

Auditor's Annual Report on East Sussex Healthcare NHS Trust

2021-22

20 July 2022



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We are required under Section 21(3)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Executive summary



Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Trust has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Trust's arrangements under specified criteria and 2021/22 is the second year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Criteria	Risk assessment	2021/22 Auditor Judgment
Financial sustainability	No risks of significant weakness identified.	No significant weaknesses in arrangement but improvement recommendations made.
Governance	No risks of significant weakness identified	No significant weaknesses in arrangement but improvement recommendations made.
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangement but improvement recommendations made.

	No significant weaknesses in arrangements identified or improvement recommendation made.
	No significant weaknesses in arrangements identified, but improvement recommendations made.
	Significant weaknesses in arrangements identified and key recommendations made.



Financial sustainability

The Trust manages its finances well and has been rated level 2 under the new NHS System Oversight Framework, indicating that NHSE/I does not regard it as a financial risk. In 2021/22, the Trust delivered a breakeven position with efficiency savings of £14.7m, overachieving its planned savings of £13.4m by £1.3m. In April 2022, the Trust submitted an initial draft financial plan for the 2022/23 year which proposed an in year deficit of £7.2m. Following discussions with the Sussex Integrated Care System (ICS) and NHS England/Improvement, the Trust has agreed £4.8m additional funding and required to find further efficiencies of £2.4m which the Trust has agreed to achieve a breakeven forecast for 2022/23. As at May 2022, the Trust had delivered on its planned efficiency programme of £2.5m and is broadly on track with 2022/23 plan at this point of the year. Overall, we have not identified any significant weaknesses in the Trust's financial sustainability arrangements for 2021/22, however we have identified some Improvement Recommendations that would further strengthen the Trust's arrangements.

Governance



Our work focused on the overall governance arrangements in place at the Trust and how this works in the context of the Integrated Care System at Sussex ICS. Reporting to the Board and its sub-committees continues to be good, regular and timely. The Trust is part of the Sussex ICS region and while current arrangements are adequate, there is a need to continue to proactively develop system working at operational and clinical level and to integrate this into the Trust's governance arrangement in line with the NHS England and Improvement's Systems Operating Framework for the benefit of the ICS. The Trust's approach to implementing external audit recommendations from prior year is commendable and the Trust has strengthened controls around procurement in the current year. Overall, we have not identified any weaknesses in governance arrangements for 2021/22, however we have identified some Improvement Recommendations that would further strengthen the Trust's arrangements.



Improving economy, efficiency and effectiveness

Performance monitoring arrangements are firmly established at the Trust and are underpinned by appropriate reporting arrangements. There is evidence of the use of data to understand and improve performance, particularly as part of the Trust Improvement Programme. In common with most other NHS providers, the Trust continues to respond to areas of challenge in performance in key areas of service such as patient waiting times, primarily driven by the consequences of the COVID-19 pandemic. The Trust took over the Spire Hospital lease at the Conquest Hospital site with effect from 1 April 2022. Whilst it is still early to assess the realisation of benefits underpinning the transaction, it is important that the Trust undertakes a rapid integration with the wider Trust in order to unlock the benefits of economies of scales, optimise workforce and mitigate potential delays to optimisation.

The Trust has worked well with partners including the ICS and has an established procurement function that helps drive value for money. We note that the Trust is rated Good overall by the CQC with strong performance and Outstanding rating in 'Effective' and 'Caring' categories but rated as Requires improvement in its 'Use of Resources' and that whilst this was based on the pre-COVID inspection that took place in December 2019, the Trust has continued to work closely with the CQC since then. The Trust manages its strategic risks via the Board Assurance Framework supported by a corporate risk register which appears to work effectively. Our work identified no significant weaknesses in arrangements but we have made improvement recommendations that would further strengthen the Trust's arrangements.

Commentary on the Trust's arrangements to secure economy, efficiency and effectiveness in its use of resources

All NHS Trusts are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Trust's responsibilities are set out in Appendix A.

NHS Trusts report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 3, requires us to assess arrangements under three areas:



Financial Sustainability

Arrangements for ensuring the Trust can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Trust makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the NHS Trust makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Trust delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on each of these three areas is set out on pages 5 to 20. Further detail on how we approached our work is included in the Executive Summary.



Financial sustainability



We considered how the Trust:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Overview

The Trust manages its finances well and has been rated level 2 under the new NHS System Oversight Framework (SOF2), indicating that NHSE/I does not regard it as a financial risk. Overall, we have not identified significant weaknesses in financial sustainability for 2021/22, however we have identified some Improvement Recommendations that would further strengthen the Trust's arrangements.

The underlying financial challenge

The Trust has greatly strengthened its financial resilience since emerging from special measures in 2019.

NHS England and NHS Improvement (NHSEI) have allocated trusts and ICSs to one of four 'segments' that determine the scale and general nature of financial support needed, from no specific support needs (segment 1) to a requirement for mandated intensive support (segment 4). The Trust has been included in Segment 2, indicating that NHSE/I consider the Trust to have good financial management arrangements. We note that the Trust continues to operate within a very tight financial envelope achieving a balanced budget through a combination of one-off efficiencies generated in-year, some recurrent efficiencies and additional one-off funding received from commissioners in 2021/22.

Managing financial pressures in 2021/22

The Trust completed the financial year 2021/22 in a substantively breakeven position. This was achieved in the context of the emergency funding regime imposed by the NHS as a result of the need to manage the additional financial pressures brought by the COVID-19 Pandemic.

In 2021/22, most of the Trust's income was received from its commissioners in the form of block funding arrangements. The level of income received by each trust was agreed by the local health system, the Sussex Integrated Care System (ICS), in the first quarter of 2021/22. The Trust has also received additional income, outside of the block funding arrangements to reimburse specific costs incurred and other income top-ups to support the delivery of services through the pandemic. The aim of these temporary arrangements was to allow the sector to focus on the response to the pandemic and be funded to a breakeven position to support this aim.

The £68k adjusted surplus reported in the financial statements for 2021/22 should be viewed in the context of an 'operating surplus from continuing operations' of £6.5m which was £1.2m below plan but is an improvement on prior year's operating surplus of £6.0m.

Further planned cost pressures in 2021/22 arose primarily from the in-year impact of £7.9m of dividends (up from £5.9m in 2020/21) falling due on the Public Dividend Capital issued to the Trust to help balance its position and this continued to be managed within the Trust's overall finances.

The Financial Plan for 2022/23

Funding arrangements for 2022/23 have changed significantly and the Trust will now be funded as part of the Integrated Care System of NHS providers and commissioners across Sussex ICS. The previous funding method, Payment by Results (PbR), was based on a national tariff for services that did not fully reflect local conditions. For 2022/23 this has been replaced and therefore this will no longer be a driver of underlying deficit for the Trust, as it had been in previous years. It will be up to the new integrated care system under the new Integrated Care Board (ICB) to make sure the Trust is funded appropriately in future.

The Trust was required to submit a draft financial plan on the 17th of March 2022 and a final draft version on 28th of April 2022. These deadlines were appropriately complied with and there was a good level of liaison observed with the local health system throughout the process to ensure that assumptions were aligned, and plans submitted as required. The initial version of the plan proposed a £17.5m deficit but following liaison between the ICS and the NHSE/I, this was reduced to £7.2m deficit, contributing to the overall Sussex ICS deficit plan of £48.2m. Following discussions with the Sussex ICS and NHS England/Improvement, additional funding to the Trust of £4.8m has been agreed and the Trust has committed to find further efficiencies of £2.4m to achieve a breakeven forecast for 2022/23. The Trust's deficit plan of £7.2m included assumptions regarding elective performance gap of £3.0m, costs relating to COVID-19 of £1.5m and approved service developments of £3.9m cost pressure arising from growth of £9.0m. The plan also included £8.7m cost pressures and efficiencies of £21.0m. Further work was undertaken at each iteration of the plan to incorporate additional efficiencies and more up to date assumptions as information including additional income streams and identified costs pressures including inflation became known.

In June 2022, following a period of discussions with the NHSE/I and the Sussex Integrated Care System, the Trust has now agreed a breakeven plan for 2022/23 which includes delivering efficiency savings of at least £23.0m. This efficiency savings target represents 4.0% of the Trust's total operating income of £568.3m in 2021/22. The Trust must complete its efficiency programme development process as a matter of urgency, making sure that schemes are fully developed and supported by robust quality impact assessed QIA business cases and that there is sufficient headroom in the plan to manage slippage.

We note that in preparing the final June plan, the Trust undertook an analysis of risk included in the efficiency programme. The current position is that of the £23m target, £21m has been tied to specific areas of activity or projects within the original iteration of the plan. Within this figure, £5.3m was flagged as potentially at risk, resulting in a downside scenario of £15.8m of deliverable efficiencies against the original target of £21m.

Of the additional £2.4m of efficiencies required for the revised June plan, £1m was flagged as at risk. The Trust is in the process of hardening the efficiency plan and mitigating the downside risk. In our view the Trust has a good starting position to enable it to meet its financial commitments for 2022/23 but will need to focus on fully developing its efficiency plans and ensuring they are delivered to plan.

Due to the relatively healthy cash balances available to the Trust, it has sufficient resources available to support the outturn for 2022/23 in the advent of any slippage on the financial plan target outcomes.

We note that in common with many NHS providers, the uncertainty over future funding arrangements has made it very difficult to develop or update a medium-term financial plan beyond 2022/23. However, post-COVID and with the introduction of the Integrated Care Board there is an opportunity to develop finances for the medium term in dialogue with the ICS.

The Trust must revise its medium-term financial strategy to set out a glidepath to restore an underlying breakeven position in the medium term. This will require close cooperation with Sussex ICB and the NHSE/I to resolve any remaining structural deficit.

Capital Investment Program

The Trust invests in its capital infrastructure to support its strategic aim of ensuring innovative and sustainable care in a clinically safe environment. In 2021/22, the Trust invested £37.9m in various schemes including, £5.0m on improvements of its estates; £1.8m on community diagnostic hub; £3.6m on IT infrastructure; £4.5m on various plant and machinery; £0.5m on first phase of developing a multi-storey car park at its Conquest site and £8.9m on various digital projects described below.

Descriptions (per PFR/TAC forms to NHSE/I)	£'000
Shared Care Records	2,767
Targeted Investment Fund - Technology	2,098
Digital Aspirant	1,600
Diagnostic Digital Imaging (National Funding)	1,322
Diagnostic Digital Pathology (National funding)	903
Diagnostic Digital LIMS (National Funding)	85
Provider Digitisation - Other	67
NHSX Digital Maternity	64
Provider Digitisation - Other	10
Total	8,916

The digital projects accounted for more than a fifth of the Trust's capital investments in 2021/22. Based on the value of these investments, we would recommend that the Audit Committee commissions a review of the post-implementation benefits of these investments in order to ensure that they continue to represent value to the Trust.

Last year, we raised an issue about inclusion of uncommitted costs within the reported capital expenditure balance. We are satisfied that the Trust has resolved the matter appropriately.

Overall, the Trust's investments in property, plant, equipment and IT infrastructure is deemed reasonable in the context of the Trust's current position and we are satisfied with the Trusts management arrangements around the capital programme. We note that the Trust has a high red rated risk in their BAF around backlog maintenance and that they recognise the estate presents a risk. But the Trust is managing this risk within the currently available funding, and has a 'Building for Our Future' investment in the pipeline which would significantly upgrade the estate.

Planning finances to support strategy

The Trust plans its finances effectively to address its overarching strategic objectives. The 2022/23 Financial Plan has been developed in view of the Trust's strategic aims:

1. Collaborating to deliver care better
2. Empowering our people
3. Ensuring innovative and sustainable care
4. Improving the health our community

The financial plan has primarily been concerned with delivering the service to the local population and reducing the planned deficit within the wider strategic financial priorities of Sussex ICS. The Trust's 2022/23 priorities are:

- Deliver 104% of 2019/20 activity baseline and limit patients not meeting the criteria to reside to 50 to maintain acute flow;
- Develop new roles to sustain workforce and new models of care;
- Deliver the financial plan deficit of £7.2m

Aside from the priority to deliver in-year deficit of £7.2m which has been superseded by more recent events, we note that the financial plans are aligned to the Trust's strategic objectives. There is a significant emphasis on ensuring that efficiency schemes are reviewed clinically to manage risks to patient safety and invest in the workforce.

In support of its strategic priorities the Trust invested £2.0m as payment for mutual agreement to terminate the lease of the former Spire facility that is located on the grounds of the Conquest Hospital in Hastings. This presents an opportunity to generate additional private patient income and to be able to recruit and retain additional medical professionals, including those involved in private practice. The take over is in its infancy and we have raised a recommendation on the need to fully integrate the service to maximise the full potential.

Integration with wider plans and the system

The current NHS regime requires trusts to work in regional Integrated Care Systems (ICSs). East Sussex Healthcare NHS Trust falls within the Sussex ICS. Current arrangements in regard to system working are adequate, given the current state of maturity of the Sussex ICS. Since 2020/21 the Trust has advanced system working at operational and clinical level as evidenced by budget discussions and agreements being done in collaboration with the ICS. KPI's for 2022/23 are now being set at both ICS and Trust level. The Trust is looking to take advantage of the system working to resolve issues such as the 'no criteria to reside' which is a blocker to elective patient flow.

In order to optimise the funding available under the Elective Recovery Fund (ERF) the Trust is required to achieve 104% of its weighted elective activity based on 2019/20 (pre-COVID). The Trust has included £10.8m income in its current financial plan for this income, 75% of which may be at risk if the target is not met. We are aware that in the first two months of 2022/23, the Trust is behind plan in working towards this target. We note that the limiting factor for achievement of this is not patient availability (as there is a long waiting queue caused by the impact of covid and long covid), but the availability of hospital beds and workforce.

The Trust assessed as of March 2022 that over 60% of its beds were occupied by patients that had been clinically discharged and were awaiting discharge to the community or looked after in other non-hospital environment.

Tackling this will require the support and co-ordination of wider Sussex ICS partners including local authorities (Adult and Children Services). No firm plans have yet been agreed with the ICS to tackle the issue as a whole care system.

Managing financial risk

A number of risks have been identified within the Trust's financial plan for 2022/23 and these are closely monitored by the Board as part of the Integrated Performance Report and BAF.

As previously noted, there is risk associated with the achievement of the 104% target to access Elective recovery funding. As at Month 2, the Trust was trailing this target, but the plan already includes a risk adjustment of £3.1m which provides some assurance that the risk can be effectively mitigated.

The Trust does not hold significant contingencies within the budget but does have healthy cash reserves (£61.1m as at March 2022 representing more than twice the value of the cost efficiencies the Trust requires in 2022/23). Our overall assessment is that these reserves provide a significant financial buffer that should enable the Trust to manage financial risks in the short term while it develops its medium-term financial strategy.

Our review has confirmed that effective budget management arrangements are in place and the Trust has a good track record of financial delivery in recent years. It achieved breakeven in 2021/22 financial position, in line with the plan agreed with the Sussex Integrated Care System. We note that the Trust was able to draw on significant non-recurrent measures in 2021/22 to manage the position, including overperformance on income and budget underspends in some areas and the likelihood is that further non-recurrent means will be available to help manage the position in 2022/23 (e.g. vacant posts). Overall, the Trust has adequate arrangements in place to manage its financial risks, however the Board will need to remain highly vigilant in regard to budget performance and monthly run rate over the year and be prepared to take urgent action if necessary.



Improvement recommendations

Financial sustainability

Recommendation	The Trust must complete its efficiency programme development process as a matter of urgency, making sure that schemes are fully developed and supported by robust quality impact assessed QIA business cases and that there is sufficient headroom in the plan to manage slippage.
Why/impact	Failure to deliver efficiency savings in the efficiency programme in full, could cause the Trust to fall short of the financial plan agreed with the Sussex Integrated Care System, which is itself under significant financial pressure to deliver overall breakeven.
Auditor judgement	Failure to deliver the Trust's efficiency programme in full is likely to be able to be managed in the short term through use of reserves or one-off measures. However, it will be important to demonstrate that the Trust can meet its financial commitments to the wider care system.
Summary findings	The Trust has a good track record of delivering on its efficiency programme and has delivered millions of savings in the past five years. In 2021/22, the Trust overachieved its savings plan by £1.3m. In June 2022, following a period of discussions with the NHSE/I and the Sussex Integrated Care System, the Trust agreed to a breakeven plan for 2022/23 including delivering an efficiency savings of at least £23.0m in 2022/23, three months into the financial year. The consequences of not agreeing to this efficiency plan which is about £7.2m higher than the efficiency savings submitted in the Trust's earlier 2022/23 plan submitted in April 2022 is that the ICS would be required to produce a detailed workforce analysis bridging from pre-pandemic workforce showing where additional staff have been deployed and a prospective view of where these staff are being used and align this workforce analysis to activity.
Management Comments	The Trust recognises the need to complete the identification and development of current year efficiency programmes, noting that there will always be schemes that are developed throughout the year as part of a rolling programme and "efficiency" is not a once a year task. We have recently held a Efficiency workshop and continue to hold the divisions to account for delivery through the Finance and Efficiency Committee.



The range of recommendations that external auditors can make is explained in Appendix C

Improvement recommendations



Financial sustainability

Recommendation	The Trust would benefit from a post implementation review of capital investments undertaken in prior years in order to gain assurance that the investments represents value for money for the trust. The Audit Committee or most appropriate board committee, may wish to at least once a year review the post-implementation benefits realisation of the Trust capital investments especially the intangible IT investments.
Why/impact	The importance of post implementation review is to evaluate whether project objectives are met and whether the overall project represents good value for money.
Auditor judgement	Improvement recommendation.
Summary findings	Our review of the Trust's 2021/22 provider financial returns submission to NHSE/I identified that the Trust invested £37.9 million in property, plant and equipment during the financial year. Over a fifth of this amount £8.9m was invested in various digital project. We are aware that digitalisation is an enabler for transformation and efficiency and that the benefits of some investments may be clinical governance and not financial.
Management Comments	We recognise the need to undertake more post project implementation reviews, however these need to be proportionate the project and indeed use of committee time. As such we have identified a number we intend to do and are in the process of scheduling these with committees. The first (Nerve Centre impact on the Emergency Department) was undertaken as part of the July committees.



The range of recommendations that external auditors can make is explained in Appendix C

Governance



We considered how the Trust:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

Overview

Governance is the framework by which the Trust is controlled and monitored to ensure that decisions can be made effectively and the relevant people within the organization held to account. Our work indicates that the Trust had an appropriate governance framework, policies and procedures in place. Overall, we have not identified any weaknesses in governance arrangements for 2021/22, however we have identified potential improvement that would demonstrate best practice in this area.

Risk management and controls assurance

The Trust's risk assurance processes are similar to those of most organisations in the sector. There is a three-tier process of managing risk comprising of a Board Assurance Framework (BAF) capturing Trust wide strategic risks, a corporate risk register to capture trust wide operational risks and divisional registers for departmental specific risks. Each risk is mapped to; corporate objective(s) impacted, the committee responsible for monitoring it, current controls for managing the risks, target risk rating and target review date for the risk.

The Trust Standing Financial Instructions and Scheme of Delegations are overarching governance documents and set out the Trust's Risk Management Policy, responsibilities of senior managers, Board and Board Committees.

At each Board meeting members review a summary report on strategic level risks through the Board Assurance Framework. The format of the report ensures the Board are aware of the current position of each risk. The key body responsible for managing operational and clinical risks is the Service Quality and Safety Committee which in turn feeds into the Board.

The BAF is discussed by the Trust Board quarterly and each divisional Risk Register is discussed and monitored at the divisional level.

The Board has sight of risks discussed at the Board Committees via the inclusion of committee reports within its papers each time it meets. Any matters requiring further attention by the Board are escalated by the Committees as required. Each paper submitted to the Board includes a reference to specific BAF risks as part of the covering paper. The review of risks by the Board is sufficiently frequent to provide adequate oversight of emerging risks. BAF risks are developed and discussed by the Trust Management Team on a monthly basis which provides an additional layer of scrutiny.

The Board and its Committees have the opportunity to review the ratings and make changes to ensure they remain reflective of the Trust's operating environment. We note that the risks included are strategic in nature and affect the whole organisation and ensures the Board is focused on the most impactful Trust-wide issues.

The significant risks on the Trust's BAF for 2021/22 are:

- Restoration and recovery – ongoing impact of COVID-19
- The Trust's performance against access standards is inconsistent
- Sustainable workforce
- Investment required for IT, medical equipment and other capital items
- Investments required for estate infrastructure – buildings and environment
- Cybersecurity

These risks are managed at Committees and discussed at the Board with each committee chair.

The Audit Committee has responsibility for supporting the Trust Board on control matters, including the controls in place regarding risk management and oversight of the internal audit function. The Trust has an established internal audit function provided by an independent company. The Trust's Internal Audit Service regularly review matters of compliance, such as data security. We note that due to the impact of COVID-19 during the financial year, the internal audit function is in the process of completing some of their 2021/22 programme including data quality, asset management, discharges, cyber resilience, and building for our future. This, however, did not affect the ability of the Internal Auditors to issue an overall reasonable assurance internal audit opinion based on the internal audit work carried out.

The Trust has arrangements in place to prevent and detect fraud, including a Local Counter Fraud specialist who reports into the Audit Committee and provides an annual report of the work undertaken.

Making informed decisions

Our review of the basis for decision-making at Board level indicated that the Trust brings forward information that is transparent, relevant and proportionate. Major decisions are clearly linked to strategic objectives and risks and use an appropriate level of financial, activity workforce and other relevant analysis.

The Trust as a partner within the Sussex ICS, collaborates with the ICS to agree budgets and report financial performance. The Trust works closely with the ICS and is represented on a number of forums. We note that, other than in regard to finance, where cross working is necessarily close due to the need to manage the financial position as a system, other aspects of system working are still in development and have yet to become an integral part of the Trust's day to day operations. We note that the Trust's 2022/23 plan includes targets for Trust and system wide KPIs.

Implementing appropriate standards

The Trust's arrangements to monitor compliance with legislation and regulatory standards are set out in its Constitution and are reflected in the stated responsibilities set out for each executive director and Trust Committee. Ongoing monitoring of compliance standards come through a variety of sources and is monitored by the Board and Audit Committee, and ultimately by the Board. Standing Financial Instructions (SFIs) and Standing Orders (SOs) underpin the financial processes.

The Trust has made good progress in implementing internal and external audit recommendations, but we note a number of areas that still need to progress (see Appendix D). In the context of our focus on data quality in previous years, we note that The Trust has obtained necessary internal approval to recruit into the Data Quality Lead role in response to an internal audit recommendation made by TIAA. When appointed, the Data Quality Lead would develop policies and governance to ensure data quality metrics could be better improved.

We note progress on last year's recommendation to implement the Data Maturity Assessment findings, but not that this is not yet fully complete. We recommend that the Trust should ensure that the level of assurance obtained over data quality on the key KPI's, is regularly presented to board as part of the IPR. This should cover financial, workforce and other aspects, in addition to clinical data.

Compliance with NHS Constitutional standards (e.g regarding RTT and Cancer waiting times) and 'True North' strategic priorities are integral to the Board's Integrated Performance Report, which is reviewed each month.



Improvement recommendations

Governance

Recommendation	The Trust should ensure that the level of assurance obtained over data quality on the key KPI's, is regularly presented to board as part of the IPR. This should cover financial, workforce and other aspects, in addition to clinical data.
Why/impact	Data quality is vital to equipping the Board and senior managers to make good decisions and to identify and take actions should performance issues arise.
Auditor judgement	The Trust does obtain some assurance on data quality, for example as part of the Quality accounts process, therefore there is no significant risk. However, there is an opportunity to strengthen assurances received by the board.
Summary findings	We note that The Trust has put created the role of in place a Data Quality Lead (and in the process of recruiting into role) to provide assurance on the implementation and maintenance of information quality assurance standards. This post will manage and oversee the Trust's Data Quality Improvement Plan and review the Trust's Data Quality standards. We note that Trust's Performance Data Quality audit included in 2021/22 audit plan was deferred and should be prioritised in 2022/23 Internal Audit programme.
Management comment	Management will review the data quality approach and reporting to IPR.



Improving economy, efficiency and effectiveness



We considered how the Trust:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Overall

Overall, the Trust has robust arrangements to achieve economy efficiency and effectiveness in its use of resources. We have found no significant weaknesses in the Trust's arrangements. We have, however, made some improvement recommendations.

Using data analysis to improve services / Assessing performance

The Trust has a proactive approach to using data to drive improvement. Trust divisional managers and corporate performance teams make use of benchmarking information to understand performance and to look for opportunities to drive improvement. For example, the Trust has been continually monitoring Model Hospital and Getting It Right First Time (GIRFT) data throughout 2021. Also, the Trust's KPI reporting includes benchmarks against national performance and the Trust's ranking across provider trusts in the country.

The Board manages performance across the Trust through the Integrated Performance Report (IPR). The IPR provides the Board with an overview of performance across a range of quality and operational indicators for the month, and cumulative year-to-date position. The report is divided into sections, for directorates including Quality and Safety (Chief Nurse and Director of Infection Prevention and Control's directorate), Workforce (covering recruitment, retention, staff turnover/sickness – report of the Chief People Officer), Financial Control and Capital Development and Access and Responsiveness (the report of the Chief Operating Officer covering NHS constitutional standards including urgent care, planned care and cancer services).

Last year, we made a recommendation on the need to include key financial indicators on the Balance Scorecard section of the Trust's IPR. This recommendation has now been implemented by the trust and

the performance metrics reported now uses a combination of dashboards, narratives and financial data including trends and targets when the Trust has set one for the metrics. The report is understandable and sufficient to assist the Board make informed decisions. Please refer to appendix D for update on all prior year recommendations.

We note that the Trust is rated Good overall by the CQC with strong performance and Outstanding rating in 'Effective' and 'Caring' categories but rated as Requires improvement in its 'Use of Resources'.

Integrated Performance Reporting to the board includes various performance indicators of the Trust including Referral to Treatment RTT, 10+ days, staff turnover metrics and Accident and Emergency A&E waiting times. The KPIs are supported with commentary explaining the performance of the Trust. The Trust also benchmarks its performance where possible to peer e.g. staff satisfaction and morale and Family and Friends Tests FFT. GT also benchmark the Trust's performance against peer organisations across the health sector. Outcome of a selected result of the Trust's benchmarking analytics are disclosed within this report.

Improving economy, efficiency and effectiveness

Service performance

The Trust's Quality and Governance Committee monitors Key Performance Indicators KPIs across a range of services across the Trust. Some of the KPI's measured and reported to the Board are national targets while others are internal to the Trust for the purpose of managing risks and internal performance. Where applicable, the Trust does benchmark its performance against national targets and peers. The May 2022 Board report indicates that, in common with most NHS providers, The Trust has a number of service performance challenges. At the start of 2022/23 performance is still heavily impacted by the impact of the COVID-19 on the sector.

Key performance challenges at the start of 2022/23 include waiting times for cancer treatments, long waits for elective referral to treatment (RTT) and A&E 4-hour waiting times. In addition, there are significant workforce challenges. The Trust monitors performance against pre-COVID targets and NHS standards, and therefore some of the underperformance is quite pronounced. However, our own benchmarking of Trust performance under COVID conditions, using the latest publicly available data, provides assurance that the Trust was at least in line with most other Trusts across most metrics during 2021/22.

The Trust is making good progress against the 18-week RTT (particularly in regard to reducing very long waits) and Cancer waits, although is benchmarking marginally high against sickness absence and staff turnover. We also note that performance against A&E waits have deteriorated over the last 6 months.

These indicators are being regularly monitored by the Board and mitigation actions have been allocated to responsible senior managers. This demonstrates that the Board has a good grip of service performance and is actively managing the pressures caused by the COVID-19 pandemic.

Trust's performance indicators - Operational and Other indicators (2022)

	2021/22 Target	National Performance	Trust's Performance	Comment
RTT < 18 week waits	>92%	76.0%	66.5%	Building back towards target and on an improving trajectory - ranked 39 of 112 Trusts in January 2022. National Performance (average) taken in October 2021.
Cancer 62 day waiting times	>85%	Not available	69.90%	Slightly below target but above NHS average of 61.3%.
A&E 4-hour wait	≥ 95%	62.0%	72.80%	February 2022 performance, directly related to a high level of exit block as a result of a low number of discharges and poor access to social care funded beds.
All staff turnover	≤ 9.9%	11.0%	11.10%	Remains problematic up to March 2022, however international recruitment of nurses, retention schemes and take over of Spire expected to ease the position. National Performance (average) taken in September 2021.
Staff sickness	≤ 4.5%	5.0%	5.4%	COVID-19, isolation rules in place during the year are now being lifted and infection rates are reducing and sickness is on an improving trajectory. National Performance (average) taken in August 2021.
Friends and Family Test (FFT) - Outpatient Services (Patients likely to recommend Trust Services)	≥ 95%	92.0%	99%	The Trust is performing exceptionally well and has the confidence of the population it serves. National Performance (average) taken in September 2021.

*National Performance based on nationally available NHS data

Improving economy, efficiency and effectiveness

Partnership working

Our discussions with Trust management indicates that engagement with the Sussex ICS has been good from a Trust perspective, the ICS is developing in its role of providing system leadership.

We are satisfied that the Trust has engaged effectively at a strategic level through the following means:

- Board members engaged in ICS-level discussions/ decisions, within well established governance structures.
- Board members engaged in locality-level discussions/ decisions, within well established partnership structures
- Key clinical/ operational staff engaged in cross-system working
- Use of comparative data to monitor Trust's contribution to broader partnership working Effective Internal - risk management assisting in identifying risks that may constitute risk at an ICS level.

The new Sussex Integrated Care Board was formally created on 1 July 2022. This will represent a significant step forward in providing leadership for the ICS as it will be a statutory entity with its own management team and its own powers of decision making over funding allocations and oversight of the other partners.

Our review of the Trust's April 2022 Board reports, we noted that 60% of the Trust's inpatient bed base was not available for available for non-COVID patients in March 2022. This was primarily due to hospital beds being occupied by 250 patients who were no longer meeting the criteria to continue to reside in hospital as inpatients and a further 120 'medically ready to discharge' patients. The Trust has set a KPI for 2022/23 at maximum of 50 beds to be absorbed in this way as a necessary step in managing the discharge of patients into the community.

We have recommended that this development will provide a good opportunity for the Trust to engage with the ICS to develop a longer-term solution to system-wide issues, such as the reduction in beds occupied by patients who have no criteria to reside in hospital, but cannot be discharged due to a lack of places in the community.

Procurement and Commissioning

The body has a comprehensive procurement strategy in place covering the period 2019-22. This Procurement Strategy covers the financial year under review but not 2022/23. We have recommended the Trust updates its Procurement Strategy to include all applicable government legislations including the Government's green plan. The current Strategy explains how the Trust will conduct its procurement activity in order to increase the efficiency and effectiveness in purchasing and supply management, enabling optimisation of the money available to fund patient care. An effective procurement process is applied to major projects as well as general supplies and clinical supplies across the Trust. During our interview with the Procurement team, the Head of Procurement demonstrated how the Procurement team uses the NHS Supply Chain online catalogue and ordering portal to source supplies at the most economic value for the Trust, thereby driving economy.

In 2021/22, efficiencies savings attributed to the Procurement team at £4.0m was the single largest contributor to the Trust efficiency programme. The Head of Procurement is also an attendee of the Capital Resource Group.

The Trust is able to measure the proportion of its non-payroll costs managed through compliance with the purchase order (PO) process. The importance of ensuring procurement input in the procurement process is primarily to achieve value for money and to ensure the Trust remains compliant with the relevant procurement regulations. The data provided by the Trust shows that compliance record was calculated in 2021/22 which shows that 81% of its spend by value or 85% of spend by volume is covered by some form of purchase orders. This is commendable and the Trust should continue to work towards ensuring more transactions are pre-negotiated to achieve economy.

The Department of Health and Social Care requires Trusts to have in place a Board-approved Green Plan. The Director of Estates & Facilities has produced the Trust's Green Plan which sets out plans to help the Trust achieve the NHS net zero carbon targets for 2040 – 2050. Public Sector Decarbonisation (PSD3), a central government grant funding towards qualifying schemes became available for which the Trust applied and has been awarded £27.9m to fund qualifying schemes.

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation

The Trust should refresh its Procurement Strategy during 2022/23 ensuring that the revised document enshrines all existing government legislation and best practices including the drive towards a greener more sustainable economy.

Specifically, the Trust should consider how it can move further away from using single tenders by actively promoting the use of competitive tenders and quotes for procurement activities. This is important for a number of reasons:

- Firstly, it helps the Trust to evidence the value for money VFM assumptions of its procurement options,
- It prevents overreliance on any single supplier and eliminate risk of single point of failure that could arise from potential collapse of the supplier as has happened with certain suppliers,
- It eliminates the risk of the Trust being treated unfairly in commercial contract that could arise from overreliance on one supplier especially if the supplier is not regulated through a national procurement framework.

The Audit Committee should continue to challenge the use of single tender waivers and management should also prohibit its use.

Why/impact

Procurement is a major enabler for the Trust's efficiency programme and use of single tender waivers when avoidable may impact the Trust's ability to fully realise its savings efficiency plan.

Auditor judgement

Improvement recommendation.

Summary findings

The Trust has a Procurement Strategy document which is due for review after 2021/22.

The Trust uses single tender waivers cautiously. During 2021/22, over £4.4m worth of supplies and services were reported to have been procured through the use of single tenders for the first eleven months of the financial year. Two common reasons for use of single tender are 'genuine reason for continuity and compatibility' and 'risk where timescales/urgency genuinely exceed time to competitively tender/quote'. The Audit Committee regularly monitors the use of single tenders.

Management comment

Agreed the Procurement Strategy is due for review and will be undertaken in 22/23.



Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation	The Trust took over the Spire Hospital facilities with effect from 1 April 2022. The Trust should ensure close monitoring of financial performance of the acquired business in order to ensure benefit underpinning the transaction is realised and also to ensure that the Trust does not subsidise the cost of running a Private Practice Unit
Why/impact	Post Event Assurance PEA review and monitoring will enable the Trust optimise the value of the investment.
Auditor judgement	Improvement recommendation.
Summary findings	<p>The Trust took over the Spire Hospital facility that is located on the grounds of the Conquest Hospital in Hastings (after a mutually agreed process) and now has full control of the facility with effect from 1 April 2022. Our review of the business cases submitted to the Board identified some of the following as merits underpinning the transaction:</p> <ul style="list-style-type: none"> ▪ Access to capacity including facilities and staff ▪ Economy of scale from use of facility to provide more work at marginal cost ▪ Ease of recruitment of medical professionals interested in private practice and opportunity for existing staff to TUPE into the Trust ▪ Opportunity for the Trust to build a Private Practice Unit <p>Business case provided to the Board prior to completion (close-out) included information on options available to the Trust while recommending an option to acquire the business and exchange considerations and the basis for setting those considerations.</p>
Management comment	A robust governance process surrounding Sussex Premier Health (trading name of the Trust's private patient business) will be established as part of the onboarding of the ex-Spire facilities.



Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation	Trust management need to seek pragmatic solution to the persistent issue of 'no criteria to reside patients', which will greatly benefit the local health and social care ecosystem. The Trust should work closely with ICS partners and leverage the new ICB to prioritise the development of a system wide solution to the issue.
Why/impact	No criteria to reside creates significant inefficiency in the Trust's use of available beds for admitted patients and adversely impacts the Trust's ability to increase patient activity and/or make cost efficiencies.
Auditor judgement	We do not consider this risk to be significant in isolation, however with the advent of the new ICB we think there is a good opportunity to begin to address a longstanding issue in the local care system.
Summary findings	<p>Our review of the Trust's April 2022 Board reports, we noted that 60% of the Trust's inpatient bed base was not available for available for non-COVID patients in March 2022. This was primarily due to hospital beds being occupied by 250 patients who were no longer meeting the criteria to continue to reside in hospital as inpatients and a further 120 'medically ready to discharge' patients. The Trust has set a KPI for 2022/23 at maximum of 50 beds to be absorbed in this way as a necessary step in managing the discharge of patients into the community.</p> <p>The Trust is required to achieve 104% weighted activity of 2019/20 and has included associated adjusted income in the 2022/23 budget towards this income. Achievement of the 2022/23 plan could be impacted by the reduction in the number of beds used patients that have been discharged but yet to vacate the hospital beds.</p>
Management Comments	This is a common theme across the NHS and is not particular to the Trust. Notwithstanding this, this area remains a key focus for management however is not something that will be "solved" but instead mitigated as far as possible. We continue to work with colleagues in the ICB for pragmatic solutions including the development of virtual wards.



The range of recommendations that external auditors can make is explained in Appendix C

Opinion on the financial statements



Audit opinion on the financial statements

We anticipate providing an unqualified opinion on the financial statements prior to the national deadline of 22 June 2022.

Preparation of the accounts

The Trust provided draft accounts in line with the national deadline and provided a good set of working papers to support it.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation



Appendices

Appendix A – Responsibilities of the NHS Trust

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The accounting officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The accounting officer is required to comply with the NHS Trust annual reporting manual and the Department of Health & Social Care group Accounting Manual and prepare the financial statements on a going concern basis, unless the Trust is informed of the intention for dissolution without transfer of services or function to another entity. An organisation prepares accounts as a 'going concern' when it can reasonably expect to continue to function for the foreseeable future, usually regarded as at least the next 12 months.

The Trust is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Appendix B – Risks of significant weaknesses, our procedures and findings

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Risk of significant weakness	Procedures undertaken	Findings	Outcome
None	Not applicable	Not applicable	Our planning and preliminary assessment work did not identified risks of significant weaknesses in the Trust.

Appendix C – An explanatory note on recommendations

A range of different recommendations can be raised by the Trust's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Trust. We have defined these recommendations as 'key recommendations'.	No	N/a
Improvement	These recommendations, if implemented should improve the arrangements in place at the Trust, but are not a result of identifying significant weaknesses in the Trust's arrangements.	Yes	Financial sustainability – see pages 8 & 9 Governance – see pages 12 3Es – see page 16, 17 & 18

Appendix D – Follow-up on prior year(2020/21) VFM audit recommendations

Our review of the status of all nine 9 recommendations made during the 2020/21 value for money audit identified that the Trust has substantially implemented five 5 of the audit recommendations and are in the process of implementing the remaining four 4 recommendations listed below. We note that all but one recommendation on ‘data maturity’ is dependent on the ICS and we are satisfied that the Trust has good governance arrangements over implementing audit recommendations. The Trust’s approach to implementing GT’s prior year audit recommendation on capital investment is commendable. In prior year, GT had identified that the capital investments values were overstated and our follow-up during this year’s audit noted that the Trust had established adequate oversight over the capital investment reporting including use of internal audit services to provide additional assurance that the process was free from misstatements in current year.

Recommendation	Management Comment	Progress	Status
6 – ICS governance alignment			
As the ICS Strategic Delivery Plans and governance at the system level are finalised, the Trust should review its own decision making and governance processes to ensure these are properly aligned with the system and that it is clear and transparent where decision making steps sit.	Agreed, we will work with the ICS to ensure alignment of governance.	Where possible the Trust has aligned local governance. For example ESHT has local committees/meetings reflecting the ICS split of Elective (including recovery), Urgent and emergency care and Community Boards. We have requested that the ICS produce a governance mapping as this has come up within our contracting meetings around duplication, we have been awaiting this update now for several months although we don’t believe it is causing material issues. The ICS governance is still developing and changing and will likely continue to do so as they formally become the Integrated Care Board later in 22/23. We will continue to monitor the situation and amend our governance as appropriate, however this is likely to be a longer-term project as the system matures.	Recommendations reliant on further work by ICS (where the Trust has implemented elements within its control).
8 – ICS metrics			
As governance and reporting of performance at the ICS level develops, consideration should be given to the inclusion of some wider ICS performance measures (potentially those which are considered to be clearly within the sphere of influence of the Trust) within the IPR.	The development of ICS metrics will be shared when they are agreed by the ICS.	These are still under development by the ICS.	Recommendations reliant on further work by ICS (where the Trust has implemented elements within its control).
4 – Risk management			
As the ICS governance and risk management is developed, Trust management should consider how strategic risk management at the provider and ICS level is dovetailed, to ensure significant risks are properly considered and discussed at each level of governance appropriately.	Agreed, the trust is beginning to highlight key risks to the ICS. This process will be embedded through the ICS Quarterly Provider Assurance Meetings (first meeting 19th July 2021).	The ICS quarterly provider assurance meetings are now established and proving effective for escalating risk position. This is supported by wider ICS governance such as “Finance Leadership Group” (all system CFO’s) where we are able to highlight financial risks on a timely basis as part of a monthly reporting cycle. This approach is mirrored for other key functions (system quality, HR and operational meetings). This Recommendation is considered complete noting that it will need to be kept under review as the ICS matures.	Recommendation in progress.
9 – Data maturity			
As the Trust emerges from pandemic operations, we would recommend that priority is given to the implementation of recommendations made in the Internal Audit Data Maturity Assessment.	Agreed, a data maturity plan will be developed	Action not yet complete. Has been delayed by the further covid pandemic.	Recommendation in progress.

Appendix D – Follow-up on prior year(2020/21) VFM audit recommendations

Recommendation	Management Comment	Progress	Status
1 – Capital controls Trust management should review processes, methods and assumptions around: budgeting for capital expenditure, and around review/approval at senior management/Board/Committee level of the capital program; and management, monitoring and provision of assurances to Board (and other Committees) around the capital programme.	The original capital plan (see F&I 19 June, paper 3(b)) was £24.424m, potentially increasing to £33.5m with additional bids. ESHT received additional funding after month three, although by month nine ESHT had accepted capital of £47.7m. It is accepted that the actual spend of £37.4m was disappointing. Actions include agreeing to a two year forecast with a monthly track against spend by project and a month nine check of progress on actual building projects. The Trust has commissioned an external review into the capital processes due to report in September, any recommendations not already actioned as part of the internal response will be considered and implemented as appropriate..	The Trust commissioned a deep dive review into the year-end capital position and process led by RSM Tenon which concluded in October and made 38 recommendations. In parallel and as response to the recommendations management has undertaken a significant development programme around capital controls. Most significantly: Revamp of reporting suite; Investment in the capital team resource with a finance capital business partner Issuing of guidance to service leads on accrual process; Running a M9 soft close process on the capital accrual mimicking year end (supported by guidance documents); Establishing a capital sub-committee to F&I to be able to both respond rapidly to short timeframes on national bids and to allow additional time for review of capital position; and Development of a three-year capital plan. Internal audit are currently undertaking a review of the implementation of the 38 recommendations and RSM Tenon are auditing the M9 capital accrual. The outcome of these reviews will be reported to the committee in due course. Overall, whilst there are some lower priority actions still to conclude management believe we have addressed the material substance of this recommendation.	Substantially complete
2 – Review of PM3 software There should be an efficient post-implementation review subsequent to the embedding of PM3 in the Trust and implementation of its functions for CIPs management and GIRFT benchmarking processes. Carrying out this review early on would help to ensure that the benefits envisage in the tendering process for the system are monitored and realised, and would highlight any needs for training/development and investment to ensure the Trust obtains the full benefit.	Agreed, PM3 is already being used by the Programme Support Office. We agree to an early review (potentially by month 9) in order consider whether to roll out PM3 across ESHT.	PM3 has been in use in the Trust for a year now, initially the focus was very much on efficiencies, however due to the COVID pandemic efficiencies were then stood down for the majority of 2020/21, but it continued to be used to track delivery of those schemes that had already been approved and could be delivered as well as new schemes from October 2020 and beyond. As the system was functioning as expected, it was shown to other areas and they were keen to start using the system and PM3 is now being used by the GIRFT team, Digital PMO, Building for our Future Team and Pharmacy have recently requested to use the system to track their projects. The Business Development team have only had light use of the system and expect to increase use of the system as part of the planning round for 2022/23. We have recently been asked to give access to the PIFU Digital lead who works for the Sussex Health and Care Partnership – which demonstrates the benefit of having one version of the truth and collaborative working. A QA review by the supplier has demonstrated that usage of the system to track risks, issues, assumptions and dependencies was good as was the use of gateways which demonstrates good controls. There is some work to be done on benefit tracking as this is only actively being used with efficiencies, but this may be due to the stage that some of the projects are at in the other areas. This is something that we did not have the ability to do with the previous system. This action is considered substantial complete.	Substantially complete

Appendix D – Follow-up on prior year(2020/21) VFM audit recommendations

Recommendation	Management Comment	Progress	Status
3 – CIP development Management should take advantage of the slightly longer lead in time allowed for CIP planning during 2021/22 (given the staged requirement of 2% for the year while Restore and Recovery processes take place) to ensure that discussions with divisions fully review each plan as to whether it is a one-off saving or whether it can be delivered recurrently. Divisions should be required to plan for a higher proportion of recurrent CIPs to ensure the sustainability of the programme over the next 5 years.	The need to deliver against a significant restore and recover target, with reduced covid funding, means that the recurrent component of CIP delivery is likely to be a lower proportion than previous years. However the Trust is focussing on transformational projects that will deliver recurrent benefit over time.	<p>Whilst there was a slightly longer lead in time for 2021/22, the impact of the 2nd wave of COVID resulted in operational colleagues needing to focus on the response to this and providing care to our patients.</p> <p>For 2021/21 we are on target to deliver the planned efficiency level, which is higher than the planning guidance recommended, albeit as pointed out in the management comment the recurrent element is lower, this is largely due to the transition back to BAU working patterns and the funding regime making it hard to recognise items such as ERF over-performance as recurrent.</p> <p>The planning for 2022/23 has begun and the Trust is taking a longer term view, with looking at transformational opportunities and how these may be delivered over the coming years, rather than just looking at the year ahead.</p> <p>As the recommendation was targeted at 22/23 and the Trust is in-line to deliver its plan we consider this action complete.</p>	Substantially complete
5 – ICS Risk management As the ICS governance and risk management is developed, Trust management should consider how strategic risk management at the provider and ICS level is dovetailed, to ensure significant risks are properly considered and discussed at each level of governance appropriately.	As the ICS governance and risk management is developed, Trust management should consider how strategic risk management at the provider and ICS level is dovetailed, to ensure significant risks are properly considered and discussed at each level of governance appropriately.	<p>The ICS quarterly provider assurance meetings are now established and proving effective for escalating risk position. This is supported by wider ICS governance such as “Finance Leadership Group” (all system CFO’s) where we are able to highlight financial risks on a timely basis as part of a monthly reporting cycle. This approach is mirrored for other key functions (system quality, HR and operational meetings).</p> <p>This Recommendation is considered complete noting that it will need to be kept under review as the ICS matures.</p>	Substantially complete
7 – IPR improvements The IPR could be improved by the inclusion of some key financial indicators of performance in the Balanced Scorecard section, and by the inclusion of a brief summary/overview section in the Financial Control and Capital Development section. This would contribute to increasing Board member and other user’s rapid interpretation and understanding of the financial position of the Trust.	Agreed, further development of IPR financial reporting has already been drafted and will be embedded by October.	<p>The financial reporting to IPR has been completely overhauled with clearer reporting including summary slides.</p> <p>This Recommendation is considered complete.</p>	Substantially complete

