Grant Thornton

Auditor's Annual Report on University Hospital Southampton NHS Foundation Trust

2020-21

September 2021

Contents

We are required under Section 21(3)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Executive summary

Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Trust has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the Trust's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Trust's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Criteria	Risk assessment	Conclusion
Financial sustainability	No risks of significant weakness identified	No significant weaknesses in arrangements identified
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified

Overall conclusion

No significant weaknesses in arrangements identified in any of the three criteria. We have identified areas of focus for the Board, which complement the arrangements already in place.

Financial sustainability

We did not identify any risks of significant weakness in respect of the Trust's arrangements for financial sustainability in our initial risk assessment. Our further work confirmed this view, with no significant weaknesses identified. We have identified improvement recommendations including ensuring that the Trust models the financial implications/projections of new methods of working. This review will also need to incorporate any changes in key assumptions, such as updated actual activity levels, inflation and growth, to ensure forecasts remain accurate. Our findings are set out in further detail on pages 9 to 13.

Governance

We did not identify any risks of significant weaknesses in the Trust's governance arrangements in our initial risk assessment. Our further work confirmed this view, with no significant weaknesses in arrangements identified. We have identified improvement recommendations including ensuring work continues on implementing a clear strategic direction which is supported by underpinning plans covering demand, capacity, and resources .Our findings are set out in further detail on pages 14 to 16

Improving economy, efficiency and effectiveness

We did not identify any risks of significant weaknesses in the Trust's arrangements for improving economy, efficiency and effectiveness in our initial risk assessment. Our further work confirmed this view, with no significant weaknesses in arrangements identified. We have identified an improvement recommendation to embed and harness the new ways of working in the pandemic. Our findings are set out in further detail on pages 17 to 22.

Executive summary

Opinion on the financial statements

We have completed our audit of the Trust's financial statements and issued an unqualified audit opinion on 28 June 2021, following the Audit and Risk Committee meeting on 21June 2021. Our findings are set out in further detail on page 26.

Overview

2020/21 was a unique and unprecedented year in the history of the NHS. Normal business and activity were effectively suspended, expectations changed beyond recognition and even short-term requirements were unpredictable. The Trust like all providers has been significantly effected hard by the Covid-19 pandemic, as patient numbers soared to unprecedented levels. The Trust dealt with this significant challenge through swift decision-making and effective partnership working.

The pandemic resulted in completely new methods of funding, significantly different performance and operational requirements and huge changes in the Trust's operating models and the ways in which it interacted with patients. The sector achieved real transformation in moving to remote working for follow up appointments and worked effectively with local government in improving discharge times. This served to demonstrate what can be achieved when all parties work collaboratively in a way previously unseen. However, this was facilitated by unprecedented levels of funding for all parties and with the financial norms (temporarily) set aside. The real challenge, as the country begins to emerge from the pandemic, will be to build on these developments as financial reality and political imperatives are re-imposed.

The pandemic demonstrated the NHS at its best: dynamic, responsive, collaborative and truly committed to its patients and communities. Previous 'sacred cows' were swept aside: the need for consultants to see outpatients in person regardless of the nature of the consultation or follow up; the need for all board and committee meetings to be carried out face to face, several hours long, at set intervals, being just two such examples.

Breaking long established norms is often the major barrier to transformation and innovation. The pandemic has demonstrated that what was previously thought of as impossible or undesirable was, in fact, not only possible but can also lead to improved outcomes. It is important the Trust continues to challenge 'sacred cows', at both a sector and Trust level, so that it does not lose the momentum generated in many areas during a year which has been so heavily effected by the pandemic.

However, the pandemic also led to unavoidable consequences. Across the country, elective referral times significantly increased and waiting lists are longer than they have been for a considerable period of time; 52 week waits are at an all time high. Cancer referral and treatment times were significantly negatively effected as well. As Covid-19 was better understood, operational and clinical guidance changed rapidly, and the impact on non-Covid patients also changed, often for the worse. At a system level, GP referrals were reduced, sometimes because it was necessary to impose barriers to referrals, and in part because people were more reluctant to visit their GP during the pandemic.

Trust hospital appointments, diagnostic tests and elective admissions were all significantly reduced during 2020/21 due to the impact of Covid-19. During periods of higher bed occupancy with Covid-19 it was necessary to significantly reduce the number of elective admissions undertaken in order that additional staff could work in intensive care. Less clinically urgent and therefore longer waiting patients were primarily those affected. Throughout the year, additional infection prevention measures have reduced the number of patients that can be seen in each session, particularly when higher risk procedures are planned, but also as a result of additional Personal Protective Equipment being worn or to enable greater distancing of patients attending outpatient departments.

The true 'cost' of the pandemic, in terms of public health and healthcare outcomes across the population, is yet to be fully understood. Inevitably, this means the Trust faces a 'backlog' of activity and demand, some of which may not present itself until people start to access services again. The complexity and acuity of this demand will also be a challenge. Health matters which have been untreated in their early stages may present in the short to medium term as considerably more problematic and complex than if they had been dealt with during the pandemic.

The Trust has remained live to this unavoidable outcome of the pandemic and sought to mitigate the impact whenever possible. The Trust was successful in increasing activity back to just below the pre pandemic levels in the summer of 2020 and performance was well above the national average for providers restarting procedures following the first wave of the pandemic. The Trust was offered additional capacity at local independent sector hospitals and has used this effectively to minimise these adverse impacts on patients.

Overview

Prior to the pandemic, the Trust was one of the few providers operating at a recurrent surplus. During the pandemic, provider trusts have effectively been funded to break even. This has benefited the majority of the acute Trusts nationally that were posting deficit positions. However, this has had the reverse impact on the Trust. The Trust has been very effective at increasing its capacity and productivity which has resulted in increased income from the payment by results funding mechanism. This resulted in the Trust posting strong surplus positions and increased cash that has been re-invested in the Trust enabling the Trust to make improvements to the hospital with associated benefits for patients and staff.

As we emerge from the pandemic, the new financial framework is likely to remove many of the structures that were inherent in the old 'Payment by Results' framework. Block funding is likely to replace activity based contracting. As funding will be largely fixed, the focus will increasingly be on productivity. However, meeting financial targets will be meaningless if it is only achieved through reducing activity levels to constrain costs, increasing the backlog. Delivering within financial limits will result in the need to alleviate cost pressures through increased productivity and efficiencies, rather than by 'cutting costs' through delivery of reduced levels of activity. The Trust recognises this challenge and its performance prior to and during the pandemic means it is well placed to make the adjustments that will be required.

During 2020/21 the focus was rightly on caring for seriously ill patients and dealing with the immediate impact of the pandemic. Implementation of efficiency programmes were rightly deprioritised and top up funding removed the financial pressure in 2020/21. The Trust will need to return to an environment where future ongoing financial resilience and success is dependent on efficiency and productivity gains whilst still achieving activity requirements. The Trust will need to focus on achieving its activity targets efficiently to obtain the Elective Recovery Funding which return the Trust to generating surpluses.

The new financial reality means the biggest risk is not delivering the activity levels needed for the local population, even if the financial value of the activity delivered meets the objectives set. The Board will need to be alert for this risk and seek assurance over the management judgements being applied in addressing the activity numbers. It is important to maximise the number of people the Trust is able to deal with in reducing the activity backlog and ensure this is not reduced or impaired where this does not align with the financial incentives provided by the new framework.

The new financial framework itself is still relatively embryonic. Much of the sector has only been able to plan for the first six months of 2021/22, when a full year outturn position was not known. The current block contract and top up system will be in place for the whole of 2021/22, but there does remain wider uncertainty in the NHS about planning assumptions, which itself is fuelled by the unavoidable uncertainty over what happens next with Covid-19. This does make it extremely difficult for the Trust to plan effectively in the short, medium and long term. This is a significant impediment to planning for medium term financial resilience but is one which is not within the Trust's control. What is certain is that the need to deliver future outcomes within financial limits will return, and the need to reduce the elective backlog, improve cancer referral times and increase the volume of non-Covid activity delivered is pressing.

At this stage management need to continue their focus on understanding the underlying financial position in the new regime and to remain focussed on the medium term in terms of generating the transformation, innovation, efficiency gains and productivity enhancements that will be required.

Overview

The Trust was ahead of most providers in re-starting activity following the first wave of the pandemic as a result the Trust is in good position to return to operating to pre-pandemic activity levels whilst managing the challenges of treating Covid-19 patients in a safe environment. The Trust should continue to review and evaluate the changes in service delivery bought about by the pandemic. Where measures are deemed a success in terms of patient outcomes and savings then the Trust should work to retain these ways of working. Hand in hand with this is the need to ensure revised arrangements across services are robust, and the understanding, skills and experience needed to continue transforming effectively are present within the Trust.

Alongside these operational challenges the Trust will need to adapt to changes in how the NHS works. It is clear that accountability in the NHS is shifting to a model based on the Integrated Care System (ICS). The Trust will be operating within a new dynamic: funding will be agreed locally within systems and there will be a greater emphasis on the system as a whole in terms of the financial and performance outcomes.

The Trust has been one of the more successful providers in the Hampshire and Isle of Wight ICS. In recent years there have been an increasing number of organisations within the ICS that have significant challenges. The ICSs long terms plans contain a significant financial gap. To address this gap a financial improvement programme has been developed that focusses on some high impact priorities including outpatients, and elective care pathway transformation aimed at stabilising organisations with deteriorating financial positions. There is a risk that as the Hampshire and Isle of Wight ICS develops and the funding mechanisms reviewed that achieving strong surplus positions will be ever more challenging. The Trust will need to fulfil its role in the Hampshire and Isle of Wight ICS, whilst protecting its own interests.

The current challenge is to identify the medium and longer term financial risks and true underlying performance, in a period where even short-term planning is difficult, and the uncertainties are considerable. In this environment, it is important the Board continue to understand the impact of new operating environment that develops post-Covid on the Trust's underlying financial position. Modelling the financial impact of changes in key assumptions from the revised financial framework on the underlying financial position will be key to future decision making.

It is equally important the Trust learns to adapt to a new world with new norms in a post 'Payment by Results' environment. The new operating and financial environment is likely to be one of the biggest changes to NHS in several decades. It will require changes in cultural and business norms and different ways of thinking. It will require an increased focus on the delivery of activity, and an informed alertness to the risk that the financial envelope is achieved by activity (and thus costs) being constrained, rather than the harder task of improving efficiencies and productivity to maximise activity levels.

Real success comes from innovation and transformation leading to improved productivity and efficiency gains, reducing unit costs and maximising activity levels within the funding available. The Board is aware that it is these factors that it is most critical are understood, monitored and challenged as the new systems-based framework develops and forms. Maintaining the Trust's ability to do this whilst at the same time engaging in increasingly sophisticated collaboration and partnership arrangements is essential. Equally essential is ensuring the robustness and effectiveness of the Trust's own governance arrangements to steer the Trust through the newly emerging healthcare operating environment being developed, and the emerging new world that develops post-Covid.

Ensuring that the Trust has a clear, transparent overarching strategy that is understood by senior management, clinicians, staff and key stakeholders and that is underpinned by operational plans will be vital. This will help to motivate staff, maintain momentum and ensure the Board focusses on the key areas making the right decisions that will benefit the Trust for years to come.

Commentary on the Trust's arrangements to secure economy, efficiency and effectiveness in its use of resources

All NHS Trusts are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Trust's responsibilities are set out in Appendix A.

NHS Trusts report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 3, requires us to assess arrangements under three areas:

Financial Sustainability

Arrangements for ensuring the Trust can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).

Governance

Arrangements for ensuring that the Trust makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the NHS Trust makes decisions based on appropriate information.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the Trust delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on pages 9 to 25. Further detail on how we approached our work is included in Appendix B.

Financial sustainability

We considered how the NHS Trust:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Financial performance in 2020/21

The Trust has an excellent history of financial performance and is one of the few acute providers to have consistently posted surplus positions in recent years. The underlying surplus position across 2019/20 was £3.7m.

The Trust has performed well under 'Payment by Results' financial regime by improving productivity and expanding capacity. This has resulted in an increase in throughput of patients through the hospital. The Trust has received income from its commissioners based on the volume of clinical activity performed at nationally determined prices. Increasing patient flow and productivity has led to increased funds. Surpluses generated by the Trust have been re-invested into improving the hospital and expanding theatre and ward capacity.

Demand levels had continued to rise from an ageing population with more complex needs than ever before. Alongside this there is the need to improve quality and respond to rising patient expectations.

The 2020/21 planning processes started on time and progress was reported to the Finance and Investment Committee. However, as a result of the pandemic, NHSE/I suspended the operational planning process for 2020/21 in March 2020. The Trust set an internal expenditure budget for the Covid period using a combination of current expenditure run-rate and planned 2020/21 expenditure, adjusted for items such as growth and inflation.

Given the move to block contracts and suspension of the contracting round, this plan was revised to a Covid-19 plan for 2020/21.

NHSI/E provided all Trusts with a guaranteed minimum level of income reflecting a cost base based on:

- Commissioners agreed block funding with NHS providers with whom they had a contract, to cover the period 1 April to 30 September which provided a guaranteed monthly payment. This payment was based on the average monthly expenditure implied by provider figures within the Month 9 Agreement of Balances (AoB) return plus an uplift for the impact of inflation.
- Trusts were also to suspend invoicing for non-contracted activity for the same period (1 April-30 September) with a sum equivalent to the historical monthly average being added to the block contract from the commissioner.
- A national top up payment was then provided to Trusts to reflect the difference between actual costs and income guaranteed (as above) where the expected cost base was higher. The Financial Recovery Fund (FRF) and associated rules were suspended during this period.

Trusts were able to claim for additional costs where the block payments did not equal actual costs to reflect genuine and reasonable additional marginal costs due to the covid-19 pandemic. The aim of this guidance issued was to ensure that all Trusts maintained breakeven positions throughout this period.

Financial sustainability

For the second half of the financial year simplified arrangements for payment and contracting were extended with a greater focus on system accountability and the restoration of elective services. Local systems were issued with funding envelopes and Trusts and CCGs were expected to achieve financial balance within these envelopes. Systems as a whole were expected to breakeven however individual organisations within the system were permitted by mutual agreement across the system to deliver surplus and deficit positions.

By allocating fixed sums to trusts and suspending efficiency programmes, and compensating additional costs attributed to Covid-19 activity, financial constraints were removed to enable necessary and rapid changes to NHS services in response to the pandemic.

The Trust set a revised planned deficit of £2.5m after top-up and Covid-19 funding from the ICS and non-NHS income support from NHSE. Months 1 to 6 were reported as breakeven and was fully funded by NHSE. In the second half of the year the Trust reported a small surplus of £21k against the £2.5m deficit plan. The surplus position includes several one-off technical accounting entries that have a neutral effect on the trust reported position. This includes:

- funded annual leave accrual (£8.1m);
- pensions accrual (£23m);
- centrally funded Personal Protective Equipment (£8.6m); and
- Flowers case accrual (£0.7m) all of which had equal and opposite income and expenditure.

The year end clinical income showed a favourable variance of £5.2m to plan. The Trust received some one-off investments from commissioners for Covid recovery which assisted with this favourable position. Apart from this investment, much of the income was fixed block contract funding. At the year end Elective income increased to 92% of planned levels, non-elective activity was at planned levels and A&E attendances had increased significantly for the first time in several months.

Top-up income totalled £53.7m in 2020/21 with £36m for the first half of the year with a further £20.1m in the second half for Covid-19 costs embedded within block contracts. The Trust received added to by further covid funding (£4.3m) in addition to the annual leave accrual funding (£8.1m), top-up other operating income (£4.8m) and Flowers case funding (£0.7m).

Other non-pay costs ran adverse to plan but this included costs in relation to a salvia testing programme that were not within the original plan and were offset within other income.

The Trust has forecast that if 'Payment by Results' and Covid income and expenditure are adjusted for a deficit of £0.4m would have been reported for the year. Currently the block contract mechanism provides security against any underperformance and will continue throughout the first half of 21/22.

The Trust successfully delivered a small surplus position. As the change in financial regime caused by the pandemic introduced measures to protect trusts' financial positions, the result is that for 2020/21 trusts nationwide have effectively broken even. The current financial regime looks set to continue for at least the 2021/22 financial year. To incentivise trusts and their partners to work efficiently through the backlog of waiting lists brought about by the pandemic the Elective Recovery Fund has been launched. This is a mechanism for distributing £1bn of national recovery funds for elective and outpatient activity. Providers are expected to achieve activity at a % of pre-Covid income levels (Price x Activity). The targets are:

- 70% for April 21
- 75% for May 21
- 80% for June 21
- 85% from July 21 to Sept 21

For income over these thresholds, but below 85%, then tariff income is payable in full. For income that exceeds 85% then tariff + 20% is payable. All calculations will be undertaken at an ICS level. Under this mechanism the year end March activity performance would have generated an elective recovery funding payment of £4.5m. The 20% premium, as agreed with ICS partners, will be centrally pooled rather than allocated directly to providers. It is therefore expected that £14.3m of Elective Recovery Funding income will already have flowed to the Trust in the first 3 months of 2021/22. In Mid July NHSI subsequently changed the above targets, with a threshold of 95% and the level for +20% tariff payment is now 100% of 2019/20 activity.

The Trust is in a stronger position than many. It has invested in an endoscopy suite and in new theatres to create additional capacity and performed in the top quartile in its recovery of elective activity following the first wave of the Covid-19 pandemic. It is also in a strong position in terms of its cash and balance sheet. The Trust should look to recover as quickly as possible recognising the benefit to patients while also being mindful of the impact on its people. There is also risk associated with the elective recovery funding being administered at ICS level and the Trust will need to understand the impact of differential performance across the ICS to ensure it receives its fair share and manages risks associated with this arrangement on its position and plans.

Financial sustainability

The financial challenge facing all Trusts is compounded by the backlog in activity as a result of the pandemic and uncertainty over the future environment. Continued efficiencies will need to be realised in order to deliver the savings and productivity gains to secure recurrent financial balance and reduce the activity backlog. The Trust will need to maintain its focus on underlying run rates as this provides a good picture of the real financial position and a truer indication of the financial risk that the Trust faces.

Capital

The Trust's capital strategy is focusing on supporting operational challenges while ensuring there is sufficient investment to deliver the longer-term ambitions which the Trust will require to support delivery of clinical and digital innovations. The Trust spent £80.4m in 20/21, the highest value since it became a Foundation Trust in 2011. A total of £55.5m of spend has been from the Trust's internally generated funding with a further £24.8m spent on externally funded schemes. This was £1.45m above plan, with the overspend linked to bringing forward expenditure from 21/22 as agreed with the region.

The most significant expenditure was on IT projects £6.1m, GICU expansion £9.7m, Oncology ward build £6.5m, Emergency Department Expansion and refurbishment £9m.

Trust response to the financial architecture for 2021/22 and arrangements to plan for longer term financial sustainability

As the Trust adjusted to new ways of working during the pandemic many of the historic service models were adapted to take account of new guidance and pathways for patient care. The Trust will need to re-focus on longer term service resilience and transformation of revised service models. These models will need continued assessment in terms of the expected benefit to patients and the efficiency savings that should continued to realise in the future.

There has been a greatly reduced planning exercise across the NHS for the first six months of 2021/22. This has meant that budgets have been rolled over from last year and that short term plans have been put in place to measure recovery activities. The Trust submitted draft activity and workforce submissions to NHSI/E via the ICS. These estimates were developed from a 'top down', approached informed by approved business cases / capacity expansions, recent activity levels and expert clinicians' judgements. The Trust have rightly sought to be conservative regarding estimated elective activity volumes. The Trust's draft activity submission was similar to those of other acute trusts in the Hampshire and Isle of Wight. Completed templates have been discussed and reviewed by divisional directors and corporate leaders. In aggregate, care group assessments align well (to within 1-2%) with the 'top-down' view. The workforce submission has also been aligned with operational plans.

Planning guidance required the ICS to make a system finance submission to NHSI on 6 May 2021. This was informed collectively by provider and commissioner partners with a minimum breakeven position required by NHSI. The ICS plan submitted was compliant in this regard reporting breakeven financial performance across the first half of the year.
The submission includes the Elective Recovery Fund (ERF) for which income of £48m is forecast together with the associated costs of delivery. Of this amount £20m of ERF relates to the Trust which is matched with forecast expenditure. There is an efficiency opportunity for the Trust if activity can be delivered below tariff cost assumptions. Further risks relate to the Hospital Discharge Programme for which commissioner funding is being reduced. This may have indirect risks for the Trust due to the linkage with Medically Optimised for Discharge (MOFD) out of hospital initiatives. Other assumptions included relate to Covid volumes for which it is assumed there are no further peaks that may destabilise elective flow and this is a risk as numbers of patients with Covid are again on the increase.

The Trust acknowledged that financial modelling was completed in a more top-down style than the Trust would have desired due to the time frames involved. Similar to activity and workforce modelling known business developments and investments, inflationary pressures and contingencies were factored into models. Funding allocations within the ICS are broadly consistent with second half of 2020/21 with Covid funding and top-up allocations issued on the same basis. After collectively analysing income and expenditure together with the associated risks the Trust submitted a breakeven plan to the ICS contributing to the breakeven system submission.

The Hampshire and Isle of Wight ICS has been designated as elective accelerator area. The 'elective accelerators' will each receive a share of £160 million along with additional support to implement and evaluate innovative ways to increase the number of elective procedures they deliver. The aim is to exceed the same number of tests and treatments undertaken before the pandemic and develop a blueprint for elective recovery to enable hospitals to go further and faster. As a result, an additional £10m is likely to be available to the ICS in 21/22. There will be an increased level of expectation on the Hampshire and Isle of Wight ICS regarding elective activity recovery, and the development of innovative solutions.
The Trust is also part of a Paediatric Accelerator programme worth £0.9m. This is a national group of children's hospitals who have collaborated together to agree accelerator funding / plans to increase elective activity.

Financial sustainability

Whilst the financial arrangements for the first half of the year have been known for some time and incorporated into the approved financial plan, the position regarding the Elective Recovery Funding has fundamentally changed. The national view is that the actual Covid-19 conditions and ability of Trusts to undertake activity are significantly different from when the thresholds were set, meaning the Elective Recovery Framework funding pot of £1bn has been over-subscribed. In order to maximise the funding available and the incentivisation of additional elective work, the threshold needed to change. In effect from the 1st July 2021, the threshold has increased to 95%, an increase of 10% - worth approximately £2m per month to the Trust and £6m per month to the ICS.

The building blocks for funding in the second half of the year are expected to be fundamentally the same as the first half, with block funding arrangements and Elective Recovery Framework funding expecting to continue.

Although the plan has been submitted the following further financial work is required across the system:

- Sensitivity work on delivery of activity plans, case mix and elective recovery funds.
- Test and challenge forecast delivery of non-NHS income (e.g. car parking, catering and private patient income aligned to the development of elective recovery which is utilising existing private patient capacity.
- Development of savings plans to deliver financial balance.
- Agreement of financial targets and trajectories to an organisational level, in-light-of refined assumptions, on receipt of elective recovery funding and elective recovery plans
- Understand the impact of the Hospital Discharge Programme on the run rate around continuing healthcare in particular the ongoing commitments that will fall to Local Authority and CCG business as usual.
- Given low level of inflation funding the Trust need to assess the impact around contract agreements and mitigate any pressures that come out as a result.

The largest element of the Trust's finances is pay for doctors, nurses and support staff. This accounts for approximately 60 per cent of the Trust's annual operating expenditure. Recruiting and retaining sufficient permanent numbers of clinical staff is crucial to maintaining the quality of the Trust's services to patients. This in turn supports the efficiency and productivity of the Trust's activity. Temporary staff costs are approximately 10% of staff costs which is consistent with prior years. However, as the Trust emerges from the pandemic, it will be key to reduce the volume of temporary and agency staff, both to secure clinical quality and constrain pay cost pressures.

The Trust recognises the key drivers of risk in its financial plans and variances from plan are generally well understood. The Trust will need to maintain budgetary monitoring and financial discipline to ensure continued financial success. It will be equally critical to maintain the scrutiny on budget holders, and the Trust as a whole, on signing up to future budgets.

Financial sustainability

The Board will also need to be cognisant, early on, of pressures to budgets, with effective early warning systems to identify risks and ensure corrective action is taken. It is equally critical there are effective monitoring and assessment arrangements in place to understand whether future budgetary overspends are the result of unavoidable or unforeseeable cost pressures, or deficiencies in budgetary and financial discipline within directorates. As the Trust recovers from the pandemic, and the 'new normal' with financial constraints emerges, the Trust will need to refocus on developing its efficiency programmes.

Operational plan 2021/22

The Trust's 2021/22 operational plan focusses on:

- Creating additional capacity to meet increased demand
- Admission avoidance schemes and ambulatory care pathways
- Linking the Trust Winter Plan to the System Resilience Plan
- Robustly performance managing the system to maintain quality, activity, safety and experience

The Trust will continue to work with health and social care partners to plan for the third Covid-19 peak and to help restore and recover services impacted by the pandemic. The Trust are also refining its plans to increase capacity for elective, emergency and ICU patients.
In preparing for and responding to a third Covid-19 wave, the Trust are:

- Ensuring lessons learnt from first and second wave are acted upon
- Prioritise above all else the safety of staff, patients and members of the public
- Recognise the need to allow the workforce to recover from the last year
- Undertake dynamic risk assessments of potential health and other impacts, using the best available scientific advice and evidence to inform decision-making
- Minimise the potential health impact by slowing spread in the hospital, reducing infection, illness and death
- Maintain public and staff trust and confidence
- Ensure dignified treatment of all affected, including those who die
- Ensure that decisions are appropriate and risk based, including clear oversight of the impact of the response to COVID-19 on other patients

The top interventions to deal with the expected increased demand throughout the next year (both elective and emergency) are:

- Introducing triaging of Emergency Department attendances by NHS 111+
- The reduction of Length of Stay through the adoption of best practice through and a renewed focus on improvements in internal process
- The reduction of Medically Optimised for Discharge through robust implementation of new guidance on the Hospital Discharge Service Policy and Operating Model and wider system working
- The reduction and avoidance of admissions through partnership working
- Agreement of system bed strategy to meet demand including agreement of a system strategy to manage higher acuity closer to home and support rehabilitation and re-ablement, addressing the short fall in system bed stock
- Implementation of Home First initiative as part of our system response - alignment of the urgent response offer across the system
- Continued use of the private sector to support elective activity
- Implementation of resourced improvement plans across our theatres and outpatient services
- Creation of a Covid zero hospital, stopping hospital acquired COVID-19
- Effective management and control of all infections including norovirus and influenza
- Building additional theatres, an expanded Emergency Department and later in 2022 additional beds to support both elective and non-elective demands

Financial sustainability arrangements key messages for the Board

The key areas of focus for the Board arising from our review of the Trust's financial sustainability arrangements are:

- Ensure that the Trust models and tests the financial implications of new ways of working. This review will also need to incorporate any changes in key assumptions such as updated actual activity levels, inflation and growth to ensure forecasts remain accurate.
- Ensure the Trust utilises non-recurrent funding sources such as the Elective Recovery Funding and Elective accelerator scheme to manage short-term turbulence, whilst maintaining a balanced underlying position.
- The Board will also need to be aware of pressures to budgets, with effective early warning systems to identify risks and ensure corrective action is taken.
- Prioritise identifying and delivering future efficiency programmes, with a focus of opportunities into future years (e.g. UEL theatres management). These initiatives will continue to ensure the medium-term financial sustainability of the Trust.
- Continue to focus on increasing elective and outpatient activity supported by Elective Recovery Funding.
- Continue to focus on increasing permanent staff and reducing the reliance on more expensive temporary staff.

Governance

We considered how the NHS Trust:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

Risk Management

The Trust's risk management strategy and policy was updated in 2020/21. This document details the framework within which the Trust leads, directs and controls the risks to its key functions in order to ensure the safety of services and care delivered to patients and that the strategy and objectives of the Trust are achieved.

The Trust's risk management strategy and policy clearly defines responsibilities, accountability and authority, as part of specific roles at all levels of the organisation from ward to board and provides guidance for the fulfilment of these roles.

Operational risks identified by staff are assessed and reviewed by governance groups within wards, care groups and departments, together with the controls and actions to manage those risks. Risks are scored against the Trust's 5 x 5 scoring criteria and linked to strategic risks reported on the Board Assurance Framework. Risks are assessed based on the impact of the risk and the potential likelihood to occur using a standardised approach to risk assessment across the entire organisation to ensure consistency.

- Low risks are managed by the ward and monitored at least quarterly at care group governance and management meetings.
- Low/medium risks managed by the ward/care group and monitored bi-monthly at care group governance and management meetings.
- Medium/high risks managed by the ward/care group and monitored by the divisional management boards and governance groups and Trust-wide governance groups monthly. Risk scoring is also validated at these meetings.
- High risks are monitored by the Trust executive committee monthly and the audit and risk committee quarterly.

The Trust could strengthen its risk management framework further by developing a full training programme for all levels of staff, and clearly demonstrating that there is a clear golden thread of risks that runs up and down the Trust through the risk registers and Board Assurance Framework.

There are examples of risk being identified at all levels of the Trust demonstrating that risk is an active tool used in the internal control process. Operational committees provide assurance to the Board that the mitigations are effective and the risks are adequately controlled and monitored. Clinical audits, the internal audit programme and external reviews and inspections are additional sources used to provide assurance that these processes are effective.

The Board Assurance Framework was substantially refined and updated in 2020/21. The Board and the Audit and Risk Committee have reviewed the risks identified in the Board Assurance Framework throughout the year. These have also been monitored by board committees allocated responsibility for oversight of the individual risks in the Board Assurance Framework. The Board Assurance Framework is reviewed regularly to ensure that:

- It provides an adequate level of assurance, identifying any areas or actions around.
- What further assurance may be required.
- The key actions to develop either the control or assurance framework for these strategic risks are appropriate and delivered within acceptable timescale.
- It includes all the risks to the delivery of the strategic objectives.

An area for enhancement is increased detail on how risks are effectively managed and mitigated within the Board Assurance Framework and risk registers. This work should include clearly identifying and articulating gaps in controls and assurance against the strategic risks.

Governance

Each division has a divisional management board, chaired by a member of the divisional management team. Each board is responsible for its performance standards and risks –quality, safety, contractual, financial and people – monitored through the divisional performance and accountability framework.

Each division is supported by embedded governance and management functions including a divisional governance group. The divisional governance group provides all the required quality data to support the identification of emerging risks, management of patient safety and patient experience and ensuring the delivery of clinically effective services.

Divisions are accountable to the Trust Executive Committee through the divisional management teams. The divisional management teams are also accountable to the chief operating officer, in addition to professional accountability to the Chief Nursing Officer or Chief Medical Officer, as applicable.

Internal controls

The internal audit function is provided by KPMG. This was the first year of the contract and a risk based plan was agreed with the Audit and Risk Committee at the start of the year. The original plan included the delivery of 6 reviews that were of particular risk or concern, rather that areas that are known to be performing well. The plan was amended due to the pandemic so that four of the original reviews were completed and the reviews of Discharge and IT Projects were deferred to 2021/22 in agreement with management and the Audit and Risk Committee.

The Internal Audit fieldwork for the four projects was completed within the year and all reports and the Head of Internal Audit Opinion provided to the Audit and Risk Committee by June 2021. Progress reports highlighting key issues and findings on reviews are reported to each Audit and Risk Committee.

The Head of Internal Audit Opinion is one of 'significant assurance with minor improvements required'. Internal Audit concluded that there is generally a sound system of internal control which is designed to meet the Trust's objectives and that controls in place are being consistently applied in all key areas reviewed.

The Board Governance and Data Quality: Referral to Treatment access policy received a rating of partial assurance with improvements required whilst the Core Financial Controls and DSP Toolkit were rated as significant assurance with minor improvements required. The Trust has implemented 71% of accepted recommendations by the due date. The implementation of some recommendations were delayed due to the impact of Covid-19. There has been progress on implementing all overdue recommendations. The area where 2 high risk recommendations were made was in relation to clarifying the Trust's governance structures and finalising strategic objectives that are Specific, Measurable, Achievable, Realistic and Timebound. Key Performance Indicators will also need to be aligned with the SMART objectives. The Trust has already taken action to implement these recommendations.

The Audit and Risk Committee meets quarterly and the agenda covers the areas set out in its terms of reference. Key matters arising from the meeting are fed up into the Board as appropriate and actions and recommendations are monitored appropriately. An annual review of the Audit and Risk Committees Effectiveness has been undertaken.

The Trust has adequate arrangements in place to prevent and detect fraud. A code of conduct is in place along with a whistleblowing policy. Counter Fraud is hosted by Hampshire and Isle of Wight partnership of Clinical Commissioning Groups. Reports are provided to each Audit and Risk Committee detailing the proactive work alongside an update on the outcomes of investigations. The reports contain a brief description of the nature of the allegation, the outcome of the allegation and value of financial reparation.

Following the introduction of the Fit and Proper Person Test (FPPT) under the Health & Social Care Act 2008 the Trust implemented a process to ensure that the appropriate declarations and due diligence were undertaken in relation to ensuring that Directors met the Fit and Proper Person's Test. All Directors have completed a FPPT declaration. A check has been made to ensure that they are not on the Company Director Disqualification List and a copy is retained and attached to the declaration.

The Trust Board functions well and exhibits the required behaviours to maintain an appropriate culture. Board Members are supportive and live and exhibit the Trust's values. The Trust needs to retain a culture of continuous improvement so it is clear to its workforce and key stakeholders that it is not resting on past achievements, but striving for future success. Going forward the Board will also need to focus on culture, inclusion, belonging and wellbeing ensuring that it continues to motivate a workforce that has 'pulled out all the stops' throughout the pandemic. Over the last year there have been some changes at Board level with the Chief Executive Officer, Chief Medical Officer and one of the non Executive Directors leaving the Trust.. The Chairman set up two Board development events in early 2020 which proved popular and productive. The Board continues to focus on its ongoing development and should continue to regularly review its own performance.

With the imminent changes to the NHS The Board will need to maintain a focus on implementing a clear strategic direction which is supported by underpinning plans covering demand, capacity, and resources. The strategy and key plans should form the future choices, decisions, and discussion at Board and relevant Sub Committees. The challenge will be to ensure that the Executive team are provided with sufficient capacity and head space to fully develop the strategy and associated plans. This has been a real challenge with the Trust's focus throughout the year rightly being on responding to the demands of the pandemic.

Governance

The Trust has been rebuilding its governance structures during the year through the re-establishment of the Trust Executive Committee (TEC) as a formal feed group to the Board. The appointment of a company secretary (AD of Corporate Affairs) in late 2020 is a positive step towards a re-establishment of robust process and controls at Board, sub Board, and Divisional level.

The Board is well-served by effective committees on quality, finance and audit and risk which are well managed, appropriately focused and benefit from informed, capable chairs with good experience in the roles. Board challenge of executives is balanced, rigorous when required, but supportive and constructive. The Chief Executive and Trust Chair provide a visible presence across the Trust, meeting and discussing current issues with teams.

Gifts and Hospitality and Personal interests

Trust policies require all staff to declare any gifts, hospitality and sponsorship. One of the main purposes of this is to ensure that clinical decision making is not unduly influenced by the offer of gifts, and also that commercial decisions, such as in relation to procurement, remain open, transparent and beyond reproach. These requirements have been further strengthened by the Bribery Act. The Trust has published on its website an up-to-date register of interests, including gifts and hospitality, for decision-making staff (as defined by the trust with reference to the guidance) within the past twelve months, as required by the 'Managing Conflicts of Interest in the NHS' guidance

Standing Orders require Board Members to declare any personal interests that may bear on the discharge of their duties as Directors of the Trust. Each member is required to declare interests on appointment, and subsequently each year, or at any point if their personal position changes. All Executive and Non-Executive Directors have completed a Declarations of Interest form and this has been entered onto the Trust's Declarations of Interest Register. There have not been any instances identified whereby interests have not been declared.

Legislation

There has not been any evidence of non compliance with the Trust's constitution. There have not been any breaches of legislation or regulatory standards leading to an investigation by a regulatory body. The Trust continues to promote and encourage data protection incident reporting to support and build secure systems and processes. The Trust has self-reported breaches categorised as potentially capable of causing harm (level 2 incidents) to NHS digital using the Data Security and Protection toolkit reporting facility

There were two serious incidents relating to information governance involving data loss or confidentiality breaches during the period from April 2020 to March 2021. Both were notified to the Information Commissioner's Office in the Data Security Incident Reporting Tool. No regulatory action was taken by the Information Commissioner's Office as it was satisfied that the actions taken by the Trust had mitigated the risks to the rights and freedoms of the individuals concerned, and actions had been put in place to prevent any recurrence.

Annually the Trust completes the Data Security and Protection toolkit, an online self assessment of its performance against the national security standards. Of the 110 Mandatory requirements the Trust was not in a position to evidence 5 requirements. As such the Trust is submitting an improvement plan.

Financial controls

The Trust's financial systems have been given a significant assurance with minor improvement rating by internal audit. Management continue to provide a good set of financial statements with reasonable working papers at the start of the audit. We have not identified any material adjustments impacting on the Trust's financial position and the Trust achieved the statutory reporting deadline. There is not a high or unexplained turnover of specialist finance staff.

Governance arrangements key messages for the Board

The key areas of focus for the Board arising from our review of the Trust's governance arrangements are:

- Focus on implementing a clear strategic direction which is supported by underpinning plans covering demand, capacity, and resources.
- Continue with rebuilding and embedding revised governance structures.
- Ensuring that performance reports to the Board include summary narrative that enables the Board to focus on key issue/risks.
- Enhance the detail on how risks are effectively managed and mitigated within the Board Assurance Framework and risk registers.
- Maintain a focus on achieving the requirements of the Data Security and Protection toolkit.

Improving economy, efficiency and effectiveness

We considered how the NHS Trust:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

Trust arrangements for maintaining elective activity and meeting performance targets related to cancer care, referrals and A&E attendance

The 2020/21 year was an incredibly challenging one as the Trust responded to the significant spread of Covid-19 across two waves. The Trust were quick to revise governance processes and strengthen command and control, enabling prompt decisive decisions to be taken throughout the pandemic. The year has also been one of continual learning. At the early stages of the first wave the Trust was required to rapidly respond to the fast pace of pandemic which meant a large focus on logistics, procuring protective equipment and responding to ever changing guidance on areas such as infection control. Throughout the pandemic the Trust worked closely with its commissioners, independent providers and local authorities and within the wider NHS system to respond to the challenges faced.

The Trust have constantly adapted working arrangements to ensure that at the peak, the Trust were able to handle rising numbers of Covid patients. In periods of recovery, staff have continued to work tirelessly to ensure that lessons were learned, and services continued to be improved and adapted to balance the complex health needs of patients with the added challenge of the pandemic.

The partnership working established throughout the pandemic has helped to strengthen the relationship between commissioners and providers. As the Trust recovers from the pandemic the challenge will be to ensure that all partners embed improvements and streamlining of services that will benefit patients, staff and the wider population in Southampton.

Due to the pandemic elective activity across all providers was halted in March/April 2020 to focus efforts on responding to the first wave of the pandemic treating covid-19 patients. As a result, elective targets set by NHS England were relaxed.

In August 2020 the Chief Operating Officer and Chief Finance Officer of NHSE and NHS Improvement (NHSI) wrote to all ICS and STP leads to set out their shared goals for accelerating the return to near-normal levels of non-Covid health services. The Trust were able to ensure that services paused by the pandemic were restored promptly and safely during the summer and performance during the two waves was better than many of its peers.

Improving economy, efficiency and effectiveness

This initial recovery period, and the action taken by teams during the summer of 2020 meant that while a number of services were paused in the first wave, the Trust were able to continue to provide urgent diagnostics, treatments and cancer care for its patients. This should as much as possible avoid increasing delays for people awaiting planned care.

The Trust's elective operating was significantly affected by the pandemic. The Trust had to continually reorganise the footprint of the hospital to manage Covid-19 admissions during the year, peaking at over 300 Covid-19 patients in January 2021. The average length of stay reduced significantly over the year (partly due to the pandemic), and the number of patients occupying hospital beds for more than 21 days was consistently lower than the previous year. The Trust worked with system partners throughout the year to reduce the number of patients in the hospital who could be treated elsewhere .

While referrals for surgery reduced, the productivity of theatres was impacted by the need to introduce new infection prevention measures. Capacity was also significantly constrained as the Trust had to close operating theatres to enable theatre staff to support the additional patient numbers being cared for in the Intensive Care Units. Despite this throughput reached pre-pandemic levels after the first wave of the pandemic. This was partly achieved through effective partnering with the independent sector as the Trust increased operating at the Spire Southampton Hospital, the Nuffield Health Wessex Hospital and the Practice Plus Group Hospital, Southampton at the Royal South Hants Hospital. The recovery of elective inpatient activity compared favourably against other major teaching hospitals.

As part of the restart process, the Trust introduced a clinical assurance framework (CAF) and clinical prioritisation process to assess patients that need to be seen quickly and agree which patients could have their treatment delayed. The Trust has continued to make use of the independent sector to ensure those patients that need care more urgently are prioritised. Where patients were not able to come into the hospital the Trust worked with primary care to establish joint care plans, where appropriate, based on patient's individual needs and their clinical diagnosis.

Like all providers, the Trust has outstanding activities to recover in 2021/22, ranging from outpatient appointments, through to diagnostics. The number of patients that have waited for more than 52 weeks increased from 40 in March 2020 to 3,419 by March 2021. The Trust are targeting those patients where referral to treatment exceeds 52 weeks and the performance has improved to 2,436 patients at the end of June 2021. However, the cohort of long waiting patients will grow further before it reduces. This reflects higher numbers of patient approaching a 52 week wait currently, which is the result of referrals increasing faster than hospital activity at the end of the first 'lockdown' in June 2020.

The Trust continue to monitor and report on elective activity to the Board and have processes and procedures in place within and below Quality Committee level to ensure elective activity was appropriately monitored and to ensure patients were receiving safe care when services resumed. We understand that it is difficult to compare trends in elective activity this year to prior periods due to the pandemic. However, we have reviewed indicators and benchmarking reports to obtain an understanding those areas where the Trust have been performing well over the past year as well as identifying areas that could indicate underlying issues. Our findings on key indicators are documented on the following pages.

Referral to Treatment

Historically the Trust's referral to treatment waiting times have been around the average with 86.6% of patients waiting for 18 weeks from referral to treatment in 2018/19 decreasing to 82.2% in 2019/20. Due to the pandemic, the performance has declined with the most recent data June 2021 showing performance at 71.9% which ranks the Trust 8 out of 20 teaching hospitals.

The Trust requested their internal auditors to undertake a review of referral to treatment data quality during 2020/21.This resulted in a internal audit rating of partial assurance with improvement required. The key drivers for this rating were the identification of data inaccuracies in the sample testing and the Trust not being able to validate all patient pathways, which was a known issue at the Trust due to the Covid-19 pandemic. However, the majority of pathways identified as exceptions did not impact on the overall performance against the target and that in most instances exceptions resulted in the Trust overreporting pathways.

While the Trust was able to recover capacity quickly and reach levels seen in 2019/20 between waves of the pandemic, its ability to reduce the overall waiting list and the length of time patients are waiting for treatment remains one of the key risks for the Trust. This is likely to be compounded by the reduction in the number of referrals from GPs during the pandemic, leading to a future increase in the number of patients being referred as people visit their GPs for the first time with more advanced disease.

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Improving economy, efficiency and effectiveness

Following Wave 1 of the pandemic and the reduction of Covid19 patients in hospital and with associated lower levels of re-infection in the community, the Trust was quick to start up elective activity. The Trust played a key role in the development of a harm review process for patients on the Referral to Treatment (RTT) pathway and remains an influential member of the Covid-19 Hampshire and Isle of Wight Sharing and Learning Network. In June 2021 the Trust opened additional theatres on E level (two refurbished and two new). This will help to expand capacity to help with the elective challenge.

Cancer Care

Historically, the Trust has consistently been in either the middle 50% performing trusts or in the best performing 25% of organisations for cancer waiting times. The Trust has been successful in maintaining the timeliness of urgent services for patients with suspected cancer through the pandemic, and the Trust performance has been amongst the best in both the south-east and nationally.

The Trust has also operated a hub through which hospitals in Wessex were able to collaborate to continue critical cancer surgery during periods of peak Covid-19 demand. The national target is to provide the first definitive treatment to at least 85% of patients with cancer with 62 days of referral to hospital. Whilst the Trust performance at the year end of approximately 80% remained below this level, performance has been significantly better than the national average, and the average of the ten similar teaching hospitals to which the Trust compare themselves. At March 2021 the Trust was ranked 2nd out of 20 teaching hospitals.

Performance varies significantly between the cancer services, and several are well below the national standard expected of trusts. Overall Trust performance has improved as a result of good performance in high volume cancer services such as Urology and Skin. This pattern is not unusual amongst hospitals, and some cancer services experience significantly greater challenges to commence treatment within 62 days than others.

Whilst many of the performance levels at service level have been persistent over a number of years they are not inevitable, as demonstrated by significant improvements in Urology in recent years. The Trust will need to work with Tumour site MDT leads to further improve performance and to achieve the national standards in each service as well as the Trust as a whole. This will include benchmarking performance at service level to identify those areas with the greatest opportunity for improvement and to select suitable peer hospitals the Trust maybe able to learn from.

Maintaining cancer services remains key priority with well-defined access targets covering the entire pathway from initial referral in primary care all the way through to final treatment. The pandemic has had a major effect on diagnosis and treatment given it spans all clinical services.

The Trust have established a cancer board (including all tumour site leads) to oversee and drive improvements in the quality of care. During the year, the Trust opened a new cancer care ward, built in just six months. The Trust also became the Wessex Cancer Surgical Hub during 2020 as a result of a national initiative with the aim of maximising the number of patients receiving curative surgery. Both the Wessex Cancer Alliance and the Trust ended the year as the second highest performing among their respective peers for cancer treatment.

Mortality

The Trust's Hospital Standardised Mortality ratio of 81.7 is better than the national average of 100 and within the expected range when compared to national statistics. The Trust has not received any Mortality Outlier alerts from the CQC or Dr Foster Intelligence Unit in the year.

Accident and Emergency

Following the response to the first wave of the pandemic the Trust saw a noticeable decline of non covid patients attending the emergency department. In relation to the national four hour waiting time standard the Trust consistently performed at the higher end of major teaching trusts in England. Between April to July the Trust performance increased and the Trust was close to achieving the NHS standard for treating 95% of patients within four hours. However, as Covid-19 cases began to rise again and in the second peak the Trust performance declined. Overall the admitted pathway continues to face challenges with 88.9% of patients spending less than 4 hours in A&E compared to the target of 95%. However, the Trust is ranked 3rd from 8 trauma centres at the year end. There is now an upward trend of patients attending the department and the trust are seeing attendances return to pre pandemic levels.

Improving economy, efficiency and effectiveness

Patient Flow

As part of the Trust response to the pandemic the Trust worked to support the safe and timely discharge of patients who no longer needed to stay in hospital. Working alongside the Council and the CCG length of stay of patients was reduced which helped with the bed capacity at the Trust. The Trust will need to retain the procedures and processes that have helped to reduce length of stay allowing the Trust to provide the right care, at the right time in the right place.

The Trust has continued to work with its system partners throughout the year to reduce the number of patients in the hospital who could be treated elsewhere and at the height of the first wave of the Covid-19 pandemic these numbers had reduced. Management are aware that there remains more to do in this area and have relaunched the Trust's inpatient improvement programme. Reducing the number of operations cancelled on the day for non-clinical reasons will also help to increase throughput through the hospital.

Performance reports

Trust performance reports contain a wealth of data in line with other providers and to meet national reporting arrangements. When there are so many metrics it is a challenge to see the wood through the trees. Performance reports would benefit from more narrative/focus on the few key areas for Board Members attention. This should ensure that if a new issue/risk arises it is identified and appropriate consideration/action is taken on a timely basis.

Staff survey

The 202/21 NHS Staff Survey response rate was 50.1% (2019/20: 51.5%). The results are at, or above, the acute trust average in 9 out of 10 themes. The key highlights are:

- 77% of staff would recommend the Trust as a place to work (tenth nationally).
- The trust is the top acute trust in the Hampshire and Isle of Wight integrated care system.
- Staff engagement has remained consistently high (7.3) compared to the NHS average (7).
- Engagement amongst BAME staff is 7.5, above the overall trust average of 7.3.
- 87% of staff agree that care of patients is the top priority (increased from 85% in 2019).
- Trust has seen statistically significant improvements in the 'Health and wellbeing' theme. This has increased from 6.2 to 6.4.
- Trust is ranked first in the south east region for staff satisfaction with flexible working, and eighth in the country overall.

Areas that the Trust need to focus on are:

- Care groups/departments showing most deviation from average scores are primarily areas that were most impacted by treating patients with Covid-19.
- Equality, diversity and inclusion has decreased from 9.2 to 9.1, with key drivers here including a reduction in perception that the Trust act fairly with regard career progression, and a material increase in experience of discrimination at work from both patients, relatives and the public (increase from 7% to 8%) and from managers and colleagues increase from 6% to 7%).
- The score for violence remained static at 9.4 for the Trust; however the national average has improved to 9.5.
- There has been a large increase in staff experiencing physical violence from patients, relatives and the public (increase from 15% to 17%, 1,040 staff), from managers (increase from 0.4% to 0.8%, 45 staff) and colleagues (increase from 1.3% to 1.6%, 94 staff).
- The Immediate managers theme has reduced from 7.1 to 6.9, with significant decreases in manager support, feedback and feeling valued, and inclusion for decision making.

The Trust will need to delve deeper into the data behind the staff survey and into the underlying issues raised by deferent staff groups. Plans that implement suggestions for improvement need to be drawn up with staff groups.

Forward looking plans and targets

During the year, the Trust made a conscious decision to concentrate much of its effort on risk, infection prevention and reducing the risk of harm for patients whose care was delayed. An integrated governance programme was developed bringing together clinical expertise from across the organisation to escalate risks as they emerged, and ensure senior leaders were aware of and responding to concerns. Having come through the initial wave of the pandemic the Trust launched an ambitious new 'Always Improving' strategy. Going forward this strategy will help define a single and common approach and language for improvement that will be recognised throughout the Trust. It will support a proactive safety culture and improve quality and efficiency. To be effective, the strategy has to thread through working practices, and in recognition of that the Trust are developing an 'Always Improving' academy to support its implementation. Patients and carers are at the centre of this strategy and the aim is that they will ultimately lead improvement across the organisation and help set our quality and improvement agenda.

Improving economy, efficiency and effectiveness

The 2021/22 planning guidance also sets out the Trust's financial resources to fund continuing improvements in services, including access to Elective Recovery Fund (ERF) to help the NHS deal with the backlog of care due to the pandemic throughout the country. To access this fund, the Trust will need to demonstrate that they are addressing local health inequalities, transformation of outpatient services and implementing system-led working to meet the expectations for cancer targets, A&E waiting times, hospital length of stay and planned surgery based on pre-COVID levels.

As the Trust returns to a business-as-usual operating model, and normal activity begins to return to pre pandemic levels the Trust will see an increased in associated cost pressures bought about from this additional activity. This will need to be balanced with the additional income the Trust would become entitled to from the elective recovery fund. The Trust will need to embed the efficiencies generated from the new ways of working during the pandemic to services enabling further benefits to patient care.

Partnership working

During 2020/21, the Trust and its partners worked together very effectively to discharge patients safely and provide ongoing support to patients who had tested positive for Covid-19, to ensure patients requiring urgent cancer treatment and surgery were able to continue their treatment in the independent sector and to develop a Covid-19 saliva testing pilot with the University of Southampton and local authorities.

There is a requirement for all health systems to become integrated as an Integrated Care System during 2020/21. This will involve:

- System wide governance arrangements (including a system partnership board).
- A leadership model including a STP / ICS leader and a non-executive chair.
- System capabilities including population health management, service redesign, workforce transformation and digitisation.
- Agreed ways of working across the system in respect of financial governance and collaboration.
- Streamlined commissioning arrangements including typically one CCG per system.

Work to respond to the Covid-19 pandemic, however, meant that the system was unable to progress the Hampshire and Isle of Wight strategic plan delivery at the pace required, particularly the development of networks. Nonetheless the application for Hampshire and Isle of Wight to become an integrated care system was approved with effect from 1 April 2021.
The Trust will need to play a central role in establishing the priorities for change and improvement across the Hampshire and Isle of Wight ICS delivering solutions to achieving better outcomes. It is anticipated that the healthcare contracts the Trust holds will evolve to support longer term, outcomes based agreements, with less transactional monitoring and greater dialogue on how shared objectives are achieved..

The Trust will need to continue to engage with other relevant partners in the ICS, through existing or newly formed arrangements, to ensure care meets the needs of the population and is well co-ordinated.

The new provider selection regime will require that decisions about who provides NHS services must be made in a transparent way, in the best interests of patients, taxpayers and the population. The Trust have historically managed its finances well and delivered surpluses that it has rightly re-invested enabling the Trust to develop the hospital and expand activity. There is a risk that as the Hampshire and Isle of Wight ICS develops and the funding mechanisms reviewed that achieving surplus positions will be ever more challenging. The Trust will need to fulfil its role in the Hampshire and Isle of Wight healthcare system as it develops in a way consistent with the NHS Long Term Plan, whilst protecting its own interests
Partnership working with universities and Health Education England (HEE) was paramount during the pandemic and following the completion of paid placements, students either moved into employment as newly qualified staff, or moved back to supernumerary status to continue their studies. Feedback from students was positive following this experience and recruitment from this group has also been positive.
Since September 2020, non-medical students from all professions have returned to placements. The Trust along with all other placement providers has been regularly reporting capacity information for students to HEE. This is to support the overall workstreams to maintain the pipeline of current students while supporting the increase in placements required due to increased recruitment to programmes in 2020.

Improving economy, efficiency and effectiveness

Care Quality Commission

The CCQ last inspected the Trust between December 2018 and January 2019. The inspection focused on the quality of four core services: urgent and emergency care, medicine, maternity and outpatients, as well as management, leadership and the effective and efficient use of resources. The report was published on the 17 April 2019 and the Trust was rated as 'good' overall and 'outstanding' for providing effective services. All sites and services across the organisation are now rated as 'good' in the effective and caring domains, with Southampton General Hospital 'outstanding' in these areas. In January 2019 NHS Improvement carried out a Use of Resources (UoR) inspection alongside the CQC's inspection of the Trust, which is an assessment of how effectively and efficiently trusts are using resources. The Trust's UoR report was published as part of the CQC's report in April 2019. The Trust was rated as 'good' in the well-led category and for using its resources productively, with its combined UoR and quality rating now 'good".

The Trust has an action plan for implementing 13 of the CQCs "Must Do" recommendations and 22 of the "Should do recommendations". The evolving situation with Covid-19 has led to operational pressures and staffing challenges which would have impacted the progress of some actions within the CQC Action Plan.

Improving economy, efficiency and effectiveness arrangements key messages for the Board

The key areas of focus for the Board arising from our review of the Trust's economy, efficiency and effectiveness arrangements are:

- To ensure momentum is maintained with implementing service redesign/reconfiguration that was bought about by the pandemic and has led to improvements in patient care.
- Maintain the focus on the inpatient improvement programme: reducing the number of patients in the hospital over 7 and 21 days and increasing the number of patients who go home before lunch when ready to be discharged.
- Focus on reducing the number of operations cancelled on the day or the day before for non-clinical reasons and increasing the number of operations the Trust perform
- Focus on achieving the core clinical targets and priorities including reducing 52 week waits back below target.
- Continue to focus on culture, inclusion, belonging and wellbeing demonstrating to staff and key stakeholders that the Trust is committed to continued improvements.
- Ensuring that the Board remains informed on the progress of CQC actions and that these are completed in accordance with agreed deadlines
- Continue to work on the underlying causes and issues raised in the staff survey.

COVID-19 arrangements

Since March 2020 COVID-19 has had a significant impact on the population as a whole and how NHS services are delivered.

We have considered how the Trust's arrangements have adapted to respond to the new risks they are facing.

Financial sustainability

The impact of Covid-19 has radically altered the financial framework within the NHS. During March 2020 business as usual was suspended in relation to NHS finances. This allowed the system to respond to managing the pandemic and focus on the uncertainties created by the outbreak of Covid-19.

NHS England Improvement (NHSEI) announced the move to an expenditure based system to ensure that providers had the funding required to provide patient care. Funding arrangements were set nationally by NHSEI, removing the need for contract negotiations.

The revised financial arrangements have included the following:

- Funding from CCG's is based on block payment arrangements, with no payment by results.
- No signed contracts between CCG's and providers with the NHS Standard contract terms in place.
- Health Systems expected to achieve financial balance within their Integrated Care System (ICS) / Sustainability & Transformation Programme (STP) envelope.
- System top-ups, growth funding and COVID-19 funding all distributed to systems rather than individual NHS bodies, with allocations made through Lead CCG's in the system.

Financially the Trust has performed well compared to its peers and has posted strong surplus positions. In the previous year the Trust posted a total surplus to £12.5m. The increased cash generated by these surpluses has been re-invested into the Trust and helped to support the Trust's ambitious capital investment programme. This additional investment has in turn helped to increase capacity and patient flow through the hospital which has benefited both patients and the Trust's financial position.

In the pre pandemic payment by results finance regime the income of the hospital is largely determined by the volume of clinical activity the Trust undertakes, with every unit of activity such as an outpatient appointment, an emergency admission, or scheduled cardiac surgery etc. being charged at a nationally determined price. Consequently, as the Covid-19 outbreak entailed pausing some activity and repurposing ward and intensive care bed capacity to prepare for high numbers of anticipated covid-19 patients, the volume of activity performed in the first wave reduced significantly.

Due to the pandemic, the funding regime was changed with a move away from payment by results to the Trust effectively being financed to break even. This change in mechanism restricts the Trust's ability to invest surplus positions back into the Trust which will impact on the Trust's medium term financial plans. The Trust's medium term financial position is considered in further detail in the 'Financial sustainability' section of this report.

The Covid-19 pandemic has resulted in the need for the trust to re-engineer services on an unprecedented scale. Some areas of the hospital are truly unrecognisable as the Trust adapted to the fight against this virus. The Trust response to Covid-19 has prompted innovation and new ways of working to the benefit of patients. At the start of the pandemic the Trust faced capacity challenges and increases in waiting times. To address this the Trust has worked effectively with Spire Southampton so cancer treatment and surgery could continue for patients at highest risk. The Trust also increased the number of outpatient attendances which took place by telephone or video call, and set up a patient support portal that provided a single point of support for patients who had been advised to shield. The service has grown and now offers support to patients and carers who are vulnerable, disabled or with additional needs. This includes coordinating community transport, arranging companions to assist with attending appointments, hosting a technology library to support those who are digitally excluded in accessing virtual appointments and information, and most recently receiving funding to pilot volunteer-led support for diabetes patients.

The Trust experienced two distinct peaks in inpatient care for patients with Covid-19 infection, with smaller numbers of patients continuing to receive care outside these peak times. Bed occupancy reached a maximum of 173 in the first peak in April 2020, and 322 in the second peak in January 2021. As a result of peaks and restrictions on elective care waiting times started to increase.

COVID-19 arrangements

To assist the Trust with prioritising patients with the greatest clinical need the Trust developed a clinical assurance framework during the year and this has been utilised in decision-making around the allocation of resources to those areas where there is the greatest risk of potential harm to patients.

Governance

In response to the COVID-19 pandemic, and the subsequent declaration of an NHS Level 4 incident, the Trust's control environment was amended to respond to the national incident command and control structure, led by a national strategic commander and feeding down to STP, CCG and Trust level via NHS England and NHS Improvement. Both business continuity and business resilience plans were effectively enacted throughout the Trust's response to the Covid-19 pandemic. Many of the Trust's 'business as usual' activities were suspended, in line with national direction, whilst all efforts were focused on achieving resilience and capacity in the hospitals and health system to deal with the anticipated pandemic activity. This included suspension of the majority of the Trust's meetings. Local decision-making capability was maintained through the continuation of weekly executive team meetings, and the ability to hold virtual meetings as and when required.

The Trust recognised the importance of maintaining appropriate financial controls and governance arrangements throughout the covid-19 response. The Trust set an emergency Covid-19 budget and introduced temporary and enhanced financial governance arrangements for the approval and capture of all Covid-19 related expenditure. Financial approval limits have remained in place and the Trust's standing financial instructions have continued to operate as usual. Both business continuity and business resilience plans have been effectively enacted throughout the Trust's response.

Whilst the Trust generally maintained a business-as-usual approach to governance arrangements during the pandemic, some adjustments were required. As a result of the lockdown restrictions announced on the 16th March 2020, the Trust adjusted some internal control processes to free up executives and senior staff from some administrative governance tasks such as preparing papers and attending meetings.

During the year the Trust has also experienced a number of changes to its senior leadership, with the introduction of several new members of staff who have joined to support risk management and governance arrangements. The board of directors established a board operating group to ensure that decisions required were made in a timely way with appropriate support for management, which operated during the period of the Covid-19 pandemic.

The Trust has renewed all Board sub committee terms of reference during the year and re-instated the Trust Executive Committee (TEC). A review of the UHS governance structure against relevant key lines of enquiry (KLOEs) in NHS England and NHS Improvement well-led framework has been undertaken by the Associate Director of Corporate Affairs and this was presented to the Trust Board in June 2021. The Integrated Governance Framework has been reviewed by TEC and was approved by the Trust Board in June 2021.

During the response to Covid-19 the Integrated Assurance Executive (IAE) was implemented to execute day to day operational decision making required to respond to the continually evolving environment the Trust was working in. This was disbanded during the year and was replaced by the Trust Executive Committee (TEC). During this transition there was a short term lack of a central committee for executive decision making.

Some of the usual methods of providing assurance of the quality of care at ward and department level have been paused or adapted including our clinical accreditation scheme (CAS) and clinical quality reviews (CQRs). But quality standards continue to be monitored through a range of avenues including infection prevention team visits, the use of infection prevention guardians, Covid zero champions, spot checks by matrons and senior clinical leader ward rounds. There has also been increased visibility of executive and senior leadership teams in clinical areas with more frequent visits, shadowing and walkabouts.

The Trust concentrated effort on risk, infection prevention and reducing the risk of harm for patients whose care was delayed. An integrated governance programme was developed bringing together clinical expertise from across the organisation to escalate risks as they emerged, and ensure senior leaders were aware of and responding to concerns.

The Trust rightly sought to reduce the time spent in meetings without adversely impacting on the ability to ensure that governance structures remained robust and effective. Meetings become virtual in nature, making use of digital platforms to enable members to come together and transact Committee and Board business effectively. The Board met throughout the Covid-19 response and meetings included extensive question and answer sessions alongside agenda items.

As the pandemic continues to evolve and operations across the Trust are updated accordingly, governance forums will need to ensure that processes and controls remain effective at identify and mitigating any new risks that emerge.

COVID-19 arrangements

Improving economy, efficiency and effectiveness

Over the year the Trust has continued operating within an extremely challenging environment that has evolved with the pandemic. The Trust has responded to the challenges by taking the following measures during the year:

- Expanding critical care capacity to more than double its normal size. At times the Trust accommodated more than three times as many intensive care patients than usual, peaking at 90 occupied beds in the intensive care unit This included offering mutual aid and accepting patients into intensive care from as far afield as Birmingham and Kent.
- Reorganised the Emergency Department and wards to ensure sound infection prevention.
- Separating elective and emergency patients within departments and continue to undertake regular testing of staff and all patients on or prior to their admission to hospital for treatment.
- Redeployed hundreds of staff into new roles to help fight the pandemic.
- Implemented clear lines of escalating clinical risk and communicating decisions from ward to board.
- Transferring planned surgery, cancer care and treatments to our partners in independent hospitals.
- Introduced a covid zero campaign to 'wash, walk and wear', and encouraged staff to become ambassadors for the campaign and publicly demonstrate their support.
- Switching outpatient appointments into virtual consultations, embracing new technologies to assist with seeing people safely from their homes.
- Ordering and distributing personal protective equipment across sites to keep staff safe.
- Working in partnership with local primary care networks and engaging with clinical teams and the public to provide information, reassurance and to manage demand to protect the NHS.
- Following the first wave of the pandemic, the Trust's recovery of elective inpatient activity compared favourably against other major teaching hospitals.

All office-based staff were provided with the necessary equipment to work from home, enabling a smooth transition to remote working where this was possible. Home-based working has continued throughout the pandemic, and the Trust has not seen a significant impact on productivity as a result. Requiring staff to work from home also supported the Trust's protection of its frontline staff and patients by reducing the risk of cross-contamination.

Patient case activity and performance against statutory targets has been impacted significantly by the pandemic. The funding regime for 2021/22 includes access to an elective recovery fund which began in April 2021. This has allowed elective activities to increase during the first part of 2020/21 whilst not adversely impacting the financial position.

Clinical reviews have been completed of all waiting lists to assess patient needs and to agree which patients could have their treatment delayed. Where patients are unable to come into hospital the Trust continues to work closely with primary care to establish joint care plans, based on patient's individual needs and their clinical diagnosis. The Trust has also been working collaboratively with the other acute trusts across the area, providing elective care to patients from other hospitals in order to reduce the overall time they wait for treatment. The Trust has been mindful of the impact on the pandemic on its most important resource, its staff. Actions have been put in place to assist staff wellbeing and supporting staff remains a key priority for the Trust.

The Trust has been at the forefront of efforts to vaccinate its staff and local population. The Trust part of early research for the Oxford-AstraZeneca vaccine and opened one of the largest vaccination hubs in the region at is site in December 2020. The Trust are continuing to play a key role in vaccination development by leading the world's first clinical trial into the effectiveness of Covid-19 booster vaccines, as well as taking part in a study involving pregnant women. 94% of Trust staff are recorded as now having received the vaccination. As part of the Trust's continuing covid zero approach the Trust Executive Committee has approved a process to ensure staff, patients and visitors are protected as cases begin to increase again.

Covid-19 arrangements key messages for the Board

The key areas of focus for the Board arising from our review of Covid-19 arrangements are:

- The Board will need ensure the Trust governance forums continue to evolve and respond to the demands of the pandemic.
- Staff wellbeing remains a key focus. New ideas and initiatives to improve staff wellbeing need to be rolled out with their benefits closely monitored.
- Continue with the role out of vaccines for local population and to encourage vaccine take up for all staff groups.

Opinion on the financial statements

Audit opinion on the financial statements

We gave an unqualified opinion on the financial statements on 28 June 2021

Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Trust's Audit and Risk Committee on 21 June 2021.

Whole of Government Accounts

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

Our work found that the Whole of Government Accounts consolidation pack was consistent with the Trust's financial statements.

Preparation of the accounts

The Trust provided draft accounts in line with the national deadline. The quality of the draft financial statements and the supporting working papers was of a reasonable standard.

Despite the inevitable challenges presented by remote working, the Trust's finance team was responsive and engaged with the audit process and provided the majority of responses in line with agreed turnaround times.

Issues arising from the accounts:

There were no amendments that impacted on the Trust's financial position. There were a number of presentational changes that management amended the financial statements. A detailed review process may have identified some of these prior to the financial statements being submitted to audit.

Statutory duties

The Trust have met all the statutory duties.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation

Appendices

Appendix A - Responsibilities of the NHS Trust

Role of the directors of the Trust:

- Preparation of the statement of accounts
- Assessing the Trust's ability to continue to operate as a going concern

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

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

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

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

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

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

Appendix B - Risks of significant weaknesses - our procedures and conclusions

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. No significant risks were identified.

Appendix C - An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Trust under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	Not Applicable
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Trust. We have defined these recommendations as 'key recommendations'.	No	Not Applicable
Improvement	These recommendations, if implemented should improve the arrangements in place at the Trust, but are not a result of identifying significant weaknesses in the Trust's arrangements.	No	Not Applicable

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