Grant Thornton

Auditor's Annual Report on North Bristol NHS Trust 2021-22

10 June 2022

Contents

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.

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.

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 of Significant Weakness (at planning)	2020/21 Auditor Judgment		2021/22 Auditor Judgment		Direction of travel
Financial sustainability	Risk identified at planning stage due to the Trust's significant cumulative deficit. Despite breaking even in 2019/20 and 2020/21, the Trust did not achieve its statutory breakeven duty over the five-year period ending 31 March 2021. On 25 June 2021, we therefore issued a Section 30 referral to the Secretary of State.	Amber	No significant weaknesses in arrangements identified, but one improvement recommendation made	Amber	No significant weaknesses in arrangements identified, but three improvement recommendations made	↔
Governance	No risks of significant weakness identified	Amber	No significant weaknesses in arrangements identified, but one improvement recommendation made	Amber	No significant weaknesses in arrangements identified, but three improvement recommendations made	↔
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	Amber	No significant weaknesses in arrangements identified, but one improvement recommendation made	Amber	No significant weaknesses in arrangements identified, but six improvement recommendations made	↔

- Green: No significant weaknesses in arrangements identified or improvement recommendation made.
- Amber: No significant weaknesses in arrangements identified, but improvement recommendations made.
- Red: Significant weaknesses in arrangements identified and key recommendations made.

Executive summary

Financial sustainability

We are satisfied that the Trust has appropriate arrangements in place to ensure financial sustainability.

The underlying structural deficit and the progress towards bringing the Trust back to financial balance over the medium term resulted in the identification of a risk of significant weakness in our Audit Plan for the 2021/22 financial year. We have considered the arrangements the Trust has in place with partners in the system to address the deficit position and achieve a financially sustainable position over the medium term, in addition to considering the Trust's own plans to drive further savings and efficiencies.

Our review has not identified any significant weaknesses in the Trust's financial planning and monitoring arrangements. The continuation of the Covid-19 Financial Framework has allowed the Trust to deliver a surplus of £2.2m in 2021/22 against the NHSEI performance control total. Despite income exceeding expenditure over the previous five year period, the Trust is reporting a cumulative deficit at 31 March 2022 and remains in technical breach of its breakeven duty. Looking forward to 2022/23, the Trust originally submitted a deficit plan of £14.1m which is largely driven by inflationary pressures. Following further challenge from NHSE it is now planning to submit a balanced budget by the 20 June 2022 final submission deadline. The Trust has a clear and robust narrative to support its position and financial planning which demonstrates that the plan is integrated with corporate objectives and activity and workforce plans. We also consider there to be a risk to Cost Improvement Plan (CIP) delivery due to past performance, the current unidentified gap, and the cultural change required to return to business as usual financial management and have raised an improvement recommendation in this regard.

Additionally, the financial challenge over the medium term remains high and the need to continue planning for sustainable financial recovery should be prioritised and progressed, in consultation with system partners. A high level Medium Term Financial Plan (MTFP) refresh was undertaken in November 2021 which identified the drivers of the Trust and wider system deficit and aims to return the system to financial balance in 2025/26. A further refresh is required to align to 2022/23 planning once the planning cycle concludes. A final recommendation has been made to review the content of the monthly financial reporting pack to ensure it draws out the main issues and drivers relevant for committee oversight.

Further detail on recommendations can be found on pages 13 to 14.

Governance

We are satisfied that the Trust has appropriate governance arrangements in place to ensure that decisions can be made effectively and the relevant people within the organisation held to account.

Arrangements for identifying and assessing risk are considered to be robust and supported by effective internal audit and Local Counter Fraud Specialist (LCFS) work programmes. However, two potential improvement recommendations have been identified in relation to the Board Assurance Framework (BAF) and Trust Level Risks (TLRs) to ensure the Trust is demonstrating best practice in this area and the number of risks reported for committee oversight is manageable.

Budget setting and budgetary control arrangements are considered appropriate and ensure that the budget, at each stage of its development, is realistic in its assumptions from a financial and operational perspective, and budget holders are held to account. Financial reporting is clear and impactful, however, we recommend that the Trust reviews the content of the monthly financial pack to ensure it draws out the key risks to the 2022/23 plan and provides relevant non-financial context for committee oversight. This extends to greater incorporation of system level data.

We have confirmed that decision making at the top levels of the organisation is effective and underpinned by a strong, open and supportive culture. Subcommittees are well established and information received at Board and committee level is timely and of appropriate quality to support informed decision making. The Trust demonstrates a commitment to improvement via the Patient First programme and incorporates extensive stakeholder engagement in its activities including patient insights.

We are also satisfied that the Trust has appropriate arrangements in place to provide assurance and oversight for regulated areas, declarations of interests, gifts, hospitality and Fit and Proper Persons Requirements (FPPR). However, we note that the Trust currently has a backlog of review of policies and there is a need for ongoing focus on prioritising the most important and high-risk policies for immediate review and update.

Further detail on recommendations can be found on pages 21 to 22.

Executive summary

Improving economy, efficiency and effectiveness

We are satisfied that the Trust has appropriate arrangements to secure economy, efficiency and effectiveness.

The Trust's performance monitoring and reporting arrangements are considered to be robust with proactive use of benchmarking to identify where improvements and efficiencies can be made. Overall, performance against key constitutional and regulatory standards has been challenged throughout 2021/22, driven by high numbers of patients with no criteria to reside and associated high bed occupancy impacting patient flow through the hospital. The Care Quality Commission (CQC) assurance position is positive, with effective ongoing engagement throughout the year and the lifting of the undertakings applied to the Trust by NHS England and NHS Improvement following the 2019 inspection.

Our work has identified that the Trust are active participants within the system. A key success for 2021/22 is the establishment of the Acute Provider Collaborative with University Hospitals Bristol and Weston NHS Foundation Trust (UHBW). However, greater system accountability needs to be established to facilitate the transition to the new service structure and develop a clear plan for service reform that delivers against the key challenges in the system. Procurement arrangements have been strengthened in year with an improving Single Tender Action position, but further work is required, particularly in relation to non purchase order spend and in relation to contract management.

Further detail on recommendations can be found on pages 29 to 31.

Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

Opinion on the financial statements Auditors are required by section 21 of the Local Audit and Accountability Act 2014 to express an opinion on the accounts that includes the auditor's view on whether the accounts: (i) present a true and fair view and comply with statutory requirements (ii) have been prepared in accordance with proper practices	Our work on the opinion is almost complete. Our anticipated audit report opinion will be qualified to reflect a limitation of scope over the opening inventory balance. We anticipate issuing our opinion in advance of the 22 June 2002 deadline Our findings are set out in further detail on page 33.
Statutory recommendations Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body	We do not anticipate issuing any Statutory Recommendations.
Section 30 referral Under Section 30 of the Local Audit and Accountability Act 2014, the auditor of an NHS body has a duty to consider whether there are any issues arising during their work that indicate possible or actual unlawful expenditure or action leading to a possible or actual loss or deficiency that should be referred to the Secretary of State, and/or relevant NHS regulatory body as appropriate	Despite income exceeding expenditure over the previous five year period, the Trust is reporting a cumulative deficit of £98.712 million at 31 March 2022 and remains in technical breach of its breakeven duty as detailed in the guidance. The Trust therefore continues to take a course of action that is unlawful and has caused a loss which gives rise to a duty on us to report to you under section 30(b) of the Local Audit and Accountability Act 2014 in respect of the five year period ending 31 March 2022. On 31 May 2022 we therefore issued a Section 30 referral to the Secretary of State.
Public Interest Report Under Schedule 7 of the Local Audit and Accountability Act 2014, 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 do not anticipate issuing a Public Interest Report.

Securing economy, efficiency and effectiveness in the Trust's 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) 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).

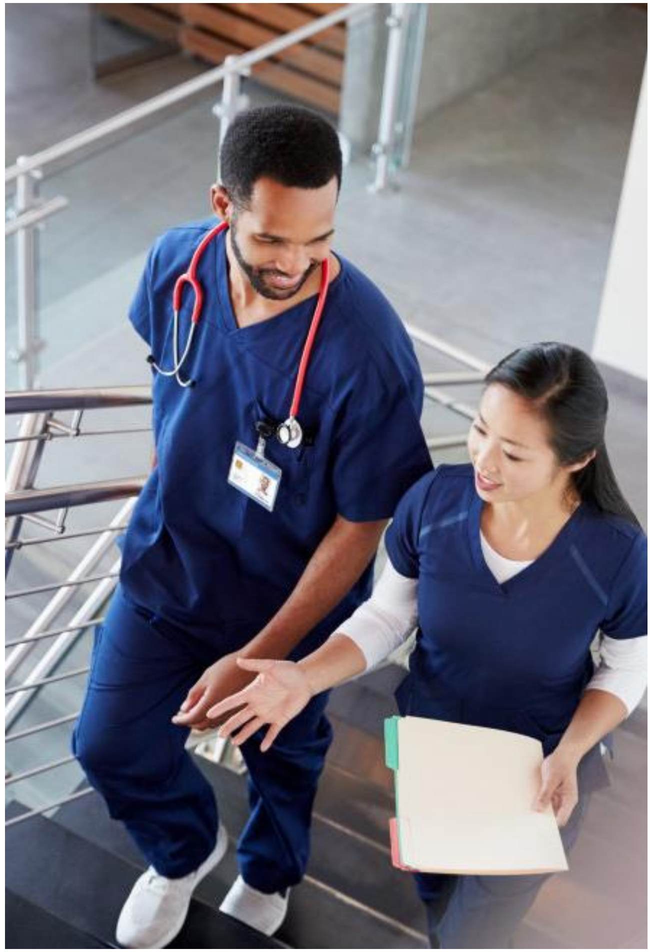
Governance

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.

Our commentary on the Trust's arrangements in each of these three areas, is set out on pages 8 to 31. Further detail on how we approached our work is included in the appendices.



Financial sustainability

We considered how the NHS 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.

2021/22 Outturn

In 2021/22 the Trust continued to be under the Covid-19 Financial Framework, with block funding from commissioners and significant non-recurrent funding available, including for Covid-19 costs. A breakeven phased plan for the first half of the year was developed and submitted to NHS England and NHS Improvement (NHSEI) in month 2 with a further breakeven update for the second half of the year submitted in month 8. Actual delivery was breakeven at September 2021 as planned and a £2.2m surplus at March 2022. This was predominantly as a result of underspends on non-recurrent funds including the Covid-19 allocation. As such the Trust has demonstrated that it has sufficient income to cover its expenditure.

Despite income exceeding expenditure over the previous five years, the Trust is reporting a cumulative deficit of £98.7m at 31 March 2022 and remains in technical breach of its breakeven duty. As a result, we have made a referral to the Secretary of State under Section 30 of the Local Audit and Accountability Act 2014. This approach is consistent with previous years.

Performance of a Trust is also reflected by the NHS Single Oversight Framework (SOF). NHSEI have allocated trusts and systems to one of four segments. A segmentation decision indicates the scale and nature of support needs, from no specific support needs (SOF1) to a requirement for mandated intensive support (SOF4). In October 2021, the Trust was placed in SOF3 due to the undertakings in place that were issued in 2019 (relating to urgent & emergency care, RTT 52 week waits, and financial position), alongside issues relating to cancer wait time performance and reporting. The undertakings were lifted in January 2022 by NHSEI who concluded that the Trust is now compliant with the financial undertaking to create a robust long-term financial plan, and the remaining two were discontinued due to the changes in the Trust and external circumstances. This indicates an encouraging trajectory for the Trust.

2022/23 Financial Plan

Per the 2022/23 planning guidance, the Trust was required to submit, via Bristol, North Somerset and South Gloucestershire Integrated Care System (BNSSG ICS), a draft financial plan on 17 March 2022 and a final plan on 28 April 2022. These deadlines were appropriately complied with and there was a strong level of liaison with the system throughout to ensure that assumptions were aligned, and plans submitted as required.

The draft plan was £22.0m deficit for the Trust and an overall £39.1m deficit for the BNSSG ICS. The deficit is driven by inflation greater than included in the funding settlement and a lack of delivery of efficiency savings in the second half of 2021/22. We have reviewed the 2022/23 planning assumptions, and these are in line with expectation and the planning guidance consultation. As such the planned income included is appropriate and based on our knowledge of the Trust and the sector.

The draft plan was based on a high level, top down assessment of the position. and since this submission, the Trust have undertaken demand and capacity modelling with each division, developed workforce plans, and assessed deliverability of schemes to reduce length of stay, improve flow out of the hospital and increase capacity. The result is a bottom up plan developed by the teams who will deliver services and we are satisfied there have been multiple layers of responsibility and accountability in developing the annual plan.

This work initially resulted in a revised deficit plan of £14.1m for the Trust and an overall £38.2m deficit for the BNSSG ICS. The system position did not significantly reduce due to the £40.5m of system reserves and mitigations held at draft stage. The Trust's initial deficit budget was driven by inflation. National planning guidance included an inflation uplift of 2.8% but actual levels have far exceeded this. The Trust had calculated the potential impact of

Financial sustainability

inflation above the national assumption which was £11.3m. This was based on actuals where possible.

The remaining deficit was driven by the ongoing impact of Covid-19 on Q1 22/23; £0.9m agency cover due to staff sickness and £1.9m ERF lost income due to operational impact. National planning assumptions were based on a low level of Covid-19 impact (less than 5% bed base throughout year), however, when plans were being developed, Covid-19 inpatient beds peaked at 12% and staff sickness was at its highest of the year. The April submission therefore reflects that the pandemic is still being felt across the NHS.

We note there are uncertainties in Elective Recovery Funding (ERF) as this is based on achieving activity on elective care at 104% of 2019/20 levels. The Trust undertook demand and capacity planning to realistically estimate the level of expected funding. This includes an assumed continued longer length of stay due to delayed discharges into the community. Modelling has reflected capacity to deliver only 101% of 2019/20 elective activities, resulting in the funding expectation of ERF being capped at £17.5m. Given past performance and the known issues at the Trust, this is deemed appropriate.

The Trust identified several risks which could impact the ability to achieve the proposed financial position. There are uncertainties which are commonplace within the sector that we would expect the Trust to have identified, including inability to reduce Covid-19 costs as planned, delivery of Cost Improvement Plans (CIPs), inability to achieve the level of activity required to achieve ERF and inflation costs above that included in national funding, which have been discussed above. Finance risks have been appropriately captured within the planning process, aligned to the Trust Risk Register and BAF, and highlighted in Board and subcommittee papers.

Consideration has been given to the reserves the Trust holds as a contingency to support the deficit. The Trust undertake regular monitoring of the cash position and reports this monthly via the finance report. The Trust has entered 2022/23 with an opening position of £116.2m and a forecast year end balance of £105m. Based on the predicted monthly cash outflow, the Trust has sufficient reserves to fund the deficit plan and day to day operations. As such the high cash reserves provide us with assurance that the arrangements for the coming year can be supported and the Trust will be able to manage its affairs without any external support for the 2022/23 financial year.

The Trust had built in contingency within the initial 2022/23 financial plan as well as further contingency within the £15.6m CIP programme. The £15.6m covered the core national efficiency of 1.1%, as well as 0.5% for investments already made and cost pressures and allows 0.5% (£3m) contingency for investments in high-risk areas. Investments will only be released into budgets once savings have been delivered.

Each iteration of the financial plan has been presented to the Finance & Performance Committee (FPC) and Board and there is evidence of a good level of discussion. The documentation presented is detailed with several appendices which clearly identifies issues driving the deficit position, changes since the last iteration and input from discussion via the system. The committee has also been updated on how the Trust position feeds into the overall system proposed plan. As noted in our governance work, we are satisfied the reporting structure is robust and as such the oversight of the plan has been comprehensive.

It was expected that the April submission would be the final plan, but a third refinement is now required by 20 June 2022 to support a breakeven system plan in line with national planning guidance. Following further challenge from NHSE the Trust is now planning to submit a balanced budget by the 20 June 2022 final submission deadline. As discussed above, the Trust's initial £14.1m deficit was driven by three elements as summarised in the following table.

Driver	Value	Assessment
Inflation above funding	£11.3m	Confirmation received that funding will be made available for inflationary cost pressures. The Trust will therefore assume a corresponding increase in funding in the revised plan.
Covid-19 agency cover in Q1	£0.9m	Impact in May is lower than expectations and this trend is expected to continue. This correlates to national statistics where total beds occupied by Covid-19 patients has significantly dropped from 87 on 01 April to 8 on 24 May 2022. This indicates that a similar trend in sickness is reasonable and it is therefore expected that this cost pressure will not materialise in full
Covid-19 impact on ERF in Q1	£1.9m	Impact is not expected to be as severe as set out above. Furthermore, the Trust has been advised that the financial plan cannot be presented in this way, i.e., showing costs to increase ERF but not delivering the activity. This will therefore be reversed.

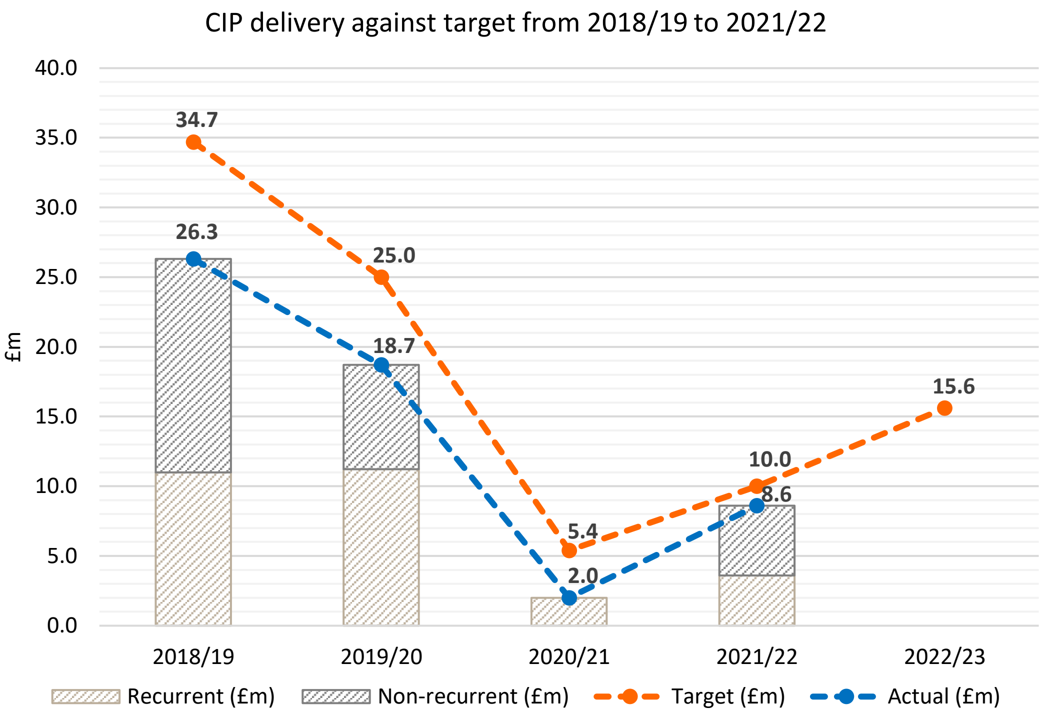
Financial sustainability

Cost Improvement Plans (CIPs)

The Trust has delivered £3.6m of CIPs against a revised target of £10.0m in 2021/22 with a further £5m met non-recurrently. As this is £1.4m below the forecast when the 2022/23 draft plan was being developed, this shortfall effectively gets rolled into the 2022/23 position. Discussion with officers indicate that this under delivery was directly due to the operational impact of Omicron, rather than inappropriate valuation or unrealistic targets. However, we have reviewed past performance in CIP delivery and have identified that the Trust has not met its delivery targets for the past four financial years and non-recurrent measures have been required to top up CIP delivery as illustrated in the opposite chart.

The 2022/23 plan assumes achievement of the full savings programme. The original savings plan for 2022/23 was to deliver £14.2m (2.1%) of recurrent savings, however, this has been increased to £15.6m following the £1.4m shortfall in 2021/22. Due to the availability of ERF for the next three years, delivering productivity that releases additional capacity will be able to count towards CIP delivery. In addition to this, there will remain a gap which the Trust will need to cover non-recurrently at £8.3m.

Review of the CIP development process undertaken in 2021/22 and 2022/23 has identified it to be an iterative process of check and challenge with appropriate Trustwide engagement. Divisional teams are expected to develop their own CIPs with the support of a dedicated transformation analyst to aid with identification and monitoring of schemes. This includes using reliable sources of information, such as Getting It Right First Time (GIRFT) metrics and Model Hospital, on potential productivity and efficiency opportunities to allow CIPs to focus in the areas where the most benefit may be achieved. All schemes include clinical engagement and require a Quality Impact Assessment (QIA) before they can move into the implementation stage.



Tracking is undertaken at individual project level, Divisional level and Trustwide which allows underachieving schemes to easily be identified and actions taken in a timely manner. Upward reporting is carried out via the monthly finance reports to ensure that there is sufficient oversight at the top tier of the organisation. The monthly reporting is sufficient, however in our view, it would be beneficial to incorporate performance against expected delivery trajectory which would allow an early view of the forecast year end position and if mitigating actions are required. This has been incorporated into our recommendation to review the content of the monthly financial pack to ensure it draws out the key risks to the 2022/23 plan and provides relevant non-financial context for committee oversight. Given that final plan is not yet approved, this would be of most benefit from month 4 onwards. (Recommendation A).

Financial sustainability

The Trust has a c.£700m turnover and based on our knowledge of the sector should be able to comfortably deliver the 2.1% requirement. However, past performance of underdelivery, the current unidentified gap in the programme, and the cultural change required to return to business as usual delivery indicates a risk in achievement of CIP targets going forward.

From discussions with officers, scheme planning and implementation is up to 3 months behind due to the ongoing impact of Covid-19 on operational capacity, in particular in Q4 2021/22. As at May 2022, the Trust have an unidentified gap of £8.4m against the £15.6m target. In addition to this, the delay to planning means the Trust has fewer months in the financial year in which to achieve the CIPs and as such it will be important for the Trust to mobilise schemes as soon as possible to enable to them to realise the savings in the year.

We acknowledge that the 0.5% mitigation in the CIP plan lessens this risk to an extent. However, if schemes are not delivered, there is a risk of an increased deficit at year end which would impact on the 2022/23 exit run rate and medium term recovery. We have therefore raised an improvement recommendation in this regard (Recommendation B).

Alignment to Strategic Priorities and Other Operational Plans

There is strong coherent link between stated corporate strategic priorities and the design of the budget, particularly regarding investment and disinvestment in services. Priotisation processes are in place to agree funding for activities which will deliver the best value for money in terms of reducing the bed gap and increasing ability to recover the elective position and cancer performance.

The annual business cycle triangulates activity, workforce and finance with appropriate internal and external engagement. Development of the 2022/23 plan shows multiple iterations as plans have been refined and the top down approach has been complimented by bottom up Divisional planning. The nature of the financial planning process for 2022/23 means there is also involvement at system level, and this is clear from the planning papers and discussion with officers.

Given the priorities in year, we would recommend that an area of good practice would be to align activity levels to the impact on ERF within the monthly financial reporting. Currently activity information is included in the Integrated Performance Report (IPR) and FPC reporting in relation to performance targets, but now that the sector is returning to a situation where activity and funding are inked, it would be good practice to include the financial impact as part of Board and subcommittee reporting. This may assist in identifying, discussing and acting on variances to planned activity in a timely manner.

Similarly, the inclusion of a temporary staffing and vacancy analysis that aligns to the workforce plan trajectory would bring greater context to reporting and how this impacts the financial position. Having clarity on where the issues lie and moving from reactive workforce planning to proactive planning would be of great benefit. This has been incorporated into our recommendation to review the content of the monthly financial reporting pack. (Recommendation A).

Capital Planning and Monitoring

Total capital spend for 2021/22 was £33.5m compared to an original plan of £21.7m as a result of £8.2m of Public Dividend Capital (PDC) outside the initial capital allocation, £3.4m from the sale of the Thornbury site, and a permitted £0.2m overspend.

Monthly forecasting meetings are held with Finance to ensure close monitoring of capital spend and to allow for early identification of risks to the deliverability of the capital plan in year. Capital Planning Group (CPG) meetings are held to provide high level oversight to the organisation and to allow for key strategic steer on risk management and deliverability of the capital plan. From month 6 onwards, a year end forecast is made based on extrapolations of individual scheme detail to determine whether there is an expected year end underspend and further investments can be brought into plan. Any such schemes are determined based on Trust priority and agreed at CPG. This demonstrates effective capital planning and allows the Trust to quickly mobilise additional schemes to take advantage of additional funding for the benefit of service developments. Upward reporting is undertaken monthly at FPC and Board, and the content is sufficient to allow decision makers to identify progress and act on variances easily.

The capital plan for 2022/23 sets out the Trust's priorities for managing risk, maintaining current plant and equipment, as well as supporting anticipated required activity increases and the Trusts strategic aims. The Trust have identified priorities for investment through a comprehensive process of challenge and review of all requests for funding for 2022/23 and beyond. This work has produced a capital plan for 22/23 totalling £44.7m at May 2022. In balancing these resources, the Trust has over committed the capital plan by c.£20m. The risk

Financial sustainability

of overspend is mitigated by the natural internal slippage that is seen each year and the likely receipt of additional funds that the Trust has historically managed to secure in year. Further mitigation is gained through the tight financial forecasting and management of spend which is in place to monitor, identify risks and manage changes to the planned spend through the year as discussed above.

Projects have been split into committed projects of £16.9m (in progress or contractually committed), should do projects of £15.1m (high risk or clinical priorities to deliver activity and business planning requirements) and could do projects of £12.7m (still in the development stage or not yet fully scoped). This is considered to be effective capital management.

Medium Term Financial Planning

The 2022/23 plan is a key building block in developing a robust and realistic medium term view. Currently, planning guidance has only been released for one year and as such the Trust has complied with the guidance in producing an annual business plan and has taken steps to fully understand its underlying deficit. A high level Medium Term Financial Plan (MTFP) refresh was undertaken at system level in November 2021 with the aim to understand the current position to help clinical and operational staff to plan for recovery of services over a longer term context. Within this work, drivers of the deficit were analysed and updated for changes in the cost base between 2019/20 and 2021/22 to arrive at an assessment of the underlying position on exit of 2021/22 for the Trust and each system partner.

The MTFP includes a system financial recovery plan that predicts a reducing deficit position until 2024/25 with financial balance achieved in 2025/26. In the development of this, the Trust and wider system have considered the drivers of the deficit, benchmarking opportunities, innovation adopted in the pandemic response, and maximising impact of system transformation programmes. Key saving opportunities totalling £108.5m for the four year plan have been identified which demonstrate a commitment to developing system solutions to address the deficit position and achieve a financially sustainable position. Further work is required to produce credible plans to deliver these levels of savings.

Once the 2022/23 planning cycle concludes, the MTFP will be refreshed again to reflect the latest plan. This position is in common with many others across the sector, and the refresh in 2022/23 will ensure plans are based on up to date planning guidance and assumptions when there is more certainty and information. We are therefore satisfied that appropriate arrangements are in place, however, we recommend that the Trust prioritise this planning in 2022/23 so that a route to financial recovery can be progressed which informs annual budget setting going forward. (Recommendation C).

Conclusion

We are satisfied that the Trust has appropriate arrangements in place to ensure financial sustainability.

The underlying structural deficit and the progress towards bringing the Trust back to financial balance over the medium term resulted in the identification of a risk of significant weakness in our Audit Plan for the 2021/22 financial year. We have considered the arrangements the Trust has in place with partners in the system to address the deficit position and achieve a financially sustainable position over the medium term, in addition to considering the Trust's own plans to drive further savings and efficiencies.

Our review has not identified any significant weaknesses in the Trust's financial planning and monitoring arrangements. The continuation of the Covid-19 Financial Framework has allowed the Trust to deliver a surplus of £2.2m in 2021/22 against the NHSEI performance control total. Despite income exceeding expenditure over the previous five year period, the Trust is reporting a cumulative deficit at 31 March 2022 and remains in technical breach of its breakeven duty. Looking forward to 2022/23, the Trust originally submitted a deficit plan of £14.1m which is largely driven by inflationary pressures. Following further challenge from NHSE it is now planning to submit a balanced budget by the 20 June 2022 final submission deadline. The Trust has a clear and robust narrative to support its position and financial planning which demonstrates that the plan is integrated with corporate objectives and activity and workforce plans. We also consider there to be a risk to Cost Improvement Plan (CIP) delivery due to past performance, the current unidentified gap, and the cultural change required to return to business as usual financial management and have raised an improvement recommendation in this regard.

Additionally, the financial challenge over the medium term remains high and the need to continue planning for sustainable financial recovery should be prioritised and progressed, in consultation with system partners. A high level Medium Term Financial Plan (MTFP) refresh was undertaken in November 2021 which identified the drivers of the Trust and wider system deficit and aims to return the system to financial balance in 2025/26. A further refresh is required to align to 2022/23 planning once the planning cycle concludes. A final recommendation has been made to review the content of the monthly financial reporting pack to ensure it draws out the main issues and drivers relevant for committee oversight.

Further detail on recommendations can be found on pages 13 to 14.

Improvement recommendations

Financial sustainability

Recommendation A	We recommend that the Trust review the content of the monthly financial pack to ensure it draws out the key risks to the 2022/23 plan and provides relevant non-financial context for committee oversight. Given that final plan is not yet approved, this would be of most benefit from month 4 onwards.
Why/impact	It is important for Board and subcommittees to have sight of the Trust's performance against key trajectories throughout the year in order to take timely action where underperformance is observed. This will assist in identifying, discussing and acting on variances to planned trajectories in a timely manner.
Auditor judgement	Monthly reporting in 2021/22 has been sufficient, however, this could be enhanced for 2022/23. Activity and workforce information is currently included in the Integrated Performance Report (IPR) but it would be good practice to include the financial impact of these as part of monthly finance reporting. In terms of Cost Improvement Plans (CIP) and capital, current reporting is focussed on the CIP gap that remains to be identified and the in month and year to date capital position against plan. It would be beneficial to include performance against expected delivery trajectories, which would allow an early view of the forecast year end position and if mitigating actions are required. We also note that systemwide performance is not currently included, however, this would allow the Board have a full picture of the region and understand the Trust position within it. The Trust may wish to increase its systemwide content as the collaboration level builds to ensure the system position is fully transparent, particularly given that Elective Recovery Funding (ERF) is dependent on system activity. The Trust should therefore consider incorporation of the following: - Temporary staffing costs and vacancy analysis - Activity level impact on ERF - Temporary staffing costs and vacancy analysis - CIP against expected trajectory - Capital plan year end forecasting - Capital scheme specific detail - Divisional performance - Systemwide performance We note that Trust is in the process of implementing Patient First and therefore reporting will need to be mindful of this.
Management Comments	As the Trust transitions into the new 2022/23 Financial Framework, we will review financial reporting to enhance the provision to ensure full cover of key risks. New financial reporting pack from August 2022.

Improvement recommendations

Financial sustainability

Recommendation B	We recommend that the Trust prioritises developing individual scheme level Cost Improvement Plans (CIPs) as soon as possible to ensure that the 2022/23 savings target is achievable and avoid having to use non-recurrent mitigations to top up delivery. This represents the highest risk to delivery of the 2022/23 plan.
Why/impact	The 2022/23 plan assumes achievement of the full savings programme of £15.6m. If schemes are not delivered, there is a risk of an increased deficit at year end which would impact on the 2022/23 exit run rate and medium term recovery.
Auditor judgement	The Trust has a c.£700m turnover and based on our knowledge of the sector should be able to comfortably deliver the 2.1% requirement. However, past performance of underdelivery, the current unidentified gap in the programme, and the cultural change required to return to business as usual delivery indicates a risk in achievement of CIP targets going forward. From discussions with officers, scheme planning and implementation is up to 3 months behind due to the ongoing impact of Covid-19 on operational capacity, in particular in Q4 2021/22. As at May 2022, the Trust have an unidentified gap of £8.4m against the £15.6m target. In addition to this, the delay to planning means the Trust has fewer months in the financial year in which to achieve the CIPs and as such it will be important for the Trust to mobilise schemes as soon as possible.
Management Comments	The Trust is prioritising delivery of the savings plan with the aim to have fully identified CIPs by September 2022.

Recommendation C	We recommend that the Trust prioritise medium term financial planning in 2022/23 so that a robust route to financial recovery can be progressed which informs annual budget setting going forward.
Why/impact	The financial challenge over the medium term remains high and the need to continue planning for sustainable recovery should be prioritised and progressed, in consultation with system partners.
Auditor judgement	The 2022/23 plan is a key building block in developing a robust and realistic medium term view that will support clinical and operational staff to plan for recovery over a longer term context. The Trust has taken steps in year to understand the drivers of its deficit and underlying position, and a high level Medium Term Financial Plan (MTFP) refresh was undertaken in November 2021 which aims to return the system to financial balance in 2025/26. Once the 2022/23 planning cycle concludes, the MTFP will be refreshed again to reflect the latest position. This is in common with many others across the sector, and the refresh in 2022/23 will ensure plans are based on up to date planning guidance and assumptions when there is more certainty and information.
Management Comments	The Trust, alongside System partners, will refresh the medium term plans during the summer and autumn of 2022 to incorporate the new Financial Framework and national settlement agreements.

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

Governance

We considered how the NHS 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. This includes arrangements for effective challenge from Those Charged with Governance/Audit & Risk Committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

Risk Management

We consider that the Trust has appropriate arrangements in place for identifying and assessing risk via its Risk Management Strategy and Policy which is in date and next for review June 2022. The Trust continues to maintain a Trust Risk Register which is the formal record of Trust Level Risks (TLRs) and a Board Assurance Framework (BAF) which defines and assesses the principle strategic risks to the Trust's objectives and sets out the controls and assurances in place to mitigate these. All risks have a clear 5x5 matrix scoring system. This structure is common in many organisations and is deemed appropriate to capture a range of possibilities (likelihood and impact), although we note that the Trust are looking to potentially enhance/develop this further.

The format of the BAF is presented in two formats including a summary of risks which shows the risk trend and forecast trajectory and in depth reporting for each individual risk. This effectively balances providing decision makers with the detailed information they need to make informed decisions around risk whilst also ensuring they are not overwhelmed by information and are able to focus on key issues at each meeting. Each of the risks in the BAF have been aligned to the objectives within the Trust's strategy, however, we note they are not aligned to TLRs. There is a therefore a risk that TLRs do not align to the strategic themes of the Trust. Internal audit raised this in their recent Risk Management review and the Trust intends to address this during the build of the new risk management system in 2023. We also note that that some BAF risks have multiple lead owners and committees assigned to each risk. This may confuse and hinder accountability. We therefore recommend that these are reviewed to determine whether the shared responsibility is accurate and if it is required. Finally, we identified that a number of planned actions were past their due date, which implies either the mitigation is complete or new mitigations are required. These therefore need to be reviewed to reflect an appropriate timescale with new mitigations identified for overdue actions. (Recommendation D)

As at March 2022, there were 8 BAF risks which is deemed a manageable number, however, there were 37 TLRs. This many risks could deter focus from those that need committee attention. We note that the current risk appetite is quite low (score ≥ 12), and a higher risk appetite would allow the Trust to have more focussed conversations on the higher scoring risks. It also been identified by Audit & Risk Committee (ARC) members that some TLRs may be more appropriately reported as an 'issue' rather than a 'risk' as they are already occurring. We agree with this and recommend streamlining the TLRs to those that are true risks. (Recommendation E)

The BAF is reviewed by Trust Board in an ongoing quarterly cycle alongside TLRs, with key risk changes highlighted, and updates provided on ongoing actions to improve risk control and mitigation. Board's subcommittees also review subject specific risks at each meeting. In July 2021, the Board approved changes to its committee arrangements so that responsibility for oversight of the system of risk management in the Trust was transferred to the Audit Committee which was renamed to the Audit & Risk Committee (ARC). Since November 2021, the BAF and TLRs have been presented to each ARC. They have also been presented to Board three times during the year, with the fourth deferred until April 2022 to follow a seminar on risk appetite. This is deemed appropriate, and we are satisfied that regular review takes place at the ARC with regular Board oversight.

Governance

Risks generate a good level of discussion at Board and its subcommittees, with input observed from a variety of corporate and clinically focused individuals as well as Non-Executive Directors (NEDs). The discussion is well documented which provides transparency to Trust stakeholders on not only the risks the Trust faces, but actions being taken and who is accountable for those actions. In 2021/22, the Executive Team implemented a monthly 'Executive Assurance Forum'; a meeting of all the Executive Directors where TLRs and the BAF are reviewed, scrutinised, and challenged, which has increased engagement and accountability.

The Trust has an effective internal audit function provided by KPMG. This is consistent with the prior year. We have reviewed coverage against the annual internal audit plan, reporting to ARC, progress against recommendation and the Head of Internal Audit (HoIA) opinion and are satisfied that arrangements have been appropriate during the year to provide assurance over the effective operation of internal controls. The HoIA opinion for 2021/22 is one of significant assurance with minor improvement recommendations, indicating there are no significant weaknesses. From our attendance at ARC, we are satisfied that the Trust responds to recommendations appropriately in order to improve its control environment where needed.

The Trust's Counter Fraud & Corruption Policy sets out the arrangements that the Trust maintains to deter, prevent, detect, and investigate instances of fraud, corruption and bribery carried out against the Trust and the wider NHS. This policy is up to date and appropriately available to staff. All staff are encouraged to report concerns upwards as set out in the Freedom to Speak Up (FTSU) Policy. We note this policy is out of date, but this is due to the team awaiting national guidance before they publish the latest version. A linked recommendation around review of policies has been made in the Regulation and Compliance section. (Recommendation F)

The Trust maintains a qualified Local Counter Fraud Specialist (LCFS) provided by KPMG who ensures that the annual plan of proactive work minimises the risk of fraud within the Trust and is fully compliant with NHS Counter Fraud Authority Counter Fraud standards for providers. This is consistent with prior year arrangements. We are satisfied that progress against the plan is appropriately presented to ARC, members demonstrate challenge and discussion of Counter Fraud work, and management show good engagement and response to recommendations raised.

Budget Setting Process

For 2020/21 and 2021/22 the Trust, like the rest of the sector, has been funded to a breakeven position with pre-agreed funding and top up income received from central government to allow a focus on responding to the pandemic. Planning guidance for 2022/23 was released in December 2021 confirming that the sector would no longer be funded in the same way as the previous year and an Elective Recovery Plan was released in February 2022.

In line with the planning guidance, draft plans were submitted via Bristol, North Somerset and South Gloucestershire Integrated Care System (BNSSG ICS), on 17 March 2022 and a final plan on 28 April 2022. Subsequently, it has been communicated that a third refinement is now required by 20 June 2022 to support a breakeven system plan in line with national planning guidance.

We are satisfied the annual business planning cycle triangulates activity, workforce and finance with appropriate internal and external engagement. The Trust's budget setting process is a combination of a top-down approach, where initial modelling undertaken by Finance is shared with Divisions, and a bottom-up approach where Finance work with Divisions to understand operational pressures, risks and opportunities and incorporate these into the budget. This includes clinical input to assess clinical risk and the appropriate investments to mitigate. Demand and capacity modelling has been undertaken with each division, workforce plans developed, and work done to assess theatre and bedded capacity. This ensures that the budget, at each stage of its development, is realistic in its assumptions from a financial and operational perspective. There has been substantial level of engagement between Finance and the Divisions throughout the process demonstrated by regular meetings and detailed presentations between the two disciplines.

The nature of the financial planning process for 2022/23 has also required the Trust to coordinate its plans with BNSSG ICS to support a system submission. The Trust has liaised with the system via regular Director of Finance and Deputy Director of Finance meetings to align assumptions and include these within each iteration of Trust plans. In addition, each time the plan is presented internally there is inclusion of the BNSSG ICS position to ensure the Board have a full picture of the region and can understand the Trust position within it. This is effective reporting.

Governance

Planning work has been fed through the Trust's governance structures via Trust Management Team (TMT), Finance & Performance Committee (FPC) and Trust Board, demonstrating a good level of scrutiny and transparency before final approval by Board. Reporting in relation to the budget is appropriately detailed, explains the 2021/22 underlying position, 2022/23 assumptions, identified and unidentified mitigations and additional risks and opportunities. The information is presented in multiple formats (narrative, tables and graphs) to ensure it is accessible and easily understood. Concurrently, plans have been submitted at system level with Executive Group sign off before the final submission on 28 April 2022. We are therefore satisfied there are multiple layers of responsibility and accountability in developing annual plans.

Risk and sensitivity analysis has been limited for 2022/23 planning given that income is set and subject to strict planning guidance. However, demand and capacity modelling has been undertaken to evaluate the Trust's ability to achieve Elective Recovery Funding (ERF) and the potential impact of inflation has been subject to detailed calculations. These elements have clearly been presented to FPC and Board and are under constant review.

Budgetary Control

As per sector practice, the Trust monitors and reports on its finances on a monthly basis. Information is collated by Finance and provided to budget holders and effectively reported through the governance structure for scrutiny by TMT, FPC and Board. Each forum receives information in a timely manner to ensure that decision making is based on up to date information and there is no more than a one-month lag.

Monthly profiled budget statements are provided to budget holders in a timely manner which allow for an assessment of financial performance and variance against plan. There is extensive engagement between Finance, Divisions and the Executive Team to identify the actions required to resolve adverse variances and formally hold budget holders to account. The Trust has a clear structure which ensures that all levels of the organisation are expected to work to meet financial objectives with formal expectations set for senior officers and budget holders per the Standing Orders.

Accountability is formalised through the Trust's Accountability Framework which provides a mechanism by which Clinical Divisions and Corporate Directorates can be held to account for the delivery of their operational and strategic plans and objectives. The Framework also provides a mechanism for identifying where additional support and/or development might be required to enable delivery of plans and objectives. Following the Covid-19 pandemic, the relaunch of the Framework was undertaken in May 2021 and incorporated into Monthly Clinical Division Review Meetings, Quarterly Clinical Division Review Meetings and Quarterly Corporate Directorate Review Meetings. The Corporate review was added for 2021/22 as the Corporate Directorates had not been subject to the same level of senior oversight from the wider organisation. Each review meeting covers the key issues for discussion and in terms of finance, analysis of the in-month and year to date position against plan, Cost Improvement Plan (CIP) progress, and performance against the Framework KPIs. Agreement is made on what mitigations/actions need to be delivered to improve confidence levels and an action log is maintained to capture these with an assigned lead to ensure accountability. We are satisfied that these arrangements allow variances to be picked up promptly and budget holders to be held to account for delivering to budget and developing adequate mitigating action.

We consider budget reporting to FPC and Board to be at an appropriate level of detail to ensure effective decision making can be undertaken. Monthly reporting shows a simple analysis of variances between actual and budget for the in-month and year to date positions, as well as the expected forecast outturn. This is split between income, pay, non-pay and other factors such as Covid-19, Mass Vaccination Centre and the Nightingale Surge Hub. This allows the Trust to determine if they are on track against plan and take mitigating actions if required. Run rate trend analysis in included for transparency and assurance that the Trust has not lost grip or control. The reporting also ensures that cash, capital and savings are reported separately from the revenue position so that the upmost transparency is achieved, and the Board can see specific areas where they may need to take action. The level of detail is appropriate and ensures that members are aware of the variances and trends across different activity types, income types and expenditure types. We would deem this useful analysis in decision making as it is at a granular level to fully expose specific challenges.

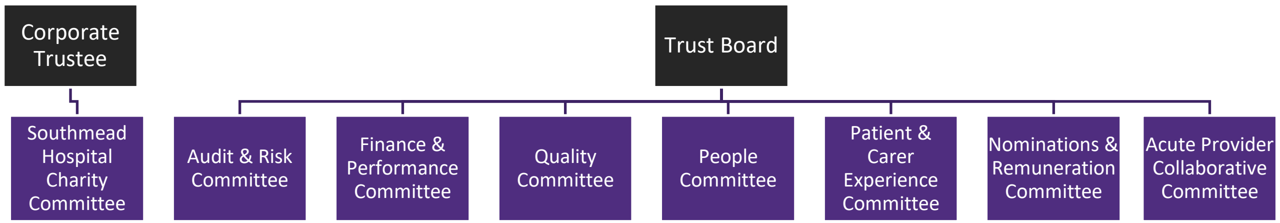
We are also satisfied that relevant non-financial information has been provided to the Board during the year, either integrated in monthly financial reporting, or via the Integrated Performance Report (IPR) and other performance reports. However, as discussed in our work on Financial Sustainability, we recommend that the Trust reviews the content of the monthly financial pack to ensure it draws out the key risks to the 2022/23 plan and provides relevant non-financial context for committee oversight.

Governance

This extends to greater incorporation of system level data. 2022/23 planning papers have included the BNSSG ICS position to ensure the Board have a full picture of the region and can understand the Trust position within it. However, this is not yet included in regular financial monitoring and reporting. Reporting arrangements are reflective of the maturity of the partnership, however, the Trust may wish to increase the content as the collaboration level builds to ensure the system position is fully transparent, particularly given that ERF is dependent on system activity. (Recommendation A)

Informed Decision Making

Decision making at the top levels of the organisation is deemed to be effective. The Board has well established subcommittees, chaired by NEDs and with appropriate Executive Director membership. The Trust Board undertook a review of its effectiveness, focusing on committee structures and responsibilities in July 2021. This resulted in a series of changes, including the creation of ARC and an increase in frequency of meetings of the Quality Committee and FPC. The introduction of the Executive Assurance Forum during the year has also increased engagement and helped with holding each other to account. Committee minutes shows that the Executive Team are regular in attendance at Board and subcommittees which sets an appropriate tone from the top, demonstrating accountability to scrutiny across all aspects of the Trust and a joined up approach to performance. Each committee undertakes a self-assessment of their effectiveness and reports the results to Trust Board. These have not highlighted any significant issues and the self-assessments show that members feel the information received is usually timely, of the right quality and in the right form to enable the committee to make sound decisions.



The NEDs themselves have a wide range of skills and experience including in relation to the national and political environment and there is appropriate clinical experience and involvement at Board level. Further NED engagement is undertaken via a weekly briefing which covers the state of play at the Trust. We are aware the NEDs are well versed on the issues raised at ARC and are observed to provide appropriate and robust challenge via audit team attendance.

The IPR is received by the Board each month, which sets out performance against various operational, quality and financial targets, and provides an opportunity for discussion and challenge. Subcommittees and groups provide upward reports and assurance, and the Board receives regular and detailed reports from its key subcommittees. In 2021/22 the subcommittees have undertaken deep dives into areas of concern or risk, including performance against key constitutional and operational targets, urgent & emergency care and planned care modelling. All capital and revenue investments require a business case to be produced in accordance with the Trust's approved procedures per the Trust's Standing Financial Instructions (SFIs). We have considered the Trust's business case processes within our work on Improving Economy, Efficiency and Effectiveness and concluded that the arrangements in place ensure that risks, rewards and Trustwide impacts are fully understood with an appropriate level of detail that allows decision makers to effectively assess schemes.

The Trust's proactive approach to improvement is also evidenced through the Patient First continuous quality improvement programme the Trust are implementing with University Hospitals Bristol and Weston NHS Foundation Trust (UHBW). This is a scaled up approach to the Trust's continuous improvement culture and capability that builds on the current transformation, improvement and innovation strategy. A Patient First readiness assessment was undertaken by University Hospitals Sussex NHS Foundation Trust in which the Trust received positive feedback on it open and learning culture. This is reflected in the 2021 staff survey results for which the Trust scored average or better than its benchmark group for a number of relevant indicators including compassionate leadership, compassionate culture, staff morale, staff engagement, and raising concerns.

The Trust's most recent Well-Led inspection was undertaken in 2019 and resulted in an Outstanding rating. A self-assessment refresh was undertaken in September 2021 which indicated the Trust may now be at a slightly lower rating.

Governance

However, this is in part driven by Executive Team turnover and gaps in substantive appointments. From discussion with officers, we note that the Executive Team changes have predominantly been driven through retirement and the turnover has not impacted on the overall Trust focus and objectives. Since the self-assessment was completed, all vacancies in the Executive Team have been filled substantively and key Divisional Leadership roles strengthened. The self-assessment process demonstrates the Trust are committed to monitoring leadership performance and identify areas for improvement.

An area of good practice in terms of decision making is the involvement of key stakeholder within those decisions, whether that be internal or external to the Trust, to ensure that decisions are as effective as possible and encompass a range of ideas. The Trust evidences its commitment to gaining this additional level of insight by proactively capturing patient stories which are shared at Trust Board, Patient & Carer Experience Committee, Patient Experience Group and Divisional Patient Experience Group to celebrate good practice and identify areas for improvement.

Any changes that impact on clinical pathways and service users are managed through the Patient and Carer Experience Committee, which is attended by the Deputy Medical Director, BNSSG Healthwatch as well as patient representatives. The committee's purpose is to raise the profile and visibility of patient experience at Board level and to provide assurance to the Board on those matters. The committee reviews patient survey results, complaints data, and patient experience risks and sets the strategic direction for patient and carer experience. One of the Trust's main focuses for 2021/22 has been to increase the number of patient and carer partners and improve diversity to be more representative of the local community. This level of engagement demonstrates good practice and will be used in a range of decisions going forwards.

Regulation and Compliance

Regulation of the Trust's services is predominantly undertaken by the Care Quality Commission (CQC). The Trust was last fully inspected in 2019 when an overall rating of Good was awarded. We have considered the Trust's approach for CQC management and governance within our work on Improving Economy, Efficiency and Effectiveness and concluded the arrangements provide assurance of sustained delivery of embedded improvement and CQC compliance whilst providing escalation processes when required.

We are also satisfied that the governance structures in place provide appropriate assurance and oversight for regulated areas including sight of ongoing compliance actions. TLRs are reviewed at relevant subcommittee meetings, providing an opportunity to review areas where regulatory compliance is at risk, and develop actions to correct/mitigate. These arrangements are enhanced via the annual internal audit and LCFS work programme as discussed elsewhere in the Risk Management section.

In relation to data security, the Data Security Protection Toolkit (DSPT) is the NHS Digital toolkit to ensure that healthcare bodies are protecting their patient and staff information adequately. The results of the Trust's DSPT return also has wider implications because it is considered by CQC as part of the Well-Led element. Internal audit have assessed the overall design and operation of key mandatory DSPT controls and provided 'significant assurance.' This endorsement supports the expectation that the Trust will achieve a DSPT annual submission rating of 'Standards Exceeded' for 2021/22. This would be the first time the Trust has achieved this benchmark and would place it in the top 5% of Trusts.

The Trust currently has a backlog of review of policies, which has stemmed from a combination of the Omicron wave and an operationally challenged winter with high staff absences. As at January 2022, there were 185 overdue policies, however, progress has been made since the prior year and it is noted that the aim to have all policies in-date is a moving target. The significant scale of the problem has been communicated to the relevant owners and committees and a prioritisation process is underway. A 'policies' standing agenda item is now also present at a number of committees. This has enabled increased rates of review and approval and improved oversight.

Arrangements show that the Trust are actively monitoring and progressing against the number of policies that are out of date, with routine updates to committees and ARC oversight. We also note that an internal audit Policy Management and Governance review has been scheduled for 2022/23. However, given the significant number of policies out of date, there is a need for ongoing focus on prioritising the most important and high-risk policies for immediate review and update. We have therefore raised an improvement recommendation in this regard (Recommendation F).

Whilst a significant number of policies are overdue, the key ones to communicate to staff what behaviours are expected of them are in date. These are the Counter Fraud & Corruption Policy and the Declarations of Interest Policy.

Governance

Communication of these policies begins in the induction programme for new starters with ongoing programmes of awareness and mandatory training for existing employees. Staff are required to declare any interests if they are in a position of influence at the Trust. The policy is clear over the roles and responsibilities of staff and clearly defines the 'decision makers' who are required to complete an annual declaration. While there is an annual requirement, this is also an ongoing exercise to reflect any changes throughout the year. The Trust also has a clear and embedded process for managing conflicts of interest at Board and committee meetings. Declarations of interest is a standing agenda item and when conflicts are identified, it is apparent that individuals had taken appropriate action to mitigate the risk, for instance by leaving the room.

The Trust uses the Civica Declare system to manage declarations which aids in compliance by sending automatic email reminders monthly to staff who have not yet complied with the policy and annually to remind staff to review any timebound declaration. Registers are maintained which the Trust appropriate publishes its website for transparency in accordance with the 'Managing Conflicts of Interest in the NHS' guidance. We are satisfied that compliance is satisfactory, as evidenced in the LCFS Declarations of Interest and Gifts and Hospitality review in November 2021, and overall arrangements for declaring interests, gifts and hospitality are appropriate.

The Trust also has robust arrangements in relation to Fit and Proper Persons Requirements (FPPR) with an associated policy in place. This is in date and next due for review in June 2022 or on receipt of further CQC guidance. The Director of People and Transformation and the Trust Secretary oversee the process and maintain records of checks. In line with Trust policy, Trust directors have completed an annual self-certification to confirm they are a 'fit and proper person.' Additionally, the full suite of FPPR checks have been conducted for new appointments during the year.

Conclusion

We are satisfied that the Trust has appropriate governance arrangements in place to ensure that decisions can be made effectively and the relevant people within the organisation held to account.

Arrangements for identifying and assessing risk are considered to be robust and supported by an effective internal audit and LCFS work programmes. However, two potential improvement recommendations have been identified in relation to the BAF and TLRs to ensure the Trust is demonstrating best practice in this area and the number of risks reported for committee oversight is manageable.

Budget setting and budgetary control arrangements are considered appropriate and ensure that the budget, at each stage of its development, is realistic in its assumptions from a financial and operational perspective, and budget holders are held to account. Financial reporting is clear and impactful, however, we recommend that the Trust reviews the content of the monthly financial pack to ensure it draws out the key risks to the 2022/23 plan and provides relevant non-financial context for committee oversight. This extends to greater incorporation of system level data.

We have confirmed that decision making at the top levels of the organisation is effective and underpinned by a strong, open and supportive culture. Subcommittees are well established and information received at Board and committee level is timely and of appropriate quality to support informed decision making. The Trust demonstrates a commitment to improvement via the Patient First programme and incorporates extensive stakeholder engagement in its activities including patient insights.

We are also satisfied that the Trust has appropriate arrangements in place to provide assurance and oversight for regulated areas, declarations of interests, gifts and hospitality and FPPR. However, we note that the Trust currently has a backlog of review of policies and there is a need for ongoing focus on prioritising the most important and high-risk policies for immediate review and update.

Further detail on recommendations can be found on pages 21 to 22.

Improvement recommendations

Governance

Recommendation D	We recommend that the Trust reviews the lead owners, lead committees and planned actions on the Board Assurance Framework (BAF) to ensure they are accurate and appropriate.
Why/impact	Risks with multiple lead owners and committees may confuse and hinder accountability, and actions past their due date implies that either the mitigation is complete or new mitigations are required.
Auditor judgement	Review of the BAF identified that some risks have multiple lead owners and committees assigned to each risk. This was also identified by internal audit and an agreed management action is in place for the Trust to review ownership of each BAF risk and determine whether shared responsibility between multiple owners and committee is necessary. It was also identified that a number of planned actions were past their due date. These therefore also need to be reviewed to reflect an appropriate timescale with new mitigations identified for overdue actions.
Management Comments	Management agrees this action. An immediate review of the BAF will take place, with a further refresh by the end of Q3 22/23 to ensure alignment with the Trust's Patient First priorities once these are finalised.

Recommendation E	We recommend that the Trust review and updates its risk appetite and tolerances to ensure they are appropriate in the current environment and support manageable upward reporting. The Trust should also streamline Trust Level Risks (TLRs) to ensure that only true risks are captured.
Why/impact	Having too many risks could deter focus from those that need committee attention.
Auditor judgement	As at March 2022, there were 8 Board Assurance Framework (BAF) risks which is deemed a manageable number, however, there were 37 TLRs. We note that the current risk appetite is quite low (score ≥ 12), and a higher risk appetite would allow the Trust to have more focussed conversations on the higher scoring risks. It also been identified by Audit & Risk Committee (ARC) members that some TLRs may be more appropriately reported as an 'issue' rather than a 'risk' as they are already occurring. We agree with this and recommend streamlining the TLRs to those that are true risks.
Management Comments	An initial risk appetite seminar for Trust Board took place on 28 April to refresh risk appetite, and it was acknowledged that this exercise should be undertaken on an annual basis going forward. A revision of the risk management policy and an associated appetite statement will go to the August 22 meeting of the Audit & Risk Committee. The Trust is committed to ongoing work to improve the risk management function, including appropriate central resourcing and a Risk Management Group to ensure appropriate challenge and streamlining of risks. Initial actions should be complete by the end of August 22, and the review and improvement of the central risk function by end of 22/23.

Improvement recommendations

Governance

Recommendation F	We recommend that the Trust continues to clear the backlog of policy reviews, prioritising those that are most high-risk and the areas that are most affected (HR, Facilities, H&S, Finance).
Why/impact	It's important to note that Policies and procedures need to be updated to reflect any relevant legislative or regulatory changes, support best practice and to protect staff and patients. Out of date policies can result in behaviours or actions that do not support good governance and healthcare.
Auditor judgement	The Trust currently has a backlog of review of policies, which has stemmed from a combination of the Omicron wave and an operationally challenged winter with high staff absences. As at January 2022, there were 185 overdue policies. Arrangements show that the Trust are actively monitoring and progressing against the number of policies that are out of date with routine updates to committees and Audit & Risk Committee (ARC) oversight. We also note that an internal audit Policy Management and Governance review has been scheduled for 2022/23. However, given the significant number of policies out of date, there is a need for ongoing focus on prioritising the most important and high-risk policies for immediate review and update.
Management Comments	The Trust recognises the areas identified and is committed to working to continue to reduce the backlog, prioritising the areas that are most affected. An internal audit is also currently underway to ensure that the Trust's approach to policy management is robust.

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

Improving economy, efficiency and effectiveness

We considered how the NHS 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.

Performance Monitoring and Reporting

Performance reporting to Board is predominantly undertaken via the monthly Integrated Performance Report (IPR) which provides overview and detail of the key measures of performance and supporting indicators to ensure that a balanced performance position is understood. The IPR is aligned to Trust and national priorities and the Care Quality Commission (CQC) domains and therefore provides coverage of the full suite of Trust operations and objectives. Each performance area has a responsible officer to ensure accountability.

A number of refinements have been made in year which has strengthened the IPR, particularly the use of Statistical Process Control (SPC) charts to identify genuine statistical changes rather than normal variation, and improvements to the narrative. This has enabled conversations to move to the 'so what', i.e. what actions are being taken to resolve issues. The IPR is a public facing document that serves many purposes and is the one monthly truth of Trust performance. As such, we are satisfied that the level of detail and narrative provided in the IPR is well balanced and further complemented by Board subcommittee performance reporting. The regularity of performance reporting to the Board is considered appropriate to enable effective discharge of their statutory duties and there is evidence of a good level of discussion and challenge of the performance presented. Regular engagement occurs between Executives and Non-Executive Directors (NEDs) in addition to assurances provided through monthly Board subcommittees.

System performance data for Bristol, North Somerset and South Gloucestershire Integrated Care System (BNSSG ICS) or the Acute Provider Collaborative with University Hospitals Bristol and Weston NHS Foundation Trust (UHBW) is not routinely included in IPR reporting but this is reflective of the system's maturity. Decision makers have been effectively updated on the work of the wider system and the provider collaborative through the Chief Executive reporting to Board, Healthier Together Update Reports and Acute Provider Collaborative Board Upward Reports. Further commentary on the flow of information between the Trust and system is considered in the Partnership Working section.

The Trust adopts a proactive and risk based approach to data quality through a number of monitoring tools both internally and externally. These tools indicate that data quality at the Trust is strong as evidenced through the Trust's overall data quality position improving from 'Good' in 2020/21 to 'Excellent' in 2021/22 and the significant assurance rating given by internal audit for their annual data quality review. We consider that governance arrangements in place are appropriate; all data quality queries are logged, assigned, tracked, and ultimately resolved, engaging wider resources as required. There is a monthly Data Quality Meeting, focusing on all internal and external quality issues with upward reporting to higher level quality forums and external to commissioners. Overall data quality performance is upwardly reported to Finance & Performance Committee (FPC) and Audit & Risk Committee (ARC).

Benchmarking Costs and Performance

Through the processes described, it is clear that the Trust have a detailed and accurate understanding of their own performance. We have also identified extensive examples of the Trust undertaking benchmarking activities to provide context against other trusts and better focus Board and subcommittee challenge and resultant actions. Benchmarking against the Trust's peer group is included in operational performance updates and the IPR. The peer group used has been updated in year to ensure best comparability. In addition, the Trust makes use of a wide range of data sources to identify where improvements and efficiencies can be made. These include the national reference costs index, Patient-Level Information and Costing Systems (PLICS) portal, Getting It Right First Time (GIRFT) and Model

Improving economy, efficiency and effectiveness

Hospital, which are nationally recognised benchmarking tools. The Trust also uses tools developed in house to look at unit costs between periods, as national benchmarking over the past two years has been impacted by Covid-19 activity. This has allowed the Trust to identify areas where productivity is lower than 2019/20 levels and therefore areas for improvements and efficiencies at a granular level. Once the Trust returns to 2019/20 levels of productivity, this will be compared to national reference costs, adjusted for inflation and efficiencies.

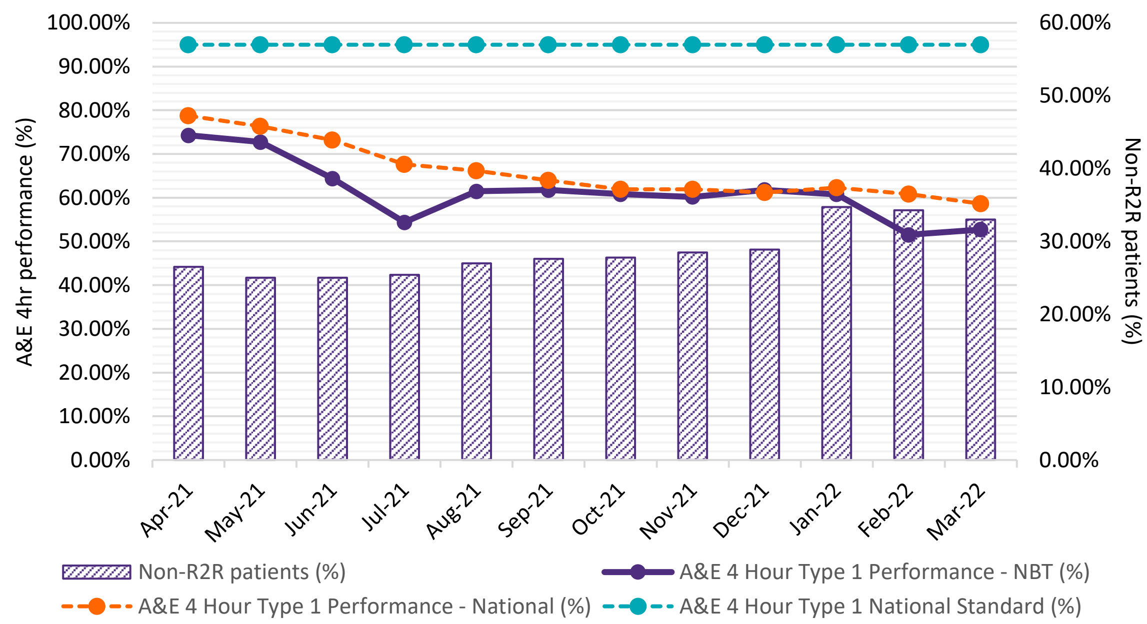
The Trust's Project Management Office (PMO) maintains oversight of the data and provides each Division with a dedicated transformation analyst to support with identification and monitoring of improvement opportunities. Data packs are prepared which cover the benchmarking data above, financial analysis, workforce analysis and historical investment benefit realisation. Opportunities identified are translated into Cost Improvement Plan (CIP) workstreams to support short term stabilisation of the financial position and into the Transformation Programme for longer term service transformation. In 2021/22, there were six standing transformation programmes; Theatres, Outpatients, Urgent & Emergency Care, Workforce, Corporate Services, Womens & Childrens. From November until March 2022, the PMO's focus has been redirected to the Elective Recovery Programme, however, the pre-existing programme has been progressed as far as possible with benefit tracking at programme level for which we have been provided evidence of.

The Trust's proactive approach to improvement is also evidenced through the Patient First continuous quality improvement programme the Trust are implementing with UHBW. This is a scaled up approach to the Trust's current transformation, improvement and innovation strategy. It will also enable a standardised approach to delivering improvement and transformation across the Acute Provider Collaborative to aid partnership working.

Overall, performance against key constitutional and regulatory standards has been challenged throughout 2021/22, driven largely by the direct and indirect impacts of the pandemic. Via our own benchmarking tool, we investigated several areas where the Trust has performed below the national average in order to identify where actions may need to be prioritised and to understand the Trust's arrangements to do so.

The key driver of performance challenges at the Trust are the high numbers of patients who do not meet the nationally set criteria to reside (non-R2R) in the hospital, i.e. do not require acute hospital care, and the associated high bed occupancy impacting patient flow. Non-R2R patient levels have increased during the year from 25.0% in May 2021 to a peak of 34.7% in January 2022 with marginal recovery to 33.0% in March 2022. This is against a national average of c.13% in March 2022. Discharges remain impacted by insufficient staff capacity for Local Authority funded domiciliary care and community provider care worker capacity.

A&E 4 hour type 1 performance against the national average (%) overlaid with patients that do not meet the criteria to reside (non-R2R) (%)



Improving economy, efficiency and effectiveness

These high numbers of non-R2R patients mean that the Trust is not able to flow patients efficiently out of the Emergency Department into speciality beds and has therefore had a significant impact on the Trust's A&E metrics. Like most NHS organisations, the Trust is not currently achieving the A&E 4 hour wait target as illustrated in the chart below. The Trust does fall below the national average, however, it is not a significant outlier and ranks in the third quartile when compared to peers. Performance is more concerning in relation to A&E 12 hour trolley breaches which have risen from nil at the beginning of the year to 449 in March 2022. For this metric, the Trust ranks poorly against its peers being in the fourth quartile.

The Trust has undertaken significant analysis and identified that of the total number of non-R2R patients, 17.9% are on average due to reasons within the Trust's control and 82.1% are due to reasons outside of the Trust's control, i.e. bed availability in community/social care. Furthermore, when this is viewed in terms of bed days, of the total number of non-R2R bed days, 6.3% are within the Trust's control and 93.7% are due to community reasons. The greatest opportunity and impact is therefore in reducing community driven non-R2R. Internal actions remain a priority but are not sufficient to resolve the issue. To improve what is in the Trust's control, an Urgent & Emergency Care Improvement Plan has been developed focusing on discharge and flow. The programme pulls together a clear set of prioritised projects, building on some existing work within the Trust, and based on feedback from external visits and recommendations, as well as best practice guidance.

The high levels of non-R2R patients also significantly impact on the number of beds available to support the 2022/23 elective recovery programme. At system level, elective recovery plans across the Trust and UHBW are below the national requirement to deliver 104% of 2019/20 elective activity levels, primarily due to the bed gaps in both Trusts. The initial assessment is there is a gap of c.100-150 beds. During 2021/22 the Trust has done significant work to increase capacity including incentivising weekend and evening working, investing in surgical equipment and increasing its diagnostic capacity. However, this is not sufficient to meet the 104% national ask. This also affects the number of long waiters the Trust has. The Trust delivered its 2021/22 year end target of having no more than 99 patients waiting longer than 104 weeks for treatment, however, the national requirement for 2022/23 is to eliminate all 104 week waiters by June 2023. While projections indicate the Trust will be able to do this initially, it is unable to sustain this for the full year. The Trust will also be non-compliant for the 72 week wait and 52 week wait national ambitions.

Measure	National planning requirement	Trust projected position	Compliant?
Elective activity against 2019/20 levels	104%	101%	No
104 week wait position – June 2022	Nil	Nil	Yes
104 week wait position – March 2023	Nil	165	No
78 week wait position – March 2023	Nil	806	No
52 week wait position – March 2023	Overall reduction = < 2,242	3,578	No
62 day cancer PTL – March 2023	Reduction to Feb 2020 levels = 242	345	No

A wide range of system and internal mitigations have been developed, including, at a system level, the Stroke programme and Discharge to Assess. A proportion of the system's ERF has been committed to transformation programmes that are targeting impacts to support delivery of these improvements. The Trust's committee structure ensures that there is timely scrutiny of performance data and the Trust Management Team (TMT) and Board have received deep dives into both urgent & emergency care performance and elective recovery modelling in March 2022, and this remains on forward work plans for 2022/23. Given the benefits of the mitigations developed are key to delivery of the Trust's operational plan and recovering performance, it is important that modelling and monitoring of benefit delivery is robust and transparently reported so there is sufficient oversight at the top tier of the organisation. We have therefore raised an improvement recommendation in this regard. (Recommendation G). We have also raised a linked improvement recommendation within our work on Partnership Working to continue to work with partners across the system, particularly the Local Authority, to influence an effective system response to the community driver of non-R2R whilst also progressing contingency capacity options. (Recommendation I).

Improving economy, efficiency and effectiveness

Regulatory Response

The Trust was last fully inspected by CQC in 2019 when an overall rating of Good was awarded. The inspection report set out 11 'Must Do' and 62 'Should Do' actions. The Trust has appropriately responded to these recommendations and all actions have now been closed or transitioned into ongoing work. This 2019 inspection also resulted in regulatory enforcement undertakings with NHSEI, with the Trust required to create a robust long-term financial plan, improve A&E 4 hour target performance and improve performance against the RTT 52 weeks target. The undertakings were lifted in January 2022 by NHSEI who concluded that the Trust is now compliant with the financial undertaking, and the remaining two were discontinued due to the changes in the Trust and external circumstances. This indicates an encouraging trajectory for the Trust.

Overall, the CQC assurance position is positive, with effective ongoing engagement with the CQC through the quarterly executive engagement meetings, well-conducted service specific monitoring visits and open and responsive interaction on specific issues or care concerns. From a regulatory compliance perspective, corporate oversight through Quality Committee and TMT is deemed appropriate and the internal mock inspection programme provides additional internal assurance which will be enhanced by the self-assessments planned for 2022/23. This triangulated approach for CQC management and governance provides assurance of sustained delivery of embedded improvement and CQC compliance whilst providing escalation processes when required.

There are also no concerns highlighted from the Trust's Ockenden response. While we note that the Trust remains partially compliant against some of the Immediate and Essential Actions (IEAs) issued, there is evidence that an improvement plan is in place that identifies the actions required to meet full compliance and an assigned lead for each action to ensure accountability. Progress reviews are a standing agenda item in monthly specialty meetings with oversight through Quality Committee and Board. We also note that some of the actions require additional workforce and service reconfiguration which will take time to achieve, particularly given the ongoing pandemic response.

It is also noted that the Women & Children's Division was placed in 'intensive support' in June 2021 under the Trust's Accountability Framework. An improvement programme of eight work streams was set up to deliver improvements across business operations, people and culture, and clinical processes. Following evidenced improvement, a decision was made by the Trust Executive to step the Division down from 'intensive' to 'targeted support' in November 2021. Subsequently in April 2022, the programme was formally closed with ongoing work continuing with divisional oversight and residual risks transferring to the divisional risk register. We are satisfied that programme progress has been monitored and reported robustly to ensure adequate Board oversight via Quality Committee.

There is no evidence of the Trust failing to implement or achieve progress on recommendations raised, either as a result of previous audit recommendations, or those from regulators. In our prior year work, we raised a recommendation to implement a central log of internal audit, Local Counter Fraud Specialist (LCFS) and external audit recommendations to allow actions to be tracked and followed up in a timely manner. This is now in place and review of the log aligns to the ARC timetable for upward reporting. Internal audit reporting at ARC confirms that actions are regularly closed and only a limited number remained outstanding at year end. Similarly, we are satisfied based on our external audit work in 2021/22 that prior year recommendations have been progressed or implemented.

Partnership Working

The partnership with the local health system, BNSSG ICS, is well established, supported by a governance framework which includes a comprehensive allocation of responsibilities through the Trust and the BNSSG ICS to ensure appropriate governance is directed at each level of the organisations. Following engagement across all system partners, a Memorandum of Understanding (MOU) was developed and adopted in October 2021, outlining the principles and governance arrangements for the system. The framework enables a collective model of responsibility and decision-making whilst ensuring decisions are not being taken at system level which do not meet the interests and aims of the Trust and vice versa.

In 2021/22, BNSSG ICS has retained and developed its existing governance arrangements, specifically by building on the existing Partnership Board and Executive Group forums. These arrangements will remain in place until the Integrated Care Board (ICB) is established as a statutory entity. Through the Partnership Board, system partners use a collective model of decision-making that seeks to ensure that all decisions are agreed unanimously. Decisions are taken formally by individual organisations in line with their existing governance arrangements prior to ratification at the Partnership Board.

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Our work confirms that the Trust are well engaged with the system via various role specific forums such as the Directors of Finance Group, Chief Operating Officers Group, Chief Executive Group and more formally the Executive Group and Partnership Board. Decisions made at system level are currently communicated to the Trust Board and subcommittees via the Chief Executive updates and the Healthier Together Update Reports although we note this update report have not been consistently produced during the year. The Chief Executive reporting to each Board covers a range of topics including partnership working and the update reports that have been presented during the year have ensured that the Board has a sufficient level of information based on the current level of collaboration. However, we would expect more regular reporting to increase in 2022/23 when the ICB is formally established. Regular inclusion of a summary report from ICB to Trust Board or a standing agenda item on system activities should be considered as collaboration increases so that the Board are fully sighted on developments and activity can be scrutinised in the same way Trust specific undertakings would be. (Recommendation H).

From discussion with officers, partner relationships have improved significantly since the pandemic, particularly around openness and transparency. We do, however, note that there is still work to do on the mindset shift from individual body to whole system accountability, particularly around systemwide challenges such as bedded capacity and discharge. We are therefore raising an improvement recommendation for the Trust to continue to work with partners across the system to facilitate the transition to the new service structure and develop a clear plan for service reform that delivers against the needs of the population. This should be particularly focused on influencing an effective system response to the community driver of non-R2R patients whilst also progressing contingency capacity options. (Recommendation I).

We would also like to highlight the progress the Trust has made in partnership working through the establishment of the Acute Provider Collaborative with UHBW. The provider collaborative expands the existing remit of the Acute Services Review to encompass both clinical and corporate areas with tangible benefits expected in the year ahead. In 2020, the Trust and UHBW created a Committee in Common, the Acute Services Review Programme Board, to provide oversight for a BNSSG ICS acute services review. This has been re-constituted in year as the Acute Provider Collaboration Board, a Committee in Common with membership including the Chairs and Chief Executives of the Trust and UHBW, alongside other Executive and NEDs of each organisation. The Chairs of the Acute Provider Collaboration Board formally report to their respective sovereign Trust Board on all proceedings and matters within the duties and responsibilities of the Acute Provider Collaboration Board and also make recommendations where disclosure, action or improvement is needed. This is evidenced in Board reporting since November 2021.

Procurement and Contract Management

The Trust's procurement service is managed by Bristol & Weston NHS Purchasing Consortium (BWPC). BWPC's role includes all aspects of clinical and non-clinical purchasing, supply chain management and capital equipping and performing e-tendering, reporting, spend analysis and order management. The management of suppliers is provided by both BWPC and the Trust with the staff responsible dependent on the individual supplier.

BWPC has a draft Procurement Strategy in place which reflects system developments and is aligned to the Trust's strategic priorities. This is in the finalisation stage and will be approved and ratified by the Trust prior to implementation. This addresses the improvement recommendation we made in the prior year to update the Procurement Strategy.

The Standing Financial Instructions (SFIs) set out the required competitive tendering and contracting procedures and the exceptions where formal tendering can be waived. All instances where competitive tendering requirements are waived are reported to each ARC meeting as Single Tender Actions (STAs). Procurement processes and documentation have been strengthened in year with the new Market Strategy Report which requires documented justification against all elements of a fair and competitive process before an approach is agreed. This has been tested in year for formal implementation in 2022/23. This had previously been done retrospectively through the Recommendation Report which requires sign off by the Chief Finance Officer and Director of Procurement. If either were uncomfortable with the approach then a project review was initiated. From discussion with officers, this did not result in any procurements having to be stopped or restarted in year.

Through our financial statements audit work, it has been identified that a current supplier has made a legal claim against BWPC, challenging the decision to award the contract to another supplier following a retender. We have discussed this with officers who are of the view that they followed due process and are not expecting the claim to succeed and have therefore not included a provision or contingent liability in their accounts. Legal exchanges

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between the parties remain ongoing and we are comfortable that the final outcome will not have a material impact on our financial statements audit or our VFM conclusions.

One of the key risks to any tendering exercise is that the unsuccessful bidder challenges the award of the contract leading to delay or a legal claim in rare circumstances and therefore we would recommend that the Trust pushes forward with the roll out of the new Market Strategy Report to ensure that all requirements for a fair procurement exercise are considered and documented consistently and robustly for all significant contracts. (Recommendation J).

All instances where competitive tendering requirements are waived are reported to each AC meeting as STAs under three categories. Not all STAs should give rise to concern, and it is those that fall under the non-compliant spend category, i.e. the initiator has failed to follow an adequate procurement process, where the focus should lie. Attention should also be given to the no route to market category, particularly where a non-compliant extension to an existing agreement has been made which often occurs due to a lack of notice or awareness of contract end dates. However, this could also occur deliberately to align contract end dates. Technical monopoly STAs are also undesirable but these should reduce in number as Framework Agreements are established by the procurement team to manage this spend.

From ARC reporting, the year on year comparisons show an improvement in compliance across the board between Q4 2020/21 and 2021/22. This indicates that the Trust, with BWPC support, have managed to bring non-complaint spend and extensions into greater control during the year. BWPC are undertaking a lessons learnt review during Q1 2022/23 to help identify how better planning, engagement and preparation can mitigate non-compliant spend at year end, where it is often greatest, and are continuing to work through contract proximity analysis to create re-procurement plans as appropriate.

We are therefore satisfied that actions are in place to reduce undesirable STAs. However, this only applies to Purchase Order (PO) spend. From discussion with officers, non-PO spend is estimated at c.20-30% of overall spend and we would therefore recommend that BWPC and the Trust identify the required data sets to allow greater analysis of non-PO spend to ensure this is not masking non-compliant spend. (Recommendation K).

From discussion with officers, it was acknowledged that contract monitoring and management was variable and heavily reliant on the capability and capacity of the individual contract manager. This has been confirmed by the LCFS in their recent review on Procurement and Contract Management which identified multiple areas of non compliance, noticeably formal contract documentation not being consistently in place, KPIs not being included and a lack of financial penalties or escalation routes. This means that effective contract management cannot take place as the contract terms are not apparent. Without agreed performance standards or financial penalties, service providers cannot be effectively held to account for poor performance and the Trust cannot assess if the expected benefits of the contract are being realised. We note that management have agreed actions to address these issues via LCFS and we recommend that the Trust progress these as a matter of priority to meet the agreed target dates to ensure no loss of value for money incurs as a result of a lack of oversight. (Recommendation L).

Conclusion

We are satisfied that the Trust has appropriate arrangements to secure economy, efficiency and effectiveness.

Performance monitoring and reporting arrangements are considered to be robust with proactive use of benchmarking to identify where improvements and efficiencies can be made. Overall, performance against key constitutional and regulatory standards has been challenged throughout 2021/22, driven by high numbers of patients with no criteria to reside and associated high bed occupancy impacting patient flow through the hospital. The CQC assurance position is positive, with effective ongoing engagement throughout the year and the lifting of the undertakings applied to the Trust by NHSEI following the 2019 inspection.

Our work has identified that the Trust are active participants within the system. A key success for 2021/22 is the establishment of the Acute Provider Collaborative with UHBW. However, greater system accountability needs to be established to facilitate the transition to the new service structure and develop a clear plan for service reform that delivers against the key challenges in the system. Procurement arrangements have been strengthened in year with an improving STA position, but further work is required, particularly in relation to non Purchase Order spend and in relation to contract management.

Further detail on recommendations can be found on pages 29 to 31.

Improvement recommendations

Improving economy, efficiency and effectiveness

Recommendation G	We recommend that the Trust transparently models and reports progress against the expected benefit delivery of the internal and external mitigations put into place to reduce the number of patients who do not meet the nationally set criteria to reside in the hospital (non-R2R).
Why/impact	Given the benefits of the mitigations developed are key to delivery of the Trust's operational plan and recovering performance, it is important that modelling and monitoring of benefit delivery is robust and transparently reported so there is sufficient oversight at the top tier of the organisation.
Auditor judgement	The key driver of performance challenges at the Trust are the high numbers of non-R2R patients and the associated high bed occupancy impacting patient flow and the Trust's capacity to support the 2022/23 elective recovery programme. Non-R2R patient levels have increased during the year from 25.0% in May 2021 to 33.0% in March 2022. This is against a national average of c.13%. The Trust have identified that the greatest opportunity and impact is in reducing community driven non-R2R. A wide range of system and internal mitigations have been developed in response, including, at a system level, the Stroke programme and Discharge to Assess, and internally, the Urgent & Emergency Care Improvement Plan.
Management Comments	The Trust has laid out mitigating actions to reduce the number of days lost to internal causes and will report on the closure of these actions, the Trust also now routinely reports on the split of numbers of patients awaiting either internal or external actions to allow them to progress on their pathway. Actions to mitigate the external causes of delays are being managed through system Boards such as the Discharge to assess programme Board, again the impact of those actions will continue to be routinely monitored.

Recommendation H	We recommend that the Trust ensures there is a regular and recurrent flow of information between Bristol, North Somerset and South Gloucestershire (BNSSG) decision making forums and Trust Board and subcommittees.
Why/impact	The Trust is increasingly working collaboratively with the local health system. To ensure that the decision makers of the Trust are aware of and can incorporate system level decisions into the Trust's own operations there needs to be a strong mechanism in place to support the flow of information between the organisations.
Auditor judgement	Decisions made at system level are currently communicated to the Trust Board and subcommittees via the Chief Executive updates. Healthier Together Update Reports were taken to Trust Board earlier in the year, although this has been less consistent in the latter half, with the last formal update received in September 2021. The Chief Executive reporting to each Board covers a range of topics including partnership working and the Healthier Together Update Reports that have been presented during the year have ensured that the Board has a sufficient level of information based on the current level of collaboration. However, we would expect more regular reporting to increase in 2022/23 when the Integrated Care Board (ICB) is formally established.
Management Comments	Under the new ICB structure a number of boards supporting the delivery of Urgent Care and Elective care are being formed. NBT will be an active member of these groups, with information flowing from and to the Trust to support system working. These boards will be established from July 2022 onwards.

Improvement recommendations

Improving economy, efficiency and effectiveness

Recommendation I	We recommend that the Trust continue to work with partners across the system to facilitate the transition to the new service structure and develop a clear plan for service reform that delivers against the needs of the population. This should be particularly focused on influencing an effective system response to the community driver of patients who do not meet the nationally set criteria to reside in the hospital (non-R2R), whilst also progressing contingency capacity options.
Why/impact	Our work confirms that the Trust are well engaged with the system via various role specific forums and more formally the Executive Group and Partnership Board. From discussion with officers, partner relationships have improved significantly since the pandemic, particularly around openness and transparency. We do, however, note that there is still work to do on the mindset shift from individual body to whole system accountability, particularly around systemwide challenges such as bedded capacity and discharge.
Auditor judgement	The key driver of performance challenges at the Trust are the high numbers of non-R2R patients which are significantly impacting patient flow and bedded capacity. Resolution of these issues require a systemwide response, with the greatest opportunity and impact being in reducing community driven non-R2R. Internal actions remain a priority but are not sufficient to resolve the issue.
Management Comments	The Trust is actively engaged with system governance to ensure that issues that NBT are experiencing are address, where appropriate, through system actions. From 1st July the Trust CEO will be a member of the Integrated Care Board and so will have oversight of all system work programme and will ensure there is appropriate Trust membership at all meeting groups. The Trust has also agreed through the Acute Provider Collaborative Board that ourselves and UHBW will align ourselves to three of the emerging Integrated Care Partnerships where we will work closely with Primary care to ensure that the care being provided is addressing the specific care needs of that population.

Recommendation J	We recommend that the Trust pushes forward with the roll out of the new Market Strategy Report to ensure that all requirements for a fair procurement exercise are considered and documented consistently and robustly for all significant contracts.
Why/impact	One of the key risks to any tendering exercise is that an unsuccessful bidder challenges the award of the contract leading to delay or a legal claim in rare circumstances. The Trust must satisfy itself that a fair procurement exercise is undertaken in accordance with the Standing Financial Instructions (SFIs).
Auditor judgement	The SFIs set out the required competitive tendering and contracting procedures and the exceptions where formal tendering can be waived. Procurement processes and documentation have been strengthened in year with the new Market Strategy Report which requires documented justification against all elements of a fair and competitive process before an approach is agreed. This has been tested in year for formal implementation in 2022/23.
Management Comments	The Market Strategy Report went live for the Trust for all new procurements with a combined value of greater than £100k on 1st April 2022. Subsequently it has been peer reviewed as part of the Government Commercial Function review of Trust commercial activity and confirmed as a best practice approach

Improvement recommendations

Improving economy, efficiency and effectiveness

Recommendation K	We recommend that Bristol & Weston NHS Purchasing Consortium (BWPC) and the Trust identify the required data sets to allow greater analysis of non Purchase Order (non-PO) spend to determine how this can be reduced or assurance gained that it is not masking non-compliant spend.
Why/impact	Non-PO spend is outside the regulated procurement processes and is therefore not included in Single Tender Actions (STA) analysis and reporting.
Auditor judgement	All instances where competitive tendering requirements are waived are reported to each Audit & Risk Committee (ARC) meeting as STAs which allows non-compliant spend to be identified and mitigating actions implemented. Year on year comparisons show an improvement in compliance across the board between Q4 2020/21 and 2021/22, however, this only applies to PO spend. From discussion with officers, non-PO spend is estimated at c.20-30% of overall spend and therefore could be masking non-compliance which needs to be targeted.
Management Comments	BWPC and Trust Finance are currently working on the trust wide approach to the management of Non PO spend. This includes the incorporation of non PO spend (AP) into our Spend Cube. The proposals will be take on Audit Committee in August 22 for feedback, with a view to implementation taking place from September. Furthermore the Trust are mid way through a project to replace our Purchase to Pay system in FY 2022/23 which will enhance visibility and control available to us over non PO spend.

Recommendation L	We recommend that the Trust progress the recent actions identified by Local Counter Fraud Specialist (LCFS) in their Procurement and Contract Management review as a matter of priority to ensure no loss of value for money incurs as a result of a lack of contract oversight.
Why/impact	Without agreed performance standards or financial penalties, service providers cannot be effectively held to account for poor performance and the Trust cannot assess if the expected benefits of the contract are being realised.
Auditor judgement	The management of suppliers is provided by both Bristol & Weston NHS Purchasing Consortium (BWPC) and the Trust with the staff responsible dependent on the individual supplier. From discussion with officers, it was acknowledged that contract monitoring and management was variable and heavily reliant on the capability and capacity of the individual contract manager. This has been confirmed by the LCFS in their recent review which identified multiple areas of non compliance, noticeably formal contract documentation not being consistently in place, KPIs not being included and a lack of financial penalties or escalation routes.
Management Comments	This will be actioned in line with the report.

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

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	The Trust should: • Ensure that the financial implications of new ways of working, including 'new normal' activity levels, inflation and growth, are modelled and tested to ensure forecasts remain accurate. • Ensure that the underlying drivers of its previous deficit are reviewed and monitored to ensure the Trust is in a strong position for discussion with the ICS and regulators when the revised financial architecture for the medium-term is agreed. • Continue to focus on developing sustainable recurrent efficiency programmes which will result in financial savings alongside improvements in quality and patient outcomes.	Improvement	August 2021	• Demand and capacity modelling and inflation analysis have been undertaken and incorporated in 2022/23 planning. • A high level Medium Term Financial Plan (MTFP) refresh was undertaken in November 2021 which identified the drivers of the Trust and wider system deficit and aims to return the system to financial balance in 2025/26. A further refresh is required to align to 2022/23 planning so that a route to financial recovery can be progressed which informs annual budget setting going forward. This position is in common with many others across the sector. • The Trust delivered £3.6m of CIPs against a revised target of £10.0m in 2021/22 with a further £5m met non-recurrently. The 2022/23 plan assumes delivery of the full savings programme of £15.6m. As at May 2022, the Trust have an unidentified gap of £8.4m against the £15.6m target. In addition to this, the delay to planning means the Trust has fewer months in the financial year in which to realise the savings in year. Continued focus is therefore required.	Partially	Yes – incorporated into our improvement recommendations in Financial Sustainability on page 14 and therefore we will follow up in next years work.
2	The Trust should consider maintaining a central register of open recommendations made by assurance providers or regulators. This should be updated by each responsible director and monitored at each Audit Committee meeting.	Improvement	August 2021	This is now in operation whereby the Trust's internal auditors and Trust Secretary review and update the log on a quarterly basis. The log is then reviewed by the Executive Team via the Executive Assurance Forum which is timed to align with Audit & Risk Committee (ARC) reporting.	Yes	No
3	We identified that the Trust's Procurement Strategy covered the period to 31 March 2019. We recommend that a review and update of the policy is completed at the earliest time that is practical.	Improvement	August 2021	BWPC procurement strategy (Jan 2022 to Dec 2025) has been updated for the period Jan 2022 to Dec 2025. This is in the finalisation stage and will be approved and ratified by the Trust prior to implementation.	Yes	No

Opinion on the financial statements

Audit opinion on the financial statements

Our work on the opinion is almost complete. Our anticipated audit report opinion will be qualified to reflect a limitation of scope over the opening inventory balance. We anticipate issuing our opinion in advance of the 22 June 2002 deadline

Audit Findings Report

More detailed findings can be found in our AFR, which will be presented to the Trust's Audit & Risk Committee on 15 June 2022.

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. This work is in progress, with a reporting deadline of 25 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 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 – 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
Risk identified at planning stage due to the Trust's significant cumulative deficit. Despite breaking even in 2019/20 and 2020/21, the Trust did not achieve its statutory breakeven duty over the five-year period ending 31 March 2021. On 25 June 2021, we therefore issued a Section 30 referral to the Secretary of State.	We reviewed the Trust's 2021/22 outturn position. We reviewed the Trust's financial plans for 2022/23 to assess the robustness of the plan for addressing the financial position in the current year and the medium term. We have reviewed the Trust's processes in place for understanding, communicating and challenging actions in relation to the planned deficit position. We have reviewed the Trust's processes in place for identifying and monitoring risks to the plan including cashflow and Cost Improvement Plans (CIPs). We have considered the arrangements the Trust has in place with partners in the system to address the deficit position and achieve a financially sustainable position.	Our review has not identified any significant weaknesses in the Trust's financial planning and monitoring arrangements. The continuation of the Covid-19 Financial Framework has allowed the Trust to deliver a surplus of £2.2m in 2021/22 against the NHSEI performance control total. Despite income exceeding expenditure over the previous five year period, the Trust is reporting a cumulative deficit at 31 March 2022 and remains in technical breach of its breakeven duty. Looking forward to 2022/23, the Trust had originally submitted a deficit plan of £14.1m which was largely driven by inflationary pressures. Following further challenge from NHSE the Trust is now planning to submit a balanced budget by the 20 June 2022 final submission deadline. The Trust has a clear and robust narrative to support its position and financial planning demonstrates that the plan is integrated with corporate objectives and activity and workforce plans. We do, however, consider there to be a risk to CIP delivery due to past performance, the current unidentified gap, and the cultural change required to return to business as usual financial management. Additionally, the financial challenge over the medium term remains high and the need to continue planning for sustainable financial recovery should be prioritised and progressed, in consultation with system partners. A high level Medium Term Financial Plan (MTFP) refresh was undertaken in November 2021 which identified the drivers of the Trust and wider system deficit and aims to return the system to financial balance in 2025/26. A further refresh is required to align to 2022/23 planning once the planning cycle concludes. This position is in common with many others across the sector.	We have raised an improvement recommendation in relation to CIP delivery. As at May 2022, the Trust have an unidentified gap of £8.4m against the £15.6m target. In addition to this, the delay to planning means the Trust has fewer months in the financial year in which to realise the savings in year. We have also raised an improvement recommendation that the Trust prioritises medium term planning in 2022/23 so that a route to financial recovery can be progressed which informs annual budget setting going forward. Further detail on these recommendations can be found on page 14.

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
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	See relevant section

Appendix D - Key acronymous and abbreviations

The following acronyms and abbreviations have been used within this report:

NHSEI - NHS England and NHS Improvement

BNSSG ICS - Bristol, North Somerset and South Gloucestershire Integrated Care System

ICB - Integrated Care Board

BWPC - Bristol & Weston NHS Purchasing Consortium

UHBW - University Hospitals Bristol and Weston NHS Foundation Trust

SOF - Single Oversight Framework

NED - Non-Executive Director

HoIA - Head of Internal Audit

LCFS - Local Counter Fraud Specialist

FPC - Finance & Performance Committee

ARC - Audit & Risk Committee

CPG - Capital Planning Group

PMO - Project Management Office

TMT - Trust Management Team

MTFP - Medium Term Financial Plan

ERF - Elective Recovery Funding

CIP - Cost Improvement Plan

PO - Purchase Order

PDC - Public Dividend Capital

GIRFT - Getting It Right First Time

PLICS - Patient-Level Information and Costing Systems

SFI - Standing Financial Instructions

TLR - Trust Level Risk

BAF - Board Assurance Framework

FTSU - Freedom to Speak Up

FPPR - Fit and Proper Persons Requirements

DSPT - Data Security Protection Toolkit

SPC - Statistical Process Control

STA - Single Tender Action

QIA - Quality Impact Assessment

MOU - Memorandum of Understanding

IEA - Immediate and Essential Action

A&E - Accident and Emergency

Non-R2R - patients who do not meet the nationally set criteria to reside grantthornton.co.uk