

**Formal Meeting of the Council of Governors  
to receive the 2022/23 Annual Report and Accounts  
for University Hospitals Sussex NHS Foundation Trust**

**Tuesday 25 July 2023**

**Time: 19:00 – 19:30**

**Louisa Martindale Building**  
 Royal Sussex County Hospital,  
 Eastern Road, Brighton, BN2 5BE

Item: 1	Time: 19:00	<b>Welcome and apologies for absence</b> To note	Verbal	Presenter: Chair
Item: 2	Time: 19:00	<b>Declarations of Interest</b> To note	Verbal	Presenter: Chair
		<b>Quoracy of Council of Governors Meetings</b> <i>A meeting of the Council shall be quorate and shall not commence until it is quorate. Quoracy is defined as meaning that there shall be present at the meeting at least one third of all Governors (7 allowing for vacancies). Of those present, at least 51% shall be elected Governors.</i>		
Item: 3	Time: 19:00	<b>Minutes of the AGM held on 27 July 2022</b> (noting these were approved by the Council on 18 August 2022) To note	Enclosure	Presenter: Chair
Item: 4	Time: 19:05	<b>External Annual Auditors Report 2022/23</b> for UHSussex NHS Foundation Trust To note	Enclosure	Presenter: External Audit (Grant Thornton)
Item: 5	Time: 19:20	<b>Acceptance of the Annual Report and Accounts as presented at the AGM</b> To accept noting earlier presentation and discussion	Verbal	Presenter: Chair
Item: 6	Time: 19:25	<b>Questions from Governors on the Accounts</b>	Verbal	Presenter: Chair
Item: 7	Time: 19:30	<b>Close of meeting</b>	Verbal	Presenter: Chair

Minutes of the Council of Governors meeting held at 18.30 on Thursday 27 July 2022 in public and via Teams Live Broadcast	
<b>Present:</b>	
Alan McCarthy MBE DL George Findlay Andy Heeps Karen Geoghegan Charlotte Hopkins Maggie Davies David Grantham Darren Grayson Lizzie Peers Claire Keatinge Lucy Bloem Glen Palethorpe Frank Sims Lindy Tomsett Paul Wayne John Todd Andy Cook Maggie Gormley Alison Cooper Maria Rees Miranda Jose Doug Hunt Amelia Palmer	Chair Chief Executive Officer Deputy Chief Executive/Chief Operating Officer Chief Financial Officer Chief Medical Officer Chief Nurse Chief People Officer Chief Governance Officer Non-Executive Director Non-Executive Director Non-Executive Director Company Secretary Public Governor – Brighton & Hove (Lead Governor) Public Governor – Chichester Public Governor – Horsham Public Governor – Adur Staff Governor – Royal Sussex County Hospital Public Governor – Chichester Appointed Governor – West Sussex County Council Public Governor – Arun Staff Governor – Peripatetic Public Governor – Mid Sussex Staff Governor – Worthing Hospital
<b>In Attendance</b>	
Darren Wells	Grant Thornton
Jan Simmons	Governor & Membership Manager

COG/07/22/1	WELCOME AND APOLOGIES FOR ABSENCE	ACTION
1.1	The Chair welcomed those attending the meeting in person and those who were attending virtually via the MS Teams Live broadcast.	
1.2	Apologies for absence were noted from <b>Public Governors:</b> Pauline Constable, Frances McCabe, Hazel Heron <b>Staff Governors:</b> Jo Norgate, Chris Pobjoy <b>Appointed Governors:</b> Helen Rice, Mr Varadarajan Kalidasan, Prof Kathleen Galvin and Cllr Sue Shanks.	
1.3	John Thompson, as the Lead Governor for the Trust for the period from late 2016 to 2020, took the opportunity to pay tribute to Lyn Camps who had recently stood down at the end of her tenure as Lead Governor. John thanked Lyn for her dedication to the role and for the impact she had made during her three years as Lead Governor.	

<b>COG/07/22/2</b>	<b>DECLARATIONS OF INTERESTS</b>	
2.1	There were no interests to declare.	
<b>COG/07/22/3</b>	<b>MINUTES OF THE MEETING HELD ON 29 July 21 (noting these were approved by the Council on 19 August 2021)</b>	
3.1	The Council <b>noted</b> that the minutes of the Annual General Meeting held on 29 July 2021 had been approved by the Council on 19 August 2021.	
<b>COG/07/22/4</b>	<b>External Audit Annual Audit Results Reports for BSUH and WSHFT</b>	
4.1	The Council <b>RECEIVED</b> the Auditor's Annual Report in relation to the audit of University Hospitals Sussex NHS Foundation Trust, presented by Darren Wells from Grant Thornton, External Auditors for the Trust.	
4.2	Darren advised that this was Grant Thornton's first year as Auditors for the Trust and he was pleased to report they had experienced good cooperation from the Trust and its Finance Team. He highlighted the key areas of the report adding that the financial statements for the Trust gave a true and fair view of the financial position as at 31 March 2022 and of its expenditure and income for the year then ended.	
4.3	The Council noted that there were no adjustments required to the financial statements and the few observations on the notes to the accounts were all adjusted prior to the audit concluding.	
4.4	The report concluded that there were no risks of significant weakness identified in relation to the Trust's financial sustainability, governance or improving economy, efficiency and effectiveness.	
4.5	The Chair thanked Grant Thornton and welcomed the receipt of the positive report for the Trust.	
4.6	There were no questions received from Members on the Auditor's Annual Reports.	
<b>COG/07/22/5</b>	<b>Acceptance of the Annual Report and Accounts as presented at the AGM for BSUH and WSHFT</b>	
5.1	The Council of Governors <b>AGREED</b> the receipt of the Annual Report and Accounts 2021/22 for University Hospitals Sussex NHS Foundation Trust for which a presentation had been made at the Annual General Meeting.	
<b>COG/07/22/6</b>	<b>Questions from Governors on the Accounts</b>	
6.1	There were no questions received from the Members or Governors on the Accounts.	

<b>COG/07/22/7</b>	<b>Close of meeting</b>	
7.1	To conclude the meeting Alan McCarthy thanked everyone present for attending the AGM and this meeting and for their continued support of the Trust.	

Jan Simmons  
 Governor & Membership Manager  
 29 July 2021

Signed as an accurate record of the meeting

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Chair

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Date





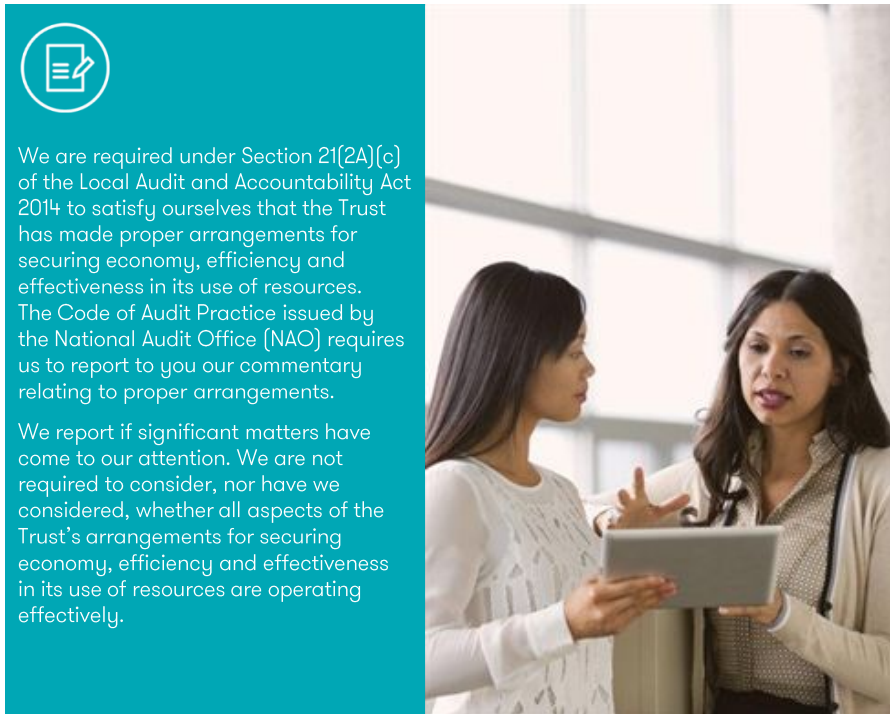
# University Hospitals Sussex NHS Foundation Trust

Auditor's Annual Report for the year  
ended 31 March 2022/23

June 2023



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

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# Executive summary



## Value for money arrangements and key recommendation(s)

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

Auditors are required to report their commentary on the Trust's arrangements under specified criteria and 2022/23 is the third year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Criteria	Risk assessment	2022/23 Auditor judgement on arrangements
Financial Sustainability	Risks identified around financial challenges and deliverability of financial plans	A No significant weaknesses in arrangements identified, but three improvement recommendation made to support the Trust in improving financial sustainability arrangements.
Governance	Risk identified around regulatory concerns is some services provided at Royal Sussex Hospital	R Significant weakness in arrangements for quality governance identified and a key recommendation on embedding plans to demonstrate improvements.
Improving economy, efficiency and effectiveness	No Risks identified	A No significant weaknesses in arrangements identified, but four improvement recommendations made around the Trust ensuring plans to improve operational performance are embedded, ongoing improvement of the Trust Business Intelligence capabilities, improve performance reporting to the board around the NHS SOF rating and workforce metrics.

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

# Executive summary (continued)



## Financial sustainability

The Trust delivered a deficit of £10.4m in 2022/23, representing an adverse variance to the breakeven plan for the year, but in line with the year-end deficit that the Trust subsequently agreed with the Sussex Integrated Care Board (ICB). It has an underlying deficit of £57.2m. The Trust has set a breakeven plan for 2023/24, which includes £62m Cost Improvement Plan (CIP) target. Working across the system and with the ICB and NHS E, the Trust and system partners have undertaken a significant amount of work to develop the 2023/24 financial plan, and to develop initial Trust level medium term plans. There is a risk of delivery to the £62m CIP target in 2023/24. At the time of our work, the Trust had made good progress in identifying £52.8m of opportunities to deliver the programme. The delivery of the CIP programme is key to meeting the 2023/24 financial plan. Work to realise identified financial benefits from the post-merger integration raised last year remain to be completed.

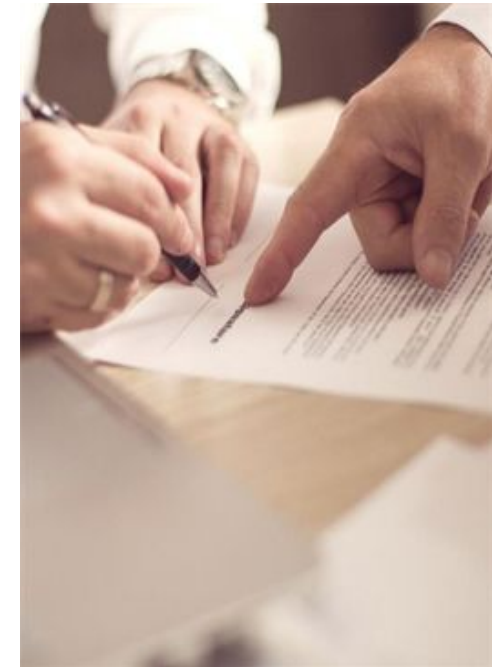
Our work has not identified evidence of significant weaknesses with the arrangements in place. However, we have made improvement recommendations relating to CIP delivery and the further development of medium-term financial plans which have been accepted by Management. See page 10 for more detail.



## Governance

Following a Well-Led review by the CQC in October 2022, the Trust's rating in the Well-Led domain has deteriorated to 'inadequate'. Improvement plans are in place but are not yet embedded. The issues identified by the Trust and CQC have a background of deep rooted cultural and behavioural issues which quality governance improvement plans, the clinical operating model and draft clinical strategy aim to tackle. There is evidence of breach in regulation and clinical standards as the Trust's Upper Gastrointestinal (UGI) cancer service at Royal Sussex County Hospital was suspended by the CQC following an inspection in August 2022. It is too early to demonstrate that its plans will lead to improvements in standards and quality governance arrangements.

We have determined that overall, there is a significant weakness in the Trust's quality governance arrangements for 2022/23 and have therefore raised a key recommendation for the Trust. See page 17 for more detail.





# Executive summary (continued)



## Improving economy, efficiency and effectiveness

The Trust operates in a challenging operational environment, with significant pressures on its Urgent and Emergency care and the drive to reduce the COVID-19-associated elective care backlog and staffing pressures. The Trust's overall CQC rating has declined to 'Requires Improvement'. CQC reviews in 2022/23 continued to raise concerns regarding the care provided. Surgical core service at the Royal Sussex County Hospital where the Upper Gastrointestinal service remains suspended and a warning notice required the Trust to make significant improvements in its Maternity services. A further inspection in April 2022 found the Trust had complied with the terms of the warning notice, however additional improvements were highlighted in a requirement notice. We have considered the extent to which the issues highlighted by the CQC impact on our conclusions on the Trust's arrangements. We have concluded that the Trust does have arrangements in place because:

- It was able to respond to the CQC with a detailed action plan within the required timeframe
- It believes it has met the requirements of the CQC to re-instate the UGI surgical service and is awaiting a formal inspection from the CQC to confirm this
- The findings appear in large part to be driven by issues in Quality Governance and Leadership- hence a significant weakness is reflected in our governance assessment.

Our work has not identified evidence of significant weaknesses with the arrangements in place. However, we have made improvement recommendations relating to delivering CQC action plans, reporting of progress on SOF metrics and business intelligence that which have been accepted by Management. See page 22 for more detail.



## Financial Statements opinion

We have completed our audit of your financial statements and issued an unqualified audit opinion on **XX June 2023**, following the Audit Committee meeting on **XX June 2023**. Our findings are set out in further detail on **pages x to x**.



# **Value for money arrangements and key recommendations**

# 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.

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

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



Our commentary on the Trust's arrangements in each of these three areas, is set out on pages 10 to 32.

# The current NHS landscape



## National context

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

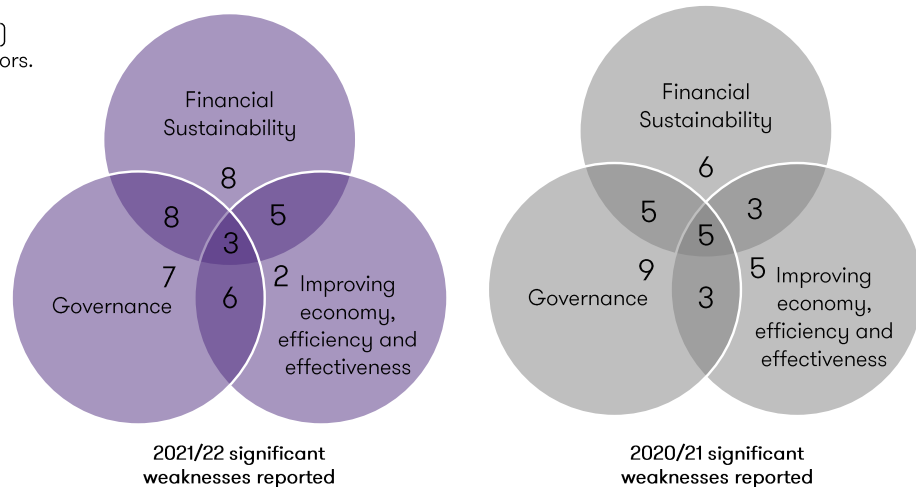
The changes in government leadership, coupled with the cost of living pressures, has meant that 2022/23 is seeing attention returning for grip and control over finances. The block funding seen during the pandemic is shifting to activity based and the regulators are expecting high clinical standards and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

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

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

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

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



# The current NHS landscape (continued)



## Local context

University Hospitals Sussex NHS Foundation Trust (UHSussex) was formed on 1 April 2021, following the merger of predecessor organisations Western Sussex Hospitals NHS Foundation Trust and Brighton and Sussex University Hospitals NHS Trust. The Trust is one of the largest Acute Trusts in the NHS, employing nearly 20,000 staff and serving a population of around 1.8 million people across Sussex. UHS provides all district general hospital services for Brighton and Hove, West and Mid Sussex and parts of East Sussex. It also provides specialist services for patients from across the wider South-East of England.

Like most NHS organisations nationwide, the Trust has experienced financial and operational challenges in 2022/23 as services recover from the pandemic. It has also been subject to adverse regulatory actions and challenges and a recently announced police investigation on some of its surgical services at the Royal Sussex Hospital. These specific and wider issues along with challenges integrating services post-merger are important contextual factors for our review.

The Trust is part of the Sussex Integrated Care System (NHS Sussex), which is assessed as being in segment 3 of NHS E National Oversight Framework (SOF) ratings. Each ICS has a statutory NHS Integrated Care Board (ICB) and a wider Statutory Integrated Care Partnership (ICP). The ICB, is responsible for making decisions about health services across its constituent county, boroughs and cities. The ICP, meanwhile, brings together a wider range of health and social care partner organisations, including local authorities, and wider public sector and community organisations, to improve the health and wellbeing of the population of Sussex. In December 2022 the ICS launched its priorities and its Integrated Care Strategy called Improving Lives Together. The Trust is actively engaged with the emerging ICS and ICPs in Sussex and the Trust Strategy is aligned to the integrated Care Strategy.

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

# Financial sustainability and governance



## We considered how the 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
- 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

## Overview

We reviewed the Trust's financial sustainability and governance arrangements and have concluded that:

- In 2022/23 the Trust delivered a £10.4m deficit against the breakeven plan set for the year following the June 2022 resubmission. However, this financial performance is in line with the £10.4m year-end deficit that the Trust agreed with the Sussex Integrated Care Board (ICB), which allows the Sussex ICB to deliver the overall financial trajectory that they have agreed with the NHSE South East region. The Trust's underlying deficit coming out of 2022/23 is £57.2m.
- Working with NHSE, ICB and Sussex system, the Trust has undertaken a significant amount of work to review and develop the 2023/24 operating and financial plans, and has made progress in developing a medium-term financial plan to start to identify the actions to achieve medium term financial sustainability.
- The Trust has submitted a breakeven plan for 2023/24, which includes a £62m CIP target. Successful delivery of the plan and CIP programme is expected to reduce the underlying deficit to £28.7m. Whilst £52.8m of CIP opportunity has been identified, £16.7m of opportunities are rated as high delivery risk.
- Financial governance arrangements have been strengthened on efficiency and productivity delivery, with an 'Improvement & Delivery function' and 'Efficiency and Clinical Productivity Programme' introduced to ensure effective oversight over efficiency and productivity improvement and CIP delivery.
- A medium-term financial plan is being developed to provide a 5 year assessment of the Trust's financial performance covering 23/24 to 27/28. The model has been constructed and updated for the 23/24 plan submission, with the next planned steps including review and validation of the model.

**Overall, we did not identify any significant weaknesses in relation to the Trust's financial sustainability and governance arrangements. We have made three improvement recommendations in relation to deliverability of the proposed 2023/24 CIP programme, ensuring there are more detailed plans in place achieve medium-term financial sustainability, and continuing to progress the work assessing against post-merger benefits as noted in the prior year.**

# Financial sustainability and governance (continued)

## Short and medium-term financial planning

The Trust delivered a £10.4m deficit against the updated breakeven plan submitted in June 2022 for 2022/23. However, this performance was in line with the £10.4m year-end deficit that the Trust agreed with the Sussex Integrated Care Board (ICB), which allows the Sussex ICB to deliver the overall financial trajectory that they have agreed with the NHSE South East region. Inflation was a key driver of the £10.4m deficit, with there being a £6.77m estimated impact of inflation above the NHS funded percentage. Agency spend was another key driver, equalling £40.2m, up £13.1m from 21/22. Additionally, staffing shortages through sickness and vacancy have driven up bank and locum usage, without any corresponding reduction in premium agency costs, leading to expenditure increasing by £23.7m compared to 21/22. The £5.64m adverse to plan CIP delivery also contributed. This was heavily impacted by operational pressure and industrial action. The Trust's underlying deficit coming out of 2022/23 is £57.2m.

Working with the Sussex system, the NHSE and ICB, the Trust has undertaken a significant amount of work to review and develop the 2023/24 financial plan as well as start to develop plans to move towards medium term financial sustainability. Following on from the prior year recommendation regarding the absence of a medium/long term financial plan, UHS has a draft medium term plan developed providing a 5 year assessment of the Trust's financial performance covering 23/24 to 27/28. The next steps of the plan include review and validation of the model. Potential scenarios have been developed in order to demonstrate:

- how the Trust's financial position moves with key variables;
- identify actions to ensure financial sustainability, including efficiency saving requirements and informing work required with system partners and NHSE;
- inform a view on financial risk; and
- provide a baseline on which the financial impact of proposed developments can be assessed.

This work is currently ongoing. We have made an improvement recommendation relating to continuing the further development of the of the medium-term financial plan.

The Trust has submitted a breakeven plan for 2023/24, which includes a £62m CIP target (see later), helping drive the plan for the overall Sussex system to achieve a breakeven position in 2023/4. Successful delivery of the plan and CIP programme is expected to reduce the underlying deficit to £28.7m.

Key aspects of the plan include that the ICB have agreed a further ERF allocation of £5.4m to support delivery of elective activity above the income value of the 19/20 baseline, as well as a further £1m allocation from distribution of funding across the System. Additionally, it presumes a reduction in 23/24 non pay inflation estimates of £10.8m to align with NHSE national guidance. The plan also is built with inclusion of 3T's funding support in line with the transaction agreement (£33.1m), with the Trust progressing discussions with NHSE to confirm this assumption. The financial plan also reflects an expected reduction in agency premium costs incurred above 19/20 of £7.7m.

The 2023/24 Capital Programme is £108m, which is lower than the £118m spend in 2022/23. In 2022/23, the Trust had agreed with the ICB to overspend the ICB capital limit (CDEL) by £2.0m to compensate for underspends elsewhere in the ICB. The cost of major capital investment are reflected in the revenue budget as we would expect.

## Risks to financial resilience

Risks to financial resilience are captured in the corporate risk register and these are reviewed and updated during trust board meetings. Additionally, risks to delivery of the 2022/23 financial plan were set out in the finance report and in discussions at the Sustainability Committee and Trust Board. Key risks to the 2022/23 plan included urgent and emergency care pressures due to patient flow and hospital capacity, elective performance not recovering to 19/20 activity levels, the risk that the trust would not have capacity to deliver the CIP programme, and the risk of inflation prices increasing.

There is evidence of key risks to the delivery of the 2023/24 plan having been raised in key meetings of the Trust Board and Sustainability Committee across January to April 2023. In developing the operating plan for 2023/24, there is evidence of the consideration of planned activity and staffing levels and the linkage of these to the financial plan. In approving the 2023/24 plan, the Trust Board signed off the operating plan, with the planning approach used aligning the operational and financial plans to the strategic and corporate risks.

Key risks to delivery of the 2023/24 plan have been noted as delivery of the CIP programme, below required levels of staff recruitment, additional cost inflation in 2023/24, and underperformance against targets for elective, cancer, and emergency. Mitigations have been detailed by the trust for these risks.

# Financial sustainability and governance (continued)

## Annual savings

### 2022/23 Savings

The Trust delivered £42.01m savings against its £47.65m. £38.1m of the CIP delivered was recurrent and £3.9m non-recurrent. CIP target in 2022/23, £5.64m adverse to plan. Under-delivery was due mainly to the shortfall in the productivity (recurrent) programme area, which was adversely affected by operational pressures throughout the year and the impact of industrial action. Underperformance against the 19/20 baseline coupled with cumulative elevated levels of insourcing and outsourcing in comparison to 19/20, resulted in £3.9m of lost productivity savings. The Trust made significant progress in progressing the CIP programme recurrently, with 90.7% of CIP delivered showing progress made against the prior year improvement recommendation in relation to ensuring CIPs are recurrently delivered.

### 2023/24 Savings

The plan for 2023/24 includes a £62m CIP target, with this target split as £57m of recurrent CIP and £5m non-recurrent. The expectation is that the Trust identify schemes throughout the year to make the remaining value recurrent by the start 24/25. The plan is profiled such that 40% of the target (£24.7m) to be delivered in the first six months of 2023/24, and 60% (£37.3m) is planned to be delivered in the last 6 months.

Additional governance and oversight has been introduced by the Trust. The 'Improvement & Delivery function' is a new function with its purpose to provide leadership and expertise to enable delivery of the Trust's True North improvement priorities, with part of the Improvement and Delivery function's role being development and delivery of the Trust's annual efficiency and clinical productivity programme.

'The Efficiency and Clinical Productivity Programme' has been introduced and is a quality-led improvement programme combining tactical cost reduction plans with larger clinical and workforce change programmes, and improved operational productivity. Through a Divisional Business Partner model, the Efficiency & Clinical Productivity team provide programme and project management support, working closely with strategic, operational and corporate teams to identify, assess and deliver the Trust's annual Efficiency & Clinical Productivity Programme. Business Partners are responsible for identifying, assessing, progressing and monitoring Divisional-specific improvement schemes alongside a range of cross-cutting Trust-wide programmes.

The £62m CIP target represents a large £14.4m increase on the 22/23 CIP target of £47.7m. However, progress has been made in reaching this increased target. As at Month 1 of 2023/24 the Trust has identified a total of £52.8m opportunities, leaving a gap of unidentified schemes to target of £9.1m. Out of identified schemes, £36.5m of these are highly matured, categorised as assured with completed PIDs signed off. The remaining £16.7m of identified schemes are split £11.1m as placeholders (low maturity), and £5.3m indicative (semi matured). The Trust identifies the £16.7m of low/semi matured schemes as a high risk of delivery. Coupling this with the £9.1m gap of unidentified schemes gives a total risk of £25.9m (42%) against the £62m Efficiency requirement

Given the total £25.9m CIP risk against the £62m target, we have made an improvement recommendation relating to CIP, recommending that the Trust progress at speed to develop a pipeline of CIP schemes to bridge the unidentified gap, and continue to mature the schemes labelled as high risk.

## Budget setting and budgetary control

The Trust's financial plan and budget for 2023/24 has been informed by external engagement across the Sussex system, the NHSE and ICB; and through internal engagement with business planning overseen by a weekly Executive Oversight Group and managed through a weekly Business Planning Working Group, with regular review at Trust Management Committee. Stakeholders have been consulted during CIP programme developments through clinical engagement to identify process and productivity improvement opportunities. The 2023/24 financial plan has been developed alongside workforce, activity/operational and capital plans for 2023/24 with key assumptions and bridges showing planned movements. These arrangements will ensure that key financial and operational plans are consistent. Development of the plan also focussed on the key national delivery priorities, demonstrating consideration of wider NHSE priorities and planning guidance.

A monthly finance report is reported to the Sustainability Committee and/or Trust Board. The finance report contains key information on the financial performance of the Trust including; key messages across Trust I&E, revenue analysis and I&E across service delivery forecast outturn, efficiency and productivity, cash and capital, review of the balance sheet and actions. Supporting narrative is also provided alongside the tables/charts and is considered appropriate to allow relevant understanding and challenge.



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# Financial sustainability and governance (continued)

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## Follow up of previous recommendations


In our 2021/22 Auditor's Annual Report we made the following three improvement recommendations:

- *The Trust must complete its CIP plan development process as a matter of urgency, make sure that schemes are recurrent and supported by robust business cases and that there is sufficient headroom in the plan to manage slippage, as part of the process to finalise its 2022/23 Financial Plan by the end of June 2022.*
- *The Trust needs to refresh its medium term financial plan in line with the emerging strategic priorities of the ICS/ICB, in order to develop and articulate a sustainable financial position for the future.*
- *We recommend that the Trust undertakes a post implementation review to understand the extent to which the financial and operational benefits envisaged in the merger business case have been realised, and what further benefits could accrue and contribute to future CIPs.*

The first two recommendations above have been superseded by the improvement recommendations for 2023/24.


Regarding the final recommendation, a paper detailing progress against post-merger benefits realisation is due to be shared at a Board Committee later this year. We note that the Trust is actively working on addressing this recommendation, and so we continue to raise this as an improvement recommendation for the Trust.

# Improvement recommendations – financial sustainability and governance

<b>Criteria impacted</b>	 Financial Sustainability
<b>Auditor judgement</b>	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
<b>Improvement opportunity identified</b>	The Trust's breakeven plan for 2023/24 includes £62m CIP. Delivery of the CIP target is acknowledged as a key risk area to delivery of the 2023/24 plan (as in previous years). As at May 2023 the Trust has identified a total of £52.8m opportunities. Of the identified opportunities, approximately £16.7m is rated as high delivery risk. Combined with the remaining gap to target of £9.1m unidentified schemes, this gives a total risk of £25.9m (42%) against the £62m Efficiency requirement.
<b>Recommendation 1</b>	We recommend that the Trust progress at speed to develop a pipeline of CIP schemes so that the Trust can be confident that it will deliver the £62m CIP target and de-risk the delivery of the 2023/24 financial plan.
<b>Management comments</b>	As at 31/05/2023, the Trust has fully identified the efficiency schemes equivalent to the target of £62m. Focus is on maturing schemes and reducing the risk profile to ensure delivery of the target.

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

# Improvement recommendations – financial sustainability and governance (continued)

<b>Criteria impacted</b>	 Financial Sustainability
<b>Auditor judgement</b>	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
<b>Improvement opportunity identified</b>	The Trust is submitting a breakeven financial plan for 2023/24, part of the Sussex system's breakeven plan. The Trust expects to have an underlying deficit of £28.7m coming out of 2023/24. The Trust has been proactive in updating its medium term financial model for the agreed 2023/24 plan, with the next steps planned including review and validation of the model, and sharing the validated output with the Trust sustainability committee in July 23. However, it is unclear from the work undertaken so far how the plan aligns with the system medium term financial plan. Further work is also required to develop a pipeline of savings opportunities beyond 2023/24 to ensure medium term financial sustainability.
<b>Recommendation 2</b>	We recommend the medium term financial plan is updated further to provide assurance that the Trust can achieve financial sustainability in the next 3 to 5 years. The plan should: <ul style="list-style-type: none"> <li>- be aligned with other Trust plans (for example workforce, operational plans and estates) and be aligned with the system medium term financial plan and assumptions;</li> <li>- be underpinned by a detailed pipeline of financial opportunities over the 3-5 year period</li> </ul>
<b>Management comments</b>	The work on the Trust's medium term financial plan will be shared at a future Sustainability Committee. Work to align Trust plans with that of the ICS will be undertaken as part of the ICS's medium term financial plan; work for which has commenced. Opportunities to support delivery of the overarching financial plan will be developed; building on the work done previously and leveraging the merged Trust and ICS opportunities.

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

# Improvement recommendations – financial sustainability and governance (continued)

## Criteria impacted



Financial Governance

## Auditor judgement

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

In our 2021/22 Auditor's Annual Report we recommended that:

*"The Trust undertakes a post implementation review to understand the extent to which the financial and operational benefits envisaged in the merger business case have been realised, and what further benefits could accrue and contribute to future CIPs."*

Per discussions with UHS senior management, the merger business case and associated documents detailed the opportunity for a broad range of benefits, both to patients and to the organisation. Moreover, the business case detailed the integration of identified benefits into the strategic deployment structure and further noted the incremental benefits of the merger and their alignment with the efficiency programme.

## Improvement opportunity identified

A paper detailing progress against benefits realisation is due to be shared at a Board Committee later this year and will demonstrate significant progress and delivery across the board, including:

- The work undertaken to develop, implement and appoint to the new Clinical and Corporate Operating Models
- Delivery of corporate and back-office benefits which supported both increased resilience, flexibility and financial savings
- Integration of IT and systems
- Successful bids for additional funding to support the development and implementation of new low complexity high volume and urgent treatment centres
- Significant financial savings accruing post-merger

## Recommendation 3

We continue to recommend that work is progressed on the above prior year improvement recommendation, as management continues to work through the paper due to the Trust Board later this year, which will detail progress against benefits realisation which will serve as the post implementation review recommended.

## Management comments

A paper detailing progress against post-merger benefits will be shared at a Board Committee later this financial year.

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

# Governance



## We considered how the Trust:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour

## Overview

In our 2021/22 work we did not find a significant weakness in the Trust's governance arrangements. However, a recommendation was made for the Trust to identify that lessons from the CQC findings are integrated into Trust Board and risk management reporting.

We reviewed the Trust's governance arrangements in 2022/23 and concluded that:

- Elements of the Trust's risk management processes could be improved. Plans are being implemented to address the concerns about risk and incident management raised by the CQC.
- Following a Well-Led review by the CQC in October 2022, the Trust's rating in the Well-Led domain has deteriorated to 'inadequate'.
- Improvement plans are in place being but are not yet embedded. The issues identified by the Trust and CQC have a background of deep rooted cultural and behavioural issues which quality governance improvement plans, the clinical operating model and draft clinical strategy aim to tackle.
- There is evidence of breaches in regulation and clinical standards as the Trust's Upper Gastrointestinal (UGI) cancer service at Royal Sussex County Hospital was suspended by the CQC following an inspection in August 2022.
- While these concerns are still being reviewed and investigated and improvement plans implemented, it is too early to demonstrate that the plans will lead to improvements in standards and quality governance arrangements.

**Our overarching view is that while the Trust does have arrangements and improvement plans in place its quality governance arrangements are insufficiently embedded at the time of our review.**

**We therefore identified two significant weaknesses and two improvement recommendations in relation to the Trust's governance arrangements.**



## The Board Assurance Framework (BAF)

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

# Governance (continued)

## Risk management and internal controls

### Strategic and corporate risk management

Strategic risks are managed by the Trust through its Board Assurance Framework (BAF), which is reviewed at the Trust Board and sub-Committees. There is additional oversight of the BAF and Corporate Risk Register (CRR) through the Audit Committee.

We note that the Trust has incurred adverse findings from the CQC following targeted inspections at all of its Hospitals in 2021 and 2022, particularly regarding Maternity services and Surgery at the Royal Sussex County Hospital. The Trust was also subject to a Trust wide Well-Led inspection in October 2022 leading to a downgrading of their rating from 'Good' to 'inadequate' in this domain. The CQC's Well-Led assessment identified failures in the Trust's risk management processes in identifying actions to reduce the impact of risk, and variability as well as lack of pace in the Trust's response to mitigate and manage risks in some core services. We have therefore determined that the Trust's arrangements for risk management in 2022-23 were inadequate and in need of improvement.

We are aware that there are planned changes to the BAF and risk review process moving into 2023/24. To address the concerns raised by the CQC in relation to risk management, the Trust will be increasing its focus of the risk review process to discussing assurance, strengths in assurances and track the delivery of identified actions.

### Internal controls

The Trust's Internal Audit function is provided by BDO. The Audit Committee receives progress updates on Internal Audit activity at each Committee meeting. Internal Audit provided moderate assurance in respect of the Trust's control environment in their Head of Internal Audit opinion for 2022/23. The opinion noted that all bar one audit reports provided substantial or moderate assurance in the design and operational effectiveness of controls, including the key audits of financial systems, data quality and data security and protection toolkit. As of the April 2023 Audit Committee meeting, three actions remain from the consultant planning audit from the 21/22 FY and are still in progress. One of those actions is considered a high priority.

There are also adequate arrangements in place with respect to the prevention and detection of fraud. The Trust's Local Counter Fraud specialist provides regular progress reports to the Audit and Risk Assurance Committee and an annual Counter Fraud Plan is agreed. The Local Counter Fraud Specialist (LCFS) service in 2022/23 was provided by an independent external provider (RSM). The LCFS has not identified any significant control weaknesses during their work.

The Trust's performance against key governance metrics is set out in the table opposite. The Trust is currently in Segmentation 3 of the NHSE National Oversight Framework, with the Trust's SOF rating relating to operational performance and financial Sustainability. Each quarter the Trust executive meets with the leadership of the ICB and NHSE Region to review the Trust's performance against each theme, with progress against delivery on the SOF themes embedded in this process. The outcomes from these meetings are then assessed by the ICB and NHSE Region to determine the Trust's SOF segmentation.

	2022/23	2021/22
Head of Internal Audit opinion	Moderate Assurance	Moderate Assurance
System Oversight Framework segmentation	SOF 3	SOF 3
Care Quality Commission rating	Requires Improvement	Outstanding

# Governance (continued)

## Informed decision making including the Audit Committee

### Corporate governance and decision-making

Governance and reporting arrangements are in place to ensure decision makers are provided with relevant information in a timely manner to discharge their responsibilities- this includes assurance reports from Board sub-committees, the Integrated Performance Report, and reporting on the activities of NHS Sussex ICS and the development of the Sussex Health and Care Partnership.

Review of the Board papers, Sustainability Committee minutes and Audit Committee minutes have not identified evidence of unlawful decision making that could lead to significant loss or risk.

### Leadership of Those Charged with Governance

A number of key concerns were highlighted by the CQC following its recent rating of the Trust's Well-Led domain as 'inadequate':

- Some staff feeling that their clinical areas lacked senior leadership and executive oversight;
- Some staff describing experiences of bullying and harassment which was largely unaddressed;
- A top-down management style;
- Poor human resources support and the Freedom to Speak Up (FTSU) Guardian function being unknown.

In addition to the Well-Led assessment, the Trust also received poor regulatory reviews and actions relating to surgical services at Royal Sussex County Hospital (see later).

The Chief Executive of the Trust had already identified a number of the issues being raised by the regulators as part of a due diligence review he undertook when joining in the summer of 2022. An improvement plan was developed and transparently shared with the wider system and regulators. This has provided a strong basis for focusing improvements that are required.

We note that the Trust's current FTSU policy was due for review in July 2022. We are aware that, this review date was extended as the Trust was recruiting for a new FTSU Guardian and the policy will be revised and published once they commence.

The Trust has accepted the need to improve FTSU arrangements and is a 'must do' action in the CQC actions.

The Trust has developed detailed improvement plans for key issues identified in response to the CQC inspection outcomes. The action plan will be overseen by the Executive team and reported directly to the Board.

The Trust is also changing its governance structures and is implementing its revised clinical model supported by a site-based management and operations across its four hospital sites. There is a recognition by the Trust that the governance structures were not working effectively in 2022/23 and they have implemented changes linked to its improvement plan to address this.

The CQC Well-Led review recommended the Trust be placed in SOF 4.

We have concluded that improvements being made are not yet embedded. The issues have a background of deep rooted cultural and behavioural issues in which quality governance improvement plans and clinical operating model and draft clinical strategy aim to tackle.

**The continuing concerns expressed by CQC in relation to quality governance mean we have assessed the Trust as having a significant weakness in its governance arrangements.**

## Standards and behaviours

### Frameworks to ensure compliance with standards

The Trust has appropriate frameworks in place to ensure compliance with relevant regulatory, legislative and professional standards relating to declaration of interests and FPP requirements. This is supported by the following policies and procedures; Anti-Fraud, Bribery and Corruption Policy; Managing Conflict of Interest Policy, Gifts and Hospitality Policy; Annual Fit and Proper Persons and conflict of interest declarations; Code of Conduct and Constitution; Standing Financial Instructions and Scheme of delegation.

# Governance (continued)



## NHS Leadership

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

## Standards and behaviours (continued)

There is evidence of non-compliance with minimum standards required for the provision of clinical services. The Trust's Upper Gastrointestinal (UGI) cancer service at Royal Sussex County Hospital was inspected by the CQC in August 2022. This resulted in the CQC urgently imposing conditions on the registration of the Trust, suspending the UGI elective surgical service. The Trust is currently in the process of providing the CQC with the assurance needed.

Furthermore, the recent announcement that services at the Royal Sussex County Hospital are being investigated by the police for possible historic malpractice add to concerns over quality and safety of those services. The Trust has implemented appropriate plans and actions to address these issues. The Surgical service is currently a Corporate project which has oversight by the Quality Committee. Workstreams include- leadership within the surgical service, culture, MDT working, and demand & capacity assessments.

While these concerns are still being reviewed and investigated and improvements implemented, it is too early to assess if plans will lead to improvements in standards and quality governance arrangements.

## Data and cyber security

Internal Audit completed an assessment of the data security and protection tool kit. A moderate assurance opinion was given over the design and operational effectiveness of the Trust's data security and protection controls. There were no serious data security breaches or significant cyber security attacks in the 22/23 year.

## Follow up of previous recommendations

Our VFM report for 2021/22 recommended that:

- *The Trust should consider what more could be done to ensure that specific service quality risks, such as those highlighted by CQC, are captured at ward and care group level and escalated to Board and the relevant Committees via the Trust risk register for the relevant committee, at an appropriate level of detail to allow for targeted intervention.*

Our assessment is that this recommendation has not been embedded into the Trust's risk management process and will be incorporated into key and improvement recommendations in 2022/23.





# Key recommendation - Governance

**Criteria impacted by the significant weakness**



Governance

**Auditor judgement**

Based on the work undertaken, we are not satisfied that the Trust has proper arrangement in place Based on the work undertaken, we are not satisfied that the Trust has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2022/23. We have therefore identified a significant weakness in arrangements.

**Identified significant weakness in arrangements**

CQC have raised significant concerns in relation to the Trust’s Quality Governance arrangements, including its risk and incident management processes, leadership style and poor culture. Although the Trust has a range of improvement plans in place to address the key issues identified, there is limited evidence to support that these improvement actions have resulted in tangible outcomes are yet to be fully embedded across the Trust.

**Recommendation 4**

We recommend that the Trust ensures that proposed changes to the risk management and review process, and quality governance arrangements are embedded from ward to Board. As per our prior year work, we recommend that specific service quality risks, such as those highlighted by the CQC, are captured at ward and care group level and escalated to Board and the relevant Committees.

**Management comments**

The revisions being made to quality oversight reporting via the Enhancing Quality Governance Corporate Project is aimed at improving reporting and oversight of divisional risk through to the quality governance steering group. This work has commenced and the divisions will be supported by enhanced risk management training.

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



Progressing the actions management has identified to address the recommendations made will support the Trust in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

# 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

## Overview

We reviewed the Trust's arrangement for improving economy, efficiency and effectiveness arrangements and have concluded that:

- The Trust operates in a challenging operational environment, with significant pressures on its Urgent and Emergency care and the drive to reduce the COVID-19-associated elective care backlog and staffing pressures.
- The Trust's overall CQC rating has declined to 'Requires Improvement'. CQC reviews in 2022/23 continued to raise concerns regarding the care provided; specifically, the Maternity service where requirement notices were issued and the surgical core service at the Royal Sussex County Hospital where the Upper Gastrointestinal service remains suspended. Following the most recent inspection in October 2022 the Trust's Well-Led domain rating decreased to 'inadequate'.
- The Trust remains in SOF3 segmentation coming into 2023/24. The CQC's Well Led inspection recommended the Trust is moved into SOF4.
- The Trust actively engages with system partners such as the ICS and ICP and is involved in Sussex wide partnerships such as the Sussex Health and care payroll hub partnership with NHS SBS and the Sussex Pathology Network
- There are processes in place to ensure the Trust is monitoring performance of its key service providers, subcontractors and major projects, including the 3Ts Hospital Programme.

**Overall, we have not identified any significant weaknesses in economy, effectiveness and efficiency arrangements for 2022/23.**

**We will continue to highlight the risks relating to the delivery of CQC actions as part of our 2023/24 assessment and have suggested four improvement recommendations relating to this, reporting on people and SOF metrics and improving BI.**



# Improving economy, efficiency and effectiveness

## Assessing performance and identifying improvement

### Operational reporting and data quality

Performance is reported to the Trust Board in public through the Integrated Performance Report (IPR). Actual performance is compared to target against several Key Performance Indicators (KPIs). The IPR is structured around the Trust's Patient First Strategy and categorised into sub-sections which also align to the Board Sub-Committees (Patient experience, Research and development, Quality, People, Systems and Partnerships and Sustainability). There is an additional section on the Trust's position against the NHSE National Oversight Framework (SOF) which presents the Trust's current rating, implications of the segmentation and actions being taken to move from their current segmentation. We also observed that there is limited detail given in the people (workforce) section of the IPR.

The Trust has arrangements in place to ensure the data it reports is of adequate quality – this involves validation and scrutiny of data. Arrangements include a Data Quality team that ensures the Trust is performing in accordance with the required DQ standards. BI was highlighted as a key risk in the Trust CEO's Due Diligence review in the Summer of 2022. There have been significant efforts to improve the Business Information (BI) being reported at the Trust leading to the implementation of a new web-based power BI platform which is a trust wide portal for production of operational reports. This platform allows staff to drill down for the purposes of analysis and is helping the wider Trust and BI team to further focus on data quality improvements from data entry to reporting and therefore operational decision making.

### Operational and quality performance

The Trust is currently managing a challenging operational environment across both Urgent and Emergency and Elective care. The table below shows the Trust's performance against a number of NHS constitutional performance metrics as reported in the May 2023 Board meeting in public. The RAG rating represent the Trust's rating against its set Target.

Indicator	Target	March 2023
A&E waiting times less than 4 hours	95%	68.8%
12+ hour ED Stays as % of Arrivals	0%	7.1%
RTT – patients waiting over 104 weeks	0	18
RTT - <18 weeks %	92%	46.8%
Cancer – 62-Day Referral Cancer Treatment	85%	53.6%
Cancer – 28 Day Faster Diagnosis	75%	74.3%
% of diagnostic waiting list waiting 6+ weeks	1%	22.3%

The Trust has made some improvements against key performance metrics. As reported in the May IPR, patient safety, the time to triage, treatment and mean waiting times are key areas of focus for the Emergency Department teams. Mean waits, time to treatment, and time to triage remain materially better than observed in April – December 2022. There is a comprehensive piece of work which is overseen by the operational management group which has implemented a new clinical operating model with the aim of improving UEC performance.

Progress has been maintained in treating the longest waiting patients, and at the end of Mar-23 there were 18 patients waiting over 104 weeks (compared to 286 December-21). The Trust has plans to continue to manage down and treat 78 week wait cohort and has the added ambition from operating framework 2023/4 of eliminating over 65 week waits by end March-24

Elective and surgical services are currently a corporate project with oversight from the Quality Committee. Executive weekly scrutiny and system support have meant the Trust are on a strong footing to continue to reduce long waiting patients in 2023/24.

We note that operational planning has concluded with plans in place to meet the ambition to undertake 107% of 19/20 activity levels in 23/24, to achieve 76% A&E performance by March-24, elimination of over 65 week waits, reduction of over 62 day waits for cancer, and a reduction in over 6 week diagnostic performance to less than 5%.

# Improving economy, efficiency and effectiveness (continued)



## Workforce pressures

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

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

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

## Assessing performance and identifying improvement (continued)

### Operational and quality performance

The Trust is currently rated as SOF 3 by NHSE for Financial sustainability and Operational Performance.

There are a set of formal and informal mechanisms that allow the Trust to work with the ICB and NHSE as part of the SOF. There is a quarterly assurance meetings led by the ICB with attendance by the NHSE regional team where performance against the SOF metrics, review of financial planning and performance, and review of the Trust's progress against concerns raised by the CQC is reported.

The Trust continues to have notable workforce challenges. For example, The sickness absence rate (12 months) was 5.9% in February 23 compared to 4.33% in March 22. The vacancy rate has remained stable at 9.98% in March 23 compared to 9.34% in March 23.

### Benchmarking

The Trust utilises benchmarking tools such as Model Hospital and Getting It Right the First Time (GIRFT) to monitor and compare service level performance. The Trust has also recommenced Strategy Deployment Reviews at a divisional level in the 22/23 FY which allowed Executive Level scrutiny of performance trends.

## CQC inspection findings

The Trust overall CQC rating has changed from 'Outstanding' to 'Requires Improvement' in 2022/23 after a report released by the CQC in May 2023. The CQC has carried out 7 core service inspections in the past 18 months, with the outcomes of specific reviews as followed:

- In September 2021 they carried out focused inspections of the maternity services at St Richards Hospital, Worthing Hospital, Princess Royal Hospital and Royal Sussex County Hospital. These inspections found safety concerns raised by staff to CQC were valid. The ratings for all 4 maternity services went down to 'Requires improvement' overall. the CQC took enforcement action by serving a warning notice that asked the trust to make significant improvements. They inspected the maternity services again in April 2022 and found the trust had complied with the terms of the warning notice. However, they asked the trust to make additional improvements by issuing requirement notices
- The CQC also inspected the surgical core service at the Royal Sussex County Hospital in September 2021 because they received safety and leadership concerns from staff. This inspection also found the concerns to be valid. The service was rated as 'inadequate'. The CQC took enforcement action and asked the trust to make significant improvement. They carried out another inspection to check on the improvements in April 2022. Findings showed little improvement had been made and therefore took additional enforcement action and placed conditions on the trust's CQC registration.

# Improving economy, efficiency and effectiveness (continued)

## CQC inspection findings (continued)

- The CQC then received concerns about the UGI surgical service from staff and other stakeholders. They carried out an inspection of the elective UGI surgical service in August 2022 and found serious safety and leadership concerns. This resulted in the CQC urgently imposing conditions on the registration of the trust and suspending the UGI elective surgical service.
- The CQC also inspected the Emergency and Urgent Care services at the Royal Sussex County Hospital in April 2022. The rating for this service went down from 'Good' to 'Requires Improvement'.
- Due to the ongoing safety concerns identified by its inspections and the contacts from staff, the CQC carried out a Well-Led inspection in October 22:
- At the same time, a focused inspection of the Neurosurgical service at Royal Sussex County Hospital was also completed.

Following the most recent inspection in October the Trust's overall rating has deteriorated to 'Requires Improvement' and decreased to 'inadequate' for the Well-Led domain.

Monitoring of progress against all inspection actions is managed through the CQC compliance team that report into the Quality Committee who maintain central oversight.

We have considered the extent to which the issues highlighted by the CQC and its impact on our conclusions on the Trust's arrangements from improving economy, efficiency and effectiveness in 2022/23. We have concluded that the Trust does have arrangements in place because:

- It was able to respond to the CQC with a detailed action plan within the required timeframe
- It believes it has met the requirements of the CQC to reinstate the UGI surgical service and awaiting a formal inspection from the CQC to confirm this
- The findings appear in large part to be driven by issues in Quality Governance and Leadership- hence a significant weakness is reflected in our governance assessment

This will be highlighted as an ongoing risk and undertake detailed work as part of our assessment in 2023/24.

## Partnership working

NHS Sussex ICB are currently creating their long-term strategic development plan. We are aware that the Trust participated in the development of sections relating to provider collaboratives and determining the strategic objectives over the next few years. As development of these plans progress, there are regular updates been reported to Trust management and the Board.

The Trust also contribute to ICB plans and partnership working by taking part in the following forums and working groups:

- Community Diagnostic Centre programme development
- UEC programme board
- Elective Care improvement board
- ICS Clinical networks (Hepatitis C, Vascular and Trauma networks hosted by the Trust)

Updates on the Trust's work within the ICS, Systems and Partnerships is monitored through the Systems and Partnerships committee.



# Improving economy, efficiency and effectiveness (continued)

## Partnership working (continued)

Some of the key partnerships the Trust is involved in include the Sussex Health and care payroll hub partnership with NHS SBS and the Sussex Pathology Network.

The Payroll Hub is an outsourcing agreement between the Trust and NHS SBS that operates under a Memorandum of Understanding (MOU). There are set contractual KPIs to be monitored through the contracts management group and there is operational review of the project at ICS level. As the project now moved towards BAU, there is a benefits realisation process that will be reported on as part of the closure report to the Sustainability Committee.

The Sussex Pathology Network is a collaboration between UH Sussex, East Sussex Healthcare Trust and Queen Victoria Hospital Trust. This partnership also operates under an MOU with a view to formalising the collaboration structure by 2024. There is a board between the partner organisations with representation from senior responsible officers from each organisation and the ICB.

## Commissioning and procurement

### Procurement arrangements

We are satisfied that the Trust has appropriate mechanisms in place to monitor key service providers and sub-contractor's performance and manage issues that may arise. We are aware that each contract the Trust engages in stipulate the contract management process, including the first point of contact, management level escalation points and Executive escalation point for any issue that may arise. The procurement team also escalate issues via the Sustainability Committee for significant contracts. Review of the procurement and commercial team reporting to the Sustainability committee shows no evidence of poor contract management, significant financial loss or failure to deliver expected outcomes by any of the Trust's major contractors.

The trust has a wholly owned subsidiary called PHARM@Sea. They provide outpatient dispensary services for Royal Sussex County hospital. Contract management is the responsibility of the Chief pharmacist and the pharmacy department. There are regular meetings between the service provider and the chief pharmacist monthly where KPIs are monitored. The trust has a position within the PHARM@Sea Board. The procurement team have confirmed that there are no issue with the contract and PHARM@Sea are performing as expected.

Single Tender Waiver activity is reported quarterly to the Audit Committee. The report lists all waivers approved for the quarter, the approver, the exception in the SFIs it relates to and reasoning behind the waiver. We are aware that the Trust have met and exceeded the set reductions targets for waiver activity for the last 2 years post-merger.

### Monitoring of projects and programmes

Monthly position on capital projects is reported to the Capital Investment Group led by the Trust CEO. The Trust's largest capital scheme is redevelopment of the 3Ts hospital. Spend on this was in line with projections. In year, one scheme (new Urology centre) had a significant overspend. A report was taken to the Sustainability Committee to authorise the excess spend. There were some adverse variances on externally funded schemes (e.g. the CDC), which were resolve and the Trust delivered its capital plan as intended. We have assessed that there is an appropriate governance mechanism to monitor, control and report the costs for capital projects.

In June 2023, the Trust opened to patients the new Louisa Martindale Building, phase 1 of its 3Ts hospital. This has been a longstanding project over many years and the opening of the first phase is a major achievement, modernising the environment in which patients can be treated.

# Improving economy, efficiency and effectiveness (continued)

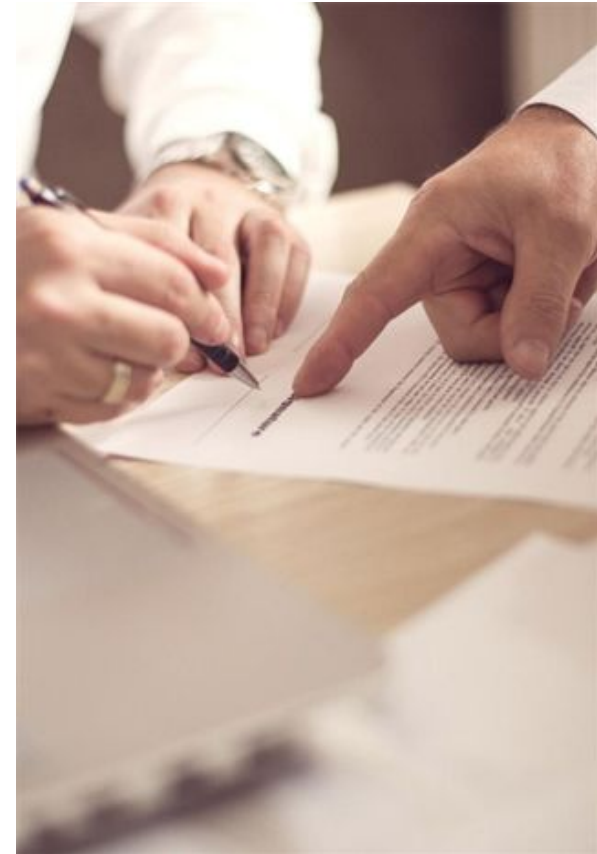
## Follow up to previous recommendations

In our 2021/22 VFM report we made the following two improvement recommendations:


- *The Trust should consider how a greater level of input to reflect the patient experience and input from ICS partners could contribute to the development of projects and efficiencies under the Patient First programme.*
- *We recommend that the Trust specifies the wider lessons from the localised CQC reviews, demonstrates how these will be incorporated into day to day operations and how they will feed into the Trust project to prepare for the anticipated full CQC inspection of the new Trust.*

Based on our assessment of the Trust's arrangements, appropriate action has been taken to implement the first improvement recommendation. An example of this is the Trust's development the Stroke re-configuration programme where there is input from patients, relevant non-profits and the NHS Sussex ICS. We also note that specific patient engagement work has commenced on key developments for the trust, including ED redevelopment at RSCH and for stage 2 of the 3Ts programme.

Regarding our second recommendation, it has been determined that this recommendation has not been fully implemented given the poor CQC inspection results in year and deterioration of the Trust's overall rating and Well-Led domain rating. We therefore consider it to be superseded by the new CQC related recommendation we have made on the following page.




# Improvement recommendations – economy, efficiency and effectiveness

<b>Criteria impacted</b>	 Economy, efficiency and effectiveness
<b>Auditor judgement</b>	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
<b>Improvement opportunity identified</b>	We note that there are ongoing significant challenges in relation to operational performance across the Trust which has resulted in adverse assessments from the CQC. We are aware of plans in place and note that these plans are being effectively monitored through the Trust Executive Management and CQC compliance team.
<b>Recommendation 5</b>	The Trust should ensure plans to improve operational performance are actioned and implemented.
<b>Management comments</b>	Formulated action plans will be delivered, using Patient First Methodology, for which oversight is provided by Trust SDR, quality governance steering group, Quality Committee and the Trust Board.

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




# Improvement recommendations – economy, efficiency and effectiveness

<b>Criteria impacted</b>	 Economy, efficiency and effectiveness
<b>Auditor judgement</b>	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
<b>Improvement opportunity identified</b>	Given the concerns raised about staff engagements in the recent CQC report, the Trust People (workforce) section of the IPR does not provide sufficient detail and narrative about key workforce metrics such as sickness, vacancy and turnover rates.
<b>Recommendation 6</b>	The Trust should consider how it can improve the People section of the IPR to be more detailed and user friendly so trends can be easily tracked by the Board.
<b>Management comments</b>	The Integrated Performance Report is currently being revised and is due to be presented to the Board in August 2023. The recommendation will be considered as part of this work.


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

# Improvement recommendations – economy, efficiency and effectiveness

<b>Criteria impacted</b>	 Economy, efficiency and effectiveness
<b>Auditor judgement</b>	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
<b>Improvement opportunity identified</b>	There has been significant efforts to improve the reporting and information being reported to the Trust. BI was highlighted as a key risk in the CEO due diligence process.
<b>Recommendation 7</b>	We recommend the Trust continues to ensure actions outlined to improve BI and reporting are implemented
<b>Management comments</b>	Actions necessary to improve BI and reporting are implemented will be undertaken by the Trust's new Director of Performance and Business Intelligence.

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

# Improvement recommendations – economy, efficiency and effectiveness

<b>Criteria impacted</b>	 Economy, efficiency and effectiveness
<b>Auditor judgement</b>	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
<b>Improvement opportunity identified</b>	The Trust currently has the System Oversight Framework position report as part of the IPR. This report is very high level and does not provide the Trust Board with assurance about the Trust's progress and trajectory against exit criteria.
<b>Recommendation 8</b>	The SOF rating report to the board should be more detailed with narrative against the Trust's performance against set targets by the ICB and NHSE
<b>Management comments</b>	The Integrated Performance Report is currently being revised and is due to be presented to the Board in August 2023. The recommendation will be considered as part of this work.

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



# Opinion on financial statements

# Opinion on the financial statements



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

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

We conducted our audit in accordance with:

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

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

## Audit opinion on the financial statements

We plan to issue an unqualified opinion on the Trust's financial statements by 30 June 2023.

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

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



# Opinion on the financial statements



## Timescale for the audit of the financial statements

- The Audit Plan was issued presented to the Audit Committee on 20 April 2023.
- Our interim audit was completed by the end of March 2023 and our final accounts visit commenced at the end of April. The audit is on track to be completed by the 30 June deadline.
- The Trust provided the draft financial statements on 27 April in line with the national timetable. The listings and working papers supporting the balances and transactions followed over the following week.
- The quality of the draft financial statements and the supporting working papers were of a good standard. We have not found any misstatements impacting on the Trust's deficit position. A £626k adjustment was identified on the valuation of Property Plant and Equipment balance that the Trust adjusted for. We have identified a few presentational amendments that were amended in the final set of financial statements.
- The finance team has engaged with the audit process throughout and we remain on track to give our audit opinion by 30 June deadline.

## Findings from the audit of the financial statements

More detailed findings are set out in our Audit Findings Report, which was presented to the Trust's Audit Committee on 21 June 2023. Requests for this Audit Findings Report should be directed to the Trust.



# Other reporting requirements



## Remuneration and Staff Report

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

## Annual Governance Statement

Under the Code of Audit Practice (2020) published by the National Audit Office, we are required to consider whether the Annual Governance Statement included in the Trust's Annual Report for 2022/23 does not comply with the guidance issued by NHS England, or is misleading or inconsistent with the information of which we are aware from our audit. We have recommended that the Trust reflect on the recent Care Quality Commission report upon reporting that there are no significant internal control weaknesses. The Trust has updated its annual governance statement.

## Annual Report

Under the Code of Audit Practice (2020) published by the National Audit Office, we are required to consider whether, based on the work undertaken in the course of the audit of the Trust's financial statements for 2022/23, the other information published together with the financial statements in the Trust's Annual Report for 2022/23 is consistent with the financial statements. We have recommended that the Annual Report is updated to include more detail on the following:

- The findings of the recent Care Quality Commission report together with the Trust's plans to address the key issues raised in the report.
- The Trust's key actions to assist with reducing waiting lists.

The Trust has updated its annual report.

## 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. Our work confirmed that the Trust's consolidation schedules are consistent with the financial statements.



# The use of auditor's powers

We bring the following matters to your attention:

## Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body

We did not issue any statutory recommendations to the Trust in 2022/23.

## 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

We did not issue a section 30 referral to the Secretary of State for Health and Social Care. We do not consider that any unlawful expenditure has been made or planned for.

## 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 did not issue a report in the Public Interest with regard to arrangements at University Hospitals Sussex NHS Foundation Trust.



# Appendices

# Appendix A: Responsibilities of the Foundation Trust

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

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

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

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

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

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



# Appendix B:

## An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference(s)
Statutory	Written recommendations to the Trust under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	Yes or 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'.	Yes	21
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	15,16,28,29,30 & 31



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