

# Hertfordshire Partnership University NHS Foundation Trust Board of Directors Annual Accounts Meeting

VIRTUAL

19 June 2020 10:45 - 19 June 2020 11:45

## INDEX

Agenda Item 00 Agenda 19 June 2020 vFinal.docx.doc.....	3
Agenda Item 2 DoI Trust Board Members June 2020.docx.....	4
Agenda Item 3a Use of Corporate Seal.doc.....	6
Agenda Item 3b Use of Waivers 19 20.docx.....	8
Agenda Item 3c Losses and Special Payments 19 20.docx.....	18
Agenda Item 3d Treasury Management 19 20.docx.....	22
Agenda Item 4 Compliance with Provider License June 2020 vFinal.doc.....	26
Agenda Item 5a Annual accounts pape June 2020.doc.....	29
Agenda Item 5ai HPFT Financial Statements 2019 20.xlsx.....	31
Agenda Item 5b RSM Draft Annual Report incl Head of Internal Audit Opinion 2.....	75
Agenda Item 5ci External Audit Annual Governance Report 2019 20.pdf.....	89
Agenda Item 5cii FS Letter of Representation.doc.....	132
Agenda Item 5cii Letter for Representation.doc.....	134
Agenda Item 5d FS Annual Report 2019 20 vFinal.doc.....	140
Agenda Item 6 Audit Committee Annual Report 2019 20 vFinal Draft.docx.....	143

**Board of Directors – Annual Accounts**

**Friday 19 June 2020**

**10:45 – 11:45**

**Virtual Meeting**

**A G E N D A**

	SUBJECT	BY	ACTION	ENCLOSED
1	Apologies for Absence	CL		
2	Declarations of Interest	CL		Attached
3.	<b>Annual Reports 2019/20</b> a. Use of Corporate Seal b. Use of Waivers c. Losses and Compensation Payments d. Treasury Management	HE PR PR PR	RECEIVE RECEIVE APPROVE RECEIVE	Attached Attached Attached Attached
4.	<b>NHSI Declarations</b> • Compliance with Provider License	HE	APPROVE	Attached
5.	<b>Annual Accounts 2019/20</b> a. Draft Annual Accounts b. Internal Audit Annual Report including Head of Internal Audit Opinion c. i) External Audit Annual Governance Report ii) Draft letter of Representation d. Draft Annual Report including Annual Governance Statement	PR  LW NH PR  HE	APPROVE  RECEIVE RECEIVE APPROVE  APPROVE	Attached  Attached Attached Attached  Separate Cover
6.	<b>Audit Committee Annual Report 2019/20</b>	CD	APPROVE	Attached
7.	<b>Any Other Business</b>	CL		
8.	<b>Date of next meeting: 25 June 2020</b>			

**Declarations of Interest Register**  
**Board of Directors – Annual Accounts**

**25 June 2020**

<b>Members</b>	<b>Title</b>	<b>Declaration of Interest</b>
David Atkinson	Non-Executive Director	Goldman Sachs Group Inc equity share owner Trustee of Papworth Trust Independent NED Mizuho Trustee Eternal Forest Trust
Tanya Barron	Non-Executive Director	Chair of Affinity Trust Education Development Trust
Sarah Betteley	Non-Executive Director/Deputy Chair	Director DEVA Medical Electronics Ltd
Keith Loveman	Director of Finance/Deputy CEO	Nil Return
Jane Padmore	Director, Quality & Safety	Director of Nursing Forum, National Mental Health and Learning Disability
Paul Ronald	Director of Operational Finance	Chair – MIND in Mid-Herts
Loyola Weeks	Non-Executive Director	Director O'Donovan Weeks Ltd
Asif Zia	Director, Quality & Medical Leadership	Nil Return
Chris Lawrence	Chairman	Chair, University of East Anglia Staff Superannuation Scheme Chair, Horstead Centre Director, Lambeth Conference Company
Sandra Brookes	Director, Service Delivery & Service User Experience	Nil Return
Tom Cahill	Chief Executive Officer	Nil Return

Ann Corbyn	Director, People & Organisational Development	Nil Return
Sarita Dent	Associate Non-Executive Director	Treasurer of Bipolar UK
Catherine Dugmore	Non-Executive Director	WWFUK Trustee RGB Kew Trustee Natural England Board Member Aldwickbury School Trust Limited
Helen Edmondson	Head of Corporate Affairs & Company Secretary	Nil Return
Diane Herbert	Non-Executive Director	NED HMRC Shareholder in own coaching/leadership business
Janet Paraskeva	Non-Executive Director	Chair, CLC. (Council for Licensed Conveyancers) Chair Jersey Appointments Commission Chair Regulation and Standards RICS (Royal Institute for Chartered Surveyors)
Karen Taylor	Director, Strategy & Integration	Nil Return

**Board of Directors – Annual Accounts**

<b>Meeting Date:</b>	19 June 2020	<b>Agenda Item: 3a</b>
<b>Subject:</b>	Use of Trust Corporate Seal 2019-20	<b>For Publication: YES</b>
<b>Author:</b>	Jane Twelves PA to Director of Finance	<b>Approved by:</b> Keith Loveman Director of Finance
<b>Presented by:</b>	Helen Edmondson, Head of Corporate Affairs & Company Secretary	

**Purpose of the Report**

To provide an annual report on the use of the Trust's corporate seal.

**Action required:**

The Board are requested to RECEIVE the report.

**Summary and recommendations to the Board:**

The use of the Trust's Corporate Seal provides evidence that the principles of probity, transparency and honesty set out in the *Nolan Principles of Public Life*, *Standing Financial Instructions*, *Trust's Standing Orders*, *Scheme of Delegation* and *Standard of Business Conduct Policy* are being adhered to.

**Relationship with the Business Plan & Assurance Framework (Risks, Controls & Assurance):**

**Summary of Financial, IT, Staffing & Legal Implications:**

NONE

**Equality & Diversity (has an Equality Impact Assessment been completed?) and Public & Patient Involvement Implications:**

N/A

**Evidence for S4BH; NHSLA Standards; Information Governance Standards, Social Care PAF:**

Key governance requirement as set out by the Health & Social Care Act 2012 and NHSI

**Seen by the following committee(s) on date: Finance & Investment/Integrated Governance/Executive/Remuneration/Audit**

Audit Committee 19 June 2020

## Introduction

The use of the Trust's Corporate Seal provides evidence that the principles of probity, transparency and honesty set out in the *Nolan Principles of Public Life*, *Standing Financial Instructions*, *Trust's Standing Orders*, *Scheme of Delegation and Standard of Business Conduct Policy* are being adhered to.

Good corporate governance practice demands that the Audit Committee and the Board should be apprised of the use of the Trust's seal in the awarding or receipt of commercial contracts and that they should signify their assent by approving the report.

During the reporting period there were eight (8) transactions sealed and are recorded in the Recording of Seals' Book kept securely with the Trust's Seal by the Company Secretary.

### Use of the Trust's Seal – 1<sup>st</sup> April 2019 – 31<sup>st</sup> March 2020

The use of the Corporate Seal for the reporting period is set out below:

	Description	Date
1	5-year Contract HCC/NHS E&N Herts/ HVCCG/C&P CCG Ref: HCC1810843	01.04.19
2	Section 75	01.04.19
3	Sovereign House Lease to New Directions	27.06.19
4	Minor Works Scheme Agreement (P22-0116) Kier Infrastructure x 2	23.09.19
5	Transfer of Land at Little Plumstead Hospital	24.01.20
6	Admission of Transferee Admission Body to Essex Pension Fund (ECC)	18.02.20
7	Security Agreement (ECC Pension Fund Bond)	18.02.20
8	Transfer of land at Little Plumstead Hospital (refers to entry at 24.01.20)	28.04.20

## Recommendation

The Audit Committee is asked to **approve** the report.

## Board of Directors – Annual Accounts

<b>Meeting Date:</b>	19 June 2020	<b>Agenda Item:</b> 3b
<b>Subject:</b>	Use of Waivers 2019/20	<b>For Publication:</b> No
<b>Author:</b>	Matthew Hooper Head of Financial Services	<b>Approved by:</b> Sam Garrett Interim Deputy Director of Finance
<b>Presented by:</b>	Paul Ronald, Director of Operational Finance	

### Purpose of the report:

To inform the Board of the use of Waivers during 2019/20.

### Action required:

To note the waivers issued, reasons and values and seek any additional clarification or information required

### Summary and recommendations

To note the waivers issued, reasons and values, and seek any additional clarification or information required

### Relationship with the Business Plan & Assurance Framework (Risks, Controls & Assurance):

Effective use of resources

### Summary of Financial, IT, Staffing & Legal Implications:

### Equality & Diversity (has an Equality Impact Assessment been completed?) and Public & Patient Involvement Implications:

N/A

### Evidence for S4BH; NHSLA Standards; Information Governance Standards, Social Care PAF:

Internal Control / Financial Management

### Seen by the following committee(s) on date:

Finance & Investment/Integrated Governance/Executive/Remuneration/  
Board/Audit

Audit Committee 19 June 2020



## **Use of Waivers**

### **Introduction**

Good practice requires that the use of Waivers be formally reported to the Audit Committee.

During the period 1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2020 there were 31 (40 in 2018/19) waivers totalling £1,439k (£1,348k in 2018/19) for the Trust. In all instances a comprehensive review was undertaken to ensure the use of the waiver does not compromise value for money.

### **Use of Waivers**

There were 4 waivers authorised for purchases that exceeded £100k (3 in 2018/19). These were predominately for Estates and IT works where the timescale genuinely precluded competitive tendering.

Frequency of waiver requests throughout the year is illustrated in Appendix 2. Waivers were raised fairly consistently throughout the year in 2019/20, the higher value waivers in March related to an IT waiver for £354k relating to required IT Network Equipment. The spike of waivers seen towards the end of the financial year in 2018/19 was avoided this year with clearer planning and communication of projects.

The majority of waivers were due to specialist expertise or timescales that genuinely precluded competitive tendering. The number authorised under specialist expertise was similar to the previous year. The Estates department requested the highest number of waivers. This is partly due to the nature and volume of their work, as well as their improvement in compliance in using the Procurement department, meaning they have more visibility of the Estates spending compared to previous years. The majority of the remaining waivers were authorised with multiple reasons.

Appendix 4 shows the volumes of waivers requested by departments.

All requests for waivers are required to be authorised by either the Chief Executive or Executive Director of Finance for the Trust.

Detail of the waivers is attached at appendix 1.

### **COVID-19**

In light of the COVID-19 situation some project work was stepped back, whilst priority and urgency was given to COVID-19 related issues. All projects were still dealt with under the SFI and procurement rules ensuring value for money for the Trust. This mainly was driven by PPE and emergency clinical equipment that was still able to be sourced compliantly under the circumstances.

Reviews are ongoing in 2020/21 to ensure procurement processes are adhered to with urgency and priority still given to those required.

## Appendix 1

Waiver Number	Issue Date	Description of Requirement	Supplier	Value (ex. VAT)	Reasoning for Waiver	Approved by DoF Date
HPFT/03/04/097	03/04/2019	Renewal of Technical Support Services for Support Service Number 5902493	Oracle	£8,602.10	Specialist expertise is required and is available from only one source.	03/04/2019
HPFT/11/04/098	11/04/2019	Replacement Windows for Bedroom 15, Swift Ward & Spares	Polar (NE)	£12,131.67	Specialist expertise is required and is available from only one source; The task is essential to complete the project, and arises as a consequence of a recently completed assignment and engaging different consultants for the new task would be inappropriate.	12/04/2019
HPFT/11/04/099	11/04/2019	Renewal of Medicines Complete	Pharmaceutical Press	£6,994.98	Specialist expertise is required and is available from only one source.	10/05/2019
HPFT/25/04/100	25/04/2019	APPS accreditation	Royal College of Psychiatrists	£7,848.00	Specialist expertise is required and is available from only one source.	24/04/2019
HPFT/26/04/101	26/04/2019	Mechanical validation	Alpine Works	£36,160.00	There is a clear benefit to be gained from maintaining continuity with an earlier project. However in such cases the benefits of such continuity must outweigh any potential financial advantage to be gained by competitive tendering.	01/05/2019

HPFT/24/05/102	24/05/2019	Colonnades heating and cooling	Clivet (Raised to Interserve)	£24,096.50	Specialist expertise is required and is available from only one source; There is a clear benefit to be gained from maintaining continuity with an earlier project. However in such cases the benefits of such continuity must outweigh any potential financial advantage to be gained by competitive tendering.	29/05/2019
HPFT/29/05/103	29/05/2019	CHC Assessment Service	CHS	£75,000.00	Specialist expertise is required and is available from only one source; There is a clear benefit to be gained from maintaining continuity with an earlier project. However in such cases the benefits of such continuity must outweigh any potential financial advantage to be gained by competitive tendering.	29/05/2019
HPFT/06/06/104	06/06/2019	Mobile phone hardware	Boxedtech Ltd	£36,750.00	The timescale genuinely precludes competitive tendering. Failure to plan the work properly is not a justification for single tender.; Specialist expertise is required and is available from only one source.	06/06/2019

HPFT/13/06/105	13/06/2019	University fees fro Cohort 10 of Leadership Academy (accrediton)	University of Hertfordshire	£13,000.00	The task is essential to complete the project, and arises as a consequence of a recently completed assignment and engaging different consultants for the new task would be inappropriate; There is a clear benefit to be gained from maintaining continuity with an earlier project. However in such cases the benefits of such continuity must outweigh any potential financial advantage to be gained by competitive tendering.	17/06/2019
HPFT/27/06/106	27/06/2019	Replacement windows Albany	Polar (NE)	£136,000.00	Specialist expertise is required and is available from only one source.	27/06/2019
HPFT/28/06/107	28/06/2019	Project initiation and support	Healthcare Gateway Ltd	£5,250.00	Specialist expertise is required and is available from only one source.	28/06/2019
HPFT/03/07/109	03/07/2019	Mobile phone handsets	Hertfordshire Community Trust	£13,000.00	The timescale genuinely precludes competitive tendering. Failure to plan the work properly is not a justification for single tender.	03/07/2019
HPFT/24/07/111	24/07/2019	Parking permits	Watford General Hospital	£40,500.00	Specialist expertise is required and is available from only one source.	04/10/2019
HPFT/26/07/112	26/07/2019	Signage for Kingsley Green and Installation	Model Signage	£15,139.36	The timescale genuinely precludes competitive tendering. Failure to plan the work properly is not a justification for single tender.	26/07/2019

HPFT/05/08/113	05/08/2019	Aston ward enabling works	Neville	£127,147.15	The timescale genuinely precludes competitive tendering. Failure to plan the work properly is not a justification for single tender.; There is a clear benefit to be gained from maintaining continuity with an earlier project. However in such cases the benefits of such continuity must outweigh any potential financial advantage to be gained by competitive tendering.	06/08/2019
HPFT/06/09/114	06/09/2019	Redecoration of Robin Ward	C S Hodges	£19,000.00	The timescale genuinely precludes competitive tendering. Failure to plan the work properly is not a justification for single tender.	06/09/2019
HPFT/27/09/115	27/09/2019	Oak Ward - Adaptation works	Borras Construction	£169,547.78	The timescale genuinely precludes competitive tendering. Failure to plan the work properly is not a justification for single tender.	04/10/2019
HPFT/11/10/117	11/10/2019	Course Fees - BA (Hons) Leadership & Professional Development	University Campus St Albans	£6,000.00	Specialist expertise is required and is available from only one source.	PO created 05/12/2019, PO found by Procurement on 16/12/2019
HPFT/17/10/118	17/10/2019	AIMS 3 Years Subscription for Gainsford House & The Beacon	Royal College of Psychiatrists	£10,692.00	Specialist expertise is required and is available from only one source.	31/10/2019
HPFT/24/10/119	24/10/2019	Pro screens	Metra sens	£30,000.00	Specialist expertise is required and is available from only one source.	24/10/2019
HPFT/11/11/120	11/11/2019	6 month ASD Assessment and Diagnostic Clinic including waiting list initiative	Pyxis Wellbeing	£49,920.00	Specialist expertise is required and is available from only one source.	07/11/2019

HPFT/15/11/121	15/11/2019	The Prescribing Observatory for Mental Health UK (POMH-UK) 3 years membership	Royal College of Psychiatrists	£14,550.00	Specialist expertise is required and is available from only one source.	18/11/2019
HPFT/03/12/122	03/12/2019	Read only access to EMIS	EMIS	£13,000.00	Specialist expertise is required and is available from only one source.	04/12/2019
HPFT/04/12/123	04/12/2019	leadership Academy	Uni of Herts	£12,000.00	Specialist expertise is required and is available from only one source; the task is essential to complete the project, and arises as a consequence of a recently completed assignment and engaging different consultants for the new task would be inappropriate; there is a clear benefit to be gained from maintaining continuity with an earlier project. However in such cases the benefits of such continuity must outweigh any potential financial advantage to be gained by competitive tendering;	27/01/2020
HPFT/19/12/124	19/12/2019	Doors for s136	Polar (NE)	£22,471.44	Specialist expertise is required and is available from only one source; There is a clear benefit to be gained from maintaining continuity with an earlier project. However in such cases the benefits of such continuity must outweigh any potential financial advantage to be gained by competitive tendering.	23/12/2019
HPFT/19/12/125	19/12/2019	Professional Business Support to develop an Outline Business Case for Single Person View	Hunter Healthcare	£39,510.00	The timescale genuinely precludes competitive (re)tendering - 2 bids received from 2 separate tendering rounds.	12/02/2020

HPFT/30/01/127	30/01/2020	Consultancy	Beaumaris	£15,900.00	Specialist expertise is required and is available from only one source; The task is essential to complete the project, and arises as a consequence of a recently completed assignment and engaging different consultants for the new task would be inappropriate; There is a clear benefit to be gained from maintaining continuity with an earlier project.	05/02/2020
HPFT/11/02/128	11/02/2020	IT consultancy to support PARIS UDF development and upgrade	IT WORKS HEALTH LTD	£45,000.00	Specialist expertise is required and is available from only one source; additionally, the timescale genuinely precludes competitive tendering.	20/02/2020
HPFT/12/03/129	12/03/2020	rTMS clinical therapy system	Magstim	£44,000.00	Specialist expertise is required and is available from only one source.	13/03/2020
HPFT/19/03/130	19/03/2020	Refurbishment works at Prospect House	AJR Renovations	£35,831.00	The timescale genuinely precludes competitive tendering. Failure to plan the work properly is not a justification for single tender.	By email. Waiver is being amended to reflect change from COVID-19 site to EPMHS site.
HPFT/23/03/131	23/03/2020	Network Equipment	CDW	£353,983.03	The timescale genuinely precludes competitive tendering. Failure to plan the work properly is not a justification for single tender.	26/03/2020

## Appendix 2

Month	Sum of Value		Sum of Count
Apr-19	£	28,582	3
May-19	£	142,251	4
Jun-19	£	191,000	4
Jul-19	£	28,139	2
Aug-19	£	127,147	1
Sep-19	£	19,000	1
Oct-19	£	250,740	4
Nov-19	£	64,470	2
Dec-19	£	41,471	3
Jan-20	£	12,000	1
Feb-20	£	100,410	3
Mar-20	£	433,814	3
<b>Grand Total</b>	<b>£</b>	<b>1,439,025</b>	<b>31</b>



### Appendix 3

Department	Sum of Value		Sum of count
Estates	£	613,425	11
IM&T	£	515,095	8
E&N SBU	£	75,000	1
West SBU	£	74,000	2
IAPT	£	57,768	2
Finance	£	40,500	1
Workforce	£	31,000	3
Pharmacy	£	21,545	2
LD&F SBU	£	10,692	1
<b>Grand Total</b>	<b>£</b>	<b>1,439,025</b>	<b>31</b>

**Board of Directors – Annual Accounts**

<b>Meeting Date:</b>	19 June 2020	<b>Agenda Item:</b> 3c
<b>Subject:</b>	Losses and Special Payments 2019/20	<b>For Publication:</b> No
<b>Author:</b>	Matthew Hooper Head of Financial Services	<b>Approved by:</b> Sam Garrett Interim Deputy Director of Finance
<b>Presented by:</b>	Paul Ronald, Director of Operational Finance	

**Purpose of the report:**

To present a summary of the Losses and Special payments for 2019/20.

**Action required:**

. To formally **approve** the write-off of losses for the year 1 April 2019 – 31 March 2020

**Summary and recommendations**

The Trust Board formally approves the write-off of losses and special payments for the year 1 April 2019 – 31 March 2020.

**Relationship with the Business Plan & Assurance Framework (Risks, Controls & Assurance):**

Effective use of resources

**Summary of Financial, IT, Staffing & Legal Implications:**

**Equality & Diversity (has an Equality Impact Assessment been completed?) and Public & Patient Involvement Implications:**

N/A

**Evidence for S4BH; NHSLA Standards; Information Governance Standards, Social Care PAF:**

Internal Control / Financial Management

**Seen by the following committee(s) on date:**

**Finance & Investment/Integrated Governance/Executive/Remuneration/  
Board/Audit**

Audit Committee 19 June 2020

## **LOSSES & SPECIAL PAYMENTS** **FOR THE YEAR ENDED 31 MARCH 2020**

### **1. Recommendation**

The Trust Board is requested to approve the write-off of losses and special payments for the period 1 April 2019 to 31 March 2020.

### **2. Introduction**

Within limits delegated to it by the NHS Executive the Hertfordshire Partnership University NHS Foundation Trust Board is responsible for approving the write-off of losses and special payments. There are no losses or special payments in excess of the Trust's delegated limits that require further approval from the Department of Health.

### **3. Losses and Special Payments for 2019/20**

The attached statement at Appendix 1 gives details of losses and special payments recorded by the Trust totalling £7,531 (22 cases), for the year. Payments for 2018/19 totalled £4,531 (20 cases).

The Trust Board is requested to approve these write-offs for 2019/20.

The main movements between years is a £4,880 increase in other ex-gratia payments which predominately related to 1 claim for staff damaged teeth.

The overall value of losses and special payments continues to be low in relation to the turnover of the Trust and there are no discernible trends emerging.

The annual total represents the net loss to the Trust, discounting sums received via insurance claims or owing from the Clinical Negligence Scheme for Trusts. Although the extent of losses and special payments made by the Trust is relatively low it remains necessary to remind staff of the need for care and vigilance at all times.

### **4. Clinical Negligence Scheme for Trusts**

The Trust continues its membership of the Clinical Negligence Scheme for Trusts (CNST), a contributions pooling arrangement, with the contribution in 2019/20 being £445,274 (2018/19 £480,004).

From 2016/17, contributions were calculated as a weighted average of three elements:

- A risk based contribution, based on Trust size and activity levels;
- A contribution based on paid claims experience over the five year preceding period; and
- A contribution based on known outstanding claims.

## **5. Non-Clinical Risks Scheme**

The Trust is a member of a NHS pooling scheme for non-clinical risks, which operates on a similar basis to the CNST. This scheme comprises the Liabilities to Third Parties Scheme (LTPS) and the Property Expenses Scheme (PES). The net contribution in 2019/20 was £145,243 (2018/19 £182,804).

The PES pooling scheme limits property cover to £1m per property and the Trust Board agreed in 2008/9 that 'top up' insurance be taken to increase this to full re-instatement cost, the cost in 2019/20 was £13,080 (2018/19 £24,568).

## **6. Monitoring Arrangements**

The losses and special payments process is set out in the Standing Financial Instructions and follows the guidance in FDL (98)02. All reports of losses or requests for special payments continue to be reviewed and signed by both Senior Managers and Finance and are subject to audit enquiry where appropriate. In addition, losses and special payments are subject to review in greater detail by the Trust Audit Committee.

Appendix 1

**HERTFORDSHIRE PARTNERSHIP UNIVERSITY NHS FOUNDATION TRUST**

**Losses and Special Payments Summary for the financial year 2019/20**

<u>2018/19</u>			<u>2019/20</u>		Increase / decrease
£	Number of cases	Description	£	Number of cases	£
Losses					
274	7	Other	5	1	-269
0	0	Damage to property due to theft	25	1	25
707	4	Bad Debts	0	0	-707
1,402	1	Pharmacy stock write off	0	0	-1,402
Special Payments					
2,148	8	Staff / Patient Property Damaged	3,012	16	864
0	0	Other ex gratia payments	4,880	4	4,880
4,531	20		7,922	22	3,391

**Split by SBU**

£	Number of cases	Description	£	Number of cases	£
£	Number of cases		£	Number of cases	£
1,407	2	Support and Central Services	5	1	-1,402
266	6	SBU East & North Herts	760	6	494
2,244	9	SBU West Herts	1,684	7	560
614	3	Learning Disabilities and Forensics	5,473	8	4,859
<u>4,531</u>	<u>20</u>		<u>7,922</u>	<u>22</u>	<u>3,391</u>

**Board of Directors – Annual Accounts**

<b>Meeting Date:</b>	19 June 2020	<b>Agenda Item:</b> 3d
<b>Subject:</b>	Treasury Management Report 2019/20	<b>For Publication:</b> No
<b>Author:</b>	David Flint Deputy Financial Services Manager	<b>Approved by:</b> Matthew Hooper Head of Financial Services
<b>Presented by:</b>	Paul Ronald, Director of Operational Finance	

**Purpose of the report:**

As part of the final accounts process and in accordance with the Treasury Management Policy this report on treasury management activity is presented to the Board.

**Action required:**

. To note the Treasury Management summary for 2019/20.

**Summary and recommendations**

To note the Treasury Management summary for the financial year 2019/20

**Relationship with the Business Plan & Assurance Framework (Risks, Controls & Assurance):**

Effective use of resources

**Summary of Financial, IT, Staffing & Legal Implications:**

**Equality & Diversity (has an Equality Impact Assessment been completed?) and Public & Patient Involvement Implications:**

N/A

**Evidence for S4BH; NHSLA Standards; Information Governance Standards, Social Care PAF:**

Internal Control / Financial Management

**Seen by the following committee(s) on date:**

**Finance & Investment/Integrated Governance/Executive/Remuneration/  
Board/Audit**

Audit Committee 19 June 2020

## **TREASURY MANAGEMENT**

### **1. Background**

Surplus cash balances available for temporary investment normally arise from four main sources:

1. The management of working capital balances.
2. Capital disposals.
3. Management of the capital programme.
4. Surplus on income and expenditure

### **2. 2019/20 Interest Received**

A total of £396k (2018/19 £350k) of interest was received during the financial year on surplus balances held. This was above the Plan of £366k. Closing cash balances were £55m against a Plan of £51.7m. Cash balances held in year were higher than Plan due mostly to a revised profile of capital spend. This resulted in a higher level of interest received. On 11<sup>th</sup> March, the Bank of England changed the interest rates on GBS balances from 0.64% to 0.14% upon the change in base rate. This was further reduced to 0% on the 19<sup>th</sup> March.

Average surplus funds of £61.5m were held during 2019/20 as follows:-

GBS	£24.6m	(40%)
National Loans fund (NLF)	£37.0m	(60%)

In January 2020 the interest rates offered by the National Loans fund were below that of the GBS bank accounts. For this reason, no deposits have been placed since the last deposit was returned on 26<sup>th</sup> December 2019.

### **3. Borrowing for Investment**

The Trust had agreed borrowing facilities negotiated with the Independent Trust Financing Facility (previously known as the Foundation Trust Financing Facility) as follows:

- £32.0m term loan repayable over 25 years

The purpose of borrowing was to enable the Trust to invest in its capital programme which included the build of the new facility at Kingfisher Court.

A total of £19.2m of loan has been drawdown (£6.79m bridging loan and £12.41m term loan). The loan drawdown is less than originally planned due to the revised profile of capital spend. This has resulted in a lower than planned interest payment on the loan.

The previous loan agreement can no longer be drawn upon and new conditions would need to be negotiated with the Independent Trust Financing Facility should any further borrowing be required.

In 2019/20 £272k interest was paid relating to the term loan, and repayments of the term loan principle totalled £530k.

#### **4. Forward Look**

For 2020/21 the planned capital expenditure is £20.9m with planned asset sales of £5.5m a net capital spend therefore of £15.4m. No further loan drawdown is available.

Interest payments in 2020/21 will amount to £257k and capital loan repayments for the term loan will be £530k.

The Trust regularly reviews its cash and loan requirements so that it can maximise the interest received on cash held within the GBS and minimise the amount of interest paid on our loans, however the Trust currently receives 0% interest on GBS cash balances and is restricted from placing its surplus cash balances with the NLF.

There is also a risk that the Trust may have to incur interest expenses should interest rates drop below 0%. GBS are currently advising that this would be on the advice of HM Treasury at the time of any potential negative interest rates.

#### **5. Public Dividend Capital (PDC)**

The Trust received £792k of PDC funding during 2019/20. This related to capital projects that the Trust received funding towards. The largest project was £420k of capital funding towards Cyber Security.

#### **6. Better Payment Practice Code**

The Better Payment Practice Code, formerly known as the CBI policy on prompt payment, requires payment to creditors within 30 days of the receipt of goods, or a valid invoice, whichever is the later, unless covered by other agreed payment terms. The Trust's payment policy was consistent with this target and actual achievement in the year was as follows. The lower percentage of NHS bills related to a small number of high value SLA invoices that were held to ensure the contract value accurately reflected to the services received.

In light of the COVID-19 situation processes have been put in place to support budget holders and suppliers to ensure they continue to be paid promptly. Performance against the payment terms has been in line with the performance set out below in the first two months 2020/21 so far.



	£'000's	Number
Total Non-NHS bills paid in the year	122,652	45,809
Total Non-NHS bills paid within target	41,858	113,171
Percentage of bills paid within target	91%	92%
(2018/19 percentages)	(88%)	(85%)

	£'000's	Number
Total NHS bills paid in the year	14,944	842
Total NHS bills paid within target	12,087	673
Percentage of bills paid within target	80%	81%
(2018/19 percentages)	(59%)	(79%)

### Board of Directors – Annual Accounts

<b>Meeting Date:</b>	19 June 2019	<b>Agenda Item: 4</b>
<b>Subject:</b>	NHSI Compliance with Provider License	<b>For Publication: No</b>
<b>Author:</b>	Helen Edmondson, Head of Corporate Affairs and Company Secretary	<b>Approved by:</b>
<b>Presented by:</b>	Helen Edmondson, Head of Corporate Affairs and Company Secretary	

#### **Purpose of the report:**

To provide evidence of compliance with the Trust's provider licence to the Board.

#### **Action required:**

To **approve** the report.

#### **Summary and recommendations to the Committee:**

##### **Background**

There is an annual requirement for all FTs and NHS Trusts to self-certify that they have met, or are able to meet, certain conditions of the Provider Licence. They are not required to submit the certifications to NHS E and I; however, NHS E and I reserves the right to do a sample audit of providers and can, where it finds that providers have not completed the audits, take enforcement action to require them to do so. The relevant self-certifications are all end of June 2020.

The Provider License replaced the Terms of Authorisation originally issued to NHS Foundation Trusts. The Provider License came into force in February 2013, updated May 2014 and contains a number of conditions. These conditions are divided into six (6) categories:

- General
- Pricing
- Choice and Competition
- Integrated Care
- Continuity of Service
- NHS Foundation Trusts' Conditions (NHSFT)

Further detail in Appendix 1.

##### **Latest Position**

In the Amanda Pritchard letter to the NHS dated 28 March 2020 which set out *NHSE/I's intent to reduce the burden on providers to free-up capacity for the COVID-19 crisis*.

there is reference to reducing some of the regulatory demands to support this, but the letter was not specific about this self-certification. In the case of self-certification the requirement is part of the provider licence and so cannot technically be waived. However, NHS E and I does have the option not to take enforcement action to require providers to comply but the decision whether to complete the certifications remains with the Trust.

NHSE/I have decided that they will *not* carry out any audit of the completion of the self-

certifications this year; nor take any enforcement action to require providers to complete the self-certifications should it become apparent that a provider has not done them.

Head of Corporate Affairs and Company Secretary has reviewed the evidence of assurance to support the self-certification and confirms that the Trust is compliant with each element of the conditions.

**Recommendation:**

The Board is asked to **APPROVE**

**Relationship with the Business Plan & Assurance Framework (Risks, Controls & Assurance):**

ALL

**Summary of Financial, IT, Staffing & Legal Implications:**

NONE

**Equality & Diversity (has an Equality Impact Assessment been completed?) and Public & Patient Involvement Implications:**

N/A

**Evidence for S4BH; NHSLA Standards; Information Governance Standards, Social Care PAF:**

Key governance requirement as set out by NHSI

**Seen by the following committee(s) on date:**

**Finance & Investment/Integrated Governance/Executive/Remuneration/Audit**

Audit Committee 19 June 2020

## Appendix 1

### Provider License Conditions:

#### 1. General

- Provision of information
- Publication of information
- Payment of fees to NHSI
- Fit & Proper Persons' Requirement
- NHSI Guidance
- Systems for compliance with license related conditions and related obligations
- Registration with the Care Quality Commission
- Application of Section 5 (Continuity of Service)

#### 2. Pricing

- Recording of information
- Provision of information
- Assurance of submissions to NHSI
- Constructive engagement concerning local tariff modifications

#### 3. Choice and Competition

- The rights of patients to make choices
- Competition oversight

#### 4. Integrated Care

- Provision of integrated care

#### 5. Continuity of Service

- Continuing provision of Commissioner Requested Services
- Restriction on the disposal of assets

## Board of Directors – Annual Accounts

<b>Meeting Date:</b>	19 June 2020	<b>Agenda Item:</b> 5a
<b>Subject:</b>	Submission of Annual Accounts	<b>For Publication:</b>
<b>Author:</b>	Paul Ronald Director of Operational Finance	<b>Approved by:</b> Keith Loveman Deputy Chief Executive
<b>Presented by:</b>	Paul Ronald Director of Operational Finance	

### Purpose of the report:

To provide the Board with management's view on the content of the 2019/20 Annual Accounts to support the Committee in its consideration of its responsibility

### Action required:

Approve

### Summary and recommendations

The detail below is supported by a short slide deck providing the key highlights and detail in relation to the Annual Accounts. These highlights and the information presented elsewhere in the Committee is familiar to the Committee members and has been regularly presented over the period to the full membership and in more detail to the Chairs of both the Audit Committee and Finance Committee. Regular communications have been provided to update on progress on the Annual Accounts, to highlight the key matters for consideration in the accounts preparation and to note the areas of audit risk and the management response. The following is noted as the summary;

- The audit has been completed in advance of the first submission date set by NHSI.
- There were no adjustments required to the draft Accounts submission albeit the Trust has chosen to make one adjustment to its PPE valuations.
- The financial position is in accordance with the regular projections presented to the Committee.
- The Trust has met the Control Total and secured £1.9m PSF to support future investment
- The Trust has achieved a Financial Risk Rating of 1 and reported Agency spend below the Cap.
- The Trust has continued its balanced approach in assessing provisions and in reporting income.

In view of the above and the further detail provided within the presentation, the Committee is asked to recommend to the Board the approval of the Annual Accounts

### Relationship with the Business Plan & Assurance Framework (Risks, Controls & Assurance):

### Summary of Financial, IT, Staffing & Legal Implications:

### Equality & Diversity (has an Equality Impact Assessment been completed?) and Public & Patient Involvement Implications:

### Evidence for S4BH; NHSLA Standards; Information Governance Standards, Social Care PAF:

Seen by the following committee(s) on date:





## **FOREWORD TO THE FINANCIAL STATEMENTS**

### **HERTFORDSHIRE PARTNERSHIP UNIVERSITY NHS FOUNDATION TRUST**

These accounts, for the year ended 31 March 2020, have been prepared by Hertfordshire Partnership University NHS Foundation Trust ('the NHS FT') in accordance with paragraphs 24 & 25 of Schedule 7 within the National Health Service Act 2006 and are presented to Parliament pursuant to Schedule 7, paragraph 25 (4) (a) of the National Health Service Act 2006.

If you require any further information on these Annual Financial Statements please contact:

Matthew Hooper  
Head of Financial Services  
Hertfordshire Partnership University NHS Foundation Trust  
99 Waverley Road  
St Albans  
Hertfordshire  
AL3 5TL  
Telephone number: 01727 804 764

Signed

Mr Tom Cahill, Chief Executive      Date 19 June 2020

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

		2019/20	2018/19
	note	£000	£000
Operating income from patient care activities	4	254,168	223,531
Other operating income	4	10,331	12,044
Operating expenses	5	(259,150)	(229,133)
<b>OPERATING SURPLUS</b>		<b>5,349</b>	<b>6,442</b>
<b>FINANCE COSTS</b>			
Finance income	9.0	396	350
Finance expense - financial liabilities	9.1	(272)	(304)
Finance expense - unwinding of discount on provisions	9.1	24	(14)
PDC dividend charge		(3,886)	(3,582)
<b>NET FINANCE COSTS</b>		<b>(3,738)</b>	<b>(3,550)</b>
(Losses)/Gains of disposal of assets	11.3	0	(32)
<b>SURPLUS FOR THE YEAR</b>		<b>1,611</b>	<b>2,860</b>
<b>SURPLUS FOR THE YEAR</b>			
<b>Other comprehensive income will not be reclassified to income and expenditure:</b>			
Impairments	13	(2,080)	(1,060)
Revaluations	11	2,477	2,326
Remeasurements of net defined benefit pension scheme	26	(41)	(57)
<b>Will not be reclassified to income and expenditure:</b>		<b>356</b>	<b>1,209</b>
<b>TOTAL COMPREHENSIVE INCOME/EXPENSE FOR THE YEAR</b>		<b>1,967</b>	<b>4,069</b>

Whilst the surplus for the financial year was £1,611k (£2,860k in 2018/19) as reported above, this includes a small number of items which are unusual in nature and not considered by the NHS FT to be part of its normal activities, and are therefore adjusted for to show the comparative financial performance against the NHSI control total of break-even for 2019/20 (£360k for 2018/19)

		2019/20	2018/19
<b>Financial performance for the year:</b>		£000	£000
SURPLUS FOR THE YEAR (as above)		1,611	2,860
less Provider Sustainability Funding (PSF)	1.3	(2,330)	(3,535)
less central MH funding provided in March 2020	1.3	(1,371)	
add back Net Impairments charged to the SOCI	13	1,677	1,124
remove Non-cash element of on-SOFP pension costs	26	(41)	(57)
COVID-19 eligibility adjustment- being the additional holiday pay accrual due to the postponement of scheduled holidays		507	
<b>Adjusted financial performance against the NHSI Control Total</b>		<b>53</b>	<b>392</b>



**STATEMENT OF FINANCIAL POSITION**  
**31 March 2020**

		31 March 2020	31 March 2019
	note	£000	£000
<b>Non-current assets</b>			
Intangible assets	10	1,035	1,343
Property, plant and equipment	11	153,780	150,741
<b>Total non-current assets</b>		<b>154,815</b>	<b>152,084</b>
<b>Current assets</b>			
Inventories	14	56	50
Receivables	16	16,551	7,812
Assets held for sale	15	1,592	1,592
Cash and Cash Equivalents	17	55,260	58,023
<b>Total current assets</b>		<b>73,459</b>	<b>67,477</b>
<b>Current liabilities</b>			
Trade and other payables	21	(26,021)	(22,682)
Borrowings	19	(540)	(551)
Provisions	20	(3,334)	(2,301)
Other liabilities	22	(8,391)	(6,724)
<b>Total current liabilities</b>		<b>(38,286)</b>	<b>(32,258)</b>
<b>Total assets less current liabilities</b>		<b>189,988</b>	<b>187,303</b>
<b>Non-current liabilities</b>			
Borrowings	19	(8,998)	(9,528)
Provisions	20	(5,780)	(5,324)
<b>Total non-current liabilities</b>		<b>(14,778)</b>	<b>(14,852)</b>
<b>Total assets employed</b>		<b>175,210</b>	<b>172,451</b>
<b>Financed by (taxpayers' equity)</b>			
Public Dividend Capital		91,936	91,144
Revaluation Reserve		36,432	36,035
Other reserves		(126)	(85)
Income and expenditure reserve		46,968	45,357
<b>Total taxpayers' and others' equity</b>		<b>175,210</b>	<b>172,451</b>

The financial statements on pages 2 to 5, together with the notes on pages 6 to 43 were approved by the Board and signed on its behalf by:

Mr Tom Cahill, Chief Executive      Date 19 June 2020

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 March 2020						
		Total	Public Dividend Capital	Revaluation reserve	Other Reserves	Income and expenditure reserve
	note	£000	£000	£000	£000	£000
<b>Taxpayers' and others' equity at 01 April 2019 - brought forward</b>		<b>172,451</b>	<b>91,144</b>	<b>36,035</b>	<b>(85)</b>	<b>45,357</b>
Surplus for the year	SOCI	1,611	0	0	0	1,611
Net impairments	13	(2,080)	0	(2,080)	0	0
Revaluations - property, plant and equipment	11	2,477	0	2,477	0	0
Remeasurements of defined net benefit pension scheme liability / asset	26	(41)	0	0	(41)	0
Public dividend capital received	18	792	792	0	0	0
<b>Taxpayers' Equity at 31 March 2020</b>		<b>175,210</b>	<b>91,936</b>	<b>36,432</b>	<b>(126)</b>	<b>46,968</b>

**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 by the Department of Health and Social Care. In 2019/20 £792k was received for cyber security and digital strategy funding. A charge, reflecting the cost of capital utilised by the NHSFT, is payable to the Department of Health and Social Care 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.

**Other reserves**

The Other reserves relate to accounting for the Local Government Pension Scheme as a defined benefit scheme, see note 26 for further details.

**Income and expenditure reserve**

The balance of this reserve is the accumulated surpluses and deficits of the NHSFT.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 March 2019						
		Total	Public Dividend Capital	Revaluation reserve	Other Reserves	Income and expenditure reserve
	note	£000	£000	£000	£000	£000
<b>Taxpayers' and others' equity at 01 April 2018 - brought forward</b>		<b>161,241</b>	<b>84,003</b>	<b>35,056</b>	<b>(28)</b>	<b>42,210</b>
Surplus for the year	SOCI	2,860	0	0	0	2,860
Net impairments	13	(1,060)	0	(1,060)	0	0
Revaluations - property, plant and equipment	11	2,326	0	2,326	0	0
Remeasurements of defined net benefit pension scheme liability / asset	26	0	0	(287)	0	287
Public dividend capital received	18	7,141	7,141	0	0	0
Other reserve movements		(57)	0	0	(57)	0
<b>Taxpayers' Equity at 31 March 2019</b>		<b>172,451</b>	<b>91,144</b>	<b>36,035</b>	<b>(85)</b>	<b>45,357</b>

**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 by the Department of Health and Social Care. In 2018 three amounts were received as Public Dividend Capital the principal amount being a receipt of £6.8m to fund the repayment of a capital loan. A charge, reflecting the cost of capital utilised by the NHSFT, is payable to the Department of Health and Social Care 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.

**Other reserves**

The Other reserves relate to accounting for the Local Government Pension Scheme as a defined benefit scheme, see note 26 for further details.

**Income and expenditure reserve**

The balance of this reserve is the accumulated surpluses and deficits of the NHSFT.

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

	note	2019/20 £000	2018/19 £000
<b>Net cash inflow from operating activities</b>	24	<b>8,686</b>	<b>10,897</b>
<b>Cash flows used in investing activities</b>			
Interest received	9	409	342
Purchase of intangible assets	10	0	(1,268)
Purchase of property, plant and equipment	11	(7,922)	(5,696)
Proceeds from sales of property, plant and equipment	11	0	1,417
<b>Net cash flows used in investing activities</b>		<b>(7,513)</b>	<b>(5,205)</b>
<b>Net cash generated used in financing activities</b>			
Public dividend capital received		792	7,141
Movement in loans from the Department of Health and Social Care		(530)	(7,320)
Capital element of finance lease rental payments		(9)	(45)
Interest on loans		(273)	(323)
Interest element of finance lease		0	(6)
PDC dividend paid		(3,916)	(3,134)
<b>Net cash generated used in financing activities</b>		<b>(3,936)</b>	<b>(3,687)</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	17	<b>(2,763)</b>	<b>2,005</b>
<b>Cash and Cash equivalents at 1 April</b>	17	<b>58,023</b>	<b>56,018</b>
<b>Cash and Cash equivalents at 31 March</b>		<b>55,260</b>	<b>58,023</b>

The Statement of Cash Flows reports transactions purely on a cash basis and not on an accruals basis as used in the other Financial Statements. For this reason some figures may appear different to the figures reported elsewhere. An example of this is 'PDC dividend paid' being £3,916k in the statement above, compared to £3,886k on the Statement of Comprehensive Income. Cash and cash equivalents are recorded at current value.

The 'Proceeds from sales of property, plant and equipment' in 2018/19 consisted of the sales proceeds realised on the sale of 305 Ware Road.

## NOTES TO THE ACCOUNTS

### 1. Accounting Policies

NHS Improvement, in exercising the statutory functions conferred on Monitor, has directed that the financial statements of the NHS FT 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 NHS FT for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below. These have been applied consistently in dealing with items considered material in relation to the accounts.

#### 1.1 Accounting Convention

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

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

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

##### 1.2.1 Critical judgements in applying accounting policies

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

##### True and Fair View

Foundation Trusts' financial statements should give a true and fair view of the state of affairs of the reporting body at the end of the financial year and of the results of the year. Section 393 of the Companies Act 2006 requires that Directors must not approve financial statements unless they are satisfied that they give a true and fair view as described above.

##### Going Concern

The Financial Statements have been prepared on the basis that the NHS FT is a going concern and will be in the foreseeable future. This is based upon the Directors' assessment of the NHS FT's current financial projections, its current levels of cash and borrowing capacity and the contractual agreements it has with its commissioners.

##### 1.2.2 Key sources of estimation uncertainty

There are no key assumptions concerning the future, or other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Valuation assumptions for Property, Plant and Equipment, with carrying assets of £153,161k are based on valuations provided by the District Valuer, Giles Awford, as at 31 March 2020 in line with note 1.6. The outbreak of COVID-19 has impacted on financial markets and market activity. The valuation is therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA of the RICS Red Book Global.

Estimates for the Hertfordshire Local Government Pension Scheme (LGPS) are based on actuarial reports as provided by Hymans Robertson LLP, see note 1.5 for further details.

**Notes to the Accounts - 1. Accounting Policies (Continued)****1.3 Revenue from contracts with customers**

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

Revenue in respect of goods/services provided is recognised when (or as) performance obligations are satisfied by transferring promised goods/services to the customer and is measured at the amount of the transaction price allocated to those performance obligations. At the year end, the Trust accrues income relating to performance obligations satisfied in that year. Where the Trust's entitlement to consideration for those goods or services is unconditional a contract receivable will be recognised. Where entitlement to consideration is conditional on a further factor other than the passage of time, a contract asset will be recognised. Where consideration received or receivable relates to a performance obligation that is to be satisfied in a future period, the income is deferred and recognised as a contract liability. To maintain the NHS FT's cashflow position, performance obligations are assumed to have been met by the elapsing of time for block payments, and reconciled in the following month, after the KPI submission. Non-block contract performance obligations require payment 30 days from the date of request for payment. Block contract income accounts for circa 90% of the NHS FT's income.

The main source of income for the NHS FT is from commissioners for health and social care services and the majority is provided under a Block Contract arrangement jointly commissioned by NHS East & North Hertfordshire Clinical Commissioning Group, NHS Herts Valleys Clinical Commissioning Group and Hertfordshire County Council. A performance obligation relating to the 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.

Where the Trust is aware of a penalty based on contractual performance, the Trust reflects this in the transaction price for its recognition of revenue. Revenue is reduced by the value of the penalty. The Trust receives income from commissioners under Commissioning for Quality and Innovation (CQUIN) schemes. The Trust agrees schemes with its commissioner but they affect how care is provided to patients. That is, the CQUIN payments are not considered distinct performance obligations in their own right; instead they form part of the transaction price for performance obligations under the contract.

The NHS FT has an agreement with NHS England that income for the New Care Models (NCM) CAMHs Tier 4 service is shown net of the cost of inpatient beds commissioned by NHS England on behalf of the NHS FT for this service.

A £1.25bn Provider Sustainability Fund (PSF), has been made available again to NHS providers during 2019/20, linked to the achievement of a financial control total set by NHS Improvement. Of this the NHS FT has been provisionally awarded a total of £1,887k in relation to its achievement of its control total and £443k in relation to a further amount awarded in relation to 2018/19. This is a reduction on the £3,535k received in 2018/19. Income earned from the fund is accounted for as a variable consideration.

**1.3.1 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. Some research income alternatively falls within the provisions of IAS 20 for government grants.

**1.4 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 the 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 Trusts Digital Apprenticeship Service (DAS) account held by the Department for Education, the corresponding notional expense is also recognised at the point of recognition of the benefit.

**1.5 Employee Benefits****Short-term employee benefits**

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. The cost of leave 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. During the year 19-20 the level of untaken leave carried forward has been higher than previous years due to COVID-19 and many staff unable to take leave in March 2020.

**Pension costs****NHS Pension Scheme**

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.nhs.uk/pensions](http://www.nhs.uk/pensions). Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State for Health and Social Care in England and Wales. They are not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, each scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in each scheme is taken as equal to the contributions payable to that scheme for the accounting period.

Changes to the rate of employers NHS Pension contribution have not been reflected in funding provided to individual Trusts during 2019/20. For this reason, the addition 6.3% liability was paid centrally by the Department of Health and Social Care. The amount is £6.64m in 19/20 and nil in 18/19.

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

### 1.5 Employee Benefits (continued)

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 at 31 March 2019, updated to 31 March 2020 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

#### b) Full actuarial (funding) valuation

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

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

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

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

#### *Local Government Superannuation Scheme*

The NHS FT is also an admitted fully funded member of the Hertfordshire Local Government Pension Scheme (LGPS), for those staff who have transferred under TUPE (Transfer of Undertakings: Protection of Employment) from Hertfordshire County Council to the NHS FT's employment since 2004/05. The LGPS is a defined benefit statutory scheme administered by Hertfordshire County Council, in accordance with the Local Government Pension Scheme Regulations 1997, as amended.

The NHS FT was admitted into the scheme on a fully funded basis, whereby it was allocated assets equal to the value of the liabilities transferred. These assets are held by the Hertfordshire County Council.

Some current employees are members of the Local Government Pension Scheme which is a defined benefit pension scheme. The scheme assets and liabilities attributable to these employees can be identified and are recognised in the NHS FT's accounts. The assets are measured at fair value, and the liabilities at the present value of future obligations.

The increase in the liability arising from pensionable service earned during the year is recognised within operating expenses. The net interest cost during the year arising from the unwinding of the discount on the net scheme liabilities is recognised within finance costs. Remeasurements of the defined benefit plan are recognised in the income and expenditure reserve and reported in the Statement of Comprehensive Income as an item of 'other comprehensive income'.

In 2018/19 a small number of staff who had transferred under TUPE from Essex County Council remained members of the Essex Pension Fund. The NHS FT is not yet an admitted fully funded member of the pension scheme so has not accounted for such in 2019/20, but expects to become a member in 2020/21.

**Notes to the Accounts - 1. Accounting Policies (Continued)****1.6 Expenditure on other goods and services**

Expenditure on goods and services is recognised when, and to the extent that, the goods or services have been received. They are measured at the fair value of the consideration payable for the goods and services received. Expenditure is recognised as an operating expense, except where it results in the creation of a non-current asset such as property, plant and equipment and is therefore capitalised (see 1.7 below).

**1.7 Property, plant and equipment****Recognition**

Property, plant and equipment is capitalised if:

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

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 either: 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 NHS FT and the cost of the item can be determined reliably.

Where a component of an asset is replaced, the cost of the replacement is capitalised if it meets the criteria for recognition above. The carrying amount of the part replaced is de-recognised. Other expenditure that does not generate additional future economic benefits or service potential, such as repairs and maintenance, is charged to the Statement of Comprehensive Income in the period in which it is incurred.

**Measurement****Valuation**

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

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

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

- Land and non-specialised buildings – market value for existing use
- Specialised buildings – depreciated replacement cost on a modern equivalent asset basis.

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 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.

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

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

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.

A revaluation of selected assets was conducted by the District Valuer, Giles Awford, as at 31st March 2020 and those values have been included. The selected assets represented those that had either undergone material investment or the circumstances directing the modern equivalent valuation had materially changed. Giles Awford has full membership of the Royal Institution of Chartered Surveyors (MRICS). The NHS FT undertook a full estate valuation in 2017/18.

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

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

### 1.7 Property, plant and equipment (continued)

#### *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.

Depreciation is provided at rates calculated to write off the cost of non-current assets, less their estimated residual value, over the expected useful lives on the following basis:

	<b>Years</b>
Plant & machinery	5 - 15
Set up costs in new buildings	10
Furniture & Fittings	10
Information Technology	3

Buildings held under finance lease agreements are depreciated over the term of the lease.

Freehold land is considered to have an infinite life and is therefore not depreciated.

Refurbishment of leased buildings is depreciated over the term of lease.

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 are not depreciated until the asset is brought into use or reverts to the NHS FT.

#### *Revaluation gains and losses*

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

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

Gains/surpluses and losses/impairments recognised in the revaluation reserve are reported in the Statement of Comprehensive Income as separate items 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.



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

### 1.7 Property, plant and equipment (continued)

#### *De-recognition*

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

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

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

Properties listed in the 2018/19 accounts as Assets Held For Sale were not disposed of within 2019/20 as intended. At the financial year end one property sale is close to final sale agreement and is expected to complete early in 2020/21. The other sale is considered highly probably in 2020/21 following the discontinuation of discussions with potential social care organisations to use the site to provide social care placement capacity under a joint venture arrangement.

### 1.8 Intangible Assets

#### **Recognition**

Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of the NHS FT'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 NHS FT and where the cost of the asset can be measured reliably.

Internally generated goodwill, brands, publishing titles, customer lists and similar items are not capitalised as intangible assets.

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

#### **Software**

Software which is integral to the operation of hardware e.g. an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software which is not integral to the operation of hardware e.g. application software, is capitalised as an intangible asset and amortised over the useful life of the asset which is generally 5 to 10 years.

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

### 1.8 Intangible Assets (continued)

#### 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

#### Amortisation

Intangible assets are amortised over their expected useful lives in a manner consistent with the consumption of economic or service delivery benefits. This is expected to be between 5 and 10 years.

### 1.9 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 NHS FT as lessee

Property, plant and equipment held under finance leases are initially recognised at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged as an expense within the Statement of Comprehensive Income.

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

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

#### The NHS FT as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the NHS FT's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the NHS FT's net investment outstanding in respect of the 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 on a straight-line basis over the lease term.

### 1.10 Inventories

Inventories are valued at the lower of cost and net realisable value using the first-in first-out approach to identify stock movements. This is considered to be a reasonable approximation to fair value. The PPE stocks provided by NHS Procurement at no charge have therefore been valued at nil.

### 1.11 Cash and cash equivalents

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

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

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

### 1.12 Provisions

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

restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditure arising from the restructuring, which are those amounts that are necessarily entailed by the restructuring and not associated with the ongoing activities of the NHS FT.

### 1.13 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 20 but is not recognised in the Trust's accounts.

### 1.14 Non-clinical risk pooling

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

### 1.15 Contingencies

#### Contingent assets

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

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

### Contingent liabilities

Contingent liabilities are not recognised, but are disclosed in note 30, 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.

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

## 1.16 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 Office for National Statistics.

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, i.e., when receipt or delivery of the goods or services is made.

### Classification and measurement

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

Financial assets and liabilities are classified as subsequently measured 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.

### Impairment of financial assets

For all financial assets measured at amortised cost including lease receivables, contract receivables and contract assets the Trust recognises an allowance for expected credit losses.

The Trust adopts the simplified approach to impairment for contract and other receivables, contract assets and lease receivables, measuring expected losses as at an amount equal to lifetime expected losses. 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).

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

### Impairment of financial assets (continued)

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.

### De-recognition

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

#### 1.17 Corporation Tax

The NHS FT had determined that it has no Corporation Tax liability on the basis that its principal purpose is a public service, rather than carrying on a trade or any commercial activity.

#### 1.18 Value Added Tax

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

#### 1.19 Foreign currencies

The NHS FT's functional currency and presentational currency is sterling. There are no material foreign currency transactions in the year.

#### 1.20 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 28 to the accounts in accordance with the requirements of HM Treasury's FReM.

#### 1.21 Public Dividend Capital (PDC) and PDC dividend

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

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

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

The average relevant net assets is calculated as a simple average of the opening and closing relevant net assets.

The PDC dividend calculation is based upon the NHS FT's group accounts, but excluding charitable funds.

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

### 1.22 Losses and Special Payments

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

The losses and special payments note is compiled directly from the losses and compensations register which reports on an accruals basis with the exception of provisions for future losses. The detail can be found in note 27.

### 1.23 Gifts

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

### 1.24 Subsidiaries

The NHS FT is the corporate trustee to Hertfordshire Partnership NHS Foundation Trust Charity. The NHS FT has assessed its relationship to the charitable fund and determined it to be a subsidiary because the NHS FT is exposed to, or has rights to, variable returns and other benefits for itself, patients and staff from its involvement with the charitable fund and has the ability to affect those returns and other benefits through its power over the fund.

The charitable fund's statutory accounts are prepared to 31 March in accordance with the UK Charities Statement of Recommended Practice (SORP) which is based on UK Financial Reporting Standard (FRS) 102.

The NHS FT has chosen not to consolidate the Charitable Funds into these Financial Statements as the amounts of the Charitable Funds are not material and would not provide additional value to the reader of the NHS FT's Financial Statements.

### 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.

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

The DH GAM does not require the following Standards and Interpretations to be applied in 2019/20:

- IFRS 14 Regulatory Deferral Accounts - Not yet EU-endorsed. Applies to first time adopters of IFRS after 1 January 2016. Therefore not applicable to DH group bodies.
- IFRS 16 Leases – Standard is effective at 1 April 2021 per the FReM
- IFRS 17 Insurance Contracts – Application required for accounting periods beginning on or after 1 January 2023, but not yet adopted by the FReM: early adoption is not therefore permitted.

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

**1.26 Standards, amendments and interpretations in issue but not yet effective or adopted (continued)**

**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 re-measurement of lease liabilities in specific circumstances after the commencement of the lease term. For lessors, the distinction between operating and finance leases will remain and the accounting will be largely unchanged.

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

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

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

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

## Notes to the Accounts - 2. Financial Risk Factors

### 2 Financial Risk Factors

The NHS FT's activities expose it to a variety of financial risks: credit risk, liquidity risk, cash flow risk and fair value interest-rate risk. The NHS FT's overall risk management programmes focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the NHS FT's financial performance.

Risk management is carried out centrally under policies approved by the Board of Directors.

#### 2.1 Credit risk

Over 90% of the NHS FT's income is from contracted arrangements with commissioners. As such, any material credit risk is limited to administrative and contractual disputes. Where a dispute arises, provision will be made on the basis of the age of the debt and the likelihood of a resolution being achieved.

#### 2.2 Liquidity risk

The NHS FT's net operating costs are incurred under contract agreements principally with NHS Clinical Commissioning Groups and Hertfordshire County Council, which are financed from resources voted annually by Parliament. The NHS FT also finances its capital expenditure from internally generated resources, from funds made available by commissioners and from loan agreements with the National Loan Fund. The NHS FT is not, therefore, exposed to significant liquidity risks.

#### 2.3 Cash flow and fair value interest-rate risk

100% of the NHS FT's financial assets and 100% of its financial liabilities carry nil or fixed rates of interest. The NHS FT is therefore not exposed to significant interest-rate risk.

#### 2.4 Borrowings

As an NHS Foundation Trust the NHS FT has the authority to finance capital expenditure through borrowing. Up until 2012/13 the NHS FT had financed its capital programme from existing cash balances. Two loan applications were approved by both Monitor and the Independent Trust Financing Facility to part fund the future capital investment programme, £19.2m was drawn down in previous years (£10.2m in 2014/15, £9m in 2013/14). No further drawdown against this facility is permitted. Any future requirements would require agreement of a new facility. In 2018/19 the £6.8m bridging loan was repaid in full.

### 3 Segmental Information

Under IFRS 8, an Operating Segment is a component of an entity:

- that engages in activities that may attract income and incur expenses (including income and expenses incurred internally)
- whose operating results are regularly reviewed by the NHS FT's 'Chief Operating Decision Maker' to make decisions about resources allocated to that segment and assess performance
- for which discrete financial information is available

A separate segment must only be reported if it exceeds one of the quantitative thresholds: 10% of revenue, profit/loss or assets; unless this would result in 75% of the NHS FT's revenue being included in reportable segments, in which case additional reportable segments are identified such that the 75% threshold is reached or exceeded.

The Directors consider that the NHS FT's activities constitute a single segment since they are provided wholly in the UK, are subject to similar risks and rewards and all the assets are managed as one central pool.



**Notes to the Accounts - 4 Operating Income from continuing operations****4 Operating Income from continuing operations****4.1 Operating Income (by classification)**

Income is classified as "Income from Activities" when it is earned under contracts with NHS bodies and others for the provision of service user-related health and social care services. Income from non-patient-care services is classified as "Other operating income".

	2019/20 Total	2018/19 Total
	£000	£000
<b>Income from activities</b>		
Cost and volume contract income	5,465	5,095
Block contract income	237,950	213,504
Clinical partnerships providing mandatory services (including S75 agreements)	981	1,126
Other clinical income from mandatory services	2,179	1,966
AfC pay award central funding	0	1,840
Additional pension contribution central funding	6,640	0
Other clinical income	953	0
<b>Total income from activities</b>	<b>254,168</b>	<b>223,531</b>
<b>Other operating income</b>		
Research and development	320	358
Education and training	4,277	4,503
Non-patient care services to other bodies	0	126
Education and training - notional income from apprenticeship fund	214	0
Provider sustainability fund (PSF) (see note 1.3)	2,330	3,535
Other	2,499	3,331
Rental revenue from operating leases	691	191
<b>Total other operating income</b>	<b>10,331</b>	<b>12,044</b>
<b>Total operating Income</b>	<b>264,499</b>	<b>235,575</b>

Changes to the rate of employers NHS Pension contribution have not been reflected in funding provided to individual Trusts during 2019/20. For this reason, the addition 6.3% liability was paid centrally by the Department of Health and Social Care and the NHS FT has subsequently recognised the income and expenditure in the note above and Note 5.1. The amount is £6.64m in 19/20 and nil in 18/19.

The NHS FT experienced a material level of spend during March 2020 to address the risks of COVID-19. This level of spend was matched by NHS England and the income has been accrued for and disclosed above as 'Other Clinical Income'.

The NHS Staff Council reached agreement in 2018 on reform of the NHS Terms and Conditions of Service (Agenda for Change), resulting in a three-year pay settlement, as well as reform of the pay structure and changes to the terms and conditions. For 2018/19 an element of funding was received direct from the Department of Health and Social Care, shown as above 'AfC pay award central funding'. For 2019/20 onwards funding is included within 'Block contract income' with commissioners.

**Notes to the Accounts - 4 Operating Income from continuing operations****4.2 Income from Activities (by source)**

Income from Activities may also be analysed by the source of that Income.

	2019/20 Total	2018/19 Total
	£000	£000
<b>Income from Activities</b>		
NHS Trusts	531	456
NHS England	28,201	18,473
Local authorities	189,338	176,065
NHS Foundation Trusts	78	57
Clinical commissioning groups	35,289	26,640
Department of Health and Social Care	0	1,840
Non NHS: other	731	0
<b>Total Income from Activities</b>	<b>254,168</b>	<b>223,531</b>

The NHS FT's main source of income (74%) is included in 'Income from Local Authorities' and is principally from the joint commissioning arrangement between East and North Hertfordshire Clinical Commissioning Group, Herts Valleys Clinical Commissioning Group and Hertfordshire County Council.

**4.3 Analysis between Commissioner Requested Services and non-Commissioner Requested Services**

Under the NHS FT's Provider Licence, the NHS FT is required to provide commissioner requested health and social services. The allocation of income from activities between Commissioner Requested Services and other services is shown below.

	2019/20	2018/19
	£000	£000
Income from Commissioner Requested Services	254,168	223,531
Income from non-Commissioner Requested Services	10,331	12,044
	<b>264,499</b>	<b>235,575</b>

**4.4 Operating Lease Income**

The NHS FT leases one of its properties (31/33 Hill End Lane) under a non-cancellable operating lease agreement with VMH Support Ltd and a portion of the Marlowes Health & Wellbeing Centre under an operating lease agreement with Hertfordshire Community NHS Trust. In 2019/20 the Trust also leased the sites the Lodge, Church Crescent and St Pauls to Hertfordshire Community NHS Trust, Forest House Annex to Hertfordshire County Council, Sovereign House to New Directions and Spring House land to NHS Property Services.

The total annual income from these operating leases in 2019/20 is £691k (£191k in 2018/19).

The future aggregate minimum lease payments due to the NHS FT under non-cancellable operating leases are as follows:

	2019/20 £000	2018/19 £000
on leases of Buildings expiring:		
- not later than one year;	590	191
- later than one year and not later than five years;	1,948	942
- later than five years.	1,607	890
	<b>4,145</b>	<b>2,023</b>

**Notes to the Accounts - 5 Operating Expenses of continuing operations****5 Operating Expenses of continuing operations****5.1 Operating Expenses (by type)**

	2019/20	2018/19
	£000	£000
Purchase of healthcare from NHS and DHSC bodies	5,355	444
Purchase of healthcare from non-NHS and non-DHSC bodies	18,101	13,338
Purchase of social care	17,726	17,339
Staff and executive directors costs	169,237	151,176
Non-executive directors	180	161
Supplies and services – clinical (excluding drugs costs)	820	542
Supplies and services - general	7,237	7,874
Drugs costs (drugs inventory consumed and purchase of non-inventory drugs)	3,307	3,115
Inventories written down (net including drugs)	0	1
Consultancy	271	701
Establishment	2,325	2,500
Premises - business rates collected by local authorities	1,697	1,532
Premises - other	2,488	2,351
Transport (business travel only)	2,211	2,003
Transport - other (including patient travel)	1,440	1,599
Depreciation	5,224	4,752
Amortisation	308	137
Impairments net of (reversals)	1,677	1,124
Movement in credit loss allowance: contract receivables/assets	45	(12)
Provisions arising / released in year	1,538	(1,900)
Audit services - statutory audit*	73	73
Other auditor remuneration (payable to external auditor only)*	6	11
Internal audit - non-staff	92	102
Clinical negligence - amounts payable to NHS Resolution (premium)	448	480
Legal fees	217	227
Insurance	318	302
Education and training - staff costs	1,212	1,001
Education and training - non-staff	121	59
Education and training - notional expenditure funded from apprenticeship fund	214	0
Operating lease expenditure (net)	3,156	2,582
Car parking and security	673	704
Hospitality	112	100
Other services (e.g. external payroll)	5,270	11,112
Other	6,051	3,603
<b>Total Operating Expenses</b>	<b>259,150</b>	<b>229,133</b>

\* Audit services and remuneration figures are quoted inclusive of VAT

## Notes to the Accounts - 5 Operating Expenses of continuing operations

### 5.2 Limitation on Auditor's Liability

The contract signed on 26th July 2018, states that the liability of KPMG, its members, partners and staff (whether in contract, negligence or otherwise) shall in no circumstances exceed £1m, aside from where the liability cannot be limited by law. This is in aggregate in respect of all services.

### 5.3 Exit Packages

#### Reporting of other compensation schemes - exit packages

There were 0 exit packages agreed in 2019/20 totalling £0k.

#### Reporting of other compensation schemes - exit packages

There were 0 exit packages agreed in 2018/19 totalling £0k.

**Notes to the Accounts - 6 Commitments under Operating Leases****6 Commitments under Operating Leases**

The NHS FT leases various premises and vehicles under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

**Analysis of operating lease expenditure 2019/20**

	Total £000	Buildings £000	Other £000
Minimum lease payments	3,156	2,838	318
<b>Total</b>	<b>3,156</b>	<b>2,838</b>	<b>318</b>

**Analysis of operating lease expenditure 2018/19**

	Total £000	Buildings £000	Other £000
Minimum lease payments	2,582	2,289	293
<b>Total</b>	<b>2,582</b>	<b>2,289</b>	<b>293</b>

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

**Arrangements containing an operating lease 2019/20**

	Total £000	Buildings £000	Other £000
Future minimum lease payments due:			
- not later than one year;	2,620	2,482	138
- later than one year and not later than five years;	8,024	7,910	114
- later than five years.	8,054	8,054	0
	<b>18,698</b>	<b>18,446</b>	<b>252</b>

**Arrangements containing an operating lease 2018/19**

	Total £000	Buildings £000	Other £000
Future minimum lease payments due:			
- not later than one year;	2,800	2,638	162
- later than one year and not later than five years;	8,862	8,628	234
- later than five years.	10,237	10,237	0
<b>Total</b>	<b>21,899</b>	<b>21,503</b>	<b>396</b>

**Notes to the Accounts - 7 Employee expenses****7 Employee expenses****7.1 The employee expenses incurred during the year were as follows**

	2019/20	2018/19
	£000	£000
Salaries and wages	128,538	118,424
Social security costs	12,994	12,098
Apprenticeship levy	612	569
Pension cost - employer contributions to NHS pension scheme	15,235	14,215
Pension cost - employer contribution amount paid directly by NHSE	6,640	0
Pension cost - other*	106	70
Temporary staff - agency/contract staff	6,703	6,801
<b>Total Gross Staff Costs</b>	<b>170,828</b>	<b>152,177</b>
Employee expenses - staff & executive directors	169,237	151,176
Education and training	1,212	1,001
<b>Total Employee benefits excl. capitalised costs</b>	<b>170,449</b>	<b>152,177</b>

Changes to the rate of employers NHS Pension contribution have not been reflected in funding provided to individual Trusts during 2019/20. For this reason, the addition 6.3% liability was paid centrally by the Department of Health and Social Care . The amount is £6.64m in 19/20 and nil in 18/19.

**Notes to the Accounts - 7 Employee expenses****7.2 Retirements due to ill-health**

During 2019/20 there was no (1 in 2018/19) early retirements from the NHS FT on the grounds of ill-health with an estimated additional pension liability of £0k (£50k in 2018/19).

Where incurred the cost of any ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division.

**8 Better Payment Practice Code**

The measure of compliance for 2019/20 has been analysed and can be found in the NHS FT's Annual Report .

**8.1 The Late Payment of Commercial Debts (Interest) Act 1998**

There are no material amounts included within Finance Expenses (note 9.1) arising from claims made under this legislation.

There is no compensation paid to cover debt recovery costs under this legislation.

**9 Finance Income**

	2019/20 £000	2018/19 £000
Interest receivable on bank deposits	396	350

Interest received as stated in the Statement of Cash Flows is the actual cash received by the NHS FT in year (£409k relating to 2019/20 and £342k relating to 2018/19), whereas the figure above comprises the £409k received relating to 2019/20 and also includes £15k closing interest receivable less £28k opening interest receivable. Higher cash balance resulted in increased interest receivable income. Interest rates reduced in the final month of the year.

**9.1 Finance Expenses**

	2019/20 £000	2018/19 £000
Interest on loans from the Department of Health and Social Care:	272	301
Interest on finance lease obligations	0	3
Unwinding of discount on provisions	(24)	14
<b>Total</b>	<b>248</b>	<b>318</b>

**Notes to the Accounts - 10 Intangible Assets****10 Intangible Assets**

	2019/20 Software licences £000	2018/19 Software licences £000
Opening cost at 1 April	2,064	796
Additions - purchased	0	1,268
Disposals/Derecognition	(497)	0
<b>Gross cost at 31 March</b>	<b>1,567</b>	<b>2,064</b>
Opening amortisation at 1 April	721	584
Provided during the year	308	137
Disposals/Derecognition	(497)	0
<b>Amortisation at 31 March</b>	<b>532</b>	<b>721</b>
<u>Net book value</u>		
At 1 April	1,343	212
<b>At 31 March</b>	<b>1,035</b>	<b>1,343</b>

The 2019/20 intangible asset disposals/derecognition relates to the derecognition of fully depreciated assets previously capitalised.

The 2018/19 intangible asset additions relate to both the purchase of Microsoft software licences and to the capitalisation of the development costs of the Business Intelligence system developed by the NHSFT which has been named SPIKE.



## Notes to the Accounts - 11 Property, Plant and Equipment

11

## Property, Plant and Equipment as at 31 March 2020

11.1 Balances as at 31 March 2020	Total	Land	Buildings excluding dwellings	Dwellings	Assets under construction and payments on account	Plant & machinery	Information technology	Furniture & fittings
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Valuation / gross cost at 1 April 2019 - brought forward</b>	<b>157,112</b>	<b>26,106</b>	<b>123,593</b>	<b>230</b>	<b>549</b>	<b>756</b>	<b>2,747</b>	<b>3,131</b>
Additions - purchased (including capital lifecycle additions)	9,543	0	3,765	0	1,872	711	3,195	0
Impairments charged to operating expenses	(2,237)	(1,403)	(834)	0	0	0	0	0
Impairments charged to the revaluation reserve	(2,080)	(845)	(1,235)	0	0	0	0	0
Reversal of impairments credited to operating expenses	339	425	(86)	0	0	0	0	0
Reversal of impairments credited to the revaluation reserve	0	0	0	0	0	0	0	0
Reclassifications	0	0	117	0	(117)	0	0	0
Revaluations	917	1,136	(219)	0	0	0	0	0
<b>Valuation/gross cost at 31 March 2020</b>	<b>163,594</b>	<b>25,419</b>	<b>125,101</b>	<b>230</b>	<b>2,304</b>	<b>1,467</b>	<b>5,942</b>	<b>3,131</b>
<b>Accumulated depreciation at 1 April 2019 - brought forward</b>	<b>6,371</b>	<b>0</b>	<b>3,923</b>	<b>5</b>	<b>0</b>	<b>379</b>	<b>637</b>	<b>1,427</b>
Provided during the year	5,224	0	4,032	5	0	71	846	270
Impairments charged to operating expenses	5	0	0	0	5	0	0	0
Reversal of impairments credited to operating expenses	(226)	0	(226)	0	0	0	0	0
Revaluations	(1,560)	0	(1,560)	0	0	0	0	0
Transfers to/from assets held for sale and assets in disposal groups	0	0	0	0	0	0	0	0
Disposals/derecognition	0	0	0	0	0	0	0	0
<b>Accumulated depreciation at 1 April 2019 - brought forward</b>	<b>9,814</b>	<b>0</b>	<b>6,169</b>	<b>10</b>	<b>5</b>	<b>450</b>	<b>1,483</b>	<b>1,697</b>
<b>Net book value at 31 March 2020</b>								
Owned	153,780	25,419	118,932	220	2,299	1,017	4,459	1,434
<b>NBV Total at 31 March 2020</b>	<b>153,780</b>	<b>25,419</b>	<b>118,932</b>	<b>220</b>	<b>2,299</b>	<b>1,017</b>	<b>4,459</b>	<b>1,434</b>

The NHS FT's land and buildings underwent a partial valuation at 31 March 20120 to carry out an impairment review on Saffron Ground and Lister MHU refurbishment spend and reviewing the details behind buildings valued on a modern equivalent asset basis.

Included within 'additions - purchased' are the following material items:

- Classified as 'Buildings, excluding dwellings';
- Saffron Ground - £422k which was completed in Q4 2019/20
- Albany Lodge works - £626k which was completed in Q4 2019/20
- Aston Ward Lister MHU - £921k which was completed in Q4 2019/20
- Safety Suites - £1,219k which is still an 'Asset Under Construction'
- Colonnades - £727k which is still an 'Asset Under Construction'
- Classified as 'Information technology';
- £2,123k to replace computers at the end of their economic life
- £462k to upgrade the NHS FT's Electronic Patient Record System
- £425k to improve the NHS FT's Cyber Security software protection

See note 13 for details of Impairments.

Included within 'reclassifications' are the following items, previously held as 'Assets under Construction':

- Apportioned project management costs - £56k
- 3 Bowlers Green Kitchen - £28k

See note 11.3 for details of property disposals.

## Notes to the Accounts - 11 Property, Plant and Equipment

## Property, Plant and Equipment as at 31 March 2019

11.2 Balances as at 31 March 2019	Total	Land	Buildings excluding dwellings	Dwellings	Assets Under Construction	Plant & machinery	Information Technology	Furniture & fittings
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Valuation / gross cost at 1 April 2018 - brought forward</b>	<b>152,064</b>	26,200	119,609	230	599	756	1,540	3,130
Additions - purchased (including capital lifecycle additions)	5,679	0	3,795	0	388	0	1,495	1
Impairments charged to operating expenses	(1,133)	(340)	(572)	0	(221)	0	0	0
Impairments charged to the revaluation reserve	(1,060)	(100)	(960)	0	0	0	0	0
Reversal of impairments credited to operating expenses	11	0	11	0	0	0	0	0
Reclassifications	0	0	217	0	(217)	0	0	0
Revaluations	2,131	445	1,686	0	0	0	0	0
Transfers to/from assets held for sale and assets in disposal groups	(292)	(99)	(193)	0	0	0	0	0
Disposals/derecognition	(288)	0	0	0	0	0	(288)	0
<b>Valuation/gross cost at 31 March 2019</b>	<b>157,112</b>	<b>26,106</b>	<b>123,593</b>	<b>230</b>	<b>549</b>	<b>756</b>	<b>2,747</b>	<b>3,131</b>
<b>Accumulated depreciation at 1 April 2018 - brought forward</b>	<b>2,100</b>	0	266	0	0	308	369	1,157
Provided during the year	4,752	0	3,850	5	0	71	556	270
Impairments charged to operating expenses	2	0	2	0	0	0	0	0
Revaluations	(195)	0	(195)	0	0	0	0	0
Disposals/derecognition	(288)	0	0	0	0	0	(288)	0
<b>Accumulated depreciation at 31 March 2019</b>	<b>6,371</b>	<b>0</b>	<b>3,923</b>	<b>5</b>	<b>0</b>	<b>379</b>	<b>637</b>	<b>1,427</b>
<b>Net Book Value at 31 March 2019</b>								
Owned	150,724	26,106	119,653	225	549	377	2,110	1,704
Finance Leased	17	0	17	0	0	0	0	0
<b>Net Book Value at 31 March 2019</b>	<b>150,741</b>	<b>26,106</b>	<b>119,670</b>	<b>225</b>	<b>549</b>	<b>377</b>	<b>2,110</b>	<b>1,704</b>

The NHS FT's land and buildings underwent a partial valuation at 31 March 2019 to carry out an impairment review on Forest House construction spend and reviewing the details behind buildings valued on a modern equivalent asset basis.

Included within 'additions - purchased' are the following material items:

Classified as 'Buildings, excluding dwellings';

- Forest House Section 136 seclusion room extension - £1,255k which was completed in Q4 2018/19
- Trust wide fire prevention works - £1,093k which was completed in Q4 2018/19
- The Marlowes Health and Wellbeing Centre - £251k of additional works which was completed in Q4 2018/19
- Broadlands refurbishment - £185k which was completed in Q4 2018/19

Classified as 'Information technology';

- £938k to replace computers at the end of their economic life
- £429k to upgrade mobile and Wi-Fi reception signal

See note 13 for details of Impairments.

Included within 'reclassifications' are the following items, previously held as 'Assets under Construction':

- Forest House extension - £197k which was completed and brought in to use in Q4 2018/19

See note 11.3 for details of property disposals.

**Notes to the Accounts - 11 Property, Plant and Equipment****11.3 Disposal Of Property, Plant and Equipment**

	2019/20 £000	2018/19 £000
Losses on disposal of assets held for sale	0	(32)
<b>Total gain/loss on disposal recorded in the Statement of Comprehensive Income</b>	<b>0</b>	<b>(32)</b>

The asset disposed in 2018/19 was the sale of 305 Ware Road, Hailey.

**12 Assets held under Finance Leases**

	2019/20	2018/19
Opening cost at 1 April	<b>2,125</b>	<b>2,125</b>
Accumulated depreciation at 1 April	2,108	2,094
Provided during the year	17	14
<b>Accumulated depreciation at 31 March</b>	<b>2,125</b>	<b>2,108</b>
Net book value		
NBV total at 1 April	17	31
<b>NBV total at 31 March</b>	<b>0</b>	<b>17</b>

The NHS FT leases one premises under a finance lease agreement. The premises is 32 St. Peter's Street, St. Albans and is in the process of being vacated.

## Notes to the Accounts - 13 Impairment of Assets (Property, Plant &amp; Equipment and Intangibles)

## 13 Impairment of Assets (Property, Plant &amp; Equipment and Intangibles)

	2019/20 £000	2018/19 £000
Impairments of Property, Plant and Equipment charged to operating expenses due to changes in market price	2,237	914
Impairments of Property, Plant and Equipment charged to operating expenses due to other reasons	5	221
Reversal of prior year impairments of Property, Plant and Equipment credited to operating income	(565)	(11)
<b>Total impairments and reversal of impairments charged to the Statement of Comprehensive Income</b>	<b>1,677</b>	<b>1,124</b>

Total Net Impairments of Property, Plant and Equipment charged to the Revaluation Reserve	2,080	1,060
<b>Total impairment charged to the Revaluation Reserve</b>	<b>2,080</b>	<b>1,060</b>

The impairment adjustments for 2019/20 follow a partial revaluation and impairment review conducted by the District Valuer. The assets impaired to operating expenses largely related to decreases in the value of buildings held by the NHS FT following a review of the Modern Equivalent Asset valuation method (£1,791k). The remaining balance related to buildings that had received significant investment and had been revalued lower than the investment. Other impairments charged to the revaluation reserve were incurred as a result of consideration being taken of the modern equivalent asset value of some specialised assets, mainly the property known as St Pauls.

The 'reversal of impairments credited to operating income' in 2019/20 are impairments incurred in prior years and the assets have since been revalued upwards. These largely relate to Elizabeth House Lexden (£107K) and Lister Hospital Land (£425k).

## 14 Inventories

	2019/20 £000	2018/19 £000
Carrying Value at 1 April	50	38
Additions	479	604
Inventories recognised in expenses	(473)	(591)
Write-down of inventories recognised as an expense	0	(1)
<b>Carrying Value at 31 March</b>	<b>56</b>	<b>50</b>

## 15 Assets Held For Sale

	31 March 2020 £000	31 March 2019 £000
Net Book Value of assets held for sale at 1 April	1,592	2,750
Plus assets classified as available for sale in the year	0	292
Less assets sold in year	0	(1,450)
<b>Net Book Value of assets held for sale at 31 March</b>	<b>1,592</b>	<b>1,592</b>

Assets held for sale at March 31st 2020, and at March 31st 2019, comprise the properties at 143 and 145 Harper Lane, Radlett and Alexandra Road, Hemel Hempstead. Alexandra Road sale was delayed due to the Covid-19 outbreak but is expected to be sold early in 2020/21. The Harper Lane properties sale was delayed due to the Trust reviewing a third party proposal to provide services from the site but the sale is now highly probable.

**Notes to the Accounts - 16 Receivables****16 Receivables****16.1 Trade and other Receivables**

	31 March 2020	31 March 2019
	£000	£000
<b>Current</b>		
Contract receivables	8,699	3,938
Accrued income	6,304	2,280
Allowance for impaired contract receivables	(147)	(102)
Prepayments	1,341	733
Interest receivable	15	28
PDC dividend receivable	50	19
VAT receivable	159	859
Other receivables	130	57
<b>Total current trade and other receivables</b>	<b>16,551</b>	<b>7,812</b>
<b>Of which receivable from NHS and DHSC group bodies</b>	<b>6,855</b>	<b>5,273</b>

The increase in Contract Receivables relates to additional block income invoices that were paid in early 20/21.

The increase in Accrued Income relates to accruals for Covid costs reimbursement £1m, additional Mental Health distribution funding of £1.4m and £2.2m under the New Care Model contract with NHS England for the provision of CAMHS Tier 4 services where NHS England process the expenditure, and remaining balance is due based upon a reconciliation at year end.

**16.2 Allowance for impaired contract receivables**

	2019/20	2018/19
	£000	£000
At 1 April	102	258
Increase in provision	51	145
Amounts utilised	(6)	(5)
Unused Amounts reversed	0	(36)
<b>Balance at 31 March</b>	<b>147</b>	<b>362</b>

As part of the implementation of IFRS 9 an expected credit loss model for impaired contract receivables was applied. This has had no material impact on the allowance in the period.

**Notes to the Accounts - 17 Cash and cash equivalents****17 Cash and cash equivalents**

	2019/20 £000	2018/19 £000
Cash and cash equivalents at 1 April	58,023	56,018
Net change in cash and cash equivalents	(2,763)	2,005
<b>Cash and cash equivalents at 31 March</b>	<b>55,260</b>	<b>58,023</b>
Comprising:		
Cash at commercial banks and in hand	241	77
Cash with the Government Banking Service	55,019	9,246
Deposits with the National Loan Fund	0	48,700
	<b>55,260</b>	<b>58,023</b>

The NHS FT's cash reserves have decreased in year primarily due to level of receivables at March 31st 2020. The majority of this amount has been received in April.

**18 Public Dividend Capital**

	2019/20 £000	2018/19 £000
Taxpayers' Equity at 1 April	91,144	84,003
Public Dividend Capital receipts	792	7,141
<b>Taxpayers' Equity at 31 March</b>	<b>91,936</b>	<b>91,144</b>

PDC receipts in 2019/20 of £792k were received for cyber security and digital strategy funding. PDC receipts during 2018/19 were related to the Department of Health and Social Care sale of a portion of the Kingsley Green site and subsequent contribution to the Trust to fund relocation works (£6,790k) and capital projects relating to patient Wi-Fi improvements (£340k) and pharmacy software improvements (£12k).

**19 Borrowings****19.1 Borrowings: Loans and Finance Leases**

	31 March 2020 £000	31 March 2019 £000
<b>Current</b>		
Capital loans	540	542
Obligations under finance leases	0	9
<b>Total current borrowings</b>	<b>540</b>	<b>551</b>
<b>Non-current</b>		
Capital loans	8,998	9,528
<b>Total non-current borrowings</b>	<b>8,998</b>	<b>9,528</b>
<b>Total borrowings</b>	<b>9,538</b>	<b>10,079</b>

The NHS FT has a loan arrangement with the Department of Health and Social Care (see note 2.4).

**Notes to the Accounts - 19 Borrowings****19.2 Finance Lease borrowings**

	31 March 2020	31 March 2019
	£000	£000
Payable:		
- not later than one year;	0	12
- later than one year and not later than five years;	0	0
- later than five years.	0	0
<b>Gross lease liabilities</b>	<b>0</b>	<b>12</b>
Less: Finance charges/(income) allocated to future periods	0	(3)
<b>Net lease liabilities</b>	<b>0</b>	<b>9</b>
Split into current and non-current borrowings on the Statement Of Financial Position:		
- current	0	9
- non current	0	0
	<b>0</b>	<b>9</b>
Expected timing of cashflows:		
- not later than one year;	0	9
- later than one year and not later than five years;	0	0
- later than five years.	0	0
	<b>0</b>	<b>9</b>

Details of Finance Leases are included in note 12.

**Notes to the Accounts - 20 Provisions for liabilities and charges****20 Provisions for liabilities and charges (held in current and non-current liabilities)****20.1 Provisions for liabilities and charges (held in current and non-current liabilities) 2019/20**

<b>2019/20</b>	<b>Total</b>	<b>Pensions relating to other staff</b>	<b>Pension - Injury benefits</b>	<b>Other legal claims</b>	<b>Restructuring</b>	<b>Continuing Health Care</b>	<b>Other</b>
	£000	£000	£000	£000	£000	£000	£000
At 1 April 2019 - brought forward	7,625	2,114	2,628	485	0	1,268	1,130
Arising during the year	2,237	109	196	214	169	0	1,549
Utilised during the year - accruals	(86)	(54)	(32)	0	0	0	0
Utilised during the year - cash	(499)	(151)	(99)	(20)	0	(229)	0
Reversed unused	(139)	0	0	(79)	0	(60)	0
Unwinding of discount rate	(24)	(10)	(14)	0	0	0	0
<b>Total at 31 March 2020</b>	<b>9,114</b>	<b>2,008</b>	<b>2,679</b>	<b>600</b>	<b>169</b>	<b>979</b>	<b>2,679</b>
Expected timing of cashflows:							
- not later than one year (current)	3,334	214	132	600	44	979	1,365
- later than one year and not later than five years (non current)	1,915	856	526	0	125	0	408
- later than five years (non current)	3,865	938	2,021	0	0	0	906
<b>Total</b>	<b>9,114</b>	<b>2,008</b>	<b>2,679</b>	<b>600</b>	<b>169</b>	<b>979</b>	<b>2,679</b>

The 'Pensions relating to other staff' provision is the capitalised cost of early retirements as defined by the NHS Pensions Agency. This mainly relates to early retirements of staff resulting from the closure of long stay institutions, namely, Hill End, Leavesden, Cell Barnes and Harperbury Hospitals. Early retirement provisions are discounted using the HM Treasury's pension discount rate of -0.5% in real terms.

The 'Pension - Injury benefit' provision is the capitalised cost of injury benefits as defined by the NHS Pension scheme, for scheme members who have claimed that they are permanently incapable of fulfilling their duties effectively through injury. Injury Benefit provisions are discounted using the HM Treasury's pension discount rate of -0.5% in real terms.

The 'Other legal claims' provision includes provisions in respect of the NHS FT's employer and public liabilities, the amount stated is subject to uncertainty about the outcome of legal proceedings. £24,819k (£27,114k as at 31 March 2019) is included in the provisions of NHS Resolution at 31 March 2020 in respect of clinical negligence liabilities of the NHS FT.

The 'Continuing Health Care' provision comprises the potential liability for claims to the NHS FT for the reimbursement of the costs of Continuing Health Care incurred by the claimant where the claimant considers the costs should have been met by the NHS FT.

Other provisions includes a dilapidations provision which relates to the cost to return leased buildings back to their original condition upon exit. It also includes a provision for the refurbishment of a psychiatric intensive care unit that will require additional operational costs to be incurred during the period of refurbishment

The very nature of these provisions means that there are uncertainties regarding timing and amount of settlement, though the amount provided is judged sufficient to meet these liabilities. See note 1.2.2 for details of the uncertainties about the amount and timing of outflows.



**Notes to the Accounts - 20 Provisions for liabilities and charges****20.2****Provisions for liabilities and charges (held in current and non-current liabilities) 2018/19**

<b>2018/19</b>	<b>Total</b>	<b>Pensions relating to other staff</b>	<b>Pension - Injury benefits</b>	<b>Other legal claims</b>	<b>Continuing Health Care</b>	<b>Other</b>
	£000	£000	£000	£000	£000	£000
At 1 April 2018 - brought forward	9,751	2,333	2,644	137	3,713	924
Arising during the year	885	131	104	444	0	206
Utilised during the year - accruals	(240)	(208)	(32)	0	0	0
Utilised during the year - cash	(288)	5	(96)	0	0	(197)
Reversed unused	(2,497)	(153)	0	(96)	(2,445)	197
Unwinding of discount rate	14	6	8	0	0	0
<b>Total at 31 March 2019</b>	<b>7,625</b>	<b>2,114</b>	<b>2,628</b>	<b>485</b>	<b>1,268</b>	<b>1,130</b>
Expected timing of cashflows:						
- not later than one year (current)	2,301	210	128	485	1,268	210
- later than one year and not later than five years (non current)	1,606	840	514	0	0	252
- later than five years (non current)	3,718	1,064	1,986	0	0	668
<b>Total</b>	<b>7,625</b>	<b>2,114</b>	<b>2,628</b>	<b>485</b>	<b>1,268</b>	<b>1,130</b>

The 'Pensions relating to other staff' provision is the capitalised cost of early retirements as defined by the NHS Pensions Agency. This mainly relates to early retirements of staff resulting from the closure of long stay institutions, namely, Hill End, Leavesden, Cell Barnes and Harperbury Hospitals. Early retirement provisions are discounted using the HM Treasury's pension discount rate of 0.29% in real terms.

The 'Pension - Injury benefit' provision is the capitalised cost of injury benefits as defined by the NHS Pension scheme, for scheme members who have claimed that they are permanently incapable of fulfilling their duties effectively through injury. Injury Benefit provisions are discounted using the HM Treasury's pension discount rate of 0.29% in real terms.

The 'Other legal claims' provision includes provisions in respect of the NHS FT's employer and public liabilities, the amount stated is subject to uncertainty about the outcome of legal proceedings. £27,114k (£26,603k as at 31 March 2018) is included in the provisions of NHS Resolution at 31 March 2019 in respect of clinical negligence liabilities of the NHS FT.

The 'Continuing Health Care' provision comprises the potential liability for claims to the NHS FT for the reimbursement of the costs of Continuing Health Care incurred by the claimant where the claimant considers the costs should have been met by the NHS FT. In 2018/19 £1m was reimbursed to Herts Valley CCG.

The 'Other' provision relates to a dilapidations provision for the cost to return leased buildings back to their original condition upon exit.

The very nature of these provisions means that there are uncertainties regarding timing and amount of settlement, though the amount provided is judged sufficient to meet these liabilities. See note 1.2.2 for details of the uncertainties about the amount and timing of outflows.

**Notes to the Accounts - 21 Trade and other payables****21 Trade and other payables**

	31 March 2020 £000	31 March 2019 £000
<b>Current</b>		
Trade payables	413	963
Capital payables (including capital accruals)	2,399	778
Accruals (revenue costs only)	17,464	15,734
Social security costs	1,894	1,713
VAT payables	19	19
Other taxes payable	1,508	1,442
PDC dividend payable	1	0
Other payables	2,323	2,033
<b>Total Trade and other payables</b>	<b>26,021</b>	<b>22,682</b>

Accruals are the charges from suppliers for goods or services that have not been paid as at 31 March.

**22 Other liabilities**

	31 March 2020	31 March 2019
<b>Current</b>		
Deferred income	8,391	6,724
<b>Total Other liabilities</b>	<b>8,391</b>	<b>6,724</b>

Other liabilities largely comprise income received from commissioners for a specific activity that will be delivered in a future period. As such, this income has been deferred and therefore not included in the Statement of Comprehensive Income in this reporting period.

## Notes to the Accounts - 23 Financial assets and liabilities

### 23 Financial assets and liabilities

#### 23.1 Financial assets by category

	31 March 2020 £000	31 March 2019 £000
Receivables (excluding non financial assets) - with DHSC group bodies	6,799	5,238
Receivables (excluding non financial assets) - with other bodies	8,202	963
Cash and cash equivalents	55,260	58,023
<b>Total</b>	<b>70,261</b>	<b>64,224</b>

#### 23.2 Financial liabilities by category

	31 March 2020 £000	31 March 2019 £000
DHSC loans	9,538	10,070
Obligations under finance leases	0	9
Trade and other payables excluding non financial liabilities	21,833	19,451
Provisions	6,901	6,358
<b>Total</b>	<b>38,272</b>	<b>35,888</b>

## Notes to the Accounts - 24 Reconciliation of operating surplus to net cash flow from operating activities

## 24 Reconciliation of operating surplus to net cash flow from operating activities

	2019/20		2018/19	
	£000	£000	£000	£000
<b>Operating Surplus</b>		5,349		6,442
<b>Non cash flow movements:</b>				
Depreciation and amortisation	5,532		4,889	
Impairments and reversals	<u>1,677</u>		<u>1,124</u>	
		7,209		6,013
<b>Movement in Working Capital:</b>				
(Increase) / Decrease in trade and other receivables	(8,722)		3,341	
on SOFP Pension liability - employer contributions paid less net charge to the SOCI	(41)		(57)	
Increase in inventories	(6)		(12)	
Increase / (Decrease) in trade and other payables	1,717		(4,487)	
Increase in other liabilities	<u>1,667</u>		<u>1,797</u>	
		(5,385)		582
Increase / (Decrease) in provisions		1,513		(2,140)
		<u>1,513</u>		<u>(2,140)</u>
<b>Net cash inflow from operating activities</b>		<b><u>8,686</u></b>		<b><u>10,897</u></b>

## Notes to the Accounts - 25 Related Party Transactions

## 25 Related Party Transactions

## 25.1 Related Party Transactions 2019/20

The NHS FT is a body corporate established by the Secretary of State for Health and Social Care. The Department of Health and Social Care is regarded as a related party as it exerts influence over a number of transactions and operating policies of the Trust. During the year ended 31 March 2020 the NHS FT had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department of those entities.

During the year none of the Board Members, Governors or members of the key management staff or parties related to them has undertaken any material transactions with the NHS FT.

The NHS FT also has a linked charity, The HPFT Charity registered with the Charity Commission under registered charity number 1053767, which the transactions for which are not consolidated within these statements.

Board Members, Governors and other key management staff take decisions on Charity and Exchequer matters but endeavour to keep the interests of each discrete and do not seek to benefit personally from such decisions. Declarations of personal interest have been made and are available for inspection on request from the Company Secretary.

2019/20	Income from Related Party £000	Expenditure payments to Related Party £000	Receivables from Related Party £000	Payables to Related Party £000
<b>Central Government</b>				
National Health Service Pension Scheme	0	21,875	0	53
HMRC - VAT	0	0	159	19
HMRC - other taxes & duties	0	13,606	0	3,402
National Loans Fund	0	0	0	0
Other Central Government	0	7	0	0
<b>NHS</b>				
Department Of Health	275	0	0	305
NHS England - Core	2,600	142	1,707	23
<b>Foundation Trusts</b>				
Camden and Islington NHS Foundation Trust	0	45	0	0
East Suffolk and North Essex NHS Foundation Trust	0	114	0	16
Essex Partnership University NHS Foundation Trust	0	5,157	0	683
Norfolk and Norwich University Hospitals NHS Foundation Trust	117	163	59	82
Salford Royal NHS Foundation Trust	0	254	0	73
South London and Maudsley NHS Foundation Trust	0	2	0	0
<b>Clinical Commissioning Groups</b>				
NHS Basildon and Brentwood CCG	2,054	0	16	0
NHS Bedfordshire CCG	94	0	44	0
NHS Buckinghamshire CCG	3,995	0	45	0
NHS Calderdale CCG	237	0	45	0
NHS Camden CCG	0	0	97	0
NHS Cambridgeshire and Peterborough CCG	1	0	78	0
NHS Castle Point and Rochford CCG	746	0	0	0
NHS Ealing CCG	336	0	59	0
NHS East and North Hertfordshire CCG	498	2,656	95	99
NHS Great Yarmouth and Waveney CCG	592	0	16	0
NHS Greenwich CCG	160	0	0	0
NHS Herts Valleys CCG	1,461	36	1,382	3
NHS Hounslow CCG	334	0	30	0
NHS Mid Essex CCG	5,938	0	35	0
NHS North East Essex CCG	9,975	0	25	0
NHS North Norfolk CCG	683	0	39	0
NHS Norwich CCG	276	0	39	0
NHS South Norfolk CCG	789	0	6	0
NHS Southend CCG	1,416	0	0	0
NHS Thurrock CCG	762	0	0	0
NHS West Essex CCG	4,812	213	140	13
NHS West Norfolk CCG	154	0	(2)	0
<b>NHS Trusts</b>				
East and North Hertfordshire NHS Trust	198	692	19	278
Hertfordshire Community NHS Trust	1,169	268	451	359
The Princess Alexandra Hospital NHS Trust	0	1	0	27
West Hertfordshire Hospitals NHS Trust	800	1,080	479	500
<b>NHS Other</b>				
Health Education England	4,192	3	19	2,868
East of England Specialised Commissioning hub	20,455	(8)	1,540	93
NHS Resolution (formerly NHS Litigation Authority)	0	627	2	78
Other NHS	2,019	260	341	116
<b>Local Government</b>				
Barnet London Borough Council	1,267	0	230	0
Dacorum Borough Council	0	394	0	0
Hertfordshire County Council	185,999	67	5,297	4,475
Hertsmere Borough Council	0	251	0	0
Hammersmith and Fulham London Borough Council	391	0	119	0
Hillingdon London Borough Council	230	0	88	0
Islington London Borough Council	230	0	10	0
Norfolk County Council	965	0	700	0
Westminster City Council	331	0	138	0
Other Local Government	119	116	64	451
<b>Totals</b>	<b>256,670</b>	<b>48,021</b>	<b>13,611</b>	<b>14,016</b>

## Notes to the Accounts - 25 Related Party Transactions

## 25 Related Party Transactions

## 25.2 Related Party Transactions 2018/19

The NHS FT is a body corporate established by the Secretary of State for Health and Social Care. The Department of Health and Social Care is regarded as a related party as it exerts influence over a number of transactions and operating policies of the Trust. During the year ended 31 March 2019 the NHS FT had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department of those entities.

During the year none of the Board Members, Governors or members of the key management staff or parties related to them has undertaken any material transactions with the NHS FT.

The NHS FT also has a linked charity, The HPFT Charity registered with the Charity Commission under registered charity number 1053767, which the transactions for which are not consolidated within these statements.

Board Members, Governors and other key management staff take decisions on Charity and Exchequer matters but endeavour to keep the interests of each discrete and do not seek to benefit personally from such decisions.

Declarations of personal interest have been made and are available for inspection on request from the Company Secretary.

2018/19	Income from Related Party £000	Expenditure payments to Related Party £000	Receivables from Related Party £000	Payables to Related Party £000
<b>Central Government</b>				
National Health Service Pension Scheme	0	14,215	0	2,111
HMRC - VAT	0	0	859	19
HMRC - other taxes & duties	0	12,667	0	3,155
National Loans Fund	0	0	48,700	0
Other Central Government	0	6	0	12
<b>NHS</b>				
Department Of Health	2,061	0	38	368
NHS England - Core	3,365	0	1,820	0
<b>Foundation Trusts</b>				
Camden and Islington NHS Foundation Trust	0	104	0	40
East Suffolk and North Essex NHS Foundation Trust	0	114	0	16
Essex Partnership University NHS Foundation Trust	5	2,051	0	501
Norfolk and Norwich University Hospitals NHS Foundati	151	94	68	34
Salford Royal NHS Foundation Trust	0	412	0	53
South London and Maudsley NHS Foundation Trust	0	179	0	38
<b>Clinical Commissioning Groups</b>				
NHS Basildon and Brentwood CCG	835	0	20	0
NHS Bedfordshire CCG	126	0	65	0
NHS Buckingham CCG	3,834	0	45	0
NHS Camden CCG	230	0	99	0
NHS Ealing CCG	363	0	76	0
NHS East and North Hertfordshire CCG	695	2,312	90	150
NHS Great Yarmouth and Waveney CCG	477	0	46	0
NHS Hounslow CCG	322	0	28	0
NHS Herts Valleys CCG	135	35	3	0
NHS Hounslow CCG	322	0	28	0
NHS Mid Essex CCG	5,109	0	150	15
NHS North East Essex CCG	7,699	0	30	398
NHS North Norfolk CCG	644	0	2	0
NHS Norwich CCG	248	0	0	0
NHS South Norfolk CCG	721	0	0	44
NHS Southend CCG	576	0	5	0
NHS Thurrock CCG	314	0	4	0
NHS West Essex CCG	4,537	104	98	117
NHS West Norfolk CCG	155	0	1	0
<b>NHS Trusts</b>				
East and North Hertfordshire NHS Trust	175	1,456	97	1,129
Hertfordshire Community NHS Trust	929	486	378	240
The Princess Alexandra Hospital NHS Trust	0	115	24	24
West Hertfordshire Hospitals NHS Trust	752	1,064	155	352
<b>NHS Other</b>				
Health Education England	3,809	6	252	2,905
East of England Specialised Commissioning hub	18,826	0	821	0
NHS Resolution (formerly NHS Litigation Authority)	0	680	0	69
Other NHS	1,073	421	810	346
<b>Local Government</b>				
Barnet London Borough Council	1,341	0	0	0
Hertfordshire County Council	173,241	146	690	2,558
Hammersmith and Fulham London Borough Council	457	0	14	0
Norfolk County Council	898	0	0	0
Other Local Government	872	899	252	403
<b>Totals</b>	<b>235,297</b>	<b>37,566</b>	<b>55,768</b>	<b>15,097</b>

## Notes to the Accounts - 26 Pension

## 26 Pension

The NHS FT is also an admitted fully funded member of the Hertfordshire Local Government Pension Scheme (LGPS), for those staff who have transferred under TUPE (Transfer of Undertakings: Protection of Employment) from Hertfordshire County Council to the NHS FT's employment since 2004/05. The NHS FT has reviewed the accounting treatment and is now accounted for from 2017/18 as a defined benefit scheme. The scheme is in an asset position that cannot be realised by the NHS FT, so the asset ceiling is restricted to the value of the scheme liabilities. This has had no material impact on the NHS FT's SOCI or SOFP positions.

	2019/20 £000	2018/19 £000
<b>Present value of the defined benefit obligation at 1 April</b>	<b>(26,499)</b>	<b>(25,389)</b>
Current service cost	(110)	(91)
Interest cost	(627)	(650)
Contribution by plan participants	(15)	(14)
Remeasurement of the net defined benefit (liability) / asset:		
- Actuarial (gains)/losses	2,319	(1,197)
Benefits paid	1,008	842
<b>Present value of the defined benefit obligation at 31 March</b>	<b>(23,924)</b>	<b>(26,499)</b>
<b>Plan assets at fair value at 1 April</b>	<b>26,499</b>	<b>25,389</b>
Interest income	735	759
Remeasurement of the net defined benefit (liability) / asset		
- Return on plan assets (excludes any amounts already included in interest income above)	(1,022)	1,450
- Changes in the effect of limiting a net defined benefit asset to the asset ceiling (excluding amounts included in interest income/expense)	(1,338)	(310)
Contributions by the employer	43	39
Contributions by the plan participants	15	14
Benefits paid	(1,008)	(842)
<b>Plan assets at fair value at 31 March</b>	<b>23,924</b>	<b>26,499</b>
<b>Plan surplus/(deficit) at 31 March</b>	<b>0</b>	<b>0</b>

Reconciliation of the present value of the defined benefit obligation and the present value of the plan assets to the assets and liabilities recognised on the SoFP

	2019/20 £000	2018/19 £000
Present value of the defined benefit obligation	(23,924)	(26,499)
Plan assets at fair value	23,924	26,499
<b>Total net (liability)/asset after the impact of reimbursement rights as at 31 March</b>	<b>0</b>	<b>0</b>

<b>Amounts recognised in the SoCI</b>		
	2019/20 £000	2018/19 £000
Current service cost	(110)	(91)
Net interest income	108	109
<b>Total net gain / (charge) recognised in SoCI</b>	<b>(2)</b>	<b>18</b>

**Notes to the Accounts - 27 Losses and Special Payments****27 Losses and Special Payments**

There were 22 cases (20 cases in 2018/19) of losses and special payments totalling £9k (£4k in 2018/19) during 1 April 2019 to 31 March 2020. These are reported on an accruals basis but exclude provisions for future losses.

	2019/20		2018/19	
	Total number of cases	Total value of cases	Total number of cases	Total value of cases
	Number	£000's	Number	£000's
<b>Losses</b>				
Losses of cash due to:				
- other causes	1	0	7	0
Damage to buildings, property etc. (including stores losses) due to:				
- theft, fraud etc.	1	0	0	0
- other	7	2	5	2
<b>Total losses</b>	<b>9</b>	<b>2</b>	<b>12</b>	<b>2</b>
<b>Special Payments</b>				
Ex gratia payments in respect of:				
- loss of personal effects	7	1	8	2
- other negligence and injury	1	1	0	0
- other	4	5	0	0
- maladministration, no financial loss	1	0	0	0
<b>Total Special Payments</b>	<b>13</b>	<b>7</b>	<b>8</b>	<b>2</b>
<b>Total losses and special payments</b>	<b>22</b>	<b>9</b>	<b>20</b>	<b>4</b>



**Notes to the Accounts - 28 Third Party Assets****28 Third Party Assets**

The NHS FT held £4,406k cash at bank and in hand at 31 March 2020 (£4,119k at 31 March 2019) which relates to monies held by the NHS FT on behalf of service users.

This has been excluded from the cash and cash equivalents figure reported in the accounts.

**29 Post Balance Sheet Events**

There are no such events to be reported.

**30 Contingencies**

There are no contingent assets (recoverable values from third parties).

Contingent liabilities are a possible obligation depending on whether some uncertain future event occurs, or a present obligation but payment is not probable or the amount cannot be measured reliably.

The contingent liability for 2019/20 is in respect of the potential to pay excesses to NHS Resolution in respect of current and ongoing LTPS scheme claims and is per the advice received from the NHS Resolution.

	31 March 2020 £000	31 March 2019 £000
<b>Value of contingent liabilities</b>	<b>53</b>	<b>93</b>

**31 Commitments under capital expenditure contracts**

	31 March 2020 £000	31 March 2019 £000
Property, Plant and Equipment	2,399	778
<b>Total</b>	<b>2,399</b>	<b>778</b>

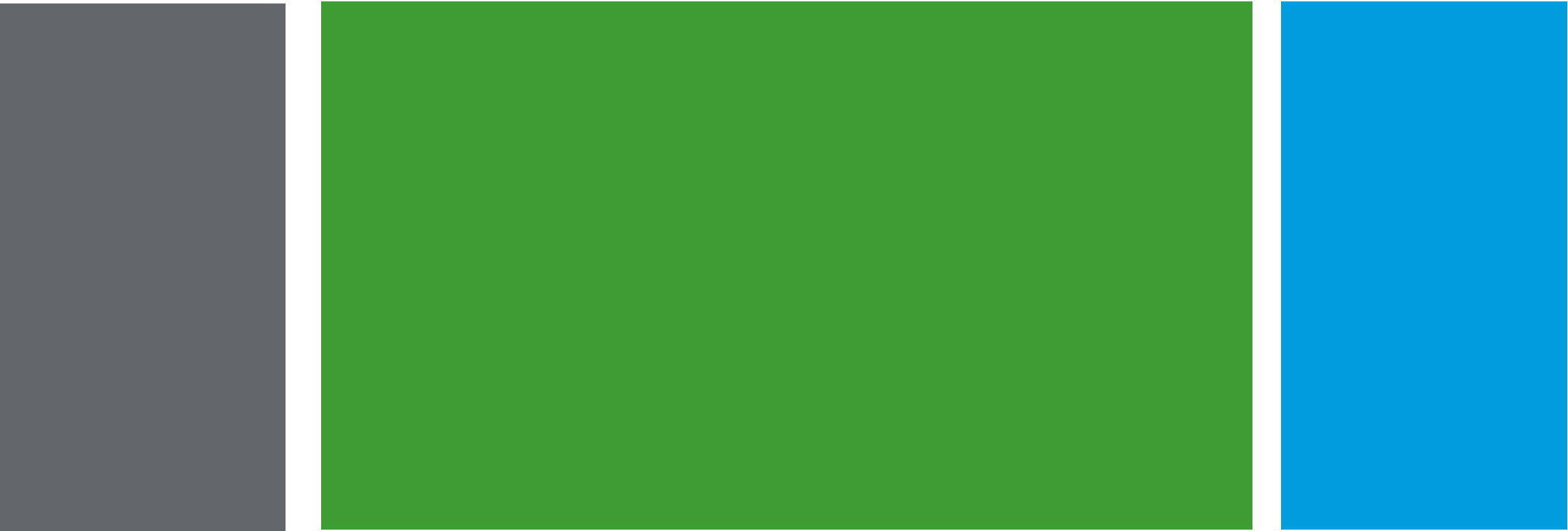
The capital commitments as at 31 March 2020 relate to the agreement of the final account on a number of projects. Saffron Ground and Aston Ward, Lister refurbishments have completed and are awaiting final account confirmations. The NHS FT's Safety Suite program, Cyber Security investment, general IT Investment and Backlog maintenance works account for the majority of the remaining commitments along with retention payments against a number of completed projects.

The capital commitments as at 31 March 2019 relate to the agreement of the final account on a number of projects. The Marlowes Health and Wellbeing Centre and Centenary House refurbishments have completed and are awaiting final account confirmations. Albany Lodge, Forest House and Trust wide fire prevention works account for the majority of the remaining commitments along with retention payments against a number of completed projects.

Hertfordshire Partnership University NHS Foundation Trust

Data entered below is used throughout the workbook:

Trust name:	HERTFORDSHIRE PARTNERSHIP UNIVERSITY NHS FOUNDATION TRUST
This year	Hertfordshire Partnership University NHS Foundation Trust
Last year	2019/20
This year ended	2018/19
Last year ended	31 March 2020
This year beginning	31 March 2019
Last year beginning	1 April 2019
Sign Off	1 April 2018
	19 June 2020



# HERTFORDSHIRE PARTNERSHIP UNIVERSITY NHS FOUNDATION TRUST

[Annual internal audit report 2019/20](#)

DRAFT

March 2020

This report is solely for the use of the persons to whom it is addressed.  
To the fullest extent permitted by law, RSM Risk Assurance Services LLP  
will accept no responsibility or liability in respect of this report to any other party.

**THE POWER OF BEING UNDERSTOOD**  
AUDIT | TAX | CONSULTING

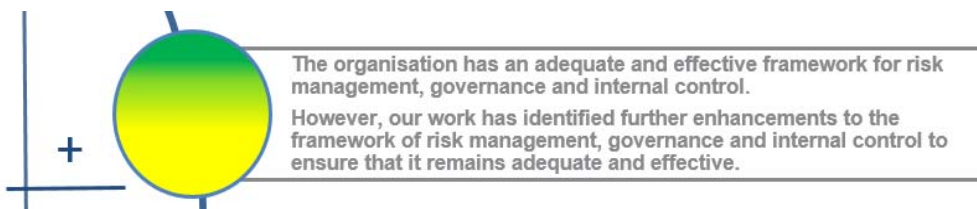


# THE ANNUAL INTERNAL AUDIT OPINION

This report provides an annual internal audit opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes. The opinion should contribute to the organisation's annual governance reporting.

## The opinion

For the 12 months ended 31 March 2020, DRAFT the head of internal audit opinion for Hertfordshire Partnership University NHS Foundation Trust is as follows:



Please see appendix A for the full range of annual opinions available to us in preparing this report and opinion.

---

*It remains management's responsibility to develop and maintain a sound system of risk management, internal control and governance, and for the prevention and detection of material errors, loss or fraud. The work of internal audit should not be a substitute for management responsibility around the design and effective operation of these systems.*

---

## Scope and limitations of our work

The formation of our draft opinion is achieved through a risk-based plan of work, agreed with management and approved by the audit committee, our opinion is subject to inherent limitations, as detailed below:

- internal audit has not reviewed all risks and assurances relating to the organisation;
- the opinion is substantially derived from the conduct of risk-based plans generated from a robust and organisation-led assurance framework. The assurance framework is one component that the board takes into account in making its annual governance statement (AGS);
- the opinion is based on the findings and conclusions from the work undertaken, the scope of which has been agreed with management;
- where strong levels of control have been identified, there are still instances where these may not always be effective. This may be due to human error, incorrect management judgement, management override, controls being by-passed or a reduction in compliance; and
- due to the limited scope of our audits, there may be weaknesses in the control system which we are not aware of, or which were not brought to our attention.

# FACTORS AND FINDINGS WHICH HAVE INFORMED OUR OPINION

**We did not issue any 'no assurance' opinions in 2019/20.**

**We undertook advisory reviews in relation to Conflicts of Interest (Part 1) and Data Security Protection Toolkit.**

**We issued one substantial assurance opinion (CQC Action Plan) and reasonable assurance opinions in the following areas:**

- Electronic Staff Record (ESR) Access Controls (1.19/20)
- NHS Digital Action Plan (2.19/20);
- Duty of Candour including Lessons Learnt (5.19/20);
- Purchasing Controls (9.19/20)
- Risk Management and Board Assurance Framework (10.19/20); and
- Clinical Audit (11.19/20)
- Conflicts of Interest – Part 2 (13.19/20)

**We issued three partial assurance opinions as follows:**

## Appraisals 3.19/20

purpose of the review was to evaluate the effectiveness of the systems in place to ensure that appraisals are conducted on an annual basis and to the required standard and quality.

We confirmed that the Trust had routine reporting in place for completion rates of appraisals and noted that data reported at the Trust Board and Workforce Board had been accurately calculated from the raw data. The Trust additionally has a robust and detailed Appraisals policy and procedure in place, available to all staff.

Through review of the controls in place for appraisals, we identified that there were weaknesses regarding completion of the appraisals form, use of the incorrect form, incomplete information with regards to how previous objectives had been attained and ensuring future objectives were SMART. Furthermore, we identified issues with regards to the timeliness of some of the appraisals against the requirements documented within the appraisals policy. Overall, our findings led to three medium and two low priority management actions being agreed.

## Patient Monies 6.19/20

The review considered the physical controls in place surrounding service user monies and property, the guidance in place to define the process and compliance and consistency of the application of these processes across the following three sampled wards:

- Dove Ward;
- Albany Lodge; and
- Wren Ward.

Through our review of the three sites referred to above, we found a general reoccurrence of compliance issues highlighted during our previous audit, although we did notice there were a number of improvements at Wren Ward compared with the Trust's previous internal review. Due to the number and nature of

compliance issues found however, the Trust cannot yet take assurance that the process is being applied correctly across the organisation. Most notable deviations from the Service User Property Policy included:

- Inconsistent use of key documentation, including the Service User Property Form and Service User Property Disclaimer;
- An absence of service user property and money security measures, including the use of serial numbers for property and cash wallets and regular changing of safe codes on a regular basis; and
- An absence of issuing of receipts and undertaking identification checks of discharged service users when collecting stored property.

Overall, we found weaknesses resulting in two high, six medium and one low priority management action being agreed.

#### Health and Safety 8.19/20

A joint audit on health and safety was undertaken at HCT and HPFT as part of their internal audit plans for 2019/20.

The objective of the review was to provide assurance that the joint Estates and Facilities Team for the two Trusts has effective processes in place for ensuring legal compliance regarding health and safety requirements, with specific focus on fire and gas safety, legionella, and asbestos. As of April 2018, the Trusts had a joint Estates and Facilities Team in place, with the costs of running the service split between the two Trusts. The Ultimate Manager system is used to manage the property portfolios of both Trusts, including compliance with statutory health and safety checks.

Overall, we noted significant control weaknesses during the course of our audit. Through sample testing of 20 properties, we found four instances in which a legionella assessment had not been carried out for over two years. We were advised by the Head of Operations for Estates and Facilities that there were a large backlog of certificates waiting to be uploaded to Ultimate Manager, and that this impacted the use of the Ultimate Manager system, due to the inaccurate data recorded. We also noted that there was not a robust process in place to monitor the remedial actions from statutory checks to completion.

We also noted further control weaknesses in relation to areas such as the identification and monitoring of role specific health and safety training, and the escalation of health and safety issues in relation to statutory compliance from the relevant Committees at both Trusts. We did note however, that the joint Estates and Facilities Team are aware of some of these issues and were working on rectifying these to provide assurance.

Overall, we found weaknesses resulting in one high, four medium and one low priority management action being agreed.

### Topics judged relevant for consideration as part of the annual governance statement

Based on the work we have undertaken on the Trust's system on internal control, we would note the weaknesses in relation to health and safety compliance, and that the Trust may wish to refer to these within the Annual Governance Statement (AGS), along with the actions being taken to address the issues identified.

## THE BASIS OF OUR INTERNAL AUDIT OPINION

As well as those headlines previously discussed, the following areas have helped to inform our opinion. A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

### Acceptance of internal audit management actions

Management have agreed actions to address some of the findings reported by the internal audit service during 2019/20.

### Implementation of internal audit management actions

Where actions have been agreed by management, these have been monitored by management through the action tracking process in place. During the year progress has been reported to the audit committee, with the validation of the action status confirmed by internal audit on a monthly basis.

Our follow up of the actions agreed to address previous years' internal audit findings shows that the organisation had made progress in implementing the agreed actions. Follow up progress to date for 2019/20 reviews is detailed below, with the reports in draft detailed in bold:

Audit Title	Low	Medium	High	Advisory	Total	Implemented	Overdue	Not yet due
Electronic Staff Record (ESR) Access Controls (1.19/20)	0	2	0	0	2	2	0	0
NHS Digital Action Plan (2.19/20)	3	3	0	0	6	5	1	0
Appraisals (3.19/20)	2	3	0	0	5	3	2	0
Conflicts of Interest – Part One (4.19/20)	4	3	1	0	8	7	0	1
Duty of Candour including Lessons Learnt (5.19/20)	1	1	1	0	3	3	0	0
Patient Monies (6.19/20)	1	6	2	0	9	0	9	0
CQC Action Plan (7.19/20)	1	1	0	0	2	0	2	0
Health and Safety (8.19/20)	2	4	1	0	7	0	1	6
Purchasing Controls (9.19/20)	2	3	0	0	5	0	2	3
Risk Management and Board Assurance Framework (10.19/20)	2	1	0	0	3	0	0	3
Clinical Audit (11.19/20)	4	1	0	0	5	0	0	5
Data Security and Protection Toolkit (12.19/20)	2	6	0	0	8	0	0	8
Conflicts of Interest – Part Two (13.19/20) DRAFT	0	1	0	0	1	0	0	1
<b>TOTAL</b>	<b>24</b>	<b>35</b>	<b>5</b>	<b>0</b>	<b>64</b>	<b>20</b>	<b>17</b>	<b>27</b>

## **Working with other assurance providers**

In forming our opinion, we have not placed any direct reliance on other assurance providers.



# OUR PERFORMANCE

## Wider value adding delivery

Area of work	How has this added value?
Health Matters publications	We published our Health Matters reports. These included articles on: <ul style="list-style-type: none"><li>• Making digital happen;</li><li>• Managing demand and capacity modelling;</li><li>• The importance of effective and reliable financial planning and reporting for the NHS;</li><li>• Culture in a Well-Led organisation;</li><li>• Recruitment; and,</li><li>• GDPR.</li></ul>
Other Publications	<ul style="list-style-type: none"><li>• Trust in the Boardroom;</li><li>• Catch 22 – Digital Transformation and its impact on Cyber Security.</li></ul>
Client Briefings	As part of our client service commitment, during 2019/20 we issued news briefings to each Audit Committee meeting.
Audit Committee	We contributed to the discussions at the audit committee on various items on the agenda in order to ensure that the Trust benefits from wider input in further developing its governance arrangements.

## Conflicts of interest

RSM has not undertaken any work or activity during 2019/20 that would lead us to declare any conflict of interest.

## Conformance with internal auditing standards

RSM affirms that our internal audit services are designed to conform to the International Standards for the Professional Practice of Internal Auditing and the International Professional Practices Framework (IPPF) as published by the Global Institute of Internal Auditors (IIA).

Under the standards, internal audit services are required to have an external quality assessment every five years. Our Risk Assurance service line commissioned an external independent review of our internal audit services in 2016 to provide assurance whether our approach meets the requirements of the IPPF.

The external review concluded that 'there is a robust approach to the annual and assignment planning processes and the documentation reviewed was thorough in both terms of reports provided to audit committee and the supporting working papers.' RSM was found to have an excellent level of conformance with the IIA's professional standards.

The risk assurance service line has in place a quality assurance and improvement programme to ensure continuous improvement of our internal audit services. Resulting from the programme, there are no areas which we believe warrant flagging to your attention as impacting on the quality of the service we provide to you.

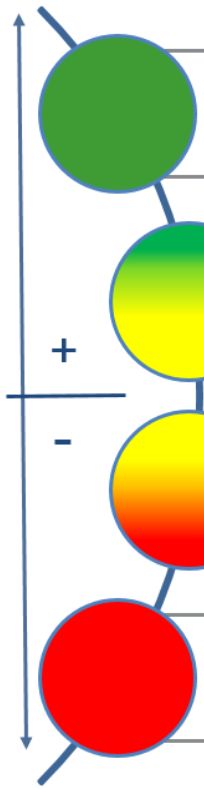
## **Quality assurance and continual improvement**

To ensure that RSM remains compliant with the International Standards for the Professional Practice of Internal Auditing and the International Professional Practices Framework (IPPF) we have a dedicated internal Quality Assurance Team who undertake a programme of reviews to ensure the quality of our audit assignments. This is applicable to all Heads of Internal Audit, where a sample of their clients will be reviewed. Any findings from these reviews are used to inform the training needs of our audit teams.

This is in addition to any feedback we receive from our post assignment surveys, client feedback, appraisal processes and training needs assessments.

# APPENDIX A: ANNUAL OPINIONS

The following shows the full range of opinions available to us within our internal audit methodology to provide you with context regarding your annual internal audit opinion.

Annual opinions	Factors influencing our opinion
 <div data-bbox="392 459 1176 587"> <p>The organisation has an adequate and effective framework for risk management, governance and internal control.</p> </div> <div data-bbox="392 651 1176 778"> <p>The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.</p> </div> <div data-bbox="392 842 1176 970"> <p>There are weaknesses in the framework of governance, risk management and control such that it could become, inadequate and ineffective.</p> </div> <div data-bbox="392 1034 1176 1161"> <p>The organisation does not have an adequate framework of risk management, governance or internal control.</p> </div>	<p>The factors which are considered when influencing our opinion are:</p> <ul style="list-style-type: none"> <li>• inherent risk in the area being audited;</li> <li>• limitations in the individual audit assignments;</li> <li>• the adequacy and effectiveness of the risk management and / or governance control framework;</li> <li>• the impact of weakness identified;</li> <li>• the level of risk exposure; and</li> <li>• the response to management actions raised and timeliness of actions taken.</li> </ul>

## APPENDIX B: SUMMARY OF INTERNAL AUDIT WORK COMPLETED 2019/20

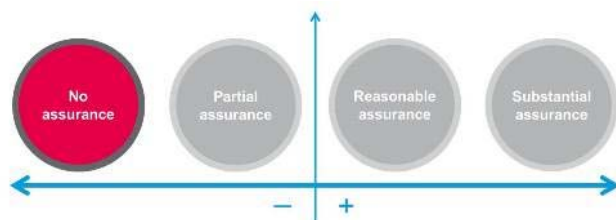
All of the assurance levels and outcomes provided above should be considered in the context of the scope, and the limitation of scope, set out in the individual assignment report.

Assignment	Executive lead	Assurance level	Actions agreed		
			L	M	H
Electronic Staff Record (ESR) Access Controls (1.19/20)	Director of Workforce and Organisational Development	Reasonable Assurance [●]	0	2	0
NHS Digital Action Plan (2.19/20)	Director of Innovation and Transformation / Chief Information Officer	Reasonable Assurance [●]	3	3	0
Appraisals (3.19/20)	Director of Workforce and Organisational Development	Partial Assurance [●]	2	3	0
Conflicts of Interest – Part One (4.19/20)	Deputy Chief Executive and Director of Finance	No opinion / Advisory [●]	4	3	1
Duty of Candour including Lessons Learnt (5.19/20)	Executive Director of Quality and Safety	Reasonable Assurance [●]	1	1	1
Patient Monies (6.19/20)	Director of Service Delivery and Customer Experience	Partial Assurance [●]	1	6	2
CQC Action Plan (7.19/20)	Executive Director of Quality and Safety	Substantial Assurance [●]	1	1	0
Health and Safety (8.19/20)	Associate Director of Estates for HPFT & HCT	Partial Assurance [●]	2	4	1
Purchasing Controls (9.19/20)	Deputy Chief Executive and Director of Finance	Reasonable Assurance [●]	2	3	0
Risk Management and Board Assurance Framework (10.19/20)	Executive Director of Quality and Safety	Reasonable Assurance [●]	2	1	0
Clinical Audit (11.19/20)	Medical Director	Reasonable Assurance [●]	4	1	0

Assignment	Executive lead	Assurance level	Actions agreed		
			L	M	H
Data Security and Protection Toolkit (12.19/20)	Deputy Chief Executive and Director of Finance	No opinion / Advisory [●]	2	6	0
Conflicts of Interest – Part Two (13.19/20)	Deputy Chief Executive and Director of Finance	Reasonable Assurance [●]	0	1	0

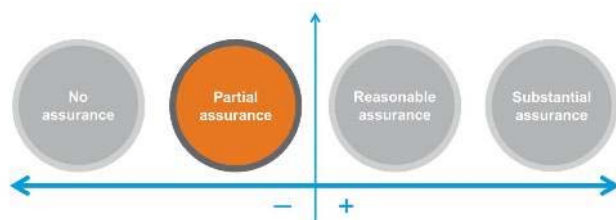
## APPENDIX C: OPINION CLASSIFICATION

We use the following levels of opinion classification within our internal audit reports, reflecting the level of assurance the board can take:



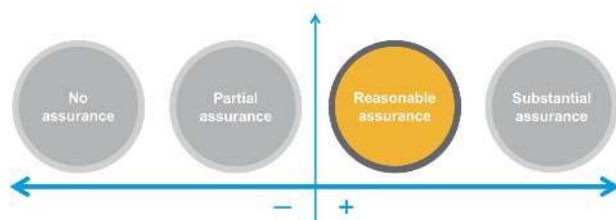
Taking account of the issues identified, the board cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.

Urgent action is needed to strengthen the control framework to manage the identified risk(s).



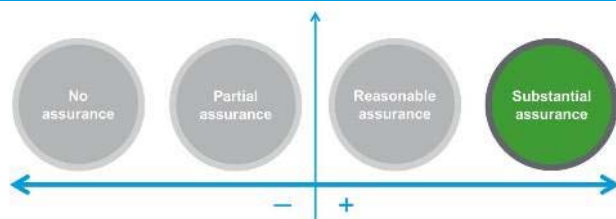
Taking account of the issues identified, the board can take partial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.

Action is needed to strengthen the control framework to manage the identified risk(s).



Taking account of the issues identified, the board can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk(s).



Taking account of the issues identified, the board can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

# YOUR INTERNAL AUDIT TEAM

## **Liz Wright, Head of Internal Audit**

T: +44 (0)1908 687800

M: +44 (0)7436 268555

[Liz.Wright@rsmuk.com](mailto:Liz.Wright@rsmuk.com)

## **Sam Abbas, Senior Manager**

T: +44 (0)1908 687800

M: +44 (0)7972 004232

[Samuel.Abbas@rsmuk.com](mailto:Samuel.Abbas@rsmuk.com)

**rsmuk.com**

The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

Our report is prepared solely for the confidential use of Hertfordshire Partnership University NHS Foundation Trust and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

RSM Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.





# Year end report 2019/20

**Hertfordshire Partnership University NHS  
Foundation Trust**

16 June 2020

I confirm that this is the final version of our ISA 260 Audit Memorandum relating to our audit of the 2019/20 financial statements for Hertfordshire Partnership University NHS Foundation Trust. This document was discussed and approved by the Trust's Audit Committee on 19 June 2020.

[Signature]

Neil Hewitson

Neil Hewitson for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
15 Canada Square  
London  
E14 5GL

[✓] June 2020

Our audit opinions and conclusions:

Financial Statements: **unqualified**

Use of resources: **clean**

# Introduction

## To the Audit Committee of Hertfordshire Partnership University NHS Foundation Trust

We are pleased to have the opportunity to meet with you on 19 June to discuss the results of our audit of the financial statements of Hertfordshire Partnership University NHS Foundation Trust (the 'Trust') as at and for the year ended 31 March 2020.

We are providing this report in advance of our meeting to enable you to consider our findings and hence enhance the quality of our discussions. This report should be read in conjunction with our audit plan and strategy report, presented in December 2019. We will be pleased to elaborate on the matters covered in this report when we meet.

Our audit is substantially complete. There have been changes to our audit plan and strategy based on revised requirements from NHSI and NHSE as communicated in March 2020. These changes relate to: quality report assurance is not required to be provided for 2019/20; and IFRS 16 is deferred with only limited disclosure requirement for 2019/20.

Subject to your approval of the financial statements, we expect to be in a position to sign our audit opinion on 23 June, provided that the outstanding matters noted on page 3 of this report are satisfactorily resolved.

We expect to issue an unmodified Auditor's Report on the financial statements and an unqualified Value for Money Conclusion,

We draw your attention to the important notice on page 3, which explains:

- The purpose of this report;
- Limitations on work performed; and
- Restrictions on distribution of this report.

Yours faithfully,

Neil Hewitson

19 June 2020

## How we have delivered audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define 'audit quality' as being the outcome when audits are:

- **Executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality controls** and
- All of our related activities are undertaken in an environment of the utmost level of **objectivity**, independence, **ethics** and **integrity**.

The National Audit Office (NAO) has issued a document entitled Code of Audit Practice (the Code). This summarises where the responsibilities of auditors begin and end and what is expected from the Trust. External auditors do not act as a substitute for the Trust's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

## Contents

Important notice	3
1. Summary	5
2. Financial statements audit	8
3. Value for money	19
4. Quality report	21
Appendix	27

# Important notice



This report is presented under the terms of our audit engagement letter.

- Circulation of this report is restricted.
- The content of this report is based solely on the procedures necessary for our audit.

This Report has been prepared for the **Audit Committee**, in order to communicate matters of interest as required by ISAs (UK and Ireland), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report, or for the opinions we have formed in respect of this Report.

## Purpose of this report

This Report has been prepared in connection with our audit of the financial statements of Hertfordshire Partnership University NHS Foundation Trust (the 'Trust'), prepared in accordance with International Financial Reporting Standards ('IFRSs') as adapted by the Group Accounting Manual issued by the Department of Health and Social Care, as at and for the year ended 31 March 2020. This report summarises the key issues identified during our audit but does not repeat matters we have previously communicated to you.

## Limitations on work performed

This Report is separate from our audit report and does not provide an additional opinion on the Trust's financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors. We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

## Status of our audit

Our audit is not yet complete and matters communicated in this Report may change pending signature of our audit report. We will provide an oral update on the status of our audit at the Audit Committee meeting but would highlight the following work is still outstanding:

- Financial Statements audit: Agreement of Balances, Cut-off procedures for May and June, completion of procedures over disclosures
- Review of the updated financial statements

## Restrictions on distribution

The report is provided on the basis that it is only for the information of the Audit Committee of the Trust; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.



# Summary



## Financial Statements Audit

**At the time of issuing this report, some audit procedures remain ongoing.** We intend to issue an unqualified audit opinion on the accounts following the Audit Committee adopting them and receipt of the management representations letter.

We have completed our audit of the financial statements. We read the content of the Annual Report (including the Remuneration Report) and reviewed the Annual Governance Statement (AGS). Our key findings are:

- **At the time of issuing this report** there are 3 unadjusted audit differences, explained in section 2 and appendix 3.
- We agreed presentational changes to the accounts with Finance, mainly related to compliance with the Group Accounting Manual (GAM).
- In addition to our routine requests we are asking for management representations over the valuation of land and buildings, explained in section 2.
- We reviewed the annual report and have no matters to raise with you.

## Value for Money

Based on the findings of our work, we have concluded that the Trust has adequate arrangements to secure economy, efficiency and effectiveness in its use of resources. Through our risk assessment procedures, we assessed the impact of COVID-19 as highlighted on page 8.

## Audit Certificate

We are required to certify that we have completed the audit of the Trust financial statements in accordance with the requirements of the Code. If there are any circumstances under which we cannot issue a certificate, then we must report this to those charged with governance. There are no issues that would cause us to delay the issue of our certificate of completion of the audit.

## Quality Report

For 2019/20, we are not required to provide assurance over your quality report, however we have completed the following audit work:

As part of our interim audit we completed testing in relation to the EIP mandatory indicator. The results of our testing are included in Section 3 of our report and were separately reported to the Audit Committee in April.

As per the guidance from NHSI and NHSE this commentary should not be treated as an opinion and is provided for information only.

## Other Matters

We intend to issue an unqualified Group Audit Assurance Certificate to the NAO regarding the Whole of Government Accounts submission, made through the submission of the summarisation schedules to NHS Improvement (NHSI).

We identified 2 prior year recommendations that require further action by management. We raised 4 new recommendations as a result of our work. They key recommendations relate to the Fixed Asset Register and retention of documentation. . All recommendations are shown in appendix 3.






In auditing the accounts of an NHS body auditors must consider whether, in the public interest, they should make a report on any matters coming to their notice in the course of the audit, in order for it to be considered by Trust members or brought to the attention of the public; and whether the public interest requires any such matter to be made the subject of an immediate report rather than at completion of the audit. There are no matters that we wish to report.

# Summary: Impact of COVID-19



## Scepticism Challenge

Below we have summarised the impact of COVID-19 on our audit approach for 2019/20:

Area of the audit	Status	Page	Impact on Audit Approach
<b>Financial Statements: Valuations</b>		Page 16	<p>We were able to gain assurance around the valuation of land and buildings through our audit procedures. The valuation report was issued with a material uncertainty opinion. This has been highlighted within the Trust's judgements and estimation uncertainty disclosure within the financial statements.</p> <p>Audit procedures were undertaken to assess the likely movement in asset prices which would result in the Net Book Value of the Trusts Land and Buildings Asset at the 31 March 2020 to be materially misstated.</p>
<b>Financial Statements: Going Concern</b>		Page 15	<p>While impacting across the corporate sector the directions under which you prepared your accounts included in the FREM and GAM and the funding mechanisms put in place across the NHS mean your Trust will be considered a going concern. We considered your financial position through our work on use of resources in line with the FRC's Practice Note 10 (Audit of financial statements of public sector bodies in the United Kingdom).</p>
<b>Financial Statements: Events after the reporting period</b>		N/A	<p>We have considered whether it is necessary to disclose any post date events from the effects of the COVID pandemic on the Trusts operations. We have not identified any subsequent events that require adjustment or disclosure.</p>
<b>Financial Statements: Revision to threshold for the AoB exercise</b>		Page 12	<p>As a result of the guidance to the NHS increasing the threshold at which balances requires confirmation between bodies we amended our audit procedures to confirm your income, expenditure, receivable and payables with counterparties within the NHS resource accounting boundary. This impacted the procedures we perform for issuing our consolidation opinion to the NAO. <b>At the time of issuing this report our AOB procedures remain ongoing.</b></p>
<b>Financial Statements: Procedures</b>		N/A	<p>We considered more broadly how our audit procedures should be revised given the extended deadline for submission. This means we updated our procedures, for example considering a longer period for post date events, extending the sample period we considered for our cut off procedures and specifically considering whether COVID related income and expenditure from the final weeks of the year were correctly included in the financial statements. No matters to report. We have not identified any issues that require adjustment or disclosure.</p>

# Summary: Impact of COVID-19



## Scepticism Challenge

Area of the audit	Status	Page	Impact on Audit Approach
<b>Financial Statements: IFRS 16</b>		Page 15	The implementation of the new lease accounting standards has been deferred to 1 April 2021 with only limited disclosure requirement for 2019/20. We have summarised the work completed during our planning and interim audit work.
<b>Quality Accounts: revised requirements</b>		Page 22	We are not required to provide assurance over the quality report for 2019/20. We have summarised the work completed during our planning and interim audit work.
<b>Value for money: additional risk emerged on response to COVID19</b>		Page 20	By way of reminder our value for money responsibilities are focused on understanding the arrangements you have put in place up to the 31 March and to consider the disclosures you have made within your annual governance statement. We considered whether an new risks arose due to the Trust's response to COVID19. We have no matters to report and no risks were identified.



# Financial Statements Audit



## Section one

# Financial statements audit - our summary findings



## Scepticism Challenge

### Assessment of the control environment

Significant control deficiencies	0
Other control deficiencies	1

We were unable to place reliance on the Trust's senior finance team's monthly review of its management accounts due to insufficient evidence to support the operation of the control. We have included recommendations to address this deficiency in Appendix Two.

The Trust outsources an element of its control environment to service organisations. Where we have sought to place reliance on the controls operated by these service organisations we have performed local testing over the operating effectiveness of these controls.

### Representations

You are required to provide us with representations on specific matters such as your going concern assertion. We provided a draft of this representation letter to the Deputy Chief Executive and Director of Finance on 09 June 2020. We draw your attention to the requirement in our representation letter for you to confirm to us that you have disclosed all relevant related parties to us. We are asking management to provide specific representations regarding the valuation of land and buildings.

### Accounts Production

We received complete draft accounts on 27 April 2020 in accordance with NHSI's deadline. The accounting policies, accounting estimates and financial statement disclosures are in line with the requirements of ARM and GAM. We thank the finance team for their co-operation throughout the visit which allowed the audit to progress and complete within the allocated timeframe.

Risks	Risk change from PY	Our findings
<b>Significant Risks</b>		<b>Page 12-13</b>
1. Revenue Recognition	No change	The results of our testing were satisfactory. We considered the amount of revenue recognised to be acceptable. <b>Audit procedures remain ongoing in relation to the Trust's AOB mismatches.</b>
2. Expenditure Recognition	No change	Our audit procedures identified the yearend accruals balance to be overstated by £1,241k. This is an extrapolated overstatement based on a factual overstatement of £700k. <b>Audit procedures remain ongoing in relation to the Trust's AOB mismatches.</b>
<b>Other Matters</b>		<b>Page 15-16</b>
3. New Accounting Standards	New	Implementation of IFRS16 was an area of audit focus as set out within our 2019-20 plan. IFRS16 implementation has since been postponed to April 2021. Limited testing was completed ahead of the announced deferral.
4. Going Concern	Increase	The results of our testing were satisfactory. We considered the assessment completed by the Trust to be acceptable however our procedures identified additional disclosures were required.
5. Valuation of Land and Buildings	Decrease	Our audit procedures identified an adjustment of £800k to the value of land and buildings recognised in the draft account.
6. Valuation of LGPS Pension Assets and Liabilities	No change	The results of our testing were satisfactory. We consider the yearend valuation to be balanced and the accounting treatment adopted by the Trust to be appropriate.

# Financial statements audit - our summary findings



## Scepticism Challenge

### Key accounting judgements

### KPMG Assessment

Page 17

#### A. Valuation of land and buildings

Optimistic

The Trust identified assets for detailed assessment at 31 March 2020. These are assets which have had significant expenditure in year. The last full revaluation was as at 31 March 2018 and in intermediary periods the Trust does not apply annual indexation to its assets to reflect year on year changes in market conditions. In line with RICS guidance, the Trust's valuation report was issued with a material uncertainty disclaimer due to the coronavirus pandemic. This has been appropriately disclosed in the final accounts. No impairment has been applied by the Trust in relation to the pandemic. Overall we consider the valuation of the Trust's land and buildings as at 31 March 2020 to be materially accurate but towards the optimistic side of our acceptable range.

#### B. Valuation of LGPS Pension Assets and Liabilities

Neutral

We involved KPMG actuarial specialists in reviewing the actuarial assumptions. The overall assumptions adopted by the Employer are considered to be balanced relative to our central rates and within our normally acceptable range overall. Our experts have also considered the impact of special considerations impacting all LGPS pension schemes. We have noted that within the valuation, no allowance has been made in respect of the McCloud judgement. Our specialists estimate McCloud would increase the Trust's total defined obligations by £20k. As the impact is highly immaterial and the scheme's yearend surplus is in excess of this increase, no adjustment has been proposed.

# Financial statements audit – our summary findings









## Scepticism Challenge

**Compliance with ISA 260:** We are required under ISA 260 to communicate to you any matters specifically required by other auditing standards to be communicated to those charged with governance; and any other audit matters of governance interest. As the Trust is required to comply with elements of the UK Corporate Governance Code through the Foundation Trust Code of Governance, ISA 260 requires us to communicate to you any information that we believe is relevant to understanding our rationale and the supporting evidence for the exercise of our professional judgement. This includes our view of: Business risks relevant to the financial reporting objectives, the application of materiality and the impact of our judgements on these areas for the overall audit strategy and audit plan; significant accounting policies; management's valuations of the Trust's material asset and liabilities and the related disclosures; the quality of management's assessment of the effectiveness of the system of internal control included in the AGS; and any other matters identified during the course of the audit. We have not identified any other matters to specifically report.

**Brexit disclosures: Strategic report:** In the course of our audit work we assessed the quality of your disclosures in the Strategic Report in relation to Brexit in addition to assessing the quality of disclosures generally. The impact of Brexit on the NHS predominantly leads to risks around the cost of pharmaceuticals, medical devices and potential impact on the NHS workforce. We concluded that the disclosures provide a clear description of nature of the impact on the business model and strategy, the impact of economic/political changes on the current year and future performance of the business, the principal risks arising from Brexit and how these are monitored.

**Compliance with the Audit Code:** Your audit is undertaken to comply with the Local Audit and Accountability Act 2014 which gives the NAO the responsibility to prepared an Audit Code (the Code), which places responsibilities in addition to those derived from audit standards on us. We have discharged these responsibilities as follows:

Type	Status	Response
<b>Our declaration of independence</b>		No matters to report. The engagement team and others in the firm, as appropriate, have complied with relevant ethical requirements regarding independence.
<b>Make a referral to your regulator</b>		If we identify that potential unlawful expenditure might be incurred then we are required to make a referral to your regulator. We have not identified any such matters.
<b>Issue a report in the public interest</b>		We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters.
<b>Provide a statement to the NAO on your consolidation schedule</b>		This "Whole of Government Accounts" requirement is fulfilled when we check your summarisation scheduled are consistent with your annual accounts. We have completed that work and found no matters to report.
<b>Provide a summary of our key use of resources risks</b>		We are required to reach a conclusion on your use of resources. We have not identified any significant risks.
<b>Certify the audit as complete</b>		We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above.

# Financial statements audit – mandated risks



## Scepticism Challenge

Risk	Why	Finding from the audit
Fraud risk from revenue recognition	<p>Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.</p> <p>We recognise that the incentives in the NHS differ significantly to those in the private sector which have driven the requirement to make a rebuttable presumption that this is a significant risk. These incentives in the NHS include the requirement to meet regulatory and financial covenants, rather than broader share based management concerns.</p>	<p>We accepted the risk of fraudulent revenue recognition in relation to all Trust income streams (income from activities and other operating income).</p> <ul style="list-style-type: none"> <li>We classified all income balances as a significant risk to respond to this requirement.</li> </ul> <p>We completed testing over the following financial controls:</p> <ul style="list-style-type: none"> <li>Signed contracts are in place with the Trust's lead commissioners and local authorities.</li> <li>Segregation of duties is in place for the raising and issuing of invoices.</li> </ul> <p><i>No deficiencies have been identified as a result of these procedures.</i></p> <p>In addition we completed the following substantive procedures:</p> <ul style="list-style-type: none"> <li>Agreed a sample of contracted and non-contracted revenue transactions back to underlying records and confirmed the accuracy of the classification of these transactions.</li> <li>Agreed the Provider Sustainability Funding income for 2019-20 back to confirmations and bank statements and assessed the risk of clawback.</li> <li>Review income transactions that occurred around the financial yearend (March - June 2020) to ensure that transactions had been accounted for in the correct period. At the time of issuing this report our audit procedures remains ongoing for transactions that have occurred in May and June 2020.</li> <li><b>Reviewed all mismatches identified in the agreement of balances exercise with an absolute value greater than £250k. At the time of issuing this report our audit procedures remains ongoing.</b></li> </ul> <p>During the course of our audit we agreed with the Trust the reclassification of income from the IHCCT contract from CCG income to Local Authority Income.</p>

# Financial statements audit – mandated risks



## Scepticism Challenge

Risk	Why	Finding from the audit
Fraudulent expenditure recognition	<p>Practice Note 10 suggests that auditors in the public sector should consider whether there is a fraud risk arising from the recognition of expenditure.</p> <p>In the public sector, auditors consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period). This may arise due to the audited body manipulating expenditure to meet externally set targets. As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk of material misstatements due to fraud related to revenue recognition and so the auditor has regard to this when planning and performing audit procedures.</p>	<p>We completed the following substantive procedures:</p> <ul style="list-style-type: none"> <li>Testing a sample of pay and non-pay expenditure items during 2019-20 and found them to all be appropriately recognised.</li> <li>Reviewed expenditure transactions that occurred around the financial yearend (March – June 2020) to ensure transactions had been accounted for in the correct period. At the time of issuing this report our audit procedures remains ongoing for transactions that have occurred in May and June 2020.</li> <li>For a sample of accruals recognised at the financial yearend we assessed the appropriateness of the existence of the accrual and the reasonableness of the accrual valuation. Our audit procedures identified an adjustment to the yearend accruals balance as detailed in Appendix 4. Our sampling software has extrapolated the identified misstatement across the total yearend accruals balance and projects a total overstatement in the balance of £1,241k.</li> <li>For a sample of year-end provisions we assessed the appropriateness of the recognition of the provision balance and assessed the assumptions used by management in valuing the provision. We found management to have been balanced in their calculation of yearend provision balances.</li> <li><b>Reviewed all mismatches identified in the agreement of balances exercise with an absolute value greater than £250k. At the time of issuing this report our audit procedures remains ongoing.</b></li> </ul>

# Financial statements audit – mandated risks



## Scepticism Challenge

Risk	Why	Finding from the audit
Fraud risk from management override of controls	<p>Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We have not identified any specific additional risks of management override relating to this audit</p> <p>We have considered that there is a heightened risk of management override of control based upon the incentives and performance oversight offered and deployed by NHSI during the 2019/20 period.</p>	<p>Our procedures, including testing of journal entries, accounting estimates and significant transaction outside the normal course of business, no instances of fraud were identified.</p> <p>We performed specific procedures to:</p> <ul style="list-style-type: none"> <li>• Understand the Q4 judgement management reach which have led to receipt of PSF funding;</li> <li>• Review accounting judgements which are impacting the reported outturn position (see page 12);</li> <li>• Reconciled the year end performance to in year financial report to ensure that divergence in performance can be understood and justified; and</li> <li>• Reviewed the year end cut off processed to ensure that revenue and expenditure items have been reflected within the correct period.</li> </ul>

**Reconfirming materiality:** We can confirm that we completed all our audit work to the materiality that we proposed at the planning stage of the audit, which was a total materiality of £5.0m, performance materiality of £3.75m with an audit differences posting threshold of £250k.

# Financial statements audit – other areas of focus



## Scepticism Challenge

### Other area of focus – new accounting standards

#### The risk

- IFRS 16 (Leases) is being applied by HM Treasury in the Government Financial Reporting Manual (FReM) from 1 April 2020. This will require disclosure in the accounting policies in 2019/20 and the Trust will be required to report transactions from 1 April 2020, meaning it is important that the Trust is able to start collating reliable data for comparable figures ahead of that date.
- There are complex accounting requirements underlying the determination of quantitative amounts in disclosures.
- Disclosure likely to be subject to scrutiny from users of the accounts

#### Outcome from audit work

IFRS 16 has been deferred for a further year and there are only limited disclosure requirements for 2019/20.

As part of our planning and interim audit work we held initial discussions with the Trust to understand the procedures completed to ensure the completeness of its opening adjustment and the progress made to date. No concerns had arisen as a result of our initial discussions. However we wish to highlight that no detailed testing over the work performed by management has been completed.

### Other area of focus – going concern

#### The risk

The GAM directs that your financial statements will be prepared on a going concern basis unless services are being transferred outside of the public sector or being discontinued.

Risks to your financial position are expressed through disclosure in the financial statements (which need to be complete and balanced) and consideration in our use of resources responsibilities.

Key analysis of your future financial performance is contained in your submissions to NHSI which forecast both current and future years expected financial performance.

#### Outcome from audit work

- We confirmed whether your accounting policies complied with the suggested template content from NHS and so reflect the correct basis of the application of going concern.
- We considered whether the Directors have appropriately identified any uncertainties in their future financial forecasts, and if material, that these are appropriately reflected within the financial statements.
- We considered management's assessment regarding the appropriateness of preparing the accounts on a going concern basis.
- We performed testing over management's underlying run rate and assessed the proportion of SLA contracts for 2020/21 and beyond which have been agreed and signed at the date of reporting.
- We considered whether our opinion need to be amended to draw attention to any aspects of uncertainty in your future specially the impact of COVID-19.



# Financial statements audit – other areas of focus



## Scepticism Challenge

### Other area of focus – Valuation of Land and Buildings

#### The risk

- The GAM requires DHSC bodies (including Trusts) to follow the revaluation model. The value of the land and buildings (excluding dwellings) at 31 March 2019 was £145.8m.
- The Trust engaged the District Valuer to perform a year end fair value assessment of a sample of assets which have had significant costs incurred in year or detected a change in use. The last full revaluation was completed at 31 March 2018.
- The Trust is marketing properties for disposal.

#### Outcome from audit work

Our audit procedures identified an adjustment to the value stated in the draft accounts. While no concerns were identified over the valuation performed by the external valuer, DVS, when reconciling the Fixed Asset Register (FAR) to the yearend valuation report we identified increases in the land value of two assets had been omitted from the FAR and the wrong valuation figure had been transposed into the FAR for one building asset. These adjustments are detailed within Appendix 4 of our report.

We have raised a medium priority recommendation in relation to the FAR and inaccuracies identified in the underlying data detailed within register. We recommend that the Trust investigates procuring fixed asset register software.

### Other area of focus – Valuation of LGPS Pension Assets and Liabilities

#### The risk

- At 31 March 2020 the Trust was a member of the Hertfordshire Local Government Pension Scheme. This is a closed scheme, which is in an asset position that cannot be realised by the Trust. The asset ceiling is restricted to the value of scheme liabilities. The value of the Pension Assets and Liabilities was £23.9m and £23.9m respectively. There is no impact on the SOCI or SOFP positions.
- The Trust is in the process of finalising its membership of the Essex Local Government Pension Scheme following TUPE of employees during 2018/19. We understand this will be a closed scheme.

#### Outcome from audit work

The assumptions derived by Hymans Robertson and adopted by the Trust have been reviewed by our KPMG Actuarial team. Overall we consider the assumptions adopted to be balanced and disclosed in line with best practice.

Our experts have also considered the impact of special considerations impacting all LGPS pension schemes. We have noted that within the valuation, no allowance has been made in respect of the McCloud judgement. Our specialists estimate McCloud would increase the Trust's total defined obligations by £20k. As the impact is highly immaterial and the scheme's yearend surplus is in excess of this increase, no adjustment has been proposed.

At the time of issuing our report the Trust has not officially joined the new LGPS pension scheme.



## Section one

# Financial statements audit - judgements

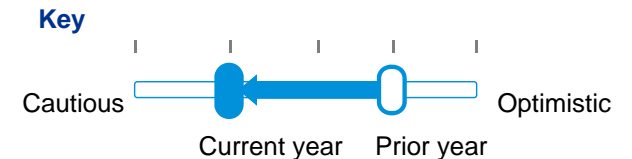


## Scepticism Challenge

### Our view of management judgement

Our views on management judgments with respect to accounting estimates are based solely on the work performed in the context of our audit of the financial statements as a whole. We express no assurance on individual financial statement captions.

Cautious means a smaller asset or bigger liability; optimistic is the reverse. We have only considered material judgements for the purpose of our reporting here.



Asset/ liability class	Our view of management judgement			Balance (£m)	YoY change (£m)	Our view of disclosure of judgements & estimates			Further comments
	Cautious	Neutral	Optimistic			Needs improvement	Neutral	Best practice	
Valuation of land and buildings				177.5	0.6				We considered management's judgement not to revalue all assets and the potential impact of the movement in market conditions on the fair value of the assets. No concerns were identified.  We consider the valuation to be optimistic as (1) the Trust has only selected to revalue a small sample of assets and no indexation has been applied to the rest of it's estate; (2) no reassessment of the estate has been completed in light of the COVID-19 pandemic.
Valuation of LGPS Pension Assets				23.9	(2.9)				The assumptions derived by Hymans Robertson and adopted by the Trust have been reviewed by our KPMG Actuarial team. Overall we consider the assumptions adopted to be balanced and disclosed in line with best practice.
Valuation of LGPS Pension Liabilities				23.9	(2.9)				

## Section one

# Financial statements audit – other matters



## Scepticism Challenge

### Annual report

We read the contents of the Annual Report (including the Accountability Report, Performance Report and AGS) and audited the relevant parts of the Remuneration Report. We checked compliance with the NHS Foundation Trust Annual Reporting Manual (ARM) issued by NHSI. Based on the work performed

- We have not identified any inconsistencies between the contents of the Accountability, Performance and Director's Reports and the financial statements.
- We have not identified any material inconsistencies between the knowledge acquired during our audit and the director's statements. As Directors you confirm that you consider that the annual report and accounts taken as a whole are fair, balanced and understandable and provides the information necessary for patients, regulators and other stakeholders to assess the Trust's performance, business model and strategy.
- The sections of the Remuneration Report that is required to be audited were all found to be materially accurate. Minor amendments were required to disclosures included within the report.
- The AGS is consistent with the financial statements and complies with relevant guidance subject to updates as outlined within section three; and
- The report of the Audit Committee included in the Annual Report is currently being reviewed by management to ensure that it appropriately addresses matters communicated by us to the Audit Committee, and meets guidance as set out in the ARM.

### Independence and Objectivity

ISA260 requires us to make an annual declaration that we are in a position of sufficient independence and objectivity to act as your auditors, which we completed at planning and no further work or matters have arisen since then.

### Audit Fees

Our fee for the audit was £65,200 plus VAT (£69,950 in 2018/19). This fee has been updated since our audit plan agreed by the Audit Committee in December 2019 due the reduced audit requirements on the quality report and IFRS 16. Our fee for the external assurance on the quality report was £4,750 plus VAT (£9,500 in 2018/19). We have not performed any non-audit work outside of our external audit engagements as detailed in our 2019-20 audit plan.



# Value for Money

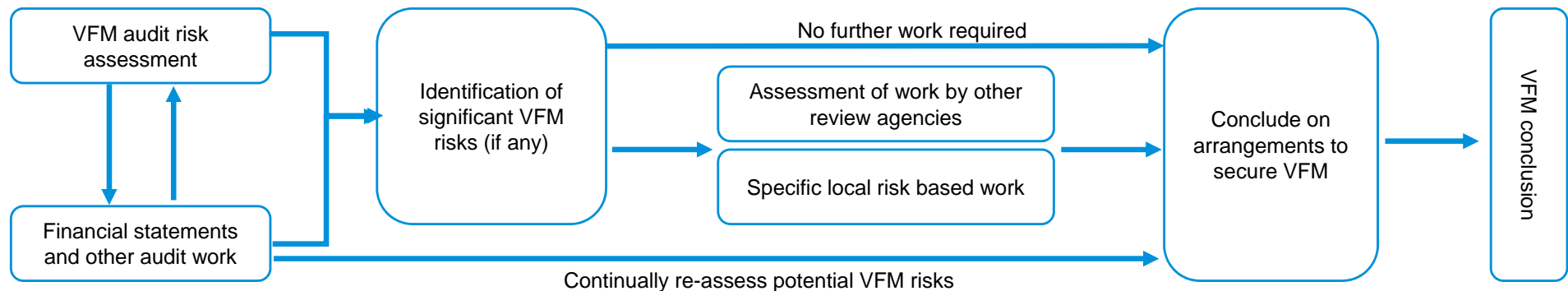
## Section two

# Value for Money



## Scepticism Challenge

For 2019/20 our value for money (VFM) work follows the NAO's guidance. It is risk based and targets audit effort on the areas of greatest audit risk. Our methodology is summarised below. We did not identify any significant VFM risks and provide a summary below of the routine work required to issue our VFM conclusion, which is that we are satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2020, based upon the criteria of informed decision making, sustainable resource deployment and working with partners and third parties.



### Finding from the audit

As part of our risk assessment we reviewed various matters, including:

- recurrent cost improvement schemes are identified and delivered;
- current operational performance and commissioner relationships / contractual risks;
- planned VS actual outturn;
- Management's assessment of the Trust's ability to continue as a going concern; and
- relationships with key third parties.

We reviewed the 2019/20 AGS and took into consideration the work of internal audit.

We confirm that the AGS reflects our understanding of the Trust's operations and risk management arrangements.

We considered the outcomes of relevant regulatory reviews (NHS Improvement, CQC, etc.) in reaching our conclusion.

The Trust has ended the financial year with a financial sustainability risk rating of 1 and in May 2019 has been awarded a rating of "Outstanding" by the CQC.



# Quality Report



#### Audit of indicators within the quality report

Due to revised requirements as communicated by NHSI in March 2020, we are not required to provide assurance over the quality report for 2019/20. As part of our planning and interim work, we carried out work on one of the mandated indicators chosen by the Trust from a list of available indicators as specified by NHSI in its guidance:

- Early intervention in psychosis (EIP): people experiencing a first episode of psychosis treated with a National Institute of Health and Care Excellence (NICE)-approved care package within two weeks of referral

In addition, we carried out work on a locally selected indicator chosen by your Council of Governors. The indicator selected was the 100% enhanced Care Programme Approach (CPA) patients receiving follow-up contact within seven days of discharge from hospital ("7 day follow-up").

At the time the updated guidance was issued in March 2020 substantially no work had been completed over the Inappropriate out of area placements indicator, we therefore have no findings to report in relation to this indicator.

#### Results of our work

We have set out overleaf the key findings from our work as described above in relation to the one mandated indicator and the locally selected indicator. We assessed:

- The design and operation of the systems of control over the data against the six data quality dimensions defined by the NAO; and
- Performed testing of the underlying data quality for the period from 1 April to 31 December 2019.

We have assessed these arrangements to consider whether they can be graded as:

- **Green:** No improvement to achieve compliance with the dimensions of data quality noted.
- **Amber:** Opportunities to achieve great efficiency or better control in compliance with the dimensions of data quality noted.
- **Red:** Concern that systems will not achieve compliance with one or more aspects of the dimensions of data quality and therefore a limited assurance opinion cannot be provided.



DESIGN OF SYSTEM			OPERATION OF SYSTEM	
Dimension	Rating	Description of system	Rating	Results of testing
Mandated Indicator: <b>Early intervention in psychosis (EIP)</b> : people experiencing a first episode of psychosis treated with a National Institute of Health and Care Excellence (NICE)-approved care package within two weeks of referral				
Accuracy	●	<p>The accuracy of the reported data is reliant on two key dates (1) Referral Date (clock start); (2) First Treatment Date (Clock stop). Inclusion of the referral within the reported indicator is dependent on the patient having had their first episode of psychosis confirmed by a clinician and treatment having commenced in the period.</p> <p>These key dates are driven by the data in the Trust's patient record system, PARIS.</p> <p>The referral date is manually input by staff when the episode of care is created. There is a risk due to human error or lack of understanding that the wrong referral date is input.</p> <p>The first treatment date is automatically generated by the system and the first appointment under that episode of care is "outcomed" by the clinician. There is a risk due to human error or lack of understanding that the wrong appointment is outcomed.</p>	●	<p>Our sample testing of a total of 20 compliant and non-compliant cases identified two cases where either the start or stop date used by the Trust could not be agreed back to supporting evidence. When we recalculated the Trust's performance using a corroborated start/stop date, the Trust's classification of the case as compliant or non-compliant did not change.</p>
Completeness	●	<p>PARIS captures the Trust's patients records. Patients are allocated an "episode of care" for which FEP is its on specific category.</p> <p>Reports are run from the system for all FEP referrals received in the period. The report is manually reviewed by the performance team and cases considered to be an exemption are highlighted (but not deleted) and not included in the monthly and / or annual reported data. These are identified by the patient not having a treatment date or noted as "Waiter".</p>	●	<p>Our testing of a sample of 10 cases classified as exemptions by the Trust did not identify any misclassifications.</p>

## Section three

# Quality Report



## Scepticism Challenge

DESIGN OF SYSTEM			OPERATION OF SYSTEM	
Dimension	Rating	Description of system	Rating	Results of testing
Mandated Indicator: <b>Early intervention in psychosis (EIP)</b> : people experiencing a first episode of psychosis treated with a National Institute of Health and Care Excellence (NICE)-approved care package within two weeks of referral				
Relevance	●	<p>The annual performance percentage is calculated on a cumulative basis from monthly performance data. A report is run from PARIS using SPIKE, the Trust's performance monitoring system. The report is run to pick up (1) Referral date and (2) Appointment date.</p> <p>The performance team manually calculate the waiting time between the above dates and manually classify each case as compliant or non-compliant.</p>	●	Our testing did not identify any concerns over the operating effectiveness of the Trust's systems in relation to these dimensions.
Reliability	●	The information reported is generated from PARIS, where all patient data, notes and information is recorded. The waiting time figure, used as the basis of determining the classification of compliant or non-compliant is manually performed by the Trust as the difference between treatment date and referral date	●	
Timeliness	●	Performance data is reported on a monthly basis, one month in arrears. The data reported is taken from PARIS.	●	
Validity	●	On a monthly basis the performance team perform a review of the data reports to identify cases to be classified as exempt and to verify the accuracy of the reported data for a sample of cases.	●	
Conclusion		Our testing of 30 cases classified by the Trust as compliant, non-compliant or exempt did not identify any concerns that data for this indicator is misstated or not produced in line with national guidance. We identified two cases where either the start or stop date used by the Trust could not be agreed back to supporting evidence we continue to report our prior year recommendation regarding the accuracy of the clock start and stop dates as open. See appendix one of our report for further details.		





DESIGN OF SYSTEM			OPERATION OF SYSTEM	
Dimension	Rating	Description of system	Rating	Results of testing
Locally selected Indicator: 100% enhanced Care Programme Approach (CPA) patients receiving follow-up contact within seven days of discharge from hospital				

Accuracy	●	All data used to compile this indicator is taken from PAIRS. The date of discharge is manual entered onto PARIS by ward teams and details are recorded in patient notes. Case workers in locality team record follow ups by logging the mode of contact within PARIS and recording details of the follow up within patient notes. The number of days between the outcome appointment and discharge date is automatically/manually calculated by the PARIS system. This data is used to determine whether the case is compliant or non-compliant assessment. The reported year end performance percentage is manually calculated by the performance team.	We undertook initial sample testing during our interim fieldwork and identified queries regarding the agreement of the clock start/stop date back to supporting evidence. These were in the process of being investigated by the Trust, with the aim of providing relevant supporting evidence, when we were informed by NHSI to cease all audit procedures regarding the 2019/20 quality report. As such we have not verified whether these queries are, or are not, errors. We have therefore not provided the detailed findings of our testing.	
Completeness	●	A report is run from PARIS by the performance team to show all discharged patients in the period. The performance team manually review the generated report to identify all cases which are exempt per the indicators definition. The remaining discharge data forms the indicators denominator. The performance team receive training and guidance to determine which cases are exempt.  The completeness of the data is dependent on individuals judgements to include/exclude cases.		
Relevance	●	The annual performance percentage is calculated on a cumulative basis from monthly performance data. A report is run from PARIS by the performance team to show all discharged clients in the month. The parameters of the report are set by a member of the performance team inputting the discharge start and end dates. This ensures that only data relating to the period under review is reported.		
Reliability	●	The information reported is generated from PARIS, where all patient data, notes and information is recorded.		



DESIGN OF SYSTEM			OPERATION OF SYSTEM	
Dimension	Rating	Description of system	Rating	Results of testing
Locally selected Indicator: 100% enhanced Care Programme Approach (CPA) patients receiving follow-up contact within seven days of discharge from hospital				
Timeliness	●	Performance data is reported on a monthly basis, one month in arrears. The data reported is taken from PARIS which is live.		
Validity	●	Monthly reviews of the compliant and non-compliant cases are undertaken by the Performance team to ensure the validity of the data reported. The Data Quality Officers review the PARIS report and notes any exempt cases, including CAMHS, Older Adults, Rehab and Other categories. Their work is reviewed by the Advanced Performance Improvement Analyst.		
Conclusion		Our consideration of the design of the Trust's system for the reporting of performance in relation to this indicator has not identified any concerns and found the process to be consistent with that used in the prior year. We undertook initial sample testing during our interim fieldwork and identified queries regarding the agreement of the clock start/stop date back to supporting evidence. These were in the process of being investigated by the Trust, with the aim of providing relevant supporting evidence, when we were informed by NHSI to cease all audit procedures regarding the 2019/20 quality report. As such we have not verified whether these queries are, or are not, errors. We have therefore not provided the detailed findings of our testing.		



# Appendix

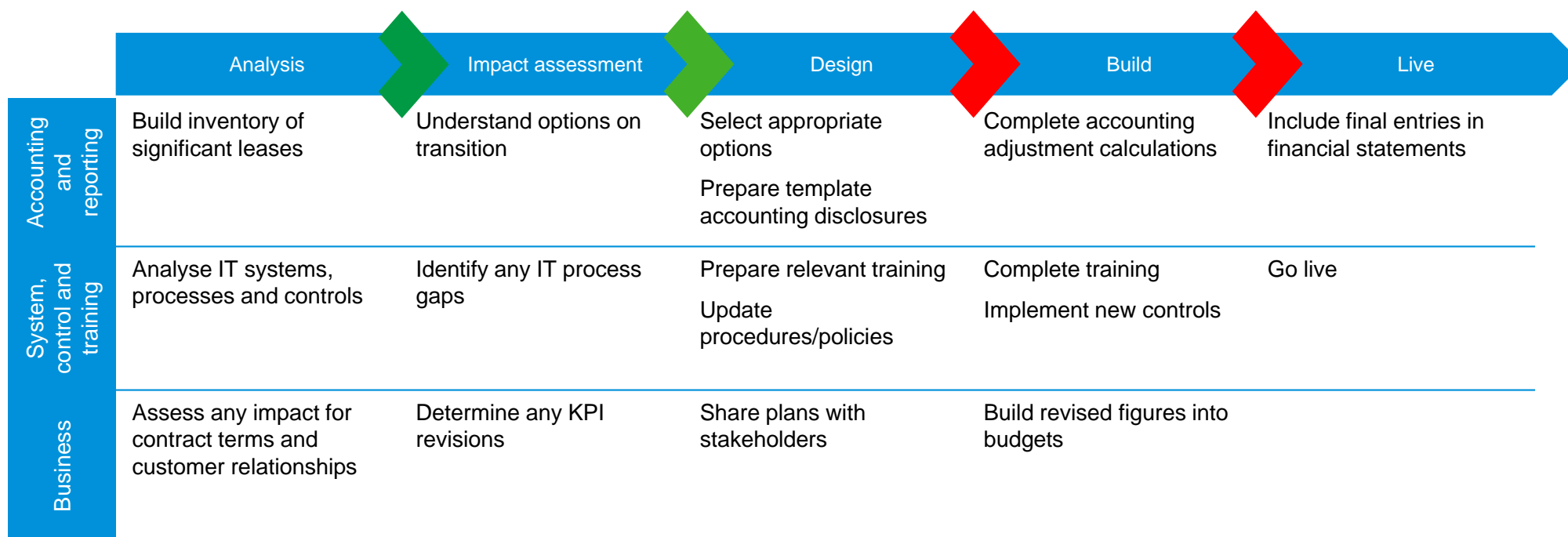
## Contents

	Page
Readiness for IFRS 16 (leases)	28
Revision to the Going Concern auditing standard	29
Recommendations raised and followed up	30
Audit differences	35
Audit independence	39
Audit quality	41

# Readiness for IFRS 16 (Leases)



The implementation of the new lease accounting standards has been deferred to 1 April 2021 with only limited disclosure requirement for 2019/20. For IFRS 16 full analysis is required of expenditure that could constitute an lease (such as operating leases for buildings that were previously not held on the balance sheet). We have outlined below the typical stages a transition programme would go through and based on our planning and interim audit work have indicated that as a result, largely, of the timing of guidance and date of implementation.



# Revision to the Going Concern auditing standard

In September 2019 the FRC published a revised UK auditing standard for Going Concern ISA UK 570. This responds to recent enforcement cases and well-publicised corporate failures where the most recent auditor's report had not included a material uncertainty on going concern. The revised standard is applicable for periods commencing on or after **15 December 2019**, including short periods. We have not early adopted the standard for 31 December 2019 year-ends.

### The key changes

The key changes in comparison to the current standard are:

- Enhanced coverage of going concern in the audit report, including:
  - A positive statement from the auditor that the use of the going concern basis is appropriate and the auditor has not identified a material uncertainty on going concern.
- More detailed audit requirements on risk assessment procedures, including on the entity and its environment; the applicable financial reporting framework; and the entity's system of internal control.
- Additional audit procedures when events or conditions are identified which have not been identified or disclosed to the auditors by management.
- Under the new standard detailed substantive procedures will be required in all cases, whereas in the current standard there are reduced requirements if no events or conditions are identified that may cast significant doubt on the entity's ability to continue as a going concern.
- For UK Corporate Governance Code adopters, additional audit procedures on the viability statement, *for NHS Foundation Trust's the principles in the UK Corporate Governance Code are included within the adopted NHS Foundation Trust Code of Governance.*
- Requirement to consider reporting material uncertainties to external regulatory and enforcement authorities.

NHS bodies are directed to prepare accounts on a going concern basis unless otherwise instructed for example unless services are being transferred outside of the public sector or being discontinued. We set out below the key impacts:

**Risk assessment procedures and related activities:** In addition to work which the auditor previously undertook understanding the entity and its environment, the new standard requires auditors to perform more detailed risk assessment procedures including specific work on the entity's system of internal control and risk assessment processes as they specifically pertain to going concern. This will include greater scrutiny over areas such as cash flow management and borrowing arrangements.

**Removal of the gateway to assess whether events or conditions exist:** The auditor will perform an evaluation of management's going concern assessment in all cases, not only when events or conditions which may cast significant doubt as to the entity's ability to continue as a going concern have been identified.

**Increased challenge due to change in emphasis in the report:** The FRC intends that auditors increase their scrutiny of going concern. Whilst much of our detailed work will remain unchanged with continued emphasis to robustly challenge management's assessment of going concern which includes thoroughly testing the adequacy of the supporting evidence, evaluating the risk of management bias. The change in the nature of the report is likely to result in more challenges being raised. This will mean the Trust will need to specifically design, perform and document its own assessment of Going Concern.

**Specified procedures on viability reports and potential impact on going concern periods:** The viability report is required via adoption of the UK Corporate Governance Code. As the principles of this are adopted by NHS Foundation Trusts through the NHS Foundation Trust Code of Governance these requirements are considered through our work on the Trust's value for money arrangements. This means this part of the standard is not directly applicable to NHS Foundation Trusts.

# Recommendations raised and followed up



The recommendations raised as a result of our work in the current year are as follows:

Priority rating for recommendations			
1	Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	2	Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.
3	Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.		

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date
Financial Statements			
1	3	<p><b>Evidencing Senior Management Review and Scrutiny of Month End Accruals and Adjustments</b></p> <p>To provide assurance over the accruals and provisions processes we sought to place reliance on the monitoring and review controls in place as part of the Trust's month end processes throughout the whole of the financial year. We found insufficient evidence and documentation available to allow us place reliance on this control during the whole of the 2019/20 financial year. We consider these processes to be a management review control. For a management review control to be assessed to be designed and implemented effectively we require the following information to be available:</p> <ul style="list-style-type: none"> <li>- Evidence of the occurrence of meetings of senior finance staff who review the month end position and assess the position in terms of completeness and accuracy; and</li> <li>- Established guidelines are in place regarding the value of variances (absolute or percentage) which are required to be investigated.</li> </ul> <p>We recommend that the Trust documents the key discussion points of the Senior Finance Team's monthly meeting and review of the month end position. We further recommend that the Trust establishes absolute or percentage guidelines for variances which require further investigation and explanation.</p>	<p><b>Agreed</b></p> <p>The Trust operates a routine of regular review and approval as part of its monthly timetable.</p> <p>This involves a mid-month review to consider previous months and YTD position. To consider expected changes and risks for current month and a review of previous month balance sheet.</p> <p>Month end meeting which is then done to review and agree final reported position, to review against flash report and weekly resource tracker, position then confirmed by email with note of key decisions. At EoY the level of review is increased.</p> <p>The Trust will standardise the recording of the key points within pro forma to improve clarity of process and to evidence the occurrence of the above</p> <p>30 June 2020</p> <p>S. Garrett</p>

# Recommendations raised and followed up



#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date
Financial Statements			
2	2	<p><b>Fixed Asset Register (FAR)</b></p> <p>When determining how to account for the treatment of the increase in the valuation of Prospect House Land in 2019/20 the Trust omitted to take into account the PY impairment valuation of £340k. As such in 2019/20 the Trust charged the increase in value of £90k to the Revaluation Reserve. It should be charged to the I&amp;E as a reversal of a PY impairment. As the value is below our reporting threshold we have not highlighted this finding in Appendix 4.</p> <p>The FAR is maintained in Excel. The use of a manual excel FAR increases the likelihood of incorrect or unplanned adjustments being made to the data, including the historic revaluation movement data which is a key determinant of the future accounting treatment to be applied and the charges to be made to the I&amp;E versus the revaluation reserve.</p> <p>We recommend that as part of the accounts production process a detailed secondary review of the yearend fixed asset register is performed. This review should include agreeing the key brought forward balances of each individual asset back to the prior year closing fixed asset register.</p> <p>Due to the size and complexity of the Trust's estate we recommend that the Trust investigates purchasing online fixed asset register software.</p>	<p><b>Agreed</b></p> <p>Will review options for fixed asset register with ledger provider to implement register or at minimum strengthen current controls over asset recording.</p> <p>Early Q3</p> <p>M. Hooper</p>

# Recommendations raised and followed up



#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date
Financial Statements			
3	2	<p><b>Land and Buildings Revaluation</b></p> <p>The Trust's last full revaluation was as at 31 March 2018. The Trust has consulted with its valuer regarding understanding movements in market value between this date and 31 March 2020. The valuer has identified relevant indices to consider but has alerted the Trust to the material uncertainty relating to valuations at that time. This is driven by the uncertain impact of COVID-19 on the market indices and other factors which may impact the valuation of land and building assets. At the time of our audit, there was limited further information available to be able to assess the impact of COVID-19 on the value of the Trust's assets.</p> <p>In line with its accounting policies, and to take account of the material uncertainty arising in this years valuation, we recommend the Trust, as a minimum, undertakes an interim desktop valuation of all land and building assets as at 31 March 2021. Where significant expenditure has been incurred in year, or new land and building assets have been purchased, these should be subject to a full physical inspection valuation.</p>	<p><b>Agreed</b></p> <p>Desktop or full asset valuation to take place based upon assessment of level of risk/variation in estate valuations</p> <p>December/January</p> <p>S. Garrett</p>
4	3	<p><b>Retention of supporting evidence for yearend accruals</b></p> <p>Our yearend accruals sample included an accrual for £4,336k relating to secondary commissioning commitments. The accrual was calculated using a report run from the Jet system. A copy of the report used was not maintained by the Trust. We understand that Jet is a live system and can only show data at a specific point in time, as such a report matching the data used in the Trust's calculation was unable to be provided. As we were unable to agree key figures in the Trust's accrual calculation back to supporting evidence further audit procedures were required to be completed.</p> <p>We recommend that the Trust retains sufficient evidence to support the value of its yearend accruals, this includes working papers, key data/reports, communication of the discussion and agreement of accrual values.</p>	<p><b>Agreed</b></p> <p>This is considering exceptional occurrence due to key staff absences and challenge of the EoY processes.</p> <p>ongoing</p> <p>S. Garrett</p>



## Appendix 3

# Recommendations raised and followed up



We have also follow up the recommendations from the previous years audit, in summary:

Total number of recommendations		Number of recommendations implemented	Number outstanding (repeated below)
8		6	2

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date	Current Status (June 2020)
Financial Statements				
1	2	<p><b>Documenting and Approving Alternative Site Valuation Judgements</b></p> <p>The Trust currently values four assets on an alternative site basis. These assets were not selected for external valuation as at 31 March 2019. During our audit we required confirmation from management that the assumptions underlying the valuation of these assets from the prior year remained appropriate.</p> <p>We recommend that the Trust formalises the governance process regarding the future valuation of these assets. The Trust should ensure that when valuing these assets it has formally documented the judgements and assumptions underling the valuation with particular consideration to: (i) impact on patient flows; (ii) inclusion in the estates master plan; and (iii) ensuring this process has been discussed and approved within its formal governance structure.</p>	<p><b>Agree</b></p> <p>The alternative site basis for valuations is currently regularly reviewed with the Estates department to ensure the appropriateness of the valuations but this is not formally documented. Going forward the Trust accepts the recommendation and will provide a report to the Modernising Our Estate group which is a formal forum that meets regularly and is attended by an executive. Final approval of the judgements and assumptions using the categories listed will then be presented to the Trust Management Group in Quarter four to ensure the judgements have operational validity and to formalise the governance of this process.</p> <p>M. Hooper 31/03/2020</p>	<p><b>Outstanding</b></p> <p>We understand from inquiries with the Trust that the alternative site valuations adopted in 2019/20 were discussed as part of the March 2020 OSL meeting. We found the discussions of this meeting are not minuted and were therefore unable to verify the nature of these discussions and agreement of the methodology to be used. We understand due to the COVID-19 pandemic revised governance processes were put in place which impacted on the full implementation of this recommendation.</p> <p>To ensure an appropriate audit trail, in future years, we recommend that a short briefing note is produced and shared with key members of the group.</p> <p><b>Revised due date:</b> 31/03/2021</p>

# Recommendations raised and followed up



#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date	Current Status(June 2020)
Quality Report				
8	2	<p><b>Data accuracy</b></p> <p>Our sample testing across all three indicators identified concerns over the accuracy of key data fields being used to determine the Trust's performance. In 5/35 EIP cases reviewed, 1/25 IOAP cases and 5/30 7 day follow-up cases we were unable to agreed the clock start/stop date used by the Trust back to supporting evidence or found the wrong date had been used as the basis of the Trsut's performance calculation.</p> <p>We recommend the Trust takes action to educate and periodically remind key individuals in the collection and reporting of the data of the importance of accurate data input and maintaining relevant supporting evidence. The Trust could consider linking data quality to its appraisal process and personal goal setting to each key individuals take ownership.</p> <p>We recommend as part of the data validation procedures, for a sample of cases each month the Trust should verify the accuracy of key data fields being used. The Trust should keep a log of all divisions / localities where they find insufficient documentation exists and provide targeted training to these teams to ensure that they understand the importance of ensuring accurate date.</p>	<p><b>Agreed</b></p> <p>We are already developing an additional data quality score visualisation at each team and staff member dashboard in SPIKE 2. The visualisation comprises 4 different dimensions of data assessment: quality; timeliness; accuracy and validity. The SPIKE 2 dashboards are already adopted in team management and supervisory practices across the trust, which means that data quality will be reviewed and assessed alongside other supervision activities. Those individuals and teams who have low data quality scores will be identified during supervision and given extra training to support their work.</p> <p>Ronke Akerele</p> <p>Due Date: Implementation of SPIKE 2</p>	<p><b>Outstanding</b></p> <p>Our interim sample testing performed over the EIP indicator identified two cases where either the start or stop date used by the Trust could not be agreed back to supporting evidence.</p> <p><b>Revised due date:</b> 31/03/2021</p>



### Unadjusted Audit Differences

Under UK auditing standards (ISA (UK&I) 260) we are required to provide the Audit Committee with a summary of unadjusted audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are 'clearly trivial', which are not reflected in the financial statements. In line with ISA (UK&I) 450 we request that you correct uncorrected misstatements. However, they will have no effect on the opinion in our auditor's report, individually or in aggregate. As communicated previously with the Audit Committee, details of all adjustments greater than £250K are shown below:

Unadjusted audit differences (£000)				
No.	Detail	SOCI Dr/(cr)	SOFP Dr/(cr)	Comments
1	Dr Capital Payables Cr PPE Additions	- -	301 (301)	Our sample testing identified a capital accrual relating to the purchase of IT assets to be overstated by £59k due to the miscalculation of VAT attached to the payment. Our sampling software has extrapolated this misstatement across the total additions balance and projects a total overstatement in the balance of £301k.
2	Dr Accruals Cr Operating Expenditure	(1,241)	1,241	In response to COVID-19 the Trust included a general accrual for £700k in order to account for additional costs, relating to the pandemic, which had not been identified at the yearend and for which the Trust was not certain would be reimbursed at a later date by the Department of Health. While the audit team understand the prudent nature of the inclusion of this accrual we found the value of the accrual could not be substantiated by any specific evidence and could not be attributed to specific services that could be evidenced as being provided but not invoiced or paid for, ahead of the 31 March 2020. Our sampling software has extrapolated this misstatement across the total yearend accruals balance and projects a total overstatement in the balance of £1,241k.
Total		(£1,241)	(£1,241)	

### Other matters

We understand all NHS providers were requested by NHSI/E to include a yearend provision to account for additional future costs relating to Clinicians who are members of the NHS Pension Scheme and who as a result of work undertaken in this tax year (2019/20) face a tax charge in respect of the growth of their NHS pension benefits. The NHS employer is required to make a contractually binding commitment to pay them a corresponding amount on retirement.

In the yearend accounts the Trust has not made a provision for the above. We understand as part of the yearend accounts production process the finance team made inquiries with relevant Executive and MSC leads who believe the volume of staff the above is relevant too is low (c. 9% of all consultants). The Trust calculated the value of the requested yearend provision to be below our reporting threshold and have therefore excluded such a provision from its yearend accounts.

We are satisfied the exclusion of this provision does not result in a material misstatement within the Trust's yearend accounts. Our analysis indicates that for a misstatement above our reporting threshold (£250k) to be present, 68% of the Trust's consultant population would have to be applicable for the above scheme.



### Adjusted audit differences

Under UK auditing standards (ISA UK&I 260) we are required to provide the Audit Committee with a summary of adjusted audit differences (including disclosures) identified during the course of our audit. The adjustments below have been included in the financial statements.

Adjusted audit differences (£000)				
No.	Detail	SOCI Dr/(cr)	SOFP Dr/(cr)	Comments
1	Dr Land		947	When reconciling the Fixed Asset Register (FAR) to the yearend valuation report we identified increases in the land value of two assets had been omitted from the FAR and the wrong valuation figure had been transposed into the FAR for one building asset.
	Cr Buildings		(147)	
	Cr I&E Impairment	(227)		
	Cr Revaluation Reserve		(574)	
Total		£1,468	£1,468	

### Presentational and Disclosure adjustments

The following significant presentational and disclosure adjustments were made to the draft accounts provided for audit:

- While the Trust had disclosed a material uncertainty in relation to the yearend valuation of its land and building assets the Trust had not adopted the NHSI suggested disclosure. As such sufficient detail regarding the estimation uncertainty was not considered to be included in the draft accounts.
- Adjustments were required to the presentation of the Trust's PPE note, to ensure the reversal of accumulated depreciation on revaluation was appropriately disclosed.
- The reclassification of £160.3m of patient care income from CCG income to Local Authority income. In the draft financial statements the Trust had presented income received from the IHCCT contract as CCG income. This was a break from previous years when it had been presented as Local Authority income. Following discussions with NHSI and the results of the national Agreement of Balances exercise, we agreed with the Trust's decision to revert to the presentation used in previous years and to classify this income as income from Local Authorities.
- Presentational adjustments have also been made to the Operating Lease Income and Provisions disclosure notes.

# Audit Differences



We are required to report any inconsistencies greater than £300,000 between the signed audited accounts and the consolidation data and details of any unadjusted errors or uncertainties in the data provided for intra-group and intra-government balances and transactions regardless of whether a Trust is a sampled or non-sampled component. We have provided details of the inconsistencies that we investigated as part of our audit procedures. Where the inconsistency remains at the point of signing the yearend accounts we will report this to the NAO.

Counter party	Type of balance/ transaction	Balance as per Trust (£'000)	Balance as per counter party (£'000)	Difference (£'000)	Comments on Difference
NHS England	Income	2,600	4,033	1,433	The variance is driven by an adjustment made by the counterparty. The Trust have not been able to confirm with the counterparty the breakdown of their quoted balance. <b>At the time of issuing this report we are awaiting evidence from the Trust to support their reported balance.</b>
	Receivable	1,707	2,289	582	
East of England Specialised Commissioning Hub	Income	20,455	21,496	1,041	The variance is driven by an adjustment made by the counterparty. The Trust have not been able to confirm with the counterparty the breakdown of their quoted balance. <b>At the time of issuing this report we are awaiting evidence from the Trust to support their reported balance.</b>
	Receivable	1,540	3,167	1,627	
NHS EALING CCG	Income	336	5	331	The Trust have not been able to confirm with the counterparty the breakdown of their quoted balance and are unclear why their quoted balance does not match the Trust's notified balance. <b>At the time of issuing this report we are awaiting evidence from the Trust to support their reported balance.</b>
NHS CAMBRIDGESHIRE AND PETERBOROUGH CCG	Income	1,116	56	1,060	In the draft accounts the Trust had accounted for income relating to the IHCCT contract as income from CCGs. This was a departure from previous years when it had been presented as Local Authority income. The CCGs accounted for this expenditure as expenditure with the Local Authority. In the final accounts the Trust reclassified this income to Local Authority income.
NHS HERTS VALLEYS CCG	Income	81,784	1,406	80,378	
NHS EAST AND NORTH HERTFORDSHIRE CCG	Income	79,319	331	78,996	We expect following the adjustment made by the Trust that are remaining mismatches with these counterparties to be below the reporting threshold.

## Appendix 4

# Audit Differences



Counter party	Type of balance/ transaction	Balance as per Trust (£'000)	Balance as per counter party (£'000)	Difference (£'000)	Comments on Difference
NHS GREAT YARMOUTH AND WAVENEY CCG	Income	592	1,041	449	The variance is driven by an adjustment made by the counterparty. The Trust have not been able to confirm with the counterparty the breakdown of their quoted balance. <b>At the time of issuing this report we awaiting evidence from the Trust to support their reported balance.</b>
	Receivable	16	478	462	
NHS NORTH EAST ESSEX CCG	Income	9,975	9,569	406	The variance is driven by the Trust recognising £393k of income deferred in the prior year which was accounted for by the CCG as expenditure in 2018/19. We are satisfied with the accounting treatment adopted by the Trust in the prior year and consider it appropriate for income released in year to be recorded in the Trust's return.
NHS SOUTH NORFOLK CCG	Income	789	303	486	The variance is driven by an adjustment made by the counterparty. The Trust have not been able to confirm with the counterparty the breakdown of their quoted balance. <b>At the time of issuing this report we awaiting evidence from the Trust to support their reported balance.</b>
Health Education England	Income	4,192	5,233	1,041	The variance is driven by an adjustment of £1m made by the Trust. <b>At the time of issuing this report we awaiting evidence from the Trust to support their reported balance and the nature of this adjustment</b>

## Appendix 4

# Audit Differences



Counter party	Type of balance/ transaction	Balance as per Trust (£'000)	Balance as per counter party (£'000)	Difference (£'000)	Comments on Difference
Hertfordshire Community NHS Trust	Expenditure	268	689	421	The variance is driven by an adjustment made by the counterparty. The Trust have not been able to confirm with the counterparty the breakdown of their quoted balance. At the time of issuing this report we awaiting evidence from the Trust to support their reported balance.
East of England Regional Office	Receivable	0	324	324	At the time of issuing this report we awaiting evidence from the Trust to support their reported balance.
NHS SOUTH NORFOLK CCG	Payable	0	544	544	At the time of issuing this report we awaiting evidence from the Trust to support their reported balance.
Health Education England	Payable	2,868	0	2,868	These variances are driven by yearend adjustments made by the Trust where they have deferred income received in year. As such these balances are recorded as yearend payables, although no cash payment is outstanding.
Core Department of Health and Social Care	Payable	305	0	305	

# Audit Independence



We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Director and audit staff is not impaired.

## To the Audit Committee members

### Assessment of our objectivity and independence as auditor of Hertfordshire Partnership University NHS Foundation Trust ('the Trust')

Professional ethical standards require us to provide to you at the conclusion of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

### General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through: instilling professional values; communications; internal accountability; risk management; and independent reviews.

Our general procedures support our independence and objectivity.

## Independence and objectivity considerations relating to the provision of non-audit services

### Summary of fees

We considered the fees charged by us to the Trust and its affiliates for professional services provided by us during the reporting period. We have detailed the fees charged by us to the company and its related entities for significant professional services provided by us during the reporting period below, as well as the amounts of any future services which have been contracted or where a written proposal has been submitted. Total fees charged by us for the period ended 31 March 2020 can be analysed as follows:

Component of audit (all fees exclude VAT)		
	2019/20	2018/19
<b>Audit services – statutory audit</b>		
Financial Statements Audit	£60,450	£60,450
<b>Non audit fees</b>		
Audit related assurance services	£4,750	£9,500
<b>Total fee for Trust</b>	<b>£65,200</b>	<b>£69,950</b>

This fee has been updated since our audit plan agreed by the Audit Committee in December 2019 due the reduced audit requirements on the quality report and IFRS 16. We have only billed for the planning and interim work completed on these areas.

The ratio of non-audit fees to audit fees for the year was 0.08: 1. We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out in the following table.





Description of scope of services	Principal threats to Independence	Safeguards Applied	Basis of fee	Value of Services Delivered in the YE 31.03.2020
Quality Accounts audit work	No threats identified: The work is undertaken for a fixed fee and we do not rely on the conclusion of the work in forming our financial statements opinion.	None considered to be required.	Fixed fee	£4,750

#### Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit Committee.

#### Other relationships

##### Number 20

During the year, no directors / employees were members of our client hub, Number 20 Grosvenor Street.

This facility is extended by invitation to senior management of KPMG audit and non-audit clients. Audit client members are provided access to the KPMG business lounge. They are also allowed to use the bar and restaurant if they wish to do so (i.e., without a KPMG person present) and can make meeting room bookings subject to certain restrictions although all food, drink and meeting room bookings must be paid for and are charged in full at normal commercial rates. We do not believe that this facility creates any familiarity threats to our objectivity and independence as auditor.

#### Former partners / employees of KPMG employed by the Trust

There are no former partners/members of the audit team who are now employed at the Trust.

#### Family and other personal relationships

There are no family or other personal relationships between Trust employees and members of the audit team.

#### Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the director and audit staff is not impaired.

This report is intended solely for the information of the Audit Committee of the Trust and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

*KPMG LLP*

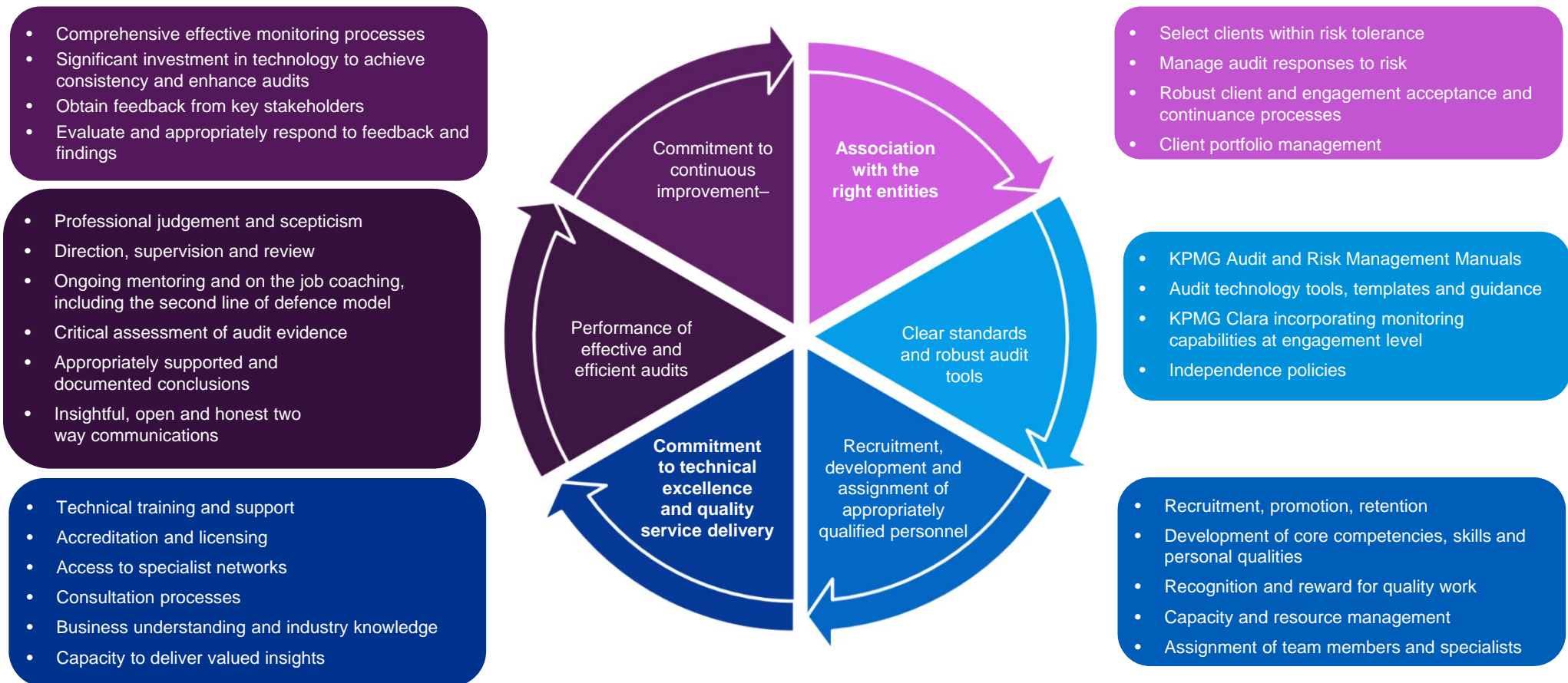
# KPMG's Audit quality framework



Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework.

Responsibility for quality starts at the top through our governance structures as the UK Board is supported by the Audit Oversight Committee, and accountability is reinforced through the complete chain of command in all our teams.





[kpmg.com/socialmedia](https://kpmg.com/socialmedia)



[kpmg.com/app](https://kpmg.com/app)



© 2020 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

### Board of Directors – Annual Accounts

<b>Meeting Date:</b>	19 June 2020	<b>Agenda Item:</b> 5cii
<b>Subject:</b>	Management Representation Letter	<b>For Publication:</b> Yes
<b>Author:</b>	Paul Ronald, Director of Operational Finance	<b>Approved by:</b> Keith Loveman
<b>Presented by:</b>	Paul Ronald, Director of Operational Finance	

#### Purpose of the report:

To seek agreement of the Management Letter of Representation.

#### Action required:

Approve

#### Summary and recommendations to the Audit Committee:

##### Introduction

KPMG have prepared and agreed with the Deputy Chief Executive and Director of Finance the attached management representation letter which will be required at the same time as the financial statements are signed. This is usually signed by the Chief Executive or Finance Director for and on behalf of the Board. The content is largely driven by matters KPMG wish the Board to confirm to support its compliance with accounting and auditing standards. Exceptions to that are:

- Paragraph 12: which is a specific representation KPMG ask of all NHS clients and supports the returns they complete to the National Audit Office on the Trust's consolidation return; and
- Paragraph 13: which is a specific representation in relation to balances included within the financial statements.

Should the Board have any concern about providing these any amendments should be discussed with KPMG prior to signing the letter. The Committee should note that these representations are not the only audit evidence that KPMG seek in relation to these matters.

##### Recommendation

Approve

#### Relationship with the Business Plan & Assurance Framework (Risks, Controls & Assurance):

#### Summary of Implications for:

- 1 Finance
- 2 IT
- 3 Staffing
- 4 NHS Constitution
- 5 Carbon Footprint

**Equality & Diversity (has an Equality Impact Assessment been completed?) and Public & Patient Involvement Implications:**

**Evidence for Essential Standards of Quality and Safety; NHSLA Standards; Information Governance Standards, Social Care PAF:**

**Seen by the following committee(s) on date:  
Finance & Investment/Integrated Governance/Executive/Remuneration/  
Board/Audit**

Audit Committee 19 June 2020

Neil Hewitson  
Director  
KPMG LLP  
15 Canada Square  
London

Trust Head Office  
The Colonnades  
Beaconsfield Road  
Hatfield  
AL10 8YE

19<sup>th</sup> June 2020

Dear Neil

This representation letter is provided in connection with your audit of the financial statements of Hertfordshire Partnership University NHS Foundation Trust ("the Trust"), for the year ended 31 March 2020, for the purpose of expressing an opinion:

- as to whether these financial statements give a true and fair view of the state of the financial position of the Trust as at 31 March 2020 and of the Trust's income and expenditure for the financial year then ended;
- whether the Trust's financial statements have been prepared in accordance with the Department of Health Group Accounting Manual (GAM); and
- whether the Trust's Annual Report has been prepared in accordance with the NHS Improvement Annual Reporting Manual (ARM).

These financial statements comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity and notes, comprising a summary of significant accounting policies and other explanatory notes.

The Board confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Board confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

#### **Financial statements**

1. The Board has fulfilled its responsibilities for the preparation of financial statements that:
  - i. give a true and fair view of the financial position of the Trust as at 31 March 2020 and of the Trust's income and expenditure for that financial year; and
  - ii. have been prepared in accordance with the GAM 2019/20.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Board in making accounting estimates, including those measured at fair value, are reasonable.



3. All events subsequent to the date of the financial statements and for which IAS 10 Events after the reporting period requires adjustment or disclosure have been adjusted or disclosed.
4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter.

### **Information provided**

5. The Board has provided you with:
  - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
  - additional information that you have requested from the Board for the purpose of the audit; and
  - unrestricted access to persons within the Trust from whom you determined it necessary to obtain audit evidence.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. The Board confirms the following:
  - i. The Board has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.  
  
Included in the Appendix to this letter are the definition of fraud, including misstatement arising from fraudulent financial reporting and from misappropriation of assets.
  - ii. The Board has disclosed to you all information in relation to:
    - a) Fraud or suspected fraud that it is aware of and that affects the Trust and involves:
      - management;
      - employees who have significant roles in internal control; or
      - others where the fraud could have a material effect on the financial statements; and
    - b) allegations of fraud, or suspected fraud, affecting the Trust's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Board acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Board acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

8. The Board has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

9. The Board has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
10. The Board has disclosed to you the identity of the Trust's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 Related Party Disclosures. Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them and as defined in IAS 24.
11. The Board confirms that all intra-NHS balances included in the Statement of Financial Position (SOF) at 31 March 2020 in excess of £100,000 have been disclosed to you and that the Trust has complied with the requirements of the Intra-NHS Agreement of Balances Exercise. The Board confirms that Intra-NHS balances includes all balances with NHS counterparties, regardless of whether these balances are reported within those SOFP classifications formally deemed to be included within the Agreement of Balances exercise.
12. The Board confirms that:
  - a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Trust's ability to continue as a going concern as required to provide a true and fair view. No events or conditions have been identified that may cast significant doubt on the ability of the Trust's to continue as a going concern.
  - b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Trust to continue as a going concern.
13. The Board provides the following specific representations as follows:
  - a) The Trust instructed its valuer, DVS, to perform a valuation exercise of a sample of assets from its estate as at 31 March 2020. The Board confirms that it is satisfied with the completeness and accuracy of the instructions provided to the valuer and confirms that the Trust has not unduly influenced DVS in determining the valuation of land and buildings.
  - b) The Board confirms that it is satisfied with the accuracy of the underlying data used as the basis of the revaluation exercise, specifically the land and building measurements and the classification of assets between operational, non-operational and specialised. Where assets have been revalued on an alternative site basis the Board confirms that it is satisfied with the reasonableness of the assumptions and methodology underlying the alternative site basis.
  - c) The Board confirms that it has considered the valuation of its land and buildings and the material uncertainty noted within the DVS valuation report, and that the Board is satisfied that they are included at an appropriate valuation and adequately reflects the factors that may impact on the valuation.
  - d) The Board confirms that it has considered the valuation of its land and buildings not requested to be valued by its valuer, DVS, at 31 March 2020 and is satisfied that they are included at an appropriate valuation and adequately reflects the factors that may impact on the valuation, including consideration of the impact of COVID-19 on the valuation of these buildings.



This letter was tabled and agreed at the meeting of the Board of Directors on 19th June 2020.

Yours sincerely

**Tom Cahill**

Chief Executive

for and on behalf of the Board of Hertfordshire Partnership University NHS Foundation Trust

## Appendix to the Board Representation Letter: Uncorrected audit differences

The following uncorrected audit differences have been presented as part of the Audit Report to those charged with governance and are considered by management to be immaterial to the Trust's financial statements:

Unadjusted audit differences (£000)				
No.	Detail	SOCI Dr/(cr)	SOFP Dr/(cr)	Comments
1	Dr Capital Payables Cr PPE Additions	- -	301 (301)	Our sample testing identified a capital accrual relating to the purchase of IT assets to be overstated by £59k due to the miscalculation of VAT attached to the payment. Our sampling software has extrapolated this misstatement across the total additions balance and projects a total overstatement in the balance of £301k.
2	Dr Accruals Cr Operating Expenditure	(1,241)	1,241	In response to the COVID-19 pandemic the Trust included a general accrual for £700k in order to account for additional costs, relating to the pandemic, which had not been identified at the yearend and for which the Trust was not certain would be reimbursed at a later date by the Department of Health. While the audit team understand the prudent nature of the inclusion of this accrual we found the value of the accrual could not be substantiated by any specific evidence and could not be attributed to specific services that could be evidenced as being provided but not invoiced or paid for, ahead of the 31 March 2020. Our sampling software has extrapolated this misstatement across the total yearend accruals balance and projects a total overstatement in the balance of £1,241k.
Total		(£1,468)	£1,468	



## Board of Directors – Annual Accounts

<b>Meeting Date:</b>	19 June 2020	<b>Agenda Item:</b> 5d
<b>Subject:</b>	Draft Annual Report 2019/20	<b>For Publication:</b> No
<b>Author:</b>	Helen Edmondson, Head of Corporate Affairs and Company Secretary	<b>Approved by:</b> Helen Edmondson, Head of Corporate Affairs and Company Secretary
<b>Presented by:</b>	Helen Edmondson, Head of Corporate Affairs and Company Secretary	

### Purpose of the report:

To present the draft Annual Report for 2019/20

### Action required:

To:

- Review the content of the report
- Appraise the information provided as an accurate reflection:
  - of the services the Trust delivers
  - how well the services have been delivered
  - forward plans for 2020/21
- Seek clarification as necessary
- Advise any material additional action and/or amendments
- Endorse the Annual Report for Board approval

### Summary:

**The attached draft report has been reviewed by External Audit (KPMG) who have confirmed that they are happy with the completeness of the disclosures detailed in the report.**

**The Audit Committee will be requested to endorse the report at the 22 May meeting and subsequently recommend its approval to the Board.**

### Background

Since April 2016, Monitor and the NHS Trust Development Authority have been operating as a single integrated organisation known as NHS Improvement (NHSI).

### Statutory requirements for NHS foundation trusts' annual reports

Schedule 7, paragraph 26 of the NHS Act 2006 (the 2006 Act) requires NHS foundation trusts to prepare an annual report. Paragraph 26(3) of Schedule 7 provides that it is for Monitor (NHSI) to decide the form of the reports, when the reports are to be submitted, and the periods to which the reports relate.

NHS foundation trusts are able to present their annual report and accounts in any way that they

choose, providing that they are compliant with the NHS Foundation Trust Annual Reporting Manual (ARM) 2019/20 and with IFRS and the additional requirements in the *DH GAM* for the annual accounts. NHS Improvement's decision as to the requirements for NHS foundation trusts' annual reports (in exercising Monitor's legal power) is set out in the ARM.

Alongside this the detailed requirements for foundation trusts' annual reports are set out in the Annual Reporting Manual. These requirements are based on those contained in HM Treasury's Financial Reporting Manual (FReM), adapted as necessary for NHS foundation trusts.

The annual report and accounts of an NHS foundation trust in 2019/20 consist of:

- the performance report comprising:
  - overview of performance
- the accountability report, comprising:
  - directors' report
  - remuneration report
  - staff report
  - the disclosures set out in the *NHS Foundation Trust Code of Governance*
  - NHS Improvement's Single Oversight Framework
  - statement of accounting officer's responsibilities
  - annual governance statement
- the auditor's report including certificate
- the foreword to the accounts
- four primary financial statements and
- the notes to the accounts.

The amended ARM published in April 2020 detailed that:

- The annual report is no longer required to include a performance analysis section within the performance report. This is optional.
- The annual report is no longer required to include a quality report. This is optional.
- Where signed documents relating to the annual report and accounts are required to be submitted to NHS Improvement, electronic signatures in documents will be accepted.

The draft Annual Report for 2019/20 complies with the revised guidance.

### **Director's responsibility for the Annual Report and Accounts**

Board Directors are collectively and individually responsible for the preparation of the Annual Report. Having reviewed all of the information contained in the Annual Report and Accounts, and taking into account all other relevant information of which they are aware, the Directors are required to confirm that they consider that (taken together) the Annual Report and Annual Accounts:

- a. Are fair, balanced and understandable
- b. Provide the necessary information for patients, regulators and other stakeholders to assess the performance, business model and strategy of the Foundation Trust.

**Relationship with the Business Plan & Assurance Framework (Risks, Controls & Assurance):**

Evidence of robust governance review process for the Well Led standard

**Summary of Implications for:**

**Equality & Diversity (has an Equality Impact Assessment been completed?) and Public & Patient Involvement Implications:**

**Evidence for Essential Standards of Quality and Safety; NHSLA Standards; Information Governance Standards, Social Care PAF:**

**Seen by the following committee(s) on date:  
Finance & Investment/Integrated Governance/Executive/Remuneration/  
Board/Audit**

Previous version of the draft Annual Report have been considered by Trust Board at its meeting on 28 May 2020  
Audit Committee 19 June 2020

### Board of Directors – Annual Accounts

<b>Meeting Date:</b>	19 June 2020	<b>Agenda Item: 6</b>
<b>Subject:</b>	Annual Report of the Audit Committee – 2019/20	<b>For Publication: Yes</b>
<b>Author:</b>	Helen Edmondson, Head of Corporate Affairs and Company Secretary	<b>Draft.</b>
<b>Presented by:</b>	Catherine Dugmore, Audit Committee Chair	

#### **Purpose of the report:**

This report outlines how the Audit Committee has complied during the financial year 2019/20 with the duties delegated to it by the Trust Board through the Committee's terms of reference.

#### **Action required:**

To:

- Review the content of the report
- Confirm that the report provides a balanced summary of the work of the committee during the year

#### **Summary and recommendations to the Audit Committee:**

During 2019/20 Audit Committee considered a wide range of issues. As well as its compliance requirements it sought assurance with regard to risk areas for the Trust, identified through review of the BAF and Trust risk register.

Approve

#### **Relationship with the Business Plan & Assurance Framework (Risks, Controls & Assurance):**

Provides evidence robust governance and of a well-led organisation

#### **Summary of Implications for:**

--

#### **Equality & Diversity (has an Equality Impact Assessment been completed?) and Public & Patient Involvement Implications:**

--

**Evidence for Essential Standards of Quality and Safety; NHS Foundation Trust  
Information Governance Standards, Social Care PAF:**

--

**Seen by the following committee(s) on date:  
Finance & Investment/Integrated Governance/Executive/Remuneration/  
Board/Audit**

Audit Committee 19 June 2020
------------------------------

DRAFT



## **1. Introduction**

This report outlines how the Audit Committee has complied during the financial year 2019/20 with the duties delegated to it by the Trust Board through the Committee's terms of reference.

## **2. Constitution**

- 2.1 During 2019/20 Catherine Dugmore continued as a Non-Executive Director and Chair of the Audit Committee. The Committee welcomed a new member, David Atkinson, Non-Executive Director and the Chair of the Finance and Investment Committee (FIC).
- 2.2 In December 2019 the Terms of Reference were reviewed and updated to take into account the work undertaken by FIC and the Audit Committee.
- 2.3 The Chief Executive attended the May meeting which dealt with the Annual Accounts, Annual Report, the Quality Report and the Annual Governance Statement.
- 2.4 Other executive directors and senior managers of the Trust were invited to attend particular meetings to address key issues as they arose and provide deep dives. In addition, the Internal and External Auditors were invited to attend all meetings along with the Local Counter Fraud Specialists. A schedule of attendance at the meetings is provided in appendix 1. This demonstrates full compliance with the quorate requirements and regular attendance by those invited by the Committee.
- 2.5 Meetings are required are five per annum, five meetings were held within the financial year. The Committee has an annual work plan with meetings timed to consider and act on regular and special items within that plan.
- 2.6 The Committee Chair takes formal report to each relevant Board meeting detailing the work undertaken by the Committee and draws the attention of the Board to any significant matters.

## **3. Achievements**

- 3.1 In discharging its duties, the Committee has met its responsibilities through its achievements in the following areas:

### **3.2 Assessment**

During the year the Committee has complied with 'good practice' through:-

- Reviewing and updating the Committee's terms of reference.
- Conducting private discussions with both sets of auditors.
- Agreeing an annual work programme for 2019/20.

An annual review of effectiveness was carried out in December 2019, and feedback reported to the Committee in February 2020. The self-assessment process was strengthened following feedback from the process in 2018/19. The revised self-assessment provided a positive view of the work of the Committee. It did also identify

a small number of areas for improvement, which centred on clarifying its work with FIC; use of external reports and advice; and need to review volume and appropriate use of summary papers to assist working and discussion as at the Committee.

The Committee undertook an assessment of the effectiveness of the internal audit and Counter Fraud services provided to the Trust by RSM, with a view to extending the contract. Following the review of the feedback it was agreed to extend the contract with RSM for Internal Audit and Counter Fraud services.

### 3.3 Internal Processes

3.3.1 In accordance with the Committee's authority, in addition to the Executive Director of Finance, the Executive Director for Quality and Safety/Executive Director of Quality & Medical Leadership and the Company Secretary, other executive directors of the Trust were called to attend the Committee where appropriate, particularly to provide updates regarding progress on implementation of recommendations following audit and other assurance reports and reviews.

3.3.2 The Audit Committee also received regular updates from management in relation to the financial position and in particular key risks and issues arising during the year, and their treatment and mitigation. During the year the key risks and issues considered were:

**CQC Registration:** The Committee discussed and were updated with regard to all the relevant data and evidence that had been submitted to address the regulatory notice and were advised that that all registration changes have been completed.

**HSE Compliance Update:** The Committee were assured that the Trust had submitted the required information to HSE to evidence compliance, in relation to four regulatory notices. The Committee will continue to have a review this and seek further updates in 20/21.

**Standards of Business Conduct:** In response to internal audit report the Committee approved new policy on Standards of Business Conduct and received assurance on its implementation. Regular compliance reports will be considered by the Committee

**Update on Finance Policies revisions:** The Committee received a final update on the progress on the revisions to a group of Trust finance policies. It was noted that all of the required policies had been reviewed and updated.

**Phishing Emails:** Details of a simulated phishing campaign were considered. It was noted that against a benchmark standard HPFT performed better than this standard, however there remained a significant level of risk and Committee will receive update on agreed actions.

3.3.3 Accounting issues - Paul Ronald, the Deputy Director of Finance presented key areas of management judgement in the preparation of the annual financial statements with particular reference to:-

- The new accounting standard on leases, IFRS16'

- The changes by the Pension Agency
- Level and nature of provisions
- Use of Waivers

For each area the approach being taken by management was set out and discussed and agreed by the committee.

- 3.3.4 Following receipt of reports from both Internal and External Auditors, the Committee sought clarification of the issues and recommendations raised, reviewed and assessed management responses, and followed up previous recommendations. The Internal Auditors continued to present a regular exception report in respect of those fundamental and significant Internal Audit and Local Counter Fraud recommendations that have not been implemented by management within the agreed timescales.
- 3.3.5 To contribute to the principles of integrated governance and support Audit Committee in its role in assuring the Board with regard to the Trust having robust governance systems, the Committee received reports from the Non-Executive Chairs and the minutes of the Integrated Governance Committee and the Finance and Investment Committee. In addition, the Chair and two members of the Audit Committee attend FIC meetings and two Committee members attend IGC meetings.
- 3.3.6 The Committee reviews, on a six monthly basis the Board Assurance Framework and the Trust Risk Register.

### 3.4 Annual Reports

- 3.4.1 The following documents in respect of the 2018/19 financial year were presented in May 2019 for the Committee's approval:
- The Financial Statements covering the year ended 31 March 2019.
  - The Annual Governance Statement.
  - The Quality Accounts for 2018/19.
  - The Record of Losses and Compensation Payments.
  - The Record of the Use of the Corporate Seal.
  - The Record of the Use of Waivers.
  - The Treasury Management Report
- 3.4.2 The Charitable Fund accounts and annual report for 2018/19 were presented by the Deputy Director of Finance in September 2019 for the Committee's approval.
- 3.4.3 The Committee approved the following reports presented by the Director of Finance for recommendation to the Board:
- The Going Concern Statement 2019/20
  - The review of Accounting Policies

In February 2020 the Committee approved the position with regard to Provision for Irrecoverable Debts 2019/20.

### 3.5 Independent Audit and Assurance

#### **External Audit**

The primary duty of the External Auditors is to audit the annual financial statements of the Trust. An unqualified audit opinion on the financial statements for the year ended 31 March 2019 was given to the Trust on 22 May 2019.

The Committee approves the External Audit Plan in advance of the work commencing and receives regular updates on the progress of work. In addition, the Committee received, reviewed and noted the following reports in respect of 2018/19:

- Annual Audit Governance Report.
- Annual Audit Letter to Governors.
- Quality Report.

In February 2020, the Committee approved the External Audit Plan for the forthcoming financial year 2020/21.

#### **Internal Audit**

The Internal Audit service is provided by RSM, a private sector professional services firm. Their primary duty is the provision of an independent and objective opinion to the Chief Executive as Accounting Officer, the Board and the Audit Committee on the degree to which risk management, internal control and governance support the achievement of the Trust's agreed objectives.

The Committee approves the content of the Internal Audit Plan. This plan is structured to facilitate the provision of the annual Head of Internal Audit Opinion, which gives an assessment of:

- the design and operation of the underpinning Assurance Framework and supporting processes;
- the range of individual opinions arising from risk-based audit assignments, contained within the Internal Audit Plan, that have been reported on throughout the year; and
- the process by which the Trust has arrived at its declaration for the Annual Governance Statement.

The Internal Audit Annual Report for 2018/19 was presented to the Committee in May 2019. This report included the Head of Internal Audit Opinion (HIAO) which stated that *'The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective'*.

During the course of the year, the Committee ensured that it received regular progress reports, including findings and recommendations, on the delivery of the Plan for 2019/20 and on the implementation of recommendations.

In February 2020, the Committee approved the Internal Audit Plan for the forthcoming financial year 2020/21 and requested that the plan be reviewed at future meetings to ensure it remained flexible to any emerging priorities for the Trust. The first review was undertaken at the Audit Committee meeting on 30 April 2020. The review considered the impact of Covid-19 and made adjustments to the Annual Internal Audit Plan.

### **Counter Fraud**

As with the Internal Audit service, the Local Counter Fraud service is provided by RSM. The Committee approves the Counter Fraud Plan in advance of the work commencing. The Local Counter Fraud Annual Report for 2018/19 was presented to the Committee in April 2019. This report highlighted that in addition to the work on the prevention and detection of fraud a number of specific investigations were conducted during that year.

The Committee ensured that it received during the year regular updates on the delivery of the 2019/20 Plan, including both proactive and investigative work.

In April 2019, the Committee approved the Local Counter Fraud Plan for the forthcoming financial year 2019/20. And in February 2020, the Committee approved the Counter Fraud Plan for the forthcoming financial year 2020/21 and requested that the plan be reviewed at future meetings to ensure it remained flexible to any emerging priorities for the Trust. The first review was undertaken at the Audit Committee meeting on 30 April 2020. The review considered the impact of Covid-19 and made adjustments to the Annual Counter Fraud Plan.

## **4. Training and Development**

During the year members of the Committee undertook appropriate mandatory training. They also received a number of deep dives on particular topics identified following review of the risk registers and audit reports.

Committee members also received regular briefing documents from internal and external audit keeping them abreast of regulatory updates and issues.

## **5. Committee Developments**

Specific issues which the Committee will address in the financial year 2020/21 include:

- Monitoring the Trust's progress in respect of its strategy 'Good to Great', and implications of partnership working and integration across the wider health economy
- Consider key issues with regard to management of Covid-19, including ongoing incident management, restoring and reshaping of services.
- Considering key risks as they emerge for example, establishment of Hertfordshire and West Essex ICS and emerging ICPs, including MH and LD ICP; no deal exit from the EU.
- Considering key changes to the financial regime as they emerge and any particular changes for Foundation Trusts
- Monitoring the work of both the IGC and FIC to seek reassurance that the issues of service quality / patient safety, operational performance and financial sustainability are being addressed in a balanced way

	April 2019	May 2019	September 2019	December 2019	February 2020
Catherine Dugmore (chair)	√	√	√	√	√
Simon Barter	√	<b>A</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Dame Janet Paraskeva	√	<b>A</b>	√	<b>A</b>	√
Loyola Weekes	√	√	√	√	<b>A</b>
David Atkinson	<b>n/a</b>	√	√	√	√
<b>Company Secretary</b>					
Linda Storey	<b>n/a</b>	√	√	<b>n/a</b>	<b>n/a</b>
Helen Edmondson	<b>n/a</b>	<b>n/a</b>	√	√	√
Keith Loveman	√	√	<b>A</b>	√	√
Tom Cahill	<b>n/a</b>	<b>See note 1 below</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Ann Corbyn	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	√
Mariejke Maciejewski	√	√	√	<b>n/a</b>	<b>n/a</b>
Dr Jane Padmore	<b>A</b>	√	√	√	<b>A</b>
Dr Asif Zia	√	√	√	<b>A</b>	√
Ronke Akerele	<b>A</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Paul Ronald	√	√	√	√	√
Sandra Brookes	<b>n/a</b>	<b>n/a</b>	√	√	<b>A</b>
Tanya Barron	<b>A</b>	√	<b>A</b>	<b>A</b>	<b>A</b>
Sarita Dent	<b>n/a</b>	√	√	√	<b>A</b>
Shalani Ghandi (RSM)	<b>n/a</b>	√	√	√	√
Neil Hewitson (KPMG)	<b>A</b>	<b>A</b>	<b>A</b>	√	√
Jessica Hargreaves (KPMG)	√	√	√	√	√
Elizabeth Wright (RSM)	√	√	√	√	<b>A</b>
Sam Abbas (RSM)	√	√	√	<b>A</b>	√
Emilia Tolomeo (RSM)	√	<b>A</b>	√	<b>A</b>	<b>n/a</b>
Becci Goodchild (RSM)	<b>A</b>	<b>A</b>	√	<b>A</b>	√

**Quorum:** Two members (Non-Executive Directors) including one member from Finance and Investment Committee and Integrated Governance Committee.

**Notes:**

1. As Chief Executive, Tom Cahill is invited to the May meeting each year which deals with the Annual Accounts, Quality Accounts and the Annual Governance Statement.