operating within a cash constrained environment, and to have early sight of the cash position and whether it was deteriorating. The audit committee has been cognisant of the feedback from its internal auditors on their review of the trust's capital accounting and therefore has requested updates on this at every meeting, with particular emphasis on a forward-looking view of the trust's capital position,</p>	<p>The audit committee has triangulated SI performance and management with the clinical standards and innovation committee (CSIC) and the site clinical performance and patient safety committees. It requested that the deputy director for patient safety and risk attend the committee to provide an update on the progress made against the recommendations arising from internal audit's review of the trust's SI management the previous year, plus the effort undertaken to reduce the number of</p>

and with any major risks and issues highlighted verbally.	overdue SI reports and the forward trajectory for further improvement. The audit committee noted that CSIC had deliberated on carrying out a fundamental restructure of SI management in a way that focused on priority action and learning but was still within the parameters set by the national SI framework. It offered its support to the deputy director for patient safety and risk in progressing this work but recognised that the overall decision on the restructure was within the CSIC's remit.
Wholly owned subsidiaries (WOS)	Care Quality Commission (CQC) improvement action plan
<p>Seeking assurance that the WOS year-end accounting process was appropriate, and that the agreed governance and associated reporting was being scheduled accordingly. The committee wanted to be clear that there was a sign off and approval process in place with the WOS that was future-proof for subsequent year's accounts. It also wanted to understand the materiality and approach of the WOS. In response to internal audit's review of subsidiary governance at the trust, the audit committee has wanted to assure itself that the reporting lines between itself and the group services and investment committee were clarified. It also wanted to ensure that the trust board was sufficiently sighted on the subsidiaries' performance and asked that the routine finance performance report be amended to include the WOS' cash position in addition to their income and expenditure.</p>	The audit committee requested visibility on the key areas for improvement emerging from the CQC's well-led inspection of the trust from December 2018 to January 2019 and where an overall rating of 'Requires Improvement' was given. It focused specifically on the action plans and their progress, plus any areas of challenge, concern or risk.
IT data security and protection toolkit (DSPT)	
The deputy chief digital officer attended the March meeting to update on progress against the trust's DSPT submission and follow up from internal audit's review of the information governance (IG) toolkit which it replaced. It recognised there was a lot of effort at the end of the year to meet the IG toolkit, and now the DSPT requirements, and suggested it was important to ensure a measured approach was adopted going	

forward. Compliance with IG training was also discussed and proposals to increase completion within those staff groups that handled the most sensitive data. The committee is aware of a number of IG related matters and concerns which will remain a focus into the next year.

The audit committee has received regular reports on counter fraud activity at the trust, ensuring appropriate action in matters of potential fraudulent activity and financial irregularity. Upon completion of a counter fraud investigation, the audit committee receives a closure report setting out the findings and confirming whether or not a fraud has been committed. The audit committee has also fulfilled its oversight responsibilities with regard to monitoring the integrity of financial statements and the annual accounts, including the annual governance statement before submission to the board.

The audit committee has considered the following significant issues in relation to the financial statements:

- **Management override of controls** – The audit committee is aware of the main areas of judgment within the financial statements and the approach taken by management. The audit committee holds an annual workshop to scrutinise the accounts and receives an analysis of the key movements within the financial statements and the main areas of judgment. The audit committee also approves, where necessary, any changes to accounting policies.
- **Risk of fraud in revenue and expenditure recognition** – Where significant financial variances are identified, it is normal practice for the audit committee to receive an exception report. It would also be briefed on any instances where significant risk, such as significant sums of money or reputational risk facing the trust as a result of suspected fraud etc. had been identified

The audit committee has considered the risks which were thought to be either significant or elevated in relation to the external auditor's audit of the trust for the year ended 31 March 2020:

Significant risks	Elevated risks
<ul style="list-style-type: none"> • Management override of controls • Fraud in revenue recognition • Fraud in expenditure recognition • Valuation of the trust's lands and buildings • Going concern 	<ul style="list-style-type: none"> • Allowance for doubtful debts • Group consolidation and accounting considerations

The audit committee also relies on the work of the trust's internal and external auditors to check that key controls are operating effectively.

Review of effectiveness of the audit committee

Members and attendees of the audit committee undertake an annual assessment of the audit committee's effectiveness in discharging its duties. Audit committee members, local counter fraud services, internal audit and external audit colleagues plus colleagues from the finance department are asked to respond to a series of questions related to behaviours and processes, with each rated from one (hardly ever/poor) through to five (all of the time/fully satisfactory).

The responses were positive overall, with audit committee members and attendees having considered that the committee had a structured and appropriate agenda, with a good process of feeding back to the trust board meetings. In terms of forward action, reference was made to ensuring the audit committee was clear on how its agenda had contributed to improvements in the work of the Royal Free London group and its strategic objectives, plus recognition that the audit committee had a very busy agenda and would benefit from receiving more concise reports at its meetings.

Non-audit committee group board members were also asked to undertake a short assessment of the audit committee and the assurance it provides to the board, with each question rated 'strong', 'adequate' and 'needs improvement'. Those that participated rated the committee's performance as 'strong' overall based on the evidence provided from the committee to the trust board meetings. One respondent said that it was ably chaired and was fully meeting its remit and purpose.

External audit

Appointment of the trust's external auditors

The trust's external audit services have been provided by PricewaterhouseCoopers (PwC) since 2012, with its most recent appointment approved by the council of governors, following a robust and competitive tender exercise, for a further three years in October 2017 with the option to extend the contract for two additional years.

The audit committee approved the external audit plan 2019/20 which outlined how PwC planned to discharge its audit duties for the financial year and, as part of that, considered the risks which were thought to be either significant or elevated in relation to PwC's audit for the year ended 31 March 2020. It also approved the external audit fee which covered an additional amount for accounting advice on property transactions and RFL group consolidation.

Throughout the year, the audit committee has received and reviewed progress reports from PwC in delivering its responsibilities as the trust's external auditor, together with other matters of interest such as key technical areas and sector updates. It has wanted to ensure that lessons had been learned from the previous year's external audit so there was a more timely and smoother process for 2019/20. In light of the COVID-19 pandemic, the committee stressed it would want to be notified of any change in the audit approach and areas of risk as soon as possible. Accordingly, PwC had arranged and held regular

meetings with the trust's finance team to discuss technical matters ahead of year-end and their accounts and audit process.

The audit committee has confirmed throughout the year that the risks identified in the external audit plan have remained valid.

Review of effectiveness of the trust's external auditors

The audit committee reviews the effectiveness of the trust's external auditors each year. This is particularly important in a foundation trust because the council of governors appoint the external auditor and the audit committee and finance staff conduct the evaluation on their behalf. Audit committee members and senior finance managers were asked to rate 19 statements related to behaviours and processes in the following areas: quality control, audit team, audit scope, audit fee, audit communication, quality account and audit governance. An additional rating was also sought from the trust's chief medical officer specifically on the quality account statement.

Responses to the survey were positive overall, with members stating that the nature of the quality control processes throughout the firm were adequate; that the external audit team had the requisite expertise, including industry knowledge, to effectively audit the trust; and that the audit scope was sufficient to address the main financial reporting risks to the trust. In terms of forward action, members asked for further detail on external audit's planned engagement with the council of governors.

Independence of external auditor

As external auditors of the trust, PwC is required to be independent of the trust in accordance with the ethical standards established by the UK Auditing Practices Board. PwC confirmed that it acts as an independent accountant with respect to the trust and its subsidiaries and undertakes this role within UK regulatory and professional requirements. There is no matter which it perceives has impacted on its independence or the objectivity of the audit team.

Internal audit

During the reporting period, the trust's internal audit services have been provided by KPMG. KPMG was reappointed in April 2017 for a period of three years with the option to extend for a further year.

The audit committee received and approved the draft internal operational plan for 2019/20 subject to a number of additions to the scope of some reviews. The plan was impacted upon, however, by the COVID-19 pandemic which meant that the internal audit review of serious incidents was delayed and there was insufficient capacity within the executive team to respond to the Care Quality Commission and well led reviews. These have been deferred to 2020/21.

Despite this, sufficient work was undertaken to provide evidence to support the head of internal audit opinion (HoIA opinion), which in turn contributes to the assurances available to the trust board in its completion of its annual governance statement. The HoIA Opinion 2019/20 was received, with the wording and overall opinion confirmed in May 2020. For the period 1 April 2019 to 31 March 2020 an overall rating of '**significant assurance with minor**

improvements required' was given on the overall adequacy and effectiveness of the trust's framework of governance, risk management and control.

The majority of internal audits for the year have resulted in positive ratings of 'significant assurance with minor improvement potential'. There was no internal audit where limited assurance was given.

Significant assurance with minor improvement potential (Amber-Green)	Partial assurance with improvements required (Amber-Red)
<ul style="list-style-type: none">• Staff conduct• Hadley Wood Hospital private patient unit• Staff expenses• Financial controls• Clinical practice groups• Outsourced contracts• Subsidiary governance	<ul style="list-style-type: none">• Gifts and hospitality• Data security and protection toolkit• Stock management

The audit committee noted the conclusions and accepted the recommendations arising from the internal audit reviews of which there were 53 arising from the 2019/20 work programme – four high priority, 29 medium priority and 20 low priority. It has continued to receive status reports on implementing the recommendations at each meeting. The audit committee has focused on ensuring overdue recommendations were being addressed, especially those considered high priority, and reiterated its request to see new recommendations actioned by the deadlines set and for there to be zero overdue recommendations.

Review of effectiveness of the trust's internal auditors

The audit committee undertakes an annual review of effectiveness of the internal audit provision. Participants comprising committee members and senior finance managers were asked to rate 14 statements related to behaviours and processes in the following areas: mandate and strategy, organisation and structure, stakeholders, audit fee, leadership, risk assessment and planning, execution, reporting and overall. One statement was for management response only. Respondents were asked to provide any additional comments by exception only.

Overall, responses to the survey were very positive, with 10 out of 14 statements rated as 'strongly agreeing' or 'agreeing'. Particular focus was given to how internal audit had added value to the organisation through challenging established behaviour and ensuring internal audit reviews provided increasingly actionable recommendations which helped members to get a deeper understanding of the main issues. In terms of forward action, the internal auditors would be asked to confirm whether they planned to attend any site committees and other risk forums across the trust as part of their 2020/21 internal audit programme.

Financial matters

Tender waivers - the audit committee receives reports of all single tender actions above £30,000 at each meeting and requests additional information where it is not satisfied with the explanation provided. The committee sought assurance that effective negotiations were taking place with the regular sole providers to ensure value for money. It was also assured that there were now a limited number of senior managers able to sign off tender waivers thus ensuring control and consistency was maintained.

Losses and special payments - a report on losses and special payments is also presented to each meeting.

The audit committee has also covered the following financial issues throughout the year:

- Accounting standards – IFRS16
- Private patient outstanding debt
- Staff overpayment process
- Cash flow and forecasting
- Aged debtors
- Overseas visitor debt.

Anti-fraud

During the reporting period, the trust's local counter fraud services have been provided by RSM. RSM were reappointed in April 2017 for a period of three years, with an option to extend for a further year.

The audit committee approves an annual counter fraud work plan. For 2019/20, it asked that the plan be strengthened to reflect the evolution of the RFL group and associated risks. It also receives a report at each meeting detailing cases of possible fraud and the outcome of any investigations. Progress in respect of proactive work and compliance exercises is also reported and has included a focus on accounts payable, payroll and procurement and invoicing in accordance with relevant NHS counter fraud authority guidance. During the year, RSM reviewed the management of the trust's conflict of interest policy to ensure it remained legislatively accurate and sufficiently robust. The audit committee subsequently approved the revised policy. In light of COVID-19, RSM has worked with the audit committee on identifying potential risks to fraud and bribery.

The audit committee monitors the implementation of any recommendations made by RSM by way of a management action tracker. The tracker also includes cases that have been referred back to the trust's employee relations team for follow up which remain on the tracker until RSM is confident that these could be closed off. The audit committee receives an annual fraud report and benchmarking report, as well as a self-assessment against NHS Counter Fraud Authority standards.

As part of the audit committee's approval of the external audit plan 2019/20, it was asked to provide its views on fraud. The audit committee's responses, taking into account the role of the local counter fraud specialist and the monitoring role played by the audit committee, were accepted by PwC.

Review of effectiveness of the counter fraud provision

It is good practice for the audit committee to review the effectiveness of the trust's local counter fraud services (LCFS) on at least an annual basis and the NHS audit committee handbook supports this position. For the 2019/20 local counter fraud annual assessment, a different approach was taken with feedback sought from operational stakeholders as well as audit committee members. Overall, feedback was positive on both counts; it was noted that local counter fraud's presence across the wider organisation was improving, and their relationship with management was good. There was one area which would require further attention, namely clarification on whether local counter fraud sought feedback on the quality and effectiveness of the service it provides, outside of the annual assessment undertaken on behalf of the audit committee.

Accounting policies

The audit committee has not been required to consider and approve any such policies within the year.

Audit committee report to trust board

Throughout the year, the audit committee has submitted a regular report to the trust board. The report has covered the key items discussed at the meetings, provided assurance to the board on items chosen by the audit committee, and highlighted any risks to the trust. The confirmed minutes of each meeting, redacted where deemed necessary, are also presented to the trust board.

Priorities for 2020/21

The audit committee will continue to carry out its current functions, modified to accommodate the RFL group model structures and requirements, and will give particular focus to the following:

- **Speaking up** – identifying hotspots; process in terms of deadlines, targets and speeding up the closure of investigations, and also flexibility within the process during emergency situations.
- **IT systems** – confidence in the technology and assurance on its reliability and risk management processes.
- **Financial governance and decision making** – learning from the response to COVID-19.
- **Data privacy and control** – learning from the response to COVID-19 and remote working.
- **Infection control pathways**
- **Integrated care systems** – governance and sector wide collaboration.

Conclusions

The audit committee has been proactive in requesting reports in areas of concern in both financial and non-financial areas and has responded to the risks arising from the COVID-19 pandemic. It will continue during 2020/21 to focus on following up internal and external reports where recommendations have been given and ensuring that gaps in controls are identified and monitored as the trust's RFL group model structure evolves.

The audit committee has met its terms of reference as detailed throughout the report.

2.2.7 Council of governors

The council of governors comprises of 28 elected and appointed governors who provide an important link between the trust, our patients, staff, local communities and key stakeholders.

The trust's constitution sets out the key responsibilities of the council, which are to:

- hold the non-executive directors individually and collectively to account for the performance of the trust board; and
- represent the interests of the members of the trust as a whole and the interests of the public and partner organisations in the governance of the trust.

The trust keeps the council fully informed on all aspects of performance through formal council meetings, attendance by nominated governors at each of the trust's committees and at other key meetings. The period 1 April 2019 to 31 March 2020 represents the council's eighth full year of working.

Membership of the council of governors

There are four constituencies of the council. These constituencies represent patients, the public, staff and community partners. Members of the trust, whether public, patient or staff are all able to stand for election to the council provided they are 16 years of age and are resident in the constituency for which they are standing. Elected members of the council are appointed by the constituency for which they are standing.

The chair of the council is also the chair of the trust board, which promotes transparency and encourages the flow of information between the board and the council.

Composition of council of governors

8 elected governors from the patient constituency

6 elected public governors who are resident in Camden, Barnet, Enfield or Hertfordshire

1 elected public governor who is resident elsewhere

6 staff governors who must include at least one member of staff from each of the three main trust sites

7 appointed governors comprising two commissioner governors representing clinical commissioning groups (CCGs) in north central London and Hertfordshire respectively and

four local authority governors appointed by Camden, Barnet and Enfield councils and Hertfordshire county council and one university governor.

The table below sets out the council of governors as at 1 April 2020:

Constituency	Name of governor	Appointed/elected	End of term
Appointed (university)	Prof Hans Stauss	01/04/12	31/03/20
Appointed (LB Camden)	Ms Abi Wood*	16/06/17	01/11/19*
Appointed (LB Barnet)	Cllr Peter Zinkin	14/09/15	13/09/25****
Appointed (Herts councils)	Cllr William Wyatt-Lowe	22/12/14	21/13/23****
Appointed (LB Enfield)	Cllr Christine Hamilton	15/08/18	15/08/27****
Appointed (NCL CCGs)	Mr Ian Bretman*	12/02/18	31/03/20
Appointed (Herts CCGs)			
Patient	Mrs Judy Dewinter	01/04/15	31/03/21
Patient	Ms Linda Davies	01/04/15	31/03/21
Patient	Dr Stephen Cameron	01/04/15	31/03/20
Patient	Mr Peter Atkin	01/10/14	30/09/20
Patient	Ms Frances Blunden**	01/10/14	30/09/19
Patient	Mr David Bedford**	01/10/17	30/09/19
Patient	Mr Neil Wolstenholme	01/10/19	30/09/22
Patient	Ms Sneha Bedi	01/10/17	30/09/22
Patient	Mr David Myers	01/10/14	30/09/20
Patient	Mr Samuel Collins	01/10/19	30/09/22
Public	Ms Jude Bayly	01/10/17	30/09/20
Public	Dr Anthony Isaacs	01/10/14	30/09/20
Public	Ms Lata Mistry***	01/10/14	30/09/19
Public	Dr Richard Stock	01/10/14	30/09/20
Public	Ms Esther Samuels	01/10/19	30/09/22
Public	Dr Effiong Akpan***	01/10/17	30/09/19
Public	Ms Emma Cox	01/10/19	30/09/22
Public	Prof Victor Hoffbrand	01/10/19	30/09/22

Public (ROE)	Prof Paul Ciclitira	01/10/17	30/09/20
Staff	Dr Banwari Agarwal	01/10/17	30/09/20
Staff	Mr Bimbi Fernando	01/10/19	30/09/22
Staff	Dr Nicholas Macartney	01/10/17	30/09/20
Staff	Mrs Marva Sammy	01/10/17	30/09/20
Staff	Dr Tony Wolff	01/10/14	30/09/20
Staff	Mr George Verghese	01/10/17	30/09/20

*Stood down

**Did not stand for re-election

***Did not get re-elected

****Appointed governors who represent councils can be appointed for a maximum nine-year term, but this is subject to their remaining the nominated candidate of the council and remaining a councillor.

During 2019/20, there were elections for seven governor vacancies in the public, patient and staff constituencies. There are currently two vacancies on the council, an appointed governor for Hertfordshire clinical commissioning group and one for Camden Council. The terms of three patient governors, four public governors and five staff governors will expire on 30 September 2020. Elections will be held at this time to recruit to these posts.

Lead governor

The council re-elected Judy Dewinter (patient governor) to be lead governor at its meeting on 14 April 2019 which was reconfirmed on 20 April 2020. Her final term will end on 31 March 2021.

The lead governor acts as the main point of contact for the chair and trust secretary, and between NHS Improvement and the other governors, when communication is necessary. They are responsible for relaying to the chair any observations or concerns expressed by governors regarding the performance of the trust or any other serious or material matter relating to the trust or its business. The lead governor regularly meets with the chair both informally and formally. In addition, the lead governor communicates with other governors through regular email correspondence, one-to-one meetings if required and informal governor-only sessions. The lead governor attends the trust board as an observer.

Register of interests

On election or appointment to the council, governors must sign a code of conduct and declare any material interests held, with no governor holding a position of director and/or governor of any other NHS foundation trust.

The governors' register of interests is available on the trust's website or in hard copy by contacting the trust secretary.

Formal meetings of the council of governors

Governors attend formal council meetings five times a year, one of which is a joint meeting with the trust board. Due to the COVID-19 pandemic, this meeting in March 2020 did not take place.

All meetings of the council are chaired by the trust chair, with representation from non-executive directors. There are provisions in the constitution relating to non-attendance at three consecutive meetings. If a governor does not attend three times, then they are disqualified. During 2019/20, no governor was disqualified for non-attendance of three meetings and no expenses were paid to governors.

In 2019/20, the lead governor held informal council meetings at which a non-executive director attended on rotation. The council did not exercise its formal power to require one or more of the directors to attend a governors' meeting for the purpose of obtaining information about the trust's performance or the directors' performance of their duties, however the group chief executive was invited to attend one meeting. This was successful, so the group chief executive will be invited to attend the informal meeting on an annual basis.

Any disputes between the council and the board will be resolved informally by the chair in the first instance. If this is not possible, the trust has a dispute resolution procedure set out in its constitution. There have been no such disputes in 2019/20. As well as formal meetings, governors have attended a number of informal sessions on a range of topics including understanding the trust's policy on bullying and harassment, its current strategy, communications and raising matters of concern and understanding NHS finances. These were designed to support development and provide induction for new governors.

The table below summarises the attendance of governors at formal meetings of the CoG during 2019/20.

Present members of the council

Constituency	Name of governor	Attendance
Appointed (university)	Prof Hans Stauss	3/4
Appointed (LB Camden)	Cllr Abi Wood*	1/3
Appointed (LB Barnet)	Cllr Peter Zinkin	3/4
Appointed (Herts councils)	Cllr William Wyatt-Lowe	3/4
Appointed (LB Enfield)	Cllr Christine Hamilton	2/4
Appointed (NCL CCGs)	Mr Ian Bretman	3/4
Appointed (Herts CCGs)		
Patient	Mrs Judy Dewinter	4/4

Patient	Ms Linda Davies	4/4
Patient	Mr Peter Atkin	4/4
Patient	Mr Samuel Collins	1/2
Patient	Mr Neil Wolstenholme	2/2
Patient	Ms Sneha Bedi	4/4
Patient	Mr David Myers	2/4
Public	Ms Jude Bayly	4/4
Public	Dr Anthony Isaacs	3/4
Public	Dr Richard Stock	2/4
Public	Dr Emma Cox	1/2
Public	Prof Victor Hoffbrand	2/2
Public (ROE)	Prof Paul Ciclitira	4/4
Staff	Dr Banwari Agarwal	4/4
Staff	Dr Nicholas Macartney	3/4
Staff	Mrs Marva Sammy	3/4
Staff	Dr Tony Wolff	4/4
Staff	Mr Bimbi Fernando	2/2
Staff	Mr George Verghese	3/4

Past members of the council

Constituency	Name of governor	Attendance
Patient	Dr Stephen Cameron	4/4
Patient	Ms Frances Blunden	0/2
Patient	Mr David Bedford	2/2
Public	Dr Effiong Akpan	0/2
Public	Ms Lata Mistry	2/2

Other meetings of the council of governors

The council can establish sub-committees which report directly, and make recommendations, to the council. The nominations committee, a statutory committee, is the sole sub-committee currently in place and has met seven times in 2019/20.

To improve local accountability, in 2018/19 the council created three local members' councils (LMCs) to promote engagement with, and represent the interests of, members and the public at each site of the trust: Barnet Hospital, Chase Farm Hospital and Royal Free Hospital. LMCs report back to each council meeting and are chaired by non-executive directors and attended by the hospital chief executives. Governors have been assigned to each LMC. Between the three sites, each LMC met twice. The Chase Farm Hospital LMC invited Enfield Healthwatch to attend its June 2019 meeting, which proved beneficial and resulted in a decision to invite Healthwatch representatives to each LMC.

A joint meeting of the trust board and the council took place in March 2019, which focused on the trust's strategic planning and annual plan. This did not take place in March 2020 due to the COVID-19 pandemic. There has been revised planning guidance from the Department of Health and Social Care and a consultation event will take place in July 2020.

Governors continue to attend the trust board's committees: group services and investment, clinical standards and innovation, quality, finance and compliance, population health and people.

Duties and functions

The trust's constitution describes a number of statutory responsibilities, which are enshrined in law and include some additional powers as a result of amendments to the 2006 Health Act made by the Health and Social Care Act 2012. All of the statutory duties relevant to 2019/20 were satisfactorily discharged.

Duty	Comments
Receive annual accounts, auditor's report and annual report.	Received at July 2019 meeting.
Appoint and, if appropriate, remove the external auditor.	The council of governors appointed PwC in October 2017 as the trust's external auditors for a three-year term.
Directors must have regard to governors' views when preparing the plan.	A joint trust board and council of governors meeting took place in March 2019 and the same was expected in March 2020. Due to the COVID-19 pandemic, revised guidance and timetable for preparing an annual plan was received from the Department of Health and Social Care and a consultation event will now take place in July 2020.
Appoint and, if appropriate, remove the chair.	In 2017, the CoG appointed the chair for a further three-year term. In 2019 an additional

	one-year extension was agreed by the council. The chair's term ends on 30 June 2021.
Appoint and, if appropriate, remove the other non-executive directors	In 2019, the council re-appointed Akta Raja and Mary Basterfield as non-executive directors for a second term of three years.
Decide remuneration and terms of conditions for chair and other non-executive directors.	During 2019/20 remuneration levels remained unchanged.
Approve appointment of chief executive.	The council of governors approved the appointment of Caroline Clarke as group chief executive in February 2019.
Approve significant transactions.	No significant transactions required approval in 2019/20.
Approve an application by the trust to enter into a merger, acquisition, separation or dissolution.	No such applications occurred in 2019/20.
Decide whether the trust's non-NHS work would significantly interfere with its 'principle purpose'.	No such interferences occurred in 2019/20.

Delivery of other duties and functions of the council of governors

Governors have a duty to hold the trust board to account for the performance of the trust via the non-executive directors and represent the interests of the members and the public.

A range of mechanisms are in place to support the governors with this role:

- all formal meetings of the council include an update from the chief executive on operational performance and other key issues, with an opportunity for governors to ask questions
- for each formal council meeting a pack is provided showing performance information, friends and family test satisfaction ratings, and minutes of board meetings and board committee meetings in advance of each council meeting
- the lead governor attends public and confidential board meetings
- during the year, there has been a series of seminars to which governors have been invited, including a seminar on the trust's approach to combatting bullying and harassment.
- governors are consulted on the development of forward plans for the trust and any significant changes to the delivery of the trust's business plan
- regular opportunities to witness the non-executive directors holding the executive to account through attendance at board committee meetings

- meetings with non-executive directors through attendance at informal council meetings and 'go see' visits to clinical areas.

The governors appraise the performance of the chair and the non-executive directors on an annual basis. This process is overseen by the nominations committee. Where the chair is being appraised, the vice-chair chairs the nominations committee. In 2019/20, the nominations committee also sought views of individuals outside the trust on the performance of the chair. All non-executive directors were appraised with input from peers, governors and executive directors. Feedback was given to the council on the results of both the chair's and non-executives' appraisals.

Council of governors' meetings structure

Nominations committee

The nominations committee is responsible for the appointment, appraisal and remuneration of the chair and non-executive directors of the trust, recommending its preferred candidates to the council. The committee also ensures that appraisals of the chair and non-executive directors are undertaken.

The committee is led by the trust chair and membership comprises four governors (two patient and two appointed), with the senior independent director attending as requested. The committee has met on seven occasions during 2019/20 and attendance is detailed in the table below.

Constituency	Name	Attendance
Chairman	Dominic Dodd	5/7
Vice chair	Mary Basterfield	2/7
Patient	Peter Atkin	7/7
Appointed	Prof Hans Stauss	7/7
Patient	Judy Dewinter	7/7
Public	Dr Effiong Agpan	1/7
Appointed	Abi Wood	1/7

During the year, the nominations committee has:

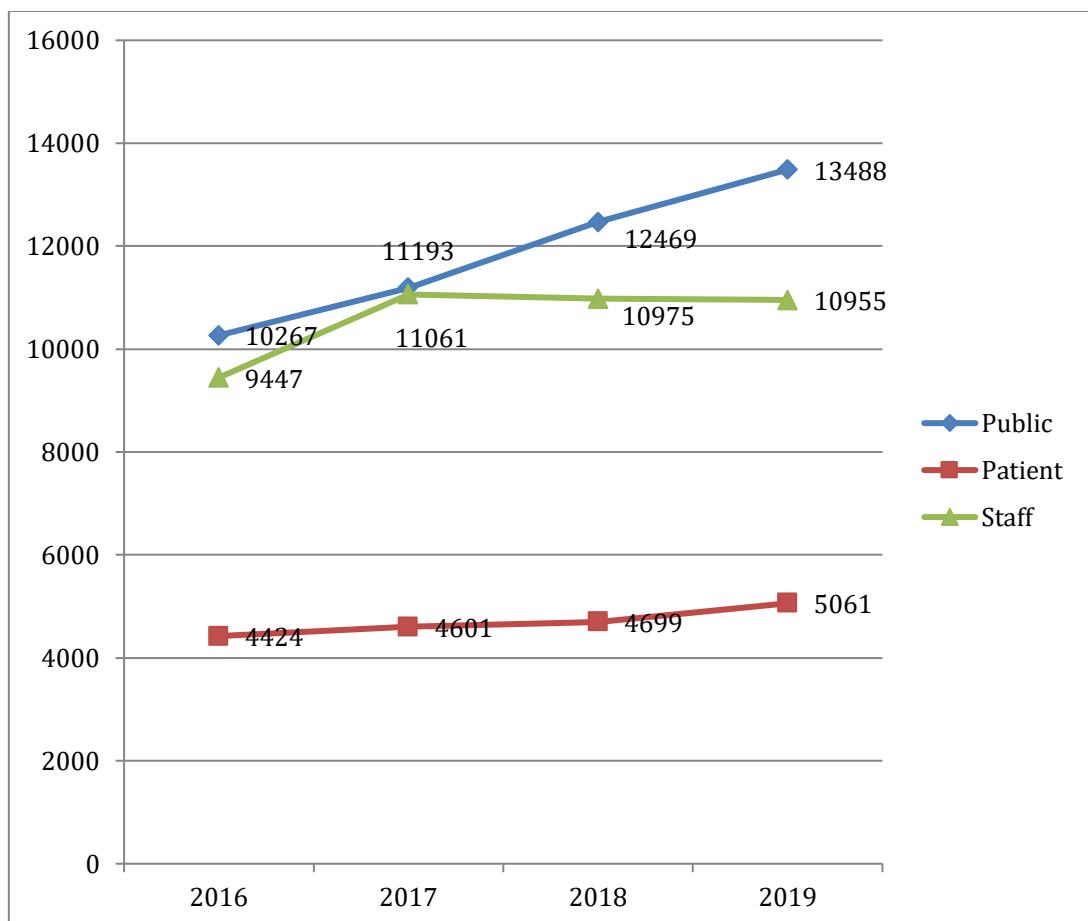
- extended the term of the chair for one additional year
- re-appointed two non-executive directors for second terms
- discussed the process for the nomination of the University College London appointed non-executive director
- undertaken and considered the appraisals of all non-executive directors
- undertaken and considered the appraisal of the chair.

Membership and engagement activities

The trust is accountable to local people who can become members of the Royal Free London. Membership helps the trust to provide the most suitable and effective services when and where they are needed. Members' views are represented at the council by the governors. The governors' constituencies cover patients, staff, partner organisations and public members.

Membership

Since becoming a foundation trust in April 2012, the membership has grown to 32,211 including staff members. The trend in membership figures is shown below:



The trust saw a significant increase of more than 1,000 members since January 2020; particularly during February and March when nearly 400 members joined during the initial stages of the COVID-19 pandemic.

Our current membership breakdown is as follows:

- Public 15,186
- Patient 5,477
- Staff 11,548

Total: 32,211

Membership community

Our membership community is made up of the following:

Public: open to anyone who resides in England.

Patient: open to people who are or have been a patient of the trust within six years of becoming a member.

Staff: open to individuals who are employed by the trust under a contract of employment including temporary or fixed term (minimum 12 months). All qualifying staff are automatically members unless they choose to opt out.

Keeping members informed

The trust aims to have a membership which will allow us to develop a more locally accountable organisation, delivering healthcare services that reflect the needs of the local communities. Membership supports the trust in increasing local accountability through communicating directly with current and future patients, their carers, friends and families.

The membership strategy continues to be subject to review in light of the adoption of a devolved group structure; changes in priorities of the trust and in the wider health economy. We have an active programme of membership engagement including:

- a monthly newsletter, Freepress which is for members as well as staff
- regular ‘medicine for members’ talks, covering a range of topics, presented by clinicians, patients and scientists and hosted by a governor
- a dedicated members’ area on the trust’s website which includes information on the CoG and what it means to be a member or governor
- an annual members meeting (last held in July 2019) with presentations from the chair and chief executive highlighting performance and achievements for the last year and emerging plans for the ensuing year, as well as senior clinicians presenting work of their departments.

Medicine for members’ events

Medicine for members events are part of a programme of engagement with members of the public, patients and staff on topics relevant to the community and patients at each trust hospital. The topics are suggested by the local members’ councils and held at each of the three hospital sites. There have been four medicine for members’ events in 2019/20 on topics such as: the work of the cardiology department and ‘Thai Boys in the Cave’ at the Royal Free Hospital, the ‘Hospital of the 21st Century’ at Chase Farm Hospital and ‘Becoming Frail: living well and dying well’ at Barnet Hospital.

Diversity and inclusion

When people sign up to be members, they are asked to provide demographic information so the trust can ensure its membership reflects the communities it serves. Whilst many

applicants choose not to volunteer this information, membership profiling is conducted by the trust's membership office to ensure membership is as representative as possible.

Analysis shows the trust's membership is largely representative of the local population with the exception of the Asian community who are slightly underrepresented. The proportion of young members is also an area where any future recruitment campaigns will focus. However, the council was able to attract younger members to stand as governors during 2019/20 with three governors under 30 standing for election.

2.2.8 Patient care

Care Quality Commission inspection

The hard work and dedication of staff was praised while patients felt they were treated with kindness and dignity, despite the trust being rated overall by inspectors as 'requires improvement'.

The Care Quality Commission (CQC) visited our three hospital sites from 11-13 December 2018, in addition to carrying out a well-led inspection of the overall trust from 8-10 January 2019.

The 'requires improvement' was a drop from our 'good' rating in 2016. Scoring for the 2018 and 2019 inspections can be seen below:

	Safe	Effective	Caring	Responsive	Well-led	Overall
The Royal Free Hospital	Requires improvement → ← May 2019	Good → ← May 2019	Good → ← May 2019	Requires improvement ↓ May 2019	Good → ← May 2019	Requires improvement ↓ May 2019
Barnet General Hospital	Requires improvement ↓ May 2019	Good → ← Apr 2019	Good → ← May 2019	Requires improvement ↓ May 2019	Good → ← May 2019	Requires improvement ↓ May 2019
Chase Farm Hospital	Requires improvement ↓ May 2019	Good → ← May 2019	Good → ← May 2019	Good → ← May 2019	Good → ← May 2019	Good → ← May 2019
Overall trust	Requires improvement → ← May 2019	Good → ← May 2019	Good → ← May 2019	Requires improvement ↓ May 2019	Good → ← May 2019	Requires improvement ↓ May 2019

Ratings for the trust are from combining ratings for hospitals. Our decisions on overall ratings take into account the relative size of services. We use our professional judgement to reach fair and balanced ratings.

Work is now being completed on addressing areas of improvement from the inspection report including how we ensure our patients feel safe in our care and how colleagues feel supported, nurtured and valued. Progress will be shared with the CQC, the trust board and our commissioning partners.

National survey programme

In 2019/20 the results of four national surveys applicable to acute NHS trusts were published:

- In-patient survey 2018 in June 2019
- Urgent and emergency care survey 2018 in October 2019
- Children and young people's survey 2018 in November 2019
- Maternity survey 2019 in January 2020.

The results of these national surveys are standardised by the Care Quality Commission (CQC) and benchmarked reports are produced. These reports inform trusts, patients and other stakeholders whether each trust is performing 'better than', 'worse than' or 'about the same' as most other trusts. These results can be seen in full on the CQC website at www.cqc.org.uk.

In-patient survey

A total of 34% of patients responded to this survey, compared to a national response rate of 45%. The trust is performing 'about the same as' most other trusts for all 11 sections of the survey, according to our patients, the same as in 2017. However, three areas questioned were rated as worse than most other trusts. They were:



Urgent and emergency care

This survey has undergone some changes since it was last undertaken in 2016 and now consists of two separate questionnaires; one for those patients who attended a type one emergency department (consultant led, with full resuscitation facilities operating 24 hours a day, seven days a week) and another for those who attended a type three department (doctor or nurse led, which treats at least minor injuries and illnesses and can be routinely accessed without appointment).

Type one report

A total of 27% of patients responded to the urgent and emergency care type one survey, compared to a national response rate of 30%.

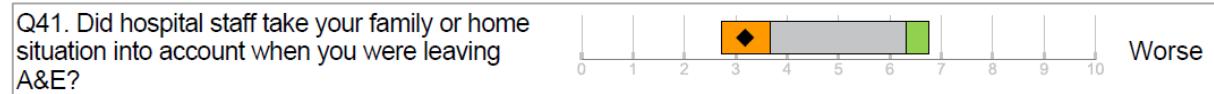
The questions are grouped into nine sections and each one is given a score. The trust scored worse than most other trusts in three out of the nine sections: care and treatment; environment and facilities and leaving the emergency department. Of the 36 benchmarked questions, we scored the same as most other trusts in 30 and worse than most in the remaining six.



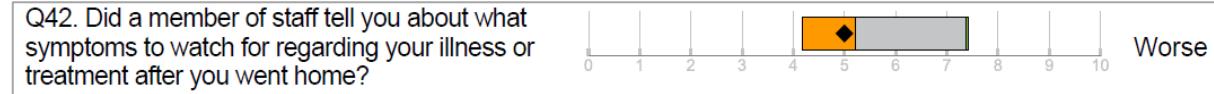
RFL score = 5.8, range of scores across England 5.6 – 8.8



RFL score = 8.5, range of scores across England 8.0 – 9.5



RFL score = 3.2, range of scores across England 2.7 – 6.8



RFL score = 5.0, range of scores across England 4.2 – 7.4



RFL score = 5.8, range of scores across England 5.8 – 8.6



RFL score = 5.6, range of scores across England 5.2 – 8.6

Type three report

A total of 25% of patients responded to the urgent and emergency care type three survey, compared to a national response rate of 29%. The trust scored about the same as most other trusts for all of the sections and each of the 29 benchmarked questions.

Children and young people

Three different questionnaires were used in this survey, each one appropriate for the following age groups:

- 0-7
- 8-11
- 12-15

The 8-11 and 12-15 questionnaires included a section for the patient to complete and one for their parent/carer. The 0-7 questionnaire was completed entirely by the patient or carer.

A total of 31% of patients responded to the survey of children and young people, compared to the national response rate of 25%. Of the 65 questions asked, the trust scored worse than most other trusts in 14, in areas such as privacy for younger children, cleanliness and communication about operations and procedures:

Question – asked to parents/carers of 0-7 year olds	RFL score	Lowest score	Highest score
8. Was your child given enough privacy when receiving care and treatment?	8.5	8.4	9.9
12. Did new members of staff treating your child introduce themselves?	8.2	7.8	9.6
39. Did a member of staff tell you who to talk to if you were worried about your child when you went home?	7.8	7.4	9.6
44. Do you feel that your child was well looked after by hospital staff?	8.4	8.1	9.9

Question – asked to parents/carers of 0-15 year olds	RFL score	Lowest score	Highest score
7. How clean do you think the hospital room or ward was that your child was in?	8.2	8.0	9.7
13. Did members of staff treating your child give you information about their care and treatment in a way you could understand?	8.6	8.4	9.7
16. Did you have confidence and trust in the members of staff treating your child?	8.4	7.9	9.8
23. Do you feel that staff looking after your child knew how to care for their individual or special needs?	7.9	7.6	9.6
26. If you had been unhappy with your child's care or treatment, do you feel that you could have told hospital staff?	7.0	6.4	8.9
28. Did you have access to hot drinks facilities in the hospital?	7.3	6.2	10.0

37. Afterwards did staff explain to you how the operation or procedure had gone?	8.3	8.0	9.6
41. Were you given any written information (such as leaflets) about your child's condition or treatment to take home with you?	6.7	6.3	9.8
47. Overall I feel my child had a... experience	8.0	7.6	9.5

Question – asked to children/young people aged 8-15	RFL score	Lowest score	Highest score
65. Afterwards, did staff explain to you how the operations or procedures had gone?	7.8	7.3	9.7

Maternity

A total of 35% of women responded to the maternity survey, compared to a national response rate of 36%. The trust scored worse than most other trusts in five questions as seen in the table below:

Question	RFL score	Lowest score	Highest score
C21. Did you have confidence and trust in the staff caring for you during labour and birth?	8.6	8.0	9.7
D4. If you needed attention while you were in hospital after the birth, were you able to get a member of staff to help you in a reasonable time?	6.8	6.4	9.5
D5. Thinking about the care you received in hospital after the birth of your baby, were you given the information or explanations you needed?	7.3	6.9	9.1
D6. Thinking about the care you received in hospital after the birth of your baby, were you treated with kindness and understanding?	8.0	7.8	9.5
D8. Thinking about your stay in hospital, how clean was the hospital room or ward you were in?	8.1	7.7	9.6

The questions are grouped into eight sections and each section is given a score. The trust scored worse than most other trusts in one section – during your pregnancy.

Cancer patient experience survey

Although not officially part of the national survey programme, an annual survey of cancer patient experience is undertaken by Quality Health on behalf of NHS England. The trust response rate was 56% compared to the national response rate of 64%.

Results of this survey are published based on a calculation of expected ranges. Of the 52 questions in the survey, the trust did not meet the expected range for 30. There have been no significant changes in the results compared to the 2017 survey.

Friends and family test

The friends and family test (FFT) asks patients how likely they are to recommend the services they have used and asks them to rate their experience in in-patients, out-patients, A&E and maternity services. In 2019/20 the trust received **98,440** responses to the FFT. Below is a breakdown of the monthly responses for each department surveyed.

In-patient

	Barnet Hospital	Chase Farm Hospital	Royal Free Hospital	Responses
Month	% would recommend			
Apr-19	89%	99%	87%	759
May-19	85%	98%	87%	828
Jun-19	84%	100%	87%	779
Jul-19	84%	91%	86%	1703
Aug-19	86%	98%	86%	1537
Sep-19	82%	97%	86%	1513
Oct-19	83%	93%	86%	1503
Nov-19	82%	96%	85%	1379
Dec-19	84%	92%	85%	1283
Jan-20	86%	97%	86%	1447
Feb-20	89%	95%	84%	1392
Mar-20	86%	100%	87%	1274
Total responses for in-patient FFT 2019-20				15,397

Emergency department

	Barnet Hospital	Royal Free Hospital	Responses
Month	% would recommend		
Apr-19	79%	87%	3027
May-19	80%	88%	3215
Jun-19	76%	89%	3983
Jul-19	80%	88%	6131
Aug-19	82%	88%	5782
Sep-19	79%	86%	5738
Oct-19	76%	86%	5904
Nov-19	75%	85%	5263
Dec-19	80%	83%	5468
Jan-20	79%	85%	6084
Feb-20	80%	84%	5776
Mar-20	83%	88%	4551
Total responses for ED FFT 2019-20			60,922

Maternity

	Q1 - antenatal care 74 respondents		Q2 - labour and birth 1330 respondents		Q3 - postnatal care 1329 respondents		Q4 - postnatal community services 155 respondents	
	Barnet Hospital	Royal Free Hospital	Barnet Hospital	Royal Free Hospital	Barnet Hospital	Royal Free Hospital	Barnet Hospital	Royal Free Hospital
Month	% would recommend							
Apr-19			100%	97%	100%	88%	100%	100%
May-19	100%	100%	99%	95%	93%	90%	100%	100%
Jun-19	0%		98%	100%	98%	94%	100%	100%
Jul-19		100%	97%	100%	97%	96%	100%	100%
Aug-19		67%	99%	100%	99%	100%	97%	100%
Sep-19	100%	96%	100%	100%	98%	100%	100%	100%
Oct-19	33%	50%	99%	100%	93%	100%	100%	100%
Nov-19	100%		99%	100%	98%	84%		
Dec-19	50%	0%	100%	100%	96%	97%	100%	100%
Jan-20	77%		96%	94%	96%	92%	100%	
Feb-20	0%		100%	94%	98%	89%	100%	
Mar-20	100%		94%	97%	100%	88%		

Out-patient

	Barnet Hospital	Chase Farm Hospital	Edgware Hospital	Royal Free Hospital	Responses
Month	% would recommend				
Apr-19	89%	93%	92%	93%	1320
May-19	97%	97%	95%	96%	847
Jun-19	88%	94%	100%	95%	2010
Jul-19	86%	95%	97%	91%	1844
Aug-19	88%	98%	98%	90%	2127
Sep-19	84%	95%	96%	89%	2018
Oct-19	80%	95%	96%	85%	2450
Nov-19	84%	89%	97%	93%	1411
Dec-19	76%	86%	96%	95%	1327
Jan-20	86%	89%	95%	91%	1416
Feb-20	85%	95%	99%	92%	1534
Mar-20	93%	84%		94%	614
Total responses for out-patient FFT 2019-20					18,918

Patient advice and liaison service (PALS)

Feedback from our patients, their relatives and carers is a valuable opportunity for us to review our services and make improvements. We encourage dialogue with staff, giving an opportunity for immediate action and resolution.

PALS provides information and advice on how patient concerns can be managed and takes action to resolve matters quickly and informally.

During 2019/20, PALS dealt with 14,459 matters compared to 13,738 in the previous financial year. The table below shows the top five themes from this year and how they rank compared to the previous year.

	2018/19	2019/20
1	General assistance/enquiries	General assistance/enquiries
2	Communication	Communication
3	Appointments	Appointments
4	Transport eligibility assessments	Positive comments
5	Positive comments	Facilities

PALS can be contacted by telephone, email, via the website, in writing or are available to talk in person (on request at Chase Farm Hospital).

Complaints

We recognise that in the majority of instances it is best to resolve issues as soon as possible. Our patient information leaflets and posters encourage concerns to be raised immediately with the person in charge of a patient's care. Alternatively, contact details are provided for the PALS and complaints teams.

Complaints and PALS data is reviewed bi-monthly by the trust's patient experience committees alongside other data, including patient surveys and friends and family test responses. Complaints data, including lessons learnt and actions taken is also included in:

- divisional monthly quality and safety boards
- quarterly reports taken to the people and population health committee
- annual complaints report taken to the July trust board
- quarterly CLIPS (complaints, litigation, incidents, PALS and safety) reports taken to the patient safety committee.

The table below shows the main causes of complaints received in 2019/20 are very similar to 2018/19.

	2018/19	2019/20
1	Clinical treatment	Clinical treatment
2	Communication	Values and behaviours
3	Values and behaviours	Communication
4	Transport eligibility assessments	Appointments
5	Appointments	Transport

Here are some examples of positive changes as a result of complaints made:

- Implementation of a long-term strategy to address delays urology patients are experiencing for stent removal. Demand for this service is currently outstripping capacity so plans are in place to recruit staff, increase physical space, further train existing employees and better utilise theatre capacity.
- Funding for the appointment of two consultants to help ease the backlog in the reporting of PET scans caused by an unexpected high growth rate of requests for these scans in the last couple of years. Until recruitment takes place, an external company will undertake the reporting to reduce pressure on the service. The trust is also recruiting extra technologists to increase scanning capacity and more administration staff to support the booking process.
- A review of podiatry services to see how the pathway can be streamlined for patients through the emergency department.

The table below shows the number of complaints received by the trust and those that have escalated to the Parliamentary Health Service Ombudsman:

	2018/19	2019/20
Complaints received by the trust	1,544	1,330
Complaints upheld (partially or fully) by the trust	936	830
Complaints taken to the Parliamentary Health Service Ombudsman	24	16
Complaints upheld (partially or fully) by the Parliamentary Health Service Ombudsman	6	1
Complaints still under investigation with the Parliamentary Health Service Ombudsman	9	9

Note: The figures in the above table are accurate as of 28 May 2020 and will change over the coming months.

Interpretation

Our interpreting service ensures that we meet the needs of the diverse population which visit our hospitals. The three types of interpretation we provide are:

- Face-to-face interpreting
- Telephone interpreting (24 hours a day, seven days a week)
- Sign language interpreting.

Departments are able to stipulate interpreter requirements, for example requesting a female interpreter for an antenatal appointment.

This commissioned service provides qualified interpreters in all 256 languages and dialects requested by patients in the past four years. This also includes British sign language, deafblind communication, lip speaking and speech to text operators.

Between 1 April 2019 and 31 March 2020 there were 6,620 face-to-face interpreting sessions and 5,216 telephone interpreting calls facilitated for patients, in 81 different languages.

The languages requested are reflective of the demographic of the trust's local area. The top 10 requested languages are:

1. Turkish
2. Romanian
3. Arabic
4. Farsi
5. Polish
6. Albanian

7. British sign language
8. Bulgarian
9. Bengali
10. Portuguese

Chaplaincy

The chaplaincy and spiritual care team provides appropriate spiritual and religious care to all regardless of faith, belief or philosophy of life. It encourages compassionate, non-judgmental care and is respectful of diversity.

Its team includes an:

- Imam
- Female Muslim chaplain
- Rabbi, orthodox
- Rabbi, liberal
- Roman Catholic priest,
- Anglican priest
- Several volunteers from other faith/belief backgrounds. For example, Humanist, Buddhist, Sikh.

Among its numerous services for patients, staff and visitors, are:

- end of life care support, such as commendation prayers, religious rituals or spending time with people
- pastoral and spiritual care
- emotional support and counselling
- the celebration or observance of key religious/cultural festivals
- places for prayer, reflection or worship and prayer materials
- funerals, memorial services, weddings, baptisms
- pregnancy loss
- staff and volunteer training.

Volunteers

Our dedicated team of 800 volunteers, recruited and supported by The Royal Free Charity, help patients at our hospitals giving 65,000 hours of their time in the last year alone. Aged from 16 to the early 90s, they come from the diverse local community and surrounding boroughs.

This year volunteer activities included:

- 838 specialist interactions with people living with dementia through our dementia companion programme
- 1000 hours of relaxing massages for patients and staff
- 6000 interactions for patients and staff with our friendly therapy dogs
- 365 days of music and entertainment through the entirely volunteer-led Royal Free Radio

- 30 new outfits delivered to patients each month so they can travel home with dignity and in comfort.

Our priorities for 2020/21 are to build the young volunteer programme at Barnet Hospital and Chase Farm Hospital, vary the roles at Chase Farm Hospital and increase the level of peer to peer support and supervision among the current volunteers.

Working with our partners

The trust prioritises effective working with our partners to ensure our services are patient-focused, based on best practice and good value for taxpayers' money. Our most important partners among statutory bodies in north London and Hertfordshire include:

- acute, single specialty, community services and mental health providers, with which a growing number of joint delivery partnerships are being explored
- social services authorities in local London boroughs and Hertfordshire, which are collaborating with us to improve efficiency and quality in patient and client services
- commissioners, including local clinical commissioning groups (CCGs), NHS England and local authorities.

Our non-statutory partners play equally essential roles. Primary care federations can support the delivery of more integrated services across a range of clinical pathways and the trust maintains regular communications with local Healthwatch groups.

GPs

The trust continues to forge strong and productive relationships with local GPs. Our well-regarded GP liaison service solves practical problems for GPs by:

- responding to enquiries received via email, an informal route for GPs to raise concerns or issues
- producing routine communications, including a quarterly GP newsletter
- facilitating visits to local practices. This provides an invaluable opportunity to receive direct feedback and resolve issues specific to GPs and their patients.

Every quarter, a summary report of enquiries received is produced to help identify themes and trends. These are shared with local commissioners.

We are also working collaboratively and building relationships with local GPs, through Primary Care Networks (PCN), to establish how we can provide more joined-up care to certain groups of people, such as those who are frail or have long term conditions. Our therapy team received an award in October 2019 from the National Association of Primary Care for its First Contact Practitioner programme, enabling people with musculoskeletal problems access to the most appropriate care quickly and closer to home.

We have hosted some of Enfield PCN clinical directors at Chase Farm Hospital and successfully bid for funding from the London Leadership Academy to host a joint workshop between Barnet PCN clinical directors and Barnet Hospital clinicians.

North London Partners in Health and Care

We are working with our local partners across north central London through the sustainability and transformation partnership (STP), North London Partners in Health and Care, to improve patient care and experience. This incorporates health and social care organisations from the five London boroughs of Barnet, Camden, Enfield, Haringey and Islington.

The ambitions of the STP are to:

- improve the health and wellbeing of the local population
- reduce health inequalities
- maximise out of hospital care and build resilient well supported communities.

Work is ongoing in urgent and emergency, planned, closer to home and mental health care, with the aim of redesigning services to avoid admission where possible and promote early discharge with the appropriate support. We have also been supporting North London Partners in Health and Care's work on improving planned orthopaedic surgery for adults across north Central London.

Clinical Commissioning Groups (CCGs)

We continue to work hard with all our clinical commissioning groups, community trusts, mental health organisations and local authority partners to improve the experience of our patients.

Our emergency departments at Barnet Hospital and the Royal Free Hospital continue to be under significant pressure due to increasing demand. We are working with CCGs, North London Partners and local authorities to determine how together, as a system, pressure can be reduced. This involves work to develop, redesign and streamline services and pathways.

In line with the NHS plan, we have been looking at how we can reduce face-to-face out-patient appointments and with our partners we are continuing to develop the use of telemedicine, more straight to test options and virtual clinics.

Health Services Laboratories

Health Services Laboratories (HSL) continue to provide pathology services at the Royal Free Hospital. HSL is a joint venture between the Royal Free London, University College London Hospitals and the Doctors Laboratory, which has been running pathology services at the Royal Free Hospital since 2015.

Healthwatch

We are in regular contact with local Healthwatch organisations. Over the last year, we worked closely with Healthwatch Camden to help the trust better understand the experiences of Camden patients attending Chase Farm Hospital for planned surgery.

A report with recommendations was produced by Healthwatch Camden which the trust has taken forward.

Working with the Royal Free Charity

The Royal Free Charity works in partnership with the trust to improve the experience of patients and staff at our three hospitals. The generosity of the charity's donors means it can fund projects and facilities beyond the limitations of NHS funding.

From the start of the COVID-19 pandemic, the charity was keen to understand how it could support staff as they faced the biggest challenge of their professional careers. Thanks to an appeal launched by the charity, significant support was provided. This included the provision of food and other essential items for staff, establishing respite areas for them to take some time out and WiFi, tablets and phones to enable patients to keep in touch with their families. As the pandemic continues, we will work with the charity to identify other ways to provide extra support for staff and patients during the crisis and beyond.

The charity also funds research aimed at translating scientific insights into new treatments more quickly than would otherwise be possible. To this end, more than £50 million has been invested in the Pears building - a new home for the UCL Institute of Immunity and Transplantation, currently housed at the Royal Free Hospital, which is due to open in the coming year.

A programme focusing the charity's attention on the infrastructure supporting its different types of fundraising – from major donors, the community and individuals - will also allow it to significantly increase its support for the trust over the next few years as we radically redesign the way we deliver services to our patients and support our staff.

Among the day-to-day patient services offered by the charity during the year were massage therapy for cancer patients, companions for those living with dementia, sensory art workshops for older patients and advice on benefits for patients with long-term conditions. The charity also supported massages for staff, the annual staff awards and staff hospitality on other special occasions such as Christmas.

The linchpin of the charity's services to our patients and staff is its team of dedicated, caring volunteers, many of whom understand much of what a patient is going through because they themselves have been cared for at one of our hospitals.

The charity has 800 volunteers aged 16 to 94 who work cross our three main hospitals and our satellite sites, generously giving their time to benefit staff, patients and visitors. We are deeply grateful to them and to the charity for all their support.

The Pears building

The charity's strategy to support translational research includes the development and funding of the Pears Building that will house the UCL Institute of Immunity and Transplantation (IIT), a world class research centre. Based within the grounds of the Royal Free Hospital, the IIT's world-leading researchers will be able to move further and faster with their translational research as the proximity of the trust and institute means that clinicians and scientists can work more closely together. This will speed up the conversion of research insights from the laboratory bench to novel and effective treatments at the patient's bedside for conditions such as diabetes, cancer and chronic infection.

The trust's large number of patients, many of whom generously agree to take part in research, is key to the success of this work.

A group including representatives of the immediate neighbours of the Pears building, and residents and organisations from the wider area, met charity, trust and construction staff regularly during the year to hear about progress, forthcoming works and to discuss any concerns. The building was on track to be completed towards the end of 2020 when the coronavirus crisis began. This may now be delayed into the early part of 2021.



Caroline Clarke
Chief Executive

24 June 2020

2.3 Remuneration report

The pay of board level directors who have the authority and responsibility for directing and controlling the activities of the trust is determined by the remuneration committee (for executives) and nominations committee (for non-executives). These committees also oversee the recruitment and performance of board members.

The remuneration committee also includes approving the appointment and salaries for very senior managers below board level. This is typically the senior leadership roles of each hospital down to divisional level, for example divisional nurse directors, and corporate level equivalent roles. The remuneration of board members and senior staff in wholly owned subsidiary companies, such as RFL Property Services Limited and RFL Dispensary Services Limited, is also set by the remuneration committee, reflecting that the trust is the sole shareholder in these companies.

2.3.1 Annual statement on remuneration

The key activities and decisions this year were:

- No general increase in board executive director basic salaries as they are broadly thought to be currently reasonable.
- Increases in salary for some executive directors who had either obtained new roles or had taken on additional responsibilities. These increases were made in accordance with NHS guidance and approvals requirements.
- A review of the salaries of very senior managers (VSM) and senior managers (SM) below executive level concluded that no increase in pay was required given salaries remained competitive and had last been reviewed in 2017. These salaries will be reviewed again in 2020.
- Recruitment and appointment of a new chief transformation officer and chief executive officer for Barnet Hospital.
- Approval of a number of appointments at VSM and SM level, including a director of nursing at Barnet Hospital.
- No performance-related pay or bonuses or other incentive payments were made in addition to or separate from the annual salary of directors in 2019/20.

No exit or other payments were agreed in 2019/20 for any board members or directors of the trust, or in any wholly owned subsidiary.

See page 92 for board member salaries in 2019/20.

2.3.2 Approach to executive directors' remuneration and other senior staff

The pay of executive directors and other senior staff is determined by the trust's remuneration committee made up of non-executive directors. The trust's approach is to review board level director salaries annually but with no automatic entitlement to any

increase. This approach is now also applied to very senior manager (VSM) and senior manager staff (SM). The annual review is based on:

- an analysis of comparable salaries and remuneration in other organisations
- overall executive team and wider VSM/SM staff performance
- the general context of NHS pay and awards to other staff groups, including public sector pay policy.

The remuneration committee aims to pay competitively but not excessively for high quality directors and senior managers, typically within the median of expected salaries across comparable organisations and in line with guidance from NHS Improvement. Salaries over £150,000 per annum are reviewed regularly to ensure they are within the benchmarks provided by NHS Improvement and other survey data.

Performance related pay has not been a component of remuneration for most director roles, although the trust has employed it in a few more recent appointments and will evaluate its effectiveness. It does not, at present, believe that any general incentive schemes or bonus payments would offer any advantage or increase directors' performance.

Remuneration components – directors	Approach	Review process	Benefits
Basic salary	Competitive but not excessive pay for high quality directors and senior managers - typically within the median of expected salaries across comparable organisations.	Reviewed annually by the remuneration committee based on comparable salaries and executive director and VSM/SM performance in the context of wider NHS pay and applicable guidelines.	Transparent base pay which is felt to be fair by senior staff for the responsibilities they hold and encourages commitment.
Taxable benefits	No allowances or payments made in addition to basic salary.	N/A	N/A
Annual performance related bonuses or incentive payments	None made in 2019/20. For 2020/21 performance related pay makes up an element of remuneration for the chief executive and managing director of group corporate services.	Performance targets established at the start of the review period and performance measured at the end.	Provides focused incentives for addressing key targets. Requires balancing measures to ensure one key priority does not destabilise others. Trust is seeking to evaluate impact of targeted performance related pay in 2020/21.

Long-term performance related bonuses or incentive payments	None made in 2019/20.	N/A	N/A
Pension benefits	<p>All directors and VSM/SM staff are entitled to join the NHS pension scheme with associated employer and employee contributions paid on their salary – a statement of pension benefits for directors is on page 93.</p> <p>The trust has not paid the employer contribution directly to any director choosing to opt-out of the pension scheme. This position will be reviewed in the light of any national changes to approach.</p>	N/A	Attractive career average defined benefits pension scheme consistent with the rest of the NHS.
Cars, health or other benefits	None paid (but managers have access to a car lease scheme and other benefits as do other staff).	N/A	N/A

2.3.3 Executive directors' notice periods and payments for loss of office

Directors are appointed subject to a notice period of three months and benefit from NHS terms and conditions relating to any severance payment for reasons of redundancy (as outlined in Schedule 16 of the agenda for change terms and conditions of service). There is no contractual entitlement to a severance payment in any other circumstances. The same applies to VSM and SM staff.

Other staff employed by the trust are paid under national terms and conditions of service for the relevant NHS staff (agenda for change or the national medical terms and conditions of service). Rates of pay are determined by the government on the advice of the NHS pay review bodies or in negotiation with NHS trade unions.

2.3.4 Non-executive directors' remuneration

Pay and allowances for the chairman and non-executive directors are determined by the trust's nominations committee made up of governors. Their payments are comparable to those made by other foundation trusts. There was no increase in 2019/20. The non-executive directors and chairman are office holders and the terms of their appointments are

such that they receive no severance or other payments at the end of their term of office. Details of their remuneration and expenses are set out in the table below.

2.3.5 Policy on the use of off-payroll engagement

The trust uses off-payroll engagements (contractors) for some tasks and roles. Sometimes interim cover is required for an established role or there is work to be undertaken for which specialist skills are required or which is of short duration. Such use of contracts is subject to approval by senior managers and regularly reviewed by the trust's senior pay group.

2.3.6 High paid off-payroll engagements

Table 1: For all off-payroll engagements as of 31 March 2020, for more than £245 per day and that last for longer than six months

Existing engagements as of 31 March 2020	5
No. that have existed for less than one year at time of reporting	2
No. that have existed for between one and two years at time of reporting	1
No. that have existed for between two and three years at time of reporting	0
No. that have existed for between three and four years at time of reporting	1
No. that have existed for four or more years at time of reporting	1

All existing off-payroll engagements outlined above have, at some point, been subject to a risk-based assessment as to whether assurance is required that the individual is paying the right amount of tax and, where necessary, that assurance has been sought.

Table 2: For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020, for more than £245 per day and that last for longer than six months

No. of new engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020	3
Of which:	
- Number assessed as within the scope of IR30	3
- Number assessed as not within the scope of IR30	3
Number engaged directly (via PSC contracted to trust) and are on the trust's payroll	0
Number of engagements reassessed for consistency/assurance purposes during the year	0
Number of engagements that saw a change to IR35 status following the consistency review	0

Table 3: For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2019 and 31 March 2020

No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	0
No. of individuals that have been deemed “board members and/or senior officials with significant financial responsibility” during the financial year. This figure should include both off-payroll and on-payroll engagements.	13

2.3.7 Directors' salaries and allowances – which have been subject to audit

Board level directors have been informed in advance of the intention to disclose information about them and have been notified that they can object under Article 21 of the General Data Protection Regulation (GDPR).

Name & Title	2019-20						2018-19					
	Salary and fees (bands of £5,000)	Taxable benefits (total to the nearest £100)	Annual performance-related bonuses (in bands of £5,000)	Long-term performance related bonuses (in bands of £5,000)	Pension-related benefits (in bands of £2,500)	Total (in bands of £5,000)	Salary and fees (bands of £5,000)	Taxable benefits (total to the nearest £100)	Annual performance -related bonuses (in bands of £5,000)	Long-term performance -related bonuses (in bands of £5,000)	Pension-related benefits (in bands of £2,500)	Total (in bands of £5,000)
	£000	£00	£000	£000	£000	£000	£000	£00	£000	£000	£000	£000
Chair												
Dominic Dodd	60-65	-	-	-	-	60-65	60-65					60-65
Non-executive directors												
Stephen Ainger (left October 2018)	-	-	-	-	-	-	5-10					5-10
Jenny Owen (left August 2018)	-	-	-	-	-	-	5-10					5-10

Prof. A Schapira	10-15	-	-	-	-	10-15	10-15					10-15
Akta Raja	10-15	-	-	-	-	10-15	10-15					10-15
Wanda Goldwag	10-15	-	-	-	-	10-15	10-15					10-15
Mary Basterfield	10-15	-	-	-	-	10-15	10-15					10-15
James Tugendhat	10-15	-	-	-	-	10-15	15-20					15-20
Doris Harriette Olulode	10-15	-	-	-	-	10-15	0-5					0-5
Sir Christopher Ham	10-15	-	-	-	-	10-15	0-5					0-5
Executive directors												
Sir David Sloman (left January 2019)	-	-	-	-	-	-	200-205					200-205
Caroline Clarke (Chief Executive from January 2019)	225-230	-	-	-	-	225-230	180-185					185-190
Peter Ridley (CFO from Sept -18)	170-175	-	-	-	142.5-145	315-320	90-95			5-7.5		95-100
Dr Chris Streather	230-235	-	-	-	-	230-235	225-230					225-230

Deborah Sanders	165-170	-	-	-	-	165-170	160-165				20-22.5	180-185
Kate Slemecik	190-195	-	-	-	85-87.5	280-285	175-180			27.5-30	205-210	

2.3.8 Pension entitlements of senior managers 2019/20

Name	Title	Real increase/ (decrease) in pension (bands of £2,500)	Real increase/ (decrease) in lump sum (bands of £2,500)	Total accrued pension at 31 March 2020 (bands of £5,000)	Lump sum related to accrued pension at 31 March 2020 (bands of £5,000)	Cash equivalent transfer value at 31 March 2020 (to the nearest £1,000)	Cash equivalent transfer value at 31 March 2020 (to the nearest £1,000)	Real increase/ (decrease) in cash equivalent transfer value (to the nearest £1,000)
Executive Directors		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Peter Ridley	Chief finance officer	7.5-10	12.5-15	35-40	75-60	565	438	117
Deborah Sanders*	Director of nursing	0	0	50-55	160-165	1,188	1,144	17
Kate Slemecik	Executive director of operations	2.5-5	5-7.5	45-50	100-105	965	841	103

*Deborah Sanders left the pension scheme in July 2019

**Caroline Clarke (chief executive) left the pension scheme in 2018/19 and is therefore not disclosed in this year's note

The pension related benefit is calculated as:

- Increase = $((20 \times PE) + LSE) - ((20 \times PB) + LSB)$ - employee pension contributions

Where:

- PE is the annual rate of pension that would be payable to the director if s/he became entitled to it at the end of the financial year
- PB is the annual rate of pension, adjusted for inflation, that would be payable to the director if s/he became entitled to it at the beginning of the financial year
- LSE is the amount of lump sum that would be payable to the director if s/he became entitled to it at the end of the financial year
- LSB is the amount of lump sum, adjusted for inflation, that would be payable to the director if s/he became entitled to it at the beginning of the financial year.

If the pension benefit result is a negative increase, ie a decrease, this is reported as nil.

2.3.9 Pay multiples - which have been subject to audit

The banded remuneration of the highest paid director in the Royal Free London NHS Foundation Trust in the financial year 2019/20 was £250,000 - £255,000 (2018/19: £225,000 - £230,000). This was 8 times (2018/19: 6 times) the median remuneration of the workforce, which was £31,841 (2018/19: £38,153). In 2019/20, no employees (2018/19: 5 employees) received remuneration in excess of the highest paid director. Annualised remuneration ranged from £3,000 to £255,000 (2018/19: £90 to £281,709).

2.3.10 Pension benefits of executive director

A 'cash equivalent transfer value' (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in a former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures and the other pension details include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

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

Further information on the employee benefits costs to the trust can be found on page 95.



Caroline Clarke
Chief executive

24 June 2020

2.3.10 Staff costs

			2019/20	2018/19
	Permanent	Other	Total	Total
	£000	£000	£000	£000
Salaries and wages	388,310	54,410	442,720	417,736
Social security costs	55,310	-	55,310	52,818
Apprenticeship levy	2,295	-	2,295	2,471
Employer's contributions to NHS pensions	83,980	-	83,980	55,369
Temporary staff	-	18,186	18,186	21,535
Total staff costs	529,895	72,596	602,491	549,929
Of which				
Costs capitalised as part of assets	1,021	176	1,197	-

2.3.11 Average number of employees (WTE basis)

		2019/20	2018/19
	Permanent	Other	Total
	Number	Number	Number
Medical and dental	687	958	1,645
Administration and estates	2,033	544	2,577
Healthcare assistants and other support staff	1,331	270	1,600
Nursing, midwifery and health visiting staff	2,806	601	3,407
Scientific, therapeutic and technical staff	848	182	1,030
Healthcare science staff	161	43	204
Total average numbers	7,867	2,597	10,464
Of which:			
Number of employees (WTE) engaged on capital projects	17	3	20
			30

2.3.12 Reporting of compensation schemes - exit packages 2019/20

	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages
	Number	Number	Number
Exit package cost band (including any special payment element)			
<£10,000	2	14	16
£10,000 - £25,000	1	6	7
£25,001 - 50,000	-	3	3
Total number of exit packages by type	3	23	26
Total cost (£)	£36,000	£261,000	£297,000

Reporting of compensation schemes - exit packages 2018/19

	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages
	Number	Number	Number
Exit package cost band (including any special payment element)			
<£10,000	7	11	18
£10,000 - £25,000	12	-	12
£25,001 - 50,000	5	-	5
£50,001 - £100,000	6	-	6
Total number of exit packages by type	30	11	41
Total resource cost (£)	£814,000	£51,000	£865,000

Exit packages: other (non-compulsory) departure payments

	2019/20		2018/19	
	Payments agreed	Total value of agreements	Payments agreed	Total value of agreements
	Number	£'000	Number	£'000
Contractual payments in lieu of notice	23	261	11	51
Total	23	261	11	51

2.3.13 Better payment practice code

Better payment practice code	Actual 31/03/20 YTD Number	Actual 31/03/20 YTD £'000	Actual 31/03/19 YTD Number	Actual 31/03/19 YTD £'000
Non NHS				
Total bills paid in the year	226,590	580,621	214,031	756,115
Total bills paid within target	165,965	382,630	169,071	530,784
Percentage of bills paid within target	73.24%	65.90%	79.00%	70.20%
NHS				
Total bills paid in the year	4,985	73,251	4,022	90,624
Total bills paid within target	810	35,352	1,164	41,514
Percentage of bills paid within target	16.25%	48.26%	28.90%	45.80%
Total				
Total bills paid in the year	231,575	653,872	218,053	846,739
Total bills paid within target	166,775	417,982	170,235	572,298
Percentage of bills paid within target	72.02%	63.92%	78.10%	67.60%

2.4 Staff report

About our employees

The trust employs 10,139 staff and spent £577.2m on pay and benefits in 2019/20. A breakdown of our employees and pay spend is provided below.

Average number of employees (WTE basis)	Permanent	Other	2019/20 Total	2018/19 Total
Medical and dental	687	958	1,645	1,645
Ambulance staff	0	0	0	0
Administration and estates	2,033	544	2,577	2,322
Healthcare assistants and other support staff	1,331	270	1,600	1,871
Nursing midwifery and health visiting staff	2,806	601	3,407	3,284
Nursing, midwifery and health visiting learners	0	0	0	0
Scientific therapeutic and technical staff	848	182	1,030	1,012
Healthcare science staff	161	43	204	167
Social care staff	0	0	0	0
Other	0	0	0	0
Total average numbers	7,867	2,597	10,464	10,301
Of which				
Number of employees (WTE) engaged on capital projects	17	3	20	30

Directors	Trust total	% of trust total
Female	11	48%
Male	12	52%
Total	23	100.00%

Senior managers*	Trust total	% of trust total
Female	597	69.82%
Male	258	30.18%
Total	855	100.00%

*Band 8A+ and senior medics (medical and clinical directors)

Total staff	Trust total	% of Trust total
Female	7,457	73.55%
Male	2,682	26.45%
Total	10,139	100.00%

Staff group	Trust total	% of Trust total
Add prof scientific and technic	312	3.08%
Additional clinical services	437	4.31%
Administrative and clerical	2,110	20.81%
Allied health professionals	656	6.47%
Estates and ancillary	392	3.87%
Healthcare assistants	995	9.81%
Healthcare scientists	207	2.04%
Medical and dental	1,718	16.94%
Nursing and midwifery registered	3,294	32.49%
Students	18	0.18%
Total	10,139	100.00%

Ethnic Origin	Trust total	% of trust total
Asian	2,481	24.47%
Any other Asian background	1,060	10.45%
Bangladeshi/British Bangladeshi	127	1.25%
Chinese	144	1.42%
Indian/British Indian	981	9.68%
Pakistani/British Pakistani	169	1.67%
Black	1,800	17.75%
African/Black British African	1,166	11.50%
Black/Black British Other	217	2.14%
Caribbean/Black British Caribbean	417	4.11%
Mixed	332	3.27%
Any other mixed/multiple ethnic background	119	1.17%
White and Asian	90	0.89%
White and Black African	56	0.55%
White and Black Caribbean	67	0.66%
Other	138	1.36%
Other	138	1.36%

Other BME	530	5.23%
Other BME	530	5.23%
White	4,858	47.91%
White British	3,239	31.95%
White Irish	323	3.19%
White Other	1,296	12.78%
Total	10,139	100.00%

Disabled	Trust total	% of trust total
Yes	215	2.12%
No	8,308	81.94%
Not declared	185	1.82%
Undefined	1,431	14.11%
Total	10,139	100.00%

Sexual orientation	Trust total	% of trust total
Bisexual	82	0.81%
Heterosexual or straight	7,657	75.52%
Gay or lesbian	170	1.68%
Undecided	16	0.16%
Other sexual orientation not listed	4	0.04%
Not stated	1,068	10.53%
Unknown	1,142	11.26%
Total	10,139	100.00%

Religious belief	Trust total	% of trust total
Atheism	981	9.68%
Buddhism	114	1.12%
Christianity	4,377	43.17%
Hinduism	580	5.72%
Islam	782	7.71%
Jainism	38	0.37%
Judaism	173	1.71%

Sikhism	58	0.57%
Other	584	5.76%
I do not wish to disclose my religion/belief	1,233	12.16%
Undefined	1,219	12.02%
Total	10,139	100.00%

Age group	Trust total	% of trust total
Under 20	31	0.31%
21-25	669	6.60%
26-30	1,506	14.85%
31-35	1,489	14.69%
36-40	1,226	12.09%
41-45	1,250	12.33%
46-50	1,203	11.87%
51-55	1,161	11.45%
56-60	899	8.87%
61-65	508	5.01%
66-70	152	1.50%
71+	45	0.44%
Total	10,139	100.00%

2.4.1 Sickness absence data

Total sickness absence data for 2019/20 is as follows:

	2018/19	2019/20
Average wte	8,777	9,081
Cumulative sickness absence rate	3.26%	3.38%
Average days lost	7.29	7.61

2.4.2 Consultancy expenditure

The trust spent £1.5m on consultancy in 2019/20 compared to £4.1m in 2018/19. This includes payments for specialist services and advice that is not available in house, including aspects of the wholly owned subsidiary companies for estates and facilities and pharmacy redevelopment, support for ways of embedding continuous improvement into daily work –

both clinical and non-clinical – review of governance arrangements, financial strategy, well led progress review and referral to treatment validation.

2.4.3 Workforce overview

Our staff sustain and improve our hospitals and their associated support services to ensure patients receive high quality care and expertise. Staff have continued to work extremely hard in 2019/20 to maintain high levels of performance in the face of rising demands for care, staff shortages and financial constraint. The trust is also working to improve how staff are supported, engaged and empowered so they can be as fulfilled and rewarded in their jobs.

To do this we operate:

- a comprehensive range of workforce policies and procedures regularly reviewed and updated with staff and trade unions
- training and development opportunities for all staff
- a strong portfolio of undergraduate and postgraduate education and training for health professionals
- regular performance and development reviews
- leadership development for managers and leaders
- health and wellbeing services and support
- support for equality, diversity and inclusion
- efficient and effective recruitment and HR support and development services
- a wide range of communications with staff and representatives using digital and written media, forums and formal groups and committees
- change management and organisational development support.

2.4.4 Education, training and development

The trust is proud of its strong tradition in educating and training both the future NHS workforce and its current staff. We are a campus of University College London (UCL) Medical School and our undergraduate medical education is internationally recognised. We are one of the largest providers of postgraduate medical education in the country, with over 600 doctors in training in our hospitals across a wide range of specialties. We also have a track record of excellence in our teaching of nurses, midwives, therapists and other healthcare professionals, working closely in collaboration with our university partners. Throughout 2019/20 we have taken a number of steps to continue the trust's record of excellence in education, training and development:

Undergraduate medical education

Students gave excellent feedback on the quality of undergraduate medical teaching at our hospitals for the 2018/19 academic year. A total of 24 placements/attachments received a green rating, nine amber and none red - an improvement on the previous academic year. First term feedback for 2019/20 also indicates a continuation of this strong performance.

This year we have expanded the range of teaching offered to medical students, most notably in ear, nose and throat and the introduction of teaching days at Chase Farm Hospital. In order to equip students to be the doctors of the future we have worked in partnership with Health Education England, UCL Medical School and community-based colleagues in Barnet

and Camden regarding increasing the integrated care components within the undergraduate curricula.

Simulation-based teaching is a key part of our programme and we are using this technology to teach surgical skills, as well as offering a wide range of electives reflecting our specialties. We have also continued our successful clinical teaching fellow programme to drive innovation in teaching in a number of services and piloted the use of quality improvement methodology to improve the quality of undergraduate teaching, starting in haematology and now including trauma, orthopaedics and general surgery.

Postgraduate medical education

Trainee doctor ratings for the trust in the General Medical Council National Trainee Survey 2019 showed an increase in the overall satisfaction of their training with a score of 78.34, compared to 76.45 in 2018. Trainees gave particularly good feedback on the quality of training in areas such as obstetrics and gynaecology, core surgical training, infectious diseases, paediatrics and histopathology.

To further improve the quality of our postgraduate medical education, we have introduced rest facilities and a wide range of wellbeing initiatives. We have also held rota summits to ensure clinical rotas provide the right balance of service and training experience and ensure the requirements of the junior doctor contract are consistently met. Additional senior faculty resources have been provided to support less-than-full-time trainees and to trainees returning to practice, and we continue to support the transition to Internal Medicine Training in line with the principles of the Shape of Training review.

This year we expanded our educational offering to staff and associate specialist doctors, with additional support now available for those looking to work towards registration via the Certificate of Eligibility for Specialist Registration route. We are also recruiting more physician associates and increasing provision of clinical placements for student physician associates to help ensure future supply.

Quality visits from Health Education England focused on core anaesthetics and foundation surgery at Barnet Hospital, and higher surgical specialties and obstetrics and gynaecology at Royal Free Hospital. All of these visits identified examples of good practice as well as areas for improvement that are being addressed.

Nursing, midwifery and allied health professional education

As part of our high-quality placements for pre-registration nursing and midwifery students, we have, this year, worked with university partners on the rollout of new Nursing and Midwifery Council (NMC) standards for pre-registration education, including the Standards for Student Supervision and Assessment (SSSA). In line with the national NHS People Plan we have also expanded clinical placement capacity. We are engaged in pilots to further embed innovative practice in pre-registration education including the use of simulation and through Coaching and Learning in Practice (CLiP) – a mentoring approach to training.

We continue to develop our education and training pathway for unregistered (band 2-4) nursing staff, running further cohorts of apprenticeships for nursing assistants, including externally-recruited staff with no prior care experience, and have expanded our trainee

nursing associate programme, of which 50 trust staff undertook the training in 2019/20 as part of a wider North Central London partnership.

For our training of overseas qualified nurses who wish to register with the NMC, we have increased our intake and more than 100 nurses have now gone through the programme and successfully become registered nurses.

To recruit and retain registered nurses and midwives, we run a number of initiatives, including:

- An enhanced preceptorship programme for all newly qualified nurses
- Post-preceptorship Supporting Progression and Clinical Excellence Programme (SPaCE)
- Supporting Transition into Practice Education Programme (STRIPE) for development of clinical practice educators
- OSCE preparation programme for overseas nurses. Twenty staff have attended the programme and so far, 15 have gained their NMC pin number, two failed and three are awaiting a final attempt
- Advanced Clinical Practitioner (ACP) programmes.

For allied health professionals (AHPs), we continue to offer a wide range of clinical placements and now include additional disciplines such as occupational therapy. We have successfully rolled-out preceptorship for newly qualified AHPs and supported training of staff in key diagnostic areas such as radiography and breast screening.

Within healthcare sciences, we have increased our places on the national scientific training programme and continue to play a leading role in regional training events such as Reach Out for Healthcare Science and the pan-London HCS Education Collaborative.

Simulation and technology-enhanced learning

Simulation-based approaches have been used to support both the development of our existing workforce and our students and trainees. In particular this has included an expansion of *in situ* simulation to support improvements in patient safety in a wide range of clinical settings including the emergency departments, cath labs and endoscopy.

Apprenticeships and schools

We achieved a record 118 apprentice placements in 2019/20, compared to 93 in 2018/19, representing both professional development opportunities for our own staff plus new ways into healthcare careers for those working in the NHS for the first time. Of particular note, the trust successfully applied to join the Register of Approved Training Providers (RoATP) in 2019, meaning we can now offer an in-house apprenticeship programme. This will be expanded further in 2020/21, particularly focused on leadership and management and healthcare support worker apprenticeships.

Other projects undertaken to encourage younger people into NHS careers have included a successful careers day for a range of north central London colleges and schools.

Wider workforce development

A total of 147 applications for £111,967 of study leave funding were approved by a multi-disciplinary panel for the continuing personal and professional development of non-medical staff across the organisation, such as postgraduate certificates, master's programmes and attendance at clinical conferences. Medical staff were supported to access study leave entitlements in line with contractual terms and conditions.

Examples of other training provided in-house for staff included medical terminology for non-clinical staff, AMSPAR (Association of Medical Secretaries, Practice Managers, Administrators and Receptionists) qualifications, Sage and Thyme and advanced communication skills.

2.4.5 Staff engagement

The trust has positive levels of staff engagement. We communicate with staff regularly through a variety of channels, including:

- Freemail – a weekly bulletin sent to all staff via email
- Freepress – a monthly staff magazine distributed to all sites
- Chief executive briefings – a monthly face-to-face briefing, open to all staff, from the chief executive at each of our hospitals. This is then communicated via video and written channels on the intranet
- Freenet – the intranet available to staff across all sites which is updated daily. In October 2019 this was relaunched following a redesign and upgrade. It now includes a new microsite 'People Online' to provide staff with information about their career journeys in a simple and engaging way.

The screenshot shows the 'PEOPLE DIRECTORATE' section of the intranet. At the top, there is a navigation bar with links: Home, For me, For managers, Policies & guidance, People news & events, FAQs, Surveys, and Meet Our Teams. Below the navigation bar is a grid of 12 colored boxes arranged in three rows of four. Each box contains an icon and a title, with a brief description underneath. The boxes are:

- New starters**: Essential information for your first weeks
- Staff benefits**: Discounts, season tickets, nurseries and more
- My development**: Education, training, appraisals, MaST
- My staff networks**: Trade unions, staff forums (e.g. BME, LGBT)

- My job & details**: Payslips, ESR self-service & payroll contacts
- HR policies & guidance**: From annual leave to maternity information
- My health & wellbeing**: Occupational health, Equality and staff support
- Raise a concern**: No bystanders - tell us if you see something

- My clinical profession**: Useful information by clinical staff group
- Jobs**: NEW Live vacancies across the Royal Free Group
- Staff bank**: How to join, pay rates & booking shifts
- Leavers**: Key information if you're thinking of leaving

Throughout 2019 there have been a range of events to engage with staff at network meetings where they are encouraged to share their experiences, at celebrations linked to local and national events and via award events to recognise staff achievements, including:

- What matters to you days – part of the Trust's 'Joy in work' quality improvement programme
- Four regular staff networks (Women's, LGBT, BAME, and Ability at the Free)
- National Staff Networks Day
- International Nurses Day
- Health and wellbeing events
- Oscars annual staff awards.

There are also regular forums where senior managers hear feedback and ideas from different groups of staff, including:

- junior doctors
- clinical directors and service line leads
- senior leadership.

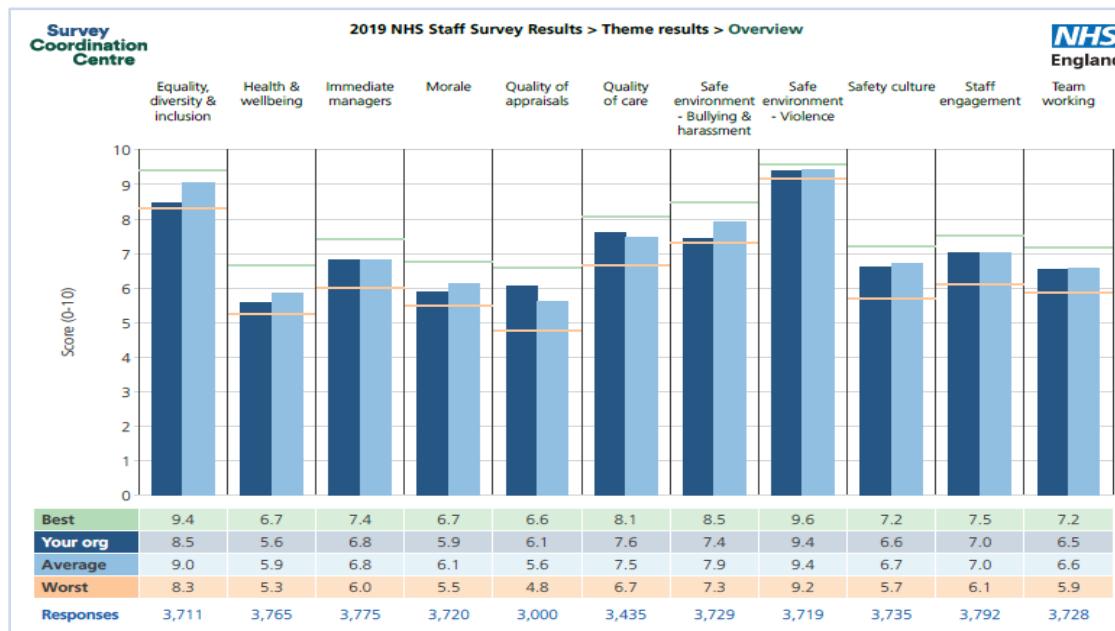
2.4.6 Staff survey

The annual national NHS staff survey was conducted between September and December 2019. A total of 9,435 staff were invited to participate and 3,810 or 42% responded, an increase of 6% from the previous year. The tables below show response rate by business unit numbers according to type of distribution.

Business unit	Total sent	Completed	Non returned	Response rate
Barnet Hospital	3005	1019	1850	35%
Chase Farm Hospital	296	177	112	60%
Corporate	1420	878	508	63%
Group clinical services	699	280	393	41%
Royal Free Hospital	4015	1456	2424	37%
Total	9,435	3,810	5,287	42%

Format	Total sent	Completed	Non returned	Excluded/removed
Email	8,119	3,337	4,479	303
Paper	1,316	473	808	35
Total	9,435	3,810	5,287	338

The trust's performance against the national average and the best and worst performing hospitals is summarised below across 11 key themes:



We have maintained our scores across almost all themes over the last three years with five out of 11 ranked as average or above average compared to national figures. However, there has been a significant decline in safe environment – violence as shown in the table below:

2019 NHS Staff Survey Results > Appendices > Significance testing – 2018 v 2019 theme results						NHS England
The table below presents the results of significance testing conducted on this year's theme scores and those from last year*. It details the organisation's theme scores for both years and the number of responses each of these are based on.						
The final column contains the outcome of the significance testing: ↑ indicates that the 2019 score is significantly higher than last year's, whereas ↓ indicates that the 2019 score is significantly lower. If there is no statistically significant difference, you will see 'Not significant'. When there is no comparable data from the past survey year, you will see 'N/A'.						
Theme	2018 score	2018 respondents	2019 score	2019 respondents	Statistically significant change?	
Equality, diversity & inclusion	8.6	3158	8.5	3711	Not significant	
Health & wellbeing	5.6	3174	5.6	3765	Not significant	
Immediate managers	6.8	3183	6.8	3775	Not significant	
Morale	5.9	3126	5.9	3720	Not significant	
Quality of appraisals	6.1	2625	6.1	3000	Not significant	
Quality of care	7.6	2861	7.6	3435	Not significant	
Safe environment - Bullying & harassment	7.5	3156	7.4	3729	Not significant	
Safe environment - Violence	9.5	3146	9.4	3719	↓	
Safety culture	6.6	3153	6.6	3735	Not significant	
Staff engagement	7.1	3214	7.0	3792	Not significant	
Team working	6.5	3168	6.5	3728	Not significant	

* Statistical significance is tested using a two-tailed t-test with a 95% level of confidence.

Areas for improvement

The key areas of focus to improve the staff experience continue to be:

- bullying and harassment
- health and wellbeing (including flexible working)
- equality, diversity and inclusion
- staff environment – violence
- teamworking and morale.

The infographic below provides a summary of the 2019 staff results and our next steps:



Action is already been carried out in these areas and will continue to be developed, including:

- The launch of a mental health first aiders hub to provide confidential telephone and face-to-face support for staff
- Achieving accreditation from Timewise for the trust's commitment and agreed actions to improve flexible working
- Executive champions overseeing bullying and harassment cases
- Increased number of 'speaking up' champions across all sites
- Ongoing 'no by-standers' anti-bullying campaign
- Anti-bullying and harassment videos to raise awareness
- 'Diverse panels' for interviews challenging bias and discrimination and new process to review decisions and ensure feedback is provided to unsuccessful BAME applicants

- A new network for disabled employees ‘ability at the free’
- Increased leadership and management training and development capacity
- Increased number of health and wellbeing events across the trust.

2.4.7 Equality, diversity and human rights

The trust board and its senior management are committed to the equality, diversity and inclusion agenda. Our governance structure for equality is robust with clear ownership, regular feedback on measurement of outcomes and accountability at senior, operational and staff network levels. Our [annual equality report](#) sets out our work in this area and was published in January 2020.

The trust’s two key workforce equality objectives are:

- a representative and supported workforce
- inclusive leadership representative of the communities we serve.

We are achieving **a representative and supported workforce** by:

- applying fair recruitment and selection processes
- ensuring equal pay for work of equal value through job evaluation of roles in the trust
- providing training and development opportunities for all staff, monitoring take up and reviewing staff evaluation of the training
- making sure staff are free from abuse, harassment, bullying and violence from any source while at work
- providing flexible working options for all staff consistent with the needs of services
- raising awareness of ‘unconscious bias’ among managers and staff
- enabling staff to report positive experiences of their membership of the workforce
- monitoring equality and taking steps to address the inequalities we identify.
- making adjustments to support people with disabilities.

We are achieving **inclusive leadership** by:

- increasing the diversity of our board
- appointing board champions for diversity (for disability, women, LGBT+ and BAME groups)
- changing recruitment practice for senior roles to encourage greater BAME representation at this level
- responding to staff feedback to improve their experience
- boards and senior leaders routinely demonstrating their commitment to promoting equality within and beyond the organisation
- papers that come before the board and other major committees identifying equality-related impacts including risks, and saying how these risks are to be managed
- line managers supporting their staff to work in culturally competent ways within a work environment free from discrimination.

Our key achievements over the past 12 months have been:

- Creating a more diverse and representative board by recruiting three BAME (Black, Asian and Minority Ethnic) directors (two non-executive and one executive). There are now 85% white and 15% BAME voting directors.
- A workforce which remains broadly representative of the local population it serves, although the overall representation of BAME staff at senior levels is below that which would be expected.
- An acceleration of the recruitment of senior BAME staff numbers in bands 8a, 8b and 8c, in line with the NHS Improvement (NHSI) 10-year Workforce Race Equality Standards (WRES). This has been achieved via the board's support by ensuring that recruiting managers are held accountable through:
 - management training in recruitment and selection
 - mandatory diverse interview panels
 - provision of qualitative feedback to all candidates.
- A decrease in the overall ratio of BAME staff going forward into formal disciplinary hearings from 2.21 in 2015 to 1.58 in 2019.
- A disability awareness session in collaboration with Barts Health NHS Trust and NHS Employers to mark NHS Equality, Diversity and Human Rights Week in May 2019.

Recruitment

We met our target to have trained enough members of staff in diverse recruitment and have achieved an improvement in the number of panels featuring a BAME member of staff. Additionally, where a shortlisted BME candidate is not selected a clear explanation has to be provided by the recruiting manager to support that candidate's future development for such roles.

Gender pay gap

The trust is committed to addressing the gender pay gap in its workforce, which is driven by a number of factors including the predominance of female staff in the nursing and support staff professional group, the consultant workforce (through the impact of seniority and bonus payments) and the under-representation of women in very senior roles.

This year's report shows that the mean gender pay gap has reduced from 17.68% in 2017 to 15.74% in 2019, while the median has dropped from 13.32% in 2017 to 10.51% in 2019, showing a slow but steady improvement.

The following table shows our gender pay gap comparative data from 2017-2019:

Gender pay gap year-on-year comparison

All Staff	Mean		Median		Gender Pay Gap %	
	Female	Male	Female	Male	Mean	Median
2017	£19.44	£23.61	£17.60	£20.31	17.68%	13.32%
2018	£20.14	£23.97	£18.31	£20.64	15.98%	11.28%
2019	£20.65	£24.51	£18.90	£21.31	15.74%	10.51%

Further information on the gender pay gap can be found via the Cabinet Office [here](#) or on the trust website [here](#).

2.4.8 Employee relations

Partnership working with trade unions is well embedded in the trust. The joint negotiating and consultative committee is the forum for discussion with trade unions and is supported by a policy forum and other working groups. Positive relationships have been built and the trust has invested time for trade union representatives to undertake their work.

We currently have 17 policies in date and 18 that were due to be reviewed, but work had to be paused due to COVID-19. Both workforce teams and staff will be making this work a priority in due course. Any amendments of terms and conditions have been agreed informally and are being met.

Policies in date include:

- Apprenticeships policy
- Maternity, adoption, paternity and parental leave policy
- Performance and capability management policy and procedure
- Probationary policy and procedure
- Professional registration policy
- Speaking up policy
- Special leave policy and procedure
- Staff wellbeing and managing stress policy
- Annual leave policy
- Dress code and uniform policy
- Grievance policy and procedure
- Managing organisational change policy and procedure
- On call and irregular working policy
- Medical appraisal policy and procedure
- Appraisal and pay progression policy
- Equality, diversity and inclusion policy
- Temporary workers policy and procedure.

Policies to be reviewed after COVID-19 are:

- Alcohol and drug policy
- Conflicts of interest policy
- Disclosure and barring service policy
- Induction policy

- Mandatory training policy
- Employment checks policy
- Recruitment and selection policy
- Latex policy
- Sharps policy
- Trade union recognition and partnership agreement
- Appeals policy and procedure
- Flexible working policy and procedure
- Protection of pay and conditions policy and procedure
- Staff e-roster policy
- Study leave and funding policy (for non-medical staff)
- Bullying and harassment policy
- Disciplinary policy and procedure
- Managing attendance and sickness absence policy and procedure.

Trade union facility time

Number of union officials	
Number of employees who were relevant union officials during the year: 43	Number of full-time equivalent employees: 1.94
Percentage of time spent on facility time	
Percentage of time:	Number of employees:
0%	36
1-50%	6
51-99%	1
100%	0
Percentage of pay bill spent on facility time	
Total cost of facility time	£90,893
Total pay bill (excluding subsidiaries)	£573,757,000
Percentage of pay bill spent on facility time	0.016%

Leadership

Strong and compassionate leadership is crucial to the success of our organisation. Our aim is to support all of our leaders to have the right development, at the right time in their career. We run various leadership skills programmes, have an online toolkit and provide access to coaching and mentoring to support this.

Our leadership and talent framework continues to provide:

- opportunities for every employee of the trust to develop their leadership skills
- an alignment to programme content with NHS healthcare leadership models and the codes of conduct of the main professional regulatory bodies

- a forum for delegates to address real work problems during the programmes.
- networks across the organisation with a shared purpose of delivering high quality, world class, patient care.

During the last year we started a top leadership team development and cultural change programme to broaden and deepen leadership capability, enable greater collaboration and work on real-time strategic challenges. In a first for the NHS, we also became a training provider for level 3 (team leader) leadership apprenticeships, with 13 people currently registered on the programme.

Staff also participated in the following programmes that were arranged by the organisational development and leadership team:

- 560 employees attended a range of one-day or one half-day essential leadership modules covering numerous leadership topics
- 144 staff participated in our 'Step up to Lead' programme
- 14 people attended our 'Leading without formal Authority' programme
- 72 first-line leaders participated in our 'Licence to Lead' programme
- 42 senior managers participated in our 'Leading Leaders' programme
- 28 senior managers and executives from the Royal Free London and RFL Charity participated in the 'Clear Leadership' programme
- 22 executives and senior managers trained as performance coaches
- 30 BAME staff trained as mentors.

Health and wellbeing

Our health and wellbeing centre provides quality assured and evidence-based occupational health services to promote staff wellbeing.

The centre worked with nursing staff and our 'flu fighter' peer vaccinators to ensure the annual flu programme achieved **58.33%** of vaccinations by the end of February 2020.

We also operate an occupational health psychology service, which offers assessment and intervention, such as cognitive behavioural therapy to help address a wide range of stress disorders and help staff return back to work from illness. To support this work, we have implemented a harmonised staff wellbeing and managing stress policy with a series of workshops held for managers and staff.

Our occupational health physiotherapy service treats a wide variety of musculoskeletal disorders including muscle, nerve, joint and ligament complaints from staff. This service provides physiotherapy assessment and supports staff returning to work.

All staff have access to an employee assistance programme, available every day of the year, to support their emotional and wellbeing needs. In addition, staff family members have access to the telephone counsellors for assistance with immediate issues. Further support is available for staff on financial and other consumer benefits.

Two staff health and wellbeing days were held in May and October 2019 across the trust's sites with more than 1,200 staff in attendance. Health professionals, internal departments and external companies provided information stands and activities including back and

shoulder massages, blood pressure, BMI and physiotherapy checks, advice and support on weight management and staff discounts from retail companies.

The trust has begun work with the newly revised Healthy London Workplaces Charter standards, aiming to make workplaces healthier and happier, with a plan to be assessed in 2021.

Workplace nurseries

In February 2019, Royal Free Hospital nursery at Pond Street, Hampstead, was inspected by Ofsted and found to be inadequate. A re-inspection in January 2020, however, rated it 'good'. All four of our nurseries, two at the Royal Free Hospital and one each at Barnet Hospital and Chase Farm Hospital, are currently all rated 'good' by Ofsted. These Ofsted-registered centres provide safe and secure environments where children aged six months to five years can thrive and enjoy learning through play. They accept children from trust employees and other NHS staff.

2.4.8 Application of the Modern Slavery Act

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

The Department of Health and Home Office have established that NHS bodies are not considered to be carrying on a business where they are engaged in publicly funded activities and that it was not intended that such activities should be within the scope of the Act. Income earned by NHS providers like the trust from government sources, including clinical commissioning groups and local authorities, is considered to be publicly funded for this purpose so the trust does not meet the threshold for having to provide a statement. Nevertheless, the trust undertakes its procurement from suppliers in line with NHS standards and includes standard NHS terms. In relation to its own activities the trust has employment, identity and employee welfare arrangements in place to combat any exploitation of people.

2.5 Single oversight framework

NHS Improvement's Single Oversight Framework is concerned with overseeing providers and identifying potential support needs. It looks at five themes:

- quality of care
- finance and use of resources
- operational performance
- strategic change
- leadership and improvement capability (well-led)

Trusts are then rated from one to four, with four being those who need the most support. A foundation trust will only be scored three or four where it has been found to be in breach or suspected breach of its licence.

Finance and use of resources

Finance and use of resources are rated across five measures, also from one to four, where one reflects the strongest performance. These scores are then weighted to give an overall score. Given that finance and use of resources is only one of the five themes feeding into the Single Oversight Framework, the rating of the trust above might not be the same as the overall finance score here.

Area	Metric	2018/19				2019/20			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Financial sustainability	Capital service cover rating	4	4	4	4	4	4	4	4
Financial sustainability	Liquidity rating	4	4	4	4	4	4	4	4
Financial efficiency	I&E margin rating	4	4	4	4	4	4	4	4
Financial controls	I&E margin: distance from financial plan	2	2	2	1	1	1	1	1
Financial controls	Updated agency rating	2	2	2	2	2	2	2	1
Overall score		3	3	3	3	3	3	3	3

In 2018/19 we were notified by NHS Improvement (NHSI) that it believed we were in breach of our licence, in relation to corporate governance arrangements and financial management. In response, the trust commissioned external reviews and support in developing a financial strategy to move to an underlying break-even position and to review governance arrangements. Progress has been made in implementing the recommendations of these reports and we have invited the external reviewers back to report on this. The trust has achieved its financial plan for the year and has made progress in improving the underlying deficit. The trust board has therefore agreed to the financial control total set by NHSI for 2020/21.

As required, we continue to have regard to our non-financial obligations, work with the appointed senior financial advisor and abide by NHSI financial controls.

Statement of the chief executive's responsibilities as the accounting officer of Royal Free London NHS Foundation Trust

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

NHS Improvement, in exercise of the powers conferred on Monitor by the NHS Act 2006, has given accounts directions which require the Royal Free London NHS Foundation Trust to prepare for each financial year a statement of accounts in the form and on the basis required by those directions. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Royal Free London NHS Foundation Trust and of its income and expenditure, other items of comprehensive income and cash flows for the financial year.

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

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

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

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

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



Caroline Clarke
Chief Executive

24 June 2020

2.6 Annual governance statement 2019/20

Scope of responsibility

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of the Royal Free London NHS Foundation Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place for the Royal Free London NHS Foundation Trust for the year ended 31 March 2020 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

As group chief executive I have overall responsibility for risk management within the trust and that there is a group risk management policy. Day to day management of risks is undertaken by operational management, who ensure risk assessments are undertaken proactively and remedial actions are undertaken when problems are identified. The group executive committee (GEC) has the responsibility to ensure adequate structures, processes and actions are in place to manage risk. GEC ensures that identifying and risk, reporting risk and managing mitigations are seen as core to all staff. Regular training on risk management is given.

The risk and control framework

The risk management policy and supporting procedures set out the key responsibilities for managing risk in the organisation. Risks are scored using the NHS five by five matrix which balances likelihood of occurrence against the consequences of the risk happening. Risk management is regularly considered by the board and group executive committee (GEC).

The Board Assurance Framework (BAF), which records the risks to the achievement of the trust strategy, is owned by the group board, and reviewed regularly by the board and the GEC. Each BAF risk is owned by a board sub-committee and by a lead executive and reported to the appropriate committee. Any member of staff can identify and record a risk using the Datix patient safety software database. Each hospital site has a risk register. Triangulation of risk registers and the BAF is undertaken by the GEC by reviewing site and corporate high scoring risks. The risk management policy and processes are regularly

reviewed by the audit committee to ensure they work effectively, are universally implemented and fit for purpose.

The trust is registered and licensed by the Care Quality Commission (CQC). The trust's CQC quarterly self-assessments assurance process determines if the trust is meeting CQC fundamental standards across all sites. Our services were inspected by the CQC in December 2018 and a well-led review was carried out in January 2019. The result of these reviews was a rating of 'requires improvement'. The trust is actively implementing the action plan that resulted from the inspection.

The trust is fully compliant with the registration requirements of CQC. It has published on its website an up-to-date register of interests, including gifts and hospitality, for decision-making staff (as defined by the trust with reference to the guidance) within the past 12 months as required by the Managing Conflicts of Interest in the NHS guidance.

The trust runs the Royal Free Hospital Staff Day Nursery, which received a rating of 'inadequate' by Ofsted in July 2019 following its inspection. However after its reinspection in January 2020, the nursery was given a rating of 'good'.

Data security risks

The trust is part of the CareCERT process administered by NHS Digital which aims to support NHS organisations manage cyber security risk effectively. Notifications of high priority from NHS Digital are actioned within 24 hours. In 2019/20 we dealt with eight alerts.

As part of the new data security protection toolkit, we have achieved 39 out of 40 compliance standards. We undertake annual network penetration testing and cyber defence technology, Darktrace and ArcSight, have been implemented. In addition, north central London chief information officers are working collaboratively to procure a security operations centre.

A cyber security plan has been presented to the audit committee and an audit of cyber security at the trust was undertaken by NHS Digital in November 2019, of which all critical and high rated remedial actions have been completed.

Much work has been done to ensure reliable and sustainable data quality. A data quality portal and dashboard are now in place and a strategy has been agreed. Improvements to the quality of performance information have been made during the year and are assessed regularly for their effectiveness.

Clinical teams are preparing a group clinical strategy to be introduced early in 2020/21. Monitoring the effect of patient safety improvements is a key component of this with serious incident investigation processes embedded within weekly executive safety huddles. A clinical quality review group has also been established.

Risk management embedded in the organisation

To reflect the group structure, each hospital site executive regularly monitors risk and performance and has site-based quality and safety boards and, where necessary, ask for actions plans to mitigate risk or deteriorating performance.

The trust engages with the overview and scrutiny committees in north central London and the group chief executive regularly meets with local council chief executives and healthwatch representatives.

Local members' councils (LMCs) have been established for each hospital site to engage with local communities and are chaired by non-executive directors. LMCs are attended by hospital chief executives, medical directors and chief operating officers; the membership is open to all governors but appointed governors representing the council or commissioners of the area that the hospital serves sit on the relevant LMC and act as a conduit with the relevant council or clinical commissioning group.

Summary of the major organisational risks

The key risks to the delivery of the trust's objectives are recorded in detail in the board assurance framework and monitored regularly by the board. In 2019/20 the key risks with potential impact on achieving the strategic objectives were:

- deterioration in overall mortality rates
- lack of organisational capacity to embed quality improvement initiatives into the mainstream of trust work
- insufficient income generated from commercial ventures
- failure to integrate or modernise IT systems
- increasing cyber-attacks on operational systems
- failure to meet the A&E target causing quality or reputational problems
- lack of a robust or sustainable referral to treatment patient tracking list
- cancer 62-day backlogs causing delays in treatment potentially resulting in reputational damage to the trust
- trust relying on high levels of agency staff
- consequences of the UK leaving the EU, particularly without a deal
- failure to achieve financial stability and deliver the 2019/20 financial improvement plan.

The trust established controls or implemented action to manage these risks, summarised below:

- **consequences of the UK leaving the EU; particularly without a deal**
Engagement with NHS England EU exit team, exiting EU preparedness working group established, full assessment of risks associated with EU exit and completed review of continuity planning.
- **deterioration in overall mortality rates**
A learning from deaths policy has been approved, there is a quarterly learning from deaths report presented to the board, a mortality surveillance group reviews serious incidents and disseminates learning and all serious incidents are reviewed by the clinical innovations and standards committee.
- **lack of organisational capacity to embed quality improvement (QI) initiatives into the mainstream of trust work**
Board level focus on and ownership of QI objectives, QI support faculty established, development of local learning systems on QI activity, regular reports to GEC and the board and QI approach embedded in trust quality account priorities.

- **insufficient income generated from commercial ventures**
Development of commercial strategy, continued discussions with partners and potential partners, business case development, oversight by group services and investment committee and monthly reporting on income and expenditure.
- **failure to integrate or modernise IT systems**
IT systems data quality strategy produced and a data quality portal is being introduced following the successful implementation of the electronic patient record at all three hospitals.
- **increasing cyber attacks on operational systems**
Annual network penetration testing, central funding secured for cyber security, procurement and implementation of Darktrace and ArcSight cyber security solutions, information governance incidence and compliance regularly monitored and reviewed by the information governance committee and cyber security plan reviewed by the audit committee.
- **failure to meet the A&E target causing quality or reputational problems**
Emergency care transformation programme and agreed action plans in place supported by the Emergency Care Intensive Support Team (ECIST) and regular monitoring of performance both by the group executive committee and hospital local executive committees.
- **lack of a robust or sustainable referral to treatment patient tracking list**
Referral to treatment steering group oversees performance and recovery with advice from ECIST, NHS Improvement and commissioners, harm reviews underway and regular reporting to the board.
- **cancer 62-day backlogs causing delays in treatment potentially resulting in reputational damage to the trust**
Review of tumour site pathways being carried out, pathway redesign being implemented, regular clinical overview of all patient tracking lists, weekly GEC report and monthly report to the board.
- **trust relying on high levels of agency staff**
Weekly agency review process and senior level sign off, weekly reports to sites and GEC and monthly reporting to the board.
- **consequences of the UK leaving the EU; particularly without a deal**
Engagement with NHS England EU exit team, exiting EU preparedness working group established, full assessment of risks associated with EU exit and completed review of continuity planning.

Major risks 2020/21

As with all NHS organisations, the Royal Free London faces the impact of managing the COVID-19 pandemic. Our hospitals have had to re-engineer what services are delivered at each site; elective work has been on hold and demand for testing, particularly for cancer services has significantly reduced. However, this is expected to rebound in 2020/21. We also face the continual challenge of balancing the need to deliver high quality care in the context of increasing demand and acuity, while increasing productivity. The trust recognises the strategic and transformational challenges needed to deliver across the health economies. The principal strategic risks for 2020/21 are:

- failure to build on enforced service transformation change accelerated by COVID-19 pandemic
- cancer 62-day backlog caused by delays to treatment and patients not coming forward during pandemic
- loss of income from delayed elective procedures
- major service transformation across both north central London and the whole of the capital.

Workforce safeguards

In accordance with ‘Managing Conflicts of Interest in the NHS’ guidance, decision-making staff are required to declare their interests. During 2019/20 declarations of interest were transferred to a new online system which has improved the speed of registration and accessibility of interests known.

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

Control measures are in place to ensure that our obligations under equality, diversity and human rights legislation are complied with.

Sustainability

The trust has undertaken risk assessments and has a sustainable development plan in place which takes account of UK Climate Projections 2018 (UKCP18) and that we comply with the Climate Change Act and the Adaptation Reporting requirements. The trust is actively working with our North London partners to develop an effective carbon reduction programme focusing on areas such as energy efficiency, waste reduction and reducing unnecessary journeys.

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

The trust has a range of processes to ensure resources are used economically, efficiently and effectively. This includes clear and effective management and supervision arrangements for staff and the presentation of monthly finance and performance reports to the local and group executive committees, the trust board and associated sub-committees.

A risk-based annual audit programme, agreed with the audit committee and delivered by the internal auditors is in place. This audit programme evaluates our effectiveness in operating in an efficient and effective manner. Our external auditors are required as part of their annual audit to satisfy themselves that the trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and report by exception if in their opinion the trust has not.

The trust had a reference cost index (RCI) of 96 which supports our view that we are delivering services on an efficient basis. The RCI return is submitted to NHS Improvement (NHSI).

The trust delivered Financial Improvement Programme (FIP) cost savings of £42.3m in 2019/20 which equated to 3.7% of operating expenses.

Our financial position remained challenging in 2019/20. The trust reported a deficit of £32.5m in line with plan and the control total set by NHS Improvement. We have worked closely with NHS Improvement in 2019/20 following its enforcement notice that was issued in April 2019. The deficit had a significant impact on our cash position, and we continue to rely on the Department of Health and Social Care (DHSC) for working capital and liquidity. The trust continued to utilise working capital loans from DHSC and held borrowings of £211.9m as at 31 March 2020. This included £83m working capital loans and £59m revolving facilities. The trust also has £20.5m of longer-term capital loans. On 2 April 2020, DHSC, NHS England and NHS Improvement announced reforms to the NHS cash regime for the 2020/21 financial year. During 2020/21 existing DHSC interim revenue and capital loans as at 31 March 2020 will be extinguished and replaced with the issue of Public Dividend Capital (PDC). This will effect loans totalling £145.8m for the trust.

From a cash perspective, we are confident that the trust will continue to be able to access DHSC funds as we progress our strategic financial plan and deliver clinical services for the foreseeable future. For this reason, the trust continues to adopt the going concern basis in preparing the accounts.

Information governance

Information governance provides the framework for handling information in a secure and confidential manner. Covering the collection, storage and sharing of information, it provides assurance that personal and sensitive data is managed legally, securely, efficiently and effectively in order to deliver the best possible care and service.

The deputy chief information officer chairs the information governance group, the principal body overseeing the management of information risks. This group reports into the group executive committee via the digital transformation board and oversees the submission of the trust's annual data security and protection toolkit.

The trust's control and assurance processes for information governance include:

- a trained Caldicott Guardian, a trained senior information risk owner and a trained data protection officer
- a risk management and incident reporting process
- staff data protection training
- data protection, information security, records management and confidentiality policies
- information governance risk register
- self-assessment data security and protection toolkit
- audit review of data security and protection toolkit (partial assurance with improvements required).

Public bodies are required to publish details of personal data-related incidents in their annual reports. In 2019/20 there were five serious information governance incidents which were investigated and reported to the Information Commissioner's Office (ICO).

Date of incident	Nature of incident	Nature of data involved	Number of data subjects potentially affected	Notification steps	Information Commissioner's Office investigation outcome
April 2019	Discharge letters sent to the incorrect patient	Paper, personal confidential data	4	Information Commissioner's Office (ICO) Affected patients notified	Investigated, no further action taken Recommendations made
September 2019	Patient email addresses disclosed in error due to blind copy function (Bcc) not used	Electronic, personal confidential data	46	ICO Affected patients notified	Investigated, no further action taken Recommendations made
October 2019	Missing clinical register	Paper, personal confidential data	N/A	ICO Document later recovered	Investigated, no further action taken Recommendations made
January 2020	Letter sent to GP without patient consent	Paper, personal confidential data	1	ICO Affected patient notified	Investigated, no further action taken Recommendations made
February 2020	Staff data sent in error to contracted third party	Electronic, personal confidential data	683	ICO Affected staff notified	Investigated, no further action taken Recommendations made

Review of effectiveness

As accounting officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, clinical audit and the executive managers and clinical leads within the NHS foundation trust who have responsibility for the development and maintenance of the internal control framework. I have drawn on performance information available to me.

My review is also informed by the external auditor's audit report 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, the clinical standards and innovation committee, and a plan to address weaknesses and ensure continuous improvement of the system in place.

There has been a strong focus during 2019/20 on ensuring clarity on management oversight and decision making, with a revised scheme of delegation put in place. An internal audit of governance was completed which has resulted in an accountability framework being introduced in June 2020 (delayed due to COVID-19).

The audit committee has met six times during 2019/20. Seven internal audit reports have been considered by the committee and their assurance ratings are shown below:

Report	Assurance rating
Staff conduct - reviewed the processes the trust has in place to investigate staff misconduct, including bullying, harassment and disciplinary cases.	Significant assurance with minor improvement opportunities (amber-green).
Hadley Wood - reviewed the policies and processes in place at the trust's Hadley Wood private patient unit.	Significant assurance with minor improvement opportunities (amber-green).
Staff expenses - reviewed the effectiveness of the controls in place around the new electronic staff expenses system.	Significant assurance with minor improvement opportunities (amber-green).
Financial controls – reviewed financial controls, focusing on the five key areas of payroll, accounts payable, accounts receivable, general ledger and fixed assets.	Significant assurance with minor improvement opportunities (amber – green)
Gifts and hospitality - a review of the gifts, hospitality and conflicts of interest processes and controls.	Partial assurance with improvements required (amber-red). Rating is driven by weaknesses in the processes the trust has in place to ensure compliance with its well-designed policy.
Subsidiary governance – reviewed governance arrangements at the trust's three subsidiaries: RFL Property Services Ltd, RFL Dispensary Services Ltd and RFL Decontamination Services Ltd. We analysed the governance and reporting arrangements both within each of the subsidiaries, and then upwards through the group services and investment committee to the trust board.	Significant assurance with minor improvement opportunities (amber-green).
Data protection and security toolkit - assessed the overall design and operation of the sampled data security and protection toolkit controls.	Partial assurance with improvements required (amber-red).

Stock management – review of stock management processes and controls, focusing on two material stock balances for the group; pharmacy and theatre.	Partial assurance with improvements required (amber-red). This rating is driven by the current controls around stock counts, which, as designed, are not adequate to provide assurance to the trust regarding the completeness, existence and accuracy of the stock balance throughout the financial year. Internal audit identified areas for improvement regarding both pharmacy and theatre stock.
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Conclusion

Our financial position remained challenging in 2019/20. From a cash perspective, we are confident that the trust will continue to be able to access Department of Health and Social Care funds as we progress our strategic financial plan and deliver clinical services for the foreseeable future. For this reason, the trust continues to adopt the going concern basis in preparing the accounts.

The trust has received a Head of Internal Audit opinion of 'significant assurance with minor improvements required'. It has identified its major risks and is committed to continuous improvement of its governance arrangements to ensure that risks are correctly identified and managed, and that serious incidents and non-compliance with regulatory requirements are escalated and subject to prompt and effective remedial action, so that patients, service users, staff and stakeholders at the Royal Free London can be confident in the quality of services we deliver.

My review confirms that the Royal Free London NHS Foundation Trust has sound systems of internal control with no significant internal control issues identified in this report.



Caroline Clarke
Chief Executive

24 June 2020

4 Annual accounts

Foreword to the accounts

Royal Free London NHS Foundation Trust

These accounts, for the year ended 31 March 2020, have been prepared by Royal Free London NHS Foundation Trust in accordance with paragraphs 24 & 25 of Schedule 7 within the National Health Service Act 2006.

A handwritten signature in black ink, appearing to read "Caroline Clarke".

Caroline Clarke
Chief Executive
24 June 2020

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Statement of Comprehensive Income for the Year Ended 31 March 2020

		Group		Trust	
	Note	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
Operating income from patient care activities	3	1,015,898	929,367	1,015,898	929,367
Other operating income	3	118,503	111,930	118,884	111,549
Operating expenses	4	(1,150,906)	(1,102,613)	(1,150,875)	(1,102,857)
Operating deficit from continuing operations		(16,505)	(61,316)	(16,093)	(61,941)
Finance income	9	756	440	6,367	5,206
Finance expenses	10	(9,586)	(8,322)	(15,393)	(12,617)
PDC dividends payable		(9,571)	(11,700)	(9,571)	(11,700)
Net finance costs		(18,401)	(19,582)	(18,597)	(19,111)
Other gains	11	1,050	6	1,050	6
Share of profit of associates / joint arrangements	15	1,386	67	1,386	67
Corporation tax expense		(5)	(27)	-	-
Deficit for the year		(32,475)	(80,852)	(32,254)	(80,979)
Other comprehensive income					
Will not be reclassified to income and expenditure:					
Impairments	5	(2,416)	(8,277)	(2,416)	(8,277)
Revaluations	13	46,057	16,248	46,057	16,248
Other reserve movements		486	-	486	-
Total comprehensive income / (expense) for the year		11,652	(72,881)	11,873	(73,008)

The notes on pages 137 to 187 form part of these accounts.

Statement of Financial Position as at 31 March 2020

		Group		Trust	
	Note	31 March 2020	31 March 2019	31 March 2020	31 March 2019
		£000	£000	£000	£000
Non-current assets					
Intangible assets	12	14,727	20,508	14,727	20,508
Property, plant and equipment	13	692,384	608,628	692,108	608,628
Investment property	14	750	-	750	-
Investments in associates and joint ventures	15	19,150	17,764	19,150	17,764
Investments - Subsidiaries	16	-	-	50	50
Receivables	18	606	2,512	128,639	124,250
Total non-current assets		727,617	649,412	855,424	771,200
Current assets					
Inventories	17	14,829	11,002	12,852	11,002
Receivables	18	130,408	121,461	136,699	121,785
Cash and cash equivalents	19	24,564	35,929	23,721	33,900
Total current assets		169,801	168,392	173,272	166,687
Current liabilities					
Trade and other payables	20	(233,433)	(181,554)	(231,008)	(182,222)
Borrowings	22	(151,188)	(4,154)	(152,183)	(4,154)
Provisions	24	(10,103)	(8,421)	(10,103)	(8,421)
Other liabilities	21	(13,592)	(15,107)	(13,592)	(15,107)
Total current liabilities		(408,316)	(209,236)	(406,886)	(209,904)
Total assets less current liabilities		489,102	608,568	621,811	727,983
Non-current liabilities					
Trade and other payables	20	(425)	(425)	(425)	(425)
Borrowings	22	(60,731)	(203,579)	(193,344)	(323,121)
Provisions	24	(4,666)	(4,984)	(4,666)	(4,984)
Other liabilities	21	(3,269)	(3,436)	(3,269)	(3,436)
Total non-current liabilities		(69,091)	(212,424)	(201,704)	(331,966)
Total assets employed		420,011	396,144	420,107	396,017
Financed by					
Public dividend capital		509,127	496,911	509,127	496,911
Revaluation reserve		204,415	160,289	204,415	160,289
Income and expenditure reserve		(293,531)	(261,056)	(293,435)	(261,183)
Total taxpayers' equity		420,011	396,144	420,107	396,017

The notes on pages 137 to 187 form part of these accounts.



Caroline Clarke
Chief Executive
24 June 2020

Statement of Changes in Equity for the Year Ended 31 March 2020

Changes in taxpayers' equity 2019/20

	Group			
	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
Taxpayers' and others' equity at 1 April 2019	496,911	160,289	(261,056)	396,144
Deficit for the year	-	-	(32,475)	(32,475)
Impairments	-	(2,416)	-	(2,416)
Revaluations	-	46,056	-	46,056
Public dividend capital received	12,216	-	-	12,216
Other reserve movements	-	486	-	486
Taxpayers' and others' equity at 31 March 2020	509,127	204,415	(293,531)	420,011

Changes in taxpayers' equity 2018/19

	Group			
	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
Taxpayers' and others' equity at 1 April 2018	495,991	152,362	(180,248)	468,105
Deficit for the year	-	-	(80,852)	(80,852)
Impairments	-	(8,277)	-	(8,277)
Revaluations	-	16,248	-	16,248
Transfer to retained earnings on disposal of assets	-	(44)	44	-
Public dividend capital received	2,323	-	-	2,323
Public dividend capital repaid	(1,403)	-	-	(1,403)
Taxpayers' and others' equity at 31 March 2019	496,911	160,289	(261,056)	396,144

The notes on pages 137 to 187 form part of these accounts.

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

Changes in taxpayers' equity 2019/20

	Trust			
	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
Taxpayers' and others' equity at 1 April 2019	496,911	160,289	(261,181)	396,019
Deficit for the year			(32,254)	(32,254)
Impairments	-	(2,416)	-	(2,416)
Revaluations	-	46,056	-	46,056
Public dividend capital received	12,216	-	-	12,216
Other reserve movements	-	486	-	486
Taxpayers' and others' equity at 31 March 2020	509,127	204,415	(293,435)	420,107

Changes in taxpayers' equity 2018/19

	Trust			
	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
Taxpayers' and others' equity at 1 April 2018	495,991	152,362	(180,248)	468,105
Deficit for the year	-	-	(80,977)	(80,977)
Impairments	-	(8,277)	-	(8,277)
Revaluations	-	16,248	-	16,248
Transfer to retained earnings on disposal of assets	-	(44)	44	-
Public dividend capital received	2,323	-	-	2,323
Public dividend capital repaid	(1,403)	-	-	(1,403)
Taxpayers' and others' equity at 31 March 2019	496,911	160,289	(261,181)	396,019

Notes:

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 (DHSC). A charge, reflecting the cost of capital utilised by the trust, is payable to the DHSC 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.

The notes on pages 137 to 187 form part of these accounts.

Statements of Cash Flows for the Year Ended 31 March 2020

		Group		Trust	
	Note	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
Cash flows from operating activities					
Operating deficit		(16,505)	(61,316)	(16,093)	(61,941)
Non-cash income and expense:					
Depreciation and amortisation	4	36,926	35,752	36,619	35,752
Net impairments	5	1,160	13,292	1,160	13,292
Income recognised in respect of capital donations		-	(151)	-	(151)
(Increase) / decrease in receivables and other assets		(10,417)	5,696	(14,761)	4,625
(Increase) in inventories		(3,827)	(1,536)	(1,850)	(1,536)
Increase in payables and other liabilities		27,287	25,153	22,639	22,300
Increase in provisions		<u>1,348</u>	<u>2,734</u>	<u>1,348</u>	<u>2,734</u>
Net cash flows from operating activities		<u><u>35,972</u></u>	<u><u>19,624</u></u>	<u><u>29,062</u></u>	<u><u>15,075</u></u>
Cash flows from investing activities					
Interest received	9	756	440	6,367	5,206
Purchase of intangible assets		-	(9,388)	-	(9,388)
Purchase of PPE and investment property		(43,873)	(52,751)	(43,592)	(52,751)
Sales of PPE and investment property		1,862	394	1,862	394
Receipt of cash donations to purchase assets		-	151	-	151
Net cash flows used in investing activities		<u><u>(41,255)</u></u>	<u><u>(61,154)</u></u>	<u><u>(35,363)</u></u>	<u><u>(56,388)</u></u>
Cash flows from financing activities					
Public dividend capital received		12,216	2,323	12,216	2,323
Public dividend capital repaid		-	(1,403)	-	(1,403)
Movement on loans from DHSC		1,722	51,422	1,722	51,422
Movement on other loans		-	-	-	(10,000)
Other capital receipts		-	3,182	2,204	10,936
Capital element of finance lease rental payments		(513)	(139)	(513)	(139)
Capital element of PFI and other service concession payments		(1,855)	(1,611)	(1,855)	(1,611)
Interest on loans		(5,120)	(3,267)	(5,120)	(3,267)
Interest paid on finance lease liabilities		(1,194)	(1,368)	(1,194)	(1,368)
Interest paid on PFI and other service concession obligations		(3,292)	(3,536)	(3,292)	(3,536)
PDC dividend paid		<u><u>(8,046)</u></u>	<u><u>(11,808)</u></u>	<u><u>(8,046)</u></u>	<u><u>(11,808)</u></u>
Net cash flows from / (used in) financing activities		<u><u>(6,082)</u></u>	<u><u>33,795</u></u>	<u><u>(3,878)</u></u>	<u><u>31,549</u></u>
(Decrease) in cash and cash equivalents		<u><u>(11,365)</u></u>	<u><u>(7,736)</u></u>	<u><u>(10,179)</u></u>	<u><u>(9,764)</u></u>
Cash and cash equivalents at 1 April 2019		<u><u>35,929</u></u>	<u><u>43,664</u></u>	<u><u>33,900</u></u>	<u><u>43,664</u></u>
Cash and cash equivalents at 31 March 2020	19	<u><u>24,564</u></u>	<u><u>35,929</u></u>	<u><u>23,721</u></u>	<u><u>33,900</u></u>

The notes on pages 137 to 187 form part of these accounts.

Notes to the Accounts

Note 1 Accounting policies and other information

The accounting policies disclosed below are applicable to the group and trust, unless noted otherwise. Details of the accounting policies for the subsidiary company, following FRS 101, are noted in the relevant sections.

Note 1.1 Basis of preparation

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

Note 1.1.1 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.

Note 1.2 Going concern

The group has reported a deficit for the past three financial years (2019/20, 2018/19 and 2017/18) and is forecasting a deficit for 2020/21. The forecast deficit is based on a number of assumptions including the delivery of cost improvement programmes. The group has assumed it will receive financial support from the Department of Health and Social Care (DHSC) during the course of 2020/21 in order to meet its liabilities and continue to provide healthcare services. The extent and nature of the financial support from the DHSC, including whether such support will be forthcoming or sufficient, is currently uncertain, as are any terms and conditions associated with the funding.

The trust, in common with all other trusts in England, is also being supported to cover the additional costs related to the COVID-19 response. The financial regime in place is designed to support any additional reasonable costs and to be paid income equal to expenditure, and hence deliver a break-even position. Prior to this new regime the trust had been provided with financial targets for the next three years which, if met, would lead to Financial Recovery Fund payments equal to the target deficit in each year. There remains a risk that the trust would need additional borrowing if financial targets were missed however these targets are consistent with the financial recovery plan.

On 2 April 2020, the DHSC, NHS England and NHS Improvement announced reforms to the NHS cash regime for the 2020/21 financial year. During 2020/21 existing DHSC interim revenue and capital loans as at 31 March 2020 will be extinguished and replaced with the issue of Public Dividend Capital (PDC) to allow the repayment. The affected loans totalling £145.8m including principal and interest accrual £1.1m are classified as current liabilities within these financial statements. As the repayment of these loans will be funded through the issue of PDC, this does not present a going concern risk for the trust.

After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts. The expectation is informed by the anticipated continuation of the provision of service in the future, as evidenced by inclusion of financial provision for that service in published documents. Contracts for Service, being the NHS Standard Contract 2019/20 has been signed with the group's main commissioners. NHS commissioners and NHS trusts/NHS foundation trusts are not required to sign contracts between them for 2020/21 at this time. The nationally mandated terms of the NHS Standard Contract for 2020/21 will apply for these relationships from 1 April 2020. Commissioners and trusts must not vary from the national terms.

The trust's external auditors, in their auditors' report, have included a material uncertainty in relation to going concern.

Note 1.3 Consolidation

Subsidiaries

The group financial statements consolidate the financial statements of the trust and entities controlled by the trust (its subsidiaries) and incorporate its share of the results of wholly controlled entities and associates using the equity method of accounting. The financial statement of the subsidiaries is prepared for the same reporting year as the trust.

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

Where subsidiaries' accounting policies are not aligned with those of the trust (including where they report under UK FRS 101) then amounts are adjusted during consolidation where the differences are material. Inter-entity balances, transactions and gains/losses are eliminated in full on consolidation.

Subsidiaries which are classified as held for sale are measured at the lower of their carrying amount and 'fair value less costs to sell'.

See note 16 for details of investments in subsidiaries.

Associates

Associate entities are those over which the trust has the power to exercise a significant influence. Associate entities are recognised in the trust's financial statement using the equity method. The investment is initially recognised at cost. It is increased or decreased subsequently to reflect the trust's share of the entity's profit or loss or other gains and losses (eg revaluation gains on the entity's property, plant and equipment) following acquisition. It is also reduced when any distribution, eg, share dividends are received by the trust from the associate.

Associates which are classified as held for sale are measured at the lower of their carrying amount and 'fair value less costs to sell'.

Joint ventures

Joint ventures are arrangements in which the trust has joint control with one or more other parties, and where it has the rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method.

See note 15 for the trust's interests in associates and joint ventures.

Note 1.4 Revenue

Note 1.4.1 Revenue from contracts with customers

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

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

Revenue from NHS contracts

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

accrues income relating to activity delivered in that year, where a patient care spell is incomplete. This accrual is disclosed as a contract receivable as entitlement to payment for work completed is usually only dependent on the passage of time.

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

The impact of the readmissions credits are applied directly to the unit price charged to commissioners. The group applies the rules as per the national guidance. It is therefore within contract baselines, and within actuals each month, so does not require a year end adjustment. Readmissions are not considered additional performance obligations, rather are satisfied under the original transaction price.

The trust receives CQUIN monies from commissioners, based on schemes agreed within the respective commissioner contracts. They are considered separate performance obligations within their own right, and these obligations are detailed within the CQUIN schedules within each contract. Payment of CQUIN is based on achievement of performance against those specific measures.

Revenue from research contracts

Where research contracts fall under IFRS 15, revenue is recognised as and when performance obligations are satisfied. For some contracts, it is assessed that the revenue project constitutes one performance obligation over the course of the multi-year contract. In these cases, it is assessed that the 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. Revenue could be split evenly over years, as expenditure is incurred or as per the contract.

NHS injury cost recovery scheme

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

Provider sustainability fund (PSF) and Financial recovery fund (FRF)

The PSF and FRF enable providers to earn income linked to the achievement of financial controls and performance targets. Income earned from the funds is accounted for as variable consideration.

Note 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.

Note 1.5 Other forms of income

Grants and donations

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

Apprenticeship service income

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

Note 1.6 Expenditure on employee benefits

Short-term employee benefits

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

Pension costs

NHS Pension Scheme

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Both schemes are unfunded, defined benefit schemes that covers 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.

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

Note 1.7 Expenditure on other goods and services

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

Note 1.8 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively. The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Note 1.9 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised where:

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

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

Subsequent expenditure

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

Measurement

Valuation

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

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

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

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

For specialised assets, current value in existing use is interpreted as the present value of the asset's remaining service potential, which is assumed to be at least equal to the cost of replacing that service potential. Specialised assets are therefore valued at their depreciated replacement cost (DRC) on a modern equivalent asset (MEA) basis. An MEA basis assumes that the asset will be replaced with a modern asset of equivalent capacity and meeting the location requirements of the services being provided. Assets held at depreciated replacement cost have been valued on an alternative site basis where this would meet the location requirements.

Valuation guidance issued by the Royal Institute of Chartered Surveyors states that valuations are performed net of VAT where the VAT is recoverable by the entity. This basis has been applied to the trust's Private Finance Initiative (PFI) scheme where the construction is completed by a special purpose vehicle and the costs have recoverable VAT for the trust.

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

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

Depreciation

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

Property, plant and equipment which has been reclassified as 'held for sale' cease to be depreciated upon the reclassification. Assets in the course of construction and residual interests in off-Statement of Financial Position PFI contract assets are not depreciated until the asset is brought into use or reverts to the trust, respectively.

Revaluation gains and losses

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

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

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

Impairments

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

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

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

Derecognition

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

- 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.

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

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

Donated and grant funded assets

Donated and grant funded property, plant and equipment assets are capitalised at their fair value on receipt. The donation/grant is credited to income at the same time, unless the donor has imposed a condition that the future economic benefits embodied in the grant are

to be consumed in a manner specified by the donor, in which case, the donation/grant is deferred within liabilities and is carried forward to future financial years to the extent that the condition has not yet been met.

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

Private Finance Initiative (PFI) and Local Improvement Finance Trust (LIFT) transactions

PFI and LIFT transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's FReM, are accounted for as 'on-Statement of Financial Position' by the trust. In accordance with HM Treasury's FReM, the underlying assets are recognised as property, plant and equipment, together with an equivalent liability. Subsequently, the assets are accounted for as property, plant and equipment and/or intangible assets as appropriate.

The annual contract payments are apportioned between the repayment of the liability, a finance cost, the charges for services and lifecycle replacement of components of the asset. The element of the annual unitary payment increase due to cumulative indexation is treated as contingent rent and is expensed as incurred.

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

Useful lives of property, plant and equipment

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

	Min life Years	Max life Years
Buildings, excluding dwellings	18	60
Dwellings	18	60
Plant & machinery	3	7
Transport equipment	7	7
Information technology	3	5
Furniture & fittings	7	7

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

Note 1.10 Intangible assets

Recognition

Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of the trust's business or which arise from contractual or

other legal rights. They are recognised only where it is probable that future economic benefits will flow to, or service potential be provided to, the trust and where the cost of the asset can be measured reliably.

Internally generated intangible assets

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

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

Software

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

Measurement

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

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

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

Amortisation

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

Useful economic life of intangible assets

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

	Min life Years	Max life Years
Development expenditure	3	7
Software licences	3	7
Licences & trademarks	3	7

Note 1.11 Inventories

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

Note 1.12 Investment properties

Investment properties are measured at fair value. Changes in fair value are recognised as gains or losses in income/expenditure.

Only those assets which are held solely to generate a commercial return are considered to be investment properties. Where an asset is held, in part, for support service delivery objectives, then it is considered to be an item of property, plant and equipment. Properties occupied by employees, whether or not they pay rent at market rates, are not classified as investment properties.

Note 1.13 Cash and cash equivalents

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

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

Note 1.14 Financial assets and financial liabilities

Recognition

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

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

Classification and measurement

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

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

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

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

Financial assets and financial liabilities at amortised cost

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

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

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

Financial assets measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income where business model objectives are met by both collecting contractual cash flows and selling financial assets and where the cash flows are solely payments of principal and interest. Movements in the fair value of financial assets in this category are recognised as gains or losses in other comprehensive income except for impairment losses. On derecognition, cumulative gains and losses previously recognised in other comprehensive income are

reclassified from equity to income and expenditure, except where the trust elected to measure an equity instrument in this category on initial recognition.

Financial assets and financial liabilities at fair value through income and expenditure

Financial assets measured at fair value through profit or loss are those that are not otherwise measured at amortised cost or at fair value through other comprehensive income. This category also includes financial assets and liabilities acquired principally for the purpose of selling in the short term (held for trading) and derivatives. Derivatives which are embedded in other contracts, but which are separable from the host contract are measured within this category. Movements in the fair value of financial assets and liabilities in this category are recognised as gains or losses in the Statement of Comprehensive income.

Impairment of financial assets

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

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

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

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

Derecognition

Financial assets are derecognised 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 derecognised when the obligation is discharged, cancelled or expires.

Note 1.15 Leases

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

The trust as lessee

Finance leases

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

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

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

Operating leases

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

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

Leases of land and buildings

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

The trust as lessor

Finance leases

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

Operating leases

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

Note 1.16 Provisions

The trust recognises a provision where it has a present legal or constructive obligation of uncertain timing or amount; for which it is probable that there will be a future outflow of cash or other resources; and a reliable estimate can be made of the amount. The amount recognised in the Statement of Financial Position is the best estimate of the resources required to settle the obligation. Where the effect of the time value of money is significant,

the estimated risk-adjusted cash flows are discounted using the discount rates published and mandated by HM Treasury. The discount rate applied during 2019/20 is negative 0.5% (2018/19: 0.29%).

Clinical negligence costs

NHS Resolution operates a risk pooling scheme under which the trust pays an annual contribution to NHS Resolution, which, in return, settles all clinical negligence claims. Although NHS Resolution is administratively responsible for all clinical negligence cases, the legal liability remains with the trust. The total value of clinical negligence provisions carried by NHS Resolution on behalf of the trust is disclosed at note 24 but is not recognised in the trust's accounts.

Non-clinical risk pooling

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

Note 1.17 Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets.

Contingent liabilities are not recognised, but are disclosed in note 26, unless the probability of a transfer of economic benefits is remote.

Contingent liabilities are defined as:

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

Note 1.18 Public dividend capital

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

At any time, the Secretary of State can issue new PDC to, and require repayments of PDC from, the trust. PDC is recorded at the value received.

A charge, reflecting the cost of capital utilised by the trust, is payable as public dividend capital dividend. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on

the average relevant net assets of the trust during the financial year. Relevant net assets are calculated as the value of all assets less the value of all liabilities, except for:

- (i) donated assets (including lottery funded assets)
- (ii) average daily cash balances held with the Government Banking Services (GBS) and National Loans Fund (NLF) deposits, excluding cash balances held in GBS accounts that relate to a short-term working capital facility, and
- (iii) any PDC dividend balance receivable or payable.

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

Note 1.19 Value added tax

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

Note 1.20 Corporation tax

The tax expense for the period comprises current tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income. The current tax charge is calculated on the basis of the tax laws enacted in the UK at the date of the Statement of Financial Position where the company operates and generates taxable income. Management evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Note 1.21 Foreign exchange

The functional and presentational currency of the trust is sterling.

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

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

- monetary items are translated at the spot exchange rate on 31 March
- non-monetary assets and liabilities measured at historical cost are translated using the spot exchange rate at the date of the transaction and
- non-monetary assets and liabilities measured at fair value are translated using the spot exchange rate at the date the fair value was determined.

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

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

Note 1.22 Third party assets

Assets belonging to third parties in which the trust has no beneficial interest (such as money held on behalf of patients) are not recognised in the accounts. However, they are disclosed in note 19.1 to the accounts in accordance with the requirements of HM Treasury's FReM.

Note 1.23 Losses and special payments

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way that individual cases are handled. Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis, including losses which would have been made good through insurance cover had the trust not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). However, the losses and special payments note 30 is compiled directly from the losses and compensations register which reports on an accrual basis with the exception of provisions for future losses.

Note 1.24 Gifts

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

Note 1.25 Early adoption of standards, amendments and interpretations

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

Note 1.26 Standards, amendments and interpretations in issue but not yet effective or adopted

IFRS 16 Leases

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

the remeasurement of lease liabilities in specific circumstances after the commencement of the lease term. For lessors, the distinction between operating and finance leases will remain and the accounting will be largely unchanged.

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

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

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

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

IFRS 17 Insurance contracts

Application is required for accounting periods beginning on or after 1 January 2021, but not yet adopted by the FrM, early adoption is not therefore permitted.

IFRIC 23 Uncertainty over income tax treatments

This clarifies the accounting treatment when there is uncertainty about income tax treatments under IAS 12. This does not have a material impact for the trust.

Note 1.22 Critical judgements in applying accounting policies

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

Valuation of land and buildings

The trust's land and building assets are valued on the basis explained in note 1.9 and note 13 to the accounts. Montagu Evans provided the trust with a valuation of land and building assets (estimated fair value and remaining useful life). The valuation, based on estimates provided by a suitably qualified professional in accordance with HM Treasury guidance, leads to revaluation adjustments as described in notes 13 to the accounts. Future revaluations of the trust's property may result in further changes to the carrying values of non-current assets.

No fundamental uncertainty as a result of COVID-19 was included in the valuation report by Montagu Evans. As the majority of property related to those used in the provision of healthcare (£583m out of £596.5m of assets) and are valued on a DRC approach, no impairment has therefore been considered necessary by the trust on the assets held.

Consolidation of charitable funds

The trust has assessed its relationship to the charitable fund and determined that it is not a subsidiary. This is because the trust has no power to govern the financial and operating policies of the charitable fund so as to obtain the benefits from its activities for itself, its patients or its staff.

Provisions

Provisions have been made for legal and constructive obligations of uncertain timing or amount as at the reporting date. These are based on estimates using relevant and reliable information as is available at the time the accounts are prepared. These provisions are estimates of the actual costs of future cash flows and are dependent on future events. Any difference between expectations and the actual future liability will be accounted for in the period when such determination is made. The carrying amounts and basis of the trust's provisions are detailed in note 24 to the accounts.

Note 1.28 Sources of estimation uncertainty

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

Allowances for credit losses

The trust makes allowances for different categories of receivables at rates determined by the age of the debt. Additionally, specific receivables are impaired where the trust deems it will not be able to collect the amounts due. Amounts are disclosed in note 18 to the accounts.

Clinical income estimates

The trust does a full review of its activity and invoices commissioners in accordance with the contracts agreed for the year. However, at the year end some balances - as reflected in higher trade receivables - have not been approved or paid by commissioners and therefore there remains a possibility that not all receivables will be paid.

Inventory

As a result of the COVID-19 pandemic, and Government announcements, inventory counts were not completed after 24 March 2020 onwards. Consequently, scheduled inventory counts at both the trust and RFL Dispensary Services Limited were not performed by either management or the audit team as it was challenging to do so in a safe manner. The trust has therefore not been able to gain comfort over the existence, or the completeness of inventory at the balance sheet date, which has resulted in a limitation of scope opinion on inventory by our external auditors. Alternative procedures were adopted to ascertain stock valuations at year end.

Note 2 Operating segments

The board as 'Chief Operating Decision Maker' has determined that healthcare services operate in a single reportable segment, which is the provision of healthcare services. The segmental reporting format reflects the trust's management and internal reporting structure. The trust has identified segments in line with the thresholds in IFRS 8, applying the requirement of the GAM to adopt three significant operating segments subject to the external reporting requirement of IFRS 8. Applying the aggregation criteria to the trust's three significant operating segments found that in all cases the segments had similar economic characteristics, the nature of the services are similar, the nature of the production process are similar, the type or class of customer for the services are similar, the methods used to provide the services are similar and the nature of the regulatory environment is similar.

The trust's significant operating segments satisfy all of the criteria listed for an aggregation to be deemed appropriate. The three significant operating segments of the trust are all active in the same business – the provision of healthcare, and all operate within the same economic environment – the United Kingdom. Given that the purpose of disclosing segmental information is to enable users of the annual report and accounts to evaluate the nature and financial effects of business activities and economic environments, reporting a single segment of 'Healthcare' would be consistent with the core principle of IFRS 8, as it would show the singular nature of both the business activity and the economic environment of the trust.

Note 3 Operating income

All income from patient care activities relates to contract income recognised in line with accounting policy 1.4.1.

Note 3.1 Income from patient care activities (by nature)

	Group 2019/20 £000	2018/19 £000	Trust 2019/20 £000	2018/19 £000
Acute services				
Elective income	103,674	97,779	103,674	97,779
Non elective income	216,632	193,092	216,632	193,092
First outpatient income	62,094	58,221	62,094	58,221
Follow up outpatient income	59,350	59,479	59,350	59,479
A & E income	48,135	40,235	48,135	40,235
High cost drugs income from commissioners (excluding pass-through costs)	187,109	183,691	187,109	183,691
Other NHS clinical income ¹	255,446	263,090	255,446	263,090
All services				
Private patient income	20,426	23,187	20,426	23,187
Agenda for Change pay award central funding ²	-	6,785	-	6,785
Additional pension contribution central funding ³	25,477	-	25,477	-
Other clinical income ⁴	37,555	3,808	37,555	3,808
Total income from activities	1,015,898	929,367	1,015,898	929,367

Notes:

1. Other NHS clinical income includes high cost specialised programmes of care, critical care, transplantation services and renal dialysis.
2. Additional costs of the Agenda for Change pay reform in 2018/19 received central funding. From 2019/20 this funding is incorporated into the tariff for individual services.
3. The employer contribution rate for NHS pensions increased from 14.3% to 20.6% (excluding administration charge) from 1 April 2019. For 2019/20, NHS providers continued to pay over contributions at the former rate with the additional amount being paid over by NHS England on providers' behalf. The full cost and related funding have been recognised in these accounts.
4. Includes £32.6m in respect of COVID-19 income received from NHS Improvement. This is in respect of funding for COVID-19 expenditure incurred by the trust of £1.7m, set up of the Nightingale Hospital at the London ExCel of £27.2m and compensation loss of income in March of £3.7m (see note 4).

Note 3.2 Income from patient care activities (by source)

	Group 2019/20 £000	2018/19 £000	Trust 2019/20 £000	2018/19 £000
Income from patient care activities received from:				
NHS England <small>see note 3 above</small>	414,392	326,774	414,392	326,774
Clinical commissioning groups	564,913	558,782	564,913	558,782
Department of Health and Social Care	-	6,785	-	6,785
Other NHS providers	5,857	4,637	5,857	4,637
NHS other	5,113	5,087	5,113	5,087
Non-NHS: private patients	20,426	23,187	20,426	23,187
Non-NHS: overseas patients (chargeable to patient)	2,441	1,884	2,441	1,884
Injury cost recover scheme	1,863	1,925	1,863	1,925
Non NHS: other	893	306	893	306
Total income from activities	1,015,898	929,367	1,015,898	929,367
Of which:				
Related to continuing operations	1,015,898	929,367	1,015,898	929,367

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

	Group		Trust	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
Income recognised this year	2,441	1,884	2,441	1,884
Cash payments received in-year	796	1,247	796	1,247
Amounts added to provision for impairment of receivables	1,227	686	1,227	686
Amounts written off in-year	2,518	262	2,518	262

Note 3.4 Other operating income

	Group		Trust	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
Other operating income from contracts with customers:				
Research and development (contract)	11,350	9,361	11,350	9,361
Education and training (excluding notional apprenticeship levy income)	34,418	36,765	34,418	36,765
Non-patient care services to other bodies	21,193	20,221	21,088	20,221
Provider Sustainability Funding (PSF), Financial Recovery Fund (FRF) and Marginal Rate Emergency Funding (MRET)	31,782	-	31,782	-
Other contract income	18,819	23,644	19,305	23,263
Other non-contract operating income:				
Receipt of capital grants and donations	-	151	-	151
Charitable and other contributions to expenditure *	550	9,457	550	9,457
Support from the Department of Health and Social Care for mergers	-	12,090	-	12,090
Rental revenue from operating leases	391	241	391	241
Total other operating income	118,503	111,930	118,884	111,549
Of which:				
Related to continuing operations	118,503	111,930	118,884	111,549

* During 2019/20 the trust received £420k (2018/19: £8.6m) from the Royal Free Charity and £130k from the Barnet League of Friends as contributions to expenditure.

Note 4 Operating expenses

	Group		Trust	
	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000
Purchase of healthcare from NHS and DHSC bodies	13,658	17,129	13,658	17,129
Purchase of healthcare from non-NHS and non-DHSC bodies	55,615	57,491	55,614	57,491
Staff and executive directors costs ¹	592,892	539,091	589,634	537,550
Remuneration of non-executive directors	198	168	171	168
Supplies and services - clinical (excluding drugs costs)	74,038	71,967	72,845	71,418
Supplies and services - general ¹	24,114	30,389	19,387	28,438
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	198,334	198,299	198,334	198,297
Inventories written down	34	90	-	91
Consultancy costs	1,534	4,135	1,419	3,920
Establishment	6,716	5,446	6,703	5,446
Premises ¹	64,088	36,772	62,531	35,725
Transport (including patient travel)	12,266	13,465	12,265	13,464
Depreciation on property, plant and equipment	31,145	31,283	30,838	31,283
Amortisation on intangible assets	5,781	4,469	5,781	4,469
Net impairments	1,160	13,292	1,160	13,292
Movement in credit loss allowance: contract receivables / contract assets	4,019	9,861	4,019	9,811
Movement in credit loss allowance: all other receivables and investments	-	-	-	50
Increase/(decrease) in other provisions	(2,337)	1,753	(2,337)	1,753
Change in provisions discount rates	320	(112)	320	(112)
Audit fees payable to the external auditor				-
audit services- statutory audit ^{4,1}	187	162	151	162
other auditor remuneration (external auditor only)	2	12	2	12
Internal audit costs	157	159	157	159
Clinical negligence	24,534	24,392	24,534	24,392
Legal fees	1,032	1,236	1,028	1,236
Insurance	665	892	616	878
Research and development	10,324	8,731	10,324	8,731
Education and training	2,151	1,888	2,151	1,888
Rentals under operating leases	3,131	3,517	3,131	3,517
Early retirements	141	-	141	-
Redundancy	251	-	251	-
Charges to operating expenditure for on-SoFP IFRIC 12 schemes (PFI)	22,775	25,057	22,775	25,057
Car parking & security	140	75	140	73
Hospitality	12	61	12	61
Other	1,829	1,443	13,120	7,008
Total	1,150,906	1,102,613	1,150,875	1,102,857
Of which:				
Related to continuing operations	1,150,906	1,102,613	1,150,875	1,102,857

Note 1: Included within the 2019/20 expenditure above is £28.9m in respect of Covid 19. This expenditure has been funded by NHS Improvement and is included in Income (see note 3). £27.2 is included within the 'Premises' line as this relates to the set up of Nightingale Hospital at the London ExCel supported by the Trust. Covid 19 expenditure directly relating to the Trust was £1.7m, of which £0.8m is included in 'Staff and executive directors costs' and £0.5m is included in 'Supplies and services - general'.

Note 4.1 Limitation on auditor's liability

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

Note 4.2 Other auditor remuneration

	Group and Trust	
	2019/20	2018/19
	£000	£000
Other auditor remuneration paid to the external auditor:		
Audit-related assurance services	2	12

Note 5 Impairment of assets

	Group and Trust	
	2019/20 £000	2018/19 £000
Net impairments charged to operating surplus / deficit resulting from:		
Changes in market price	1,160	13,292
Total net impairments charged to operating surplus / deficit	1,160	13,292
Impairments charged to the revaluation reserve	2,416	8,277
Total net impairments	3,576	21,569

The impairments recognised above arise as a result of the revaluation exercise undertaken in the year, as described in note 13.4

Note 6 Employee benefits

	Group		Trust	
	2019/20	2018/19	2019/20	2018/19
	Total £000	Total £000	Total £000	Total £000
Salaries and wages	442,720	417,736	439,900	416,501
Social security costs	55,310	52,818	55,086	52,690
Apprenticeship levy	2,295	2,471	2,279	2,471
Employer's contributions to NHS pensions	83,980	55,369	58,351	55,252
Temporary staff (including agency)	18,186	21,535	18,141	21,474
Total staff costs	602,491	549,929	573,757	548,388
Of which				
Costs capitalised as part of assets	1,197	3,819	1,197	3,819

Further details of staff numbers and directors remuneration is available in the annual report.

Note 6.1 Retirements due to ill-health (Group)

During 2019/20 there were six early retirements from the trust agreed on the grounds of ill-health (five in the year ended 31 March 2019). The estimated additional pension liabilities of these ill-health retirements is £447k (£219k in 2018/19).

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

Note 7 Pension costs

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

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

a) Accounting valuation

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

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

b) Full actuarial (funding) valuation

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

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019 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.

Note 8 Operating leases

Note 8.1 Royal Free London NHS Foundation Trust as a lessor

This note discloses income generated in operating lease agreements where Royal Free London NHS Foundation Trust is the lessor.

Operating lease income arises principally to leasing parts of buildings belonging to the trust.

	2019/20 £000	2018/19 £000
Operating lease revenue		
Minimum lease receipts	374	215
Contingent rent	17	26
Total	391	241
	31 March 2020 £000	31 March 2019 £000
Future minimum lease receipts due:		
- not later than one year;	215	215
- later than one year and not later than five years;	469	561
- later than five years.	145	270
Total	829	1,046

Note 8.2 Royal Free London NHS Foundation Trust as a lessee

This note discloses costs and commitments incurred in operating lease arrangements where the Royal Free London NHS Foundation Trust is the lessee.

The operating lease payments recognised in expenses principally include the energy centre, imaging equipment contracts and the lease of office. The energy centre contract is for 15 years with no option to extend and no option to purchase the machinery. The equipment remains the property of the contractors for the period and also on contract expiry. The imaging equipment contract is for seven years; there is currently no plan to extend the lease or purchase the equipment at the end of the lease period. The office lease is for 10 years and was entered into during 2015/16.

	31 March 2020 £000	31 March 2019 £000
Operating lease expense		
Minimum lease payments	2,705	3,103
Contingent rents	426	414
Total	3,131	3,517
	31 March 2020 £000	31 March 2019 £000
Future minimum lease payments due:		
- not later than one year;	2,230	1,865
- later than one year and not later than five years;	7,955	6,892
- later than five years.	767	1,885
Total	10,952	10,642
Future minimum sublease payments to be received	-	-

Note 9 Finance income

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

	Group		Trust	
	2019/20	2018/19	2019/20	2018/19
	£000	£000	£000	£000
Interest on bank accounts	756	440	560	440
Interest on other investments / financial assets	-	-	5,807	4,766
Total finance income	756	440	6,367	5,206

Note 10 Finance expenditure

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

	Group		Trust	
	2019/20	2018/19	2019/20	2018/19
	£000	£000	£000	£000
Interest expense:				
Loans from the Department of Health and Social Care	5,084	3,412	5,084	3,412
Other loans	-	-	5,807	4,295
Finance leases	1,194	1,368	1,194	1,368
Main finance costs on PFI schemes obligations	3,292	3,536	3,292	3,536
Total interest expense	9,570	8,316	15,377	12,611
Unwinding of discount on provisions	16	6	16	6
Total finance costs	9,586	8,322	15,393	12,617

Note 11 Other gains

	Group and Trust	
	2019/20	2018/19
	£000	£000
Gains on disposal of assets	1,050	6
Total other gains	1,050	6

Note 12 Intangible assets

2019/20

	Group and Trust			
	Software licences	Licences & trademarks	Development expenditure	Total
	£000	£000	£000	£000
Valuation / gross cost at 1 April 2019 and at 31 March 2020	1,185	63	33,413	34,661
Amortisation at 1 April 2019	492	8	13,653	14,153
Provided during the year	163	10	5,608	5,781
Amortisation at 31 March 2020	655	18	19,261	19,934
Net book value at 31 March 2020	530	45	14,152	14,727
Net book value at 1 April 2019	693	55	19,760	20,508

All intangible assets are owned by the trust.

2018/19

	Group and Trust			
Group	Software licences	Licences & trademarks	Development expenditure	Total
	£000	£000	£000	£000
Valuation / gross cost at 1 April 2018	2,034	126	28,027	30,187
Additions	-	-	9,388	9,388
Disposals / derecognition	(849)	(63)	(4,002)	(4,914)
Valuation / gross cost at 31 March 2019	1,185	63	33,413	34,661
Amortisation at 1 April 2018	1,183	61	13,354	14,598
Provided during the year	158	10	4,301	4,469
Disposals / derecognition	(849)	(63)	(4,002)	(4,914)
Amortisation at 31 March 2019	492	8	13,653	14,153
Net book value at 31 March 2019	693	55	19,760	20,508
Net book value at 1 April 2018	851	65	14,673	15,589

Note 13 Property, plant and equipment

2019/20

	Group								
	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Valuation/gross cost at 1 April 2019	67,459	480,538	180	15,600	94,824	43	20,489	14,424	693,557
Additions	-	23,332	-	38,977	7,853	-	1,911	497	72,570
Impairments	(1,371)	(2,205)	-	-	-	-	-	-	(3,576)
Revaluations	143	27,689	(10)	-	-	-	-	-	27,822
Reclassifications	-	-	-	(15,600)	2,537	-	160	12,903	-
Disposals / derecognition	-	-	-	-	(584)	-	-	(54)	(638)
Valuation/gross cost at 31 March 2020	66,231	529,354	170	38,977	104,630	43	22,560	27,771	789,735
Accumulated depreciation at 1 April 2019	-	-	-	-	69,354	43	10,456	5,076	84,929
Provided during the year	-	18,225	10	-	6,979	-	3,472	2,459	31,145
Revaluations	-	(18,225)	(10)	-	-	-	-	-	(18,235)
Disposals / derecognition	-	-	-	-	(434)	-	-	(54)	(488)
Accumulated depreciation at 31 March 2020	-	-	-	-	75,899	43	13,928	7,481	97,351
Net book value at 31 March 2020	66,231	529,354	170	38,977	28,731	-	8,632	20,290	692,384
Net book value at 1 April 2019	67,459	480,538	180	15,600	25,470	-	10,033	9,348	608,628

2018/19

	Group								
	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Valuation / gross cost at 1 April 2018	67,652	368,377	190	116,908	90,491	43	28,741	13,960	686,362
Additions	-	24,100	-	11,819	10,987	-	5,562	744	53,212
Impairments	(193)	(24,233)	-	-	-	-	-	-	(24,426)
Reversals of impairments	-	2,857	-	-	-	-	-	-	2,857
Revaluations	-	(2,466)	(10)	-	-	-	-	-	(2,476)
Reclassifications	-	111,903	-	(113,127)	381	-	843	-	-
Disposals / derecognition	-	-	-	-	(7,035)	-	(14,657)	(280)	(21,972)
Valuation/gross cost at 31 March 2019	67,459	480,538	180	15,600	94,824	43	20,489	14,424	693,557
Accumulated depreciation at 1 April 2018	-	-	-	-	69,373	43	21,037	3,501	93,954
Provided during the year	-	18,714	10	-	6,662	-	4,042	1,855	31,283
Revaluations	-	(18,714)	(10)	-	-	-	-	-	(18,724)
Disposals / derecognition	-	-	-	-	(6,681)	-	(14,623)	(280)	(21,584)
Accumulated depreciation at 31 March 2019	-	-	-	-	69,354	43	10,456	5,076	84,929
Net book value at 31 March 2019	67,459	480,538	180	15,600	25,470	-	10,033	9,348	608,628
Net book value at 1 April 2018	67,652	368,377	190	116,908	21,118	-	7,704	10,459	592,408

Note 13.1 Property, plant and equipment (Trust)

The 'Group' property, plant and equipment includes net book value £1,374k (cost £1,680k and accumulated depreciation £306k) in respect of plant and machinery assets which belong to Royal Free Dispensary Services Ltd. The trust net book value is therefore £607,254k (cost £691,877k and accumulated depreciation £84,623k).

Note 13.2 Property, plant and equipment - financing

2019/20

	Group								Total £000
	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Information technology	Furniture & fittings		
	£000	£000	£000	£000	£000	£000	£000	£000	
Net book value at 31 March 2020									
Owned - purchased	66,231	437,149	170	34,534	28,492	8,632	14,996	590,204	
Finance leased	-	8,224	-	4,443	-	-	5,294	17,961	
On-SoFP PFI contracts and other service concession arrangements	-	75,206	-	-	-	-	-	75,206	
Owned - donated	-	8,775	-	-	238	-	-	9,013	
NBV total at 31 March 2020	66,231	529,354	170	38,977	28,730	8,632	20,290	692,384	

2018/19

	Group								Total £000
	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Information technology	Furniture & fittings		
	£000	£000	£000	£000	£000	£000	£000	£000	
Net book value at 31 March 2019									
Owned - purchased	67,459	390,385	180	15,600	23,951	10,033	9,348	516,956	
Finance leased	-	6,699	-	-	1,193	-	-	7,892	
On-SoFP PFI contracts and other service concession arrangements	-	74,163	-	-	-	-	-	74,163	
Owned - donated	-	9,291	-	-	326	-	-	9,617	
NBV total at 31 March 2019	67,459	480,538	180	15,600	25,470	10,033	9,348	608,628	

In June 2018 the trust entered into an agreement with RFL Property Services Limited (RFLPS) to manage and be financially and operationally responsible for the completion of the Chase Farm site in accordance with the development contract novated to it. RFLPS will substantially fund this additional construction work through the receipt of loans from the trust and will subsequently recover those costs, together with a margin, from the trust through the 'unitary charge' payable by the trust in accordance with the service agreement.

The trust has granted RFPSL a non-exclusive licence to occupy the Chase Farm site to enable to both complete the development of the site and to subsequently enable it to access the site to provide the contracted property services. RFLPS is not granted legal title over the site, nor does it acquire any other property or ownership rights under the licence and the trust continues to retain the rights to occupy and use the site as well as allow other parties access to it should it wish. The trust therefore retains the right to direct and control the asset and secures all the economic benefits arising from its use.

Note 13.3 Donations of property, plant and equipment

During the year no donations were received by the Royal Free Charity as a contribution to capital expenditure (2018/19: £0.6m).

Note 13.4 Revaluations of property, plant and equipment

A valuation exercise was carried out on the trust's land and buildings by Montagu Evans. The purpose of this exercise was to determine a fair value for those assets as at 31 March 2020 (2018/19: valuation by Montagu Evans).

The valuation was undertaken having regard to IFRS as applied to the United Kingdom public sector and in accordance with HM Treasury guidance, International Valuation Standards and the requirements of the Royal Institution of Chartered Surveyors (RICS) Valuation Standards 8th Edition.

Fair value is defined as ‘the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date’. Fair values are determined as follows:

- for non-specialised operational assets, this equates in practice to Existing Use Value (EUV), as defined below.
- for specialised operational assets, if there is no market-based evidence of fair value because of the specialised nature of the property and the item is rarely sold, except as part of a continuing business, fair value is estimated using a depreciated replacement cost approach subject to the assumption of continuing use.

The basis used for the valuation of non-specialised operational owner-occupied property for financial accounting purposes under IAS 16 is fair value, which is the market value subject to the assumption that the property is sold as part of the continuing enterprise in occupation. This can be equated with EUV, which is defined in the RICS Standards at UKVS 1.3 as:

“The estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion – assuming that the buyer is granted vacant possession of all parts of the asset required by the business, and disregarding potential alternative uses and any other characteristics of the asset that would cause its market value to differ from that needed to replace the remaining service potential at least cost.”

Where a non-specialised operational property is valued to fair value reflecting the market value assuming continuance of existing use, the total value has been apportioned between the residual amount (the land) and the depreciable amount (the building).

Depreciated Replacement Cost (DRC) is the valuation approach adopted for reporting the value of specialised operational property for financial accounting purposes. RICS GN 6, entitled ‘Depreciated Replacement Cost Method of Valuation for Financial Reporting’, at para 2.3 defines DRC as:

“The current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.”

Those buildings which qualify as specialised operational assets, and therefore fall to be assessed using the Depreciated Replacement Cost approach, have been valued on a modern equivalent asset (MEA) basis.

In addition the valuers have taken account of RICS Valuation Information Paper No. 10 (VIP10) : the DRC method of valuation for financial statements. This guidance covers both interpretation of site location and gross internal area. The guidance asks the valuer to consider whether the actual site remains appropriate and this will normally depend on the locational requirements of the service that is being provided.

VIP (10) guidance also states that where DRC is being used to value specialised property it will rarely be appropriate to cost a modern reproduction of the asset. The value of the property should normally be based on the cost of a modern equivalent asset that has the same service potential as the existing assets and then adjusted to take account of obsolescence.

Note 14 Investment Property

	Group and Trust	
	2019/20	2018/19
	£000	£000
Acquisitions in year	750	-
Carrying value at 31 March	750	-

Note 14.1 Investment property income and expenses

	Group and Trust	
	2019/20	2018/19
	£000	£000
Investment property income	17	-

Note 15 Investments in associates and joint ventures

Details of the trust's investments in joint arrangements are as follows.

UCL Partners Limited

The group holds a 20% interest in UCL Partners Limited ('UCLP'), a company limited by guarantee in the UK, acquired by a guarantee of £1.

The company's costs are funded by its partners who contribute to its running costs on an annual basis. The contributions paid by the trust are included within operating expenditure.

The most recent available signed financial statements for UCLP have been prepared for the year ended 31 March 2019; the reported assets, liabilities, revenues and profit/loss are not material to the trust.

Health Services Laboratories LLP ('HSL LLP')

The group holds a 24.5% equity stake in HSL LLP and is accounted for as a joint venture. The main purpose of the entity is to provide pathology services.

The movements in investment values for these joint arrangements for the trust is as follows:

	Group and Trust	
	2019/20	2018/19
	£000	£000
Carrying value at 1 April	17,764	17,697
Share of profit	1,386	67
Carrying value at 31 March	19,150	17,764

Note 16 Investments in subsidiary

RFL Property Services Limited

RFL Property Services Limited was incorporated on the 28th June 2018 with £50,000 of called up share capital. It is a wholly owned subsidiary of the trust. The primary purpose of the company is to manage the provision of estates and facilities services to the trust.

The agreement with RFL Property Services Limited (RFLPS) is to manage and be financially and operationally responsible for the completion of the Chase Farm site in accordance with the development contract novated to it. RFLPS will substantially fund this additional construction work through the receipt of loans from the trust and will subsequently recover those costs, together with a margin, from the trust through the 'unitary charge' payable by the trust in accordance with the service agreement.

RFL Dispensary Services Limited

RFL Dispensary Services Limited was incorporated on the 31 July 2018 with £1 of called up share capital. It is a wholly owned subsidiary of the trust. The primary purpose of the company is to deliver outpatient pharmacy services. The principal customer of RFL Dispensary Services Limited is the trust, with whom it has a service level agreement for the dispensing of outpatient prescriptions at the Royal Free Hospital and Chase Farm Hospital.

Note 17 Inventories

	Group		Trust	
	31 March	31 March	31 March	31 March
	2020	2019	2020	2019
	£000	£000	£000	£000
Drugs	7,853	4,801	5,876	4,801
Consumables	6,798	6,022	6,798	6,022
Energy	178	179	178	179
Total inventories	14,829	11,002	12,852	11,002

Inventories recognised in expenses for the year were £198,334k (2018/19: £198,299k). Write-down of inventories recognised as expenses for the year were £34k (2018/19: £90k).

Note 18 Receivables

	Group		Trust	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	£000	£000	£000	£000
Current				
Contract receivables - invoiced	99,908	116,652	100,833	122,717
Contract receivables - not yet invoiced	60,781	16,298	67,651	10,316
Allowance for impaired contract receivables / assets	(40,289)	(42,722)	(40,289)	(42,722)
Prepayments (non-PFI)	6,511	6,004	6,452	5,987
Interest receivable	-	-	-	42
PDC dividend receivable	1,292	2,817	1,293	2,817
VAT receivable	1,469	22,390	-	22,615
Other receivables	736	22	759	13
Total current receivables	130,408	121,461	136,699	121,785
Non-current				
Contract receivables - not yet invoiced	-	-	128,502	121,738
Capital receivables	-	1,853	-	1,853
Prepayments (non-PFI)	606	659	137	659
Total non-current receivables	606	2,512	128,639	124,250

Of which receivable from NHS and DHSC group bodies:

Current 108,790 91,688 107,370 91,688

* Non-current receivables (Trust) relates to the disposal of the Chase Farm property to Royal Free London Property Services Limited (a wholly owned subsidiary of the trust) and the creation of a loan receivable.

Note 18.1 Allowances for credit losses

2019/20

	Group and Trust
	Contract receivables and assets
	£000
Allowances as at 1 Apr 2019	42,722
New allowances arising	6,337
Changes in existing allowances	77
Reversals of allowances	(2,395)
Utilisation of allowances (including write offs)	(6,452)
Allowances as at 31 Mar 2020	40,289

2018/19

	Group and Trust	
	Contract receivables and assets	All other receivables
	£000	£000
Allowances as at 1 Apr 2018	-	33,808
Impact of implementing IFRS 9 and 15 on 1 April 2018	33,808	(33,808)
Changes in existing allowances	13,381	-
Reversals of allowances	(3,520)	-
Utilisation of allowances (including write offs)	(947)	-
Allowances as at 31 Mar 2019	42,722	-

Note 18.2 Ageing of trade and other receivables

	31 March 2019	31 March 2018
	£000	£000
Ageing of impaired Receivables		
0 - 30 days	4,292	3,926
30-60 days	5,513	1,626
60-90 days	434	384
90- 180 days	1,731	959
Over 180 days	26,699	33,314
Total	38,669	40,209

	31 March 2019	31 March 2018
	£000	£000
Ageing of non-impaired receivables past their due date		
0 - 30 days	7,274	13,427
30-60 Days	(6,384)	5,310
60-90 days	4,866	5,446
90- 180 days	11,813	6,464
Over 180 days	7,875	20,515
Total	25,444	51,162

Of the non-impaired receivables past their due date the trust fully expects to receive these amounts.

Note 19 Cash and cash equivalents movements

Cash and cash equivalents comprise cash at bank, in hand and cash equivalents. Cash equivalents are readily convertible investments of known value which are subject to an insignificant risk of change in value.

	Group		Trust	
	2019/20	2018/19	2019/20	2018/19
	£000	£000	£000	£000
At 1 April	35,929	43,664	33,900	43,664
Net change in year	(11,365)	(7,735)	(10,179)	(9,764)
At 31 March	24,564	35,929	23,721	33,900
Broken down into:				
Cash at commercial banks and in hand	1,619	2,667	775	638
Cash with the Government Banking Service	22,945	33,262	22,946	33,262
Total cash and cash equivalents per SoFP and SoCF	24,564	35,929	23,721	33,900

Note 19.1 Third party assets held by the trust

No trust selected held cash and cash equivalents which relate to monies held by the Trust on behalf of patients or other parties. This has been excluded from the cash and cash equivalents figure reported in the accounts.

	Group and Trust	
	31 March	31 March
	2020	2019
	£000	£000
Bank balances	11	11
Total third party assets	11	11

Note 20 Trade and other payables

	Group		Trust	
	31 March	31 March	31 March	31 March
	2020	2019	2020	2019
	£000	£000	£000	£000
Current				
Trade payables	65,703	54,060	70,992	51,037
Capital payables	27,188	4,278	27,188	4,543
Accruals	111,139	94,310	102,790	93,548
Social security costs	8,003	7,597	7,968	7,576
VAT payables	-	-	739	-
Other taxes payable	7,048	7,005	6,978	6,956
Other payables	14,352	14,304	14,353	18,561
Total current trade and other payables	233,433	181,554	231,008	182,221
Non-current				
Other payables	425	425	425	425
Total non-current trade and other payables	425	425	425	425

Of which payables from NHS and DHSC group bodies:

Current	31,159	30,774	31,159	30,774
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Note 21 Other liabilities

	Group and Trust	
	31 March 2020	31 March 2019
	£000	£000
Current		
Deferred income: contract liabilities	13,424	14,939
Lease incentives	168	168
Total other current liabilities	13,592	15,107
Non-current		
Lease incentives	3,268	3,436
Other deferred income	1	-
Total other non-current liabilities	3,269	3,436

Note 22 Borrowings

	Group		Trust	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	£000	£000	£000	£000
Current				
Loans from DHSC ¹	147,414	1,794	147,414	1,794
Obligations under finance leases	1,637	505	2,632	505
Obligations under PFI or other service concession contracts (excl. lifecycle)	2,137	1,855	2,137	1,855
Total current borrowings	151,188	4,154	152,183	4,154
Non-current				
Loans from DHSC	20,532	164,466	20,532	164,466
Obligations under finance leases	22,501	19,282	155,114	138,824
Obligations under PFI or other service concession contracts	17,698	19,831	17,698	19,831
Total non-current borrowings	60,731	203,579	193,344	323,121

Further details of loans from DHSC

Loan and purpose	Interest rate	Date of Loan	Date of Maturity	Amount Borrowed	Amount Outstanding	
					Current	Non Current
				£000	£000	£000
Capital loan	2.63%	2014/15	2033/34	30,000	1,602	20,532
Interim Revenue *	3.50%	2016/17	2021/22	46,356	46,356	-
Interim Revenue *	3.50%	2017/18	2021/22	13,000	13,000	-
Interim Revenue *	1.50%	2017/18	2020/21	10,000	10,029	-
Interim Revenue *	1.50%	2017/18	2020/21	20,000	20,011	-
Interim Revenue *	3.50%	2018/19	2021/22	18,000	18,072	-
Interim Revenue *	3.50%	2018/19	2021/22	35,000	35,044	-
Interim Capital *	3.50%	2019/20	2020/21	3,300	3,300	-
				175,656	147,414	20,532

Note 1*: As per Department of Health guidance all Interim Support loans will be repaid in 2020/21 and replaced with public dividend capital. Hence all interim DHSC loans have been reclassified from non-current to current and the total value of loans to be replaced with public dividend capital is £145.8m*.

Note 22.1 Reconciliation of liabilities arising from financing activities

2019/20

	Group			
	Loans from DHSC	Finance leases	PFI and LIFT schemes	Total
	£000	£000	£000	£000
Carrying value at 1 April 2019	166,260	19,787	21,686	207,733
Cash movements:				
Financing cash flows - payments and receipts of principal	1,722	(513)	(1,855)	(646)
Financing cash flows - payments of interest	(5,120)	(1,194)	(3,288)	(9,602)
Non-cash movements:				
Additions	-	4,864	-	4,864
Application of effective interest rate	5,084	1,194	3,292	9,570
Carrying value at 31 March 2020	167,946	24,138	19,835	211,919

2018/19

	Group			
	Loans from DHSC	Finance leases	PFI and LIFT schemes	Total
	£000	£000	£000	£000
Carrying value at 1 April 2018	114,622	7,845	23,296	145,763
Cash movements:				
Financing cash flows - payments and receipts of principal	51,422	(139)	(1,611)	49,672
Financing cash flows - payments of interest	(3,267)	(1,368)	(3,536)	(8,171)
Non-cash movements:				
Impact of implementing IFRS 9 on 1 April 2018	71	-	-	71
Additions	-	12,081	1	12,082
Application of effective interest rate	3,412	1,368	3,536	8,316
Carrying value at 31 March 2019	166,260	19,787	21,686	207,733

Note 22.1 Reconciliation of liabilities arising from financing activities (cont.)

2019/20

	Trust			
	Loans	Finance leases	PFI and LIFT schemes	Total
	£000	£000	£000	£000
Carrying value at 1 April 2019	166,260	139,329	21,686	327,275
Cash movements:				
Financing cash flows - payments and receipts of principal	(1,722)	(513)	(1,855)	(7,042)
Financing cash flows - payments of interest	(5,120)	(1,194)	(3,288)	(9,602)
Non-cash movements:				-
Additions	-	18,928	-	18,928
Application of effective interest rate	5,084	1,196	3,292	9,572
Carrying value at 31 March 2020	161,550	157,746	19,835	345,527

2018/19

	Trust			
	Loans from DHSC	Finance leases	PFI and LIFT schemes	Total
	£000	£000	£000	£000
Carrying value at 1 April 2018	114,622	7,845	23,296	145,763
Cash movements:				
Financing cash flows - payments and receipts of principal	51,422	(139)	(1,611)	49,672
Financing cash flows - payments of interest	(3,267)	(1,368)	(3,536)	(8,171)
Non-cash movements:				-
Impact of implementing IFRS 9 on 1 April 2018	71	-	-	71
Additions	-	131,623	1	131,624
Application of effective interest rate	3,412	1,368	3,536	8,316
Carrying value at 31 March 2019	166,260	139,329	21,686	327,275

Note 23 Finance leases

Royal Free London NHS Foundation Trust as a lessee

Obligations under finance leases where the trust is the lessee.

	Group		Trust	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	£000	£000	£000	£000
Gross lease liabilities	45,789	42,341	295,665	161,883
of which liabilities are due:				
- not later than one year;	3,216	1,772	10,164	1,772
- later than one year and not later than five years;	15,781	11,132	46,492	11,132
- later than five years.	26,792	29,437	239,009	148,979
Finance charges allocated to future periods	(21,651)	(22,554)	(137,922)	(22,554)
Net lease liabilities	24,138	19,787	157,743	139,329
of which payable:				
- not later than one year;	1,637	505	2,632	505
- later than one year and not later than five years;	9,830	5,290	17,513	5,290
- later than five years.	12,671	13,992	137,598	133,534

Group - the group has entered into two contracts to lease accommodation under finance leases, whereby the assets were made available for use and rental payments commenced on 1 April 2000 and 1 June 2005. The group also holds finance leases for various miscellaneous equipment.

Trust - In June 2018 the trust entered into an agreement with RFL Property Services Limited (RFLPS) to manage and be financially and operationally responsible for the completion of the Chase Farm site in accordance with the development contract novated to it. RFLPS will substantially fund this additional construction work through the receipt of loans from the trust and will subsequently recover those costs, together with a margin, from the trust through the 'unitary charge' payable by the trust in accordance with the service agreement.

The completion work elements of the total asset are in effect being acquired by the trust on the basis of an undertaking to subsequently make payments to RFLPS over the full period of the service agreement. This agreement reimburses RFLPS the initial cost to it of the works and the interest it is charging the trust for accepting a form of deferred payment for those works. As such the arrangement is an asset financing arrangement analogous to a finance lease or service concession arrangement under which the trust secures the right to control the use of the underlying asset in return for a series of payments, namely the capital element of the 'unitary charge'. The element of this arrangement is therefore classified as a finance lease.

Note 24 Provisions

	Group and Trust						
	Pensions: early departure costs	Pensions: injury benefits	Legal claims	Equal Pay (including Agenda for Change)	Redundancy	Other	Total
	£000	£000	£000	£000	£000	£000	£000
At 1 April 2019	5,096	460	166	1,918	3,127	2,638	13,405
Change in the discount rate	278	42	-	-	-	-	320
Arising during the year	89	-	-	374	251	4,944	5,658
Utilised during the year	(519)	(50)	(27)	-	(926)	(72)	(1,594)
Reversed unused	(178)	-	-	-	(2,201)	(657)	(3,036)
Unwinding of discount	14	2	-	-	-	-	16
At 31 March 2020	4,780	454	139	2,292	251	6,853	14,769
Expected timing of cash flows:							
- not later than one year;	519	49	139	2,292	251	6,853	10,103
- later than one year and not later than five years;	2,076	196	-	-	-	-	2,272
- later than five years.	2,185	209	-	-	-	-	2,394
Total	4,780	454	139	2,292	251	6,853	14,769

Pensions: early departure costs - Staff pensions are calculated using a formula supplied by the NHS Pensions Agency. These pensions are the costs of early retirement of staff resulting from reorganisation.

Pensions: injury benefits - Legacy provision administered by NHS Pensions Agency.

Legal claims - relate to an action against the trust which is not covered by the NHS Litigation Authority. IAS 37 allows for the non-disclosure of further information which may prejudice the outcome of litigation.

Equal pay - In respect of potential contractual claims under agenda for change.

Redundancy - In respect of staff on the redeployment register.

Other provisions - includes sums held in respect of additional charges arising from provision of services, dilapidations associated with leases and other contractual challenges. No further information has been disclosed as IAS 37 allows the withholding of information which may seriously prejudice the trust.

NHS Resolution operates a risk pooling scheme under which the trust pays an annual contribution to NHS Resolution, which, in return, settles all clinical negligence claims. The amount included in provisions of the NHS Resolution in respect of clinical negligence liabilities of Royal Free London NHS Foundation Trust is £438.3m.

Note 25 Clinical negligence liabilities

At 31 March 2020, £438,293k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of the Royal Free London NHS Foundation Trust (31 March 2019: £383,685k).

NHS Resolution operates a risk pooling scheme under which the Royal Free London NHS Foundation Trust pays an annual contribution to them, which, in return, settles all clinical negligence claims. Although the NHS Resolution is administratively responsible for all

clinical negligence cases, the legal liability remains with the Royal Free NHS Foundation Trust. The total value of clinical negligence provisions carried by NHS Resolution on behalf of Royal Free London NHS Foundation Trust is disclosed here but is not recognised in the trust's accounts.

Note 26 Contingent liabilities

	Group and Trust	
	31 March 2020 £000	31 March 2019 £000
NHS Resolution legal claims	(73)	(121)
Net value of contingent liabilities	(73)	(121)

Note 27 Contractual capital commitments

	Group	
	31 March 2020 £000	31 March 2019 £000
Property, plant and equipment	11,338	5,236
Total contractual capital commitments	11,338	5,236

Note 28 On-SoFP PFI or other service concession arrangements

Barnet Hospital operates under a PFI arrangement with Metier Healthcare which began in February 1999 under a 33-year contract for the provision of a fully managed hospital. This is recognised in the Statement of Financial Position and is included as part of the trust estate for the purposes of revaluation. The land at Barnet Hospital remains the property of the trust during the contract period. The building transfers to the trust at the end of the contract period subject to payment of consideration.

The PFI contract is also responsible for the provision of managed technology services, non-clinical hotel services and equipment and building maintenance services at Barnet Hospital.

Note 28.1 Imputed finance lease obligations

The following obligations in respect of the PFI or other service concession arrangements are recognised in the statement of financial position:

	Group and Trust	
	31 March 2020 £000	31 March 2019 £000
Gross PFI or other service concession liabilities	36,196	41,339
Of which liabilities are due		
- not later than one year;	5,147	5,147
- later than one year and not later than five years;	17,377	19,946
- later than five years.	13,672	16,246
Finance charges allocated to future periods	(16,361)	(19,653)
Net PFI or other service concession arrangement obligation	19,835	21,686
 - not later than one year;	2,137	1,855
- later than one year and not later than five years;	9,013	10,056
- later than five years.	8,685	9,775

Note 28.2 Total on-SoFP PFI or other service concession arrangement commitments

Total future commitments under these on-SoFP schemes are as follows:

	Group	
	31 March 2020 £000	31 March 2019 £000
Total future payments committed in respect of the PFI or other service concession arrangements	380,147	380,450
Of which payments are due:		
- not later than one year;	28,962	29,265
- later than one year and not later than five years;	117,062	117,062
- later than five years.	234,123	234,123

Note 28.3 Analysis of amounts payable to service concession operator

This note provides an analysis of the unitary payments made to the service concession operator:

	Group	
	2019/20 £000	2018/19 £000
Unitary payment payable to service concession operator	27,922	30,204
Consisting of:		
- Interest charge	3,292	3,536
- Repayment of balance sheet obligation	1,855	1,611
- Service element and other charges to operating expenditure	22,775	25,057
Total amount paid to service concession operator	27,922	30,204

Note 29 Financial instruments

Note 29.1 Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. Because of the service provider relationship that the group has with clinical commissioning groups and the way those organisations are financed, the NHS group is not exposed to the degree of financial risk faced by business entities. In addition, 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. Financial assets and liabilities are typically generated by day-to-day operational activities rather than being held to change the risks facing the group in undertaking its activities. The group does not undertake speculative treasury transactions.

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

Currency risk

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

Interest rate risk

The group borrows from government for capital expenditure, subject to affordability. The borrowings are for up to 20 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 group therefore has low exposure to interest rate fluctuations.

Credit risk

Because the majority of the group's income comes from binding contracts with other public sector bodies, the group has low exposure to credit risk. The maximum exposures as at 31 March 2020 and 31 March 2019 are in receivables from customers, as disclosed in the trade and other receivables note.

Liquidity risk

The group's operating costs are incurred under contracts with clinical commissioning groups, which are financed from resources voted annually by Parliament. The group funds its capital expenditure from funds obtained within its prudential borrowing limit. The group is therefore not exposed to significant liquidity risks.

Note 29.2 Financial assets

2019/20

	Group	
	Held at amortised cost	Total book value
	£000	£000
Carrying value of financial assets		
Trade and other receivables excluding non financial assets	121,133	121,133
Cash and cash equivalents	24,564	24,564
Carrying value of financial assets at 31 March 2020	145,697	145,697

	Trust	
	Held at amortised cost	Total book value
	£000	£000
Carrying value of financial assets		
Trade and other receivables excluding non financial assets	257,456	257,456
Cash and cash equivalents	23,721	23,721
Carrying value of financial assets at 31 March 2020	281,177	281,177

2018/19

	Group	
	Held at amortised cost	Total book value
	£000	£000
Carrying value of financial assets		
Trade and other receivables excluding non financial assets	86,386	86,386
Other investments / financial assets	5,717	5,717
Cash and cash equivalents	35,929	35,929
Carrying value of financial assets at 31 March 2019	128,032	128,032

	Trust	
	Held at amortised cost	Total book value
	£000	£000
Carrying value of financial assets		
Trade and other receivables excluding non financial assets	92,177	92,177
Other investments / financial assets	5,717	5,717
Cash and cash equivalents	33,900	33,900
Carrying value of financial assets at 31 March 2019	131,794	131,794

Note 29.3 Financial liabilities

2019/20

Carrying values of financial liabilities

Loans from the Department of Health and Social Care	167,946
Obligations under finance leases	24,138
Obligations under PFI and other service concessions	19,835
Trade and other payables excluding non financial liabilities	218,382
Provisions under contract	5,756
Carrying values of financial liabilities at 31 March 2020	436,057

Group		
Held at amortised cost £000	Total book value £000	
167,946	167,946	
24,138	24,138	
19,835	19,835	
218,382	218,382	
5,756	5,756	
436,057	436,057	

Carrying values of financial liabilities

Loans from the Department of Health and Social Care	167,946
Obligations under finance leases	157,743
Obligations under PFI and other service concessions	19,835
Trade and other payables excluding non financial liabilities	215,323
Provisions under contract	5,756
Carrying values of financial liabilities at 31 March 2020	566,603

Trust		
Held at amortised cost £000	Total book value £000	
167,946	167,946	
157,743	157,743	
19,835	19,835	
215,323	215,323	
5,756	5,756	
566,603	566,603	

2018/19

Carrying values of financial liabilities

Loans from the Department of Health and Social Care	166,260
Obligations under finance leases	19,787
Obligations under PFI and other service concessions	21,686
Trade and other payables excluding non financial liabilities	166,951
Provisions under contract	6,104
Carrying values of financial liabilities at 31 March 2019	380,788

Group		
Held at amortised cost £000	Total book value £000	
166,260	166,260	
19,787	19,787	
21,686	21,686	
166,951	166,951	
6,104	6,104	
380,788	380,788	

Carrying values of financial liabilities

Loans from the Department of Health and Social Care	166,260
Obligations under finance leases	139,329
Obligations under PFI and other service concessions	21,686
Trade and other payables excluding non financial liabilities	168,436
Provisions under contract	6,104
Carrying values of financial liabilities at 31 March 2019	501,815

Trust		
Held at amortised cost £000	Total book value £000	
166,260	166,260	
139,329	139,329	
21,686	21,686	
168,436	168,436	
6,104	6,104	
501,815	501,815	

Note 30 Losses and special payments

	Group and Trust			
	2019/20		2018/19	
	Total cases	Total value of cases	Total cases	Total value of cases
	No.	£000	No.	£000
Losses				
Bad debts and claims abandoned	342	2,624	223	515
Stores losses and damage to property	1	71	2	90
Total losses	343	2,695	225	605
Special payments				
Ex-gratia payments	98	61	99	23
Total special payments	98	61	99	23
Total losses and special payments	441	2,756	324	628

Note 31 Related parties

Members of the governing body are required to declare any interests that they hold, either directly or through close family members, in organisations other than the trust. Where the trust incurs expenditure with or receives income from those organisations, the organisations are known as related parties and the transactions must be reported. Those transactions, together with the nature of the interest and the nature of the transaction, are shown below.

During the year the board members including executive directors and non-executive directors, or parties related to them, have undertaken transactions with the trust listed below.

Department of Health and Social Care Group Bodies (DHSC)

The Department of Health is regarded as a related party. During the year the trust has had a significant number of material transactions with entities for which the Department is regarded as their parent. Transactions with government bodies greater than 0.5% of trust income, together with all transactions for other related parties, are as follows:

	2019/20 Expenditure £000	2019/20 Income £000	31 March 20 Payables £000	31 March 20 Receivables £000
Department of Health	-	-	-	523
NHS England	-	422,457	167	60,383
Barts Health NHS Trust	9,972	3,665	4,258	2,392
Royal National Orthopaedic Hospital NHS Trust	44	453	66	402
NHS Barnet CCG	725	203,541	3,005	4,450
NHS Enfield CCG	85	85,863	940	2,230
NHS Brent CCG	-	27,654	339	696
NHS Herts Valleys CCG	-	57,816	553	611
NHS Haringey CCG	-	23,446	193	686
NHS Islington CCG	15	13,671	107	670
NHS East and North Hertfordshire CCG	-	27,694	909	-
NHS Harrow CCG	-	11,537	656	-
University College London Hospitals NHS Foundation Trust	2,880	5,606	6,677	7,320
NHS Camden CCG	4	77,157	477	3,686

	2018/19 Expenditure £000	2018/19 Income £000	31 March 19 Payables £000	31 March 19 Receivables £000
Department of Health	-	19,723	-	1,563
NHS England	20	329,403	1788	6,425
Barts Health NHS Trust	10,169	3,423	692	3,630
University College London Hospitals NHSFT	3,646	5,206	7,373	4,917
NHS Barnet CCG	12	200,163	1,980	13,389
NHS Brent CCG	-	25,310	310	2,340
NHS Camden CCG	4	74,577	389	11,603
NHS East and North Hertfordshire CCG	-	26,834	184	1,578
NHS Enfield CCG	-	88,522	735	7,617
NHS Haringey CCG	5	21,613	165	582
NHS Harrow CCG	-	11,162	287	700
NHS Herts Valleys CCG	-	54,417	553	298
NHS Islington CCG	-	13,664	185	294

Note 31 Related parties (cont.)

Other government organisations

In addition, the Trust has had a number of material transactions with other government organisations as per below:

2019/20

	2019/20 Expenditure £000	2019/20 Income £000	31 March 20 Payables £000	31 March 20 Receivables £000
Health Education England	4	34,750	4	106
NHS Resolution	26,112	-	-	-
NHS Property Services	4,339	-	5,359	-
NHS Pension Scheme	83,980	-	8,855	-
HMRC	57,610	-	15,051	1,469

2018/19

	2018/19 Expenditure £000	2018/19 Income £000	31 March 19 Payables £000	31 March 19 Receivables £000
Health Education England	-	37,719	197	389
NHS Resolution	24,953	-	44	-
NHS Property Services	5,664	-	3,587	-
NHS Pension Scheme	55,369	-	8,132	-
HMRC	55,316	-	14,603	22,390

Trust Affiliates

2019/20

	Note	2019/20 Expenditure £000	2019/20 Income £000	31 March 20 Payables £000	31 March 20 Receivables £000
Health Services Laboratories LLP (HSL)	1	43,381	3,627	516	282
UCL Partners Limited	2	170	330	-	460
Royal Free Charity	3	4,884	1,288	-	178
Royal Free Dispensary Services Ltd	4	24,848	5,255	6,941	3,980
Royal Free Property Services Services Ltd	5	21,048	384	253	784

2018/19

	2018/19 Expenditure £000	2018/19 Income £000	31 March 19 Payables £000	31 March 19 Receivables £000
Health Services Laboratories LLP (HSL)	45,544	50	652	952
UCL Partners Ltd	-	193	-	952
Royal Free Charity	2,692	12,338	-	1,026

Notes:

Related Party

1. HSL Laboratories
2. UCL Partners Limited
3. Royal Free Charity
4. Royal Free Dispensary Services Ltd
5. Royal Free Property Services Services Ltd

Nature of Interest

- The group holds a 24.5% equity stake in HSL LLP
The group holds a 20% interest in UCL Partners Limited
One of the Non Executive Directors of the Royal Free London NHS Foundation Trust is a Trustee of the Charity since 3 June 2019.
Wholly owned subsidiary of the Trust
Wholly owned subsidiary of the Trust

Note 32 Events after the reporting date

COVID-19

The impact of COVID-19 was felt by all NHS organisations at the very end of the 2019/20 financial year, with significant impact continuing into 2020/21.

The Department of Health and Social Care (DHSC) has initiated changes to provide stability and support to the wider NHS through additional revenue and capital funding being provided in 2019/20 which will continue in 2020/21.

Aligned to this the NHS has temporarily suspended the Payment by Results mechanism and for an initial period covering 1 April to 30 September 2020, has introduced block contract payments from commissioners along with a central 'top-up' payment from NHSE/I.

No post balance sheet adjustments have been made to the financial statements as a result of the impact of COVID-19.

Conversion of DHSC loans to PDC

On 2 April 2020, DHSC, NHS England and NHS Improvement announced reforms to the NHS cash regime for the 2020/21 financial year. During 2020/21 existing DHSC interim revenue and capital loans as at 31 March 2020 will be extinguished and replaced with the issue of Public Dividend Capital (PDC) to allow the repayment. Given this relates to liabilities that existed at 31 March 2020, DHSC has updated its Group Accounting Manual to advise this is considered an adjusting event after the reporting period for providers. Outstanding interim loans totalling £145.8m including interest £0.1m as at 31 March 2020 in these financial statements have been classified as current as they will be repayable within 12 months.

5 Auditor's report

Independent Auditors' Report to the Council of Governors of Royal Free London NHS Foundation Trust

Report on the audit of the financial statements

Opinion

In our opinion, Royal Free London NHS Foundation Trust's (the "Trust") Group and Foundation Trust financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and Trust's affairs as at 31 March 2020 and of the Group's and Trust's income and expenditure and the Group's and Trust's cash flows for the year then ended; and
- have been properly prepared in accordance with the Department of Health and Social Care Group Accounting Manual 2019/20.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Group and Trust's Statement of Financial Position as at 31 March 2020; the Group and Trust's Statements of Comprehensive Income for the year then ended; the Group and Trust's Statement of Cash Flows for the year then ended; the Group and Trust's Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the National Health Service Act 2006, the Code of Audit Practice and relevant guidance issued by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice"), International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty relating to going concern

We have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Group's and the Trust's ability to continue as a going concern.

The Trust has reported a deficit for a number of years, including in the current year, and is forecasting a deficit in 2020/21. The forecast deficit is based on a number of assumptions and there is significant uncertainty in the planned financial deficit for 2020/21 as a result of the COVID-19 pandemic and its impact on the Trust. The Trust has assumed it will receive further financial support from the Department of Health and Social Care (DHSC) during the course of 2020/21 in order to meet its liabilities and continue to provide healthcare services. The extent and nature of the financial support

from the DHSC, including whether such support will be forthcoming or sufficient, is currently uncertain, as are any terms and conditions associated with the funding.

These conditions, along with the other matters explained in note 1 (accounting policies) to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Trust's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group or the Trust were unable to continue as a going concern.

Explanation of material uncertainty

The DHSC Group Accounting Manual 2019/20 requires that the financial statements of the Trust should be prepared on a going concern basis unless management either intends to apply to the Secretary of State for the dissolution of the NHS foundation trust without the transfer of the services to another entity, or has no realistic alternative but to do so.

At the end of March 2020, the Trust reported a deficit of £32.3m (prior year £80.9m) as set out in the Statement of Comprehensive Income. This was after the receipt of £31.8m in Provider Sustainability Funding (including FRF and MRET funding) from NHS Improvement as the Trust had met its plan for the year.

The Trust continues to utilise working capital loans from the DHSC and held borrowings of £167.9m at 31 March 2020. This included £83.2m working capital loans, £59.4m revolving facilities, and £20.5m of longer-term capital loans. On 2 April 2020, the DHSC, NHS England and NHS Improvement announced reforms to the NHS cash regime for the 2020/21 financial year. During 2020/21, existing DHSC interim revenue and capital loans as at 31 March 2020 will be extinguished and replaced with the issue of Public Dividend Capital (PDC) to allow the repayment. This affected loans of £145.8m for the Trust (including principal and interest). The Trust's plan also includes the assumption that the Trust will need to deliver significant financial savings, which the Board believe will be challenging but achievable.

What audit work we performed

In considering the financial performance of the Group and Trust and the appropriateness of the going concern assumption in the preparation of the financial statements, we obtained the 2020/21 annual plan and going concern paper that considered the Group's and Trust's financial plans and cash flows to September 2021, and:

- Understood the Group's and Trust's budget produced before COVID-19, the initial change in budget position for 2020/21 post COVID-19, cash flow forecast and levels of reserves, and the impact of cash flow sensitivities on the Trust's ability to meet its liabilities as they fall due; and
- Understood and challenged the assumptions behind the Group's and Trust's financial forecasts and cash flows.

Our audit approach

Context

Our audit for the year ended 31 March 2020 was planned and executed having regard to the fact that the Group's and Trust's operations had changed with the subsidiary of RFL Dispensary Services Ltd commencing trading from 1 April 2019. The Trust's financial stability remained a key area of focus. The Trust's operations were also affected as a result of the COVID-19 pandemic. In light of this, our

approach to the audit in terms of scoping and key audit matters was largely unchanged apart from the COVID-19 key audit matter that was new this year.

Our audit also involved forming a conclusion on the arrangements for securing economy, efficiency and effectiveness in the use of resources (the “3 Es”), in accordance with the Code of Audit Practice.

Overview



- Overall Group materiality: £22,688,000 (2019: £20,825,900) which represents 2% of total revenue.
- During our audit we visited the three Group and Trust sites (Royal Free Hospital, Barnet Hospital and Chase Farm Hospital) and performed our audit of the financial information from the Enfield Civic Centre and remotely as the COVID-19 pandemic affected working arrangements for staff.
- Our audit scope includes the Trust, its wholly owned subsidiaries, and its interests in two joint arrangements, UCL Partners Limited and Health Services Laboratories LLP.
- Going concern and the Group and Trust’s financial position.
- Management override of control and fraud in revenue and expenditure recognition.
- Valuation of the Trust’s land and buildings.
- Group consolidation and accounting considerations.
- Impact of the COVID-19 pandemic.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors’ professional judgement, were of most significance in the audit of the financial statements of the current period and the conclusion on the arrangements for securing economy, efficiency, and effectiveness in the use of resources, and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to going concern, described in the ‘Material

uncertainty relating to going concern' section above, and the matter described in the 'Arrangements for securing economy, efficiency and effectiveness in the use of resources' section below, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<p>Management override of control and fraud in revenue and expenditure recognition</p> <p>See note 1 to the financial statements for the Group's disclosures of the related accounting policies, judgements and estimates relating to the recognition of revenue and expenditure and notes 2 to 5 for further information.</p> <p>Under ISAs (UK) 240 there is a (rebuttable) presumption that there are risks of fraud in revenue recognition. We extend this presumption to the recognition of expenditure in the NHS in general.</p> <p>The main source of revenue for the Trust is from contracts with commissioning bodies in respect to healthcare services, under which revenue is recognised when, and to the extent that, healthcare services are provided to patients. This is contracted through a Service Level Agreement ('SLA').</p> <p>We focused on this area because there is a heightened risk due to:</p> <ul style="list-style-type: none"> • The Trust being under increasing financial pressure to achieve its control total set by NHS Improvement. Whilst the Trust is looking at ways to maximise revenue and reduce expenditure, there is an incentive for the Trust to recognise as much revenue as possible in 2019/20 and defer expenditure to 2020/21. • The operating position of the Trust and therefore the further risk that the directors may defer recognition of expenditure (by under-accruing for expenses that have been incurred during the period but which were not paid until after the year-end) or not record expenses accurately in order to improve the financial results. <p>We considered the key areas to be:</p> <ul style="list-style-type: none"> • recognition of revenue and expenditure; • recognition of revenue in accordance with IFRS 15; and • manipulation of journal postings to the general ledgers. 	<p>Recognition of revenue and expenditure</p> <p>We evaluated and tested the accounting policy for revenue and expenditure recognition to ensure that it is consistent with the requirements of the DHSC Group Group Accounting Manual 2019/20 and IFRS 15. We noted no issues in this respect.</p> <p>Where revenue was recorded through journal entries, we traced the journal to invoices on a sample basis to establish whether a service had been provided.</p> <p>We did not identify any transactions that were indicative of fraud in the recognition of revenue or expenditure.</p> <p>We obtained and read all commissioner service level agreement contracts with an annual contract value of above £11million and agreed the overall contract value to invoices raised and cash received.</p> <p>We tested a sample of remaining clinical income by tracing the transaction to invoices and cash receipt (if not received we have agreed to the trade receivables ledger). These amounts were agreed to the Service Level Activity Monitoring system to ensure the amounts reflected actual activity and to confirm when the activity occurred.</p> <p>We tested a sample of other revenue by tracing the transaction to invoices or other correspondence, and using our knowledge and experience in the sector, to determine whether the revenue was recognised appropriately. We also performed cut off procedures to ensure that revenue and expenditure transactions were recorded in the right period. Items of other revenue included private patient revenue, overseas patient revenue, education and training and research and development.</p> <p>Similarly, for expenditure, we selected a number of expenses made by agreeing them to the supplier invoices received to ensure they were recognised at the correct value and in the correct period.</p> <p>Furthermore, we performed testing on a sample basis, to agree large payments made and invoices received after the year end to supporting documentation and checking that, where they related to 2019/20 expenditure, an accrual was recognised appropriately.</p> <p>Our testing did not identify any significant matters.</p> <p>Manipulation of journal postings to the general ledgers</p> <p>Our journal work was carried out using a risk-based approach across the general ledger used by the Trust. We used data analysis techniques to identify the journals that had higher risk characteristics.</p> <p>We found the journals posted to be supported by documentation, consistent with that documentation and recognised in the correct accounting period.</p>

Valuation of the Group's land and buildings

See note 1 to the financial statements for the Group's disclosures of the related accounting policies, judgements, estimates, and use of experts relating to the valuation of the Group's land and buildings and note 13 for further information.

The Trust is required to regularly revalue its assets in line with the DHSC Group Accounting Manual 2019/20.

We have focused on this area due to the material nature of this balance, and the consequential impact on the financial statements were it to be materially misstated.

The Group's valuers noted that COVID-19 has impacted on property valuations, however due to the significant element of land and buildings being valued as specialised buildings using the depreciated replacement cost on a modern equivalent asset basis, the impact is less severe, than what would be expected on a market value of existing use approach.

As at the balance sheet date 31 March 2020, the Group's land and buildings are valued at £595.6million (2019: £548million). The Group reported a net revaluation gain of £24.2million to the Group's assets in 2019/20.

All property, plant and equipment is measured initially at cost, with land and buildings subsequently measured at fair value.

Valuations are performed by a professionally accredited expert, in accordance with the Royal Institute of Chartered Surveyors ('RICS') Appraisal and Valuation Manual and performed with sufficient regularity to ensure that the carrying value is not materially different from fair value at the balance sheet date.

The specific areas of risk are:

- accuracy and completeness of detailed information on assets provided to the valuation expert – most significantly the floor plans, on which the valuation of hospital properties is routinely based;
- the methodology, assumptions and underlying data used by the valuation expert; and
- the accounting transactions resulting from this valuation.

We obtained and read the relevant sections of the valuation performed by the Group's valuers. We used our own valuations experts to evaluate and challenge the assumptions and methodology applied in the valuation exercise. We found the assumptions and methodology applied to be consistent with our expectations.

We checked that the valuer had a UK qualification, was part of an appropriate professional body and was not connected with the Group.

We tested the underlying data (upon which the valuation was based) back to floor plans for a sample of properties.

We checked that the change in valuation was disclosed in the Annual Report and correctly reflected in the Group's workings and the general ledger. This we did by testing a sample of asset values which had increased or decreased by checking the Group had posted the journals to account for the valuation correctly, and found that, for all assets tested, the revaluation or impairment had been posted accordingly in the general ledger.

We physically verified a sample of assets to confirm existence and in doing so considered whether there was any indication of physical obsolescence which would indicate potential impairment.

Our testing did not identify any significant matters.

Group consolidation and accounting considerations

The Trust set up RFL Property Services Limited, that commenced trading within the 2018/19 financial year. The Trust also set up RFL Dispensary Services Limited, that commenced trading in 2019/20. Both are wholly owned subsidiaries of the Group.

The Trust was required to produce Group financial statements and prepare schedules to show the accounting for intra-company transactions and consolidation.

This was the first-year audit of RFL Dispensary Services Ltd and, as in the prior year, we included a specific risk to ensure that the consolidation was completed accurately, transactions were recorded between the Trust and subsidiaries appropriately, and the accounting treatment proposed was in line with accounting standards.

We confirmed that the RFL Dispensary Services Ltd company was set up appropriately with share capital paid up and governance arrangements put in place.

We completed audit testing on intra Group transactions between the Trust, RFL Property Services Limited and RFL Dispensary Services Ltd in the year. We also ensured that transactions that we sampled were recorded in line with the accounting policies for the companies and Group.

We tested the consolidation and considered working papers to ensure that company transactions were appropriately included in the Group accounts in line with the accounting policies of the Group and the substance of the transactions.

Impact of COVID-19

During the course of the audit, both management and the external audit engagement team considered the impact that the ongoing COVID-19 pandemic has had on the activities, suppliers and wider economy of the Group and its financial statements.

Management's assessment is that, whilst COVID-19 has impacted significantly on the Trust's operations, it has had no significant impact on the financial outturn of the Trust as operations only significantly changed in scope for the last three weeks of the year. The Trust received financial support from NHS Improvement in relation to additional COVID-19 costs incurred and also costs incurred by the Trust in supporting the set up of the Nightingale Hospital in London. Due to the significance of the pandemic, the financial statements have recognised the impact as a significant narrative disclosure and a non-adjusting post balance sheet event in the financial statements. The pandemic also impacted on the ability for the Trust, RFL Dispensary Services Ltd and the external audit team to perform an inventory count at the year end.

As a result of the above, we determined that the impact of COVID-19 should be a key audit matter.

We performed the following procedures to address the impact that COVID-19 has on the financial statements:

- Evaluated and challenged management's assessment of COVID-19 and its impact on valuations, inventory, bad debt provisions, and going concern. This included using our own valuations experts to consider the assumptions underpinning the Trust's valuation.
- Assessed the claim made by the Trust for COVID-19 reimbursement of costs to NHS Improvement to source documentation and confirmed amounts accounted for were agreed with NHS Improvement.
- Assessed the disclosures made by management and ensured that the impact of COVID-19 was reflected in the Annual Report, and in the accounting policies and as a non-adjusting post balance sheet event in the accounts.

We concluded that management's assessment of the impact of COVID-19 on the financial statements was reasonable as disclosed in [pages 23 and 52] of the Annual Report.

Other than the matters noted in the 'Material Uncertainty relating to going concern', and 'Arrangements for securing economy, efficiency, and effectiveness in the use of resources' paragraphs, we determined that there were no further key audit matters relating to the financial statements of the Group to communicate in our report.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Trust and the Group, the accounting processes and controls, and the environment in which the Group operates. All

books and records for the Trust and Group are retained at the finance team based in the Enfield Civic Centre and at the Royal Free Hospital. We focused our work on the key audit matters described above. During our audit we performed our audit of the financial information from the Enfield Civic Centre and remotely as a result of the COVID-19 pandemic.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	<i>Group financial statements</i>	<i>Trust financial statements</i>
Overall materiality	£22,688,000 (2019: £20,825,900)	£22,695,640 (2019: £20,825,900)
How we determined it	2% of revenue* (2019: 2% of revenue*)	2% of revenue* (2019: 2% of revenue*)
Rationale for benchmark applied	Consistent with last year, we have applied this benchmark, a generally accepted auditing practice, in the absence of indicators that an alternative benchmark would be appropriate.	Consistent with last year, we have applied this benchmark, a generally accepted auditing practice, in the absence of indicators that an alternative benchmark would be appropriate.

*Revenue includes operating income from patient care activities and other operating income per the financial statements.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £318,480 to £22,688,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £300,000 (Group audit) (2019: £250,000) and £300,000 (Trust audit) (2019: £250,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial

statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Performance Report and the Accountability Report, we also considered whether the disclosures required by the NHS Foundation Trust Annual Reporting Manual 2019/20 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) and the Code of Audit Practice require us also to report certain opinions and matters as described below.

Performance Report and Accountability Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Performance Report and Accountability Report for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with the NHS Foundation Trust Annual Reporting Manual 2019/20.

In light of the knowledge and understanding of the Group and the Trust and their environment obtained in the course of the audit, we did not identify any material misstatements in the Performance Report or Accountability Report.

In addition, the parts of the Remuneration and Staff Reports to be audited have been properly prepared in accordance with the NHS Foundation Trust Annual Reporting Manual 2019/20.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Accountability Report set out on page 30, the directors are responsible for the preparation of the financial statements in accordance with the DHSC Group Accounting Manual 2019/20, and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and Trust's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and Trust or to cease operations, or have no realistic alternative but to do so.

The Trust is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

We are required under Schedule 10 (1) of the National Health Service Act 2006 to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and to report to you where we have not been able to satisfy ourselves that it has done so. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively. We have undertaken our work in accordance with the Code of Audit Practice, having regard to the criterion determined by the Comptroller and Auditor General as to whether the Trust has proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary.

Use of this report

This report, including the opinions, has been prepared for and only for the Council of Governors of Royal Free London NHS Foundation Trust as a body in accordance with paragraph 24 of Schedule 7 of the National Health Service Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Arrangements for securing economy, efficiency and effectiveness in the use of resources

Under the Code of Audit Practice we are required to report, by exception, if we conclude we are not satisfied that the Trust has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Adverse opinion

As a result of the matters set out in the Basis for adverse opinion and Key Audit Matter section immediately below, we have concluded that the Trust has not put in place proper arrangements for securing economy, efficiency and effectiveness in the use of its resources for the year ended 31 March 2020.

Basis for adverse opinion and Key Audit Matter

The Trust set a planned deficit target for 2019/20 of £63.5m. The Trust achieved this planned target and as a result received Provider Sustainability Funding of £31.8m from NHS Improvement. The overall reported deficit for 2019/20 was £32.5m. The Trust's Board papers set out that recurrent savings of £17.3m and £25m of further mitigations were realised in 2019/20, against budgeted savings of £49.6m. The Trust recognises that achieving similar savings in 2020/21, partly as a result of COVID-19, will be challenging.

In 2019/20, as in 2018/19, the Trust has been reliant on liquidity support from the DHSC. At 31 March 2020, the Trust held £167.9m in borrowings, of which £83m related to working capital, £59m revolving facilities, and £20.5m in further longer-term capital loan borrowings. In April 2020, the

Trust was informed that £145.8m of its borrowings would be converted into Public Dividend Capital (PDC) in 2020/21.

Based on the financial position at the Trust in 2018/19, NHS Improvement issued a formal enforcement undertaking dated 4 April 2019 that set out a number of actions for the Trust, which included:

- Regular communication with NHS Improvement during 2019/20 regarding the Trust's financial position;
- The development of an action plan to address the findings from the external governance reviews that considered organisational capacity and capability to deliver the financial recovery together with the governance in place at the Trust; and
- An update to the Trust's financial strategy and recovery plan that presents a robust strategy and plan to deliver quality services on a sustainable basis by 2021/22.

The Trust received its report from the Care Quality Commission (CQC) in May 2019 following an inspection in 2018/19. This gave an overall rating for the Trust as Requires Improvement. The Trust also received a combined rating for quality and use of resources as Requires Improvement. The Trust has an action plan to address the findings.

In considering the Trust's arrangements we:

- understood the Trust's 2018/19 and 2019/20 financial performance, including its cash flows and assumptions underpinning borrowing needs;
- understood the Trust's initial views on its financial plans for 2020/21 and the assumptions underpinning its position; and
- considered the results of external scrutiny of the Trust's performance for 2019/20 and plans for 2020/21.

Based on our risk assessment and work performed, we concluded that:

- The evidence available from the results of the Trust's most recent CQC inspections, NHS Improvement enforcement notices, and its performance against key constitutional targets, indicate that there are areas for improvement to be actioned by the Trust in relation to its use of resources.
- The material uncertainties in relation to financial sustainability and going concern, highlighted above, call into doubt the financial sustainability of the Trust in the context of the sustainable deployment of resources.

The work we have undertaken on going concern and financial sustainability is explained in the Material uncertainty relating to going concern section of this report.

Other matters on which we report by exception

We are required to report to you if:

- The statement given by the directors on page 30, in accordance with provision C.1.1 of the NHS Foundation Trust Code of Governance, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for

patients, regulators, and other stakeholders to assess the Group's and Trust's performance, business model, and strategy is materially inconsistent with our knowledge of the Group and Trust acquired in the course of performing our audit.

- The section of the Annual Report on page 51, as required by provision C.3.9 of the NHS Foundation Trust Code of Governance, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Annual Governance Statement does not meet the disclosure requirements set out in the NHS Foundation Trust Annual Reporting Manual 2019/20 or is misleading or inconsistent with our knowledge acquired in the course of performing our audit. We have not considered whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.
- We have referred a matter to Monitor under Schedule 10 (6) of the National Health Service Act 2006 because we had reason to believe that the Trust, or a director or officer of the Trust, was about to make, or had made, a decision which involved or would involve the incurring of expenditure that was unlawful, or was about to take, or had taken a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency.
- We have issued a report in the public interest under Schedule 10 (3) of the National Health Service Act 2006.
- We have not received all the information and explanations we require for our audit.

We have no exceptions to report arising from this responsibility.

Certificate

We certify that we have completed the audit of the financial statements in accordance with the requirements of Chapter 5 of Part 2 to the National Health Service Act 2006 and the Code of Audit Practice.



Philip Stokes (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
24 June 2020

