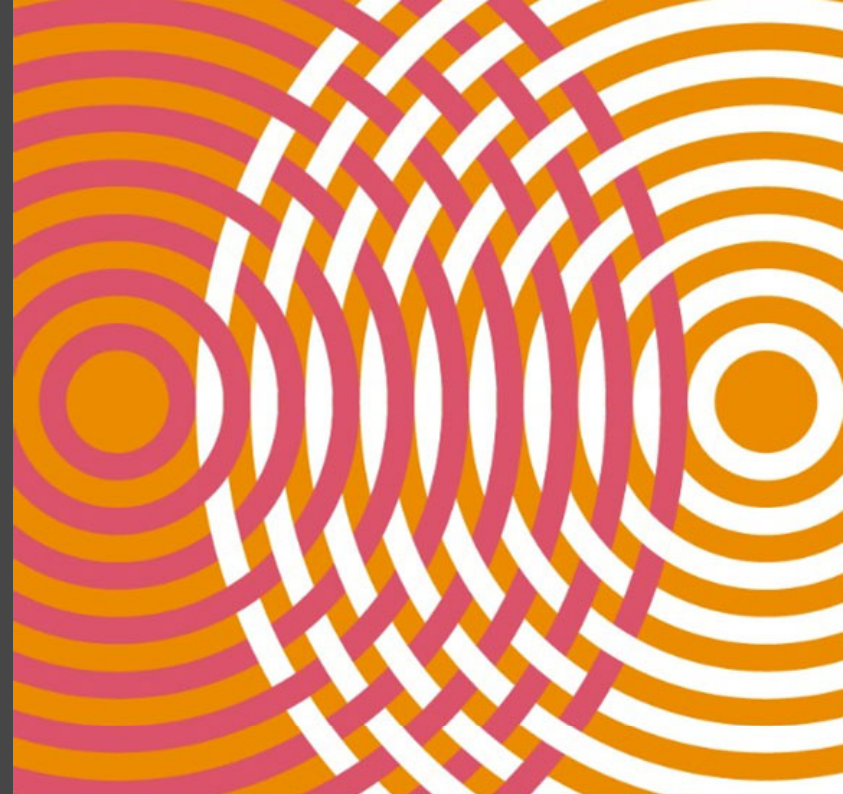


Auditor's Annual Report

Surrey and Sussex Healthcare NHS Trust

Year ended 31 March 2021

June 2021





Audit and Assurance Committee
Surrey and Sussex Healthcare NHS
Trust
Trust Headquarters
East Surrey Hospital
Canada Avenue
Redhill
RH1 5RH

15 June 2021

Report to the Audit and Assurance Committee

Dear Ladies and Gentlemen

We are pleased to present our Auditor's Annual Report summarising the results of our audit for the year ended 31 March 2021. We presented our report to the Audit and Assurance Committee of Surrey and Sussex Healthcare NHS Trust on 7 June 2021.

Yours faithfully

PricewaterhouseCoopers LLP

Reports and letters prepared by external auditors and addressed to governors, directors or officers are prepared for the sole use of the NHS Trust and no responsibility is taken by auditors to any governor, director or officer in their individual capacity, or to any third party.

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Introduction

The purpose of this document

This letter provides the Audit and Assurance Committee of Surrey and Sussex Healthcare NHS Trust (the “Trust”) with a high level summary of the results of our audit for the year ended 31 March 2021, in a form that is accessible for you and other interested stakeholders.

We have already reported the detailed findings from our audit work to the Audit Committee in the following reports:

- audit opinion on the financial statements for the year ended 31 March 2021; and
- report to those charged with governance (ISA (UK) 260).

Scope of work

We performed our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and the Comptroller and Auditor General’s Code of Audit Practice (“the Code”), which was issued in April 2020. Our reports are prepared in accordance with ISAs (UK), the Code, all associated Audit Guidance Notes issued by the National Audit Office, and relevant requirements of the NHS Act 2006.

The Board of Directors is responsible for preparing and publishing the Trust’s financial statements, including the Annual Governance Statement. The Board of Directors is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of the Trust’s resources.

As auditors we need to:

- form an opinion on the financial statements;
- review the Trust’s Annual Governance Statement; and
- satisfy ourselves on whether the Trust has made proper arrangements to secure economy, efficiency and effectiveness in the use of its resources.

We carried out our audit work in line with our Audit Plan that we issued in February 2021.

Audit findings

Financial statements

We completed our audit work over the financial statements during June 2021, and issued an unqualified audit opinion on the financial statements on 14 June 2021.

We have not identified any misstatements for reporting to the Audit and Assurance Committee as part of our audit. We raised one control recommendation, which is summarised in Appendix 1.

Value for money

Under the Code of Audit Practice, we must satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of its resources for the year ended 31 March 2021, and report any significant weaknesses identified in the arrangements and their related recommendations.

We have set out the work that we have performed on the Trust's arrangements in Appendix 2, which includes our commentary against the specified reporting sub-criteria.

We determined that there were no significant weaknesses to report.

We have noted in our audit opinion that our work was performed in the context of the Covid-19 pandemic and resulting changes in both the operating and financing regimes for the NHS in 2020/21.

Annual Governance Statement

The aim of the Annual Governance Statement ('AGS') is to give a sense of how successfully the Trust has coped with the challenges it faced, drawing on evidence on governance, risk management and controls. We reviewed the AGS and considered whether it complied with relevant guidance and whether it was misleading or inconsistent with what we know about the Trust.

We found no areas of concern to report in this context.

Reporting of additional matters

We are required to report, by exception, on whether we have:

- issued a report in the public interest under section 24 of the Local Audit and Accountability Act 2014, or
- made written recommendations to the Trust under section 24 of the Local Audit and Accountability Act 2014, or
- referred a matter to the Secretary of State for Health under Section 30 of the Local Audit and Accountability Act 2014.

We have no exceptions to report in respect of these responsibilities.

Appendices

Appendix 1: Summary of control recommendations (financial statements audit)

We did not identify any significant control or process deficiencies during the audit of the financial statements. We have identified one deficiency in internal control, which is not deemed to be significant.

We note that where control matters have previously been raised by your internal auditors, we have not repeated these matters.

Deficiency	Recommendation	Management's response
We noted that there was c£25m of assets with nil net book value held on the fixed asset register. If these assets no longer exist or are no longer in use by the Trust, the cost and associated accumulated depreciation should be written off.	The Trust should perform a review of the fully depreciated assets to identify if they still exist and if they are still in use by the Trust. Any assets which cannot be located or are no longer in use, should be written off.	

Appendix 2: Our work on ‘Value for Money’

The scope of our work

The scope of our work in relation to whether the Trust had in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021 is determined by the requirements outlined in Auditor Guidance Note 3 'Auditor's work on Value for Money (VFM) arrangements' ("AGN 03"), issued by the National Audit Office in October 2020.

As part of designing our work in this area, we assessed the risks of the Trust not having put in place proper arrangements under each of the following criteria in accordance with AGN 03:

- financial sustainability (how the Trust plans and manages its resources to ensure it can continue to deliver its services);
- governance (how the Trust ensures that it makes informed decisions and properly manages its risks); and
- improving economy, efficiency and effectiveness (how the Trust uses information about its costs and performance to improve the way it manages and delivers its services).

These criteria are not separate and we are not required to reach a distinct judgement against each one.

How we tailored the scope of our work

Our risk assessment was performed to ensure that we performed enough work in the areas of greatest risk to be able to report on whether the Trust had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Our risk assessment identified no areas of specific concern or potential significant weakness.

We obtained sufficient supporting evidence to support our risk assessment.

Results of our work

We have been able to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

Our work has been performed in the context of the guidance issued by NHSE/I on the NHS response to Covid-19 and the associated funding regime that was put in place for 2020/21:

April to September 2020 (“H1 2020/21”)

- Non-urgent elective activity suspended during Phase 1 of Covid-19 and move to remote consultations where possible for diagnostic and outpatient appointments. Restoration of these services began midway through this period.
- Cancellation of all routine CQC inspections during Phase 1 of Covid-19
- Move to block contract payments ‘on account’ for providers, agreed with commissioners, for April to September 2020, with suspension of the usual ‘Payment by Results’ and invoicing for non-contracted activity. A national top up payment to providers to reflect the difference between actual costs and the block contract payment. Additional funding provided to cover the extra costs of responding to the Covid-19 pandemic.
- The operational planning process and contracting were suspended for 2020/21.

September 2020 to March 2021 (“H2 2020/21”)

- Continued focus on restoration of non-urgent elective activity, diagnostic and outpatient activity.
- Systems issued with funding envelopes comprising funding for providers equivalent in nature to the block contract and top-up payments for the first half of the year, and a system wide Covid-19 fixed funding envelope.
- System plan covering this period submitted to NHSE/I

2021/22 planning guidance

- Systems requested to develop fully triangulated plans across activity, workforce and money for the first half of the year.
- Focus on systems achieving highest levels of activity possible to address elective treatment waiting lists. Access to Elective Recovery Fund available for systems that achieve activity levels above the set thresholds (based on 2019/20 elective activity levels).
- Systems issued with funding envelopes based on the H2 2020/21 funding envelopes and a continuation of the system top-up and Covid19 fixed allocation.

- Block payment arrangements will remain in place for providers and no contracts are required between commissioners and providers.

The funding regime in place for 2020/21 was essentially supposed to enable providers to deliver a break-even position for the year.

Further as a result of the revised regime a number of the external performance measures which would have previously be reflected on in the context of value for money as part our risk assessment have either been suspended, delayed or no longer applicable. These include publication of the 2020/21 National Cost collection Index (NCCI), NHS Improvement's Single Oversight Framework – specifically the 'finance and use of resources mointoring' section, 2020/21 Commissioning for Quality and Innovation (CQUIN) framework and the publication of Quality Report for 2020/21.

Our risk assessment and consideration of the arrangements in place therefore reflects the response by the Trust to revised regime in place during 2020/21.

Our commentary on the arrangements in place is set out on the following pages.

Financial sustainability

Reporting sub-criteria	Commentary, including significant weaknesses identified (if any)	Recommendations made
How the Trust ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	<p>The Trust identifies significant financial pressures that are relevant to its short and medium-term plans through a number of different routes:</p> <ul style="list-style-type: none"> • Operating plan and supporting information from NHSE/I and NHSE/I policy papers – which set out the priorities for providers, or policies that need to be implemented. Briefings on these will be presented to Executives, the Finance & Workforce Committee (“FWC”) and the Board. • Five-year activity forecasting which includes horizon scanning. • Horizon scanning whereby Trust staff identify issues from their work, using their experience, and through their engagement with other bodies to be aware of emerging issues (for example, other providers or communications with, and information from, NHSE/I) and extrapolate the potential impact. There are various forums at which these issues are communicated, filtered and collated (for example, weekly Informal Team meeting and Executive Committees). • Understanding of the organisational position and operational pressures whereby financial pressures will be identified at various levels within the Trust (for example, within a division); some of which will be managed at this level, whilst others will be escalated through normal reporting channels. • Director of Operational Finance and Finance team focus through review of actual performance compared to budget, where variances are investigated and financial pressures identified, but also through the receipt of information affecting the financial position and analysis of the impact (for example, charges from NHS Property Services). • Internal audit reports can highlight where gaps in processes and controls may mean that financial pressures are not being identified (for example, activity recording). <p>It then produces and continually updates a detailed financial model covering at least the next financial reporting period, which compare the Trust’s forecast income against the forecast expenditure. as well as board papers to provide early warning to the board.</p> <p>The Board Assurance Framework (“BAF”) specifically identifies risks and provides early warning to the Board.</p> <p>PwC has reviewed the financial model covering 2020/21 as well as the cashflow forecast up to March 2023, the Board Assurance Framework through our attendance at Audit and Assurance Committee meetings and the internal audit reports issued during the year.</p> <p>No significant weaknesses identified.</p>	Not applicable
How the Trust plans to bridge its funding gaps and identifies achievable savings	<p>The Trust bridges its funding gaps through</p> <ul style="list-style-type: none"> • Extensive and formal conversations with the Integrated Care System (“ICS”) on the funding position of the Trust and wider discussions with on likely funding issues with NHSE/I, 	Not applicable

Reporting sub-criteria	Commentary, including significant weaknesses identified (if any)	Recommendations made
	<ul style="list-style-type: none"> • efficiency and productivity gains (see further information on the identification and implementation of efficiency and productivity gains under ‘Improvements in economy, efficiency and effectiveness’); • activities to reduce demand on the Trust’s services; • stopping or restricting services where these cannot be delivered safely with the existing funding based on an understanding of the clinical priorities when funding is short and the Board’s risk appetite; and • transformational change of the services being provided and digital transformation. <p>Due to the Covid-19 pandemic and the funding regime for 2020/21, some of these activities were not possible or required during the year or were suspended. Some elements were relevant though, for example, ensuring that the extra costs associated with Covid-19 were appropriately identified so that they could be reclaimed and agreeing the level of Covid-19 funding allocated to the Trust for H2 2020/21 with the ICS. The Trust did continue with some specific transformational change projects such as looking at the Trust’s energy infrastructure and moving from the existing provision of pathology services to the ‘Berkshire and Surrey Pathology’ service.</p> <p>PwC has reviewed examples of correspondence with the ICS regarding funding and activities to reduce demand; correspondence with NHSE/I and the ICS regarding extra costs being incurred with respect to Covid-19 and a business cases supporting proposed transformational change.</p> <p>No significant weaknesses identified.</p>	
<p>How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities.</p>	<p>There are two key elements to this:</p> <p>i) How the NHS strategic priorities feed into Trust objectives and strategy supporting operational of services</p> <p>The Trust has formal objectives which take into account the information, guidance and actions it receives in the NHS Operating plan, which sets out the priorities for providers. The NHS strategic and operational priorities are translated into the contract with commissioners and the income set out in the contract is the funding available to deliver those priorities.</p> <p>Normal operational planning for 2020/21 was suspended due to Covid-19, and instead the focus was on responding to the pandemic and delivering the priorities and actions set out in the NHSE/I guidance issued on the NHS response to Covid-19.</p> <p>ii) How the Trust ensures that it delivers low cost and high-quality services</p> <p>The strategy the Trust adopted to respond to the delivery of the strategic and statutory priorities, within the funding provided, was to be a Trust with a low cost per unit of activity, provide high quality services, use a continuous improvement (Kaizen) methodology to maintain staff connectivity and create better quality, record activity properly to maintain income that covers the cost of that activity to create a recurrent surplus. A continuous improvement (Kaizen) methodology has been in place within the Trust since 2016.</p>	

Reporting sub-criteria	Commentary, including significant weaknesses identified (if any)	Recommendations made
	<p>During 2020/21, the focus has been on monitoring actual costs and ensuring that the necessary additional costs of responding to the Covid-19 pandemic have been appropriately identified and recorded, so that they could be recovered.</p> <p>Details on the Trust's budget setting and financial planning process are set out in the 'Governance' section. We note that the Trust has set a break-even budget for 2021/22.</p> <p>PwC has reviewed copies of the Trust's latest strategy and its alignment with the NHS operating plan and considered the Trust's process document for claiming Covid-19 related expenses which was developed during the year.</p> <p>No significant weaknesses identified.</p>	
<p>How the Trust ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system</p>	<p>Details on the Trust's budget setting and financial planning process are set out in the 'Governance' section.</p> <p>The Trust uses the NHSE triangulation tool, which provides a quantitative measure of how the Trust's plans interlink. For 2019/20, the Trust's plans achieved an overall green score of 2.7%, which indicated accurate triangulation between activity, workforce and finance plans. This exercise was not completed in 2020/21 due to the impact of the Covid-19 pandemic, and the processes were focused on monitoring actual costs and ensuring that the necessary additional costs of responding to the Covid-19 pandemic have been appropriately identified and recorded, so that they could be recovered.</p> <p>Capital allocations are now awarded at a system level and then allocated across providers and there is a centralised process for deciding on capital spend within the Trust, with the involvement of Divisional Chiefs. The capital plan for 2020/21 was £16.1m, but the final spend was £22.2m due to the release of additional funding.</p> <p>The capital plan consists of a rolling budget for backlog maintenance and equipment replacement (developed in conjunction with the Medical Devices group) and a prioritised multi-year list of capital projects.</p> <p>In the current year, capital spend also included capital necessary to support the Trust's response to the Covid-19 pandemic.</p> <p>The Trust is actively involved in its ICS and the development of system working.</p> <p>PwC has reviewed the Trust's capital budget and spend for the year.</p> <p>No significant weaknesses identified.</p>	<p>Not applicable</p>

Reporting sub-criteria	Commentary, including significant weaknesses identified (if any)	Recommendations made
<p>How the Trust identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans</p>	<p>Information on the Trust's processes for monitoring and assessing risks are set out in the 'Governance' section.</p> <p>Risks that impact the Trust's financial resilience arise from:</p> <ul style="list-style-type: none"> • Predictable risks from planning, as a result of balancing expenditure against the income available. By their nature these are identified during the planning process and are managed in conjunction with the commissioners. The risks identified can result in changes to the contracted position. • Contractual issues such as disputes that might reduce income which are managed through discussion and negotiation with commissioners. • Clinical and demand risk such as winter pressures and surges in demand for short periods of time in particular areas, for example, births which are identified and monitored through activity tracking. Investigations into the root causes of surges in demand take place and to identify solutions / mitigations which can be put in place. Currently, the surge in emergency activity post-Covid-19 and the expected increase in births during the summer of 2021 as a result of Covid-19 are being discussed and managed. • Unplanned overspending by teams which are managed through the monthly monitoring of actual costs against budget and plans being put in place to address overspend. • Unplanned income loss, for example, due to service changes or changes in contractual arrangements which are managed through discussion and negotiation with commissioners. <p>PwC has reviewed examples of regular correspondence with commissioners throughout the year, including iterative activity modelling.</p> <p>No significant weaknesses identified.</p>	<p>Not applicable</p>

Governance

Reporting sub-criteria	Commentary, including significant weaknesses identified (if any)	Recommendations made
How the Trust monitors and assesses risk and how the Trust gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	<p>Risk, or change in risk is identified, evaluated and controlled as described in the Trust's Risk Management Policy. The Annual Governance Statement included in the Trust's 'Annual Report and Accounts 2020/21' sets out how the Trust monitors and assesses risk and how the Trust gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud.</p> <p>A risk score is assigned to each risk based on likelihood and consequence. This enables risks to be compared and prioritised against other risks. The score, in turn, is linked to a responsibility matrix which determines whether the risk is addressed locally by the division within its resources or it feeds into the Trust wide risk register. The risks are also mapped to the strategic themes and objectives identified within the Trust's planning process along with the various other initiatives to confirm the score given to a risk.</p> <p>The Board of Directors receives details of significant risks through regular Board reports. The finance report records all key financial risks, the performance and quality report records all key operational risks and performance against key clinical quality indicators and access standards.</p> <p>The Trust gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud as follows:</p> <ul style="list-style-type: none">• Internal audit function and the outcome of reviews over internal controls. The Internal Audit function is overseen by the Audit and Assurance Committee. The Internal Audit work plan is based on strategic risk, national issues and a rolling program of assurance across a wide range of internal controls, including; corporate governance, financial governance and divisional governance and clinical access. Internal audit reports are considered by the relevant Executive Lead and the Audit and Assurance Committee.• Fraud officer and presentations to those charged with governance of the arrangements in place to prevent and detect fraud and fraud risk assessment. The work of the Fraud Officer is overseen by the Audit and Assurance Committee. This includes annual review of the counter fraud controls, training programs and a work plan based on strategic risk, national issues and a rolling program of reactive and proactive review. Reports are considered by the relevant Executive Lead and the Audit and Assurance Committee. <p>PwC has reviewed the Trust's latest risk management policy and the M6 and M12 2020/21 board reports with details of significant risks. We have also reviewed the internal audit reports and counter fraud reports issued during the year.</p> <p>No significant weaknesses identified.</p>	Not applicable

Reporting sub-criteria	Commentary, including significant weaknesses identified (if any)	Recommendations made
How the Trust approaches and carries out its annual budget setting process	<p>There is an annual process where baseline budgets for income and costs are rolled forward from the current year and then adapted for annual priorities, less efficiency and productivity gains, discussion and challenge with Divisions and then a final budget.</p> <p>Prior to 2020/21, a cost budget would be prepared based on the current year actual and forecast, adjusted for activity growth and cost growth. Efficiency and productivity gains are set based on the nationally advised target and in targeted in areas where opportunity for savings has been identified (for example procurement and nursing agency costs). NHS planning information is then incorporated.</p> <p>Activity planning in some detail is completed iteratively to provide forecast income to incorporate into the financial plans, which is discussed with the commissioners.</p> <p>Divisional service improvement planning is also completed iteratively and final decisions are signed off by the Chief Executive of how the activity pot and other items are agreed. Divisions provide individual service improvement plans which are reviewed by the Executives.</p> <p>There are a number of financial planning papers which are presented to the FWC and the FWC also gets information on the formal financial planning submissions to NHSE/I. The final financial plan is then signed off by the Board.</p> <p>As the planning process for 2020/21 was suspended in March 2020 due to Covid-19, the processes in 2020/21 were focused on monitoring actual costs and ensuring that the necessary additional costs of responding to the Covid-19 pandemic have been appropriately identified and recorded, so that they could be recovered.</p> <p>The Trust shifted its governance to an emergency planning footing, with gold and silver command, strategic and tactical meetings and the virtual stopping of anything unconnected with managing the first wave of Covid-19. The Trust's internal Covid-19 finance process started with a very simple pro-forma process being put in place to allow for fast decision making as the hospital converted into a large ICU with eight respiratory wards. That pro-forma was re-designed and the financial procedure went through a number of iterations, with a full procedure note being approved by Executives in May 2020, and a further two iterations up to Jan 2021 as the situation developed.</p> <p>The planning process for the first half of 2021/22 is in progress, which includes the elective backlog plan, although as the Covid-19 Finance regime remains in force this process is very different from a 'normal' planning round.</p>	Not applicable

Reporting sub-criteria	Commentary, including significant weaknesses identified (if any)	Recommendations made
	<p>PwC has reviewed information regarding the annual budgeting process including the final budget, Divisional service improvement plans and Covid-19 plans and funding documentation.</p> <p>No significant weaknesses identified.</p>	
<p>How the Trust ensures an effective budgetary control system in communicating relevant, accurate and timely management information (including non-financial information where appropriate), supports its statutory financial reporting requirements and ensures that corrective action is taken where needed</p>	<p>The financial reporting process is performed monthly and culminates in a Finance Board Report, which summarises the position across the trust, with analysis of cost type, spend, performance against budget, balance sheet analysis and cash flow. It also provides detail on the financial position in Divisions and indicates risk to the financial plan. The Finance Board Report also includes summary information on contract income, activity and other service aspects (more detailed reports are prepared in each of these areas). This is issued to the Executives and the FWC each month.</p> <p>Performance reporting at an operational level is managed through a performance review process, whereby each Division provides a detailed Performance Review Pack which includes detailed financial analysis. This is reviewed monthly by the Executives. Detailed actions are identified to address any issues.</p> <p>Reforecasts are prepared quarterly and reported to the Executives and the FWC, which highlight potential issues and actions being taken to address the issues identified.</p> <p>Capital spend reporting is provided monthly to the Executives and the FWC.</p> <p>A quarterly Service Line and Costing Report is provided to the FWC to describe service line income and expenditure and to identify speciality issues and the actions being taken to address the issues identified.</p> <p>Detailed workforce reporting is also provided to the FWC each month and establishment reporting is provided quarterly.</p> <p>During 2020/21, the budgets were rolled forward from 2019/20, with some minor changes. Covid-19 costs were removed from actual performance against budgets and actual performance monitored in terms of irregularities and analysis of spend - control was exercised by restricting spend and management against the internal trust expenditure protocols.</p> <p>Monthly Executive and FWC and finance reporting was maintained throughout 2020/21, however, the content of the reporting was different to reflect the Covid-19 financing regime, and so, for example, reports on block, top up and Covid-19 spend.</p>	<p>Not applicable</p>

Reporting sub-criteria	Commentary, including significant weaknesses identified (if any)	Recommendations made
	<p>The service line reporting, contract and activity reporting were maintained but was very different, in terms of content. For example, activity variance from 2019/20 was monitored, weekly activity reporting which also included analysis to see how activity was changing from week to week.</p> <p>Reporting on capital spend, including Covid-19 capital spend, was maintained in the Executive and FWC reporting.</p> <p>PwC has reviewed the monthly finance reports and integrated performance reports for a sample of months during the year.</p> <p>No significant weaknesses identified.</p>	
<p>How the Trust ensures it makes properly informed decisions, supported by appropriate evidence and allowing for scrutiny and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee; and</p>	<p>The Trust uses an internally developed system based on DHSC and, NHSE/I reports to monitor all aspects of performance and quality and the monthly finance report as part of the Integrated Performance Report.</p> <p><i>Governance processes in place to ensure that decision making takes place at the right level within the Trust</i></p> <p>There is a visible process, and hierarchy, within the organisation of performance management at each level of the Trust that is coherent and amalgamated into Board performance reports. Divisional teams have a simple process for escalating issues from Divisional governance thorough the relevant sub-committees of the Executive Committee for Quality and Risk and up to the Safety and Quality Committee and Board.</p> <p><i>Information is produced to support decision making</i></p> <p>There is a set of reports available to the Board on a regular basis which monitor performance in all key business areas of the organisation. Performance reports demonstrate that action is taken, both at the Executive Committee (and its five sub committees) and at operational meetings to address variances from objectives, standards and targets. Where variance is identified, action plans are established to address the variance and reviews of action plans undertaken to ensure that the desired results are achieved.</p> <p>The Trust has developed a data warehouse with reporting system that allows all managers access to operational, activity, safety and patient experience data. This is available online and used by both corporate and divisional functions.</p> <p><i>Qualified to perform their roles and provide effective challenge</i></p> <p>At a very basic level all leaders and managers responsible for governance will be working to a job description with specifications for qualifications and experience. This is monitored on recruitment and considered as part of the annual achievement review.</p>	<p>Not applicable</p>

Reporting sub-criteria

Commentary, including significant weaknesses identified (if any)

Recommendations made

Effectiveness of decision making/challenge from those charged with governance

Through its governance systems the Trust has established monitoring frameworks that identify performance or management decisions that are impacting on the delivery of objectives (quality, operational and financial).

This in the main provides opportunity for the Board, Executive Committee and Divisional management to challenge decision making.

In the main the Trust's governance is hierarchical in that decisions are monitored by the governance forums above them, for example speciality reviewed by Division, reviewed by Executives, reviewed by the Board.

PwC has reviewed the monthly finance reports and integrated performance reports for a sample of months and documentation regarding the committee structure within the Trust and the flow of information.

No significant weaknesses identified.

How the Trust monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations of interests)

The trust considers all best practice documents and use the regulators (CQC) KLOE template to ensure all aspects of its governance are considered as part of its governance framework. This includes elements of regulatory requirements.

Not applicable

The Trust does not maintain a "register" of all the laws the organisation must adhere to, but within the Trust:

- The Trust's establishment orders provide the Trust's statutory grounding and responsibilities to the Secretary of State.
- The Chief Executive is the Trust's Accountable Officer and has statutory requirements built into his job description.
- The Standing Orders and Standing Financial Instructions then promulgate core responsibilities across the Executive Team. The Director of Corporate Affairs is responsible for gifts and hospitality or declarations of interests.
- Audit, the CQC and NHSE/I provide an accountability structure and test of compliance in some areas.
- Statute relevant to specific functions is set out in the Trust policies.
- Trust Directors are subject to the fit and proper persons regulations.
- The register of interests was recently audited by internal audit.

PwC has reviewed a sample of the Trust's Standing Orders and Standing Financial Instructions and the Register of Board Member's Interests as at August 2020 and May 2021.

Reporting sub-criteria

Commentary, including significant weaknesses identified (if any)

Recommendations made

No significant weaknesses identified.

Improvements in economy, efficiency and effectiveness

Reporting sub-criteria	Commentary, including significant weaknesses identified (if any)	Recommendations made
How cost and performance information has been used to assess performance to identify areas for improvement	<p>As described in the 'Governance section' there is detailed and layered performance reporting within the Trust.</p> <p>The Performance Review Packs prepared by the Divisions include analysis and conclusion, with actions recorded, as do the Finance Board Reports. Additional information from the Service Line and Costing Reports, contract and activity reports all provide further analysis and incorporate conclusions and information on actions.</p> <p>Efficiency and productivity plans and projects are monitored within the performance reviews by Executives and the FWC. In particular, during 2019/20 there was a focus on procurement and agency staff costs, which continued through 2020/21.</p> <p>The Director of Operational Finance and the Finance team also continually prepare and provide additional analysis to the Executives or Divisions, where their analysis of financial performance identifies potential issues and provides information to allow these issues to be investigated and actions put in place.</p> <p>Financial performance and analysis continued throughout 2020/21 but with an altered focus. Cost control consisted of reducing spending bids and suspending recurrent investment and cost improvement was largely restricted to analysis of agency staff costs and procurement, for example, detailed monitoring of agency staff costs remained in place and further improvements were achieved in procurement.</p> <p>PwC has reviewed a sample of the performance review packs</p>	Not applicable
How the Trust evaluates the services it provides to assess performance and identify areas for improvement	<p>No significant weaknesses identified.</p> <p>There is extensive and layered operational and quality performance reporting process. Operational and quality reporting is provided weekly to Executives and monthly to the Board and Safety and Quality Committees. All of these reports describe performance against national standards and targets and include analysis of the performance and conclusions and actions.</p> <p>There is an Executive sub-committee structure to ensure full consideration of operational, service and clinical performance, for example, the Clinical Effectiveness and Access and Responsiveness Committees. These committees discuss performance and identify areas for improvement.</p> <p>The Trust also has a 'Model Hospital Board' in place. This provides the Trust with a forum to oversee reporting analysis and action linked to the Model Hospital, which includes financial</p>	Not applicable

Reporting sub-criteria	Commentary, including significant weaknesses identified (if any)	Recommendations made
	<p>information but also operational and service aspects. The Model Hospital Board provides the link into each Division, for 'Getting It Right First Time' ("GIRFT") which is the Trust's major productivity and quality programme. Depending on relevance, specific GIRFT programmes are also linked to the Trust's costing strategy.</p> <p>The Trust's continuous improvement (Kaizen) methodology has been in place within the Trust since 2016 which identifies areas for improvement and then implements them.</p> <p>Although some have been more sporadic during 2020/21, all of the above meetings have continued throughout the year to ensure that the Trust is keeping up with its operational, service and clinical performance.</p> <p>PwC has reviewed a sample of operational and quality reports to the Board and SQC and the weekly reporting to Executives. We have also reviewed an example of the agenda for the Model Hospital Board.</p> <p>No significant weaknesses identified.</p>	
<p>How the Trust ensures it delivers its role within significant partnerships, engages effectively with stakeholders, monitors performance, and ensures action is taken where necessary to improve</p>	<p>The Trust has created a 'campus' on its main site at East Surrey Hospital, with several healthcare services provided by other organisations. In particular that is the St Luke's Cancer Centre (operated by the Royal Surrey County NHS Foundation Trust), the Lane Fox Respiratory and long term ventilation unit (operated by Guy's and St Thomas' NHS Foundation Trust and Remeo), and the Macmillan Cancer Centre. Each of these arrangements is covered by relevant legal agreements.</p> <p>The other substantial partnership for the Trust is the Frontier Pathology arrangement with Brighton and Sussex University Hospitals Trust, which is currently being replaced by the Berkshire and Surrey Pathology Services arrangement. These arrangements are governed by a collaboration agreement.</p> <p>All of these strategic partnerships are reported monthly to the FWC in the Strategic Partnerships Report.</p> <p>PwC has reviewed documentation relating to the Berkshire and Surrey Pathology Services arrangement.</p> <p>No significant weaknesses identified.</p>	<p>Not applicable</p>
<p>Where the Trust commissions or procures services, how the Trust ensures that this is done in accordance with relevant legislation</p>	<p>In terms of the general approach to procurement, the Trust has a <u>procurement</u> strategy which defines the approach to improving performance through using new or evolved methodologies</p>	<p>Not applicable</p>

Reporting sub-criteria

and internal policies, and how the Trust assesses whether it is realising the expected benefits

Commentary, including significant weaknesses identified (if any)

and a Business As Usual procurement workplan, with savings delivery. The strategy identifies areas for improvement, including the completion of work to improve our contracts database.

The Trust's Standing Financial Instructions (SFI) provide a clear and up to date set of processes for all procurement, which is supported by the Trust's guide to financial procedures. Where SFIs cannot be followed, a waiver process is in place, and waivers are regularly reported to the Audit and Assurance Committee.

The Trust makes extensive use of NHS frameworks wherever possible to minimise additional effort and capitalise on the benefits they provide.

Supplier performance is managed through relevant arrangements where services are received.

PwC has reviewed a sample of SFIs and the reporting of waivers to the Trust's Audit and Assurance Committee throughout the year.

No significant weaknesses identified.

Recommendations made

Thank you

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