

Guy's and St Thomas' NHS Foundation Trust

Auditor's Annual Report for the
year ended 31 March 2023

June 2023



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We are required under Schedule 10 paragraph 1(d) of the National Health Service Act 2006, to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

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



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you.

In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Executive summary



Value for money arrangements and key recommendation(s)

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

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

Criteria	Risk assessment	2022/23 Auditor judgement on arrangements
Financial sustainability	No risks of significant weakness identified	R Significant weakness in arrangements for financial sustainability identified and one key recommendations made relating to deliverability of the 2023/24 savings programme.
Governance	Risk of significant weakness in respect of the critical IT incident in the summer 2022, and the Trust response to it	A No significant weaknesses in arrangements identified, but three improvement recommendation made.
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	A No significant weaknesses in arrangements identified, but three improvement recommendation made.

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

Executive summary (continued)



Financial sustainability

Within a challenging system context, the Trust delivered a £13.1m surplus (adjusted financial performance basis) in 2022/23, a favourable variance compared to the breakeven plan approved by the Board in June 2022. Achievement of the surplus in 2022/23 relied on non-recurrent income, with the Trust delivering £71.1m savings against a target of £99.5m. The Trust has a good record of delivering CIPs in recent years. The Trust has agreed a breakeven plan for 2023/24, which includes a £125.4m savings plan. This plan is driven by NHS England's stringent post Covid funding regime and is predicated on delivering savings rather than a mix of income and savings which has been delivered by previous plans. The Trust has made some progress to date in identifying £100m of savings opportunities and is taking financial improvement actions and steps to strengthen financial governance. The Trust's arrangements for financial planning and monitoring are sound but achieving these savings in 2023/24 appears extremely challenging. After risk weighting the £100m of schemes, the identified scheme value reduces to £54m, leaving a gap of £71m to the £125m target. At this stage there is not sufficient assurance that the Trust will have arrangements in place to fully deliver the required savings and have raised a significant weakness in respect of this.

We have raised one key recommendation and one improvement recommendation which have been accepted by Management. See pages 9 to 13 for more detail.



Governance

The Trust has appropriate risk management processes and procedures in place to manage strategic, corporate and operational risks. Governance arrangements were well tested in 2022/23 after the Trust suffered a critical IT incident in the summer of 2022, with both of its data centres suffering a catastrophic failure due to overheating in the summer heatwave. A number of internal and external reviews have been undertaken to understand the root causes, consequences and potential harm to its patients. An internal formal investigation has been completed and the report published on the Trust's website since we raised this risk in our audit plan. We are satisfied that there is no significant weakness in arrangements and have made an improvement recommendation for the Trust to produce a single improvement plan arising from the various reviews undertaken. Overall, we have not identified any significant weaknesses in governance arrangements for 2022/23. We have raised three improvement recommendations which have been accepted by Management. See page 14 to 19 for more detail.



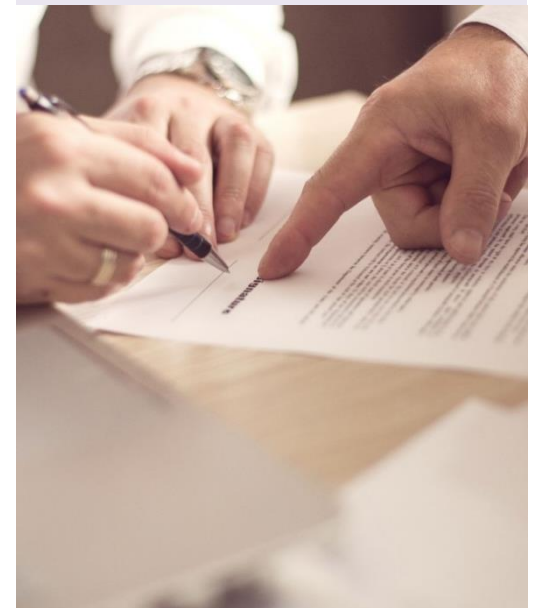
Improving economy, efficiency and effectiveness

Like many in the sector, the Trust has experienced difficulties in getting elective recovery and cancer performance back on track post-COVID-19. These issues are exacerbated by challenges recruiting and retaining workforce. As a result of the IT system outage, performance reporting was impacted and reconciliations had to be undertaken once the systems were brought online again. We have identified an area where the Trust could improve arrangements and as such, have raised an improvement recommendation. The Trust has a wide variety of longstanding partnerships and commercial partnerships and engages proactively in the Integrated Care System and the Acute Provider Collaborative. Overall, our work has not identified evidence of significant weaknesses within the arrangements in place. We have raised two improvement recommendations which have been accepted by Management. See page 20 to 27 for more detail.



Financial Statements opinion

We have completed our audit of your financial statements and expect to issue an unqualified audit opinion in line with the NHSE reporting deadline, following the Audit Committee meeting on 21st June 2023. Our findings are set out in further detail on pages 25 to 30.





Value for money arrangements and key recommendations

Securing economy, efficiency and effectiveness in the Trust's use of resources

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

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

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial Sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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

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

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



Our commentary on the Trust's arrangements in each of these three areas, is set out on pages 9 to 27.

The current NHS landscape



National context

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

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

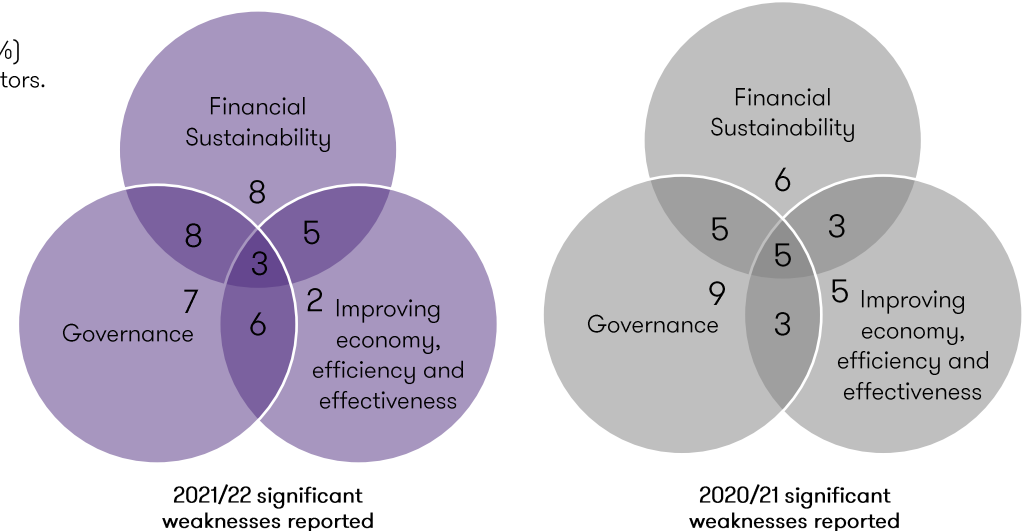
In 2021/22, the NAO published the Auditor’s Annual Report for 204 NHS Trusts. Of these, 39 (19%) reported significant weaknesses in their value for money arrangements identified by their auditors.

Of these:

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

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

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



The current NHS landscape (continued)



Local context

Overview of the Trust

Guy's and St Thomas' NHS Foundation Trust (GSTT or the Trust) delivers a wide range of secondary and community services for people in Lambeth and Southwark, as well as specialist care for patients from further afield, including heart and lung, cancer and renal services. It operates from 5 main hospitals – Guy's Hospital, St Thomas' Hospital, Evelina London Children's Hospital, Royal Brompton Hospital and Harefield Hospital, and in the community in Lambeth and Southwark.

In February 2021 the Trust merged with the Royal Brompton and Harefield NHS FT, and following this merger is one of the leading international centres for the treatment of cardio-respiratory disease. The Evelina London Children's Hospital at St Thomas' provides many specialist services, as well as general services for local children. The Trust is home to the largest dental school in Europe and is one of the leading centre of clinical research.

Like most NHS organisation nationwide, the Trust has experienced operational challenges in 2022/23. In particular, getting elective recovery and cancer performance back on track post-COVID-19 has been challenge and these issues are exacerbated by challenges recruiting and retaining workforce. The Trust also suffered a serious IT outage in 2022/23, which impacted had an enormous impact on the running of the hospitals and community services. We have commented on this on page 17.

The Trust has been working to address these challenges both on its own, and through partnerships with other organisations locally. GSTT works closely with King's College Hospital NHS Foundation Trust (KCH), and the two Trusts share some Board positions, including a joint Chair. It is also part of an Acute Provider Collaborative, alongside KCH and Lewisham and Greenwich NHS Trust, in order to better coordinate efforts amongst the acute providers in South East London and deliver better and more efficient care.

Overview of the system

The Trust is part of the South East London Integrated Care System (SEL ICS).

Each ICS has a statutory NHS Integrated Care Board (ICB) and a wider Statutory Integrated Care Partnership (ICP). The ICB, is responsible for making decisions about health services across its ten constituent boroughs and cities. The ICP, meanwhile, brings together a wider range of health and social care partner organisations, including local authorities, and wider public sector and community organisations, to improve the health and wellbeing of the population of South East London.

The ICS is a large and complex health and care system, with many different organisations and partnerships. Four of its Local Authorities are within the 20% most deprived in England, whilst 12 of its neighbourhoods are in the most deprived 10% of all areas in England.

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

Financial sustainability and financial governance



We considered how the Foundation Trust:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships

Overview

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

- The Trust has well-documented, and well embedded processes for budget-setting, in-year management of budgets and triangulating planning assumptions between its operational, financial and workforce plans.
- There were appropriate arrangements in place to identify and cost risks to financial resilience, and appropriate challenge from Trust Board and the relevant Committees to key assumptions underpinning the Trust's financial plans.
- The Trust delivered a £13.1m surplus (adjusted financial performance basis) in 2022/23, a favourable variance compared to the breakeven plan approved by the Board in June 2022. Financial performance was substantially achieved through higher than planned non-recurrent income and other non-recurrent measures. The Trust delivered £71.1m against a £99.5m CIP target in 2022/23. The Trust has a long term track record of delivering CIPs albeit usually by a balanced of income generation and cost savings.
- The financial plan for 2023/24 is a breakeven plan, part of an overall breakeven plan for the South East London system. Nationally the average ICS efficiency rate for 2023/24 is c.5.8%. In our view the savings challenge across the SE London acute sector is undeliverable given the historic delivery of savings, the legacy of Covid, ongoing inflation pressures, industrial action, and overall staffing capacity. The Trust savings challenge is almost exclusively savings driven which provides very significant challenges to the organisation.
- The savings target for 2023/24 is £125.4m, which is higher than the target in 2022/23. The Trust has some made progress to date in identifying £100m of plan opportunities and is taking financial improvement actions and steps to strengthen financial governance. However, achieving these savings in 2023/24 appears extremely challenging, and the after risk weighting the £100m of schemes reduces to £54m, leaving a gap of £71m to the £125m target. At this stage there is not sufficient assurance that the Trust will have sufficient arrangements to fully deliver the required savings, and overall we consider delivery of the 2023/24 £125.4m savings target to represent a significant weakness in relation to financial sustainability and financial governance. We would note that the scale and immediacy of the 2023/24 CIP challenge is heavily driven by the post Covid funding regime.
- The Trust does not currently have in place a Medium-Term or Long-Term Financial Plan which sets out how the Trust is going to achieve recurrent financial balance. We consider this to be a weakness in arrangements for financial sustainability, and have made an improvement recommendation.

Our overarching view is that whilst the Trust has appropriate arrangements in place to monitor and report its financial performance, there is a risk around delivery of the proposed CIP programme for 2023/24. We therefore identified one significant weaknesses in relation to the Trust's financial sustainability arrangements.

Financial sustainability and financial governance (continued)

Short and medium term financial planning

2022/23 Performance and 2023/24 plan

The Trust delivered a £13.1m surplus (adjusted financial performance basis) in 2022/23, a favourable variance compared to the breakeven plan approved by the Board in June 2022. Financial performance was substantially achieved through higher than planned non-recurrent income and other non-recurrent measures. The Trust delivered £71.1m against a £99.5m CIP target in 2022/23.

As part of the development of the 2023/24 plan the Trust submitted a draft £28.2m deficit plan, including a £92m CIP target, at the end of March 2023. Following further discussions at the Trust and system level, the final plan for 2023/24 is a breakeven plan, part of an overall breakeven plan for the South East London system. The 2023/24 plan includes a £125.4m savings target. The 2023/24 plan has been developed based on a number of income and cost assumptions that appear reasonable, although across the sector there is uncertainty about the extent of inflationary cost pressures in 2023/24.

Assumptions underpinning the 2023/24 plan have been set out in planning papers and updates presented to the executive led Strategic Finance Committee (SFC) Finance, the Board level Finance, Commercial and Investment Committee (FCIC) and the Trust Board and these received an appropriate level of challenge from the Trust's senior leadership.

The Trust has made some progress in developing a long term financial model and medium term capital plan in 2022/23. However, whilst the Trust has put in place a financial plan for 2023/24, which has been agreed with its ICS, there isn't yet a medium-term financial plan to reduce the Trust underlying deficit from over £100m to the lowest feasible level. This underlying deficit is taken from the Trust's Long term financial plan and 2023/24 financial plan submission.

From discussions with management this underlying deficit presented in these reports does not include:

- £122m of patient income is non-recurrent. Including £56m relating to elective recovery funding which has increased to £70m in year
- A further £35m of recurrent efficiencies have been identified since the plan's submission

The Trust therefore currently consider the underlying deficit to be just under £40m. We have not reviewed these figures as part of our work as this position has not yet been taken to Board.

In the context of a challenging 2023/24 plan, which includes a large savings programme and a number of risks we consider the absence of an up to date medium term financial plan to represent a weakness in arrangements and have raised an improvement recommendation in respect of this.

Managing risks to financial resilience

The Trust's financial planning documentation demonstrates awareness of key risks to achieving its plans. Financial risks are updated on a quarterly basis as part of the Board Assurance Framework (BAF) process and reviewed at both the Strategic Finance Committee and F&IC. There is evidence from minutes of the FCIC of reporting and discussion of risks to the financial position in 2022/23. Risks to delivery of the 2022/23 financial plan were set out during the year in the finance report and in discussions at the SFC, FCIC and Trust Board. Key risks include:

- Commissioner income contracts and inconsistency with national planning assumptions
- The Trust has set a challenging £125.4m CIP target in 2023/24 and there is significant risk of non-delivery
- Inflation costs in excess of funding allocations
- Risk that changes in workforce costs will not be managed in line with the 2023/24 plan assumptions

- Linked to the above, risk that the Trust will be unable to deliver the planned level of activity and at the planned marginal cost. This includes failure to delivery planned level of activity to meet the planned elective recovery funding. Key risks that may impact on the level of activity delivered include; the impact of further industrial action, Covid and urgent care demand
- The Trust has set a challenging £125.4m CIP target in 2023/24 and there is significant risk of non-delivery
- Inflation costs in excess of funding allocations

Annual savings

The Trust delivered £71.1m savings in 2022/23 against a target of £99.5m. This was £23.3m recurrent and £47.8m non-recurrent delivery. The under-delivery in 2022/23 was reported across all Clinical Groups.

The plan for 2023/24 includes a £125.4m CIP target (c.5% of operating costs), comprising a core target of £91.7m and £33.7m carried forward from unmet savings in 2022/23. Identification of savings schemes has been undertaken alongside the 2023/24 business planning process.

Financial governance arrangements have recently been strengthened with the support of an external Financial Improvement Director. Working with the Trust Operational Productivity Unit, a Financial Improvement Programme (FIP) has been launched in March 2023. The Programme is intended to support the Trust in addressing the 2023/24 financial challenge and is run in parallel with an activity improvement programme run by the Deputy CEO's office. A new monthly Financial Improvement Board has been established and weekly governance processes have been established to work with clinical / delivery group Chief Executives, Heads of Finance and others to drive action to improve financial performance.

Financial sustainability and financial governance (continued)

Annual savings (continued)

As reported to the June 2023 FCIC the Trust has identified potential CIP plans up to £100m. However, when risk assessed against a maturity weighting, this reduces to £54m, leaving a gap of £71m to the £125m target, and to be delivered in the remaining 9 months of the year. The Trust recognises further work is required to increase the pace and level of savings opportunities and is now directing effort towards pay costs and increasing CIP plan maturity. Controls are also being tightened, with a freeze on external recruitment in Corporate areas and targeted vacancy freezes.

In our view the savings challenge across the SE London acute sector is undeliverable given the historic delivery of savings, the legacy of Covid, ongoing inflation pressures, industrial action, and overall staffing capacity.

We note the financial improvement actions and steps taken to strengthen financial governance at the start of 2023/24. However, achieving these savings in 2023/24 appears extremely challenging, and overall, we consider delivery of the 2023/24 £125.4m savings target to represent a significant weakness in relation to financial sustainability and financial governance.

Alignment to wider plans

The Trust has appropriate arrangements in place to align internal financial planning assumptions to other key internal and external plans.

The Trust's financial plans are developed alongside the workforce, operational and capital plans, with key assumptions showing planned movements in pay and key operational targets. The indicative requirement for capital expenditure in 2023/24 is c.£125m with the Trust seeking £25m funding from other national sources on top of the £100m SEL allocation. The cost of capital investments are reflected in the revenue budget.

Budget setting and budgetary control

The Trust has well-established processes and procedures for annual budget setting and in-year budgetary control. The Trust's financial plan and budget for 2023/24 has been informed by engagement across the system and through engagement with Clinical Groups. Activity, income and expenditure plans are developed locally and aggregated into the overall Trust plan.

An appropriate monthly finance report is reported to the FCIC. The finance report contains key information on the financial performance of the Trust, typically including; executive summary covering report setting out key points on year to date/forecast financial performance (I&E, Capital, Cash & CIP), summary I&E with month-on-month trends, Red/Green RAG table of variances and drivers of these by Clinical Care Group and Corporate Areas with commentary, other detail showing the summary I&E (month, YTD and forecast outturn) budget v actual for each Clinical Care Group, annual trends in costs and activity, monthly pay cost and WTE run rates for various pay metrics, capital programme, balance sheet and cashflow. There is also a separate CIP report and Productivity report produced and reported to the FCIC. Supporting narrative is also provided alongside the tables/charts and is considered appropriate to allow relevant Monthly performance review meetings (PRMs) are held across all Clinical and Delivery Groups to review significant variances and agree actions to be undertaken.

Follow-up of previous recommendations

In 2021/22 we raised five improvement recommendations in relation to the Trust's financial sustainability and governance arrangements:

- Recommendation A in relation to reporting of elective recovery performance
- Recommendation B in relation to monitoring risks to the 2022/23 plan
- Recommendation C in relation to cost inflation mitigations
- Recommendation D in relation to monitoring of progress of savings schemes in the monthly finance report
- Recommendation E in relation to the development of savings schemes in 2022/23

We are satisfied that the first four recommendations have been implemented. Recommendation E has been superseded by the key recommendation on the next page.

Key recommendations – financial sustainability & financial governance

Criteria impacted by the significant weakness



Financial Sustainability

Auditor judgement

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

Identified significant weakness in arrangements

The savings target for 2023/24 is £125.4m, which is higher than the target in 2022/23.

The Trust has some made progress to date in identifying £100m of plan opportunities and is taking financial improvement actions and steps to strengthen financial governance. However, achieving these savings in 2023/24 appears extremely challenging, and after risk weighting the £100m of schemes the identified schemes reduces to £54m, leaving a gap of £71m to the £125m target. At this stage there is not sufficient assurance that the Trust will have arrangements in place to fully deliver the required savings.

Recommendation 1

We recommend that the Trust progress at speed to develop a pipeline of savings schemes so that the Trust can be confident that it will deliver against the £125.4m target. The pipeline of schemes will also support delivery into 2024/25 and beyond.

As the Trust is going through the development of its savings programme, it should continue to reassess the level of risk contained in it, how this risk can be mitigated, and communicate with the ICS if there is going to be a likely impact on its ability to deliver the overall financial plan for 2023/24.

The programme, once fully developed should be underpinned by robust assumptions, validated by staff delivering the CIPs and triangulated with other supporting plans, for example workforce and activity plans, as well as with system plans. Progress against delivery should be reported to the FCIC and the Board, and support provided to services to deliver remedial action as soon as possible, if delivery is off track.

Management comments


Agreed. There is considerable Trust wide effort to identify further savings and accelerate delivery of those already identified. This also includes central control measures for recruitment and discretionary expenditure. That said, management acknowledges the audit conclusion on the high scale of the efficiency challenge to achieve breakeven in 2023/24 which has been principally driven by the removal of funding as we have moved into 2023/24, as discussed at the Trust Board. As at the 14 June, 85% of the required CIP has been identified. Whilst some are still in the initiation stage this represents progress towards the target as we approach the end of quarter 1.

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

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



Improvement recommendation – financial sustainability & financial governance

Criteria impacted	 Financial Sustainability
Auditor judgement	Based on the work undertaken, we are not satisfied that the Trust has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2022/23. We have therefore identified a significant weakness in arrangements.
Improvement opportunity identified	<p>The Trust has made some progress in developing a long term financial model and medium term capital plan in 2022/23. However, whilst the Trust has put in place a financial plan for 2023/24, which has been agreed with its ICS, there isn't yet a medium-term financial plan to reduce the Trust underlying deficit to the lowest feasible level.</p> <p>We consider this to represent a risk to the Trust's longer-term financial sustainability – particularly in the context of increasing financial pressures across the NHS.</p>
Recommendation 2	Building on the work undertaken in 2022/23, we recommend that the Trust develops a medium term financial plan, supported by a multi-year efficiency/financial improvement programme, to provide assurance that the Trust can get back to a underlying breakeven financial position.
Management comments	Agreed. The trust is working with ICS and NHSE colleagues, the Trust is leading the production of the MTFP model, to produce a medium-term financial plan. This will build on our existing long-term financial plan discussed in 2022/23. Given the current uncertainty in both the financial regime and medium-term planning assumptions, engagement and refinement with NHSE will be important to allow this to be a valuable exercise.

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

Governance



We considered how the Trust:

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

Overview

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

- The Trust has appropriate risk management processes and procedures in place to manage strategic, corporate and operational risks.
- The Trust suffered a critical IT incident in the summer of 2022, with both of its data centres suffering a catastrophic failure due to overheating in the summer heatwave. A number of internal and external reviews have been undertaken to understand the root causes, consequences and potential harm to its patients. An internal formal investigation has been completed and the report published on the Trust's website since we raised this risk in our audit plan. Overall, we are satisfied that there is no significant weakness in arrangements and have made an improvement recommendation for the Trust to produce a single improvement plan arising from the various reviews undertaken.
- Informed decision-making at G-STT is appropriately enabled and supported by the Trust's governance and reporting structures, and there is evidence of appropriate review and challenge of information from Those Charged with Governance.
- Appropriate arrangements are in place to ensure compliance with relevant regulatory and legislative standards.

We did not identify any significant weaknesses in relation to the Trust's governance arrangements. We have raised one new improvement recommendations in relation to the actions arising from the IT incident and one of our improvement recommendations from 2021/22 remains outstanding.



The Board Assurance Framework (BAF)

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

Governance (continued)

Risk management and internal controls

Significant IT Incident

Overview of issue

In the summer of 2022 two separate data centres at Guy's Hospital and at St Thomas' Hospital suffered catastrophic failures associated with the summer heatwave. This took down most of the clinical IT systems at Guy's and St Thomas' and the related community services. As part of our 2022/23 value for money work we have considered if the arrangements to respond to the incident were robust and effective or whether a weakness in arrangements existed. Our work has considered the outcomes of both external and internal reviews which have been commissioned by, and on behalf of, the Trust. An internal formal investigation has been completed and the report published on the Trust's website since we raised this risk in our audit plan.

The loss of the IT systems had an enormous impact on the running of the hospitals and community services, which had to switch to running on paper. The disruption to clinical services had a significant impact on many system partners in general practice and other hospitals across South East London. The Trust immediately focussed on recovery from this incident and has undertaken an internal investigation into the causes of the issue. The Trust recently (January 2023) concluded that investigation and published the report on their website. This includes information on the causes of the incident and makes several recommendations to ensure lessons are learned for future critical incidents across the Trust. IT systems recovery took longer than originally anticipated and the impact on patients and staff from the prolonged nature of this incident and recovery has been significant.

Risk management and awareness prior to the incident

The Trust's internal review concluded that the risk of data centre failures was identified in the relevant risk register, albeit not associated with a heatwave. The review concluded that this risk should have been identified, controlled and escalated, as the heatwave had been predicted.

Mitigations in place prior to the incident

The primary mitigation in place - two separate data centres acting as back up to each other - was insufficient to deal with a major risk affecting both centres simultaneously. Preparations were put in place at both St Thomas' data centre to hose down the condensers to keep down the temperature. No such preparations had taken place ahead of the heatwave at Guy's hospital, although manual cooling was attempted on the day of the incident, however this was not sufficient. Overall, the St Thomas' site was considered the site at higher risk than Guy's, and therefore saw further preparations.

Root causes of the incident

The investigation undertaken for the Trust did not identify a single root cause. The incident was caused by a combination of factors, including sub-optimal cooling systems, ageing infrastructure, complex and distributed roles and responsibilities for managing elements of the data centre environment, and insufficient cooling actions undertaken on the day of the incident.

Response to the incident

The Trust swiftly stood up its Emergency Preparedness, Resilience and Response protocols and procedures and managed the move to paper hospitals and services effectively. The recovery took longer than anticipated, partially due to a large number of legacy systems. It is intended that some of this risk will be addressed by the upcoming introduction of the new EPIC clinical system

Risk Response to the incident

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Learning from the incident

The Trust was proactive in commissioning a number of reviews. This involved the review into the incident itself, to understand the root cause and learn lessons, as well as a harms review to understand whether any patients came to harm as a result of the outage. The Trust has been quick to take action on recommendations received at the time of our work.

Impact on the 'Apollo' programme

The Trust is currently in the process of implementing an Electronic Patient Record system, EPIC, alongside KCH as its partner. This is known as the 'Apollo' programme. The original go-live date for GSTT was agreed as 27 April 2023; this has since been revised to October 2023.

We considered the way in which the IT incident impacted on this programme, and the governance around the programme overall, and have noted that:

- Key decision-making around the programme is devolved to the Joint Apollo Assurance Committee, an Executive-Led Committee, now led by the Chief Nurse as the SRO and reporting into the GSTT Board;

Governance (continued)

Significant IT Incident (continued)

- We note from the reporting on the programme to the Board that the impact of the IT incident on the implementation has been considered, and the lessons learnt to date factored into the Assurance Committee's plans. The Trust should ensure that at the time of data migration, appropriate reconciliation takes place between paper and electronic records, in particular when migrating data to EPIC.
- There is evidence of appropriate consideration of risk, including clinical risk, associated with the programme and this was one of the drivers behind postponement of the go-live date;
- Programme governance arrangements have evolved over the course of the planning, with changes in Executive level oversight, clinical involvement and operational involvement depending on the stage.
- Whilst large-scale IT implementation programmes carry an inherent degree of risk, we are comfortable with the arrangements the Trust has put in place to monitor and assure delivery.

Conclusion

Reflecting on the arrangements in place prior to the IT incident, and the response since, we note that:

- The incident identified weaknesses in the Trusts risk management and disaster recovery processes.
- Significant work has been undertaken and the plans the Trust has subsequently put in place suggest that the issues have been addressed during the second half of 2022/23. The issue is not symptomatic of broader issues in arrangements.

Overall, we are satisfied that there is no significant weakness in arrangements and have made two improvement recommendations for the Trust – production of a single improvement plan arising from the various reviews undertaken and appropriate time and resource to ensure data validation and migration to EPIC once live.

Risk management and internal controls

Strategic and corporate risk management

The Trust has appropriate structures in place to manage strategic and corporate risks and could provide evidence of improvement on prior year's arrangements. The Trust's risk management framework and arrangements are set out in the Risk Management Policy, with strategic risks managed through its Board Assurance Framework (BAF) process. The Board undertakes one focussed session on its BAF per year to identify, update or amend strategic risks, and the BAF itself is reviewed by the Board every six months. The last Board review of the BAF was carried out in Autumn of 2022.

The risks on the BAF are monitored by the responsible overseeing committee on a quarterly basis; Quality and Performance, Transformation and Major Programmes, Strategy and Partnerships and Finance, Commercial and Investment Committee. As part of our review, we noted review and discussion of BAF risks by the relevant sub-Committees. The Trust's Risk and Assurance Committee (TRAC) reviews organisation-wide risks and escalates these to the Trust Management Executive (TME) where applicable.

Internal controls

The Trust's Internal Audit and Local Counter Fraud Service (LCFS) function is delivered in-house. Progress against the annual plans is reported to the Audit & Risk Committee as a standing agenda item.

The Head of Internal Audit opinion for 2022/23 concluded that *'with the exception of those areas in which limited assurance reports have been issued as reported to the committee during the year, the controls in those areas reviewed are adequate and effective. Where weaknesses have been identified as a result of audit or counter fraud reviews, management have responded positively and recommendations have or are being addressed by management and actions have been confirmed through follow up work by internal audit.'*

One internal audit in 2022/23 received nil assurance. In the instance, Internal Audit were satisfied that immediate action was taken to strengthen the governance and controls in the area. Our work has not identified evidence of pervasive or significant weaknesses in internal controls.

Informed decision making including the Audit Committee

Leadership of Those Charged with Governance

Our work did not identify any evidence of unlawful decision-making or concerns regarding the 'tone from the top' from Trust leadership. The Trust has been proactive in working on improvement areas previously identified in relation to its leadership. A Well Led Governance review has been recently undertaken by independent external advisors and considered the Trust Board members to be of high calibre and operating in a unitary fashion.

The last comprehensive Care Quality Commission (CQC) inspection was undertaken in 2019, with the Trust rated 'Good' overall. The previous inspection for the Royal Brompton, now part of the GSTT, was also undertaken in 2019, resulting in an overall rating of 'Good'.

Governance (continued)



NHS Leadership

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

Since 2019, the CQC has undertaken several focussed inspections on the St Thomas' hospital site. An Emergency Department inspection was undertaken in 2021 where no formal rating was given but highlighting some issues around staffing volumes and management individuals experiencing mental health crises. A Maternity inspection was undertaken in 2022, with the rating of 'Good' remaining, but the Safe domain downgraded to 'Requires Improvement'. Latest inspection reports have not raised any breaches of legislation, regulatory or professional standards. We further consider the approach the Trust had adopted in learning from regulatory and other reviews on page 23.

Standards and behaviours

The Trust has appropriate frameworks in place to ensure compliance with relevant regulatory, legislative and professional standards. Our VFM work this year did not identify any instances of non-compliance that would suggest these arrangements are not effective.

Frameworks to ensure compliance with standards

The Trust has an appropriate governance framework in place, including Standing Financial Instructions and Standing Orders. This is supported by a suite of policies to ensure compliance with standards.

In 2022, the Trust developed an 'Assurance Map' which establishes the Trust's statutory and regulatory responsibilities and provides structure to how the Trust's compliance with these was overseen at a Board and Executive level. The Corporate Affairs team ensure that the list of statutory and regulatory responsibilities and the associated Board forward plan are kept up-to-date.

The Trust's policies and procedures are reviewed and available to staff via shared drives/Intranet, and employee awareness is reinforced and recorded as part of the annual appraisal process.

Follow up of previous recommendations



In 2021/22 we raised four improvement recommendations in relation to the Trust's governance:

- Recommendation F in relation to an annual review of the BAF at a public board meeting;
- Recommendation G in relation to review of the BAF;
- Recommendation H in relation to preparation of medium term business plans;
- Recommendation I in relation system working reporting to the Strategy and Partnerships Committee.


We are satisfied that recommendations G, H and I have been actioned by management and has therefore been closed. Recommendation F has not been actioned, and so we have included this as part of the improvement recommendations this year.



Improvement recommendations – Governance

Criteria impacted	 Governance
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.
Improvement opportunity identified	The Trust suffered a critical IT incident in the summer of 2022, with both of its data centres suffering a catastrophic failure due to overheating in the summer heatwave. The Trust has undertaken a number of internal and external reviews to understand the root causes, consequences and potential harm to its patients.
Recommendation 3	Whilst our review did not identify any significant weaknesses in arrangements prior to the incident occurring, or in the Trust's response, we recommend the Trust produces a single improvement plan arising from the various reviews undertaken and assigns an Executive-level sponsor (or several) to monitor delivery. Delivery against the plan should be reported to the Board or Committee, to ensure the Trusts learns lessons from the incident and puts arrangements in place to prevent similar issues occurring in the future.
Management comments	Agreed. An integrated improvement action plan has been submitted to recent audit committees.
Criteria impacted	 Governance
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.
Improvement opportunity identified	The IT incident required temporary transition to a 'paper hospital'. Although the systems have now been recovered, the Trust is still investigating the consequences of the incident and how these may have impacted on its operations and delivery of clinical care. Alongside this, the Trust is managing a large-scale transition to a new EPR (EPIC), which carries some inherent risks around data quality, accessibility and validation. Under similar circumstances elsewhere, there have been instances of missing care records, outpatient and surgery bookings, that subsequently led to patient harm
Recommendation 4	We recommend that as part of its investigations into the incident, and as part of the revised go-live plan for EPIC, the Trust ensures that sufficient time and resource is dedicated to both reconciliation and cleansing of data from the time period it ran as a 'paper hospital', and migration of this data onto the new systems. This should occur under clinical and operational oversight from all affected specialties to mitigate the risk of further negative patient impact'
Management comments	Agreed. The Trust undertook a significant reconciliation exercise following the IT incident. In addition, data quality to assure the transfer of data forms a key workstream within the EPIC implementation programme.

Improvement recommendations – Governance (continued)

Criteria impacted	 Governance
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.
Improvement opportunity identified	The Board undertakes one focussed session on its BAF per year to identify, update or amend strategic risks, and the BAF itself is reviewed by the Board every six months. We made a recommendation in 2021/22 for the Trust to review the BAF at a public board meeting, and this does not appear to have been actioned
Recommendation 5	We recommend that the Trust implement an annual review of the Board Assurance Framework BAF risks at the public Board meeting to ensure that the strategic risks of the Trust are made visible to the Trust's stakeholders.
Management comments	To be discussed with the Trust Chairman.

Improving economy, efficiency and effectiveness



We considered how the NHS Foundation Trust:

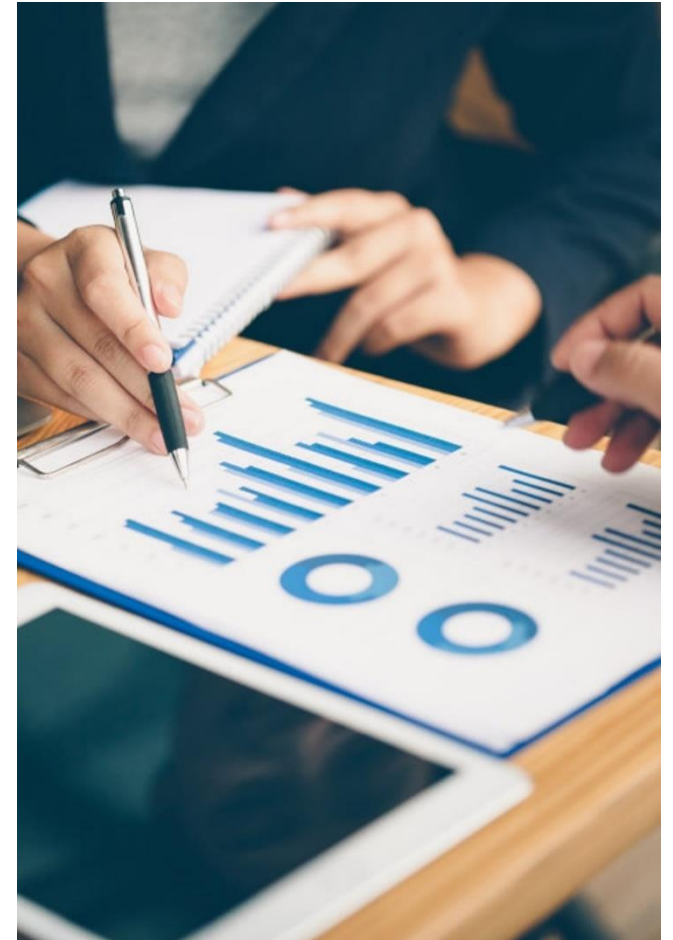
- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits

Overview

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

- The Trust has experienced difficulties in getting elective recovery and cancer performance back on track post-COVID-19. These issues are exacerbated by challenges recruiting and retaining workforce. Based on our discussions and review of documents, we are satisfied that the Trust has put plans and arrangements in place to understand the causes of underperformance and to address them.
- As a result of the IT system issue noted on page 15 performance reporting was impacted during the outage and reconciliations had to be undertaken once the systems were brought online again. From our review of the IPRs from that period, we note that caveats were included to explicitly highlight where indicators were unavailable, unreliable or were 'catching up' from prior months when reporting was unavailable.
- GSTT has a wide variety of longstanding partnerships and commercial partnerships. The Strategy and Partnerships Board receives regular updates on key partnerships and their activities. The Trust engages proactively in the Integrated Care System and the Acute Provider Collaborative and contributes to local ICS plans.
- There are processes in place to ensure the Trust is monitoring performance of its key service providers, subcontractors and major projects.

We did not identify any significant weaknesses in relation to the arrangements in place. We have raised three new improvement recommendations.



Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement

Performance reporting

The Integrated Performance Report (IPR), focussing on operational performance, is presented to the Quality and Performance Committee (QPC). The IPR is structured around the key domains of safe, effective, caring, responsive, people and enablers/use of resources. The report contains an overall performance summary against each domain, a highlight report focussing on specific indicators of note, and supporting information.

Consistent reporting arrangements are adopted across all levels of the organisation, and results are presented by Clinical Group to identify outliers and better understand what is driving performance in month. Each Clinical Group has performance review meetings with senior leadership to discuss performance.

The IPR is presented to the Board as part of the QPC highlight report, and this is on a highlight basis only. As such, only the indicators that have been determined by the domain leads as worth flagging - generally due to performance below target or due to risk associated with the indicator are reported to the Board. The highlight report includes, current issues, dependencies and future actions against each indicator, to ensure action is taken if performance is below target.

We note that due to the timing of the Board compared to its Committee meetings, there is a delay in performance information presented to the Board. For example, the January 2023 Board pack contains the IPR for November 2023, which means the Board may not always be reviewing the most up-to-date performance information. We have made an improvement recommendation in respect of this.

Following the merger with Royal Brompton, work has been undertaken to align the reporting systems between the two organisations and ensure Royal Brompton data is included in the IPR. This work remains ongoing, particularly as the Trust is moving towards implementing a single EPR (EPIC). We note the IPR as presented to the Committee and Board now clearly highlights where Royal Brompton data has not been included for an indicator.

Data quality

As a result of the IT system issue noted on page 15 performance reporting was impacted during the outage and reconciliations had to be undertaken once the systems were brought online again. From our review of the IPRs from that period, we note that caveats are included to explicitly highlight where indicators were unavailable, unreliable or were 'catching up' from prior months when reporting was unavailable. We have made an improvement recommendation to ensure that the reliability of these indicators is independently assessed by internal audit as part of the 2023/24 activity.

The Trust obtains assurance over its performance data through a variety of means, including:

- Validation of data reported including oversight of individuals with expertise in the specific area being reported, for example complaints data signed off by head of complaints. The work of internal audit, who undertake regular reviews of data quality in specific areas or services,
- Increased automation of performance reporting - to ensure minimal manual handling of data.

We note that the Trust currently operates a large number of legacy systems; this landscape was further complicated by the merger with Royal Brompton. Whilst this presents some risks around integrity, quality and accuracy of data, the Trust is in the process of implementing a single EPR (EPIC), which should assist with addressing this in the future once the rollout is complete.

Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement (continued)

Operational and quality performance

The Trust has appropriate arrangements in place to learn from regulators and other NHS organisations. We have noted the following examples of this from our work:

- Following the Independent Investigation into East Kent Maternity and Neonatal Services a report was presented to the Trust Board in January 2023 to consider the key themes arising from the Kirkup review and how they may be applied to the Trust's services (not just maternity), including actions to be taken to mitigate the risk of similar issues arising,
- The Trust is rated 'Good' by the Care Quality Commission (CQC), the majority of the CQC domains which the Trust is rated against are 'Good' or 'Outstanding' with only one 'Requires Improvement'. Recent CQC inspections have been broadly positive, and the outcomes were reported through the QPC and the Trust Board. We note outcomes from the most recent Maternity inspection and arising actions were rolled into the report reflecting on the Kirkup report (as above) presented to the Board, to ensure the Trust has a rounded view of its Maternity services and the required improvements
- Learning from the critical IT incident (refer to page 15) - the Trust was proactive in learning from the catastrophic IT outage that occurred in the summer of 2022. A number of reviews were commissioned to undertake root cause analysis and establish whether any patients came to harm as a result of the outage. The first review was complete in draft at the time of our review, with the remainder of the other reviews ongoing. Recommendations arising from these reviews will be reported through the appropriate committees, including the Audit and Risk Committee, QPC and ultimately the Trust Board.

The Trust benchmarks its performance and efficiency in a variety of ways, including through the national reference costs index and by use of national benchmarking data, Getting It Right First Time (GIRFT) and use of the 'Model Hospital' data sets. Benchmarking starts with overall trust and group position and is then broken down by directorate and service. External benchmarking is undertaken against other Shelford Group Trusts.

The Table below shows the Trust performance against key operational performance metrics as reported in the IPR presented to the April 2023 Trust Board meeting

Indicator	Trust Target	Performance
% of A&E patients that waited less than 4 hours to be seen (type 1, 2 and 3)	76%	74.3% (Feb 23)
% of cancer referrals seen within 2 weeks	93%	92.5% (Jan 23)
% of cancer referrals meeting the faster diagnosis standard of outcome of suspected cancer within 28 days of referral	75%	73.6% (Jan 23)
% of cancer patients starting their first treatment within 62 days of all urgent GP referrals	85%	41.2% (Jan 23)
% of patients waiting over 6 weeks for a diagnostic test	5%	13.6% (Feb 23)
Outpatients - % of 2019/20 activity new attendance (4-week average)	104%	91.7% (Mar 23)
Elective - % of 2019/20 activity (4-week average)	104%	88% (Mar 23)

Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement (continued)

GSTT has experienced difficulties in getting elective recovery and cancer performance back on track post-COVID-19. These issues are acknowledged by the Trust's leadership team and exacerbated by challenges recruiting and retaining workforce. We reviewed arrangements in place for monitoring and improving performance within these services and noted that:

- In relation to waiting list follow ups, we understand this has been significantly affected by the CareNotes outage and reconciliation of data was still ongoing at the time of our review.
- Workforce (vacancies and sickness/absence rates). The Trust has a number of actions in place to help address the vacancy, sickness and absence rates. This includes ongoing international recruitment, service-specific task and finish recruitment groups where this is particularly challenging (for example A&E) and retention plans for all ward areas.
- Cancer performance (62-day standard). The Trust is focused on clearing the longest waiting patients from the cancer backlog. Overall treatment numbers are increasing, indicating that some positive progress is being made, although the Trust is benchmarking below Shelford Group average.
- Elective Recovery performance is linked to cancer performance, as a large proportion of the long waiters are in the cancer and surgery division. The Trust to date has chosen to prioritise cancer and urgent demand, whilst focussing on delivering against the 104 week wait and 78 week wait targets with any spare capacity. We note that the Trust has made significant progress in eradicating the 104 week waits but 78 week wait performance was variable in year. Although we acknowledge the challenge of competing priorities, enhanced oversight and action tracking in relation to elective recovery would be beneficial and we have made in recommendation in respect of this.
- We discussed the governance and performance monitoring arrangements that the Trust has put in place to improve performance and are satisfied that these are appropriate. However, as of May 2023 cancer performance was still below national targets, and there were ongoing challenges in relation to Elective Recovery. We have made in recommendation in relation to enhanced oversight and action tracking.

Partnership working

GSTT has a wide variety of longstanding partnerships and commercial partnerships. The Strategy and Partnerships Board receives regular updates on key partnerships and their activities. Although Management believe the arrangements in place are operating in line with expectations, the Trust wants to improve its grip on the partnerships it has in place and confirm the cost/benefit of some. Following advice from the newly appointed Chair, the Trust has commenced a review into its partnership arrangements, which is ongoing at the time of our work. We reviewed an interim update provided to the Board in March 2023 and discussed the review with the Chief Strategy Officer. It is our view that arrangements during the course of 2022/23 were reasonable, and the current review, once it is completed, will provide a more transparent view of all partnership activities the Trust is engaged in across all levels of the organisation.

The Trust is part of the South East London (SEL) ICS and is represented on the ICB Board through the Joint Medical Director post, currently held by a consultant rheumatologist from GSTT. From our review of ICB minutes we note that GSTT is represented appropriately and there is evidence of participation in joint initiatives, such as joint approach to maternity services.

The Trust Board receives regular updates on ICS performance and ongoing initiatives through the CEO report. Relevant ICS reports are also presented when necessary to the Board and its Committees.

The Trust is part of the South East London Acute Provider Collaboration (SEL APC) with Lewisham and Greenwich Trust and Kings College Hospitals Trust aiming to provide services to the local population more efficiently.

The APC has been in place for a number of years and has a number of different initiatives in train, including those that have already delivered benefits, such as Ophthalmology single point of access. A presentation of APC's activities was delivered to the GSTT Board in February 2023, which sets out further information about collaboration, governance, relationships and specific initiatives being developed or delivered. Given the scale of savings required across the system and at the Trust, the APC will play a key role supporting the providers to achieve longer term sustainable financial position. Overall, we are satisfied that the Trust works proactively with the APC and appropriate arrangements are in place.

Improving economy, efficiency and effectiveness (continued)



Workforce pressures

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

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

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

Commissioning and procurement

Monitoring of projects and programmes

The Trust has in place a Transformation and Major Projects Committee, which oversees performance of the Trust's large-scale projects, contracts and initiatives. The Trust Board receives a highlight report from the Committee setting out key discussion points and decisions made, so there is transparency around its activities. Performance of key commercial ventures, contracts awarded and investments is reported on a regular basis to the Trust's Finance, Commercial and Investment Committee

The Trust has migrated its contract management onto an online register and the ATAMIS portal. The way in which contracts are monitored remains effective as it covers the status, value and flags the stage at which contracts are at.

Since January 2023 Single Quote Approval Requests (SQARs) have been reviewed and determined by the Trusts Directors of Sourcing, previously they had been reviewed by the Chief Procurement Officer. This has allowed more effective scrutiny of SQARs. SQAR reports are presented to the Audit Committee. From the May 2023 report, we note that the overall number of SQARs has been reducing year on year, and further actions are going to be put in place to ensure these are only approved where it is absolutely necessary.

As part of our work, we discussed the reversal of a decision by the Trust to award a £20m contract for patient transport services. They announced in December 2022 they were awarding the contract but, on 9 February, told both the successful and unsuccessful bidders they were reversing this decision after "an investigation into certain aspects of this procurement process". This was due to the unsuccessful bidder filing papers with the High Court challenging the trusts' decision to award the contract to another supplier.

Through discussions we are aware that the grounds for challenge was initially for the evaluation process, but the complainant later introduced

a complaint based on financial viability. The Trust undertook an internal review process with external legal support to test the viability of the complaint made against them. The internal review concluded that the Trust's overall process in this matter was appropriate with one small exception (HDU element scoring process due to inexperience panel members).


As per legal advice, the Trusts re-assessed and scored the HDU element of the tender, but this did not change the over appointment of the tender.

The complainant withdrew their claim in January 2023. The contract has proceeded to be awarded to the original winner.


A formal lessons learnt process will take place once an interrelated tender that was put on hold due to the complaint is formally awarded in the near future. The team are however confident through the internal review process that they have sound evaluation processes and documentation practices in place.

We didn't make any improving economy, efficiency and effectiveness recommendations in 2021/22.


Improvement recommendations – economy, efficiency and effectiveness

Criteria impacted	 Economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.
Improvement opportunity identified	We note that due to the timing of the Board compared to its Committee meetings, there is a delay in performance information presented to the Board. This means the Board may not always be reviewing the most up-to-date performance information.
Recommendation 6	We recommend the Trust considers either aligning its Committee timetable to Board to ensure the Trust Board receives the most up-to-date performance data or, alternatively, provide the most up-to-date IPR to the Board for information as part of the paper pack.
Management comments	The Trust is reviewing the timing of reporting and scheduling of its performance reviews and Board committees. Core IPR reports are also supplemented with more up date information on, for example, elective recovery.

Improvement recommendations – economy, efficiency and effectiveness

Criteria impacted	 Economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.
Improvement opportunity identified	Performance reporting was impacted during the IT system outage and reconciliation had to be undertaken once the systems were brought online again. From our review of the IPRs from that period, we note that caveats are included to explicitly highlight where indicators were unavailable, unreliable or were 'catching up' from prior months when reporting was unavailable.
Recommendation 7	We recommend the Trust's internal audit function or another suitable team in the Trust (e.g. Business Intelligence) undertakes an independent data quality review of the indicators that remain affected by the cyber-attack and the IT incident. This would provide additional assurance that performance reporting has been recovered and is reliable.
Management comments	Agreed.

Improvement recommendations – economy, efficiency and effectiveness

Criteria impacted	 Economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.
Improvement opportunity identified	We discussed the governance and performance monitoring arrangements that the Trust has put in place to improve performance and are satisfied that these are appropriate. However, as of May 2023 cancer performance was still below national targets, and there were ongoing challenges in relation to Elective Recovery.
Recommendation 8	The Trust should continue enhanced oversight of the areas highlighted above through its performance monitoring arrangements until sustained improvement of performance is achieved. Performance reporting in areas of particular challenge could be improved by greater focus on actions and assigning responsibility and accountability. Effectiveness of arrangements put in place should be considered on an ongoing basis, and if these are not deemed to be improving performance, they should be revisited.
Management comments	Agreed. Enhanced oversight will continue.



Opinion on financial statements

Opinion on the financial statements



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

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

We conducted our audit in accordance with:

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

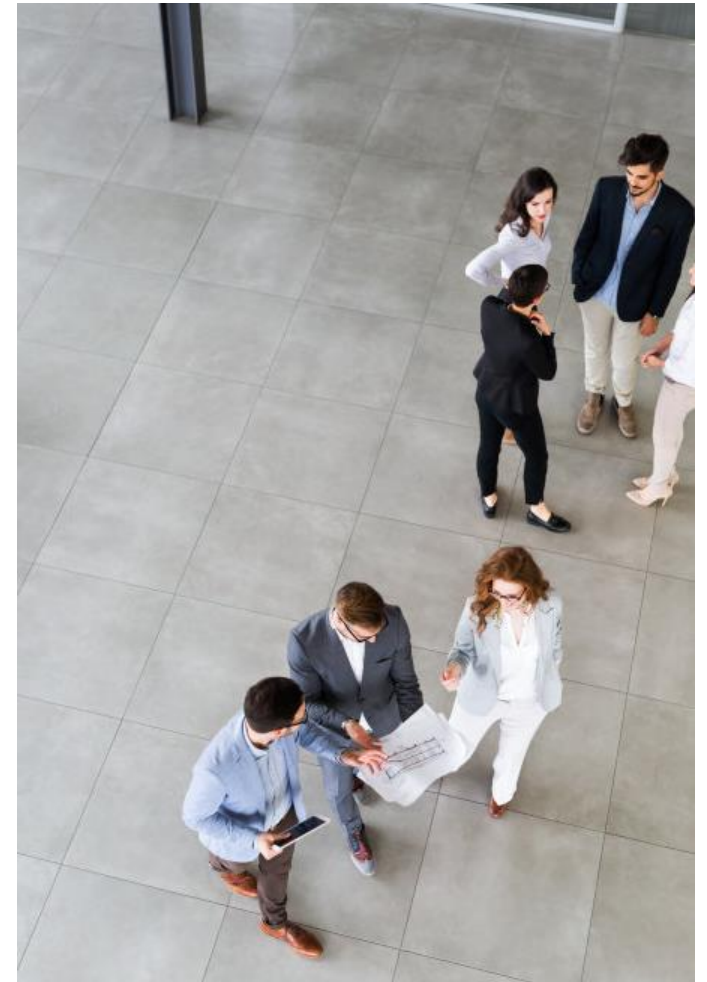
We are independent of the Trust in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements

We have issued an unqualified audit opinion within the NHSE reporting deadline.

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

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



Opinion on the financial statements



Timescale for the audit of the financial statements

- The Final Audit Plan was presented at the Audit and Risk Committee on the 17th May 2023.
- We undertook our planning work in February and March and the fieldwork audit took place in May and June.
- The Trust submitted its accounts in line with the NHSE timetable.
- We have issued the Audit opinion in line with the NHSE deadline, on the 29th June.

Findings from the audit of the financial statements

Detailed findings for the audit can be found in the Audit Findings report within the Audit and Risk Committee paper packs on the 21 June.

- Issues in relation to the Trust's implementation of IFRS 16.
- A number of errors in Deferred Income.
- Some technical accounting issues in relation to hosted service arrangements.
- We also raised a significant recommendation around the Trust's working papers in relation to Capital and IFRS 16.
- Any significant recommendations made as a result of the financial statements audit



Other reporting requirements



Remuneration and Staff Report

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

Annual Governance Statement

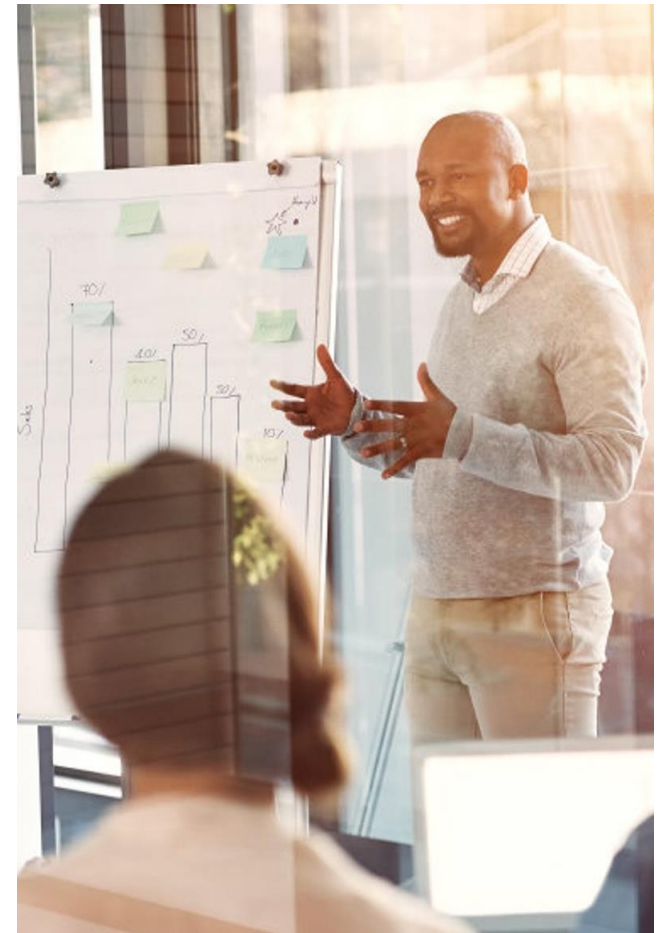
Under the Code of Audit Practice (2020) published by the National Audit Office, we are required to consider whether the Annual Governance Statement included in the Trust's Annual Report for 2022/23 does not comply with the guidance issued by NHS England, or is misleading or inconsistent with the information of which we are aware from our audit. We have nothing to report in this regard.

Annual Report

Under the Code of Audit Practice (2020) published by the National Audit Office, we are required to consider whether, based on the work undertaken in the course of the audit of the Trust's financial statements for 2022/23, the other information published together with the financial statements in the Trust's Annual Report for 2022/23 is consistent with the financial statements. We have nothing to report in this regard.

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.



The use of auditor's powers

We bring the following matters to your attention:

Referral to the regulator

Under Schedule 10 paragraph 6 of the National Health Service Act 2006, auditors can report to the relevant regulatory body if they have reason to believe that the audited body is:

- About to make, or has made, a decision which would involve unlawful expenditure
- About to take, or has taken, a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency.

We did not make any referral to the regulator in 2023/24

Public Interest Report

Under Schedule 10 paragraph 3 of the National Health Service Act 2006, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a report in the Public Interest with regard to arrangements at the Trust for 2022/23.

Appendices

Appendix A: Responsibilities of the Foundation Trust

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

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

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

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

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

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



Appendix B:

An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference(s)
Statutory	Written recommendations to the Trust under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	NA
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Trust. We have defined these recommendations as 'key recommendations'.	Yes	P12
Improvement	These recommendations, if implemented should improve the arrangements in place at the Trust, but are not a result of identifying significant weaknesses in the Trust's arrangements.	Yes	P13, 18, 19, 25, 26 & 27

