

A close-up photograph of a person's hand holding a white marker, pointing at a bar chart displayed on a tablet screen. The chart features several horizontal bars in shades of green, brown, and red, set against a blue grid background. The person is wearing a blue suit jacket. The overall scene suggests a professional or analytical context, such as a financial review or data analysis.

Solent NHS Trust

Auditor's Annual Report

Year ended 31 March 2024

June 2024

25 June 2024



Audit & Risk Committee
Solent NHS Trust
High Point Venue
Bursledon Road
Southampton
SO19 8BR

Dear Audit & Risk Committee Members

2023/24 Auditor's Annual Report

We are pleased to attach our Auditor's Annual Report including the commentary on the Value for Money (VFM) arrangements for Solent NHS Trust. This report and commentary explains the work we have undertaken during the year and highlights any significant weaknesses identified along with recommendations for improvement. The commentary covers our findings for audit year 2023/24.

This report is intended to draw to the attention of the Trust to any relevant issues arising from our work. It is not intended for, and should not be used for, any other purpose.

Yours sincerely

Kevin Suter

Partner

For and on behalf of Ernst & Young LLP

Encl

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The contents of this report are subject to the terms and conditions of our appointment as set out in our engagement letter of 27 March 2023. This report is made solely to the Audit & Risk Committee, Board of Directors and management of Solent NHS Trust in accordance with our engagement letter. Our work has been undertaken so that we might state to the Audit & Risk Committee, Board of Directors and management of Solent NHS Trust those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit & Risk Committee, Board of Directors and management of Solent NHS Trust for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01 Executive Summary



Executive Summary

Purpose

The purpose of the auditor's annual report is to bring together all of the auditor's work over the year and the value for money commentary, including confirmation of the opinion given on the financial statements; and, by exception, reference to any reporting by the auditor using their powers under the Local Audit and Accountability Act 2014. In doing so, we comply with the requirements of the 2020 Code of Audit Practice (the Code) and the supporting guidance of the National Audit Office (NAO) published within their Auditor Guidance Note 3 (AGN 03). This commentary aims to draw to the attention of the Trust and the wider public relevant issues from our work including recommendations arising in the current year and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

Responsibilities of the appointed auditor

We have undertaken our 2023/24 audit work in accordance with the Audit Plan that we issued on 29 January 2024. We have complied with the NAO's 2020 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- The 2023/24 financial statements;
- The parts of the remuneration and staff report to be audited;
- The consistency of other information published with the financial statements, including the annual report; and
- Whether the consolidation schedules are consistent with the Trust's financial statements for the relevant reporting period.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Trust;
- To the Secretary of State for Health and Social Care and NHS England if we have concerns about the legality of transactions or decisions taken by the Trust;
- Any significant matters or written recommendations that are in the public interest; and
- If we identify a significant weakness in the Trust's arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of the Trust

The Trust is responsible for preparing and publishing its financial statements, annual report and governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Executive Summary (continued)

2023/24 Conclusions

Financial statements	Unqualified - the financial statements give a true and fair view of the financial position of the Trust as at 31 March 2024 and of its expenditure and income for the year then ended. We issued our auditor's report on 25 June 2024.
Parts of the remuneration report and staff report subject to audit	We had no matters to report.
Consistency of the other information published with the financial statement	Financial information in the Annual report and published with the financial statements was consistent with the audited accounts.
Value for money (VFM)	We had no matters to report by exception on the Trust's VFM arrangements. We have included our VFM commentary in Section 03.
Consistency of the annual governance statement	We were satisfied that the annual governance statement was consistent with our understanding of the Trust.
Referrals to the Secretary of State and NHS England	As noted in our Audit Results Report and our Audit Opinion, we referred a matter to the Secretary of State under section 30 of the Local Audit and Accountability Act 2014 due to the ongoing cumulative deficit of the Trust. Under Paragraph 2 (1) of Schedule 5 of the 2006 Act, an NHS Trust shall ensure that its revenue is not less than sufficient, taking one financial year with another, to meet outgoings properly chargeable to its revenue account.
Public interest report and other auditor powers	We had no reason to use our auditor powers.
Reporting to the Trust on its consolidation schedules	We concluded that the Trust's consolidation schedules agreed, within a £300,000 tolerance, to the audited financial statements.
Reporting to the National Audit Office (NAO) in line with group instructions	The NAO did not include the Trust in its sample of Department for Health and Social Care component bodies. We had no matters to report to the NAO.
Certificate	We issued our certificate on 25 June 2024.



Executive Summary (continued)

Value for Money

Scope

Auditors are required to be satisfied that Solent NHS Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditor's provide an annual commentary on arrangements published as part of the Auditor's Annual Report.

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Trust committee reports;
- meetings with the Chief Finance Officer and Director of Estates and Deputy Director of Finance;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Trust management and the finance team.

Executive Summary (continued)

Value for Money (continued)

Reporting

Our commentary for 2023/24 is set in section 03. The commentary on these pages summarises our understanding of the arrangements at the Trust based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2023/24.

Appendix A includes the arrangements and processes underpinning the reporting criteria. These were reported in our 2022/23 Auditor's Annual Report and have been updated for 2023/24.

In accordance with the NAO's 2020 Code, we are required to report a commentary against the three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures, and whether, at the time of this interim report, we have concluded that there is a significant weakness in the body's arrangements.

Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Trust plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weakness identified
Governance: How the Trust ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weakness identified
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	No significant risks identified	No significant weakness identified



Executive Summary (continued)

Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Trust, and its members and senior management and its affiliates, including all services provided by us and our network to the Trust, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

EY Transparency Report 2023

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2023:

[EY UK 2023 Transparency Report | EY UK](#)



02

Audit of the financial statements

Audit of the financial statements

Key findings

The Annual Report and Accounts is an important tool for the Trust to show how it has used public money and how it can demonstrate its financial management and financial health.

On 25 June 2024, we issued an unqualified opinion on the financial statements. We reported our audit scope, risks identified and detailed findings to the 21 June 2024 Audit & Risk Committee meeting in our Audit Results Report. We outline below the key issues identified as part of our audit. We reported five control commendations and areas for improvement in the control environment in the Audit Results Report.

Significant risk	Conclusion
Misstatements due to fraud or error - Management override of controls	We have not identified any material weaknesses in the recognition of expenditure. We have not identified any instances of inappropriate judgements or estimates being applied. Our work did not identify any other transactions during our audit which appeared unusual or outside the Trust's normal course of business.
Misstatements due to fraud or error - Risk of manipulation of reported financial performance	<p>Our audit work has not identified any material issues or unusual transactions which indicated there had been fraudulent misreporting of the Trust's financial position.</p> <p>We have identified one item of incorrectly recorded accrued income of £0.45m; we are satisfied that this is not as a result of fraud.</p>



03

Value for Money Commentary

Value for Money Commentary

Financial Sustainability: How the Trust plans and manages its resources to ensure it can continue to deliver its services

No significant weakness identified

Funding and financial planning is managed at Hampshire and Isle of Wight ICS level, with the Trust's own financial plan part of a wider plan to breakeven as a system. The financial position across the ICS is challenging, but Solent have shown they are engaging to work together with their partners within the ICS to arrive at a financial plan for the whole system.

On 16 May 2023, the NHS England Quality and Performance Committee agreed that the Hampshire and Isle of Wight (HIOW) ICB and its seven NHS Trusts should be placed into NHS Oversight Framework Segment 4 and would therefore receive support from the National Recovery Support Programme (RSP). This support was agreed to help the HOIW ICB address the scale of its financial deficit in a sustainable way, while also delivering other key commitments to improve access, reduce waiting times and reduce health inequalities set out in the 2023/24 national planning guidance.

The RSP is a nationally led programme of mandated, focused and integrated support for Trusts and systems in Segment 4 will mean that national and regional NHS England teams will work collaboratively with the ICB and the 7 trusts to agree key drivers of concerns and better understand the support needs. It will also agree clear and timely exit criteria, plus intervention and oversight arrangements. The support package will be led by an Improvement Director appointed by NHS England.

A formal review progress will be undertaken after 12 months. If relevant exit criteria have been achieved in a sustainable way, the system will move into regionally mandated support.

The Trust budgeted for a breakeven position, except for potential losses on a contract within the ICS which potentially would indicate a £2.2m deficit position. The budget included forecast £20.3m of savings required (Cost Improvement Plans (CIP)). £14m of savings related to payroll through the reduction in use of Agency workers, who cost a premium to the Trust, as well as through managing vacancies. In May 2023 the Finance and Infrastructure committee updated this savings figure to a total of £23.4m and later to £24m. The Trust monitored their position closely through the year, reporting they achieving £18.5m savings against the target of £24m, being a 77% success rate.

The Trust's CIP target was around 9.5% of its budget, which was greater than the 5% target set across the ICS. Therefore, by achieving 77% of their target, the Trust still achieved around 7.3% savings, which is nearly 50% more than the ICS target.

Based on the significant increase in CIPs required in 2023/24 compared to prior years, and the fact the Trust are an outlier in terms of budgeted CIP delivery across the ICS, there was an increased risk of non-delivery of at least a proportion of the budgeted amount. It was noted that, if budgets were prepared on the assumption of substantial savings being made through CIPs, and these savings do not materialise, the Trust would effectively be masking a substantial shortfall through its budgeting.

Value for Money Commentary (continued)

Financial Sustainability: How the Trust plans and manages its resources to ensure it can continue to deliver its services (continued)

No significant weakness identified

As a result of their importance in reaching the Trust's targets, we have investigated the operation and monitoring of CIP schemes. To do this, we selected the Agency Usage Reduction scheme to review in greater detail. This CIP affects multiple service lines, making up £5.6m (24% of total identified) of the budgeted savings. We note this scheme is also of interest due to the pressures currently faced by the NHS in terms of staff retention and recruitment. This issue has resulted in consistently higher than budgeted usage of bank and agency workers to fill gaps in resourcing.

Given that agency/bank workers are typically more expensive than staff employed directly by the Trust, reducing reliance upon them should result in savings. This scheme occurs in the context of a recruitment freeze, implemented to bring further efficiency savings. The Trust has chosen not to fill specific vacancies unless there is a business-critical need for a 1 for 1 replacement of staff. This is agreed by representatives from finance, clinical and operations staff to ensure that service delivery is not impacted.

CIPs are monitored in monthly meetings between representatives from the finance team and from the service line. CIPs are also discussed during the performance review meetings for corporate services with involvement from the Chief Operating Officer. With regards to the Agency Usage Reduction CIP, we noted that this was escalated to executives as a result of monitoring. It was discovered that a certain amount of agency usage was being driven by the cancellation of vacancies. Where it was determined as part of another CIP that a vacancy was being withdrawn, some service lines were using agency staff regularly to fill the gap. Once this was identified, executives took central control of agency employment in these service lines and they were able to reduce the agency expenditure in these areas. This was achieved by ensuring any additional agency requests included the reason for the requirement other than filling the role of the cancelled vacancy. This demonstrates that the Trust is monitoring the CIPs in place, and taking steps to understand and rectify situations where these are not meeting budgets.

Overall, the Trust achieved 91% of the planned savings for this CIP.

Through the preparation and monitoring of the budget, the Trust is able to identify any key risks that they are facing which could prevent achievement of the budget targets. These are then recorded within the risk register and Board Assurance Framework (BAF) and are then monitored within the appropriate committee. These risks align to the Trust's strategic vision and priorities. The BAF is a live and dynamic document and is:

- updated on a monthly basis by each relevant Executive Lead(s)
- summarised within the CEO Report to the In Public Board meeting and reviewed in full by the Board (Confidential Meeting)
- reviewed by the overseeing Board committees at each meeting, and
- tested for effectiveness by the Audit & Risk Committee on an annual basis.

Overall, these arrangements enabled the Trust to achieve an adjusted £85k surplus at the end of the year.

Value for Money Commentary (continued)

Financial Sustainability: How the Trust plans and manages its resources to ensure it can continue to deliver its services (continued)

No significant weakness identified

As noted below within the “Improving economy, efficiency and effectiveness” section, there is a proposed acquisition of Solent NHS Trust by Southern Health NHS FT, and the incorporation of mental health services from across Hampshire (from Sussex Partnership Foundation Trust) and the Isle of Wight (from Isle of Wight NHS Trust) to form a new Hampshire & Isle of Wight Healthcare NHS Foundation Trust. During 2023/24, the Strategic Case and Business Case have been prepared and agreed with NHS England, including the preparation of various financial forecasts. There are various steering groups which are involved in the setting of the financial plans. The main applicable steering group is the Finance group, All other steering groups recognise within their scope of work to identify any financial benefits which will need to be shared and factored into the financial plans. This demonstrates that the financial planning is performed across the involved trusts.

The identified financial challenges which impact the merged Trust include:

- Challenge within the ICS to live within its means;
- Higher costs of providing care to the geographically located Isle of Wight population; and
- Non-elective pressures and productivity challenge.

These have been reflected in both the planning for the merger, but also act as a key driver for undertaking the transaction, to gain savings across these areas, minimising this financial challenge. At this stage, the 2024/25 planning is still under discussion with NHS England. As the merger has not yet happened, the Trust is required to submit financial plans for 2024/25 as a standalone Trust and draft submissions have been approved by the board forecasting a £7.3m surplus.

Conclusion: Based on the work performed, the Trust had proper arrangements in place in 2023/24 to enable it to plan and manage its resources to ensure that it can continue to deliver its services

Value for Money Commentary (continued)

Governance: How the Trust ensures that it makes informed decisions and properly manages its risks

No significant weakness identified

The Trust has a Risk Management Framework in place and risks are monitored and refreshed regularly at Board level through review of a summary of the Board Assurance Framework (BAF). The full BAF is supported by the risk register which records details of the key risks to the Trust, controls in place, assurances over these controls, potential gaps in control and the action plan to mitigate the gaps. The register also records which committee has oversight for each risk, and records a risk score for each item, with a score of 25 being the greatest risk.

The risks noted in the BAF span all areas of the Trust, but does include an item on financial constraints, rated as red. This is due to:

- Rising national inflationary pressures, with limited national resource to fund.
- Reduced income being received in 2023/24 and ongoing (for core services, with Covid and HDP funding also reduced)
- Significant increases in demand for services and rising waiting lists.
- Higher cost improvement expectations within the funding allocation
- Deteriorating financial position of intra-ICS organisations
- The potential implementation of the draft future financial regime - which will impact on Solent as a consequence of system partner overspend

This demonstrates the regular monitoring and updating of the risk register. We note that the greatest risks on the register relate to demand, capacity and accessibility and strategic provision of services. These risks could potentially have a knock-on effect on financial sustainability if sufficient mitigations to these risks are not in place. Plans are in place for these areas, as included within their operational plan submissions.

The effectiveness of internal controls are tested via established processes and procedures including the Board Assurance Framework, Operational Risk Registers, Standing Financial Instructions (SFIs), Scheme of Delegation, Quality and Clinical Governance procedures (including complaints, Serious Incidents, Safeguarding and Infection Control measures), as well as performance reporting mechanisms and risk based internal audits. These systems have oversight via respective Committees, and the Audit & Risk Committee seeks to obtain assurance that internal controls are operating effectively.

The Trust has an internal audit service to help gain assurance over the effective operation of internal controls. The Chair of the Audit and Risk Committee, expressed concern during 2023/24 over the volume of work completed by internal audit. This concern was noted at the time, with reasons for the delays provided and assurance given that Internal Audit still expected to finish by the deadline of 31 March 2024. Internal Audit's Annual report was issued in draft on 13 June 2024. The report gave reasonable/moderate assurance.

Value for Money Commentary (continued)

Governance: How the Trust ensures that it makes informed decisions and properly manages its risks (continued)

No significant weakness identified

The Trust continues to develop its financial plan and budget using dual processes:

- Top down: where the Trust quantifies the core financial gap to assess the Trust's affordability envelope and inform the scale of the efficiency expectation for forthcoming year. This is developed through the application of national and local planning assumptions, as well as known commitments.
- Bottom up: where the Trust develops a granular level of activity, income, expenditure, workforce, capacity and efficiency planning. The Trust then triangulates these plans with operational, performance and workforce leads.

The 2023/24 financial plans were reviewed by the Finance and Infrastructure Committee before being presented to the Board and then submitted to the ICS in April 2023. For 2024/25, we note that planning was underway in March 2024, with the presentation taken to the board on 4 March 2024. Discussions regarding the financial plans for the ICS are ongoing with NHS England.

The submission is also discussed at an ICS level to provide challenge between the Trusts in the ICS, considering where potential efficiencies could be made by sharing activity/capacity, challenging CIPs and their delivery, or where common risks are being identified across the ICS, such as inflationary pressures.

The Board of Directors keeps its performance and effectiveness under on-going review. The Board holds seminar and workshops every two months to focus on educational, developmental and strategic topics.

In addition, an annual governance review is conducted by the Governance and Nominations Committee and each Board committee completes a mid-year review against its agreed annual objectives and, at year end, presents an annual report to the Board on the business conducted. Individual Board members are appraised annually.

Conclusion: Based on the work performed, the Trust had proper arrangements in place in 2023/24 to make informed decisions and properly manage its risks.

Value for Money Commentary (continued)

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

No significant weakness identified

When areas of risk which could prevent delivery of the Trust's strategic objectives are identified, these are added to the BAF, where they are considered at Board level and mitigating strategies are planned. The Trust has regular performance reviews with commissioners which would highlight any areas for improvements and where a service is not delivering KPIs. In the BAF, we can see that a common entry in the "Assurances" column is meetings with commissioners.

Internal audit is also key part of the Trust's mechanisms for identifying potential areas for improvement, and steps which can be taken to achieve those improvements. Reporting to Audit & Risk Committee demonstrates that internal audit recommendations are monitored and addressed. Internal Audit and focuses on both financial and non-financial reviews. The results of the work recorded in the Internal Audit Report and Opinion is taken into account by the Trust to identify areas of improvement which are then recorded as such in the Annual Report. The Trust is inspected, surveyed and audited by the Care Quality Commission (CQC), although the latest inspection is delayed as a result of Covid-19. The last CQC report for the Trust was issued in February 2019 noted a number of improvements and the Trust's ratings overall rating was 'Good' with the category 'Are services caring' being rated as 'outstanding'.

The creation of a new Trust has been planned under "Project Fusion"; the project which aims to result in the acquisition of Solent NHS Trust by Southern Health Foundation Trust to provide community, mental health and learning disability services across Hampshire and the Isle of Wight Integrated Care System. It would essentially consist of the legal acquisition of Solent NHS Trust by Southern, and the incorporation of mental health services from across Hampshire (from Sussex Partnership Foundation Trust) and the Isle of Wight (from Isle of Wight NHS Trust). The project aims to ensure all people in Hampshire and Isle of Wight to have equitable access to integrated, safe, consistent community and mental health care, and believes this is most likely to be achieved through joining up the disparate, often inconsistent services and pathways delivered by four different community and mental health providers. This project represents clear leadership by the Trust to work with partners to improve services and develop new ways of working. Designate leadership roles have been put in place for the new Trust during the year, and while the organisations are still separate statutory organisations there are other examples of partnership such as the Chair of Southern Health Foundation's Audit, Risk and Assurance Committee Chair now also chairs the Audit & Risk Committee at Solent and the Accountable Officer for Southern became the Accountable Officer for Solent from May 2024.

This Business Case was approved by a meeting of the boards of Isle of Wight NHS Trust, Solent NHS Trust and Southern Health NHS Foundation trust in November 2023 and the Trusts aimed to complete the project for 1st July 2024 although this timetable has been impacted by the General Election. The overall governance arrangements have been developed based on a Partnership Agreement between Solent, Southern and Isle of Wight Trusts, based on NHS England's Heads of Terms template. This was agreed in April 2023, and dictates terms under which the Trusts work together with one another during the development of the full business case during the year and the period up to the merger.

Conclusion: Based on the work performed, the Trust had proper arrangements in place in 2023/24 to enable it to use information about its costs and performance to improve the way it manages and delivers its services.



04 Appendices

Appendix A - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the year ended 31 March 2024.

Reporting criteria considerations	Arrangements in place
How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	The Trust's Finance and Infrastructure Committee (F&IC) maintains and provides oversight over the financial performance of the Trust. They also have oversight over the Board Assurance Framework (BAF) to identify and evaluate any changes in financial performance related risks. F&IC reports every two months to the Trust Board; reporting details of the NHS Financial Regime and what that means for short and medium-term financial planning.
How the body plans to bridge its funding gaps and identifies achievable savings	Monthly reporting on financial performance and planning to F&IC enable the Trust to identify gaps in funding and monitor progress on meeting savings targets. The Trust uses a Programme Management Office to support identifying and delivering efficiency programmes with oversight provided by an Executive led efficiency and workforce steering group.
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	The Trust has a vision and a long-term strategic plan which articulates how it will deliver its statutory responsibilities. The Trust translates this into an annual operating plan including the financial plans for enabling sustainable delivery of services. This forms the basis of monthly Trust Board reporting. The Trust has aligned its financial plans with the NHS Long Term Plan and more locally, the Hampshire and Isle of Wight Integrated Care System Strategic Delivery Plan is a key enabler of delivering its strategic plan, operational plans and statutory duties.
How the body 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>The Trust reports to each Board meeting on key performance areas including Safety, Caring, Effective, Responsive, People, Finance, Research and Improvement.</p> <p>The Trust's financial plans include reporting on these wider areas as part of the Trust's mechanisms for monitoring the achievement of targets for each of the key performance areas. Where the Trust identifies a risk to target achievement, it incorporates the resulting identified mitigating actions into the BAF, which enables it to identify the necessary financial resources required to implement the actions.</p> <p>The Strategic and Partnership Committee provides assurance to the Board and oversight of the Trust's active role within the local Integrated Care System on key relationships, including the strategic partnership with IOW Trust.</p>

Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year ended 31 March 2024.

Reporting criteria considerations

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

Arrangements in place

The risk to financial resilience is identified and managed by having regular meetings with the service line representatives and Finance Business Partners with any risks identified, linked to demand and other pressures. These are reviewed by the Finance Business Partners along with key underlying assumptions regarding financial performance and reported to the F&I Committee.

As a member of the Hampshire and Isle of Wight Integrated Care System, the Trust's focus is now to work with other bodies within the system on transformation programmes aimed at supporting patients in the most appropriate care setting. In response to increasing demand on the ICS as well as a challenging financial outlook, it has been recognised that significant change is needed in order to deliver sustainable improvements in access, care and patient outcomes. It has been concluded that the best way to enable improved delivery of services is through the establishment of a new, single community and mental health provider. Called "Project Fusion", this would in effect merge Solent NHS Trust with Southern Health NHS Foundation Trust (as the continuing body). This change has been proposed to take place during 2024/25, sometime after the General Election.

Appendix A - Summary of arrangements

Governance

We set out below the arrangements for the governance criteria covering the year ended 31 March 2024.

Reporting criteria considerations

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

Arrangements in place

The Trust's BAF is refreshed annually frequently (it is at a minimum reviewed monthly by the relevant executive) to match its strategic aims and align to strategic priorities and risks. The BAF outlines the actions being undertaken by the Trust to provide assurance that risks are being mitigated to an acceptable level.

The BAF is supported by corporate and service risk registers. The risks assessed are wider than just financial, due to the nature of the Trust's activities. The Trust assesses the impact of risks on a matrix of likelihood and occurrence, with a combined score produced to assess the importance of the risk. The Trust has a risk appetite statement that defines acceptable levels of risk for its activities. The Trust has an internal audit service to help gain assurance over the effective operation of internal controls. It also has a Local Counter Fraud Specialist (LCFS) as part of its arrangements to prevent and detect fraud. The Chief Financial Officer (CFO) is responsible for the adequate provision of Internal audit with oversight from the Audit and Risk Committee (A&RC). Trust management is responsible for responding to the internal audit findings appropriately and in a timely manner with appropriate challenge from the A&RC.

How the body approaches and carries out its annual budget setting process

The Trust develops its financial plan and budget using dual processes:

- Top down: where the Trust quantifies the core financial gap to assess the Trust's affordability envelope and inform the scale of the efficiency expectation for forthcoming year. This is developed through the application of national and local planning assumptions, as well as known commitments.
- Bottom up: where the Trust develops a granular level of activity, income, expenditure, workforce, capacity and efficiency planning. The Trust then triangulates these plans with operational, performance and workforce leads.

The financial plan is reviewed by the F&IC before being presented to the Board for approval. The submission is discussed at an ICS level to provide challenge between the Trusts in the ICS.

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year ended 31 March 2024.

Reporting criteria considerations

Arrangements in place

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

The Chief Finance Officer is responsible for overseeing the operation of the Trust's Standing Financial Instructions including the rules relating to budgetary control, banking, losses and controls over income and expenditure transactions. The F&I Committee provides oversight to ensure that effective processes and systems are in place regarding budgetary control and receives monthly reports on financial performance from the CFO. The F&I Committee then reports to the bi-monthly meetings of the Trust Board, and there is further consideration of the Integrated Performance Report, covering financial and non-financial information, at each Board meeting. The frequency and detail of reporting ensures that management information is relevant and timely, enabling correcting action to be taken where necessary.

Monthly reports are also produced covering I&E, capital, cash and receivables and includes relevant commentary for each area. These reports are presented to Finance & Infrastructure Committee and Trust Board, for their review.

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee

The effective operation of the Board, supported with regular, clear and relevant information, is the Trust's key tool for ensuring that it makes properly informed decisions. Published Board papers and minutes evidence the challenge made by non-executive members and the transparency in decision making.

The A&RC meets every 3 months, is comprised of appropriately skilled and experienced members, has clear terms of reference which emphasises the Committee's role in providing effective challenge and has an annual work plan to help ensure that it focuses on the relevant aspects of governance, internal control and financial reporting.

The last CQC report for the Trust issued in February 2019 noted a number of improvements and the Trust's ratings overall rating was 'Good' with the category 'Are services caring' being rated as 'outstanding'.

How the body 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/conflicts of interests)

The Trust has policies and procedures in place to ensure that staff operate in accordance with relevant legislative and regulatory requirements. These policies and procedures are reviewed and revised regularly by the Trust.

An annual governance review is conducted by the Governance and Nominations Committee and each Board committee completes a mid-year review against its agreed annual objectives and, at year end, presents an annual report to the Board on the business conducted. Individual Board members are appraised annually.

The Trust has specific policies for staff and non-executive directors in respect of gifts and hospitality and conflicts of interest. Annually, all senior staff and non-executive directors as well the governors are required to make declarations. These declarations are recorded in a register and is available on the Trust's website.

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year ended 31 March 2024.

Reporting criteria considerations	Arrangements in place
How financial and performance information has been used to assess performance to identify areas for improvement	<p>Part of the outcome of the implementation of the ICS in 2022/23 was for members to work collaboratively in order to share financial and performance information and subsequently challenge each other to create efficiencies and improve standards of care. This has been progressed further with the commencement of Project Fusion, which identified the potential for improvement and more efficient patient care through consolidation of community and mental healthcare providers in the ICS.</p> <p>As noted above, the Trust board receive performance reports at their meetings in order to review care performance against the KPIs and identify any areas of improvement. We also note that Trust works with other local public bodies and this evident through its partnerships with Isle of Wight NHS Trust to improve quality of Mental Health and Community Services and performance is monitored by the Board, including financial performance, cost drivers and savings opportunities.</p> <p>The Internal Audit Plan focuses on both financial and non-financial reviews. The results of the work recorded in the Internal Audit Report and Opinion is taken into account by the Trust to identify areas of improvement which are then recorded as such in the Annual Report.</p>
How the body evaluates the services it provides to assess performance and identify areas for improvement	<p>The Trust has an array of ways of measuring its own performance across all aspects of its operations. It brings these together in the form of monthly reporting to the Board against national and local indicators. Where performance is below plan these reports highlight the action being taken to seek the required improvement.</p> <p>The Trust is also regularly inspected by the Care Quality Commission (CQC) and in its most recent inspection was rated overall 'Good' with all sub-areas rated either 'Good' or 'Outstanding'. The Trust publishes an annual Quality Report outlining the its performance against a wide range of quality measures.</p> <p>The Trust pay particular attention to the annual NHS staff survey to gauge the satisfaction of their staff, which helps to provide benchmarking against other NHS Trusts and is helpful for retention and recruitment purposes.</p>

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year ended 31 March 2024.

Reporting criteria considerations

Arrangements in place

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

Solent has a strategic partnerships with Isle of Wight NHS Trust to improve quality of the Island's Mental Health and Community Services.

The Trust is part of the Hampshire and Isle of Wight Integrated Care System to help ensure financial balance across the region. The Trust attends regular meetings with ICS members from a CEO level downwards. These meetings can occur frequently, particularly during early 2023/24 where there were ongoing discussions within the ICS regarding the financial plan and reducing the deficit.

The Trust has also been making significant progress with Project Fusion. The full Business Case was approved by a meeting of the boards of Isle of Wight NHS Trust, Solent NHS Trust and Southern Health NHS Foundation Trust in November 2023 and has received NHS England approval. Currently the view is to complete the merger during 2024/25, sometime after the General Election.

How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits

The Trust uses national contracts or agreements wherever possible, primarily through NHS Supply Chain, the Crown Commercial Service and NHS Commercial Alliance. Where it is not possible to use a national agreement, contracts are advertised in the public domain via the government portal Contracts Finder.

The Trust has a Procurement Team which ensures all commissioned and procured services are done so in accordance with the relevant legislation, professional standard and internal policies. The Head of Procurement oversees all procurement and the CFO reports to the A&RC quarterly a tender waiver quarter report which includes all contracts ratified to date.

The Trust reports any breaches of Standing Financial Instructions and Single Tender Waivers to appropriate committees to provide assurance that the Trust operates in accordance within relevant legislation, professional standards and internal policies.

The Local Counter Fraud Service also undertakes proactive reviews, including declarations of interests and additional income earned outside of the Trust.

Expected benefits are outlined in contract specifications as they are being drafted as key performance indicators (KPIs). The procurement team/commercial business partners support services in drafting the KPIs to ensure they cover the key performance requirements of the contract and the service delivery model. They then become part of the contract. The Trust meets significant providers monthly and meetings are attended by the budget holder and a member of the commercial team. These meetings consider performance against KPIs to support the management.

Appendix B – Summary of recommendations

Recommendations

The table below sets out the recommendations arising from the financial statements and value for money work in the year(s) covered in this report for the year 2023/24. All recommendations have been agreed by management.

Issue	Recommendation	Management response
<p>Financial statements:</p> <p>We have identified that the Trust has not performed a recent review of the assets included on their fixed asset register with the exception of land and buildings, laptops and medical devices.</p>	<p>This has led to a number of issues within the fixed asset register, including assets being disposed of and the register not being updated and a number of assets being held on the fixed asset register with no gross book value being recorded. Ultimately this could lead to a material misstatement in the financial statement related to either the gross book value and/or net book value.</p> <p>We ask that management perform a full annual review of the fixed asset register to ensure that this is an accurate reflection of the assets held by the Trust.</p>	<p>The value of assets that have not been verified is £2.8m GBV and £0.3m NBV, 2.4% of total value of PPE GBV and NBV.</p> <p>The Capital Accountant is pulling together a program of verifying the assets with services, which will include updating in the fixed asset register.</p>
<p>Financial statements:</p> <p>During the course of audit, we identified an issue with the quality of the working papers, where the listings provided to support the Balance Sheet amounts in the financial statements did not agree to the amounts in the financial statements. The variances ranged from £446 to £266,000.</p> <p>We also identified instances where the only working papers available to support certain debtors and creditors accounts were in year transaction listings rather than a breakdown of the specific items that made up the year end balance as at 31 March 2024.</p>	<p>This causes additional work for the audit team to work with management to understand the reason for the variances and also brings into doubt the reliability of the working papers and/or the figures within the financial statements.</p> <p>We recommend that the Trust perform quality checks on the working papers provided to audit to ensure that these reconcile to the financial statements and the reason for any variances is fully understood.</p>	<p>A program of education across the team on the key requirements required for quality working papers and reconciliations has commenced, including senior review meetings targeting specific areas of concern.</p>

Appendix B – Summary of recommendations

Recommendations brought forward from 2022/23

The table below sets out the recommendations arising from the financial statements and value for money work in the prior year, 2022/23, and progress made in 2023/24. All recommendations were agreed by management.

Issue	Recommendation	2023/24 update	Management response
Financial statements:			
<p>Reconciliation of Fixed Asset Register to General Ledger - Initial working papers that include the fixed asset register continued to not fully reconcile to the financial statements, including for Property, Plant and Equipment (PPE), Intangibles and Right of Use Assets. This includes the classification of assets within the financial statements.</p>	<p>Our audit procedures were delayed while working papers were updated to agree to the financial statements within our triviality threshold.</p> <p>As this control issue has recurred for a further year, we recommend management request internal audit to review the controls processes in recording assets in the fixed asset register and how this register is subsequently reconciled to the trial balance.</p>	<p>During the course of our testing, it was identified that the Trust did not correctly eliminate depreciation of £2.4m on revaluation of the assets. This led to issues in the reconciliation of the fixed asset register to the general ledger.</p> <p>This mainly impacted land and buildings in PPE.</p>	<p>The Head of Financial Accounts identified that the postings generated from FMIS for revaluation and impairments of land and PPE did not always produce the correct accounting entries. This has been raised with SBS, who host FMIS, for resolution. Once resolved FMIS postings will include the elimination of depreciation on revelation of the assets.</p>
Financial statements:			
<p>Financial Statements Close Process - Draft financial statements were submitted after the NHS deadline.</p> <p>Our review of the draft financial statements and agreement of the submitted trial balance to the financial statements identified several errors and reconciling differences.</p> <p>On further investigation this was due to errors in the initial draft accounts, and also identification of journals which had been posted after submission of the transaction data to EY.</p>	<p>Additional audit work was required to reconcile the financial statements to the trial balance.</p> <p>Late submission of manual journal entries required separate substantive testing as these transactions have a significant risk of override of controls.</p> <p>We ask management to provide a clear mapping document as part of closedown procedures which ties the financial statements to the trial balance and keeps an accurate record of any late posted journals</p>	<p>The draft 2023/24 financial statements were submitted by the NHS deadline. However, our review of the draft financial statements and agreement of the submitted trial balance to the financial statements identified several variances and reconciling differences. On further investigation this was due to the identification of journals which had been posted after submission of the transaction data to EY but not communicated to us.</p>	<p>The Head of Financial Accounts will agree timescales for uploading the complete set of data, including any entries posted to the ADJ period, with EY prior to the audit. The agreed deadline will coincide with the submission of the accounts and closure of the ADJ period in the ledger.</p>

Appendix B – Summary of recommendations (continued)

Recommendations brought forward from 2022/23 (continued)

The table below sets out the recommendations arising from the financial statements and value for money work in the prior year, 2022/23, and progress made in 2023/24. All recommendations were agreed by management.

Issue	Recommendation	23/24 update	Management response
<p>Financial statements:</p> <p>Prepayments - During our substantive testing of prepayments, it was identified that a number of 'prepayment' items had not actually been paid as at year end.</p>	<p>The impact of this issue impacts the balance sheet, and effectively has overstated up both the assets and liabilities.</p> <p>By not accurately identifying invoices which have been prepaid, there is a risk that inaccurate records would lead to incorrect cash flow forecasting. Alternatively, invoices may not be paid when due as they are already recorded as prepaid. We recommend a review of prepayments listing at year end to confirm they are accurate.</p>	<p>We stratified the prepayments into prepayments (£5.9m) and leased cars (£89k).</p> <p>We did not identify any misstatements with respect to the main prepayments testing but did identify some prepayments within the leased cars population that did not meet the requirements to be prepaid and did not lead to a projected misstatement greater than our reporting threshold.</p>	<p>The Head of Financial Accounts is reviewing the process for lease cars to ensure future prepayments are classified correctly.</p>

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