

# Auditor's Annual Report

Southport and Ormskirk Hospitals NHS  
Trust – year ended 31 March 2022

July 2022



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This document is to be regarded as confidential to Southport and Ormskirk NHS Trust. It has been prepared for the sole use of the Audit Committee as the appropriate sub-committee charged with governance by the Board of Directors. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

# 01

## Section 01: **Introduction**

# 1. Introduction

## Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Southport and Ormskirk NHS Trust ('the Trust') for the year ended 31 March 2022. Although this report is addressed to the Trust, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



### Opinion on the financial statements

We issued our audit report on 21 June 2022. Our opinion on the financial statements was unqualified.



### Value for Money arrangements

In our audit report issued on 21 June 2022 we reported that we had not completed our work on the Trust's arrangements to secure economy, efficiency and effectiveness in its use of resources. We also reported that as a result of the work completed to date the significant weakness and recommendation made in September 2021 remains in place for 2021/22. Section 3 confirms that we have now completed this work and provides our commentary on the Trust's arrangements and a summary of our recommendation.

Following the completion of our work, we have issued our audit certificate which formally closes the audit for the 2021/22 financial year.



### Wider reporting responsibilities

In line with group audit instructions issued by the NAO, on 21 June 2022 we reported that the Trust's consolidation schedules were consistent with the audited financial statements.

We have a responsibility to consider whether there is a need to issue a public interest report or whether there are any issues which require referral to the Secretary of State. At the time of reporting, the Trust had set a financial plan for 2022/23 showing a deficit of £20.5m and has exceeded its income for the three year period ended 31st March 2022 by £23.6m. In line with our statutory duties under Section 30 of the Local Audit and Accountability Act 2014 (the 2014 Act) we made a referral to the Secretary of State.

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# 02

Section 02:

**Audit of the financial statements**

# 2. Audit of the financial statements

## The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Trust and whether they give a true and fair view of the Trust's financial position as at 31 March 2022 and of its financial performance for the year then ended.

Our audit report, issued on 21 June 2022 gave an unqualified opinion on the financial statements for the year ended 31 March 2022.

## Qualitative aspects of the Trust's accounting practices

We have reviewed the Trust's accounting policies and disclosures and concluded they comply with Department of Health and Social Care Group Accounting Manual 2021/22, appropriately tailored to the Trust's circumstances.

Draft accounts were received from the Trust on 23rd April 2022 in line with the DHSC timetable and were of a good quality. Working papers were provided during the course of the audit.

The draft Annual Report was received on the 31st May 2022.

## Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

We would like to recognise the efforts and co-operation of Trust staff in assisting us throughout the audit process.

## Internal control recommendations

As part of our audit, we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls.

We did not raise any internal control recommendations as part of our 2021/22 audit of the financial statements.

# 03

Section 03:

**Our work on Value for Money  
arrangements**

# 3. VFM arrangements

## Overall Summary





# 3. VFM arrangements – Overall summary

## Approach to Value for Money arrangements work

We are required to consider whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:



**Financial sustainability** - How the Trust plans and manages its resources to ensure it can continue to deliver its services



**Governance** - How the Trust ensures that it makes informed decisions and properly manages its risks



**Improving economy, efficiency and effectiveness** - How the Trust uses information about its costs and performance to improve the way it manages and delivers its services

Our work is carried out in three main phases.

### Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Trust has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources including regulators
- Knowledge from previous audits and other audit work undertaken in the year

- Interviews and discussions with staff and directors

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

### Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We outline the risks that we have identified and the work we have done to address those risks on page [x].

### Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Trust. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements**

We make these recommendations for improvement where we have identified a significant weakness in the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.

- **Other recommendations**

We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but which still require action to be taken

The table on the following page summarises the outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

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


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# 3. VFM arrangements – Overall summary

## Overall summary by reporting criteria

Reporting criteria	2020/21 Actual significant weaknesses identified?	2021/22 Commentary page reference	2021/22 Identified risks of significant weakness?	2021/22 Actual significant weaknesses identified?	2021/22 Other recommendations made?
 <b>Financial sustainability</b>	Yes Pages 11 and 20	11	No new matters arising in 2021/22	No new matters arising in 2021/22. However, the significant weakness we reported from 2020/21 remains in place for 2021/22	No
 <b>Governance</b>	No	14	No	No matters arising in 2021/22.	No
 <b>Improving economy, efficiency and effectiveness</b>	No	17	No	No matters arising in 2021/22.	No

### 3. VFM arrangements

#### Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services



### 3. VFM arrangements – Financial Sustainability

<b>Significant weakness in 2020/21</b>	In 2020/21, we identified significant weakness in arrangements relating to the Trust’s financial sustainability – see page 20 for more details.
<b>Significant weakness identified in 2021/22</b>	No new matters. However, the significant weakness we identified in 2020/21 remains for 2021/22 – see below and page 20 for more details.

#### Overall commentary on the Financial Sustainability reporting criteria

##### Position brought forward from 2020/21

As set out in the table above, we reported one significant weakness in the Trust’s arrangements for 2020/21. Our commentary on the progress made against the actions is set out on page 20.

##### Background to the NHS financing regime in 2021/22

Following the onset of the Covid-19 pandemic in March 2020, the original NHS Planning Guidance 2020/21 was suspended and a new financial regime was implemented. For the second half of the 2020/21 year (October 2020 to March 2021) there was a move to “system envelopes”, with funding allocations covering most NHS activity made at the system level, including resources to meet the additional costs of the Covid-19 pandemic. The 2021/22 financial year was also split into two halves, with a different funding regime in each. However, the regimes were largely a continuation of those introduced in 2020/21 in response to COVID-19, where system envelopes and block payment arrangements remained in place.

The 2021/22 H1 (April 2021 to September 2021) envelopes comprised of adjusted CCG allocations, system top-up and COVID-19 fixed allocation, based on the H2 2020/21 envelopes, adjusted for known pressures and policy priorities. The 2021/22 H1 NHS guidance also confirmed that block payment arrangements would remain in place for relationships between NHS commissioners and NHS providers. The guidance for H2 (October 2021 to March 2022) confirmed that the arrangements would stay broadly consistent with a continuation of the H1 framework. The 2021/22 H2 “system envelopes” contained adjusted CCG allocations, system top-up and COVID-19 fixed allocation, based on the H1 2021/22 envelopes adjusted for additional known pressures, such as the impact of pay awards, and increased efficiency requirements.

Over the course of the year and into 2022/23, the focus of the funding regime has shifted from responding to the immediate challenges caused by COVID-19 to supporting recovery in the healthcare system. This has facilitated the need for collaborative working between commissioners and providers, as local systems were expected to work together to deliver a balanced position in 2021/22, with additional funding available for those systems exceeding target activity levels through the Elective Recovery Fund. The planning guidance for 2022/23 supports the transition back to local agreement of contracts, and requires systems to achieve a break even position each year. This will necessitate further collaboration through the planning process, as individual organisations work together to achieve system-level outcomes.

##### Overall responsibilities for financial governance and the Trust’s financial planning and monitoring arrangements

With effect from September 2021, the Trust has been part of a Long Term Collaboration Agreement with St. Helens and Knowsley NHS Foundation Trust. This arrangement is intended to support the Trust towards a long term sustainable position within the local healthcare system.

We have reviewed the Trust’s overall governance framework, including Board and committee reports, the Annual Governance Statement, and Annual Report and Accounts for 2021/22. These confirm the Trust Board undertook its responsibility to define the strategic aims and objectives, approve budgets and monitor financial performance against budgets and plans to best meet the needs of the Trust’s service users.

In response to the finance regime in 2021/22 the Trust approved and submitted a financial plan in line with the NHS requirements. The initial plan submitted on 5<sup>th</sup> May 2021 was to achieve financial balance in 2021/22, however it included a financial gap of £2.1m in H1 and £4.2m for the full year.

Before the onset of the pandemic, the Trust had a history of reporting a deficit position for each financial year since 2014/15. However, the Trust’s audited financial statements reported a small surplus of £125k in 2020/21 and £81k in 2021/22. This is due to the increased funding that has been made available to Trusts since the onset of the pandemic and the move to block contract arrangements. It did not necessarily address the underlying financial pressures faced by the Trust, which continue to present a significant challenge as the operating framework changed going forward.

We reviewed the reports prepared for the Board and the minutes of relevant meetings where the revised financial plan was considered. We confirmed the assumptions made by management appeared reasonable, the reports were clear and concise, and adequate scrutiny by the Board was evident from their meetings. During the year the Trust reported its financial position to the Finance & Performance and Investment Committee (FP&I), the Strategy and Operations Committee (S&O) and then subsequently to the Board. In addition to this, monthly budget holder meetings also took place throughout 2021/22 as well as the Performance, Improvement and Delivery Assurance Board (PIDA), which monitors financial performance at the corporate business unit (CBU) level. We reviewed a sample of agendas, minutes and reports, which contained evidence of a clear summary of the Trust’s performance, detailed variances and provided adequate explanation of the causes. The reports provided an updated forecast to the end of the financial year.

# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria

### The Trust’s arrangements for the identification, management and monitoring of funding gaps and savings

The Trust continues to hold monthly budget meetings between the finance team and budget holders to identify any budgetary issues and risks. Any issues arising are then escalated into monthly governance meetings and reported to executive team through the Performance, Improvement and Delivery Assurance board meetings (PIDA).

PIDA meetings will also highlight any potential risk around CIP programme. The risk section of monthly finance report to Finance, Performance & Investment (FPI) Committee identifies the key issues including any new and emerging risks to the delivery of savings plans. Monthly reports to the Executive Management Team and FPI Committee include an updated assessment of deliverability of the overall financial plan. Recovery action plans are then identified where possible.

The Trust also had a number of efficiency groups that met throughout 2021/22 to discuss, at the CBU level, the overall financial performance, in addition to the CIP position and the current progress of the identified savings schemes. These groups were also supported by the Corporate Efficiency Group which met monthly to receive the current CIP position report and to discuss the action tracker and scheme development updates. We have reviewed agendas and reports from 2021/22 and confirm they contain sufficient detail and enable risks to delivery to be identified and potential ideas in relation to CIP schemes to be discussed and explored.

The Use of Resources Programme Board also met during 2021/22 to provide further scrutiny at a higher level of the CIP position and targets and to allow consideration of identified opportunities. We have reviewed agendas and reports of the meetings held in 2021/22 and identified that progress of the CIP position is monitored at the sub-division level and they are BRAG (blue, red amber, green) rated to enable clarity of progress. The Board then receive a detailed break down of all schemes in each subdivision and their performance to date.

### The Trust’s arrangements and approach to Financial planning 2022/23

As detailed in the opening paragraphs of this section, the financial planning arrangements have changed for 2022/23 with the Trust needing to submit a financial plan to the Integrated Care System (ICS) that contributes to a break even position for the ICS for the year. The Trust has actively engaged with its ICS partners and the annual planning and budget setting exercise includes the identification and quantification of financial and operational risks. Financial plans are considered at various committees in the Trust including the Strategy and Operations Committee and the Finance, Performance and Investment Committee before receiving Board approval. We reviewed the committee and Board papers supporting the submission of the 2022/23 financial plan and have discussed these with management.

The Trust’s initial submission to the ICS in April 2022 was for an “allowable” deficit of £20.5m after a Cost Improvement Program (CIP) of £7.8m and £9m of recovery funding from the ICS. The updated plan submitted at the end of June 2022 sees a reduction in the deficit to £14.1m although delivering this means the CIP requirement has now increased to £10.8m for the year. The Trust continues to devote significant resources to deliver financial sustainability along side its ICS partners but the operational challenges and risks to non-delivery in 2022/23 are significant. This indicates that the financial envelope will not address the underlying recurring revenue deficit the Trust was delivering pre-Covid. As a result, given the operational pressures of the Trust, we are concerned about the achievability of the 2022/23 financial plan and, with an ongoing deficit, the financial sustainability of the Trust within the framework of the current funding regime.

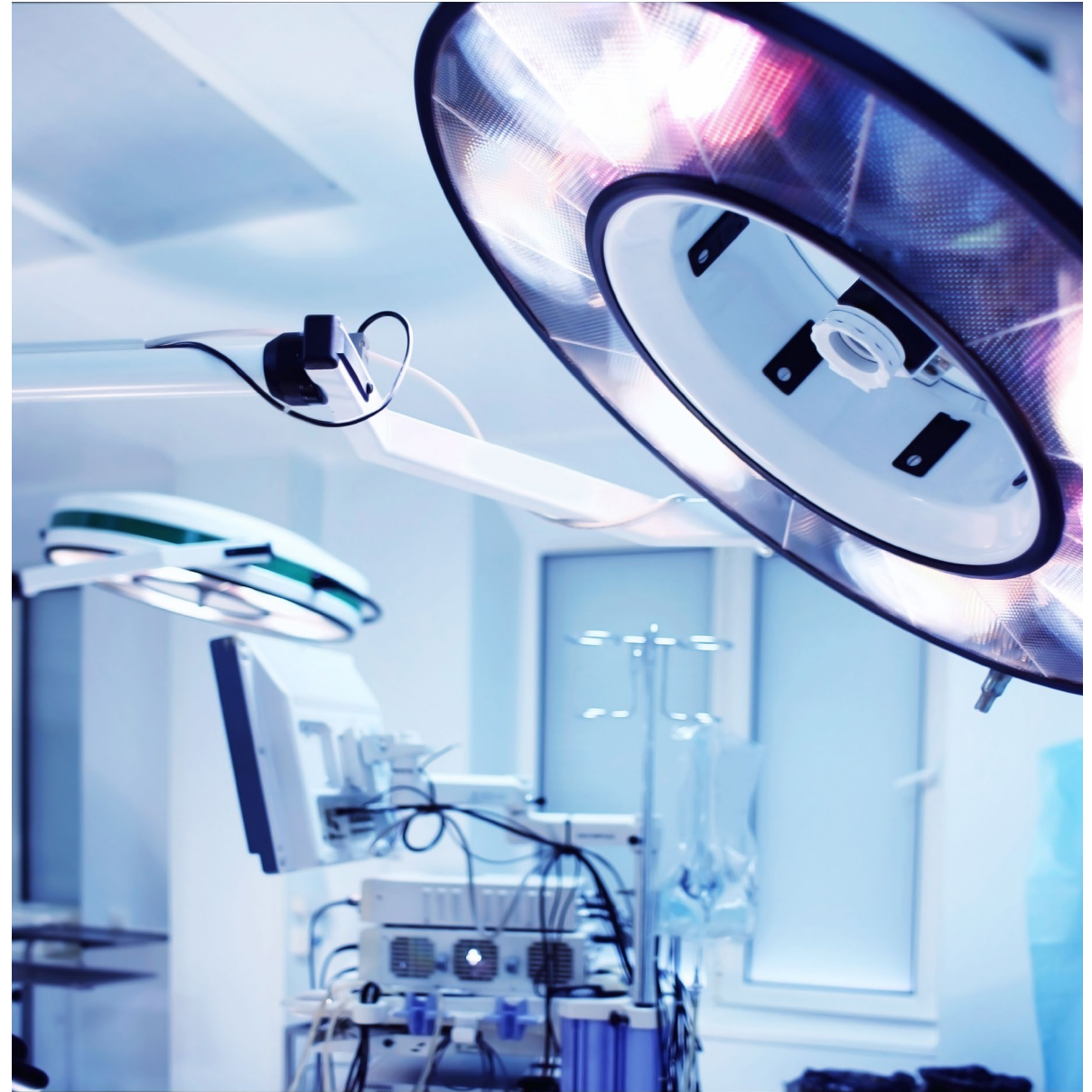
**For this reason, we believe the significant weakness identified in 2020/21 remains relevant for 2021/22.**



### 3. VFM arrangements

#### Governance

How the body ensures that it makes informed decisions and properly manages its risks



### 3. VFM arrangements – Governance

Significant weakness in 2020/21	Nil
Significant weakness identified in 2021/22	Nil

#### Overall commentary on the Governance reporting criteria

##### Collaboration with St Helens & Knowsley NHS Trust

On 1 September 2021 an Agreement for Long Term Collaboration was signed between Southport & Ormskirk Trust, St Helen’s & Knowsley Trust (STHK) and NHS Improvement. As part of this agreement both Trusts have committed to working in partnership.

This agreement aims to provide the immediate support required by Southport & Ormskirk Trust whilst progressing longer-term goals such as service reconfiguration, in order to achieve sustainability, as well as:

- Delivering better outcomes for patients of both Trusts;
- Giving staff greater flexibility to develop their skills and experience; and
- Making the best use of available resources.

This Agreement does not affect any of the statutory functions of the two Trusts or of NHS Improvement. NHS Improvement will continue to support and oversee both Trusts, including the collaboration and support under this Agreement.

To maximise the benefits of the new arrangement for both organisations, the Southport and Ormskirk Board agreed changes to its management and governance structures. In September 2021 the Trust Board appointed the Chief Executive of STHK, to be the Trust’s new chief executive, operating jointly across the two trusts. The Deputy Chief Executive / Director of Human Resources at STHK, was also appointed to the new post of Managing Director and has day-to-day management responsibility for Southport & Ormskirk Trust, leading the Trust’s executive team. Both became members of the Southport and Ormskirk Board as part of their new roles at the Trust.

A new committee reporting to the Board, the Strategy and Operations Committee, was established following the Agreement with STHK in September 2021. This committee is chaired by the chair of the STHK board. The committee meets monthly and is attended by the executive directors of both trusts and the non-executive directors of STHK. The role of the Committee is to provide operational management and strategic oversight of all Trust services and to progress the collaboration between the two Trusts.

##### The Trust’s decision making arrangements and control framework

The Trust’s governance structure is set out within its Annual Governance Statement. This is supported by the Trust’s Constitution, Standing Orders, Standing Financial Instructions and Scheme of Reservation and Delegation.

As previously noted, during 2021/22 the Strategy and Operations Committee was established as part of the Agreement with STHK. The Committee has the delegated authority from the Trust Board to:

- Create subcommittees, working or subgroups to provide assurance, in the interests of good governance or to oversee the delivery of specific programmes of work.
- Request information, reports, and assurances from any employee in relation to those areas within these Terms of Reference and all employees are directed to co-operate with any request made by the Committee.
- Obtain within the limits set out in the Scheme of Reservation and Delegation, outside legal or other independent professional advice on any matter within its terms of reference and to secure the attendance of external persons with relevant experience and expertise if it considers this necessary.

The Strategy and Operations Committee reviews and approves business cases for the creation of new staff posts, new service developments, and any material expansion or reduction of existing services including capital developments. The Committee also has the responsibility for reviewing and approving significant tender/bid documents submitted by the Trust for new services. Additionally, the Committee maintains oversight and receives assurance on performance against operational and quality targets, quality and safety, financial performance, workforce, regulatory and oversight matters, along with maintaining oversight of risk management systems and processes.

The Trust Board remains statutorily accountable for the services it is commissioned to provide. In order to fulfil this duty it receives assurance from a number of sources, including the Joint Review of Performance meetings which will be held quarterly and attended by representatives from the Trust, NHSEI and STHK. The Board also receives minutes and reports from the Audit Committee, Charitable Funds Committee and Strategy and Operations Committee

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# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria

### The Trust’s risk management and monitoring arrangements

The Strategy and Operations Committee receives Board Assurance Framework (BAF) on a regular basis. The BAF provides a structure and process which enables the Committee/Board to review its principal objectives, the extent to which the Trust has appropriate and robust controls in place to manage strategic risks, and the level and effectiveness of assurance provided by and through those controls. The BAF reflects the existing Trust Strategy.

The BAF provides a structure and process which enables the Board/Strategy and Operations Committee to review its principal objectives, the extent to which the Trust has appropriate and robust controls in place to manage strategic risks, and the level and effectiveness of assurance provided by and through those controls. The BAF continues to be reviewed regularly by the executive director leads, and the BAF risks are aligned to the Assurance Committees.

The BAF provides a comprehensive record of the detailed risks together with the controls in place and the gaps in those controls, and the assurances together with the gaps in assurance. The BAF also identifies the mitigating actions. The BAF is informed by consultations with the Executive Directors and reviews by Committee Chairs. Updates to the BAF are also discussed at Audit Committee meetings.

### CQC Inspections

The latest CQC inspection carried out at the Trust was in 2019 with the CQC inspection report being published in November 2019. The report concluded that the Trust required improvement. Although CQC acknowledged that the Trust’s services in the “caring” domain are good, significant and sustainable improvements were required across the other domains in order to reach an overall assessment of Good. The Trust was assessed as Inadequate in respect of its Use of Resources. Following receipt of the report, the Trust moved quickly to respond and submitted its refreshed CQC Improvement Plan to the CQC in December 2019. This revised plan identified the improvement actions to be taken throughout 2020/21 to support the Trust’s ‘Vision 2020’ which aims to achieve a ‘Good’ CQC rating.

In March 2021 the CQC made an unannounced visit for a focussed inspection of medicine at Southport and Formby District General Hospital. The inspectors did not formally regrade the Trust following that visit. However, we have seen evidence that, in their findings reported in May 2021, they noted improvements since

their last inspection across all the areas they reviewed. The CQCs Head of Hospital Inspection said:

*“I am pleased to report that since the previous inspection in August 2019, we saw a number of improvements had been made on all the wards we visited. Concerns that had been raised to our inspectors had also previously been identified by the trust and were being addressed by the leadership team. Staff were positive about the culture, support and visibility of their leadership team.”*

Despite the challenges faced during 2020/21 and 2021/22 due to the Covid-19 pandemic, the Trust has continued to monitor and report on progress against the CQC Improvement Plan. The Trust appears to have made significant progress against the improvement plan during 2021/22. However, the Trust acknowledges that further improvement is still required in some areas to ensure the progress and improvements made are properly embedded and can be sustained. It is anticipated a number of the workstreams will remain quality priorities for 2022/23. Representatives from the Trust and from the CQC meet on a bi-monthly basis to discuss progress.

Although the Trust does have a number of areas which are currently formally graded by CQC as ‘requires improvement’ and is graded ‘inadequate’ in the use of resources, we are satisfied the Trust has adequate arrangements in place to implement recommendations.

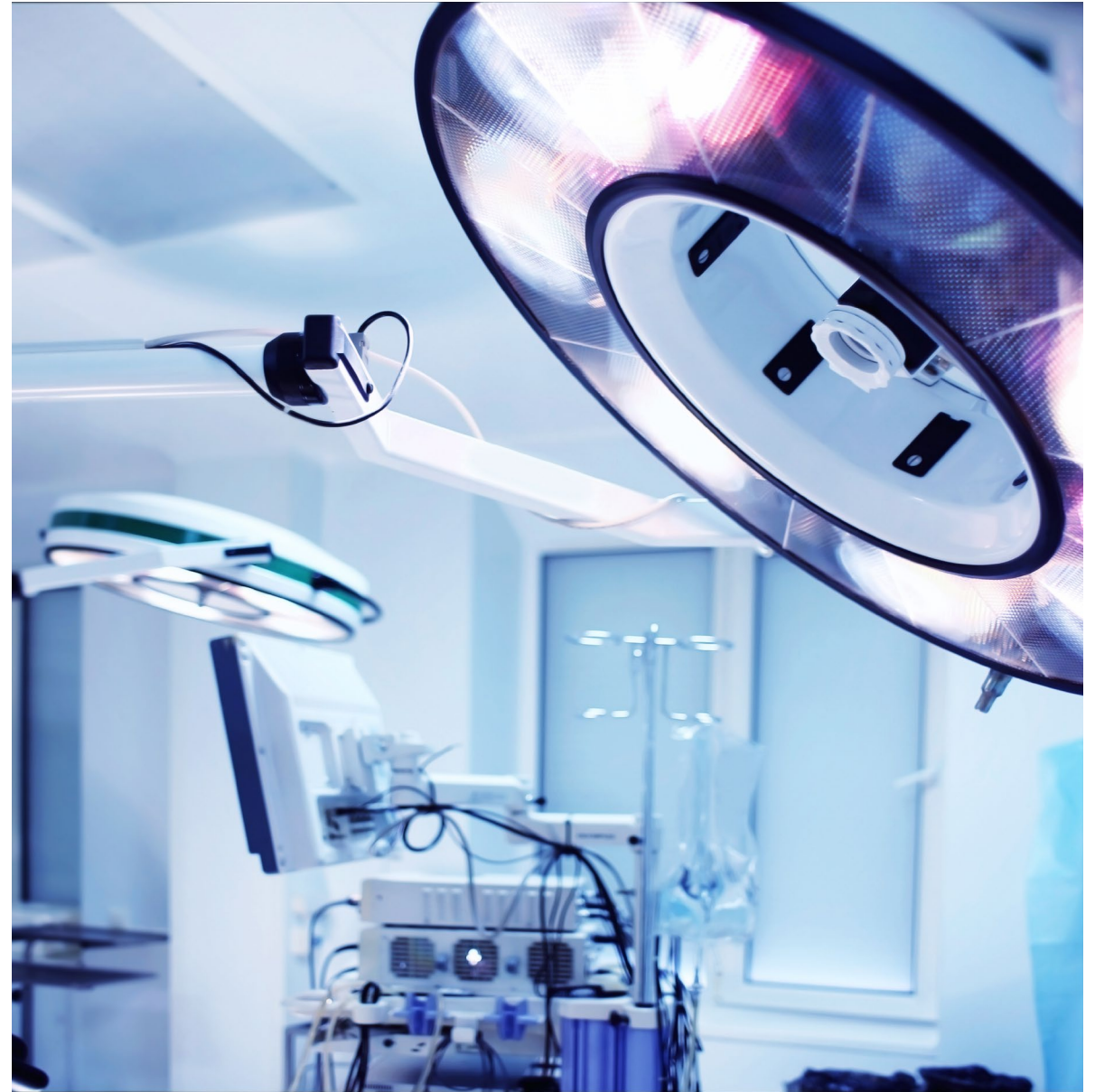
**Based on the above considerations we are satisfied there is not a significant weakness in the Trust’s arrangements in relation to governance.**



### 3. VFM arrangements

#### Improving Economy, Efficiency and Effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services



### 3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Significant weakness in 2020/21	Nil
Significant weakness identified in 2021/22	Nil

#### Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

##### The Trust’s arrangements for assessing performance and evaluating service delivery

The Integrated Performance Report (IPR) provides comprehensive information to the Board of Directors and its sub-committees including the Strategy and Operations committee. We have reviewed the IPRs presented during 2021/22 and have found these to make use of statistical process control reporting. This is an analytical technique to plot data over time and which allows the Trust to report performance pictorially. This is then supported by detailed contextual and explanatory narrative. This enables the Trust to identify where it needs to take action.

Performance information has been presented in a timely manner throughout 2021/22 and the S&O Committee and Board have received a wide range of performance related reports in addition to the IPR, for example, reports have been received in respect of the workforce performance and safety. Our review of minutes of the Board and committees has confirmed that detailed discussion and challenge was provided by the Trust in respect of these reports.

The Trust has a Single Accountability Framework which sets out the approach to overseeing and supporting Clinical Business Units in understanding how the Trust monitors their performance, identifies any support they may need to improve standards and outcomes, and ensures that agreed support packages are coordinated, where relevant.

In previous years, the Trust has identified a number of services that it has classed as ‘fragile services’. In the 2021/22 year, there has been a clear recognition that solutions will need to be found at the “system” level rather than by the Trust in isolation. The trust have been working with partners to discuss long term solutions for these services. The long-term collaboration arrangement with St. Helens & Knowsley Trust remains key to delivering this sustainability.

##### The Trust’s arrangements for effective partnership working

The Trust continues to have a relatively complex set of arrangements to work within because it’s two hospitals fall within different council boundaries. This means the Trust must work across different Integrated Care Systems and with different local authorities. The ICS partnerships include NHS providers and commissioners along with local authorities, The financial regime since September 2020 has focused on the ICS level and this

has enabled the ICS partnerships to strengthen in 2020/21 and 2021/22. The Trust has played active roles in establishing the new systems and senior management are active members of the meetings within the ICS. Strong relationships and the collaboration with St Helens and Knowsley Trust have given the opportunity for the region to work together on a number of programmes.

##### The Trust’s arrangements for commissioning services

The Trust has a professional procurement team and has up to date procurement policies and processes in place. This ensures that when commissioning or procuring services, the selection of a provider is always in accordance with relevant procurement legislation, either through the use of existing frameworks or by the design and implementation of a bespoke procurement process.

As per the Trust’s Standing Financial Instructions, and depending on the expected value of goods or services being procured, relevant legislation is followed. From our continued attendance at Audit Committee, we are satisfied that where the tender process is not followed, and a tender waiver is exercised, this is subject to review and challenge by Committee. The Director of Finance is required to explain the basis for the tender and the Committee requests further detail or explanation if it considered it necessary.

The Trust has a conflict of interest policy which includes the registration of Gifts and Hospitality, Sponsorship and secondary employment. The Trust maintains a conflict of interest register and a status report is monitored by the Audit Committee. As part of the conflict of interest policy there are safeguards in place to mitigate the risk of conflicts of interests arising during commissioning and procurement processes.

**Based on the above we are satisfied that there is not a significant weakness in the Trust’s arrangements in relation to improving economy, efficiency and effectiveness.**

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### 3. VFM arrangements

Identified significant weaknesses in arrangements and our recommendations



### 3. VFM arrangements – Prior year recommendations

#### Progress against significant weaknesses and recommendations made in the prior year

As part of our 2020/21 audit work, we identified the following significant weaknesses, and made recommendations for improvement in the Trust’s arrangements to secure economy, efficiency and effectiveness in its use of resources. These identified weaknesses have been outlined in the table below, along with our view on the Trust’s progress against the recommendations made, including whether the significant weakness is still relevant in the 2021/22 year.

Significant weakness in arrangements	Reporting Criteria	Recommendation for improvement	Our views on the actions taken to date	Overall conclusions
<p>1 <b>Significant weakness</b> Following the onset of the Covid-19 pandemic, the original NHS Planning Guidance 2020/21 was suspended, and a new financial regime was implemented. Systems were expected to achieve financial balance within this envelope and individual organisations were able to deliver surplus or deficit positions by mutual agreement within the system. The Trust complied with the temporary financial planning requirements put in place during 2020/21 and delivered a surplus financial position for the first time since 2014/15. However, underlying this, the Trust does not have a viable plan to return to financial balance once the normal operating framework is reinstated. The financial sustainability of the Trust is dependent on the resolution of long-standing issues in workforce planning, cost improvements and the need to identify and implement other efficiencies. It is also dependent on the integrated care structures, which are yet to be fully determined. In addition to this, The Trust’s financial plans are based on key assumptions that are over reliant on non-recurrent income streams and the Trust has failed to deliver cost improvement plans at the scale and pace required to address the financial challenges facing the Trust. In our view, the above represents a significant weakness in arrangements in 2020/21 in relation to: Financial sustainability -how the Trust plans and manages its resources to ensure it can continue to deliver its services.</p>	<p>Financial sustainability</p>	<p>Following the 31 March 2021 year end, the Trust has committed to a formal, long term collaboration agreement with St Helen’s &amp; Knowsley NHS Foundation Trust, and as further details of the financial and operating framework for the NHS are emerging, the Trust should put in place a new financial plan that is agreed with the integrated care system and will deliver a balanced financial position in the short to medium term.</p> <p>This plan should be monitored at an appropriate level within the Trust, and performance closely monitored</p>	<p>The Trust’s revenue outturn for 2021/22 does not highlight any concerns.</p> <p>However, the Trust’s initial financial plan for 2022/23, submitted and agreed through the ICS, resulted in a £20.5m deficit after 3.5% £7.8m efficiency savings, achievement of recovery targets and £9m of revenue resource support from the ICS. The updated plan submitted in June 2022 saw the allowable deficit reduce to £14.1m. However, to deliver this, the efficiency savings required increased to £10.8m.</p> <p>This indicates that the return to a pre-covid financing coupled with ongoing operational risks such as the continuation of covid cases does not address the underlying recurring revenue deficit.</p>	<p>As a result, in our view, there remains a significant weakness in arrangements regarding the Trust’s financial sustainability.</p>

# 04

Section 04:

**Other reporting responsibilities and  
our fees**



# 4. Other reporting responsibilities and our fees

## Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make a referral to the Secretary of State; and
- make a written recommendation to the Trust which must be responded to publicly.

On 15 June 2022, we issued a referral to the Secretary of State under sections 30 (1) (a) and (b) of the Local Audit and Accountability Act 2014 in relation to the breach of the Trust's statutory financial duty at 31 March 2019 under Paragraph 2(1) of Schedule 5 of the National Health Service Act 2006 that: 'Each NHS trust must ensure that its revenue is not less than sufficient, taking one year with another, to meet outgoings properly chargeable to revenue account'

We are also required to report if, in our opinion, the governance statement does not comply with relevant guidance or is inconsistent with our knowledge and understanding of the Trust. We did not identify any matters to report in this regard.

## Reporting to the NAO in respect of consolidation data

The NAO, as group auditor, requires us to report to them whether consolidation data that the Trust has submitted is consistent with the audited financial statements. We have concluded and reported that the consolidation data is consistent with the audited financial statements.

# 4. Other reporting responsibilities and our fees

## Fees for work as the Trust's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit Committee in January 2022. Having completed our work for the 2020/21 financial year, we can confirm that our fees are as follows:.

Area of work	2021/22 fees
Planned fee in respect of our work under the Code of Audit Practice	£67,000
Additional fees	£0
<b>Total fees</b>	<b>£67,000</b>

**Fees for other work** We confirm that we have not undertaken any non-audit services for the Trust in the year.

## Mazars

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services\*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

\*where permitted under applicable country laws.