

The Walton Centre NHS Foundation Trust

Auditor's Annual Report for the
year ended 31 March 2023

29 June 2023



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We are required under Schedule 10 paragraph 1(d) of the National Health Service Act 2006, 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 Foundation Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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 2022/23 is the third 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	2022/23 Auditor judgement on arrangements
Financial sustainability	No risks of significant weakness identified	A No significant weaknesses in arrangements identified, but two improvement recommendations made to support further enhancements in the Trust's arrangements.
Governance	No risks of significant weakness identified	G Our work did not identify any areas where we considered that key or improvement recommendations were required
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	A No significant weaknesses in arrangements identified, but one improvement recommendation made for the Trust to ensure the draft Procurement Strategy is finalised, ratified and issued at the earliest opportunity.

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.



Financial sustainability

We reviewed the Trust's arrangements to manage its finances and its ongoing work to identify savings schemes and planning its finances in the medium term.

Our work has not identified evidence of significant weaknesses within the arrangements in place. However, work is needed across the system to develop a MTFP to address the system's underlying deficit, and to identify recurrent savings. Also, it was apparent that late in the process adjustments were made to the draft accounts. Late adjustments limit opportunity for scrutiny. As such, we have raised two improvement recommendations which have been accepted by Management. See pages 7 to 15 for more detail.



Governance

We reviewed the Trust's arrangements for ensuring appropriate decisions are taken in the right way.

Our work has not identified any evidence which leads us to conclude that there are weaknesses present which require recommendations to be raised. See pages 16 to 20 for more detail.



Improving economy, efficiency and effectiveness

We reviewed the Trust's arrangements for improving the way its services are delivered.

Our work has not identified evidence of significant weaknesses within the arrangements in place. However, we have raised one improvement recommendation which has been accepted by Management. See pages 21 to 29 for more detail.



We have completed our audit of your financial statements and issued an unqualified audit opinion on 29 June 2023, ahead of the statutory deadline of 30 June 2023, following the Audit Committee meeting on 19 June 2023. Our findings are set out on pages 30 to 33 and in further detail within a separate report, the Audit Findings Report.

Securing economy, efficiency and effectiveness in the Trust's use of resources

All Foundation 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.

Foundation 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) 03, 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 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.

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Board and committee reports
- Regular meetings with Senior officers
- Interviews with other Board members and management
- Attendance at Audit Committee
- Considering the work of Internal Audit
- Reviewing reports from third parties including the Care Quality Commission and correspondence with NHS England
- Consideration of other sources of external evidence such as the NHS National Staff Survey, Healthwatch reports etc
- Reviewing the Trust's Annual Governance Statement and other publications



Our commentary on the Trust's arrangements in each of these three areas, is set out on pages 7 to 29.

The current NHS landscape



National context

As we emerge from the worst of the COVID-19 pandemic, the health and care sector continues to face extreme challenges. The backlog of postponed procedures and operations makes elective recovery a priority. Waiting lists are higher than they have been for a decade and those waiting the longest are often those with additional complexities. There are numerous workforce pressures including retention, recruitment, reducing reliance upon bank and agency staff and having staff with the right skills delivering the right services. The introduction of Integrated Care Systems has changed the NHS Landscape and encouraged greater partnership working not only with other health organisations, but also social care and Local Authority bodies. Shifting from the Commissioner / Provider model to system working will take time and relies upon the creation of strong and trusted relationships at both a senior and middle management level.

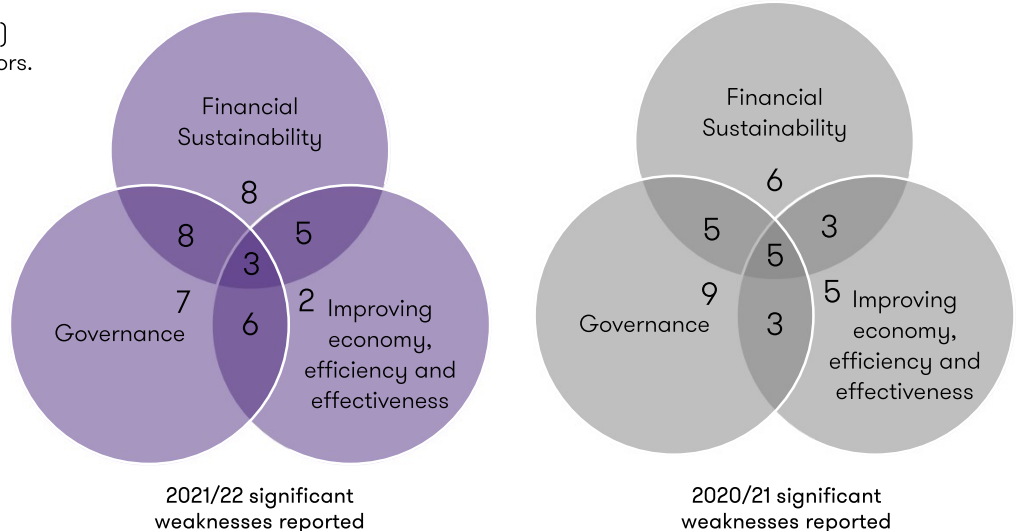
The changes in government leadership, coupled with the cost of living pressures, has meant that 2022/23 is seeing attention returning for grip and control over finances. The block funding seen during the pandemic is shifting to activity based and the regulators are expecting high clinical standards and improvements through savings or productivity to be delivered. Cash balances remained high during the pandemic which have initially allowed non-cash savings to be realised. However, cost savings or productivity improvements will now be required which necessitate wholesale redesign of services and the delivery of savings at a scale not seen for some years. Funding has increased from 2019 levels and yet productivity has not. The scale of transformation required to deliver more for less will take time to deliver.

In 2021/22, the NAO published the Auditor’s Annual Report for 204 NHS Trusts. Of these, 39 (19%) reported significant weaknesses in their value for money arrangements identified by their auditors. Of these:

- 3 Trusts had weaknesses identified in each of the three Code criteria areas compared with 5 in 2020/21
- 19 Trusts reported two significant weaknesses compared with 11 in 2020/21
- Financial Sustainability and Governance were the two Code criteria with the greatest number of significant weaknesses identified (24 each across a total of 37 Trusts). In 2020/21 Governance was the Code criteria with the greatest number

Overall, more Trusts had significant weaknesses reported in their Auditor’s Annual Report than the prior year (36 in 2020/21). Whilst Improving economy, efficiency and effectiveness and Governance received a comparable number of reported significant weaknesses, there was an increase in the number of Trusts with significant weaknesses reported for their Financial Sustainability arrangements.

Due to the financial pressures being experienced by the NHS in 2022/23 and the greater focus from Government and Regulators, it is highly likely that this trend will continue.



The current NHS landscape (continued)



Local context

The Walton Centre is the only specialist hospital trust in the UK dedicated to providing comprehensive neurology, neurosurgery, spinal and pain management services.

The Trust serves a catchment area of circa 3.5 million people across Merseyside, Cheshire, Lancashire, Greater Manchester, the Isle of Man, North Wales and beyond. While the Trust's main hospital site is situated in Fazakerley, Liverpool, services are also delivered through service partnerships with 18 NHS hospitals across the areas it serves and through the Cheshire and Merseyside Major Trauma Centre Collaborative and Cheshire and Merseyside Rehabilitation Network.

The Trust is now part of the wider Cheshire and Merseyside Integrated Care System (ICS). ICS' s are partnerships of organisations which come together to plan and deliver joined up health and care services and to improve the lives of people living and working in the area.

Each ICS has a statutory NHS Integrated Care Board (ICB) and a wider Statutory Integrated Care Partnership (ICP).

NHS Cheshire and Merseyside Integrated Care Board is responsible for making decisions about health services across nine places across the Cheshire and Merseyside area.

Cheshire and Merseyside Health and Care Partnership, the ICP, meanwhile, brings together a wider range of health and social care partner organisations, including local authorities, and wider public sector and community organisations, to improve the health and wellbeing of the population of Cheshire and Merseyside.

The Cheshire and Merseyside health and social care system (CMICS) is complex and, like many other ICSs, faces significant financial and non-financial challenges.

Within CMICS there are 2.7 million people living across areas of both significant wealth and substantial deprivation. The mental and physical health and care challenges are faced by some of the most deprived neighbourhoods with the greatest health inequalities in England. 35% of the population are deprived, and 26% of children live in poverty. People in the most deprived areas of CM can live 15 years less than those in the wealthier areas. These challenges result in reduced quality of life - increased mental health problems in adults and children; higher death rates than the England average due to heart disease, cancer, respiratory conditions, alcohol and drugs. The ICB, ICP and NHS providers are developing their longer-term plan to address these challenges.

On behalf of the wider ICS, the ICB has submitted a £51.2 million “deficit” financial plan for 2023/24 with an underlying deficit of £389.8 million to NHS England. The ICS-wide plan included a ‘system efficiency’ target of £388.7 million which represents 6.5% of the ICB allocation. Within this recurrent savings represent £307.4 million (79%). NHS providers within the system, including the Trust, recognise a collective responsibility to deliver these additional savings but acknowledge that doing so will be challenging.

It is within this context that we set out our findings on the Trust's value for money arrangements in 2022/23 and make recommendations to support improvements in its management of value for money in 2023/24.

Financial sustainability



We considered how the Foundation Trust:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them 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 which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans

National context

In 2010/11, just 5 per cent of NHS trusts and foundation trusts in England overspent their annual budgets. By 2015/16, two-thirds of trusts (66 per cent) were in deficit. The latest NHS deficit position within the 2023/24 financial planning submissions was reported to be £3 billion.

Systems are expected to work together to find sufficient savings to deliver balanced budgets. But savings on the scale required are very challenging. They require system transformation and strong partnership working with Local Government and the voluntary sector. Savings need to be recurrent and focus on patient pathways redesign. This is hampered by the annual financial planning requirements and short-term funding allocations.

We analysed what Trusts outlined in their financial reporting to board and found that the majority (69%) cited under-delivery against their cost improvement plans (CIP) as the key factor for deficits. Other factors included

- COVID-19 spend being higher than planned
- cost inflation being higher than funding
- higher temporary staffing (bank and agency) costs due to substantive staff shortages and staff absences, and
- under delivery against the elective recovery fund (ERF)

2021/22 financial plans were based upon inaccurate historical activity, inaccurate financial baselines and included operational assumptions which have not been achievable. Nearly half (47%) of Trusts cited unplanned operational pressures impacting on their financial performance. Given the ongoing operational pressures, and the competing demands for resources between elective recovery and urgent care, it seems reasonable to assume that the national financial position will not be recovered for some time.

Short and medium term financial planning

2022/23 Performance

The Trust made a net contribution to the Cheshire and Merseyside Care System's (ICS's) overall deficit position of £29.6m for 2022/23 by achieving a surplus of £3.6m which is £1m ahead of the planned surplus of £2.6m.

The performance is acknowledged by the Trust as being driven by the final Welsh contract being higher than plan; unplanned for rises in Bank of England interest rates and additional higher than planned vacancy levels not backfilled with bank/agency staff. We did not note any impact on performance as a result of vacancy levels.

The Trust's capital expenditure was £9.95m compared to plan of £8.4 million; and the Trust's cash balance as at 31 March 2023 was £47.7 million.

Late adjustment to 2022/23 draft accounts submission

Following discussions with the wider system and feedback from Business Performance Committee regarding consistency between 2021/22 and 2022/23 financial positions two late adjustments were processed totalling £0.7million:

- Increase in provision for potential challenges between Band 2 and Band 3 gradings £0.2 million
- Annual Leave Accrual Increase £0.5 million

We understand the Audit Committee Chair was alerted to this late change. Whilst the value is not material, we consider that late changes should be avoided to allow sufficient time for scrutiny of the appropriateness of any such adjustments. As such we have raised an improvement recommendation on page 14.

Financial sustainability (continued)

Short and medium term financial planning (continued)

2023/24 financial planning

The Trust's submitted plan for 2023/24 includes a surplus of £3.8 million net of a Cost Improvement Plan (QIP) of £7.5 million which represents 4.3% of total operating income.

Whilst the plan indicates that £5.6 million of QIP is rated high risk, it indicates that £1.9 million QIP is fully developed, and £3.7m is in progress. This represents 74% of the total requirement in total. The continuing work to identify and deliver recurrent QIP is a vital element of ensuring longer term financial sustainability both at Trust and system level.

As such, we have raised an improvement recommendation on page 15 for the Trust and system partners to continue their work to deliver a medium-term financial plan.

We set out 2021/22, 2022/23 planned and actual financial performance and 2023/24 plan in these tables

* Information taken from audited month 12 TAC submission for 2021/22 and draft month 12 TAC submission for 2022/23	2022/23	2021/22	Information taken from FPR submission for 2023/24	2023/24
Planned surplus/(deficit)*	£2.604m	£ (240)k	Planned surplus/(deficit)	£ 3.822m
Actual surplus/(deficit)*	£3.646m	£ (94)k	Planned surplus/(deficit) as a % of income	2.17 %
Adjusted surplus/(deficit)*	£3.825m	£ 138k	Planned QIP	£ 7.52m
Planned capital spend*	£8.413m	£9.826m	Planned QIP as a % of income	4.3%
Actual capital spend*	£9.954m	£ 10.941m	Planned QIP (recurrent/non-recurrent)	Recurrent 100% - £7.52m (reflecting ICB/NHSE agreement)
Planned CIP * (recurrent (r)/non-recurrent (n))	£4.947m total £4.092m r £855k n	£2.652m total Split not available on TAC forms	Planned QIP schemes rated amber/green	£1.955m/26%
Actual CIP* (recurrent (r)/non-recurrent (n))	£4.947m total £3.292m r £1.655m n	£ 2,570m £0.744m r £1.826m n	Year end cash position	£50.865m
Year-end cash position*	£47.719m	£ 40.724m		
Reference costs score taken from NHS England National Cost Collection website	not yet available	119		

Financial sustainability (continued)



Cost Improvement Plans/QIP

- CIPs are individual trusts' efficiency targets, which are reported to NHS England and aggregated up to give a national figure
- The efficiency targets are set at the beginning of the financial year based upon the expected costs set against the projected income for each trust
- CIPs can be delivered from reducing costs or improving productivity
- CIPs can also be recurrent (delivered every year going forward), or non-recurrent (made in one year but incurred in the following year)
- They can also be cash releasing or non-cash releasing
- Over the past decade, Trusts have never delivered more than 5% on average
- The danger of a national efficiency assumption historically is that it has been treated as the 'balancing item' against the overall financial allocation for the service

Identifying savings

The Trust has a track record of delivering financial plans and remaining in a surplus position. As such, the Trust has been allocated into segment 1 (no specific support needs) as part of the NHS system oversight framework.

In October 2022 a CIP update was taken to Business Performance Committee. This provided an Overview of the Cost Improvement Plan; Implementation Plan and delivery of the plan; Costings and further work to be undertaken to deliver. This reported the process to manage and report the CIP Programme as follows:

- Weekly CIP meetings held with divisions and corporate departments. As part of the meeting the divisions and/ or departmental heads (both clinical and corporate) report back to the Chief Operating Officer (COO) and the Chief Finance Officer (CFO) on their progress against the delivery of their CIP targets. This includes assurance on actions being taken to mitigate delays or slippage from identified schemes. Departmental heads are supported by their finance leads.
- All schemes to have a completed Electronic Quality Impact Assessment (EQIA) undertaken and signed by the Chief Nurse Officer (CNO) and Medical Director (MD) before CFO approves and budgets adjusted in the ledger
- A weekly Finance, Operations and Performance meeting has been implemented with both the finance and operational teams to look at both finance and performance this is chaired by the COO and the CFO.
- CIP to be discussed in monthly divisional finance meetings.
- CIP report to be provided to the Transformation Board that feeds into the Business Performance Committee and a monthly update is included on the Integrated Performance Report.

For 2022/23, internal reporting indicated full delivery of CIP. Per the month 12 financial performance presented to May 2023 Trust Board planned CIP of £4.9 million was delivered consisting of £3.3 million (67%) recurrent and £1.7 million (33%) non recurrent. This compares to planned recurrent CIP forming 83% £4.1 million. However, it is still the case that in 2022/23 the Trust is not overly reliant on non recurrent measures to achieve its savings targets. Review of finance reports during the year did not indicate any risks to CIP delivery. The Trust also has a CIP tracker used by Finance to monitor delivery against individual plan. This is used to produce the financial performance report to Committee and Trust Board.

For 2023/24 the Financial Plan includes £7.52 million QIP representing 4.2% of total operating expenses. Per ICB/NHSE directions all of this is deemed recurrent. Identified schemes in development as at May 2023 total £5.6 million (74%).



Financial sustainability (continued)

Financial planning, strategic priorities and other operational plans

Trust

The Trust's Strategy for 2022/25 includes Finance and Commercial development as an enabling strategy in the achievement of its five strategic ambitions which will enable the Trust to continue to deliver world-class care to its patients and their families: Education, training and learning; Research and Innovation; Leadership; Collaboration; Social responsibility.

The Finance and commercial development 'enabling strategy' refers to maximising use of resources, improving productivity and ensuring it gets maximum return on capital investments, as capital resources become more constrained in the Cheshire and Merseyside system. The enabling strategy identifies system influences on it. These include the underlying deficit of the Cheshire and Merseyside system stating that: "We will work with our partners in health and social care as a member of the Cheshire and Merseyside ICS to achieve financial stability across the region."

The Trust's strategy refers to the interlinking enabling strategies of Quality; People; Digital; Estates, facilities and sustainability; Finance and Commercial development; Communications and marketing; Charity. As such, the related plans are deemed as aligning to ensure delivery of the overarching strategy.

The revenue implications of capital plans are factored into Financial Planning. All capital business cases include analysis of revenue expenditure impact of the capital projects, including depreciation and Public Dividend Capital.

System

As noted on page 6, on behalf of the wider ICS, the ICB has submitted a £51.174m "deficit" financial plan for 2023/24 with an underlying deficit of £389.784m to NHS England. The ICS-wide plan included a 'system efficiency' target of £388.7 million which represents 6.5% of the ICB allocation. Within this recurrent savings represent £307.4m (79%).

Chief Finance Officers across the system met recently to commence work on developing a financial strategy. But currently there is no formal medium term financial plan at organisational or system level within the Cheshire & Merseyside health system that identifies future savings targets and how they will be delivered.

A co-ordinated medium-term financial plan, including savings targets and details of how these will be delivered is vital to ensure the financial sustainability of the Cheshire and Merseyside care system.

As such, we have raised an improvement recommendation on page 15 that system partners work together to develop a system MTFP.

Financial impact from workforce planning

- The Government has committed to publishing an NHS workforce plan, for the staff numbers needed to maintain the workforce over the next five to fifteen years
- It has also commissioned Health Education England to review trends in the health and regulated social care workforce
- There is a target for 50,000 more nurses by the end of March 2024 but think tanks have expressed concern that demand for nurses is increasing faster than supply
- The goal of 26,000 more primary care professionals appears on track, but the number of GPs has decreased
- NHS figures indicate more people are joining than leaving the NHS. However, vacancies have increased in recent years. September 2022 had 133,450 vacancies recorded across the NHS with 47,500 of these for nurses
- The NHS uses internal 'banks' of staff and external agencies to fill vacancies. Staff supplied by agencies cost on average 20% more than NHS bank staff. The NHS England spend on agency staff was £2.44 billion in 2020/21

Financial sustainability (continued)

Manging risks to financial resilience

The Trust's financial planning arrangements demonstrate awareness of key risks to achieving its plans. The Trust's financial plan for 2023/24 presented to Business Performance Committee and Trust Board include a commentary on key financial risks and the final iteration of the Plan presented to Trust Board included mitigations to key risks.

The iterations of the 2023/24 Financial Plan presented to Business Performance Committee in March and May 2023 and to Trust Board in May and June 2023 included pages outlining the key risks to delivery of the plan. These cover income risks, expenditure pressures, operational considerations and local system risks.

The final version of the Financial Plan presented to Trust Board in June 2023 also included mitigations for key financial risks. These included:

Risk: ICS partners performance – may put pressure on organisations that can deliver to improve positions to help towards those that can't.

Mitigation: Regular meetings with senior ICS leaders. Discussion at a CEO and Chair level to discuss potential impact of this on Trust performance.

Risk: Actual elective activity below levels required to deliver elective recovery targets, resulting in lower than anticipated income through commissioner aligned incentive payment contracts that monitor and pay elective activity on a cost per case basis.

Mitigation: Performance monitoring through weekly performance meetings with corrective action taken as needed. Providing mutual aid in relation to spinal activity will help mitigate against under-performance. Monitoring of activity performance will be undertaken by Business Performance Committee.

Risk: Delivery of CIP/QIP programme – The delivery of recurrent CIP/QIP which is at a level the Trust has never delivered before.

Mitigation: weekly: Finance and transformation teams working in collaboration with Divisions on scheme identification and delivery. Reporting of QIP delivery and progress will take place through Strategic Project Management Office (SPMO), and Business Performance Committee (BPC) on a monthly basis (through the Integrated Performance Report). The Trust is also participating in site joint committee and C&M collaboration of scale meetings.

Risks to financial resilience continue to be monitored by Business Performance Committee via their oversight of BAF Risk 003 System and Finance.

Financial Governance

Annual budget setting

There is evidence of engagement within the Trust and with system partners in annual budget setting. The annual financial plan includes risks to achievement.

The Trust engaged with Cheshire and Merseyside system partners during the 2023/24 financial planning process including the weekly system Finance Director meetings. The Trust received feedback from the ICB on requirements to ensure the Trust's plan is reflective of delivery of the system wide plan. Thus the final system submission on 4 May 2023, included the Trust's planned surplus of £4.079m

The Business Performance Committee and the Trust Board were kept regularly updated with progress in developing the budget for 2023/24.

The Annual Financial Plan is developed in alignment with the annual business plan. The annual planning process requires collaborative working between finance, HR, operational and clinical staff as such this helps ensure that elements such as workforce and clinical plans will inform the budget planning.

The financial plan updates presented to Business Performance Committee and Trust Board during the planning process identified internal and system wide risks to the plan.

Budgetary control

Financial performance is a key objective for managers in terms of the reporting, identification of risks and responses to these risks.

Review of senior Managers job descriptions confirms the inclusion of Responsibilities for Physical and Financial Resources. Further, section 3 of the Trust's Standing Financial Instructions sets out the responsibilities of budget holders in relation to budgetary control and reporting.




Budget statements are provided each month to budget holders which are used to inform the monthly budget review meetings held with the Finance Team. A "Finance Dashboard" is provided to Divisions each month highlighting key areas of focus.

A detailed financial performance report is presented to each meeting of the Business Performance Committee and Trust Board. The paper sets out budgeted and actual performance at Trust and divisional level along with variances to budget both in-month and for the year-to-date. There is adequate supporting narrative to explain variances and detail is provided on the forecast year end out-turn position. The detail in the report covers the overall surplus/deficit position, cash balances, capital, efficiency savings and bank and agency staffing.

Follow-up of previous recommendations




Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1 The Trust should develop a medium-term financial plan working closely with ICS Partners and the new Integrated Care Board	Improvement	June 2022	The Trust confirmed that a medium-term financial plan had not yet been prepared, although there is a five-year capital plan in place. We are aware that system Chief Finance Officers have met to initiate the development of a MTFP to address the system's underlying deficit.	continuing	We have raised a fresh improvement recommendation for the Trust to continue working with system partners to develop a Medium-Term Financial Plan to address the system's underlying deficit. See Improvement Recommendation No.2

Improvement recommendations

Recommendation 1	Following discussions with the wider system; and feedback from Business Performance Committee, a sub-committee of Board, requested a check on 25th April after initial review of the 2022/23 financial position for consistency between 2021/22 and 2022/23 financial positions two amendments totalling £0.7 million were made. Management should have considered the changes at an earlier stage of the draft accounts closedown.
Improvement opportunity identified	Management should be fully transparent with TCWG in relation to variances to forecast outturn and the Trust should avoid late adjustments to its financial performance
Summary findings	Business Performance Committee, a sub-committee of Board requested on 25th April after initial review of the 2022/23 position for a consistency check between 2021/22 and 2022/23 financial positions prior to submission of draft accounts. Following Business Performance Committee a review took place and adjustments were made which resulted in a £0.7 million reduction in the Trust's operating surplus. Whilst not material, we do not consider this good financial management as the assessment of whether the liabilities were sufficient should have been undertaken during the closedown period. We understand that TCWG were informed and hence were provided with all the information prior to approval of the accounts.
Criteria impacted	 Financial Sustainability  Governance  Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Business Performance Committee, a sub-committee of Board requested on 25th April after initial review of the 2022/23 financial position for consistency between 2021/22 and 2022/23 financial positions. The Finance team then reviewed and made the appropriate adjustments.

Progressing the actions management has identified to address the recommendations made will support the Trust in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Recommendation 2	Close work should continue with Cheshire and Merseyside system partners and the Integrated Care Board to develop a medium-term financial plan.
Improvement opportunity identified	A co-ordinated medium-term financial plan is vital to ensure the financial sustainability of the Cheshire and Merseyside care system.
Summary findings	On behalf of the wider ICS, the ICB has submitted a £51.174m “deficit” financial plan for 2023/24 with an underlying deficit of £389.784m. The ICS-wide plan included a ‘system efficiency’ target of £388.7 million which represents 6.5% of the ICB allocation. Within this recurrent savings represent £307.4m (79%). NHS providers within the system, including the Trust, recognise a collective responsibility to deliver these additional savings but acknowledge that doing so will be challenging. Currently there is no medium-term financial plan at organisational or system level within the Cheshire & Merseyside health system that identifies future savings targets and how they will be delivered. System partners have met to commence the process of developing a MTFP.
Criteria impacted	 Financial Sustainability  Governance  Improving economy, efficiency and effectiveness
Auditor judgement	Our work has not identified significant weaknesses in the Trust’s arrangements, but we have identified an improvement recommendation which, if implemented, should further improve the arrangements in place.
Management comments	The Trust is working closely with Cheshire and Merseyside system and partners and will work towards the completion of a 3 year medium term plan for the Trust.

The inclusion of this improvement recommendation reflects Cheshire and Merseyside’s financial sustainability challenges and the need for the system to develop a co-ordinated medium-term financial plan to address these.

Progressing the actions management has identified to address the recommendations made will support the Trust in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Governance



We considered how the Foundation 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 effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour

National context

With the impending introduction of Integrated Care Systems in 2022 and following on from the pandemic which saw governance stripped back to basics, it is not surprising that the greatest number of significant weaknesses reported in 2021/22 related to governance.

Common themes seen across provider Trusts included:

- Strategic risks not being appropriately mitigated
- Risk management arrangements not being robust throughout the organisation
- CQC required improvements not be progressed at an appropriate pace, particularly for Emergency services and Maternity

We are seeing more higher profile cases of Leadership over-ride within the press which is an indication of poor governance and Trusts should ensure that they are maintaining high standards in all their arrangements.

Risk management and internal controls

Board Assurance Framework

The Trust's Board Assurance Framework (BAF) reporting arrangements enable the Trust Board to focus on key risks and proposed changes to risk scores.

The Board Assurance Framework (BAF) is reviewed by the Executive Directors; Quality Committee; Research, Innovation and Medical Education Committee; and Business Performance Committee meetings where the committee members are asked to confirm that the risks are being identified and managed appropriately, identify and recommend any improvements that need to be included as part of the BAF and provide feedback on proposed changes to be made to the BAF. The BAF is then presented directly to Trust Board on a quarterly basis providing an opportunity to review and refresh, with engagement from the Board to direct and agree the requirement for additions or amendments. The Trust Board is asked to consider whether the BAF entries are an accurate reflection of current risk exposure. This ensures robust governance around managing the Trust's strategic risks in addition to monitoring through the organisation's governance structure.



The Board Assurance Framework (BAF)

- The BAF brings together in one place all of the relevant information on the risks to the board's strategic objectives
- They should remain a live document and drive strategic risk management across the Trust and in Board agendas
- Assurances in place and gaps in controls should be mapped to each risk, drawing on many sources of information including internal audit and external regulators
- Using a scoring matrix, risks can be assessed to allow greater scrutiny to those most significant
- We have assessed that with too many strategic objectives or too many risks, it is difficult to maintain a meaningful BAF

Governance (continued)

Operational risk management

The Trust's Internal Auditors provided "High Assurance" that core risk management controls have been adequately designed.

The Trust refreshed both its Risk Management Policy and its Risk Management Framework during the year. The purpose of the Policy is to define the framework and systems used by the Trust to identify, manage and eliminate/reduce to a reasonable level risks threatening the Trust's ability to meet its objectives and achieving its values. The purpose of the Framework is to:

- Define and set out the benefits of risk management and what drives risk management within the Trust
- Help the Trust to understand risk appetite and tolerances
- Set out our objectives to continuously improve our risk management arrangements
- Outline how the Framework relates to the Trust's wider strategic ambitions
- Assess the current status of risk management within the Trust
- Identify a series of risk management objectives
- Outline the approach to implementation and monitoring
- Describe the relevant compliance and assurance arrangements regarding risk management within the Trust.

MIAA completed a review of the Trust's core risk management controls during the year. The assurance level provided was "High Assurance: There was a strong system of internal control which was effectively designed to meet the system objectives." MIAA found that overall control design for risk management within the Trust was robust. Governance processes were clearly defined including roles and responsibilities, risk management training needs have been identified, and reporting processes have been outlined clearly.

	2022/23	2021/22
Annual Governance Statement (control deficiencies)	0	0
Head of Internal Audit opinion	Substantial Assurance	Substantial Assurance
System Oversight Framework segmentation	1	1
Care Quality Commission rating	Outstanding	Outstanding

The Trust's performance against key governance metrics is set out in the table above.

Governance (continued)



The System Oversight Framework

- Introduced in July 2021
- All bodies receive a rating
- The framework is built around five national themes that reflect the ambitions of the NHS Long Term Plan:
 - quality of care, access and outcomes
 - preventing ill health and reducing inequalities
 - people
 - finance and use of resources
 - leadership and capability

Every NHS body receives a rating of 1–4:

1. Consistently high performing
2. Plans that have the support of system partners in place to address areas of challenge
3. Significant support needs against one or more of the five national oversight themes
4. Very serious, complex issues manifesting as critical quality and/or finance concerns that require intensive support

Internal control and informed decision making including the Audit Committee

We did not identify any evidence of significant weaknesses in internal control.

Our attendance at Audit Committee meetings confirms that Those Charged with Governance provide effective challenge of officers. Our review of Trust Board and Committee papers evidences appropriate challenge from members of these fora and does not indicate a lack of transparency in decision making.

There is an effective internal audit function in place to monitor internal controls.

Internal audit (IA) and Counter Fraud Services are undertaken by Mersey Internal Audit Agency (MIAA). MIAA reports state that MIAA operates systems to ISO Quality Standards; and that the last external assessment completed in 2020 concluded MIAA fully complies with PSIAS.

MIAA attend each Audit Committee providing a progress report and also provide a “follow up” report stating management progress in implementing recommendations to enhance internal controls.

MIAA completed 12 audits in 22/23 of which assurance levels were assigned to 9. MIAA issued 1 High assurance, 4 Substantial assurance, 3 Moderate assurance and 2 Limited assurance opinions in year. The two limited assurance reports related to Management of Controlled Drugs and Sickness Absence. Each of these reports had two high risk rated recommendations.

The Trust’s Internal Audit Annual Report & Head of Internal Audit Opinion 2022/23 states that the number of open recommendations as at 25 April 2023 is 19, 3 of which are high risk relating to the reviews of Management of controlled drugs and IT infrastructure housekeeping. It also states that all 3 recommendations are partially implemented. We thus have assurance that the high risk recommendations related to sickness absence has been implemented and that progress is being made in implementing controlled drugs recommendations.

The Annual Internal Audit report states that “During the course of the year we have undertaken follow up reviews and can conclude that the organisation has made good progress with regards to the implementation of recommendations.”

The overall assurance level for the period 1st April 2022 to 31st March 2023 is “**significant assurance**” This is awarded when “*there is a good system of internal control designed to meet the organisation’s objectives, and that controls are generally being applied consistently.*”

As such, there are no significant gaps in internal controls and due progress is being made in responding to MIAA recommendations.

Progress reports are taken to each Audit Committee by the Local Counter Fraud Specialist.

As at April 2023, there is one ongoing investigation which will be taken into 2023/24. The progress reports communicate key messages in relation to strategic governance, counter-fraud activities and holding the organisation and individuals to account.

Governance (continued)



NHS Leadership

- Leadership plays a key role in shaping the culture of an NHS organisation
- NHS leaders are facing considerable challenges, including significant financial and operational pressures and high levels of regulation
- This is reflected in high vacancy rates and short tenures among senior leaders that risk undermining organisational culture and performance
- Many of the recent NHS failures have come from poor leadership. This may be a focus on one aspect of delivery at the expense of another, e.g. prioritising financial performance over clinical care
- Senior leadership should welcome honesty in their assurances, creating an environment where staff can be open and flag risks
- Boards should remain alert to the question, “could we have a problem and how do we know we don’t”?

Standards and behaviours

Our VFM review and financial statements audit did not identify evidence of unlawful decision-making, or gaps in arrangements to ensure compliance with standards and behaviours.

The Trust has arrangements in place to ensure compliance with regulatory standards and legislation. Policies are in place such as:

- Code of conduct for Board Directors
- Standing Financial Instructions
- Scheme of reservation and delegation of powers
- Anti-Fraud, Bribery and Corruption policy.

Alongside these, registers of interests, gifts and hospitality are maintained; and Fit and Proper Persons Tests are regularly undertaken. Our review of these confirmed that the registers and declarations are up to date.

The Trust has arrangements in place to ensure legislative and regulatory standards are met when procuring or commissioning services

The Trust's draft Procurement Strategy contains an aim "Best practice, standards, and guidance". This includes the requirement to ensure that legislative and regulatory standards are met when procuring or commissioning services. Likewise, the aim "Continuing Professional Development - this reflects the need for staff to be up to date with regulations. We understand that the Strategy is shortly to be finalised.

MIAA undertook a review of governance arrangements in place at Health Procurement Liverpool which included reviewing a sample of contracts to ensure compliance with regulations. The report did not include any exceptions in relation to regulations.

Further to this Business Performance Committee meetings receive a "Commitments Progress Summary" summarising commitments the Trust has made and progress against these. The March 2023 commitment report stated a RAG rating of Green for the commitment "Where organisations choose to buy capability, they should ensure that they compete requirements in the open market using the preferred Frameworks of Frontline Digitisation (HSSF or CDIS). Specific approval of the purchasing framework should be sought prior to the finalisation of the commercial strategy to ensure that the best value for money is obtained"



Governance (continued)

Appropriate governance arrangements are in place to support the partnership working across the system.

For example:

Cheshire and Merseyside Acute and Specialist Trusts Provider Collaborative (CMAST)

The Trust is a member of CMAST. The Joint Working Agreement and Committee in Common Terms of Reference provide sound governance arrangements. The Board has oversight from the Chief Executive Officer updates on CMAST activity.

Health Procurement Liverpool (HPL)

The Trust is a member of HPL an alliance of four specialist Trusts within the system (Alder Hey Children's NHS Foundation Trust, Clatterbridge Cancer Centre NHS Trust, Liverpool Heart and Chest Hospital NHS Foundation Trust and The Walton Centre NHS Foundation Trust).

The Trust's Internal Audit Plan included an audit to consider the governance arrangements for the Procurement collaborative.

MIAA issued their report in May 2023 providing an opinion of "substantial assurance": "There is a good system of internal control designed to meet the system objectives, and that controls are generally being applied consistently". The review identified that HPL had processes in place for operating in line with Partner Trust requirements whilst ensuring local processes were underpinned by Standard Operating Procedures. The report also confirmed that a Procurement Board is in place attended by partner Trust Chief Finance Officers and the Associate Director of Procurement.

HPL's Associate Director of Procurement, and Head of Procurement attend the Trust's Finance and Performance Group (FPG) meetings to provide a Procurement update. The Audit Committee meeting held in April 2023 received a HPL Annual Progress Report. There is thus oversight and scrutiny of this partnership.

OneAdvanced Cloud Ransomware attack in August 2022

On Thursday 4th August 2022, OneAdvanced experienced a disruption to their systems that was determined to be the result of a cybersecurity incident caused by ransomware. The provider reported that customer groups impacted directly or indirectly included eFinancials which is the Trust's financial system.

We confirmed that the incident did not affect the Trust directly. The Trust's financial system is hosted on a local server, and not in the affected cloud infrastructure. However, the Digital function reviewed Cyber response processes and took steps to temporarily harden the Trust's cyber perimeter whilst the attack was ongoing.

The BAF includes a strategic risk ID 011 Cyber Security. The risk is described as "If Cyber Security attacks continue to evolve and grow then the Trust may be subject to a successful attack which may lead to service disruption, loss of data and financial penalties". Business Performance Committee monitors ongoing mitigation of the risk. We note that the risk appetite is averse ("prepared to accept only the very lowest levels of risk, with the preference being for ultra-safe delivery options, while recognising that these will have little or no potential for reward/return"). The risk rating as at quarter 4 2022/23 is 15. The key controls in mitigating this risk include the receipt of Advance daily national update.

The Trust's Business Continuity and Disaster Recovery Policy was refreshed and approved in April 2023. The refresh was not undertaken in direct response to the incident but evidences the Trust's keeping its arrangements under review.

Improving economy, efficiency and effectiveness



We considered how the Foundation 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

Use of financial and performance information

Performance Reporting

Comprehensive performance information is provided to the Trust Board enabling monitoring of the Trust's performance and identification of areas for improvement. Good use is made of graphics to facilitate identification of areas requiring focus.

Each Trust Board meeting receives the latest Integrated Performance Report (IPR).

Performance is based on four aspects; performance in month, trend/variation, whether the target is within variation and external benchmarking. The Key Performance Indicators (KPIs) cover the four strategic themes of:

- Operations and Performance
- Workforce
- Quality
- Finance

A table at the beginning of the report highlights indicators by those which are High Performing (achieving target or improvement), Opportunity for Improvement (improving but not hitting target, or underperforming compared to peers, and Underperforming (not hitting target consistently or performance significantly decreasing).

This summarises the high performing measures, opportunities for improvement measures and underperforming measures succinctly which enables the Board to easily identify the areas they need to focus on.

Each KPI has graphics illustrating whether it is part of Single Oversight Framework; mandatory KPI; and where feasible (e.g. if benchmarking data is available) "Assurance Icon" providing assurance thus: in month performance against target; whether any SPC variation rules have been triggered; target achievability; Trust comparison to benchmarked data. This is illustrated overleaf...



Improving economy, efficiency and effectiveness

Use of financial and performance information continued

 = Part of Single Oversight Framework  = Mandatory Key Performance Indicator

Assurance Icons (Colour Key)

All metrics now have an Assurance Icon consisting of 4 components. These give assurance on; in month performance against target, whether any SPC variation rules have been triggered, whether the target is achievable, and how the organisation compares to benchmarked data.



Improving economy, efficiency and effectiveness

Use of financial and performance information continued

Performance in the IPF report links to the Board Assurance Framework. For example, quality links to BAF risk 1 Quality Patient Care. Integrated Performance Report Quality metrics are included as a measure of how the effectiveness of controls are being assessed. This provides additional oversight and scrutiny of performance and impact of actions to improve performance.

Data Quality

The Trust has adequate processes in place to improve and maintain data quality in relation to financial and performance information.

The Trust has a current Data Quality Policy which states that overall monitoring will be provided monthly by the Information & Data Quality Assurance Group as designated by the Business and Performance Committee. The Business Performance Committee held in March received a key issues report from the Information & Data Quality Assurance Group meeting held in February 2023. The report stated that Data Quality KPIs were on the agenda. The Committee was informed that the Trust's Data Quality Maturity Index is currently one of the top performing in the country at 99.5%, but this is a slight decrease compared to the previous score of 99.7%. The Committee was alerted to the risk to that performance following a change in staffing.

An Internal Audit data quality review report was taken to Audit Committee in April 2023. The report focused on the Pressure Ulcers (PU) and Health Care Acquired Infections (HCAI) KPIs which are both included in the Quality suite of KPIs. The opinion provided was “Moderate Assurance”: *There was an adequate system of internal control, however, in some areas weaknesses in design and inconsistent application of controls puts the achievement of some aspects of the system objectives at risk*.. One high risk and one medium risk rated recommendations were raised. Assurances were provided to the Audit Committee in relation actions being taken to address these.

Bespoke Grant Thornton performance benchmarking tool

Using our bespoke Grant Thornton benchmarking tool, we have used NHS performance data to provide a comparison for your Trust against other organisations as well as assessing trend analysis across historic data.

Overleaf is a sample of benchmarking data related to your Trust highlighting workforce KPIS which you are keeping under review as part of your IPR. Performance of these indicators is monitored by Business Performance Committee.

Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement (continued)

Staff sickness absence rate

● Organisations ● Average ● Selected organisation



Staff turnover stability index

● Organisations ● Average ● Selected organisation



Workforce pressures

There are significant workforce challenges across all roles and all regions. Many bodies are reporting that the recruitment and retention of skilled and experienced staff is their greatest risk.

How the NHS found itself in this position is a complex picture; a perfect storm.

- **Historic understaffing:** inadequate workforce planning with insufficient funding and infrastructure
- **Declining wellbeing:** delivering care amid persistent staff shortages with agency staff and normalised increased workloads
- **Early retirements:** staff choosing to retire earlier than planned has reduced both capacity and experience
- **Poor retention:** greater workloads and stressful working conditions have increased attrition
- **Pay pressures:** recent strike action has highlighted the level of feeling from NHS workers

Improving economy, efficiency and effectiveness (continued)



Care Quality Commission

CQC is the independent regulator of health and social care in England. They make sure health and social care services provide people with safe, effective, compassionate, high-quality care and encourage care services to improve.

They:

- Register care providers
- Monitor, rate and inspect service providers
- Undertake and publish independent reviews

The CQC undertake organisation wide inspections providing an overall rating and individual rating in the following areas:

- Safe
- Effective
- Caring
- Responsive
- Well-led.

Assessing performance and identifying improvement

The Trust has not had any enforcements laid upon it. The Trust was rated Outstanding by CQC in August 2019. There is no evidence from external inspections or reviews that the Trust is failing to meet minimum service standards or failing to achieve improvements.

The CQC Report published on 18 August 2019 did not contain any “must do” actions, but there were 20 “should do” recommendations, progress with implementation was monitored by Quality Committee. In April 2022 the Committee approved that 18 of these actions be closed, and two moved to monitoring as “Business as usual”.

In April 2023 the Audit Committee received a CQC Assurance report from the Interim Chief Nurse. The report assured the Committee of CQC related work undertaken during 2022/23 including the scheduled review of each of the CQC regulations. A review of governance arrangements related to CQC regulations was also undertaken and the Trust’s ‘WE’ statements (Quality statements are the commitments that providers, commissioners and system leaders should live up to) mapped to CQC Quality standards.

To ensure preparedness for future CQC inspections as well as providing assurance of maintenance of the Trust’s performance standards and continuous improvement, the Trust uses CARES (Communicate, Assess, Respect, Experience and Safety) reviews to assess performance of wards/services based on the Trust core standards. Following a review, the Ward/Service Manager meets with the Deputy Chief Nurse and Matron who consider the findings and informs them of the overall rating which is Bronze, Silver, Gold or Platinum. A plaque is displayed outside of the ward/department to inform staff, patients, and families of the current CARES quality review rating. The rating informs the next review. For example, if rated Bronze the next review will happen in three months’ time.

The Trust’s CQC ratings as at 19 August 2019

The Trust’s overall CQC quality rating is “Outstanding”. The ratings of individual areas are:

Safe	Good
Effective	Outstanding
Caring	Outstanding
Responsive	Good
Well-Led	Good

The Audit Committee were provided with the outcome of CARES reviews during 2022/23. Audit Committee reported the presentation of the CQC Assurance Report to Trust Board in May 2023 highlighting the Trust’s compliance with CQC regulations.

The Trust undertakes benchmarking of performance to identify productivity opportunities as well as performance improvement opportunities.

Model Hospital provides a wide range of metrics that may be helpful as a prompt to help identify improvement opportunities.

The Productivity Benchmarking Update provided to Integrated Performance Committee in October 2022 reported that Model Hospital metrics identified the main productivity opportunities related to corporate areas and to estates and facilities; with an opportunity of up to £4.4m between them. This intelligence was also used to inform the high level summary opportunities identified by Model Hospital across the Cheshire and Merseyside system included in the system financial outlook considerations at the Board Development day in December 2022 which contributed to financial planning.

Improving economy, efficiency and effectiveness (continued)

Partnerships and collaboration

Arrangements for collaboratives and partnerships are supported through clear collaboration and transparent relationships which build up a shared understanding of common challenges and solutions. Partnerships and collaboration are an area of strength for the Trust.

Examples of partnership and collaboration are provided below

Cheshire & Merseyside Acute and Specialist Trusts Provider Collaborative (CMAST)

The CMAST Joint Working Agreement, establishment of a Committee in Common (CiC) with proposed Terms of Reference was approved by Trust Board at its meeting held in October 2022.

The CMAST Joint Working Agreement shares the CMAST vision for the immediate and short-term as to ensure the coordination of an effective provider response to current system and NHS priorities. In the medium to longer term CMAST will develop an overview of existing services, locations and pathways to ensure they are patient-centred, productive, streamlined and of high quality. CMAST has 13 members including the Trust and also has North West Ambulance Service NHS Trust as a participant in meetings.

The Chief Executive Officer includes regular CMAST updates to Trust Board as part of her update reports presented each meeting.

Further examples of the Trust working collaboratively are provided below.

Commissioning and procurement

Health Procurement Liverpool (HPL)

The Trust hosts (and is a member of) HPL an alliance of four specialist Trusts within the system (Alder Hey Children's NHS Foundation Trust, Clatterbridge Cancer Centre NHS Trust, Liverpool Heart and Chest Hospital NHS Foundation Trust and The Walton Centre NHS Foundation Trust). The aim of the alliance is to work together as specialist Trusts to meet their strategic procurement goal.

The ambition of HPL to deliver procurement efficiencies is recognised as a key ambition. As such, due to the working arrangements for HPL developing further during 2022/23 the Trust's Internal Audit Plan included an audit to consider the governance arrangements for the Procurement collaborative.

MIAA issued their report in May 2023 providing an opinion of "substantial assurance": "There is a good system of internal control designed to meet the system objectives, and that controls are generally being applied consistently". The review identified that HPL had processes in place for operating in line with Partner Trust requirements whilst ensuring local processes were underpinned by Standard Operating Procedures. It also found that HPL followed appropriate routes for agreeing contracts through framework agreements or use of a waiver.

Our review reflected MIAA's findings. In particular, a Procurement Board is in place attended by partner Trust Chief Finance Officers and the Associate Director of Procurement. HPL has a Product Evaluation Group (PEG) whose remit is to ensure that consumable products used in HPL Trusts are compliant with current clinical practice, meet National and/or other Directives and deliver quality to patients. Another aim of PEG is to seek standardisation of products across Trusts where feasible. Review of minutes and action logs arising confirms that PEG liaises with appropriate Trust staff to achieve its aims.



Improving economy, efficiency and effectiveness (continued)

HPL produces an Annual Progress Report outlining key milestones achieved to date and benefits achieved due to the new structure. This was presented to Audit Committee in April 2023.

HPL has a maintenance database in place which provides an overview including spending, contract type and contract values by ICS category (medical devices and consumables; digital; estates) and supplier across all Trusts.

HPL engages with the Central Commercial Function (CCF) led by NHS England. CCF's ambition is to unify the NHS commercial community to unlock opportunities for the NHS, deliver value for every pound spent and improve patient outcomes.

We note that the updated Procurement Strategy was due to have been issued by February 2023. The content of the Strategy has been agreed by the HPL Procurement Board in May 2023. The final version is awaiting approval pending processing of the final layout including pictures. Once complete the Strategy will be presented to each HPL member Trust's committee for approval. As such we have raised an improvement recommendation on page 29.

Cheshire and Merseyside Efficiency at Scale (E@S) Procurement Steering Committee (PSC).

The Trust is represented by HPL as a member of the Cheshire and Merseyside Efficiency at Scale (E@S) Procurement Steering Committee (PSC). The PSC is a network of procurement experts whose purpose is to identify, validate, and deliver their organisation's and wider Cheshire and Merseyside workstreams cost-saving activities within the procurement arena.

Waivers

There is no evidence of repeated commissioning from suppliers without regard to the market position or an increase in waiver activity due to lack of capacity in the procurement team or lack of forward planning.

Contract waivers reported to the Audit Committee on a quarterly basis.

The reports states that waivers are used in exceptional circumstances where the Trust is unable to follow a procurement process due to several reasons which are set out in the Standing Financial Instructions. Three tender waivers were signed off in Quarter Four 2022-23 where the value exceeded £50k including VAT. This was also the total number of waivers raised in the quarter. The total value of these was £232.09k. There were two instances where the reason for the quotation waiver was "specialist expertise was required and only from one source", and one instance where the reason was "there is a clear benefit to be gained from maintaining continuity with an earlier project". The report also includes Quotation waivers, of which 30 were signed off in Quarter Four 2022-23. These had a total collective value of £734.8k including VAT. The main reason for quotation waivers was "specialist expertise was required and only from one source".

Review of waivers raised during quarters one, two and three did not identify any indication of the inappropriate use of waivers.

Central Commercial Function (CCF)

Launched in July 2022, the CCF aims to build a world class commercial community in the NHS, which will help unlock significant commercial opportunities for the NHS (including leveraging NHS buying power where appropriate), deliver value for money for the taxpayer, ensure clinicians have the right products and services they need, and tackle some of NHS England's commercial challenges such as supplier resilience.

The purpose of the CCF is to bring together and engage with 42 Directors at an Integrated Care Service level representing all Integrated Care Boards and Acute, Community and Mental Health Trust Providers.

The vision is to reduce the number and complexities of the current nation framework agreement processes and having single procurement functions at individual ICS level.

Some ICS have already adopted this method of delivery.

Improving economy, efficiency and effectiveness (continued)

The Trust has adequate arrangements to monitor and report on major capital schemes and to monitor the performance of key service providers

Significant contracts and programmes are monitored through the Capital Management Group. The Trust's Board and Business Performance Committee receives updates on the progress of major capital schemes in order to provide assurance on the management of these.

We noted adequate monitoring of service providers' performance. For example, assurance over the controls operated by the Trust's payroll provider is provided by the receipt of assurance reports from the entities' auditors. Review of the latest reports received did not indicate any significant control exceptions. No issues with performance were identified from our review.

We noted evidence of quarterly contract meetings with key service providers. These meetings discuss performance and note actions required to improve performance where necessary.



Improvement recommendations

Recommendation 3

Ensure that the final version of the Procurement Strategy, the content of which was approved by the HPL Procurement Board in May 2023 is completed and ratified at the earliest opportunity

Improvement opportunity identified

The issue of the Procurement Strategy will confirm the strategic aims and ambitions of HPL, and also ensure staff are working to the same objectives.

Summary findings

Work has continued during 2022/23 to develop the HPL Procurement Strategy which was due to have been issued by February 2023. The content of the strategy was agreed by the HPL Procurement Board in May 2023. The final version is awaiting approval as final refinement of the document is in train. Once complete, the Procurement Strategy will be presented to each HPL member Trust's relevant Committee for approval.

Criteria impacted



Financial Sustainability



Governance



Improving economy, efficiency and effectiveness

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

The HPL Procurement strategy content has been fully agreed with the final layout and presentation currently underway in partnership with the Trust's communications team. The Final version will be presented to the Procurement Board members in July 2023 for onward approval at individual Trust committees throughout July and August 2023.

We are targeting to ensure that the new HPL Procurement strategy will be in place from late August 2023.

Progressing the actions management has identified to address the recommendations made will support the Trust in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Opinion on the financial statements



Grant Thornton provides an independent opinion on whether the Trust's financial statements:

- give a true and fair view of the financial position of the Trust as at 31 March 2023 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with international accounting standards as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2022-23, and
- have been prepared in accordance with the requirements of the National Health Service Act 2006

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Trust in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements

We issued an unqualified opinion on the Trust's financial statements on the 29 June 2023.

The full opinion will be included in the Trust's Annual Report for 2022/23, which can be obtained from the Trust's website.

Further information on our audit of the financial statements is set out overleaf.



Opinion on the financial statements



Timescale for the audit of the financial statements

Audit opinion on the financial statements

We issued an unqualified opinion on the Trust's financial statements on 29 June 2023, which was ahead of the statutory deadline of 30 June 2023.

Other opinion/key findings

No audit adjustments were identified that impacted on the financial position. A number of adjustments were made to the disclosure notes.

We did not raise any high priority recommendations.

Audit Findings Report

More detailed findings can be found in our Audit Findings Report, which was published and reported to the Trust's Audit Committee on 19 June 2023.

Findings from the audit of the financial statements

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. Due to workload pressures some of the working papers were provided later during the audit however ultimately this did not impact the completion of the audit by the deadline.

Issues arising from the accounts:

During the audit we raised recommendations to improve the control system on:

- Treatment of nil net book value assets on the Fixed Asset Register
- Treatment of historic items on the bank reconciliation
- Agreement of the PPE note to the Fixed Asset Register
- Journals where the system allows a journal to be self authorised

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



Other reporting requirements



Remuneration and Staff Report

Under the Code of Audit Practice (2020) published by the National Audit Office, we are required to audit specified parts of the Remuneration and Staff Report included in the Trust's Annual Report for 2022/23. These specified parts of the Remuneration and Staff Report have been properly prepared in accordance with the requirements of the Department of Health and Social Care Group Accounting Manual 2022-23.

Annual Governance Statement

Under the Code of Audit Practice (2020) published by the National Audit Office, we are required to consider whether the Annual Governance Statement included in the Trust's Annual Report for 2022/23 does not comply with the guidance issued by NHS England, or is misleading or inconsistent with the information of which we are aware from our audit. We have nothing to report in this regard.

Annual Report

Under the Code of Audit Practice (2020) published by the National Audit Office, we are required to consider whether, based on the work undertaken in the course of the audit of the Trust's financial statements for 2022/23, the other information published together with the financial statements in the Trust's Annual Report for 2022/23 is consistent with the financial statements. We have nothing to report in this regard.

Whole of Government Accounts

To support the audit of Consolidated NHS Provider Accounts, the Department of Health and Social Care group accounts, and the Whole of Government Accounts, we are required to examine and report on the consistency of the Trust's consolidation schedules with their audited financial statements. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.



The use of auditor's powers

We bring the following matters to your attention:

Referral to the regulator

Under Schedule 10 paragraph 6 of the National Health Service Act 2006, auditors can report to the relevant regulatory body if they have reason to believe that the audited body is:

- About to make, or has made, a decision which would involve unlawful expenditure
- About to take, or has taken, a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency.

We did not make any referral to the regulator in 2022/23

Public Interest Report

Under Schedule 10 paragraph 3 of the National Health Service Act 2006, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a report in the Public Interest with regard to arrangements at The Walton Centre for 2022/23.

Appendices

Appendix A: Responsibilities of the Foundation 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 directors of the Trust are 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 directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are required to comply with 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:

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(s)
Statutory	Written recommendations to the Trust under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	
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	
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	14, 15, 29



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