

Auditor's Annual Report

Southport & Ormskirk Hospitals NHS
Trust – Year ended 31 March 2021

September 2021



Contents

- 01** Introduction
- 02** Audit of the financial statements
- 03** Commentary on VFM arrangements
- 04** Other reporting responsibilities

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 & Ormskirk Hospitals NHS Trust ('the Trust') for the year ended 31 March 2021. 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 14 June 2021. Our opinion on the financial statements was unqualified.



Value for Money arrangements

In our audit report 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 and had not issued recommendations in relation to identified significant weaknesses in those arrangements at the time of reporting. Section 3 confirms that we have now completed this work and provides our commentary on the Trust's arrangements and a summary of our recommendations.

Following the completion of our work we have issued our audit certificate which formally closes the audit for the 2020/21 financial year. In the audit certificate we included reference to any significant weaknesses identified and a summary of our recommendations since we issued our audit report.



Wider reporting responsibilities

In line with group audit instructions issued by the NAO, on 14 June 2021 we reported that the Trust's consolidation schedules were consistent with the audited financial statements.

Introduction

Audit of the financial statements

Commentary on VFM arrangements

Other reporting responsibilities and our fees

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 2021 and of its financial performance for the year then ended. Our audit report, issued on 14 June 2021 gave an unqualified opinion on the financial statements for the year ended 31 March 2021 as follows:

"In our opinion, the financial statements:

- give a true and fair view of the financial position of the Trust as at 31 March 2021 and of the Trust's income and expenditure for the year then ended;
- have been properly prepared in accordance with the Department of Health and Social Care Group Accounting Manual 2020/21; and
- have been properly prepared in accordance with the requirements of the National Health Service Act 2006."

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 2020/21, appropriately tailored to the Trust's circumstances.

Draft accounts were received from the Trust on 26 April 2021 and were of a good quality. Working papers were provided during the course of the audit.

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 identified one low risk deficiency in internal control as part of our audit - relating to a number of long standing un-presented cheques that appear in the bank reconciliation for the RBS account. Management agreed to write back the 7 out of date cheques. We are content with Management's response.

Introduction

Audit of the financial statements

Commentary on VFM arrangements

Other reporting responsibilities and our fees

03

Section 03:

Commentary on VFM arrangements

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

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. Where we identify significant risks, we design a programme of work (risk-based procedures) to enable us to decide whether there is a significant weakness in arrangements. 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.

Where our risk-based procedures identify actual significant weaknesses in arrangements, we are required to report these and make recommendations for improvement.

The table below summarises the outcomes of our work against each reporting criteria. On the following page we outline further detail of the work we have undertaken against each reporting criteria, including the judgements we have applied.

Reporting criteria	Commentary page reference	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability	11-13	Yes	Yes
Governance	14-15	No	No
Improving economy, efficiency and effectiveness	16	No	No

3. VFM arrangements – Risks of significant weakness in arrangements

Risks of significant weaknesses in arrangements

We have outlined below the risks of significant weaknesses in arrangements that we have identified as part of our continuous planning procedures, and the work undertaken to respond to each of those risks.

Risk of significant weakness in arrangements	Work undertaken and the results of our work
<p>1 Financial Sustainability</p> <p>The risk of significant weakness which has been identified is linked to the way in which the Trust identifies and manages risks to financial resilience.</p>	<p>Work undertaken</p> <p>We have held discussions with management throughout the audit to understand the arrangements in place in relation to financial sustainability. We have also reviewed finance papers which have been taken to various committees including Performance, Improvement and Delivery Assurance Board, the Finance, Performance & Investment Committee, the Audit Committee, Executive Management Team meetings and the Trust Board.</p> <p>We have also reviewed the financial plans of the Trust and the in-year financial monitoring papers against the plan.</p> <p>Results of our work</p> <p>The Trust has a history of not delivering financial balance, meeting savings plans or achieving financial targets. Although the Trust has a much improved financial position as at 31/03/21 compared to 31/03/20 this is due to non-recurrent funding and PDC which was received in response to the pressures on the service caused by the Covid-19 pandemic. The Trust’s underlying operating model would to continue to create a deficit position without additional funding for Covid-19 services and pressures.</p> <p>The 2021/22 financial plan submitted included £37.9m of NHS top up funding and £13.8m of covid-19 funding. Even with these additional funding streams, the plan required savings to be achieved of £7.4m for the full year in order to breakeven. This plan is overly reliant on non-recurrent sources of finance. The financial plan has been subject to sensitivity analysis and stress testing and the planned deficit increases to £10.7m in the ‘downside scenario’ that management has identified.</p> <p>To achieve financial balance, the Trust will need to deliver cost improvements. However, as of month 5 the Trust are forecasting that only £4.4m (of which £2.7m are non-recurrent savings) of the required £7.4m will be achieved by the end of the financial year. The failure to deliver savings puts further pressure on the longer term financial sustainability of the Trust.</p>

3. VFM arrangements - Identified significant weaknesses and our recommendations

Identified significant weaknesses in arrangements and recommendations for improvement

As a result of our work we have identified a significant weakness in the Trust’s arrangements to secure economy, efficiency and effectiveness in its use of resources. The identified weaknesses have been outlined in the table below.

Identified significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Recommendation for improvement	Our views on the actions taken to date
<p>Financial Sustainability 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.</p> <p>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>Following the 31 March 2021 year end, the Trust has committed to a formal, long term collaboration agreement with St Helen’s & 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>We are aware that the Trust has been actively trying to address its underlying financial pressures and has been through a Turnaround process intended to support this. However, these actions have failed to achieve a sustainable financial position.</p>

3. VFM arrangements - Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

Background to the NHS financing regime in 2020/21

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 first half of the year (April to September 2020) all NHS trusts and NHS foundation trusts were moved to block contract payments 'on account' and the usual Payment by Results national tariff payment process was suspended. The Financial Recovery Fund was also suspended and NHS providers were able to claim for additional costs due to COVID-19. Whilst commissioner allocations for 2020-21 had already been notified, individual commissioner financial positions were kept under review and top-up payments were issued to CCGs to cover the difference between allocations and expected costs to pass on to providers.

For the second half of the 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. There were no further general retrospective top-up payments and all Covid-19 costs from that point were funded through the fixed Covid-19 funding allocation with a few exceptions.

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. However, NHS trusts and foundation trusts were still required to meet statutory break-even duty and CCGs required to meet their resource limits.

Overall responsibilities for financial governance

We have reviewed the Trust's overall governance framework, including Trust Board and Committee Reports, the Annual Governance Statement, and Annual Report and Accounts to confirm the Trust Board has a responsibility to make the best use of financial resources and deliver the services people need, to standards of safety and quality which are agreed nationally.

We have reviewed reports and minutes of the Finance, Performance & Investment Committee (FPI), and the Quality and Safety Committee confirming there is oversight on financial management and operational performance, quality of services and risk management on behalf of the Board. We have reviewed reports and minutes of the Audit Committee, confirming there is oversight on the Trust's internal control arrangements.

The Trust's financial planning and monitoring arrangements

We read the Trust's Standing Financial Instructions and these include specific provisions for budgetary control and reporting. The Finance team provides reports and support to budget holders and teams to support the financial management of those component parts of Trust financial performance. Clear responsibilities are outlined for budget holders and the Trust's Standing Financial Instructions include specific provisions for the preparation and approval of the Annual Plan and budget.

The Trust has a history of reporting a deficit position for each financial year since 2014/15. In 2019/20, the deficit was £23.76m. However, the Trust's audited financial statements report a small surplus of £125k. This was because of an increase in income of £45.6m from 2019/20 levels. This is due to Clinical Commissioning Group income increasing by £24m as a result of the block contract arrangements and the receipt of top up funding of £23.9m (2019/20 funding included £6.4m PSF/FRF and £2.9m MRET).

During the year there was an injection of public dividend capital of £130.5m which was fully utilised to repay all outstanding revenue loans of £129.6m, and one capital loan of £935k. Further PDC of £6m was also issued to support the Trust's capital programme.

Therefore although the Trust reported a much improved financial position as at 31/03/21 compared to 31/03/20 this was mainly due to one-off funding which was received to support the Trust in dealing with the Covid-19 pandemic together with the revenue benefits of a change to PDC. It does not necessarily indicate that the Trust has addressed the underlying financial pressures it has previously faced and which will continue to present a significant challenge once the NHS operating framework changes in 2021/22.

During the year the Trust reported its financial position to the Finance, Performance & Investment Committee (FPI) and then subsequently to the Board. We reviewed a sample of reports presented for 2020/21, which contain evidence of a clear summary of the Trust's performance, detail any variances and provide an explanation of the causes. The reports also provide an updated forecast to the end of the financial year. Reports from committees to the Board follow an Alert, Advise and Assure format to ensure attention is directed appropriately to areas of concern.

Introduction

Audit of the financial statements

Commentary on VFM arrangements

Other reporting responsibilities and our fees

3. VFM arrangements - Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria - continued

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

The Trust holds 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).

The PIDA board meeting includes the following attendees – Chief Operating Officer; Director of Finance; Medical Officer; Associate Director of Operations; Head of Nursing; Head of Information; Performance and Delivery Manager; Director of HR. This board includes the correct mix of financial, clinical and operational senior staff to ensure that risks such as unplanned changes in demand can be identified and managed effectively.

PIDA meetings will also highlight any potential risk around CIP programme. At the 2020/21 year end, the Cost Improvement Programme (CIP) delivered in year was £276k below plan. 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.

Despite the arrangements in place, the Trust has a history of not meeting savings plans and financial targets. Although the Trust has reported an improved financial position as at 31/03/21 compared to previous years, this is due to non-recurrent funding received due to the Covid-19 pandemic, together with the financial benefits of a switch from loan support to PDC.

There is no evidence to suggest the Trust has been able to address the underlying financial challenges it faces and that the actions it has taken will deliver savings at the scale and pace necessary.

Workforce

We have reviewed staff sickness data from NHS Digital and compared average sickness rates for the Trust to comparator groups from 2018 through to 2020. The Trust runs at an average sickness absence level which is significantly higher than for the acute sector.

Year	Trust	Acute
2019/20	5.25%	4.33%
2018/19	5.77%	4.04%
2017/18	5.5%	4.01%

Data for 2020/21 shows that sickness absence has continued to increase and is currently around 6%. Whilst this increase reflects the impact of Covid-19 related sickness, the relatively prevailing rate of sickness absence remains a matter of concern. It impacts on the need for bank and agency staff and therefore the cost of service provision.

The audited financial statements show that it spent £27.4m on temporary staff in 2020/21. This is an increase in the spend of £24.7m in 2019/20 and £18.8m in 2018/19. The Trust has been working to reduce the overall reliance on temporary staff to address concerns about both financial sustainability and quality of care. In 2020/21, it has undertaken a sizable international nurse recruitment programme and has been successful in bringing new staff to work in both Southport and Ormskirk Hospitals despite the difficulties of the Covid-17 pandemic and the requirements for quarantine for people arriving from overseas. The recruitment programme will continue in 2021/22.

The Trust's arrangements and approach to 2021/22 financial planning

For the first half of 2021/22 the NHS will remain under the same financial arrangements as for the second half of 2020/21. The arrangements will continue to include system funding envelopes. Block payments will remain in place for relationships between CCGs and NHS providers. NHS England and improvement (NHSE/I) have nationally calculated CCG and NHS provider organisational plans as the default positions for systems and organisations to adopt. These then provide a starting point for budget management without the need to complete an extensive planning process.

The Trust's draft financial plan was submitted to NHSE/I on 5 May. The plan submitted by the Trust includes assumptions around staffing levels, pay awards and recurrent Covid-19 expenditure and is based on block funding based on 2020/21 values adjusted for inflation for the first half of 2021/22.

Introduction

Audit of the financial statements

Commentary on VFM arrangements

Other reporting responsibilities and our fees

3. VFM arrangements - Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria - continued

The 2021/22 financial plan submitted included £37.9m of NHS top up funding and £13.8m of covid-19 funding. Even with these additional funding streams, the plan required savings to be achieved of £7.4m for the full year in order to breakeven. This plan is overly reliant on non-recurrent sources of finance. The financial plan has been subject to sensitivity analysis and stress testing and the planned deficit increases to £10.7m in the 'downside scenario' that management has identified.

To achieve financial balance, the Trust will need to deliver cost improvements. However, as of month 5 the Trust are forecasting that only £4.4m (of which £2.7m are non-recurrent savings) of the required £7.4m will be achieved by the end of the financial year. The failure to deliver savings puts further pressure on the longer term financial sustainability of the Trust.

With effect from September 2021, the Trust will enter into 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.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

The Trust’s risk management and monitoring arrangements

The Board receives Board Assurance Framework (BAF) on a regular basis. The Board Assurance Framework (BAF) provides a structure and process which enables the 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 strategic risks include a risk that the Trust fails to “efficiently and productively provide care within agreed financial limit” (SO3).

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.

During the 2020/21 financial year, the extreme risks relating to the Covid-19 pandemic and the Trust’s response were separately monitored and reviewed weekly by the leads and Gold command.

CQC Inspections

The November 2019 CQC inspection 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.

Despite the challenges faced during 2020/21 due to the Covid-19 pandemic, the Trust has continued to monitor and report on progress against the CQC Improvement Plan.

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 CQC’s 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.”

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.

The Trust’s arrangements for budget setting and budgetary control

The annual budget setting process starts with a review of national planning guidance which sets out an overall framework for financial and operational planning. The timetable for the planning process sets out the dates for key returns to NHSE/I, and the Trust puts arrangements in place to ensure there is a review by the executive management team prior to final sign off by the Trust Board. The annual budget setting process usually commences autumn each year and for 2020/21, the Trust met the timetable.

In setting the budget, the finance department engages with budget holders both corporately and in clinical business units to confirm pay establishment figures. Non pay budgets are generally set on outturn less non recurrent issues. The Finance department establish income figures from discussions with Commissioners in work led by Head of Income and Contracting. The business planning process also commences at the same time and services are costed.

The draft Financial Plan is reviewed to ensure it reflect the best available information and assumptions including funding growth, inflation costs, agreed cost pressures, activity levels, efficiency plans and service priorities.

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

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

The Trust’s decision making arrangements and control framework

The Trust has an established governance structure which is clearly 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. The Board and its statutory and assurance committees have clear cycles of business and reporting structure to allow issues to be escalated via the ‘floor to board’ risk escalation framework.

The Trust’s suite of detailed governance policies and documents have been in place throughout the year and we have seen evidence that these are subject to regular review and updating. We reviewed the documents as part of our audit and confirmed they were consistent with our understanding of the Trust’s arrangements. This includes arrangements such as registers of interests being updated and maintained.

Audit Committee

The Trust has an established Audit Committee responsible for establishing and maintaining an effective system of governance in a way that supports the Trust’s objectives. It does this by:

- scrutinising the overall systems of internal control (clinical and non-clinical)
- commenting on the fitness for purpose of the BAF and assessing the completeness and extent to which risk management is embedded in the Trust
- reviewing the governance arrangements including how they are integrated across the Trust.

From our regular attendance at these meetings, we are satisfied it meets regularly, generally quarterly, with an additional meeting in May / June to consider the financial statements. These meetings were held remotely during 2020/21 but were no less effective. Following each meeting, attendees agree the issues to be escalated to the Board through Alert, Assure, and Advise Highlight Report which is presented with the formal minutes from the meeting. The Committee also reports annually on its work via the Annual Report of the Audit Committee in support of the Annual Governance Statement. The Committee regularly reviews its conduct and effectiveness.

The Audit Committee Terms of Reference are subject to regular review. The Chair ensures this considers the latest NHS Audit Committee Handbook, which sets out best practice, so the Board can be confident the Committee is fulfilling all of the requirements.

The Trust has engaged Mersey Internal Audit Agency as its internal auditor provider. There is a risk based internal audit plan in place which is regularly reviewed and updated to ensure it is appropriate to the Trust’s needs. Internal Audit attend all Audit Committee meetings to provide an update on their delivery of the agreed plan and on the outcomes of the reviews completed. Internal audit reports are rated on the assurance they provide from Limited to Full. Reports are discussed at Audit Committee and the implementation of actions is discussed.

The Audit Committee requires attendance at its meeting of the responsible executive director following receipt of any limited or adverse assurance report/s. Those who attend are expected to explain the actions they are taking and timescales for implementation. There is appropriate challenge of the responses. The Committee asks for updates to be provided where necessary over time. This is an important mechanism for Committee to effectively hold directors to account on behalf of the Board and improves overall accountability across the organisation. The Committee uses its reports to the Board to highlight those areas where actions are not delivering the required impact.

The Trust has also appointed Mersey Internal Audit Agency to provide its counter-fraud service. There is a full counter fraud plan in place and update reports are regularly presented. There is evidence the Trust is committed to ensuring it has robust arrangements in place in respect of counter-fraud including engaging with staff who join the Trust to set the tone and culture.

The Audit Committee also regularly receives updates on losses and compensation payments, single source tenders and waivers of Standing Financial Instructions. Our attendance at meetings confirms these reports are subject to appropriate challenge.

3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

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 provides comprehensive information to the Board of Directors and its sub-committees. The Trust’s current integrated performance dashboard was reviewed during the year to ensure the metrics cover all elements of performance and support the current NHSE/I methodology.

The Trust has also introduced a Single Accountability Framework which set 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 ensuring that agreed support packages are coordinated, where relevant.

The Trust has identified a number of services that it has classed as ‘fragile services’. As a result of the additional funding made available due to the Covid-19 pandemic these fragile services, which include Head and Neck, Ophthalmology and Haematology, were able to be delivered using agency staff or other in-house solutions during 2020/21. Although the Trust was heavily focused on Covid-19 activities, discussions about potential long term solutions for these services have been progressing. The Trust articulated a commitment to assessing and evaluating the options for these 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 move to a long term collaboration arrangement with St. Helens & Knowsley Trust will be key to delivering this sustainability.

The Trust’s arrangements for effective partnership working

The Trust has 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 local authorities. Additionally, there has been a relatively high level of staff turnover at a senior level during recent years, with more changes imminent. Notwithstanding this, the Trust is committed to finding ways to work consistently with partners to develop integrated services for the benefit of patients. The recent formal agreement to a long term collaboration arrangement with St. Helens & Knowsley Trust is evidence of the Trust’s willingness to engage effectively with partners.

The Shaping Care Together Programme is playing a key role in promoting a collaborative approach by all related stakeholders to the delivery of care. The programme aims to shape, develop and improve future services for everyone by listening to the patients, carers and staff who use and deliver them. Shaping Care Together is led by the Trust in conjunction with NHS Southport and Formby CCG and NHS West Lancashire CCG. It is the first stage of a process to understand patient experience and views before any proposals to solve the challenges faced in healthcare are developed.

The Trust’s arrangements for commissioning services

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. This is done by openly advertising opportunities via find a tender system and EU-supply as instructed by legislation. This ensures that tenders are able to be viewed and responded to by the open market. Alternatively the Trust utilises a number of approved Framework providers to procure goods and services which has been through the tender process but shortens the time taken to procure and ensures that only pre-qualified providers for a particular project respond.

From our 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 assesses whether benefits are realised by utilising the NHS spend comparison tool that all Trusts have to feed information into. This highlights goods that are procured and compares what the Trust pays compared to peers. This also feeds into Model Hospital data which acts as a guide on how Procurement departments are functioning.

The Trust also actively takes part in collaborative procurement projects with regional colleagues, to ensure economies of scale and consistency in costs incurred for large spend areas.

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.

04

Section 04:

**Other reporting responsibilities and
our fees**

4. Other reporting responsibilities and our fees

Matters we report by exception

The NHS Act 2006 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; and
- make a referral to the regulator.

We have not exercised any of these statutory reporting powers.

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 completed the required procedures and concluded and reported, on the 14 June 2021, 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 April 2021. Having completed our work for the 2020/21 financial year, we can confirm that our fees are as follows:

Area of work	2020/21 fees
Planned fee in respect of our work under the Code of Audit Practice	£53,000
Total fees	£53,000

Due to the COVID-19 pandemic our work on the Trust's Quality Report was cancelled in 2020/21. There were no fees arising in relation to this work in 2020/21.

Fees for other work

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

Karen Murray, Partner – Public Services

Karen.murray@mazars.co.uk

Mazars

One St Peter's Square

Manchester

M2 3DE

Tel: 0161 238 9248

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.