Oxford Health NHS Foundation Trust

Auditor's Annual Report

Year ended 31 March 2024

28 June 2024

Audit Committee
Warneford Hospital
Warneford Lane
Oxford
OX3 7JX

28 June 2024

Dear Audit Committee Members,

2023/24 Auditor's Annual Report

We are pleased to attach our Auditor's Annual Report including the commentary on the Value for Money (VFM) arrangements for Oxford Health NHS Foundation Trust. This report and commentary explains the work we have undertaken during the year and highlights any significant weaknesses identified along with recommendations for improvement. The commentary covers our findings for audit year 2023/24.

This report is intended to draw to the attention of the Trust any relevant issues arising from our work. It is not intended for, and should not be used for, any other purpose.

We welcome the opportunity to discuss the contents of this report with you at a future meeting of the Audit Committee.

Yours faithfully

Maria Grindley

Partner

For and on behalf of Ernst & Young LLP

Encl

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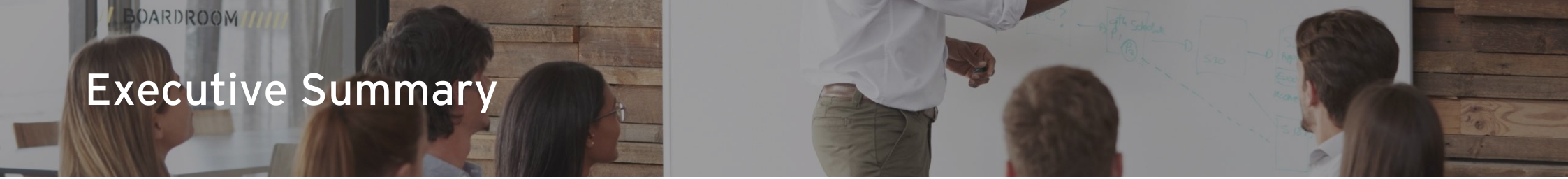
01 Executive Summary



Executive Summary

Purpose

The purpose of the auditor's annual report is to bring together all of the auditor's work over the year and the value for money commentary, including confirmation of the opinion given on the financial statements; and, by exception, reference to any reporting by the auditor using their powers under the Local Audit and Accountability Act 2014. In doing so, we comply with the requirements of the 2020 Code of Audit Practice (the Code) and the supporting guidance of the NAO published within their Auditor Guidance Note 3 (AGN 03). This commentary aims to draw to the attention of the Trust and the wider public relevant issues from our work including recommendations arising in the current year and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

Responsibilities of the appointed auditor

We have undertaken our 2023/24 audit work in accordance with the Audit Plan that we issued on 13 February 2024. We have complied with the National Audit Office's (NAO) 2020 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- The 2023/24 financial statements;
- The parts of the remuneration and staff report to be audited;
- The consistency of other information published with the financial statements, including the annual report; and
- Whether the consolidation schedules are consistent with the Trust's financial statements for the relevant reporting period.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Trust;
- To the Secretary of State for Health and Social Care and NHS England if we have concerns about the legality of transactions of decisions taken by the Trust;
- Any significant matters or written recommendations that are in the public interest; and
- If we identify a significant weakness in the Trust's arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of the Trust

The Trust is responsible for preparing and publishing its financial statements, annual report and governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Executive Summary (continued)

2023/24 Conclusions

Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Trust as at 31 March 2024 and of its expenditure and income for the year then ended. We issued our auditor's report on 28 June 2024.
Parts of the remuneration report and staff report subject to audit	We reported several issues with the remuneration and staff report, all of which were adjusted for by management in the final version of the annual report and accounts.
Consistency of the other information published with the financial statement	Financial information in the annual report and published within the financial statements was consistent with the audited accounts.
Value for money (VFM)	We had no matters to report by exception on the Trust's VFM arrangements. We have included our VFM commentary in Section 03.
Consistency of the annual governance statement	We were satisfied that the annual governance statement was consistent with our understanding of the Trust.
Referrals to the Secretary of State and NHS England	We made no such referrals.
Public interest report and other auditor powers	We had no reason to use our auditor powers.
Reporting to the Trust on its consolidation schedules	We concluded that the Trust's consolidation schedules agreed, within a £300,000 tolerance, to the audited financial statements.
Reporting to the National Audit Office (NAO) in line with group instructions	The NAO included the Trust in its sample of Department for Health and Social Care component bodies. We reported the unadjusted differences and control recommendations identified during the audit to the NAO.
Certificate	We issued our Certificate in the Audit Opinion on the 28 June 2024.

Executive Summary (continued)

Value for Money

Scope

Auditors are required to be satisfied that Oxford Health NHS Foundation Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditors provide an annual commentary on arrangements published as part of the Auditor's Annual Report.

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Trust committee reports;
- meetings with the Chief Finance Officer, Chief People Officer and former Chief Executive;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Trust management and the finance team.

Executive Summary (continued)

Value for Money (continued)

Reporting

Our commentary for 2023/24 is set in section 03. The commentary on these pages summarises our understanding of the arrangements at the Trust based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2023/24. We include within the VFM commentary below the associated recommendations we have agreed with the Trust.

Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2022/23 Auditor's Annual Report and have been updated for 2023/24.

In accordance with the NAO's 2020 Code, we are required to report a commentary against the three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures, and whether, at the time of this interim report, we have concluded that there is a significant weakness in the body's arrangements.

Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Trust plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weakness identified
Governance: How the Trust ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weakness identified
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	No significant risks identified	No significant weakness identified

Whilst there were no significant risks or weaknesses, we have raised one recommendation under the governance criteria. We identified an instance where members of the Remuneration Committee were provided with a paper via email prior to a settlement agreement with a Senior Director being signed and approved. However, to follow proper governance procedures the Remuneration Committee should have met prior to the decision being made. This would facilitate proper challenge and discussion that is not possible over email. The recommendation and management response is included in appendix B to this report.

Executive Summary (continued)

Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Trust, and its members and senior management and its affiliates, including all services provided by us and our network to the Trust, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

EY Transparency Report 2023

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2023:

EY UK 2023 Transparency Report | EY UK

02 Audit of the financial statements

Audit of the financial statements

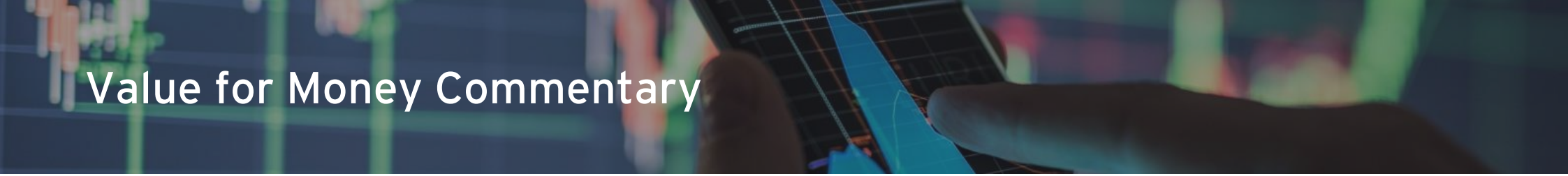
Key findings

The Annual Report and Accounts is an important tool for the Trust to show how it has used public money and how it can demonstrate its financial management and financial health.

On 28 June 2024, we issued an unqualified opinion on the financial statements. We reported our audit scope, risks identified and detailed findings to the 19 June 2024 Audit Committee meeting in our Audit Results Report. We outline below the key issues identified as part of our audit. We reported one significant internal control recommendation the Audit Results Report. In addition, we also reported a number of observations and improvement recommendations in relation to management's financial processes and controls.

Significant risk	Conclusion
Misstatements due to fraud or error – Management override of controls	We have not identified any material weaknesses in the recognition of expenditure. We have not identified any instances of inappropriate judgements or estimates being applied. Our work did not identify any other transactions during our audit which appeared unusual or outside the Trust's normal course of business. However, we have reported a moderate deficiency in control in the Audit Results Report in relation to the volume of manual adjustments made as part of the account's preparation process.
Risk of fraud in revenue and expenditure recognition	We had no matters to report from our work on property, plant and equipment additions and research and development income. There was one identified error within accruals, which resulted in an understatement of £1.6m. This was brought to our attention by management and adjusted in the accounts. We identified the inclusion of NHS and government debts within the bad debt provision, which is not in line with the reporting requirements. As the bad debt provision is immaterial, we did not quantify this, although we did raise in our 2022/23 audit results report an overstatement of expenditure by £1m due to this. We had no further matters to report.

03 Value for Money Commentary



Value for Money Commentary

Financial Sustainability: How the Trust plans and manages its resources to ensure it can continue to deliver its services

No significant weakness identified

The Trust has well established processes and networks for liaising with colleagues at the Integrated Care Board, and across the wider integrate Care System, to understand the level of funding to be received as part of the system level financial envelope. Within the Trust, planning assumptions are in place within professional functions e.g. financial planning assumptions, workforce planning assumptions, and equivalent. NHS England and NHS Improvement provide clear guidance on operational planning requirements and long-term plan ambitions. Whilst there is already good communication between professional functions within the Trust when putting together the plan, work is under way to improve the alignment of planning assumptions so that greater assurance of their consistency, consistent application and testing can be achieved by a central coordinated business planning function.

Each directorate is allocated a cost improvement target for the year and is allocated a finance lead and Project Management Office (PMO) support to review the service plans and support in ensuring that the schemes are deliverable. The ability to deliver the savings in each scheme is assessed by service leads and the PMO team. Financial management review and agree the financial deliverability of schemes providing a check and challenge on the size and opportunity. Additionally, finance sit in the CIP programme board where schemes are presented for additional challenge.

The Trust reports the financial position each month to the Board of Directors through the Integrated Performance Report. There is the ability to flex the financial plan, should it be required, for significant events during the year such as contract variations, winning new business, or in order to achieve greater efficiencies. Approval for flex to budgets must be obtained from both service leads and senior finance staff. The finance team also provide day to day support for the more immaterial financial matters.

Conclusion: Based on the work performed, the Trust had proper arrangements in place in 2023/24 to enable it to plan and manage its resources to ensure that it can continue to deliver its services

Value for Money Commentary (continued)

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

No significant weakness identified

The Audit Committee is the main committee of the Board that has oversight of the risks and internal controls of the Trust. It regularly receives and challenges the corporate risk register which is the document that collates the most significant risks to the Trust, including financial risks. The main mechanism through which the committee discharges its responsibilities in relation to the operation of internal control is through receiving reports from internal audit and holding management to account for addressing recommendations made as part of their work. The internal audit provider also provides counter fraud services which supports the Trust in taking actions to prevent and detect fraud and summaries of these actions are also reported into each Audit Committee meeting.

The Finance and Investment Committee has a significant role in terms of addressing financial risk. It reviews and challenges Trust budget plans and continuously monitors performance throughout the year, before making recommendations to the Trust Board for approval or consideration. There is a detailed budget planning and monitoring process which supports the information reported to the Finance and Investment Committee, led by members of the finance team, to identify early any inherent risks to achievement of plans and develop mitigations to these risks.

Financial monitoring, at a more granular level, is performed through the monthly management accounts process and it is this process that identifies cost drivers and pressures that may impact achievement of target in the current, or future, financial years. Significant concerns emerging through this will feed into the summary of inherent risks reported to the Finance and Investment Committee.

The Trust has a wide range of policies covering expectations and requirements of staff, including policies relating to the conduct of individuals as well as operational practice and patient safety. These policies are developed as a mechanism to ensuring that the Trust remains compliant with legal and regulatory frameworks and, failure of staff to comply with these policies will trigger the Trust's performance management and disciplinary policies.

As part of our audit procedures on exit packages, we found a prior year adjustment was needed within the remuneration report because of a settlement agreement and secondment being agreed at the end of March 2023, but not reported in the 2022/23 remuneration report. As part of our investigations into this, we held discussions with the Director of Corporate Affairs, the Chief People Officer and the former Chief Executive, who was in post at the time of the settlement being agreed, to understand the process for the decision making. As a result of these discussions, we identified that the settlement agreement was not discussed at remuneration committee until May 2023, two months after the settlement was agreed. Members of the remuneration committee were provided with a paper via email prior to the agreement being signed and gave approval on that basis, however, to follow proper governance procedures the remuneration committee should have met prior to the decision being made to facilitate proper challenge and discussion that is not possible over email. We are satisfied this does not warrant a significant weakness; however, we believe it warrants a recommendation as per below. See Appendix B.

Conclusion: Based on the work performed, the Trust had proper arrangements in place in 2023/24 to make informed decisions and properly manage its risks.

Recommendation: In making decisions as a Committee, members of the Remuneration Committee should follow proper governance procedures by meeting to discuss the issue. Approval via email is not sufficient to facilitate proper challenge and discussion.

Value for Money Commentary (continued)

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

No significant weakness identified

In 2023/24 the Trust exceeded performance against the initial budget set and exceeded the national average on the majority of non-financial metrics reported.

The Trust monitors performance through two main routes, financial and operational. Financial performance is monitored through the budget setting and reporting processes through to Board, which are summarised on the previous two slides. Operational performance is also managed through reporting up to the Trust Board on performance against both the national average and internal targets set by the Trust. If targets are not met, an investigation is undertaken to understand the reasons behind the underperformance and the actions to be taken to address performance concerns.

A core element of improving and managing the delivery of services of the Trust is through partnership working –both within the Integrated Care System that the Trust operates and in terms of the provider collaborative arrangements for which the Trust is the lead provider of approximately £120m of services. The Trust manages these partner relationships through engagement at the most senior level –the Chief Executive is the main point of liaison, but all executive team members have a role to play in participation of partner groups in their area of expertise. These executive team members then feed system wide performance and actions into the financial and operational plans of the Trust to ensure that plans are consistent with wider partners. The Board also see a high-level summary of the Integrated Care System performance as a whole, as part of the regular reporting pack.

The Trust has arrangements in place to adhere to procurement legislation through the procurement policy and standing financial instructions and, wherever possible, risks are mitigated by contracting under standard NHS terms and conditions. Operational Services monitor the benefits and performance of services procured, through contract and operational review meetings.

Conclusion: Based on the work performed, the Trust had proper arrangements in place in 2023/24 to enable it to use information about its costs and performance to improve the way it manages and delivers its services.

04 Appendices

Appendix A - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	As part of the budget setting process a list of cost pressures are compiled which details the drivers behind these pressures, the nature (unavoidable, avoidable, mitigated, offset) and the impact on services if these pressures are not funded. They are RAG rated and considered by executive directors to decide how they are managed. Each month, a finance report is presented to the Board of Directors and Audit Committee. This report includes a 'forecast risks and opportunities' section which discusses all significant financial pressures that are relevant to the Trust in the short and medium term. These pressures are then built into the plan for the remainder of the financial year and are also considered when preparing the future budgets.
How the body plans to bridge its funding gaps and identifies achievable savings	The budget is prepared via discussions with the ICB to allow the Trust to understand the funding they are to receive for the future year. This plan is then submitted to NHSI&E, and the Trust is then monitored against this plan. There is a continuous effort to improve spend, however cost improvement programme (CIP) plans are drawn up to meet the annual planning process and deliver against a target to contribute to the delivery of the financial target for that year. Deliverability is assessed by service leads and the PMO team. Financial management review and agree the financial deliverability of schemes, which provides a check and challenge on the size and opportunity of the proposed plans. Additionally, finance sit within the CIP programme board where schemes are presented for additional challenge. We are satisfied the Trust has sufficient plans to bridge funding gaps with the Trust forecasting a surplus.

Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	In FY22/23, CCGs combined to form Integrated Care Boards (ICBs) which have replaced CCGs as the NHS funding channel and strategic commissioning body. This funding is communicated as early as possible in the budget preparation process to the Trusts via the ICB's, which the Trust uses to prepare their yearly plan which is submitted to NHSI&E. This plan is what the trust use to plan their finances to support the sustainable delivery of services. Day to day financial planning will cover smaller scale, immaterial actions. Larger scale actions are picked up via the Trust's planning process, this would include significant financial challenges or proposed service or strategic changes such as implementing a new service. Within each of these, the Finance Department works with the strategy teams and operational teams to put plans together to address issues or to implement new services in line with strategic priorities. The plan changes throughout the year to adapt to any new financial pressures identified.
How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system	Within the Trust, planning assumptions are in place within professional functions, such as financial planning assumptions or workforce planning assumptions. Planning requirements from NHSE/I via operational plan requirements and Long-Term Plan ambitions are clear. Whilst there is already good communication between professional functions within the Trust when putting together the plan, work is under way to improve the alignment of planning assumptions so that greater assurance of their consistency, consistent application and testing can be achieved by a central coordinated business planning function. At a system level, planning assumptions are discussed and agreed by a CFOs group to ensure consistency across organisations. This forms a part of the overall ICS planning and financial management process. Internally, staff costs are a key expenditure stream for the Trust and financial plans are developed with disaggregation between 'pay' and 'non-pay' costs. Pay expenditure plans are developed in co-ordination with HR to ensure consistency with the Trust's staffing needs and anticipated headcount. Agency and bank staff are used to fill the gap between demand and permanent staff capacity and forecasting these needs is a key input to financial forecasting. For income, clinical income is the main revenue stream. Therefore, in the financial plans, income is split between 'Clinical Income' and 'Other Income'.

Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	Financial plans and workforce plans are reviewed throughout the year with forecasts updated. Budgets are flexed part year and where necessary with a full year effect for the following year. There are a variety of factors which give rise to this, such as contract variations, success in tendering new contracts, response to cost pressures funded from reserves e.g. inflation, CIP, opportunities to re-align budgets due to efficiencies. Budgets are maintained and monitored on a monthly basis including Directorate & Trust year end forecast to assess the success of the strategy to manage the risks and to monitor emerging risk and opportunities culminating in a revised strategy, where necessary. Where budgets are flexed, agreement is in conjunction with service leads and requires their sign off as well as finance senior sign off as part of a formal documented process which allows for budget trail and reconciliation to the original plan and that informs next years' budget.

Appendix A - Summary of arrangements

Governance

We set out below the arrangements for the governance criteria covering the year 2023/24

Reporting criteria considerations	Arrangements in place
How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	The arrangements in place at the Trust to gain assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud are the following: - External Counter Fraud Specialist (Previously TIAA in FY22/23, now KPMG for FY23/24) - Quarterly fraud reports - Participation with the National Fraud Initiative - Training and fraud awareness sessions with staff - Internal advertising and communications such as intranet, leaflets, communications issued - Targeted circulars/updates - Audit Committee reporting and monitoring - Annual Fraud Risk Assessment - Annual Self-Assessment Review
How the body approaches and carries out its annual budget setting process	Normal practice in the sector is for annual budgets to be prepared in accordance with guidance published by NHSE/I as part of the broader NHS operational planning exercise. This provides key information against which individual entity plans should be prepared, such as overall funding envelopes and the contracting arrangements between NHS commissioners and NHS providers (which accounts for most of the Trust's income). The budget setting process follows a prescribed timetable. Following budget meetings with budget managers, holders and finance officers consider resources (detailed pay and non-pay) required to deliver planned activity, contractual obligations, and CIP. Inherent risks are considered, and resolution is sought in terms of adjustment to budget, activity and /or mitigation. Where resolution is not achieved, final agreement is caveated and informs the overall risks and opportunities that the Trust is required to manage. The Finance and Investment Committee (FIC) reviews plans and makes recommendations to the Trust Board of Directors for approval. The CFO advises the Board of subsequent amendments to financial plans and budgets. Material changes are subject to Board approval. The CFO agrees with directors risks inherent in the budget (such as achievement of CIP & productivity targets, agency targets, income assumptions, avoidable and unavoidable costs), and develops a strategy to manage the risks in year. This is documented accordingly. The approved budget is maintained and monitored on a monthly basis, including Directorate & Trust year end forecast, to assess the success of the strategy and to manage the risks and to monitor emerging risk and opportunities culminating In revised strategy where necessary.

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2023/24

Reporting criteria considerations	Arrangements in place
How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed	Budget reports are distributed to budget managers on or before the 10th working day following the month reported. Managers meet with finance staff monthly and on an Ad-hoc as required during the month to review the accuracy of the reports which informs the following months report. The discussions consider not only errors but cost drivers (and how they should be reflected in the accounts in line with accounting principles) and good accounting practice in terms of adherence to financial controls and managing risk. Managers meet with finance staff monthly and on an ad-hoc basis as required during the month to review the accuracy of the reports which informs the following month's report. The discussions consider cost drivers and how they are impacting of financial performance and what actions need to be taken achieve performance targets or mitigate against adverse performance within a prescribed timeframe. The outcomes are incorporated into financial forecasts so that the overall full year impact is visible. This facilitates decision making.
How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee	The Trust's budgetary control policy sets out the obligations of budget managers who are required to deliver the agreed service specification within the agreed budget. Material overspending or reduction of income is not incurred without prior consent of the Executive team and the Chief Finance Officer (CFO). The process will initially be in the form of discussions with relevant finance colleagues to consider corrective actions or mitigations. Where there is no potential for resolution, the issues are escalated to budget holders, service leads, directorate leads and senior finance officers before ultimately the CFO & Board. The Trust works with directorates to set in-year (and next year) financial performance targets. Where there is overspending, the Trust and directors consider what level of containment is required, what is the minimum performance required, and what level impacts the Trust overall position. This is done at a directorate level but breaks down to budget areas which drive the performance. Financial performance is monitored monthly through the management accounts, which are prepared on the same basis as the Annual Financial Statements. Performance is monitored on the same basis as the financial statements as it will ultimately be assessed on this basis. NHS financial targets are traditionally taken straight from the performance statement. These accounts are presented at board for consideration. The Trust also makes quarterly submissions to NHSE/I where significant variances from budget are required to be explained. This ensures that all significant variances are well understood and, where appropriate, mitigating actions have been implemented.

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2023/24

Reporting criteria considerations	Arrangements in place
How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee (continued)	We have identified a recommendation relating to governance which is detailed in our Audit Results Report. As noted in the Audit Results Report, a prior year adjustment is needed within the remuneration report because of a settlement agreement and secondment being agreed at the end of March 2023, but not reported in the 2022/23 remuneration report. As part of our investigations into this, we held discussions with the Director of Corporate Affairs, the Chief People Officer and the former Chief Executive, who was in post at the time of the settlement being agreed, to understand the process for the decision making. As a result of these discussions, we identified that the settlement agreement was not discussed at remuneration committee until May 2023, two months after the settlement was agreed. Members of the remuneration committee were provided with a paper via email prior to the agreement being signed and gave approval on that basis, however, to follow proper governance procedures the remuneration committee should have met prior to the decision being made to facilitate proper challenge and discussion that is not possible over email. We are satisfied that this does not warrant a significant weakness; however, we believe this matter warrants the attention of the audit committee.
How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)	Compliance with applicable laws and regulations is dealt with by the relevant Committee and/or Board and any issues escalated through the Trust's management and reporting structure, as well as internal and external audit reviews. The Trust has a wide range of HR policies covering expectations and requirements of staff. This includes policies relating to the conduct of individuals, including anti-fraud, bullying, appearance policies, IT policies and similar. It also includes policies relating to operational practice and patient safety, such as medical devices and patient transfer policies. There are additional policies concerning infection control and medicines management which reflect various legal and practical requirements. Failure to adhere to these policies can result in disciplinary procedures against individuals. All policies are available via the Trust's internal intranet.

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2023/24

Reporting criteria considerations	Arrangements in place
How financial and performance information has been used to assess performance to identify areas for improvement	Budget holders track reporting trends in expenditure over time. This helps them to analyse and understand the significance of month-on-month changes. Variances are explained as expected changes linked to activity or transformation programmes, expected timing differences, or unplanned changes that need investigation and addressing. Financial sustainability needs to focus on the underlying budget that will form the basis of future operations and avoid any confusion through one off (non-recurrent) expenditure skewing the underlying pattern of expenditure. Where appropriate, and proportionate, uncommon or significant non-recurrent expenditure is reported separately. For example, one-off projects or short-term initiatives. Teams need to be aware of the actions that they need to take to influence performance against budget, and this means that budget reports need to be clear and available to more than just business or financial managers. The budget report should help teams understand where performance is not in line with budget so they can start to understand the reason for the over/ underspend. If it is not clear from the budget report where the over or underspend is happening, then budget holders need to know who in the finance team they should contact for assistance. Monthly reviews of budget reports are in place, where significant variances are analysed and explained. The definition of what is regarded as a significant or material variation needs to be clear, both in terms of bottom-line impact or particular lines of expenditure and may be specific to individual budgets. Accurate profiling should minimise variances due to timing differences, so that variances can be based around cost and/or activity factors. Significant variances from budget need to be understood as they may well result from something unexpected occurring. An action plan is agreed to either return to budget or seek additional funding. Explanations for variances are probed to ensure that there is an understanding of their full-year impact and the underlying drivers.

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2023/24

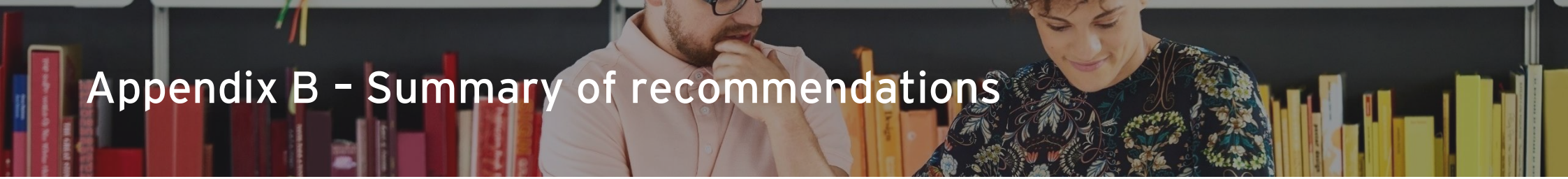
Reporting criteria considerations	Arrangements in place
How financial and performance information has been used to assess performance to identify areas for improvement (cont')	There are two main strands to the Trust's assessment of performance: operational and financial. Financial performance is monitored via monthly management accounts and reported quarterly to the Board. Financial information is disaggregated in management information in the same manner as the financial statements (i.e. income is split between sources and expenditure is split between staff and other costs), with comparison at line level to budget for both actuals to date and full year forecasts and significant variances identified. Beneath the high-level reporting, both budgets and actual performance are split across the different departments of the Trust with individual budget holders responsible for ensuring each department delivers against its budget and providing accurate future forecasts. Staff costs are analysed between permanent staff, agency and bank staff with reasons for variations investigated. Financial position is also reported to senior management, with a focus on cash and working capital positions.
How the body evaluates the services it provides to assess performance and identify areas for improvement	The Trust also has non-financial objectives which focus on the services provided to the Trust's patients. Below are a few examples of the Trust's non-financial objectives: - To provide a wider range of high quality, safe and accessible health care services - To recruit, retain and motivate skilled and compassionate staff who are proud to act as ambassadors of the services they provide - To ensure financial performance provides value for money These non-financial objectives are presented to the Board so that the Trust performance can be monitored against both the national average and internal targets set by the Trust. If targets are not met, an investigation is undertaken in order to understand why and what can be done to improve performance. The Trust has formal policies in place for both staff and patients to raise concerns over the quality of care, including protected means such as whistleblowing. Staff policies encourage people to come forward with concerns. From review of the most recently available Integrated Performance Report at March 2024, and the Trust are performing well compared to national averages.

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2023/24

Reporting criteria considerations	Arrangements in place
How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve	The Trust has two significant partnerships to work within. The first is the local health economy, the Integrated Care System (ICS). The Trust CEO is a part of the Integrated Care Board (ICB) with other executives linked into key partnership groups, such as the CFO group, CPO group, COOs on Ops groups. Procurement is linked into the procurement group. Performance and actions are taken through these various groups and shared within the Trust where applicable. For example, financial performance for all partners is monitored via the CFO group, with corresponding actions being shared informally internally. Performance is shared with the Board monthly via the Board finance pack which includes ICS partner monthly performance summary. The second is the provider collaboratives for which the Trust is the lead provider. There are individual provider collaborative groups involving partner organisations, and an overarching provider collaborative board including executives. These meetings cover performance and agreed actions where applicable.
How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits	The Trust adheres to the Procurement Legislation via Procurement Policy & Standing Financial Instructions when procuring services. Services can be procured via the following processes: written quotes, full competitive tenders, mini competitions under Framework Agreements & where appropriate direct award may be used. All requirements are advertised in accordance with the Procurement Legislation requirements. The selection of suppliers is based on a pre-qualification process that focuses on mandatory and discretionary criteria, which can be tailored to meet specific individual requirements to test technical capability and capacity. Award is then based on quality, reliability, experience, cost & timeliness and where applicable, social value criteria. The Trust contracts using NHS Standard Terms and Conditions with relevant schedules completed to cover service requirements, price, quality, governance, data processing, expected activity levels, performance and reporting requirements. The Trust will also contract, where appropriate using Framework Agreements on the Framework provider's Terms and Conditions. Potential suppliers will have to undertake information governance (IG) assessments. When handling and storing personal identifiable data, suppliers need to be compliant with NHS Data Security Protection Toolkit, and potential suppliers are required to complete a subcontract information form detailing information around indemnity, registration, audited accounts, complaints, health and safety, IG, safeguarding policies etc. Operational Services monitor the benefits and performance via contract and operational review meetings.



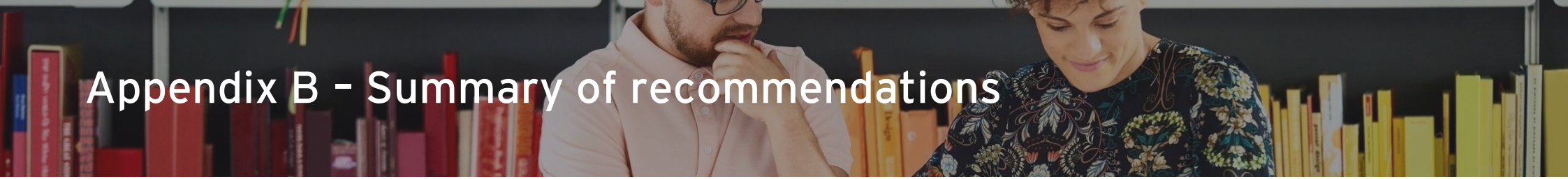
Appendix B – Summary of recommendations

Recommendations

The table below sets out the recommendations arising from the value for money work in the year covered in this report for the year 2023/24.

All recommendations have been agreed by management.

Issue	Recommendation	Management response
Governance		
We identified an instance where members of the Remuneration Committee were provided with a paper via email prior to a settlement agreement with a Senior Director being signed and approved. However, to follow proper governance procedures the Remuneration Committee should have met prior to the decision being made. This would facilitate proper challenge and discussion that is not possible over email.	In making decisions as a Committee, members of the Remuneration Committee should follow proper governance procedures by meeting to discuss the issue. Approval via email is not sufficient to facilitate proper challenge and discussion.	We note the recommendation that it is preferable for the Nominations and Remuneration Committee to meet before any settlement agreements with senior directors.



Appendix B – Summary of recommendations

Recommendations brought forward from 2022/23

No recommendations were made in the prior year arising from the value for money audit in 2022/23.

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