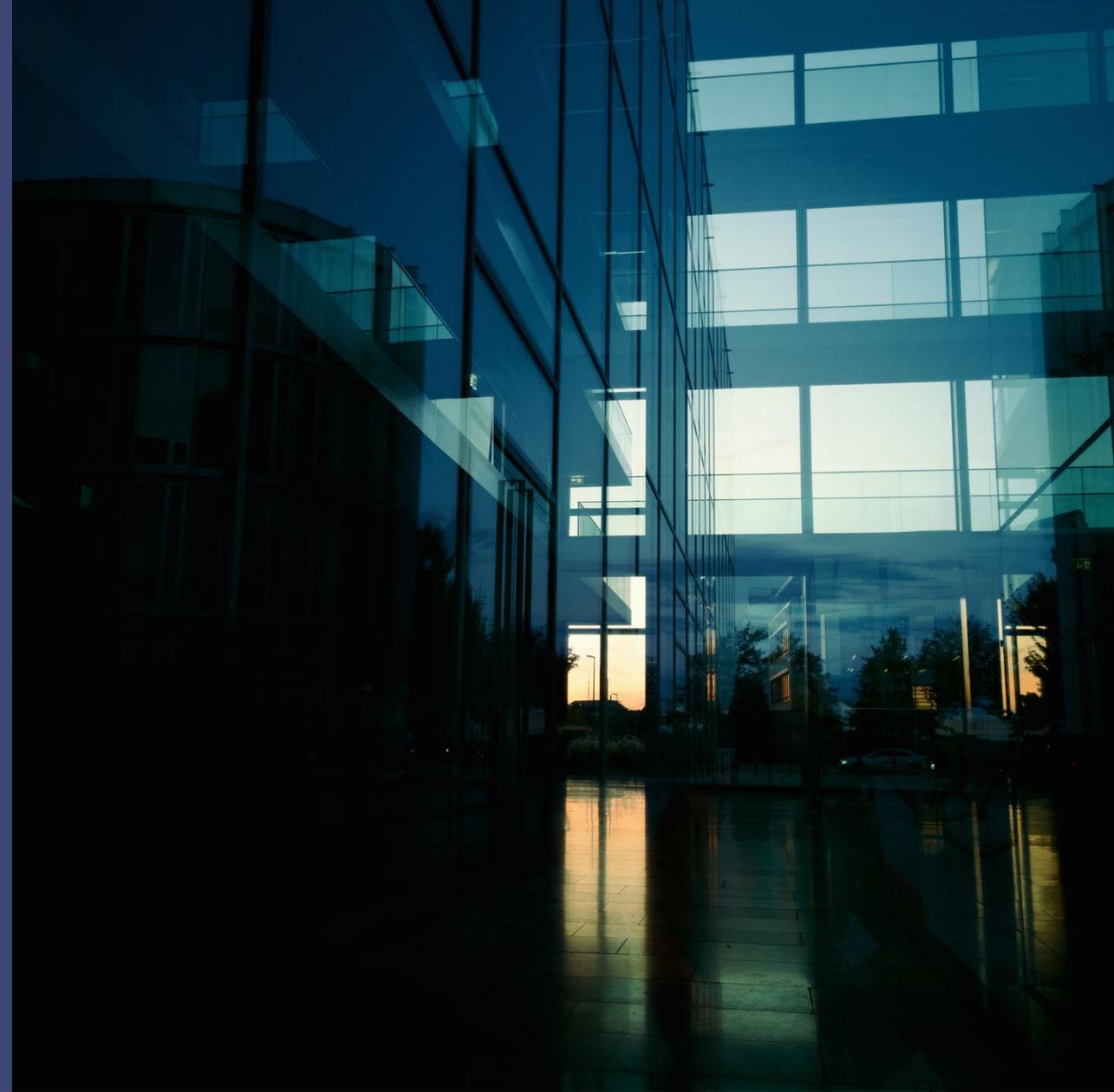


Auditor's Annual Report

Oxford University Hospitals NHS
Foundation Trust— year ended 31 March
2021

August 2021



Contents

- 01** Introduction
- 02** Audit of the financial statements
- 03** Commentary on VFM arrangements
- 04** Other reporting responsibilities

This document is to be regarded as confidential to Oxford University Hospitals NHS Foundation Trust. It has been prepared for the sole use of the Audit Committee as the appropriate sub-committee charged with governance by the Board of Directors. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

01

Section 01: **Introduction**

Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Oxford University Hospitals NHS Foundation Trust ('the Trust') for the year ended 31 March 2021. Although this report is addressed to the Trust, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



Opinion on the financial statements

We issued our audit report on 15 June 2021. Our opinion on the financial statements was qualified by way of a limitation of scope paragraph as a result of us being unable to attend the year end inventory stocktakes due to the Government's Covid-19 national travel restrictions. .



Wider reporting responsibilities

In line with group audit instructions issued by the NAO, on 15 June 2021 we reported that the Trust's consolidation schedules were consistent with the audited financial statements.



Value for Money arrangements

In our audit report we reported that we had not completed our work on the Trust's arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements at the time of reporting. Section 3 confirms that we have now completed this work and provides our commentary on the Trust's arrangements.

Following the completion of our work, we issue our audit certificate which formally closes the audit for the 2020/21 financial year.

02

Section 02:

Audit of the financial statements

In this section of the report, we summarise the outcome of our audit of the financial statements

Audit of the financial statements

The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code of Audit Practice and International Standards on Auditing.

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Trust and whether they give a true and fair view of the Trust's financial position as at 31 March 2021 and of its financial performance for the year then ended.

Our audit report, issued on 15 June 2021, drew attention to one matter that created a limitation of scope in our audit opinion.:

- The carrying amount of the Trust's inventory balance held at 31 March 2021 was £31m. Due to COVID-19-related travel restrictions, we were unable to attend the year-end physical inventory counts and as a result we were unable to obtain sufficient appropriate audit evidence about the existence and condition of the inventory balance held by the Trust at 31 March 2021. We were unable to satisfy ourselves by alternative means concerning the existence and condition of inventory held by the Trust as 31 March 2021 by using other audit procedures.

Our audit report stated that, except for the possible effects of the matter described above regarding the inventory balance, the financial statements:

- give a true and fair view of the financial position of the Trust and as at 31 March 2021 and of the Trust's income and expenditure for the year then ended;
- have been properly prepared in accordance with the Department of Health and Social Care Group Accounting Manual 2020/21; and
- have been properly prepared in accordance with the requirements of the National Health Service Act 2006.

03

Section 03:

**Commentary on Value for Money
arrangements**

VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- Financial sustainability;
- Governance; and
- Improving economy, efficiency and effectiveness.

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Trust has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements. Where we identify significant risks, we design a programme of work (risk-based procedures) to enable us to decide whether there is a significant weakness in arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Our assessment of what constitutes a significant weakness is a matter of professional judgement, based on our evaluation of the subject matter in question, including adequacy of the Trust's responses. The National Audit Office's guidance states that a weakness may though be said to be significant if it:

- Exposes (or could reasonably be expected to expose) the body to significant financial loss or risk;
- Leads to (or could reasonably be expected to lead to) significant impact on the quality or effectiveness of service or on the body's reputation;
- Leads to (or could reasonably be expected to lead to) unlawful actions; or

- Involves a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

Where our risk-based procedures identify actual significant weaknesses in arrangements, we are required to report these and make recommendations for improvement.

To arrive at our assessment, we performed a variety of work to obtain an understanding of the Trust's arrangements for each specified reporting criteria. This included performing a detailed risk assessment, drawing from a variety of sources, including, but not limited to:

- Meeting with management and reviewing information provided through management's self-assessment;
- Considering the views of the Audit Committee;
- Reviewing supporting guidance from the National Audit Office, including indicators of significant weaknesses;
- Considering our understanding of sector developments and any local issues;
- Reading and reviewing Trust Board and Committee reports;
- Reviewing the Trust's Annual Governance Statement and Annual Report;
- Considering the outcomes from the work of internal audit;
- Reading the Board Assurance Framework, risk registers and risk management reporting; and
- Considering the work of regulators and inspectorates.

VFM arrangements – Overall summary

Summary

The table below summarises the outcomes of our work against each reporting criteria.

| Reporting criteria | Commentary page references | Risks of significant weaknesses in arrangements identified? | Actual significant weaknesses in arrangements identified? |
|---|----------------------------|---|---|
| Financial sustainability: How the Trust plans and manages its resources to ensure it can continue to deliver its services | 10-12 | No | No |
| Governance: How the Trust ensures that it makes informed decisions and properly manages its risks | 13-14 | No | No |
| Improving economy, efficiency and effectiveness: How the Trust uses information about its costs and performance to improve the way it manages and delivers its services | 15-18 | No | No |

VFM arrangements – financial sustainability summary

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

Background to the NHS financing regime in 2020/21

Following the onset of the Covid-19 pandemic in March 2020, the original NHS Planning Guidance 2020/21 was suspended and a new financial regime was implemented. For the first half of the year (April to September 2020) all NHS trusts and NHS foundation trusts were moved to block contract payments 'on account' and the usual Payment by Results national tariff payment process was suspended. The Financial Recovery Fund was also suspended and NHS providers were able to claim for additional costs due to Covid-19. Whilst commissioner allocations for 2020/21 had already been notified, individual commissioner financial positions were kept under review and top-up payments were issued to CCGs to cover the difference between allocations and expected costs to pass on to providers.

For the second half of the year (October 2020 to March 2021) there was a move to "system envelopes" with funding allocations covering most NHS activity made at the system level, including resources to meet the additional costs of the Covid-19 pandemic. There were no further general retrospective top-up payments and all Covid-19 costs from that point were funded through the fixed Covid-19 funding allocation with a few exceptions.

Systems were expected to achieve financial balance within this envelope and individual organisations were able to deliver surplus or deficit positions by mutual agreement within the system. However, NHS trusts were still required to meet their statutory break-even duty and CCGs required to meet their resource limits.

Overall responsibilities for financial governance

We have reviewed the Trust's overall governance framework, including Trust Board and Committee Reports, the Annual Governance Statement, and Annual Report and Accounts to confirm the Trust Board has arrangements to meet its responsibility to make the best use of financial resources and deliver the services people need, to standards of safety and quality which are agreed nationally.

We have reviewed reports and minutes of the Integrated Assurance Committee, confirming there is oversight on financial management and operational performance, quality of services and risk management on behalf of the Board. We have reviewed reports and minutes of the Audit Committee, confirming there is oversight on the Trust's internal control arrangements.

Budget monitoring and control

We read the Trust's Standing Financial Instructions and these include specific provisions for budgetary control and reporting. Finance Managers provide reports and support to budget holders and teams to facilitate effective financial management of those component parts of Trust financial performance. Clear responsibilities are outlined for budget holders and the Trust's Standing Financial Instructions include specific provisions for the preparation and approval of the Annual Plan and budget. Budgeting is aligned with other planning processes. Workforce planning informs the budget setting process, with 'bottom-up' joint working in setting budgets with HR across Divisional teams. Operational activity planning is reflected in budget setting, with budgets aligned to commissioning intentions and treatment performance. There is an established Business Case process when services are faced with changes which impact activity and required financial resources. The Business Planning Group meets weekly with reporting to the Trust Management Executive, and to the Trust Board via the Investment Committee when above the Trust Management Executive delegated limit. Capital planning is aligned to the identified Trust and regional priorities, within the Integrated Care System capital envelope. A capital prioritisation plan managed is by the Capital management group, with membership from all Divisions.

Where particular financial pressures emerge, the Trust Management Executive may instigate a deep dive into the issue, including remedial action. The Trust's Headcount review conducted in 2019/20, and the subsequent action to review the workforce and improve control in this area across the Trust is an example of this.

Our discussions with management and our review of committee reports and minutes confirms that throughout 2020/21, the Integrated Assurance Committee and the Trust Board, through an Integrated Performance Report and detailed reports on finance, have received regular reports on financial performance and planning. There is a reassessment of in-year forecasts and underlying run rate analysis throughout the financial year with bridge analysis to identify key changes. We reviewed a sample of reports presented for 2020/21, which contain evidence of a clear summary of the Trust's performance, detail on any variances and adequate explanations of the causes.

VFM arrangements – financial sustainability summary

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

Budget monitoring and control (continued)

As reported in the audited financial statements, Total Operating Income for 2020/21 was £1,324m and Total Operating Expenses were £1,296m. The operational and financial performance was heavily impacted by Covid, with specific changes introduced to the System's funding regime and additional costs required. Operating income included £101m of reimbursement and top up funding under the regime. Staff costs increased by £72.7 in 2020/21, including increases in the accrual for outstanding annual leave (from £3.9m to £17.8m) and £7.3m in agency costs.

The Trust has well established arrangements for effective year end financial reporting, with statutory deadlines met for 2020/21 and in previous years. We were unable to attend the Trust's year-end stocktakes due to travel restrictions during the Covid-19 lockdown, which lead to a limitation of scope in our 2020/21 audit report and a qualified audit opinion. The Trust's Annual Governance Statement reports that the Trust carried out all its own normal stock count processes in the year and that the Trust Board does not consider the audit qualification to be a significant control failure. No significant concerns were reported in our Audit Completion Report which adversely impact on this commentary and the final financial outturn was broadly in line with the forecast position during the year.

The Trust agreed its 2020-2025 Strategy in March 2020, which sets out the strategic objectives and supporting themes for the period. Our review of documentation and discussions with management confirm that business planning, investment decisions, and governance arrangements are shaped within this strategic framework. The Strategic themes include 'getting the basics right'. We reviewed a selection of Board and Audit Committee meetings where the Board Assurance Framework was presented. Our review confirms the Board Assurance Framework includes specific risks regarding this theme. These relate to the risks of the Trust not delivering the in-year break even financial plan and NHSI Financial Control total plan, and it being unable to sustain its breakeven duty over 3-5 years. We considered the controls, sources of assurance and plans to address these risks as presented in the Board Assurance Framework and are satisfied there is evidence of ongoing review, challenge and action by the Trust through the Audit and Integrated Assurance Committees and through reports to the Trust Board. Controls reported include close alignment of the Trust's business planning process with activity, workforce and financial planning and close monitoring and control on spending and performance. There are also continuing arrangements in place for implementing any improvements arising from the recently commissioned independent financial governance review and working, along with partners in the Integrated Care

System, to develop and deliver a long term financial recovery plan. Some sources of assurance or actions continue to be challenging during Covid-19 and there remains an ongoing need for clarity on NHS financing beyond October 2021.

Capital and estates

We also reviewed the annual report and annual governance statement, which confirms the Trust is continuing with its Estates Compliance Action Plan and the Annual Governance Statement explains the arrangements in place, with estates compliance reporting discussed at Estates Compliance Committee and Health and Safety Committee. Our review of the Board Assurance Framework and the minutes of the Integrated Assurance and Audit Committees confirms there is appropriate focus on risks associated capital and estates matters and challenge of performance.

VFM arrangements – financial sustainability summary

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

Financial standing

The Consolidated Statement of Comprehensive Income we audited includes a separate disclosure relating to the Trust's financial performance against its control total, which we have re-produced in the table below as well as showing the two major components of Taxpayer's Equity: Public Dividend Capital and the Income & Expenditure Reserve. Figures in brackets represent a deficit position.

| | 2018/19 (£'000) | 2019/20 (£'000) | 2020/21 (£'000) |
|--|-----------------|-----------------|-----------------|
| Control Total Performance | | | |
| Audited surplus/(deficit for the period) | (3,603) | (11,657) | (1,641) |
| Net adjustments to control total basis | 40,927 | (1,121) | 4,746 |
| Adjusted financial performance | 37,324 | (12,778) | 3,105 |
| Taxpayer's Equity | | | |
| Public Dividend Capital | 227,037 | 241,445 | 289,789 |
| Income and expenditure reserve | (13,658) | (24,124) | (14,837) |
| Total Taxpayer's Equity | 320,219 | 359,959 | 418,209 |

The increase in Public Dividend Capital reflects the £48m capital funding received for successful bids to support significant schemes in the year, including £24m for improvements to critical care facilities. There were no unplanned movements on the Trust's borrowings, with the largest elements continuing to reflect the PFI commitments.

The Trust has complied with relevant financial planning guidance during 2020/21 and has continued to monitor progress against plan to date, which included delivering a financial outturn in line with the 2020/21 system envelope. We have confirmed that the Audit Committee received reports from management to support its consideration of the continuation of the Trust as a Going Concern and, given the uncertainty over the future income regime and costs and funding of Covid, the financial sustainability of the Trust.

The Trust's arrangements and approach to 2021/22 financial planning

We discussed the established budget setting approach with management and considered the guidance which

has annually been in operation. The arrangements are adequate and include:

- overarching principles agreed by the Trust Management Executive and Board, with overall financial envelopes set for Divisions/Corporate;
- steps to align the approach with national planning assumptions, inflation, activity variations and other key known variables such as agreed business cases;
- bottom up detailed budgets drafted by Divisions based on the agreed approach and identified Divisional level cost pressures;
- a process for managing any misalignment between the bottom up and top-down approach through discussion between Executive team and Divisional leadership teams.

The Financial Plan adopted annually by the Trust Board reflects the strategic framework set out each year by NHSE/I. The plan reflects the national planning context and its application at a regional level. The plans are developed and agreed as part of the financial governance that are in place for the Buckinghamshire, Oxfordshire and West Berkshire Integrated Care System (ICS).

For the first half of 2021/22, the NHS remains under the same financial arrangements as for the second half of 2020/21 and a different approach has again been required as part of the interim arrangements. The arrangements will continue to include system funding envelopes. Block payments will remain in place for relationships between CCGs and NHS providers. NHS England and improvement (NHSE/I) have nationally calculated CCG and NHS provider organisational plans as the default positions for systems and organisations to adopt. These then provide a starting point for budget management without the need to complete an extensive planning process.

We reviewed the budget setting paper considered by the Trust Management Executive in March 2021 and the financial plan for the first half of 2021/22 submitted by the Trust and updated June 2021, which includes assumptions around staffing levels, pay awards, business cases and Covid-19 expenditure and is based on block funding based on 2020/21 values adjusted for inflation for the first half of 2021/22.

We also reviewed the July 2021 Integrated Performance Report, which shows that the Trust has a planned £1.4m surplus (compared the draft plan's £10.4m deficit) for the first 6 months of 2021/22. The Report includes recognition of £23.4m of expected Elective Recovery Fund income. The Report shows that the Trust has yet to agree its financial plan for the second half of 2021/22 with NHSE/I.

VFM arrangements – Governance

Governance: how the trust ensures that it makes informed decisions and properly manages its risks

Governance structure

We have reviewed the Trust's Board and Committee Reports during the year as well as key documents in relation to how the Trust ensures that it makes informed decisions and properly manages its risks.

The Trust has a full suite of governance arrangements in place, supported by the Trust's Constitution and Scheme of delegation. These are set out in the Trust's Annual Report and Annual Governance Statement. We reviewed these documents as part of our audit and confirmed they were consistent with our understanding of the Trust's arrangements in place. This includes arrangements such as registers of interests being maintained and published.

Our review of the Trust's governance framework confirms arrangements are in place, with the Trust Board being overall responsible for the performance of the Trust and having a clear set of strategic and supervisory roles. The Trust has established Committees to support these roles. The Committees in 2020/21 were:

- Audit Committee;
- Integrated Assurance Committee;
- Investment Committee;
- Remuneration and Employment; and
- Trust Management Executive Committee.

The Trust carries out an annual review of the Board and its Committees. The Committee structure in place throughout 2020/21 reflects the improvement opportunities identified in previous reviews, with the minutes to the newly established Integrated Assurance Committee showing that it has supported the Board through its assess scrutiny of the organisation's financial and operational performance; the quality of services (including clinical effectiveness, patient experience and safety) and the appropriate identification, assessment and management of risks.

Each sub-committee completes an annual review of its effectiveness, with the results and any priorities for improvement reported to the Trust Board. We have reviewed these assessments and the matters considered by the Board. We consider the committee structure of the Trust is sufficient to provide assurance that decision

making, risk and performance management is subject to appropriate levels of oversight and challenge. Minutes are published and reviewed by the Trust Board to evidence the matters discussed, challenge and decisions made.

The 2020/21 Annual Report and Annual Governance Statement set out the steps taken in the year to strengthen compliance with NHS Improvement's Well-Led framework. The Care Quality Commission's latest (2019) inspection saw a reduction in the rating for this domain from 'Good' to 'Requires Improvement'. The improvements included further embedding of the Board governance processes, including the implementation of the Board Integrated Assurance Committee and introduction of the Trust-wide Risk Committee, additional Non-Executive Director recruitment and the continued development of the Integrated Performance Report. There are Board Development activities in progress with a broad framework of actions being taken to strengthen the Trust's clinical leadership and divisional management and governance arrangements.

The Trust carries out an ongoing programme of work to ensure that its governance procedures are in line with the principles of the NHS Foundation Trust Code of Governance. The Annual Report includes a summary of the Trust Board's assessment of its arrangements against the Code's expectations. The summary is consistent with our understanding of the Trust's arrangements and the Board has reported that it considers that it was fully compliant in 2020/21 with the disclosure requirements of the Code. The Integrated Assurance Committee minutes show that Committee has carried assessment of assurances in support of the Trust's Provider Licence self-certification.

The Annual Report sets out the arrangements in place for the Council of Governors (CoG) to carry out its roles and meet its responsibilities as set out in the Trust Constitution. These include the arrangements for making the Trust accountable for the services it provides. The Annual Report states that there has been regular and increasing engagement by the CoG and individual Governors with the Trust Board and that the Chair of the Trust is also the Chair of the CoG, and has the responsibility of updating the Board regularly on matters arising from the CoG. The CoG published minutes show that Non-Executive Directors regularly attend the Council of Governors' meetings, and Executive Directors will be in attendance to comment when issues relevant to their portfolio are on the agenda. The published minutes indicate that the CoG's interaction and relationship with the Trust Board is appropriate and effective. The Trust's Constitution has been subject to a full review including a Governor-led working group, with the Trust Board and CoG being asked to approve the new Constitution's adoption in July 2021.

VFM arrangements – Governance

Governance: how the trust ensures that it makes informed decisions and properly manages its risks

Board Assurance Framework

The Trust has a comprehensive risk management system in place which is embedded into the governance structure of the organisation. The processes are supported by the Trust-wide Risk Management Strategy and the Trust leadership plays a key role in implementing and monitoring the risk management process. Operational responsibility for the implementation of risk management has been delegated to Executive Directors in line with their functional areas. The Risk Management Strategy describes the roles and responsibilities of all staff in relation to the identification, management and control of risks, and encourages the use of risk management processes as a mechanism to highlight areas they believe require improvement. The Risk Management Strategy describes how risks are linked to one or more of the Trust's strategic themes or operational objectives. It provides the framework for the proactive risk identification and management of risks, through risk registers, risk assessment and the Board Assurance Framework.

The Trust records strategic risks in the Board Assurance Framework (BAF), with the Corporate Risk Register subject to regular review by the Risk Committee. Our review of the BAF confirms it is sufficiently detailed to manage the Trust's key risks, identify controls, gaps in controls and obtain the assurance required to work towards a targeted risk score. The Audit Committee programme includes regularly assessing whether these arrangements are in place and are effective. The Audit Committee plans throughout 2021/22 a schedule of focused reviews covering each of the strategic themes in the BAF.

The BAF and Corporate Risk Register are used to inform the agenda of the Trust Board and Integrated Assurance Committees with our review of agendas confirming the relevant risks being reviewed regularly. Our review of Board and Committee reports as well as attendance at Audit Committee meetings confirms the BAF is regularly updated and in sufficient detail to allow for adequate review including primary risk controls, gaps, plans to improve controls and any additional actions required. Internal Audit carry out an annual independent review of the BAF and Corporate Risk Register. Internal audit provided a "Significant Assurance with minor improvement opportunities" rating on these arrangements for 2020/21. Managers are continuing to review and look for opportunities to further strengthen these arrangements.

Audit Committee

The Trust has an established Audit Committee. The Trust's Annual Report records that the Committee exists to

oversee the establishment and maintenance of an effective system of internal control throughout the organisation, by means of independent and objective review of financial and corporate governance, and risk management arrangements including compliance with law, guidance and regulations governing the NHS. It ensures there are effective Internal Audit arrangements in place that meet mandatory NHS Internal Audit Standards and provide independent assurance to the Board.

The Audit Committee considers the BAF, Annual Report and Accounts and Annual Governance Statement and monitors progress with internal and external audit plans. It also regularly receives updates on losses and compensation payments, single tender waivers.

We have reviewed supporting documents and confirmed the Audit Committee meets regularly and reviews its programme of work to maintain focus on key aspects of governance and internal control. Our attendance at Audit Committee has confirmed there is an appropriate level of effective challenge. Examples include carrying out 'deep dive' reviews into areas of concern and requests for further assurance from management if thought necessary.

Internal Audit and Counter-Fraud

The Trust's Internal Audit is provided by an independent third party who provide Annual Plan, Annual Report and regular progress reports to the Audit Committee, which we have read. Internal Audit has free access to Directors and staff and has not reported any concerns regarding its ability to carry out its role effectively. Internal Audit's work is risk based and there is appropriate focus, supported by the Committee, on follow up on implementation of agreed recommendations and speed of management response. The Head of Internal Audit Opinion is reflected in the published Annual Governance Statement. In respect of the 2020/21 period Internal Audit's opinion was a rating of 'significant assurance with minor improvements required'. Our review of their detailed reports confirmed that Internal Audit gave 'significant assurance with minor improvements required' ratings for their reviews of Divisional and Corporate Governance and Key Financial Systems.

The Trust's Local Counter Fraud service is provided by an independent third party. The Audit Committee has received regular progress reports on the agreed annual counter fraud plan and provided oversight and challenge as required. We have reviewed the reports provided and they do not highlight any significant concerns in relation to the counter fraud arrangements in place or the matters being reported.

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Improving VFM: how the Trust uses information about its costs and performance to improve the way it manages and delivers its services

Performance management

We have reviewed key reports issued by the Board and confirmed the Trust reports its performance in several different ways, including:

- an Integrated Performance Report to each Board meeting, with the Integrated Assurance Committee also providing detailed scrutiny and challenge of the report at its meetings; and
- the publication of the Annual Report, and Annual Governance Statement, which are reviewed by the Audit Committee before adoption by the Trust Board.
- The annual Quality Report

In response to the Covid-19 pandemic, the Trust enacted its major incident plans and put in place incident Command and Control arrangements which were approved in April 2020 and remained in place throughout 2020/21. The Annual Report and paper to the May 2020 Board meeting confirms that the Trust followed Government guidance in dealing with the evolving pandemic and introduced revised, responsive Board governance arrangements to support the management of the Trust's response.

The national Emergency Response Level was reduced to Level 3 in August 2020. This signified the expected start of the Recovery Phase of the response to Covid-19 pandemic. Operational performance for the periods from August 2020 where data is available reflects the Recovery Phase where services are being reinstated as part of this Phase 3 Recovery programme. From August, this recovery commenced with ambitions to return to pre-Covid-19 levels of waiting lists, response times and constitutional standards, in line with expectations as set out in Sir Simon Stevens' letter of July 2020. However, the Covid-19 2nd wave has impacted significantly against all Trusts' plans and we recognise that the highly unusual circumstances caused by Covid-19 posed challenges across both non-elective and elective pathways and the Trust's operational performance needs to be judged in this context.

The Trust has in place an approved Performance Management and Accountability Framework, which details how operational, performance and financial issues are identified, stratified and reported through the organisation. The framework outlines a trust wide approach to managing performance and holding Divisions to

account for delivery of objectives and improvements, including those relating to governance and risk management. This includes monthly Divisional Performance Review meetings, chaired by the Chief Executive and supported by other Chief Officers. The outcomes of the Performance Review Meetings are presented to the Integrated Assurance Committee and the Committee assurances provided to the Board.

Our review of Trust Board and Integrated Assurance Committee reports and minutes confirms that the Board and Committee has continued to receive regular Integrated Performance Reports covering Quality, Outcomes and Patient Experience; Operational Performance; Workforce; Digital; and Finance. Performance is summarised in format which shows performance against target and over time. Board members are also able to triangulate information from this report with the assurance summaries from each Committee, where Committee chairs draw attention to assurances provided or matters escalated for the full Board's attention. Our review confirms the reports provide sufficient detail to understand performance and published minutes demonstrate sufficient challenge from non-executive directors on the Trust's costs, performance and service delivery. Our review also confirms the Board has paid particular attention to the impact of the Covid-19 pandemic on performance and the Board holds managers to account where performance improvements are required.

As the demands of Wave 2 have diminished, the Trust is now moving into a period of restoration of services and is now guided by national requirements as set out in NHS England's 2021/22 Priorities and Operational Planning Guidance. This guidance, which moves away from a focus on statutory access standards, will have a direct impact on performance.

We have read and reviewed the Trust's Annual Report and Quality Report, which set out its performance against key indicators and how it evaluates and assesses performance and improvement opportunities.

Our review confirms, overall, that the Trust's reports are adequately laid out and sufficiently detailed to monitor performance and take corrective action where required, which may include updating the Board Assurance Framework.

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Improving VFM: how the Trust uses information about its costs and performance to improve the way it manages and delivers its services

Care Quality Commission (CQC)

On 16 March 2020, the CQC announced they would suspend their routine inspection schedule however, they may still inspect if they have patient safety concerns. We reviewed the CQC website and all inspection reports issued during 2020/21, including service specific reports.

At the end of 2020/21, the Trust's overall combined quality rating by the CQC was 'Requires Improvement', with the domain scores from the latest published report shown in the table opposite. We have also included the overall ratings from the inspection reports on the Trust's hospitals. The inspections were carried out November 2018, with the reports published June 2019. Ratings will not change until the next formal inspection by the CQC.

CQC issued conditions following the John Radcliffe Hospital inspection requiring the Trust to make urgent improvements to the operating theatres at the hospital. The Trust invested resources and other measures to the requirements highlighted in the inspection reports, with CQC lifting these conditions in December 2019 following a follow up inspection visit.

We have reviewed the Trust's 2020/21 Annual Report and 2020/21 Quality Report which set out the steps being taken to continue to engage with the CQC, including relationship meetings and the escalation of risks and concerns in respect of patient safety or quality if required. We reviewed Trust Board and Sub-committee Reports and confirmed that there was an Integrated Quality Improvement Programme in place during 2020/21, within which relevant CQC priorities have been included, and that the Trust Board and Trust Management Executive Committee receives progress update reports on the individual programmes' progress. The Integrated Performance Report to the Integrated Assurance Committee and Trust Board is sufficiently laid out to enable scrutiny on performance against Quality and Safety targets and performance trends as well as consider and challenge the actions to recover performance. The Integrated Assurance Committee minutes show that the Committee receives feedback from the quarterly Divisional Performance Reviews and discusses with Divisional Directors the challenges and risks relating to quality, patient and staff experience and operational performance. The Trust Management Executive Committee provides further oversight on clinical and corporate performance and accountability. We also reviewed the Board Assurance Framework, which adequately links the identified risks to matters in response to relevant CQC findings and through to controls, sources of assurance and planned actions.

Our review confirms the Trust's arrangements for managing performance and responding to CQC's findings are in line with those expected for the sector. We recognise the impact of Covid-19 during the year on the Trust's performance and it is for CQC to determine whether sufficient progress has been made for any ratings to be changed as the judgement on the effectiveness of arrangements is subject to any future inspection findings from the CQC.

| Theme | Rating |
|---|----------------------|
| Oxford University Hospitals NHS Foundation Trust (Combined ratings from report Issued June 2019) | |
| Overall rating | Requires improvement |
| Are services safe? | Requires Improvement |
| Are services effective? | Good |
| Are services caring? | Good |
| Are services responsive? | Good |
| Are services well-led? | Requires improvement |
| Use of resources | Requires improvement |

| Hospital | Rating |
|-----------------------------|----------------------|
| Churchill Hospital | Good |
| Horton General Hospital | Good |
| John Radcliffe Hospital | Requires Improvement |
| Nuffield Orthopaedic Centre | Good |

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Improving VFM: how the Trust uses information about its costs and performance to improve the way it manages and delivers its services

Single oversight framework (SOF)

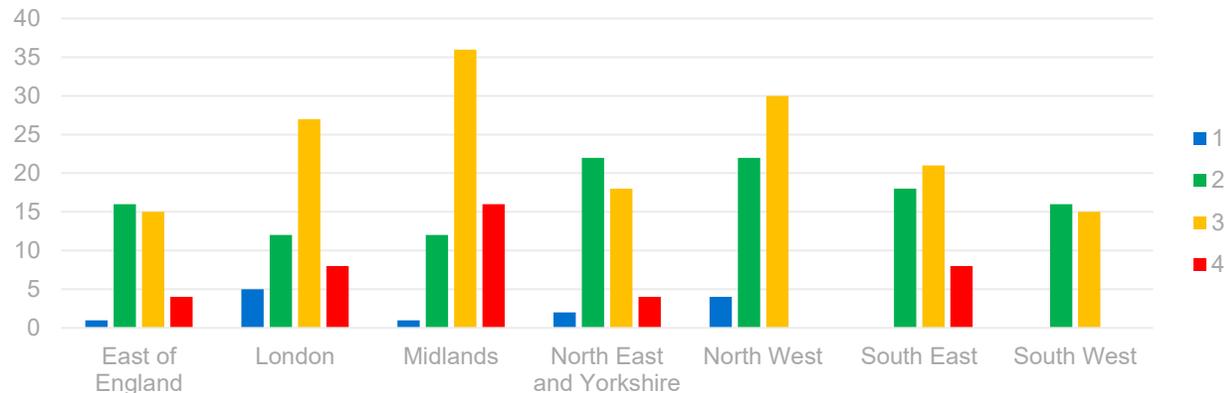
We considered the findings from our previous years' Value for Money Conclusion work, where we reported in our 2019/20 Auditor's Report that the Trust's overall rating under NHS Improvement's Use of Resources assessment for finance for the financial year ending 31 March 2020 was "4 - Inadequate." In 2019/20, the rating's metrics included measures relating to the Income & Expenditure margin, margin distance from plan and Agency Staff costs. The Trust's outturn in these areas in that year contributed to the final rating. The Trust agreed a control total surplus for 2019/20 of £37.9m. This included expected Provider Sustainability Fund (PSF) and Marginal Rate Emergency Threshold (MRET) income of £33.1m, contingent on meeting the control total and other performance targets. The Trust declared it would not meet the Control Total at Quarter 2 and for the financial year ending 31 March 2020, the Trust reported a £12.8m deficit for the year (c1% of turnover).

NHSE/I has replaced the metric with the Single Oversight Framework. Under the SOF, which is designed to help NHS providers attain, and maintain, CQC ratings of 'Good' or 'Outstanding', NHSE/I segment providers based on the level of support each provider needs. Trusts are segmented into one of the following four categories (shown in the table opposite).

We reviewed the Trust's public score, which for 2020/21 is 3 – mandated and targeted support. The chart opposite sets out the Trust's relative position on the SOF against all acute providers in England, with a 3 rating being the most common for this sector. The public score is changed only once providers have been informed by their regional lead and there is a move between segments.

Our review of the Trust's Annual Report confirms that this rating reflects NHS Improvement's continuing enforcement notice in relation to Finance, and the long term financial sustainability of the Trust. This notice has been in place since 2018, following the unplanned deficit reported for the 2017/18 financial year. The Trust has continued to engage with NHSE/I regarding the steps being taken in relation to the matters which lead to this notice and the Board Assurance Framework records the controls and activities in place in respect of the risk of the Trust not being able to sustain its breakeven duty over 3-5 years. An independent review of financial governance was commissioned by the Trust, prompted by the 2019/20 financial outturn, to highlight any areas of potential learning. The review's completion has been delayed by the COVID-19 pandemic but the Board Assurance Framework records that the Trust is committed to responding to matters arising from the review when it is finalised in 2021/22. The Board Assurance Framework also records the Trust's ongoing engagement with the Integrated Care System to develop and deliver a long term financial recovery plan and continue to keep within the system envelope.

Acute Sector SOF Segmentation



| Segment | Description |
|---------|---|
| 1 | Providers with maximum autonomy: no potential support needs identified. Lowest level of oversight; segmentation decisions taken quarterly in the absence of any significant deterioration in performance. |
| 2 | Providers offered targeted support: there are concerns in relation to one or more of the themes. We've identified targeted support that the provider can access to address these concerns, but which they are not obliged to take up. For some providers in segment 2, more evidence may need to be gathered to identify appropriate support. |
| 3 | Providers receiving mandated support for significant concerns: there is actual or suspected breach of licence, and a Regional Support Group has agreed to seek formal undertakings from the provider or the Provider Regulation Committee has agreed to impose regulatory requirements. |
| 4 | Providers in special measures: there is actual or suspected breach of licence with very serious and/or complex issues. The Provider Regulation Committee has agreed it meets the criteria to go into special measures. |

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Improving VFM: how the Trust uses information about its costs and performance to improve the way it manages and delivers its services

Partnership working

Our review of the Trust's 2020-2025 Strategy confirmed that the Trust's strategic objectives include 'We will work with partners to improve the health and wellbeing of Our Populations, working collaboratively to deliver integrated and sustainable services'. Our review of board minutes, documents in support of the Trust's VFM self-assessment and discussions with management confirms the Trust is committed to partnership working and there are examples of significant and effective partnership working in place.

The Trust works in close partnership with other health organisations in the area, through the Buckinghamshire, Oxfordshire and West Berkshire Integrated Care System (ICS). The documentation reviewed confirms that the Trust is a key member of the ICS with representation on the Senior Leadership Group, Financial Oversight Group, other functional groups and workstreams. The Trust has worked with its partners in the ICS to develop ICS level planning arrangements for 2021/22 for capital, revenue, activity and workforce. Our review of finance reports in 2020/21 confirms that the Trust worked closely with partner organisations across the ICS to deliver a financial position within the allocated system envelope, and these arrangements have continued into 2021/22.

The Trust's self assessment and supporting documentation which we reviewed and discussed with management confirms that its working with Oxford University is key and is supported by a set of formal partnership arrangements (the Strategic Planning Board and Joint Executive Group). The self-assessment also highlights the Trust's involvement and leadership in many Clinical networks, each of which has governance structures in place to ensure the aims of the network are met, and the Oxford Academic Health Science Network which the Trust hosts for the region.

The Trust's audited financial statements record the Trust's investments in joint ventures with Oxford University and the Oxford Hospitals Charity. Our review of Board and Committee reports confirms there are arrangements in place, through the Investment Committee, for monitoring investments, commercial activities and joint ventures. The Investment Committee's review of the Trust's Investment Policy has been informed by the findings from its review in 2020/21 of the Trust's investment activities.

Procurement

There is a Procurement Policy in place with a requirement to procure via open competition, framework agreements or to seek prior approval via a waiver. Waivers are all reviewed personally by CFO and reported to Audit Committee. We read the Trust's Standing Financial Instructions and confirm these adequately set out the procedures, controls and the authorisation sign offs that are required for the commissioning or procurement of services. In 2020/21, to assist the management of the Trust's response to Covid-19, supported by the Cabinet Office's Procurement Policy Note (PPN 02/20) issued in March 2020, the Trust introduced specific instructions and requirements. There is a professional procurement team in place with a specification process used to ensure that the selected option and supplier gives best value for money. Legally compliant Framework Agreements are used where appropriate and there are instructions in place regarding the levels for delegated approval of expenditure. The Trust has policies in place regarding expected standards of business conduct, and gifts and hospitality, to mitigate the risk of conflicts of interests arising. Our review of Board and Committee minutes confirms these are published on a regular basis. Our attendance at the Audit Committee confirms it receives regular compliance reports from the Chief Finance Officer on any Single Tender Waivers and Losses and Compensation. The Committee's reviews provide assurance to the Trust Board that the Trust is working in accordance with relevant legislation, professional standards and internal policies. Sufficient information is provided to enable an adequate level of review and we have observed an appropriate level of challenge from Committee members through the year.

The Trust has established arrangements for managing its Private Finance Initiative contracts, which are highly material in value and significant for the successful operation of the Trust's hospitals and energy facilities. We have confirmed through discussion with management, review of reporting and our general audit work that there is regular monitoring of the operators' performance against the key performance indicators and other requirements set out in the contractual framework and challenge where required. The Trust's general procurement arrangements include an expectation that the process will include appropriate due diligence on providers and that contracts will include sufficient safeguards and performance monitoring.

The Trust's Procurement team has reported that it managed and delivered a programme of procurement savings of £6.1m in 2020/21 (including £1.8m VAT and contract savings for prosthetics) and a £3.8m full year effect basis benefit in 2021/22, including a £1m energy and gas contract saving.

04

Section 04:

Other reporting responsibilities

This section of the report summarises the outcome of our other reporting responsibilities as the Trust's auditor

Other reporting responsibilities

Matters we report by exception

The NHS Act 2006 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest; and
- make a referral to the regulator.

We have not exercised any of these statutory reporting powers.

We are also required to report if, in our opinion, the governance statement does not comply with relevant guidance or is inconsistent with our knowledge and understanding of the Trust. We did not identify any matters to report in this regard.

Reporting to the National Audit Office in respect of consolidation data

The National Audit Office, as group auditor, requires us to report to them whether consolidation data that the Trust has submitted is consistent with the audited financial statements. We have concluded and reported that the consolidation data is consistent with the audited financial statements.

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