

Auditor's Annual Report on South Central Ambulance Service NHS Foundation Trust

For the year ended 31 March 2021

August 2021



Contents



We are required under Schedule 10 paragraph 1(d) of the National Health Service Act 2006 to satisfy ourselves that the Foundation 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.



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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. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the Trust's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

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

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

Overall conclusion

No significant weaknesses in arrangements identified in any of the three criteria. We have identified areas of focus for the Board, known as "improvement recommendations", which complement the arrangements already in place. These recommendations, if implemented, should enhance the arrangements in place at the Trust, but are not a result of identifying significant weaknesses in the Trust's arrangements.



Financial sustainability

We did not identify any risks of significant weakness in respect of the Trust's arrangements for financial sustainability in our initial risk assessment. Our further work confirmed this view, with no significant weaknesses identified. We have identified improvement recommendations including ensuring that the Trust models the financial implications/projections of new methods of working. This review will also need to incorporate any changes in key assumptions, such as updated actual activity levels, inflation and growth, to ensure forecasts remain accurate. Our findings are set out in further detail on pages 9 to 14.



Governance

We did not identify any risks of significant weaknesses in the Trust's governance arrangements in our initial risk assessment. Our further work confirmed this view, with no significant weaknesses in arrangements identified. We have identified improvement recommendations including ensuring that the internal audit function is utilised to the Trust's best advantage at times of significant change. Our findings are set out in further detail on pages 15 to 19



Improving economy, efficiency and effectiveness

We did not identify any risks of significant weaknesses in the Trust's arrangements for improving economy, efficiency and effectiveness in our initial risk assessment. Our further work confirmed this view, with no significant weaknesses in arrangements identified. We have identified an improvement recommendation to ensure that the performance challenges under the 'new normal' are monitored as efficiently and effectively as possible. Our findings are set out in further detail on pages 20 to 24.

Opinion on the financial statements

We completed our audit of the Trust's financial statements and issued an unqualified audit opinion on 28 June 2021, following the Audit Committee meeting on 24 June 2021. Our findings are set out in further detail on page 29.



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

All 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.

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

Under Schedule 10 of the National Health Service Act 2006, we are required to be satisfied whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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



Financial Sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on pages 6 to 28. Further detail on how we approached our work is included in Appendix B.



Overview

2020/21 has been a completely unique and unprecedented year in NHS history. Normal modes of business were suspended, expectations changed beyond recognition and even short term requirements were unpredictable. South Central Ambulance Service NHS Foundation Trust was hit in different ways by the pandemic, as service demand levels fluctuated dependent on the phases of national restrictions and changes in infection rates which were observed. The Trust dealt with this significant uncertainty through swift decision-making and effective partnership working, including taking a leading role in delivering a number of national pandemic response services.

The pandemic resulted in completely new methods of funding, significantly different performance from established patterns, and necessary changes to operational models and the ways in which the NHS interacted with patients. The sector achieved real transformation in challenging 'how things are done', in particular how the Trust interacted with partners to achieve appropriate outcomes for patients at a time of significant pressure for acute providers. Whilst this was made easier with additional funding for all parties, it also served to demonstrate what can be achieved when all parties work collaboratively in a way previously unseen.

However, this was facilitated by unprecedented levels of funding (for all parties) and with the financial norms (temporarily) set aside. The real challenge, as the country begins to emerge from the pandemic, will be to continue innovating once the financial reality is re-imposed.

The new financial framework is likely to remove many of the income pressures that were inherent in the old 'Payment by Results' framework. Block funding is likely to replace 'commissioning'. As funding will be largely fixed, the focus will be on efficiency, for the Trust notably in designing appropriate responses to the acuity and volume of demand which is faced, to achieve efficient cycle times.

By nature, the Trust's operational activity is demand-led. For the Trust, whilst block funding gives some certainty over the financial envelope within which it needs to operate, it may also cause future challenges as it permits less flexibility in negotiation of more favourable terms to reflect the services provided.

This is in contrast to acute providers where there could be a temptation to meet financial targets by reducing elective activity levels to constrain costs, increasing the backlog. Due to the Trust's high level of interaction with other providers, their behaviours have a significant impact on the level and nature of demand pressures faced by the Trust, and its own ability to therefore meet key targets. In short, longer waiting lists and delays in delivering

acute elective activity increase the risk of higher demand for ambulance services as one of the 'easiest points of access'. Handover times in A&E could also worsen. Continued strong engagement at a system level, which has been a success story during the pandemic, will be critical in order for the Trust to effectively plan for future demand.

Delivering within financial limits will result in the need to alleviate cost pressures. The Trust recognises it is imperative that it mitigates cost pressures through increased productivity and efficiencies, without having an adverse impact on achievement of key performance indicators and favourable clinical outcomes for patients.

The pandemic demonstrated the NHS at its best: dynamic, responsive, collaborative, fleet of foot, and truly committed to the patients and their community. Previous 'sacred cows' were swept aside, for example the need for all Board and committee meetings to be in person, several hours long, at set intervals. The pandemic may have hastened the transition as recommended by the Carter review, to a greater volume of patients being treated more efficiently through 'Hear and Treat' or 'See and Treat' rather than being conveyed to hospital settings. Sacred cows are often a major barrier to transformation and innovation and the pandemic demonstrated that what was previously thought impossible was, in fact, not only possible but can also lead to improved patient satisfaction, improved convenience for all parties and improved outcomes. It is important the Trust continues to challenge 'sacred cows', at both a sector and Trust level, so that it does not lose the momentum of its innovation and transformation journey. This will be particularly important if the Trust is to maximise the benefits of its partnership arrangements within the integrated care systems of which it is a part and across the ambulance provider sector nationally.

The pandemic also presented challenges for the Trust, not least in driving significant changes in patterns of demand. Whilst demand for core emergency services was lower than in a 'usual' year during 2020/21, this radically changed in the following months and the Trust will need to ensure it is able to model what the 'new normal' will look like, to match resource patterns effectively.

In addition, across the sector as a whole, health matters which have been untreated in the early stages may present in the next year or two as considerably more problematic and expensive than if they had been dealt with during the pandemic year. This includes an increased risk of untreated conditions presenting as emergency conditions and requiring paramedic and ambulance care. The level of constrained activity yet to enter the system is unquantifiable, and is compounded by the fact that the need for Covid-secure environments adds additional challenge for the Trust as it seeks to return to pre-Covid levels of activity. This is an example of a critical 'unknown' which the Trust will need to face over the medium term.

Overview

The organisation will also need to continue ensure it can deliver efficiencies and productivity gains to mitigate cost pressures. This is an area where the Trust has historically been successful, but this becomes more challenging where the majority of savings now required relate to realigning and more effectively utilising an exhausted workforce. Top up funding removed this pressure in 2020/21 but, under future financial regimes, this is unlikely to be repeated.

The organisation will need to return to an environment whereby it cannot rely on top-up funding. The organisation may need to be retrained to move away from the Covid era “money is no object” mentality to ensure its future ongoing financial resilience and success, focusing on efficiency and productivity gains to meet activity requirements, rather than just increased spending.

The Board is aware of the cultural forces at play within the organisation and the need to seek assurance, at an early stage, that these are not leading to future financial difficulties. Ensuring accountability is properly rolled down through the organisation is key.

The new financial framework in and of itself is still relatively embryonic. Much of the sector has only been able to plan for the first six months of 2021/22, with a full year outturn position not yet known. This is not due to any deficiency on the Trust’s part. This is symptomatic of the wider uncertainty in the NHS planning assumptions, which itself is fuelled by the unavoidable uncertainty over what happens next with Covid. This does make it extremely difficult for the Trust to plan effectively in the short, medium and long term. This is a significant impediment to planning for medium term financial resilience, but is one which is not within the Trust’s control. What is certain is that the need to deliver future outcomes within financial limits will return, in the face of increased demand, whilst maintaining performance against operational performance standards.

Whilst the financial limits are not yet known, what is certain is that the requirement for financial discipline will return, and the factors which previously made this challenging for the Trust do still exist. At this stage the Trust should focus on understanding its underlying financial position, its cultural financial norms and behaviours, and developing its future approach to transformation, innovation, efficiency gains and productivity enhancements.

Hand in hand with this is the need to ensure arrangements in these areas are robust, and the understanding, skills and experience needed to continue transforming effectively are present within the Trust. Linked with this is the need to ensure that genuine transformation is not overly undermined by short term financial decision making, a focus on finance over outcomes or any of the related problems enshrined within the old ‘control total’ regime.

The uncertainty is also exacerbated by the change in how the NHS works. A system approach is being championed. The pandemic has enabled strong links to be forged across systems, and the Trust will be operating within a new dynamic: funding will be agreed locally within systems and there will be a greater emphasis on the system as a whole in terms of the financial and performance outcomes.

The significant increased funding provided to the NHS in 2020/21 will have a ‘carry-over’ effect into 2021/22, whereby funding received in the previous year is used to offset costs in the current one. However, it is imperative that Boards remove this from their understanding of actual performance in 2021/22. This carry-over effect may mask actual performance levels and achievements, distorting the financial envelope and hiding what may be a worse underlying position / performance than is being reported. This may also mask the impact of costs being higher than they should be, productivity being lower than it should be or efficiency gains not being realised in the way needed for ongoing financial resilience. It is imperative the Board remains alert to the risk of this, and understands the true underlying position, both financially and operationally / performance-wise, rather than celebrating any short term financial success without a full understanding of how much of this is due to the one off impact of the 2020/21 funding being used to cushion the 2021/22 position. In the absence of this, the Trust risks sleepwalking into a medium term financial crisis (once the funding cushion is used up) that should have been foreseen. The challenge for the Trust is to tease out the longer term financial risks and the Trust’s true performance, and to do so in a period where even short term planning is difficult and the uncertainties are considerable. In this environment, it is important the Board does not prematurely believe it has achieved financial success, and equally as important that the full impact of any 2020/21 funding carryover is understood (on both the finances and the activity levels delivered) and removed from the true reported position of the Trust’s achievements in 2021/22. Only then will the Board be in a position to understand how well placed the Trust is to succeed in the new operating environment that develops post-Covid.

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

Overview

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

Overall, there are a significant volume of unknowns about the post-pandemic operating environment, not least how demand patterns will realign, and particularly how the elective backlog in the acute sector will impact on the need for emergency care. This could prove challenging for the Trust where, in an environment of less flexible funding and potentially higher demand, performance levels could easily suffer if sustainable efficiencies in operational models are not identified and actioned in the near term. The downturn in performance and response times in recent months may be indicative of this risk beginning to materialise.

Financial sustainability



We considered how the Foundation Trust:

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

Short-term financial planning, monitoring and forecasting arrangements

Across the NHS provider sector, the pre-existing income contract negotiation process with commissioners was suspended with effect from April 2020 in light of the pressures faced as a result of the Covid-19 pandemic.

As such, during the year, the Trust, along with all other NHS providers, was funded through two different regimes:

- (1) Block contract and top-up payments to break even for the period April – September 2020, provided by existing commissioners and based on actual activity levels from months 1-9 of 2019/20
- (2) For October 2020 – March 2021, working with the Hampshire and Isle of Wight (HIOW) ICS within a system envelope to deliver its contribution to the overall system-wide financial plan.

Under these second-half arrangements, the Trust was set a deficit target of £8.8m for the year within the system. The Trust internally set a more challenging budget with a breakeven position.

On average across the year, the Trust observed lower activity levels than had been the case in previous years in both emergency 999 services and non-emergency patient transport services (NEPTS). Broadly speaking, the reduction in 999 demand was as a result of lockdown restrictions leading to fewer accidents requiring emergency ambulances, as well as increased reluctance on the part of the public to enter into an ambulance or hospital setting, and the reduction in NEPTS demand was due to the cancellation of elective procedures and implementation of virtual outpatients appointments within acute providers.

Because the Trust was funded on the basis of historic activity levels, which had been higher, coupled with the fact that the Trust's cost drivers are largely demand-led, this put the Trust in an advantageous position to achieve a favourable financial outcome.

In addition, as explored elsewhere in this report (refer to 'Governance' and 'Covid-19' sections), the Trust took on contracts for the provision of additional national Covid response services during the year, which were negotiated on a 'cost plus' basis, and as such resulted in a financial benefit to the Trust.

In combination, these arrangements led to the Trust achieving an operating surplus for the year of £2.2m in its final audited financial statements. This position was achieved following what we considered to be particularly cautious application of accounting estimation around provisions and accruals of expenditure, as detailed in the 'Opinion on the financial statements' section of this report. Following the audit of the financial statements, our view is that this surplus is further understated by around £3.5m, meaning that the audited view of the Trust's outcome was a surplus of £5.7m. As £3.5m of this was unadjusted, this £3.5m will 'cushion' the Trust in 2021/22 for future costs it may incur, but should be removed from assessments of the Trust's true underlying financial position and assessment of performance in 2021/22.

Even in times of more constrained income and higher levels of activity, the Trust has a strong track record of achieving its budgeted control total and meeting a breakeven outcome position. The Trust has repeatedly demonstrated its ability to adapt to changing financial targets as necessary to maintain steady financial performance.

Financial sustainability

Throughout the year, the Trust revised its financial plans as the trajectory of the pandemic, and of consequent NHS funding arrangements, were clarified. In our 2019/20 Audit Findings Report, we reported that at the time (June 2020), management was working on the basis of a four month block contract arrangement followed by a pro-rated return to the original financial target for 2020/21.

This did not transpire, as outlined above. However, the Trust's cautious approach indicates management is conscious of the need to appropriately prepare for national changes which may be implemented at short notice and have an adverse effect on finances.

This flexibility and agility will be particularly important in an environment where the medium-to long-term funding picture for NHS providers remains uncertain.

For the first six months of 2021/22, the block contracting arrangements via the ICS and the system control total have continued. However beyond that point, at the time of writing, the nature of the income regime has yet to be confirmed either for the remainder of the current reporting period or for future years, meaning that the value of funding available to the Trust, and hence the scale of financial challenge faced, remains unclear.

It is, however, inevitable that some form of financial constraint or target will be reimposed, and it is clear that the Trust's initial plans and forecasts do take this in to account.

The Trust is working on the basis that the block income for the second half of the year will be broadly the same as the first half, and that a commissioning and control total arrangement will not be reinstated until at least April 2022 and possibly later. The Trust has assumed that its target, as delegated from the ICS, will continue to be to breakeven and that income will be provided on the basis of a 1.1% savings requirement.

In some ways, this is a more challenging financial environment for the Trust. The Trust has historically been successful at negotiating contractual terms with its commissioners which adequately take account of acuity and complexity of call in design of pricing mechanisms. The risk with the new financial framework is that funding will be less responsive to changes in demand or complexity and the Trust may find it harder to maintain performance levels within the financial envelope available.

As primarily an emergency service, the Trust in itself has limited means by which to control the volume or nature of activity which it faces. Management is conscious that block contract arrangements work to its advantage in times of low demand, but create a higher level of financial risk where activity levels increase. In such scenarios, the Trust needs to deliver more with the same resources, as emergency service demand cannot be ignored without severe impacts on clinical outcomes.

The Trust's management was conscious of this and built in a 'smoothing mechanism' to account for fluctuating activity levels over the course of the year.

Due to the level of ambiguity in the arrangements which may appear in the future, the Trust along with all other NHS providers has only been able to prepare and submit to its regulators a detailed financial plan covering the six months of the year, to September 2021.

Performance against the budget is monitored on a monthly basis from a range of sources. Internally, by both departmental budget holders and the central finance team through management accounting, and by the Trust Board, through financial performance reports which are presented to and discussed at each meeting. Externally, financial performance is scrutinised by NHS Improvement and NHS England (NHSI/E) through monthly performance monitoring submissions, and through the ICS.

Risks to achievement of budgeted performance, and mitigating actions, are identified and agreed with the Trust Board respectively and, in extreme circumstances, could be elevated to the Trust's corporate risk register.

The most recent reporting, covering the period to June 2021, is indicative that the Trust is on track to meet its budgeted breakeven position for the period, with slightly lower than budgeted income offset by lower than budgeted activity and therefore costs, in particular in relation to the Covid support services due to the nature of contracts in place to fund these.

The main financial and regulatory pressure highlighted in the most recent reporting relates to a high level of spend on agency staff and private ambulance providers, in particular to cover Covid-related workstreams. There is a risk that, at the current rate, the Trust may breach its centrally-allocated expenditure ceiling in this area.

However, the Trust has built into its Cost Improvement Programme specific targets around recruitment and retention of substantive staff to help alleviate this pressure. In addition, management is confident that this spend is driven by the specific circumstances of the pandemic, and will subside once the Covid services cease. This assumption will need to be closely monitored to assess how accurate it is.

At the time of writing, the Covid Clinical Service (CCAS) is forecasted to cease in June 2021, with the Vaccination line and Covid Response call handling service (CRS) due to be discontinued from the end of September 2021.

Management has also built into their medium-term forecast, detailed below, the assumption that a higher attrition rate will be observed as a result of 'Covid fatigue' and this assumption builds in to the targets set as part of savings schemes.

Financial sustainability

Medium-term planning and new financial architecture

Although it is not possible for the Trust to set detailed budgets beyond September 2021, a high level medium term forecast was developed following the established budget-setting governance process (outlined under 'governance' in the next section), which was presented to and discussed with the Trust Board in March 2021. This incorporated detailed plans for the first half of the year and higher level scenario planning covering a longer timeframe, to 2023/24.

Within the forecast, management have modelled a number of cash flow scenarios which consider the potential impact of different outcomes in key variables within the budget assumptions. Under the downside scenario, pessimistic assumptions are considered including:

- The Trust missing its control total in each year – this is considered to be unlikely given that the Trust has either met or exceeded its control total in each of the previous three years, which is indicative that the underlying run rate does not give rise to an inherent deficit position, as is frequently observed amongst other NHS providers. However, management's assessment is cautious in light of the fact that meeting the control total is dependent on being able to accurately model the volume and nature of demand levels, which may be more challenging to predict, in particular considering the potential impact of increased acute waiting list backlogs following the pandemic. The inherent risk of longer waiting lists and the backlog in elective activity means the level of demand may increase to levels higher than before the pandemic. This is at best difficult to predict and actual patterns will need careful monitoring.
- The outturn of spend required in relation to provisions being higher than the amount which had been provided for – as outlined in the 'Opinion on the financial statements' section of this report, we consider this unlikely given the caution demonstrated by management in determining accounting estimates resulting in liabilities as at 31 March 2021.

Even under these downside terms, management forecasts that it will maintain healthy positive cash balances (at a minimum over the period, £20.8m), and would only record operating deficits of a maximum of £1.7m per year, the impact of which could be offset by strategic decisions at the board level, for instance around the operational model for ambulance leases rather than purchases (which have been planned to resume in 2022/23 but could be deferred).

There is no assumption at any stage of reliance on external cash flow or working capital support, which is consistent with the Trust's recent practices, as evidenced by no external borrowing being held as at 31 March 2020, 31 March 2021 or at any point in either of the years then ended.

Management does acknowledge that greater scenario planning and sensitivity analysis would be beneficial beyond cash flow forecasting, but that this is challenging at a time when income frameworks are subject to radical change and activity is harder to predict.

Scenario planning of activity forecasts in particular would benefit the Trust. Management's assumption is that 999 activity will be at the pre-pandemic (2019/20) level for quarter 1 and 5% higher for quarter 2 of 2021/22, however with increased elective backlog in acute settings, this could be significantly higher. Given the challenge in being able to predict how this may fall, and how it may impact demand for emergency ambulance services, this should be carefully monitored by the Trust.

In particular, management is also conscious that their medium term plan may not yet accommodate all financial pressures which could emerge as a result of closer systems working, as these arrangements develop. For instance, the Trust's current partnership working with the Isle of Wight Trust to address the underlying sustainability issues for this provider could result in its functions being merged into existing providers across the ICS. Under this scenario it is likely that the Trust would need to absorb a proportion of the inherent financial challenge faced by the Isle of Wight Trust and as such would need to adjust its own planning assumptions accordingly.

We are satisfied from discussion with management that future unknowns such as these are understood. Management does not believe it is currently feasible for the financial impact to be documented and accounted for in their forward plans.

Cost Improvement Programmes

The usual financial planning process was suspended for 2020/21. The Trust was not expected to deliver savings through Cost Improvement Programmes (CIPs) in the usual manner. Instead, top-up funding was allocated to compensate NHS providers for additional costs incurred as a result of the pandemic, or inability to meet planned savings due to the immediate operational emergency.

The Trust has a strong track record of either meeting planned savings targets or otherwise identifying compensatory schemes which achieve the same financial outcome. However, savings programmes relating to workforce, such as managing staff shift patterns and sickness absence, have historically been the most challenging for the Trust to meet.

Financial sustainability

For 2021/22, the Trust is assuming that a savings requirement of 1.1% will be needed, and a total programme of £5.8m has been designed to enable the Trust to breakeven for the year based on the assumed income levels for the second six months. This does not appear unfeasible given that in 2019/20, the last full year for which a CIP requirement was in place, the Trust delivered an overall programme of £7.3m of which the vast majority of the savings achieved were recurrent. However, with harder to predict levels of demand post-Covid, this CIP requirement could be harder to deliver than may have previously been the case.

The Trust's CIPs plans for 2021/22 are challenging, with the most significant schemes being based on increasing the Trust's substantive staff base to reduce reliance on private providers and agency staff in NEPTS (saving £1.2m), and improving workforce flowthrough and utilisation in 999 (saving £1.1m and £2.7m respectively).

The last of these schemes requires the Trust to be able to accurately forecast the profile of demand it is likely to face, and allocate staff accordingly. This has been exceptionally difficult during the pandemic as trends have diverged from those observed in 'normal' years. This will continue to be difficult, with an increased risk of more demand arising from the waiting list backlog requiring increased paramedic and ambulance activity compared to the time before Covid.

The other two schemes relate to effective strategies for recruitment and retention of substantive staff, which the Trust acknowledges could be challenging in the face of workforce morale and unknowns in general trends in economic and social behaviour as the pandemic subsides. The extent to which such schemes could represent recurrent savings is also contingent on the actions taken during 2021/22 being sustainable and creating a favourable working environment in the medium term.

Performance against CIPs is monitored on a monthly basis by the Cost Savings group which includes the Director of Finance and all relevant finance managers. Achievement of CIPs against the year to date plan is discussed and alternative suggestions are made in the event of any slippage.

CIP performance, mitigating actions and progress against these are then reported through the Integrated Performance Report (IPR) to the Trust Board at each bi-monthly meeting. A quality and workforce impact assessment of achievement of CIPs is also presented alongside performance to date, with the most significant risk identified at July 2021 being the potential knock-on effect of changes in utilisation on shift overruns.

For the year to date, the Trust is reporting that it is on track to meet its budgeted savings plans. However, it will be important for the Trust Board to continue to challenge management as to whether the achievement of these programmes is sustainable given the current operating environment and, where mitigating programmes are implemented in the event of any slippage, that these are recurrent in nature rather than one-off accounting adjustments.

Finally, it is important to recognise that CIPs may need to be revisited as the financial envelope and control total within which the Trust will need to work for the remainder of the year crystallises. Savings plans are usually subject to the same design, review and approval governance process as the main overarching budget (outlined within 'governance' below), therefore provided this is followed in developing the next phase of arrangements, this should present adequate opportunity for review, scrutiny and challenge.

Alignment of arrangements to strategic priorities, operational performance and system targets

In common with most NHS providers, the Trust incurs very little discretionary spend, with contracts being awarded to the Trust, in normal years, for delivery of specific services. The Trust's budgeting and financial monitoring process is conducted on a segmental basis such that spend is managed within the contractual income envelope for each specific service area.

This means that costs and income associated with each service area (999, 111 and NEPTS) are budgeted for and monitored separately. In general, staff costs are specific to a particular service area, with a small corporate centre. Savings plans and targets are developed in relation to specific service lines, and operational performance targets are monitored for specific areas with CQC inspections also focusing on this level of detail.

Delivery of operational performance targets is a key consideration in budget-setting in each area, in particular relating to staff-related investment and any planned savings relating to workforce.

The Trust's financial plans are built with the ultimate goal in mind of meeting operational performance targets, in particular those relating to 999 response times, and in general improving outcomes for patients in accordance with the Trust's strategic plan. Financial models sit behind this and cost savings are equally quality-impact assessed. The Trust's priority is to make sure financial savings do not impact on operational performance.

Financial sustainability

As outlined above, given that the Trust's most significant source of expenditure relates to staffing, and workforce adjustments account for the most substantial proportion of budgeted CIPs, it is also critical that relevant plans are aligned to the overall workforce plan including recruitment planning. This alignment is clear from the arrangements in place for integrated performance reporting, which also incorporates workforce indicators and the quality and workforce impact assessment of CIPs.

In relation to capital investment, the Trust did not deliver any significant schemes in 2020/21 and is not planning any significant schemes for 2021/22. The majority of investment relates to improvement of IT infrastructure, which links in to the Trust's strategic goal of being a leading partner in local care systems, as the Trust has recently been heavily involved in sharing learning from new IT and telecommunications initiatives with its system partners and other ambulance providers, following previous benchmarking exercises and in its role as Global Digital Exemplar.

The Trust's operational targets relating to fleet maintenance and regeneration of operational buildings, including the new High Wycombe resource centre, will be met through leasing assets which creates headroom in the overall working capital position.

Budget instructions issued to budget holders as part of the planning process for 2020/21 in November 2019 included general principles that any business cases for further investment should be accompanied by one of the following justifications in order to be considered:

- financial (if the investment leads to future savings);
- strategic
- performance improvement (if the investment leads to an improvement in the Trust's agreed targets);
- statutory (to comply with statutory requirements e.g. Health & Safety); and
- revenue protecting (if the investment is required to deliver contracted income).

This further evidences the integration of the Trust's financial and strategic planning.

Likewise, similar principles are applied to decisions around whether to take on responsibility for delivery of new services or extending contracts for provision of existing services.

Non-Emergency PTS (NEPTS) and NHS 111 services are subject to competitive tender after the course of each contract, normally five years, expires. The Trust has no documented intention to cease provision of NEPTS or NHS 111 services in any of the geographical areas which it is the incumbent provider for in the near future.

However, bid or no-bid decisions are taken on a case by case basis and will be taken forward only if the decision to continue or accept these services would align to strategic priorities and is commercially attractive. Four out of the Trust's five NEPTS contracts are due to expire in 2023 and it will be critical that the Trust considers its strategy. This is already being reviewed by the Trust Board.

The national Covid services which began during 2020/21 will be wound down as and when the pandemic subsides, but as the Trust's contracts for delivery of these services has been on a cost plus basis, with income and expenditure reported internally as being ringfenced against these services, this will not impact the Trust's overall financial sustainability.

Provision of these services was considered at Pandemic Board, constituted with members of the Trust's executive team, and Trust Board level with quick decision-making processes in place early in 2020/21. Overall, management consider that delivery of these services has been a positive for the Trust both financially and reputationally, with the executive leadership team hoping that the Trust will be considered for future national leadership initiatives in future. This has already been the case with the Vaccination helpline and the vaccination passport helpline services which the Trust has been commissioned to provide.

Key messages for the Board

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

- Ensuring that the Trust models and tests the financial implications of new ways of working, taking into account different scenarios, in particular as 'new normal' patterns of service demand begin to emerge. Key to this is the ability to be responsive to changes in 'hard-to-predict' levels of demand, which may be higher, post-Covid, due to significantly increased waiting lists and elective backlogs in the system.
- Prioritising identifying and delivering sustainable future efficiency programmes and ways in which these can be adapted to new system-related targets.
- Delivering the savings programmes, ensuring the focus on increasing permanent staff and reducing the reliance on temporary staff does not impact on operational performance and response times, and that operational impacts on workforce are considered.

Financial sustainability

- Maintaining awareness of pressures to budgets, with effective early warning systems to identify risks and ensure corrective action is taken where required.
- Taking informed decisions relating to delivery of new lines of service, considering both the immediate financial implications but also the wider impact on workforce and delivery of sustainable efficiencies.
- The Board will need to understand the true underlying financial position, adjusting for the beneficial impact of non recurrent roll-forward 'cushions' from 2020/21, to ensure the Trust is making decisions based on the true, recurrent, financial position, and has a proper understanding of the true financial health position of the organisation.

Governance



We considered how the Foundation Trust:

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

Financial governance process

The Trust's budgeting process works as both a 'top-down' and 'bottom-up' process. The central finance team prepare an expected budget using an incremental approach, taking the current-year forecast and building in any known changes to costs. Control totals by service area are used as a guide.

The central finance team also then assembles budget instructions to budget holders, which incorporate the operating framework and any expected uplifts to costs. The instructions also include savings (CIPs) targets which are required for each budget area. These are sent out to finance managers and budget holders, who compile the budgets and savings plans for their areas of responsibility.

The Trust then follows a process of budget review meetings where budget and finance managers present their plans to the Deputy Director of Finance, Director of Finance and the responsible Executive Director for the relevant area. Challenges to underlying assumptions are made at this stage. Any significant increases in costs then go through the Trust's business case governance process but the budget review meeting is in place to provide guidance on how to approach this.

Budgets from service areas are then consolidated by the central finance team and iterations of the overall budget are taken through the executive leadership team, with further challenges and queries being raised. Any actions arising are reverted to budget managers to revise and the process is then repeated. Significant issues raised by executive team reviews will be subject to deep dive from finance, for

Instance, analysis of cost and income projections, operational activity levels and proposed engagement or contracting with third parties. One area where there are often more significant changes is education and training, as activity can fluctuate from year to year.

There will typically be a budget gap at the stage where the budget is reviewed by the executive team. The central finance team propose options for executive decision making on where to reduce costs.

Once a final budget has been agreed, an initial walkthrough is undertaken with the non-executive directors holding finance responsibility, ensuring that they are comfortable with proposals.

For 2021/22, the Trust's proposal has then been discussed and agreed with the ICS as the body responsible for allocating both the financial control total for the Trust to work towards and the financial envelope within which the Trust must operate.

The final budget will typically be reviewed by the full Trust Board twice - once for initial review and once for final sign off. The CIPs programme is signed off simultaneously to the budget.

During the year, monthly management accounts are prepared and reported back to budget holders, with significant budget variances being investigated and resolved. Budget monitoring reports are included in both public and private Trust Board papers in which risks and opportunities are identified and analysed, and forecasts are explained.

Governance

Budget monitoring is also reported to NHSI/E and to the ICS leadership, with any queries being communicated through the various system-wide forums in which representatives of the Trust engage.

Where financial performance is off-track, a comprehensive half-yearly review process is undertaken which similar to the budget review meetings. Reasons for overspends or under-achievement of savings are assessed and challenged. The second half-year budget is then remodelled where appropriate based on identification of discretionary spend and potential mitigations are considered for implementation.

Overall, the Trust's arrangements in this area are commensurate with those observed across the sector. However, the strength of oversight of and challenge to this process will be especially critical given the volume of uncertainties inherent in the planning process as central arrangements following the Covid-19 pandemic.

Risk management

The Trust has in place a risk management strategy which documents arrangements to identify strategic risks, understand them, record them, assess, score and monitor them. The Trust has adopted a holistic approach to risk management, making no segregation between clinical, non-clinical, financial or other risk.

Strategic risks are reported to the Quality and Safety Committee and the Audit Committee, both sub-committees of the Trust Board, on a regular basis as part of the Corporate Risk Register. This reporting process follows review by the Risk, Assurance and Compliance Committee, which comprises the executive leadership of the Trust.

Within the risk management strategy, responsibility for identification and mitigation of different types of risk is clearly delegated out amongst the executive Board directors and Board sub-committees, with the Board retaining oversight and focusing on the most significant risks to the organisation.

The Trust Board receives:

- assurances of the strategic risks facing the Trust through the continued development of the Board Assurance Framework (BAF) document. The BAF is presented in a format whereby each overarching strategic risk is clearly aligned to other risks on the Corporate Risk Register. Each BAF risk is assessed and scored based on impact and likelihood.

- summary upward reports from both the Quality and Safety Committee and Audit Committee (who review the detailed Corporate Risk Register)
- all risk assessments categorised as 'red' (high scoring risks)
- monthly reports from the Director of Patient Care and Service Transformation and other Directors as appropriate
- external assurance reports from the Care Quality Commission, NHSLA Risk Management Standards for Ambulance Trusts, the Health and Safety Executive, etc.,
- monthly Integrated performance report (IPR) which includes relevant risks for each area and links to the BAF and Corporate Risk Register.

The Trust Board therefore focuses on key strategic risks and these are aligned between the different regular reports received by the Board – for instance, the BAF, the upwards reports from the sub-committees, the integrated performance report – all of which are reported to and discussed at each meeting.

The presentation of the BAF was refreshed in 2019 and is such that a high level summary graphic is presented showing the likelihood and impact of each risk and scoring accordingly. The scoring of each risk is then tracked for trajectory over the previous year and RAG-rated accordingly. More detailed summary pages are then presented detailing the strategic alignment of the risk, the risk owner, which Committee is responsible for scrutiny, the key controls, the sources of assurance, and actions to address gaps in controls/assurance including action owners.

This process is significantly improved and the Trust is conscious of ensuring that this is embedded and effectively applied by all Trust staff, creating a culture of risk-awareness. As identified in the Annual Governance Statement, a wide range of training has been delivered to staff to enable them to manage identified clinical and non-clinical risks effectively. This training has been informed by a detailed training needs analysis based on external training requirements outlined by NHS Resolution and the CQC, in addition to training needs identified internally by the Trust. The corporate induction training programme for new staff covers health and safety, awareness of risk, and incident reporting.

Governance

Internal controls and counter-fraud arrangements

The Trust's Internal Audit function is provided by BDO, who have recently been reappointed for a further five-year period from 2021/22. A risk-based audit plan for 2020/21 was approved by the Audit Committee in April 2020. At the time of writing in August 2021, progress against the plan has been slower than planned and the Head of Internal Audit Opinion for the previous year has yet to be issued.

Discussion with internal audit revealed no specific concerns about the governance or internal control environment at the Trust, beyond issues already identified and raised through specific internal audit reports. Internal audit has highlighted that the slight delay in the issue of their annual report and Head of Internal Audit Opinion is largely due to the diversion of Trust staff attention as a result of the pandemic.

Internal audit is satisfied that the Audit Committee has sufficient oversight of and assurance over key issues. The Trust's Audit Committee is comprised of four non-executive directors who have extensive experience of operating at Board level. We are satisfied that the Committee provides sufficient challenge to the Trust's officers and also to the internal and external auditors to fully understand the context and implications of the issues reported. Internal and external audit recommendations are followed up efficiently by the Trust and, where this does not happen, the Committee adequately pushes for updates.

However, the delay in the issue of the Internal Audit opinion for 2020/21 represents a slight risk as the audit trail of assurance over processes and controls has not been fully documented, at a time of rapid change where there is a risk that developments from month to month and learning points picked up along the way could be lost.

In addition, the Trust did not request any specific evaluation of Covid-related expenditure or of governance arrangements around the provision of the new Covid services during the year. This has potential to represent a missed opportunity, in particular given that the Trust observed a material increase in income and spend, and significant changes to oversight and governance arrangements. Whilst the new Covid-related services have broadly been a success story for the Trust to date, having additional timely external assurance over the processes and controls which were in place, both in respect of governance and application of income and expenditure, would allow the Trust to draw on this success, gain assurance that monies were well spent and governance was appropriate, and apply learning points to any new expansions of service provision or similar developments in future.

Alongside the Internal Audit arrangements the Trust has an Anti-Fraud and Bribery Policy which documents the Trust's arrangements for detection and proactive prevention of fraud and bribery, both internal and external, including the role of the Local Counter Fraud Specialist (LCFS) alongside specific responsibilities of different individuals and directors within the Trust.

The LCFS function is provided by TIAA and reports to the Director of Finance. The role is twofold, in both creating a workplan to engender an anti-fraud culture across the Trust, and in detecting and investigating fraud.

At the end of each investigation, the LCFS will submit a concluding report to them which will identify the case, conclusion, recommended sanctions and recommended system control enhancements as appropriate, to avoid any recurrence. The LCFS attends and presents at Audit Committee meetings, and provides an overview of ongoing activity, progress reports and annual summaries, as well as best practice advice and thematic issues emerging across the sector. The 2020/21 LCFS Annual Report was reported to the April 2021 Audit Committee meeting. This report confirmed that:

- No frauds were subject to investigation that met the materiality threshold for referral to the Trust's external auditors.
- No significant system failures or control weaknesses were identified that impact on the Trust's Annual Governance Statement.

The LCFS conclusion is that the Counter Fraud function is well embedded within the Trust, and the Trust was assessed with a Green rating for the year in accordance with the Government Counter Fraud Functional Standard Return.

Strategic decision-making

The Trust has an appropriate governance structure in place for its scale and nature of

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operations. This includes the Trust Board and three sub-committees - Audit Committee, Quality and Safety Committee, and Charitable Funds Committee. Each committee has a clearly defined terms of reference which define the scope of accountability and remit for decision making. Upward reports from each committee are presented to the full Trust Board periodically, with significant concerns being escalated through the Trust's risk management process as outlined above.

From our attendance at Audit Committee meetings and review of public and private Trust Board meeting papers and minutes, in our view those charged with governance are sufficiently informed to challenge effectively the decision making and wider activities of executive leadership on behalf of operational service areas. The Committee is well-chaired and appropriately focused, and the challenge is robust but constructive. There is clear respect between committee members and executives and the roles each undertake are respected and valued. This is conducive to an effective governance environment. In addition, governing body members are regularly invited to committee meetings, which is good practice, and there is a focused effort on engaging with governors and ensuring they are able to play an active and informed role.

The Trust Board and Audit Committee undertake self-effectiveness reviews on a periodic basis which seek opinions from internal and external audit, as well as Board members, with responses being collated and themes being followed up as appropriate.

The Trust has recently implemented revised governance structures with respect to transformation and change to align with recognised best practice in this area. The basis on which associated procurement decisions are considered has been explored further with regard to 'improving economy, efficiency and effectiveness' below. The key change with respect to governance has been the inauguration of the Executive Transformation Board (ETB), which comprises the executive leadership team and the Head of Transformation.

Outline proposals for significant spend are initially taken to the ETB, which will provide initial approval for the project to go ahead. Detailed scoping will then be undertaken by the project initiator and a formal business case formulated, including timescales, resource implications, go to market strategy – for instance whether the procurement falls under an existing framework or can be undertaken using direct appointment.

The ETB can then approve the business case and go to market strategy. If the project is over £500k the Trust Board must approve the spend in accordance with the scheme of delegation. If the business case is signed off and implemented in-year this will be additional spend which will

be factored into budget monitoring. If this is known about prior to the next budget-setting round, this will be built in to the initial high-level budget, with checks and balances at service area budget review meetings to ensure that all known costs are included. The Trust is formulating its process for monitoring outcomes and benefits from approved business cases, but the Trust's approval criteria are linked to having measurable financial and operational performance benefits so this process is partially absorbed into ongoing performance monitoring.

The Trust's arrangements in this area are at an early stage and their effectiveness in practice has yet to be demonstrated. It will be important as these develop that the Trust Board has sufficient oversight as to how these new arrangements are working to improve clinical outcomes, represent financially sound judgements and focus on activity which is aligned to the Trust's strategic priorities, as well as being coordinated across service areas.

System working and oversight

The Trust has historically found it challenging to engage fully in system working due to the volume of commissioners it has needed to interact with across multiple systems, in comparison to more geographically confined providers working within a single system. This made it challenging for the Trust Board to maintain full oversight of new system-wide developments.

During 2020/21, the Trust operated solely as part of the HIOW ICS for the purposes of both revenue and capital funding, which covered funding for services provided across other geographical ICS areas, including the Buckinghamshire, Oxfordshire and Berkshire (BOB) system as well.

Representatives of the Trust engage in regular ICS meetings at Chief Executive, Director and Deputy Director level where system-wide projects and funding are discussed and agreed, and system priorities are communicated. The Chair of the Trust also chairs the HIOW ICS Board which gives the Trust an increased layer of influence and stronger voice in system-wide decision making, as well as giving the Trust additional insight into key issues which will affect its future operational models and oversight requirements.

A key area which has been discussed in recent months is the integration of health services currently provided separately by providers in the Isle of Wight into existing larger providers within the ICS, including the Trust. Relatively speaking, the Trust has

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been high-performing both operationally and financially in comparison to its main geographical partners and this, in conjunction with its high level of operational interaction with partners and system-wide coverage, places the Trust in a strong position to lead system-wide discussions.

Systems priorities are discussed on a regular basis at Trust Board to ensure that Board members have oversight of current developments, and can agree the best way for the Trust to have influence over these.

Although the Trust is formally part of only the HIOW ICS, the Trust also engages in the Buckinghamshire, Oxfordshire and Berkshire system. The Trust's ability to engage at this level has been facilitated by remote working arrangements during the pandemic, with reduced travel and administration time increasing confidence for contribution or taking on additional responsibilities. For instance, the Trust's Chief Executive is leading on the digital workstream in the HIOW system, but also strategic Urgent and Emergency care within BOB. This level of influence would not have been practically manageable had physical attendance at meetings been required.

Compliance

From procedures undertaken throughout the audit, including review of relevant documents, discussions with key officers and core stakeholders, we have not been informed of any instances of non-compliance with legislative or regulatory requirements, or of any breaches of the Trust's constitution or standing financial instructions during the year. The Trust informs us it is not subject to investigation by any regulatory authorities.

The Trust's last inspection by the Care Quality Commission (CQC) rated the Trust overall as 'good' with two areas as 'requires improvement', relating to infection control within NEPTS. We are satisfied that the Trust's response to this was appropriate, implementing and monitoring a specific improvement action plan in this area as documented at the Trust Board.

The Trust has appropriate and standardised policies and procedures in place relating to gifts and hospitality, whistleblowing and declarations of interest. We have not been informed of any instances of breaches of these policies having occurred during the year, and the Trust received a 'substantial' assurance rating from its internal auditors in respect of both design and implementation of controls around the Freedom to Speak Up Policy.

There have been no significant data security breaches during 2020/21. The Trust reports through the Data Security and Protection Toolkit **facility**.

Notwithstanding these factors, the Trust's first risk on the Board Assurance Framework relates to potential for non-compliance with regulated activity and nationally set policies resulting in poor clinical standards, reputation, patient harm or not maintaining the CQC rating of good. This is indicative that the Trust is mindful of the importance of maintaining oversight of any issues in this area.

Key messages for the Board

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

- Continue to stress test the quality of the evidence underpinning the level of assurances provided by management to mitigate risks, and ensure that these are delivering the intended results.
- When taking on significant new services or incurring significant areas of new spend, ensure that the decision making processes are subject to sufficient external scrutiny, for instance via the internal audit function.
- Ensure that external evaluation, including from internal audit, is viewed as a support mechanism to operational delivery, to facilitate the delivery of sufficient documented assurances over processes and controls in a timely manner.
- Monitor and assess the effectiveness of the new transformation governance arrangements and the Executive Transformation Board, learning early lessons promptly and ensuring arrangements will facilitate the delivery of larger scale transformation programmes with demonstrable realisation of benefits.

Improving economy, efficiency and effectiveness



We considered how the 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, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

Operational performance data

The majority of the Trust's core operational performance data for 999 emergency services, by which it is measured nationally, is collated through the automated Computer Aided Despatch (CAD) system which integrates the 999 and NHS 111 telephony system with GPS in ambulances to accurately record and report on response type and times.

National Ambulance Quality system 'efficiency' Indicators – for instance those which relate to response times for different categories of call, call answer times – and clinical outcome 'effectiveness' indicators – such as return of spontaneous circulation, recovery from cardiac arrest, incidence of sepsis – are compiled centrally by NHSI/E and published on a monthly basis giving the Trust a key source of data by which to benchmark operational performance against that of other ambulance providers.

This data is analysed and reported as part of the Integrated Performance Report to the Trust Board at each meeting. This is presented alongside other operational Key Performance Indicators for NHS 111 – such as call answer, referrals to 999, call abandonment – and NEPTS – including online booking, call answer, and long waits. In addition, the report includes indicators relating to finance, cost savings and workforce.

The manner in which the report is presented, including narrative, graphical and tabular information, including linkages between each area and clear alignment to the Board Assurance Framework and Corporate Risk Register, gives the Trust Board a comprehensive source of data with which to evaluate the Trust's performance.

The core data is also broken down by ICS area served,

which permits the executive leadership and the Trust Board to identify particular areas of pressure in each area and put into place targeted investigative actions or mitigations where required.

Historically and during the period, the Trust has ranked among one of the higher-performing ambulance Trusts nationally in respect of operational performance indicators.

During 2020/21, the Trust's performance against the core 999 key indicators including all response time targets was ranked as Green, including meeting the 7 minute mean category 1 call response time target in every month of the year.

Likewise in NEPTS, all performance targets were met throughout the year.

However, the Trust's operational performance is highly contingent on being able to accurately model and forecast the volume and nature of demand which it will face, which has been particularly challenging during the pandemic as significant variations to established patterns have been observed.

As discussed under 'financial sustainability' above, in both 999 and NEPTS, demand levels decreased significantly in 2020/21 as a whole compared to forecast and compared to previous years, as a result of lockdown restrictions in place for large proportions of the year.

By contrast, demand for NHS 111 services increased sharply, in part due to lower public engagement with primary care settings.

Improving economy, efficiency and effectiveness

In conjunction with wider pressures such as staff sickness absence and Covid outbreaks in call centres, and diversification of the NHS 111 staff base to encompass provision of the new Covid response services, this meant that performance against all NHS 111 targets was ranked as red during the period. The Trust has commissioned a formal performance improvement programme in this area to address the current performance challenges.

Since March 2021, the Trust has continued to perform well in comparison to other ambulance providers, although performance in particular in 999 delivery has slipped below the national target, in the face of demand levels increasing following the relaxation of further restrictions. NHS 111 performance also remains below target and activity levels are also increasing in PTS, albeit not to pre-pandemic volumes. In June 2021, the category 1 call 7-minute mean response time target was missed by 26 seconds, and the category 2 call 18-minute mean response time by 1 minute 52 seconds. This may be evidence of the realisation of the risk of harder to predict demand levels, potentially exacerbated by the high waiting list and elective activity backlogs, beginning to impact the Trust's performance.

The Trust acknowledges in the Board Assurance Framework that fluctuations in patterns of demand, resulting in long waits, delays and poor patient experience, are the most significant red-rated risk to sustained high performance. The Board Assurance Framework and Integrated Performance Report at the time of writing, are indicative of a number of actions being implemented by the Trust. These include activation of 'Resource Escalation Action Plan Level 3 (Severe Pressure)', which includes incentivisation of overtime, deployment of managers to front line duties and mobilisation of fire service support.

The Trust's efficiency programmes (CIPs) for the year, as detailed within 'financial sustainability' above, also reflect the Trust's awareness of the need to be able to understand demand and allocate appropriate resources accordingly to ensure that patient outcomes are not compromised.

However it will be critical for the Trust to gain a more thorough understanding of what the 'new normal' looks like in terms of demand patterns to be able to plan, operationally and financially, for sustained high performance. As mentioned above, predicting demand will be harder than it was before the pandemic, and the inherent risk of increased demand will be higher due to increased waiting lists and longer elective backlogs. This, combined with the changes in financial funding which may constrain the Trust's financial ability to increase costs to meet demand, may mean meeting performance targets within the financial envelope is increasingly difficult.

Partnership working

Although the Trust had historically been part of multiple Sustainability and Transformation Partnerships (STPs) as a result of the wide geography which it covers, the Trust is now solely a part of the Hampshire and Isle of Wight Integrated Care System (ICS). Involvement in one ICS rather than many is beneficial for the Trust as it facilitates a greater level of engagement than would be logistically possible had it continued to engage in multiple partnership working systems.

The ICS is key in identifying system-wide issues and potential operational consequences which for SCAS is crucially important given the high level of engagement it has with a wide range of Commissioners, due to geography, and other providers, given conveyancing of patients to various acute and other Trusts across the region. Performance of partners has historically placed operational pressure on SCAS in respect of areas such as hospital handover delays caused by pressures in A&E departments or bed occupancy in acute settings. This eased slightly during the pandemic in particular given the reduction in routine activity at acute providers.

However, as pandemic-related restrictions have begun to subside, and public behaviour has modified, alongside new ways of working beginning to emerge within NHS providers, certain pressures including handover delays have begun to build again. This has been exacerbated by variation in standards applied at acute providers with which the Trust interacts, for instance in PPE required to enter the site.

Given declining performance in this area, the Trust recognises this as a red-rated risk on the Corporate Risk Register, which feeds into the BAF risk around managing demand, of which system-related demand is a key part.

Whilst the Trust does have a number of counter-measures in place, it will be important for the Trust's leadership to continue to monitor the operational performance of system partners as the 'new normal' evolves to determine what the impact is likely to be on the Trust's operational effectiveness. There may be correlations to be drawn between the size of a Trust's elective backlog, the rise in demand in its emergency department and the risk of handover delay felt by SCAS when attending that Trust. These factors should be analysed and factored into future understanding of demand and activity levels. The Trust should also continue to draw on the support of the ICS to agree at a system level how best such pressures could be alleviated, to meet the best outcomes for patients across the system.

Improving economy, efficiency and effectiveness

Cost and performance benchmarking

Operational performance benchmarking against other NHS ambulance providers is facilitated through the central data repository for ambulance system indicators and clinical outcomes on the NHSI/E website as detailed above. A monthly commentary on performance across the sector is published alongside the data. This covers performance against core key performance indicators for 999 emergency ambulance provision.

This is a helpful source of information for the Trust given that the comparison base is small for performance analysis. There are only 10 ambulance provider Trusts in England, each providing slightly different services outside of the core 999 provision, making some comparisons more challenging.

In addition, each ambulance provider operates in a distinctly different geographical area which brings with it differences in demography, infrastructure and economic and social activity which in combination impact on the profile and nature of demand, and therefore specific risks and challenges which are faced.

Lord Carter's review into unwarranted variation in NHS ambulance trusts, published in 2018, went some way to standardising operational effectiveness and performance standards beyond what had been possible previously. This had a number of impacts for the Trust over the ensuing years, for instance in redesigning crew requirements for ambulances, focusing on effective call triage to deliver the most appropriate clinical outcome and response and most recently, redesigning the fleet replacement cycle to meet standardised expectations. The Trust is anticipating a refresh of the Carter review in the medium term.

The Trust also engages in a number of other operational and corporate cost benchmarking exercises facilitated by various sources, although this has broadly been paused during 2020/21 in light of the pressures faced by the pandemic. Usual sources of cost benchmarking include corporate benchmarking facilitated by NHSI/E, and the Model Ambulance system.

The Trust also submitted Patient Level Information and Costing Systems (PLICS) data to NHS Digital in January 2021, with the Trust's internal auditors having provided a substantial assurance opinion over the data quality of the submission. In future, this data will be used to:

- inform the rules and guidance provided on the payment arrangements for ambulance services

- inform any future proposals for the payment arrangements for ambulance services
- inform new approaches and other changes to the design of the currencies used to price NHS services
- contribute to NHS England and NHS Improvement's strategic objective of a single national cost collection
- identify the relationship between provider characteristics and cost
- help trusts to maximise use of their resources and improve efficiencies, as required by the provider licence
- identify the relationship between incident characteristics and cost
- support an approach to benchmarking for regulatory purposes

The Trust has received initial outputs from this exercise but at the time of writing has raised some queries around the interpretation of this. However, management is hoping that this will provide useful benchmarking information going forward.

The Trust has previously used the outputs of corporate benchmarking to compare against other services and identify areas of higher spend, and then used partnership working with other Trusts to deliver savings. For instance, its partnership with London Ambulance NHS Trust was used in mutual identification of IT and telecommunications-related savings.

The Trust also engages more closely with other Ambulance Trusts for specific initiatives. The Trust engages with the National Procurement Board where ambulance providers share knowledge and insight, and aim to collaborate on significant projects where efficiencies can be derived. The Trust has recently implemented a new workforce management system which is open for other ambulance providers to join, and is currently sharing telephony and IT infrastructure with the Isle of Wight Trust to support its improvement journey as part of the ICS.

The Trust's Director of Finance is also a part of the national Ambulance Trust finance director's group and other members of the Trust's senior management team regularly engage with their counterparts across the sector to share best practice.

Improving economy, efficiency and effectiveness

Procurement

As outlined under 'governance' above, the Trust has recently implemented a revised business case approval process for significant procurement and transformation projects, including the inauguration of the Executive Transformation Board. This supplements the existing 'Tendering and Quotation' procedure and the procurement strategy outlined in the Standing Financial Instructions.

Projects are approved taking into account documented scoring criteria for strategic fit, quality and financial variables.

These arrangements are at an early stage but it will be important for the Trust Board to maintain oversight that approvals of business cases for investment are being conducted in a consistent manner, and that arrangements are developed to determine whether approved projects are delivering the intended benefits.

In a similar way, the Trust considers commercial opportunities on a case by case basis and in accordance with its 'Policy for entering into service agreements for new business including variations to existing agreements'. This stipulates that the Trust should only enter into agreements to provide services which:

- align with its business strategy
- provide high quality services in the interests of patients
- do not put at risk staff, patients or public funds.
- have been subject to a full cost/benefit analysis
- have been approved in terms of a full revenue (and where applicable capital) cost analysis
- have been appropriately approved.

During 2020/21, the Trust entered into agreements to provide national Covid response services - CRS, CCAS and the vaccination service line. These were negotiated on a cost plus basis and as such met the stipulations of the strategy.

Whilst these services were initiated in a time of emergency at short notice, it will be important for the Trust Board to evaluate whether decisions are being taken in accordance with the stated policy, where opportunities to take on additional commercial activities arise in the

future.

Business resilience and infrastructure

The Trust is recognised by NHSI/E as a 'Global Digital Exemplar' meaning that over the last two years, it has received additional funding to drive improvements across the sector through use of digital technologies.

The Trust's view, anecdotally, is that as an organisation, relatively speaking, it was on the front foot digitally when Covid-19 hit as the IT was already sufficiently resilient to withstand widescale remote working. This evaluation proved appropriate and the Trust was broadly able to continue operating as normal with limited disruption to back office support functions.

The Trust is also supporting other ambulance Trusts, and other ICS partners, in developing some elements of their IT and telecommunications infrastructure to drive business improvements.

However internal audit findings during the year provided only limited assurance over the operating effectiveness of controls in relation to Trust's business continuity and disaster recovery processes. The recommendations arising from this review have resulted in the Trust redeveloping its disaster recovery plan including enhanced end to end testing.

The Trust has also included on its Board Assurance Framework a strategic risk around lack of IT resilience leading to poor operational and clinical performance and a risk to patients, and as a wider reputational risk, insufficient progress in progressing the Digital agenda leading to not taking advantage of Digital opportunities, falling behind other Trusts, leading to not winning opportunities, less delivery of efficiencies, poor patient experience.

In relation to operational infrastructure, the most significant area relates to fleet. The Trust has also included on its BAF as a key strategic risk, inability to secure sufficient resources (fleet) in the right numbers, right locations at the right time resulting in the potential for insufficient numbers of vehicles to deliver high quality and safe care. As discussed elsewhere in this report, the Trust has considered in each year the most efficient method to procure additional ambulance fleet to meet required outcomes – whether by purchase or by lease – to meet the effectiveness recommendations of the Carter report.

Improving economy, efficiency and effectiveness

Key messages for the Board

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

- Ensure thorough evaluation of whether decisions to take on new services, continue provision of existing services or discontinuation of certain contracts, are taken in accordance with the stated policy, are aligned to the business strategy, and have been taken with adequate cost analysis.
- Monitor patterns of demand that emerge under the 'new normal' (including increased hand-over delays and risks arising from increased elective backlogs and waiting lists) and ensure that measures are implemented to appropriately plan resources to meet key performance targets.
- Maintain oversight of operational performance at key partner organisations, in particular acute providers within the ICS, which may impact on the Trust's own performance, and continue to leverage the Trust's position with the ICS to drive forward system-wide solutions.

COVID-19 arrangements



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

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

No significant weaknesses in arrangements, or recommendations for improvement, have been identified.

Financial sustainability

The changes to the funding regime for NHS providers as a result of the pandemic meant that the Trust was able to achieve a surplus outturn position for the year of £2.2m.

The Trust implemented arrangements to identify and monitor additional costs arising from its response to the pandemic. These included operational-level initial coding, permitting separate reporting of Covid costs to the Trust Board.

Throughout the year, the Trust compiled and monitored returns to NHSI/E relating to Covid-19 costs, and also monitored internally the level of costs being incurred and whether this was appropriate.

The pandemic led to further financial and reputational benefits for the Trust, with the opportunity having arisen to lead on a number of national Covid response services – specifically Covid Response Service (CRS) call-handling, Covid Clinical Assessment Service (CCAS) for provision of retired GPs to support the response and latterly the Vaccination Helpline and Booking System.

The Trust's contracts for delivery of each of these services was negotiated on a cost plus basis, meaning that the impact on the Trust's overall financial sustainability was positive. In addition, the Trust's management hold the aspiration that the reputational benefits to the Trust of having led on successful national schemes at a time of crisis, may open doors for leadership of other high profile national initiatives with partners in future.

The Trust recognises that one downside of the provision of these services was additional reliance on agency staff, leading to a lower overall use of resources rating in this area. The Trust are putting into place strategies to improve substantive recruitment to reduce use of agency staff going forward.

Governance

The Trust's arrangements adapted to respond to the new risks being faced as a result of the Covid-19 pandemic.

Notably, the Trust instituted two revised executive oversight functions – the National Covid-19 Response Service Board, to oversee the Trust's involvement in the delivery of the new national services, and the Covid Operations Board, which led on the Trust's own response to Covid.

Both groups reported through to the Trust Board on a periodic basis, and there was direct non-executive involvement in each throughout the year.

A Covid-specific risk register was maintained by the Covid Operations Board, following the same model as the Trust's overall risk management strategy. Any emerging risks were considered in the context of the Trust's corporate risk register and where appropriate incorporated into the BAF. This arrangement ensured that issues and risks were escalated at the right level but also that wider corporate risks were not obscured by focusing only on the pandemic, in isolation.

Improving economy, efficiency and effectiveness

The Trust's operational productivity significantly altered during the pandemic as new restrictions were placed on ways of working. The Trust sought to model demand as effectively as possible in its allocation of resources, but this was made more challenging as a result of demand levels not following pre-existing trends. There are no indications of significant weaknesses in the Trust's arrangements, but it will be important for management to monitor patterns of activity over the year as the 'new normal' emerges, in order to maintain operational efficiency and effectiveness.

The Trust found that the remote working necessitated by the pandemic presented additional opportunities for its senior leaders to engage more fully at system and other partnership levels, and hence have more impact in these arenas.

The Trust maintained controls around expenditure and procurement throughout the pandemic which were able to effectively operate in a predominantly remote environment. The Trust has arrangements in place for capturing and monitoring the impact of Covid-19 on quality and safety through the work of the Quality and Safety Committee and Integrated Performance Reporting to the Trust Board.

Improvement recommendations

Financial sustainability

01 Recommendation

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

- Ensuring that the Trust models and tests the financial implications of new ways of working, taking into account different scenarios, in particular as 'new normal' patterns of service demand begin to emerge. Key to this is the ability to be responsive to changes in 'hard-to-predict' levels of demand, which may be higher, post-Covid, due to significantly increased waiting lists and elective backlogs in the system.
- Prioritising identifying and delivering sustainable future efficiency programmes and ways in which these can be adapted to new system-related targets.
- Delivering the savings programmes, ensuring the focus on increasing permanent staff and reducing the reliance on temporary staff does not impact on operational performance and response times, and that operational impacts on workforce are considered.
- Maintaining awareness of pressures to budgets, with effective early warning systems to identify risks and ensure corrective action is taken where required.
- Taking informed decisions relating to delivery of new lines of service, considering both the immediate financial implications but also the wider impact on workforce and delivery of sustainable efficiencies.
- The Board will need to understand the true underlying financial position, adjusting for the beneficial impact of non recurrent roll-forward 'cushions' from 2020/21, to ensure the Trust is making decisions based on the true, recurrent, financial position, and has a proper understanding of the true financial health position of the organisation.



Why/impact

These measures will ensure that the Trust fully understands the financial impact of decisions on service delivery. Prioritising the identification and implementation of further efficiency programmes will strengthen the medium term financial position of the Trust.

Summary findings

See financial sustainability section

Management comment

We will review the suggested improvement recommendations, and how these are being mitigated. This will be reviewed at the Audit Committee ahead of reporting to the Board

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

Improvement recommendations

Governance

- 01 Recommendation** The key areas of focus for the Board arising from our review of the Trust's governance arrangements are:
- Continue to stress test the quality of the evidence underpinning the level of assurances provided by management to mitigate risks, and ensure that these are delivering the intended results.
 - When taking on significant new services or incurring significant areas of new spend, ensure that the decision making processes are subject to sufficient external scrutiny, for instance via the internal audit function.
 - Ensure that external evaluation, including from internal audit, is viewed as a support mechanism to operational delivery, to facilitate the delivery of sufficient documented assurances over processes and controls in a timely manner.
 - Monitor and assess the effectiveness of the new transformation governance arrangements and the Executive Transformation Board, learning early lessons promptly and ensuring arrangements will facilitate the delivery of larger scale transformation programmes with demonstrable realisation of benefits.



Why/impact

These measures will assist with continued improvements in patient care and safety, and that associated decision-making is appropriately considered.

Summary findings

See governance section

Management comment

We will review the suggested improvement recommendations, and how these are being mitigated. This will be reviewed at the Audit Committee ahead of reporting to the Board

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

Improvement recommendations



Improving economy, efficiency and effectiveness

- 01 Recommendation** The key areas of focus for the Board arising from our review of the Trust's arrangements for improving economy, efficiency and effectiveness are:
- Ensure thorough evaluation of whether decisions to take on new services, continue provision of existing services or discontinuation of certain contracts, are taken in accordance with the stated policy, are aligned to the business strategy, and have been taken with adequate cost analysis.
 - Monitor patterns of demand that emerge under the 'new normal' (including increased hand-over delays and risks arising from increased elective backlogs and waiting lists) and ensure that measures are implemented to appropriately plan resources to meet key performance targets.
 - Maintain oversight of operational performance at key partner organisations, in particular acute providers within the ICS, which may impact on the Trust's own performance, and continue to leverage the Trust's position with the ICS to drive forward system-wide solutions.



Why/impact

These measures will ensure that the momentum in improving service design is maintained as well as improving cycle time through the system and ensuring patients' needs are met in a timely manner.

Summary findings

See improving economy, efficiency and effectiveness section.

Management comment

We will review the suggested improvement recommendations, and how these are being mitigated. This will be reviewed at the Audit Committee ahead of reporting to the Board

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

Opinion on the financial statements

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

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

Audit opinion on the financial statements

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

Other opinion/key findings

We had no significant findings in relation to other information produced by the Trust, including the Annual Report, the Annual Governance Statement and the Remuneration Report.

Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Trust's Audit Committee on 24 June 2021 and updated prior to issuing the audit opinion.

Whole of Government Accounts

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

Our work found no issues.

Preparation of the accounts

The Trust provided draft accounts in line with the national deadline and provided a good set of working papers to support them. However there were a number of issues with the quality of explanations and supporting evidence for items selected in testing samples, which led to several control recommendations being raised as outlined below.

Issues arising from the accounts:

As a result of additional funding having been allocated to the DHSC in light of the Covid-19 pandemic, pressures were identified across the NHS provider sector as a whole to recognise break-even or limited surplus outturn positions in the Statement of Comprehensive Income at individual Trusts. This gave rise to a subsequent risk of management override of controls in respect of accounting estimates made for short-term liabilities resulting in recognition of invalid expenditure during the year.

Issues arising from the audit of the Trust's financial statements included:

- Unadjusted misstatements affecting the net surplus for the year of £4.1m, relating to overstated liabilities and associated expenditure, were reported in the Audit Findings Report. The value of these misstatements is below the performance materiality level for the audit of £4.4m. The misstatements, if corrected, increase the value of the Trust's surplus by £4.1m compared to that reported.
- Audit adjustments of £2.1m were made to the draft financial statements prior to publication. These related to corrections to overstatements of liabilities. This is in addition to the unadjusted misstatements set out above.
- Three high, three medium and one low priority control recommendations were raised for management to action in 2020/21. The planned actions in response to the three control recommendations raised in 2019/20 were also yet to be actioned. The three high priority recommendations were made to address the following control deficiencies identified during the audit:
 - Journal entries being posted without supporting documentation.
 - Journal entries being posted without sufficient scrutiny from the journal approver
 - Supporting documentation for accounting entries not being consistently retained.



Appendices

Appendix A - Responsibilities of the Foundation Trust



The accounting officer is responsible for:

- Preparation of the statement of accounts
- Ensuring that income and expenditure is in line with relevant laws and regulations
- Assessing the Trust's ability to continue to operate as a going concern

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

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

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

The accounting officer is 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 accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Accountable Officer is also responsible for ensuring the regularity of expenditure and income.

The accounting officer is required to comply with the NHS foundation trust annual reporting manual and 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

The recommendations that can be raised by the Trust's auditors are as follows:

Type of recommendation	Background	Raised within this report	Page reference
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Trust. We have defined these recommendations as 'key recommendations'.	No	Not applicable
Improvement	These recommendations, if implemented should improve the arrangements in place at the Trust, but are not a result of identifying significant weaknesses in the Trust's arrangements.	Yes	26-28

