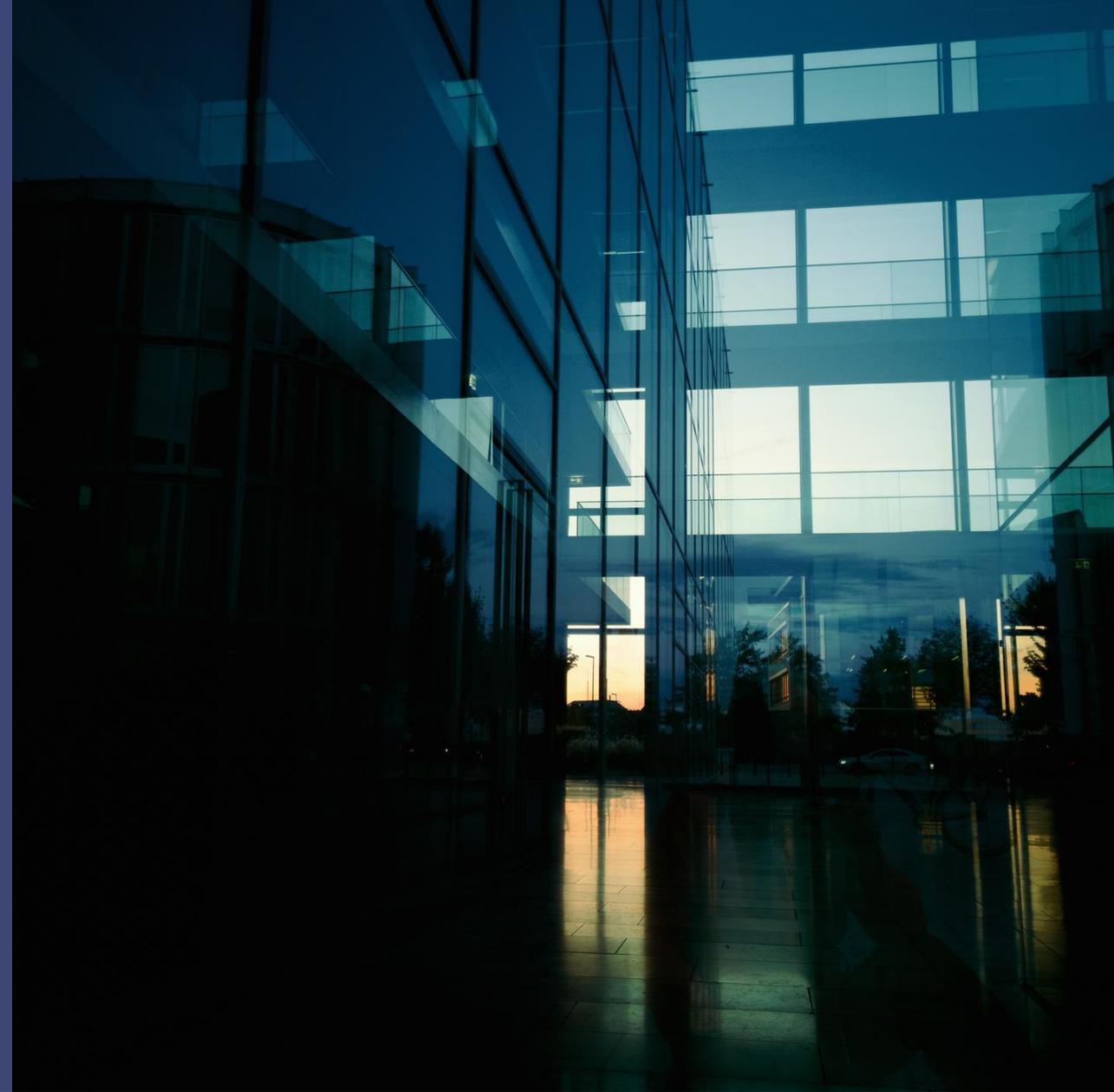


Auditor's Annual Report

United Lincolnshire Hospitals NHS Trust—
year ended 31 March 2021

September 2021



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

01

Section 01: **Introduction**

Introduction

Purpose of the Auditor's Annual Report

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

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



Opinion on the financial statements

We issued our audit report on 11 June 2021. Our opinion on the financial statements was unqualified.



Value for Money arrangements

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

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



Wider reporting responsibilities

In line with group audit instructions issued by the NAO, on 11 June 2021 we reported that the Trust's consolidation schedules were consistent with the audited financial statements.

02

Section 02:

Audit of the financial statements

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

Audit of the financial statements

The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code and International Standards on Auditing (ISAs).

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Trust and whether they give a true and fair view of the Trust's financial position as at 31 March 2021 and of its financial performance for the year then ended. Our audit report, issued on 11 June 2021 gave an unqualified opinion on the financial statements for the year ended 31 March 2021:

"In our opinion, the financial statements:

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

03

Section 03:

Commentary on VFM arrangements

In this section of the report, we explain our approach, whether we identified any significant risks and whether those significant risks led to identified weaknesses in arrangements

Commentary on VFM arrangements

Overall Summary



VFM arrangements – Overall summary

Approach to Value for Money arrangements work

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

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

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

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

- Exposes (or could reasonably be expected to expose) the body to significant financial loss or risk;
- Leads to (or could reasonably be expected to lead to) significant impact on the quality or effectiveness of service or on the body's reputation;
- Leads to (or could reasonably be expected to lead to) unlawful actions; or
- Involves a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

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

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

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

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Summary

The table below summarises the outcomes of our work against each reporting criteria. We issued detailed findings to the Audit and Risk Committee In September 2021.

Reporting criteria	Commentary page references	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Trust plans and manages its resources to ensure it can continue to deliver its services	22-26	Yes	Yes
Governance: How the Trust ensures that it makes informed decisions and properly manages its risks	27-28	Yes	Yes
Improving economy, efficiency and effectiveness: How the Trust uses information about its costs and performance to improve the way it manages and delivers its services	29-32	Yes	Yes

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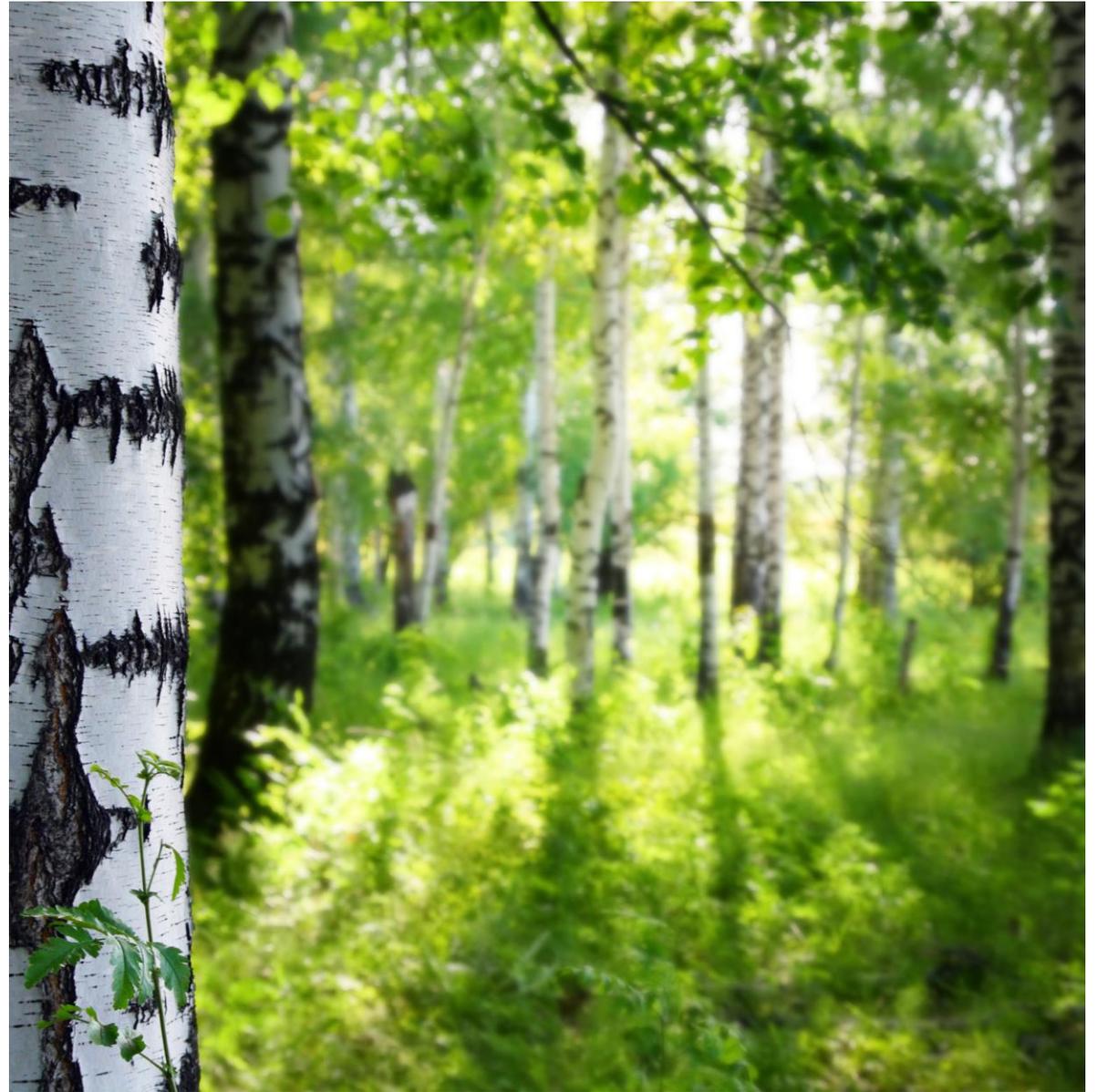
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Risks of significant weaknesses in arrangements



VFM arrangements – Risks of significant weakness in arrangements

Risks of significant weaknesses in arrangements

On the following pages (10 – 12), we have outlined the risks of significant weaknesses in arrangements that we have identified as part of our continuous planning procedures, and the work undertaken to respond to each of those risks.

Risk of significant weakness in arrangements

The Trust is in Special Measures

The outcome from the most recent Care Quality Commission (CQC) inspection in 2019 was 'requires improvement' and saw the CQC, under Section 31 of the Health and Social Care Act 2008, impose conditions on the registration of the Trust as a provider in respect to three regulated activities. Imposing conditions means that the Trust must manage regulated activity in a way which complies with the conditions set by the CQC. The conditions related to the emergency departments at Pilgrim Hospital, Boston and Lincoln County Hospital.

United Lincolnshire Hospitals NHS Trust was placed into financial special measures by NHS England in 2017, when its deficit stood at £30.7m. The Trust exited 2019/20 with a deficit of £70.3m. excluding PSF and FRF funding but inclusive of £25.7m system support. The Trust ended 2020/21 with a surplus for the year of £3.6m and a cumulative breakeven duty deficit position of £369m.

At the end of 2020/21, the Trust's overall quality rating by the CQC remains as 'Requires Improvement. Ratings will not change until the next formal inspection by the Care Quality Commission.

At the end of 2020/21, under the Single Oversight Framework, the Trust is scored 4, defined as: Providers in special measures: there is actual or suspected breach of license with very serious and/or complex issues. The Provider Regulation Committee has agreed it meets the criteria to go into special measures.

Work undertaken

Our work in relation to this matter included:

- Reviewing relevant CQC Reports
- Reviewing the Trust's score under the Single Oversight Framework
- Reviewing Board / Audit and Risk Committee Reports to review progress
- Discussions with management the actions being taken to resolve the weaknesses identified in the reports.

Results

In September 2021, we reported this significant weakness to the Trust and supported it with a recommendation for improvement. A summary of the significant weakness in arrangements identified and the supporting recommendation(s) for improvement are provided on page 16.

VFM arrangements – Risks of significant weakness in arrangements

Risk of significant weakness in arrangements

Capital Backlog and Fire Safety Notices

In 2017 United Lincolnshire Hospitals NHS Trust (ULHT) was handed two fire enforcement notices for the Lincoln and Boston Pilgrim sites and a fire action plan for Grantham Hospital. ULHT are in the process of completely renovating Lincoln County Hospital as part of a £46m major refurbishment programme to improve fire safety.

The Trust began 2020/21 with a capital expenditure backlog of £236m. This includes £102m which is either required to meet statutory obligations, or mandatory to be compliant with relevant laws and regulations. Investment in NHS capital funding is critical to safety, care quality and efficient use of the NHS estate, equipment and wider resources. This has become increasingly clear during the pandemic when trusts with old and outdated estates, and equipment, found it more difficult to reconfigure old sites to accommodate social distancing and infection, prevention and control.

Capital expenditure for 2020/21 equated to £42.6m, with some £21m delivered in Month 12 alone. The capital programme for 2020/21 was the largest in the Trusts' history and delivered in extremely challenging circumstances. Note 36 of the financial statements confirms the Trust's CRL as £43.9m, with a 2020/21 charge against the limit of £41.7m, leading to an in-year underspend against that limit of £2.2m.

Workforce: agency spend & staffing indicators

Hospitals in England spent over £6 billion on agency and NHS bank staff in 2019/20. ULHT spending on agency staff totalled £44m in 2019/20, which was significantly above the Trust's cap of £21m. Rules were relaxed in 2020/21 to support the response to Covid-19.

Each year, an NHS-wide staff survey, covering several themes including morale, quality of care and staff engagement.

Significant spend on bank and agency, combined with staff engagement levels may be indicative of significant weakness in arrangements, leading to significant financial and clinical performance consequences.

Work undertaken

Our work in relation to this matter included:

- Having discussions with the Trust to gain an update on its latest capital position
- Reading the Trust Board papers for insight on the capital expenditure for the Trust.

Our work in relation to this matter included:

- Holding discussions with the Trust and reviewing board and committee reports
- Review NHS Staff Survey Results
- Testing the level of agency expenditure in the financial statements.

Results

In September 2021, we reported this significant weakness to the Trust and supported it with a recommendation for improvement. A summary of the significant weakness in arrangements identified and the supporting recommendation(s) for improvement are provided on page 17.

In September 2021, we reported this significant weakness to the Trust and supported it with a recommendation for improvement. A summary of the significant weakness in arrangements identified and the supporting recommendation(s) for improvement are provided on page 18.

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VFM arrangements – Risks of significant weakness in arrangements

Risk of significant weakness in arrangements

The Trust's financial sustainability

The Trust is in financial special measures.

Total operating income for the year as recorded in the Statement of Comprehensive Income was £644m, which included £58m of 'Top-Up; funding in the first half of 2020/21 and £72m during the second half of 2020/21. This ultimately resulted in an operating surplus for 2020/21 of £9m, compared to a deficit in 2019/20 of £34m. As set out in the Statement of Financial Position, the Income & Expenditure Reserve is £458m deficit.

Work undertaken

Our work in relation to this matter included:

- Reading the Trust Board papers for insight on the financial performance and quality performance of the Trust through 2020/21
- Review the Trust's financial performance for 2020/21 through the financial statements
- Discuss with management and review the Trust's progress in developing a financial plan within the constraints of the current NHS funding regime.

Results

In September 2021, we reported this significant weakness to the Trust and supported it with a recommendation for improvement. A summary of the significant weakness in arrangements identified and the supporting recommendation(s) for improvement are provided on page 19.

Judicial review of the Trust's downgrading of Grantham Hospital A&E to an urgent care centre

The Trust designated Grantham and District Hospital a "Green Site". This meant that Covid-19 patients would not be treated at the hospital to allow treatments like elective surgery and chemotherapy to occur on the site. All patients treated at the hospital would be tested for Covid-19, and the A&E department would be replaced with a walk-in Urgent Treatment Centre.

A judicial review found the Trust failed in its legal duty to consult over the changes.

We:

- reviewed the outcome of the judicial review;
- discussed the issue with management; and
- reviewed supporting board papers and minutes.

In September 2021, we reported this significant weakness to the Trust and supported it with a recommendation for improvement. A summary of the significant weakness in arrangements identified and the supporting recommendation(s) for improvement are provided on page 20.

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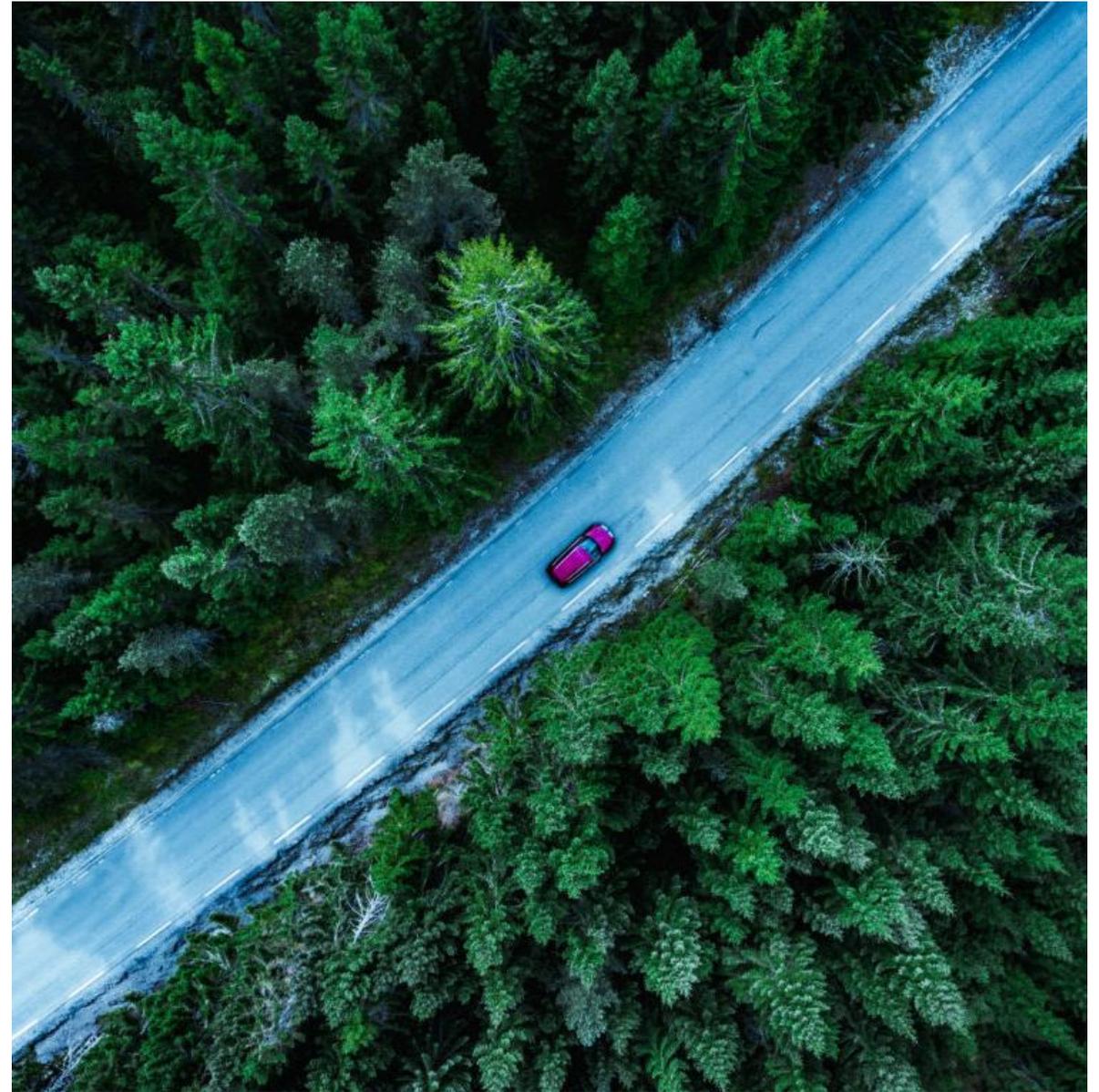
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Identified significant weaknesses and our recommendations



VFM arrangements - Identified significant weaknesses and our recommendations

As a result of our work, we have identified significant weaknesses in the Trust’s arrangements to secure economy, efficiency and effectiveness it its use of resources.

Identified significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Recommendation(s)
<p>The Trust is in Special Measures</p> <p>The outcome from the most recent Care Quality Commission (CQC) inspection in 2019 was ‘requires improvement’ and saw the CQC, under Section 31 of the Health and Social Care Act 2008, impose conditions on the registration of the Trust as a provider. Imposing conditions means that the Trust must manage regulated activity in a way which complies with the conditions set by the CQC. The conditions related to the emergency department at Pilgrim Hospital, Boston and the emergency department at Lincoln County Hospital.</p> <p>United Lincolnshire Hospitals NHS Trust was placed into financial special measures by NHS England and Improvement in 2017, when its deficit was £30.7m at 31 March 2017. The Trust ended the 2019/20 financial year with a deficit of £70.3m, excluding Provider Sustainability Funding and Financial Recovery Fund income but inclusive of £25.7m of support from the sustainability and transformation partnership for Lincolnshire. The Trust ended 2020/21 with a surplus for the year of £3.6m and a cumulative breakeven duty deficit position of £369m.</p> <p>Lincoln County Hospital and Pilgrim Hospital were last inspected by the CQC in January 2020 and rated ‘Requires Improvement’. Grantham & District Hospital and County Hospital Louth were last inspected in February 2018, both rated ‘Good’. At the end of 2020/21, the Trust’s overall quality rating by the CQC remains as ‘Requires Improvement’. Ratings will not change until the next formal inspection by the CQC. NHSE/I continues to meet with the Trust for Performance review meetings.</p> <p>The Trust is given a public score under the Single Oversight Framework (SOF), which is designed to help NHS providers attain, and maintain, CQC ratings of ‘Good’ or ‘Outstanding’. Each trust is segmented into one of four categories, and for 2020/21, the Trust was rated “4”, defined as: “Providers in special measures: there is actual or suspected breach of licence with very serious and/or complex issues. The Provider Regulation Committee [of NHSE/I] has agreed it meets the criteria to go into special measures.” The public segment rating of “4” is changed only once providers have been informed by their regional lead and there is a move between segments.</p> <p>We recognise the impact of Covid-19 during the year, but the Trust has remained in financial and quality special measures throughout 2020/21 and there is insufficient evidence to demonstrate the Trust has made sufficient progress for conditions to be lifted. As a result, there is a significant weakness in the Trust's arrangements that exposes it to a risk of significant financial loss and can be reasonably expected to lead to a significant impact on the quality or effectiveness of service and the Trust’s reputation.</p>	●		●	<ol style="list-style-type: none"> 1. Within the context of revisions to NHS financing and the 2021/22 Planning Guidance, the Trust should ensure that it delivers the action plans that have been developed by management, and that monitoring and reporting, challenge and scrutiny and escalation arrangements are in place to drive the required improvements for patients and sustain the improvements that are made.

VFM arrangements - Identified significant weaknesses and our recommendations

Identified significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Recommendation(s)
<p>Capital Backlog and Fire Safety Notices</p> <p>In 2017, United Lincolnshire Hospitals NHS Trust (ULHT) was handed two fire enforcement notices for the Lincoln and Boston Pilgrim sites and a fire action plan for Grantham Hospital. ULHT are in the process of completely renovating Lincoln County Hospital as part of a £46m major refurbishment programme to improve fire safety.</p> <p>The Trust began 2020/21 with a capital expenditure backlog of £236m. This includes £102m which is either required to meet statutory obligations, or mandatory to be compliant with relevant laws and regulations. Investment in NHS capital funding is critical to safety, care quality and efficient use of the NHS estate, equipment and wider resources. This has become increasingly clear during the pandemic when trusts with old and outdated estates, and equipment, found it more difficult to reconfigure old sites to accommodate social distancing and infection, prevention and control.</p> <p>NHS trusts are given a “Capital Resource Limit” (CRL), which means NHS trusts cannot incur capital expenditure above that limit and it is managed, in part, through the external finance limit of the Department of Health and Social Care. Note 36 of the audited 2020/21 financial statements, shows the CRL for 2020/21 was £44m and the Trust incurred relevant capital expenditure of £42m.</p> <p>Within the confines of the CRL, the Trust continues to make progress with capital spending and backlog maintenance, which eventually saw the lifting of Fire Enforcement Notices in 2021/22. The capital backlog as at the end of 2020/21 was £230m, down from £236m in the previous year, but remains clearly significant.</p> <p>Internal Audit issued a report on Estates Management in May 2021, that concluded the Trust’s arrangements provide ‘No assurance’ to the Board.</p> <p>Overall, the long-standing and ongoing issues regarding the scale of the Trust’s capital backlog, coupled with the Internal Audit review into estate management indicates that there is a significant weakness in the Trust’s arrangements that can be reasonably expected to lead to a significant impact on the quality or effectiveness of service and the Trust’s reputation.</p>	●			<ol style="list-style-type: none"> The Audit and Risk Committee should continue to monitor progress against the Estates Management action plan, which we would suggest is routinely reported by the Head of Estates until all critical actions are implemented. Consideration should also be given to real-time reporting as each action falls due, to prevent slippage on progress. On completion of the actions raised by Internal Audit into Estates Management, which includes plans to improve the accuracy of planned, preventative maintenance, the Audit and Risk Committee should seek assurance over the accuracy of the capital backlog maintenance. The Trust should engage with the STP to ensure its capital plan is consistent with system-wide discussions on prioritisation and deliver its capital programme

VFM arrangements - Identified significant weaknesses and our recommendations

Identified significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Recommendation(s)
<p>Workforce: agency spend & staffing indicators</p> <p>The NHS Staff Survey was considered by the People and Organisational Development Committee and then Board in April 2021, with the overall theme scores showing the Trust predominantly either below average or in line with the worst performing trusts across most areas, including morale and staff engagement. The Trust's main response to the survey results is to commence a Culture and Leadership Programme using a framework used across many other trusts to address the issue of culture and consistency of leadership.</p> <p>Staff sickness data from NHS Digital for the period 2018 to December 2020 (the most up-to-date data set as at date of reporting) shows the Trust has a higher-than-average sickness rate which affects the need for agency and bank staff. Total agency costs for 2020/21 were presented to the May Board via the Integrated Performance Report, being £42.05m for the year, compared to £44m in 2019/20 where the agency ceiling was £21m. This figure is included within the 'other' costs shown in the annual report.</p> <p>The Trust is being supported by NHS England and Improvement (NHSE/I) nursing recruitment programme, with the March 2021 Board being informed that 126 job offers had been made to international nurse recruits, against a target of 200 recruits by October 2021 and therefore there remains a shortfall in staff numbers that still needs to be addressed by further action.</p> <p>Covid-19 has disrupted organisational development and staff engagement plans across the country. The Trust has already begun to initiate a Culture and Leadership Programme and is undertaking regular pulse surveys to monitor improvements in staff engagement, however actions taken by the Trust to improve workforce arrangements have not yet demonstrated sufficient traction to deliver sustained levels of improvement, including:</p> <ul style="list-style-type: none"> NHS Staff Survey results show the Trust is performing poorly across a range of areas, including morale and staff engagement; the Trust remains heavily reliant on agency and bank staff, although data on staff turnover indicates there is an underlying workforce shortage that is contributing to the current position; and <p>Cumulatively, this exposes the Trust to a significant risk to the quality and effectiveness of service as well as a risk of increased expenditure on agency costs.</p>	●		●	<ol style="list-style-type: none"> The Trust should ensure that progress with the Culture and Leadership Programme and pulse surveys are regularly reported to the People and Organisational Development Committee and through to Board to monitor staff engagement and morale. The Trust should ensure the Culture and Leadership Programme demonstrates tangible and measurable improvements and that the People and Organisation Development Committee demonstrably challenge and scrutinise performance. The Trust should work with system partners to tackle the recruitment deficit and manage agency costs.

VFM arrangements - Identified significant weaknesses and our recommendations

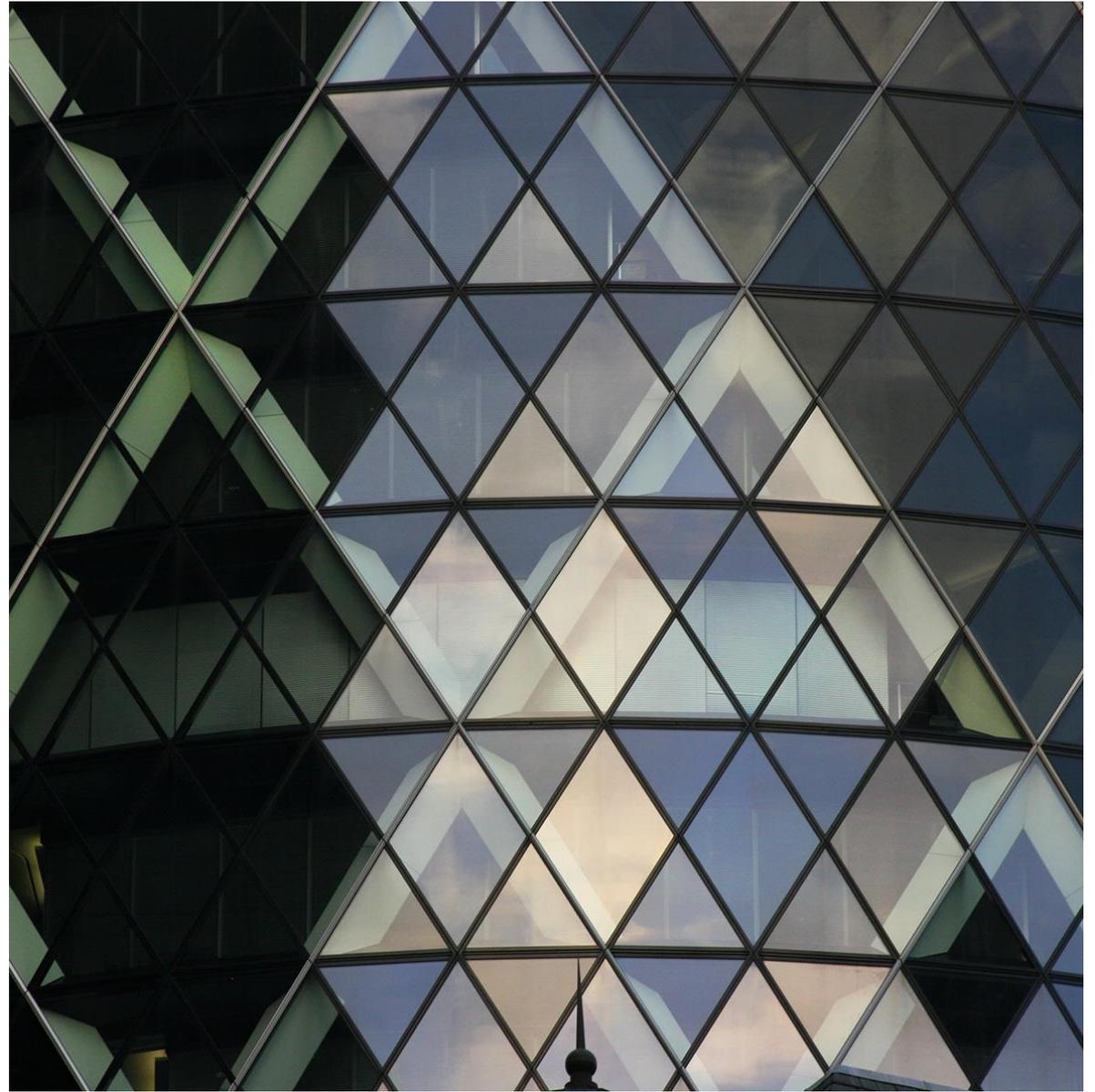
Identified significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Recommendation(s)
<p>The Trust’s financial sustainability</p> <p>In March 2020, pre Covid-19, the Trust submitted a 2020/21 financial plan with a deficit of £73m against a £53m control total. Following the onset of the Covid-19 pandemic, the original NHS Planning Guidance 2020/21 was suspended and a new financial regime was implemented. Systems were expected to achieve financial balance within this envelope and individual organisations were able to deliver surplus or deficit positions by mutual agreement within the system. However, NHS trusts were still required to meet their statutory break-even duty.</p> <p>The audited financial statements show an Operating Surplus for 2020/21 of £9m, compared to a £34m deficit in 2019/20. The Trust’s Annual Report, explains the Trust’s surplus, delivered in-line with the system envelope, was inclusive of £72m of planned system support. Despite the performance against the temporary financial regime described above, the Trust’s cumulative break-even position, as set out in Note 38 of the financial statements, is a £369m deficit.</p> <p>As the Trust itself reports in its 2020/21 Annual Governance Statement, the Trust has been in Financial Special Measures since September 2017 and continues to face significant financial challenges. The Trust agreed a Financial Recovery Plan with NHSE/I, but this has been materially impacted by Covid-19 with most elements paused during 2020/21. No future trajectory has to date been agreed to return the Trust to breakeven.</p> <p>The Trust’s financial sustainability is dependent on the resolution of long-standing issues in workforce planning and in implementing the outcomes of the public consultation on the future configuration of Lincolnshire health services initiated in March 2019. It is also dependent on the national funding structures yet to be determined. These unresolved and ongoing issues have not been addressed by the Trust and this continues to prevent it from improving arrangements to secure financial sustainability during 2020/21. Overall, therefore, we have concluded that there is an ongoing significant weakness in arrangements to secure financial sustainability.</p>	●			<ol style="list-style-type: none"> On obtaining clarity over the financial regime for the remainder of 2021/22, the Trust must agree a realistic revised Financial Recovery Plan with NHSI, and monitor its progress in achieving that plan, including addressing the underlying issues the Trust faces in relation to workforce and site configuration planning.

VFM arrangements - Identified significant weaknesses and our recommendations

Identified significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Recommendation(s)
<p>Judicial review of the Trust’s downgrading of Grantham Hospital A&E to an urgent care centre</p> <p>During the first Covid wave, the Trust designated Grantham and District Hospital a "Green Site". This meant that Covid patients were not treated at the hospital, which allowed treatments such as elective surgery and chemotherapy to occur on the site with reduced risk of Covid infection. All patients treated at the hospital were tested for Covid-19, and the A&E department was replaced with a walk-in Urgent Treatment Centre.</p> <p>A member of the public took the decision to judicial review. The original case was made on four grounds and the claimant was only given permission to proceed in respect of two of these: one being a failure to consult; and the other that the decision was either irrational, for an improper purpose or insufficiently reasoned. The judicial review considered the impact of the Covid-19 pandemic on the Trust with the final judgement upheld one of the grounds, being that there was no clear evidence that the Trust was unable to consult and it could have made suitable arrangements to secure the meaningful participation of service users.</p> <p>The judicial review found the Trust breached both section 242 (1B) (b) and (c) of the National Health Service Act 2006 Act. Section 242 is one of several provisions in the 2006 Act which place obligations on NHS bodies to make arrangements to secure the involvement of service users in decision-making about services. This is indicative of a significant weakness in arrangements because it:</p> <ul style="list-style-type: none"> • leads to (or could reasonably be expected to lead to) significant impact on the Trust’s reputation; • leads to (or could reasonably be expected to lead to) unlawful actions. 		●		<ol style="list-style-type: none"> 1. The Trust has already taken steps to improve public involvement, but we recommend the Audit and Risk Committee receives direct assurance that arrangements have been updated to a sufficient standard to prevent a recurrence of a failure to lawfully publicly consult.

Commentary on VFM arrangements

[Our commentary on each reporting criteria](#)



VFM arrangements – financial sustainability summary

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

Position brought forward from 2019/20

We reviewed the work of the predecessor auditor on the Trust's arrangements for financial resilience, where we noted:

- “The Trust submitted a financial plan for 2020/21 to NHS Improvement in March 2020 that outlined an initial deficit plan of £72.9 million against a control total offer of £52.9m. However, the impact of Covid-19 has meant that this plan did not become operational and has instead been replaced by a block contract for at least part of 2020/21 with an adjustment made to ensure the Trust achieves a break-even position.
- At the end of March 2020, the Trust reported an adjusted financial performance deficit of £42.3m for the year which meant the Trust achieved its control total with NHS Improvement. However, this achievement was dependent on the Trust's receipt of non-recurrent financial support from the Lincolnshire Clinical Commissioning Groups (CCGs) totalling £24.7m. As a result of the Trust's achievement of its control total, the Trust was able to gain access to £28.9m of linked financial funding. The exclusion of these balances shows an underlying deficit of £102.4m. Spending on agency staff totalled £44m, which is significantly above the Trust's cap of £21m.”

Background to the NHS financing regime in 2020/21

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

For the second half of the year (October 2020 to March 2021) there was a move to “system envelopes” with

funding allocations covering most NHS activity made at the system level, including resources to meet the additional costs of the Covid-19 pandemic. There were no further general retrospective top-up payments and all Covid-19 costs from that point were funded through the fixed Covid-19 funding allocation with a few exceptions.

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

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

Overall responsibilities for financial governance

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

We have reviewed reports and minutes of the Finance, Performance and Estates Committee, confirming there is oversight on all aspects of financial management and operational performance on behalf of the Board.

Budget monitoring and control

We read the Trust's Standing Financial Instructions and these include specific provisions for budgetary control and reporting and Finance Managers provide reports and support to budget holders and teams to support effective financial management of those component parts of Trust financial performance. Clear responsibilities are outlined for budget holders and the Trust's Standing Financial Instructions include specific provisions for the preparation and approval of the Annual Plan and budget.

Our discussions with management and our review of committee reports and minutes confirms that throughout 2020/21, the Finance, Performance and Estates Committee and the Trust Board, through an Integrated Performance Report, have received regular reports on financial performance and planning. We reviewed a sample of reports presented for 2020/21, which contain evidence of a clear summary of the Trust's performance, detail on any variances and adequate explanations of the causes.

As reported in the audited financial statements, Total Operating Income for 2020/21, as recorded in the Statement of Comprehensive Income, was £644m and Total Operating Expenses were £635m. As set out in Note 6 Operating Expenses, staff costs have increased from £375m in the prior year to £422m in 2020/21. This ultimately resulted in an operating surplus for 2020/21 of £9m, compared to a £34m deficit in 2019/20. As part of our audit, we reviewed the Trust's Annual Report, which explains the Trust's surplus was inclusive of £72m of planned system support.

We reviewed a selection of Board and Audit and Risk Committee meetings where the Board Assurance Framework was presented and our review confirms the Board Assurance Framework includes a specific risk regarding the Trust's efficient use of resources (Strategic Risk 3b). We considered the controls, sources of assurance and plans to address the risk as presented in the Board Assurance Framework and are satisfied there is evidence of ongoing review, challenge and action by the Trust.

The March 2021 Board, received an update on the Board Assurance Framework, where the control gaps are identified as:

- Operational ownership and delivery of efficiency schemes;
- Urgent and unplanned Restore and Covid-19 related costs; and
- Reliance on temporary staff to maintain services, at increased cost.

Some sources of assurance have been paused during Covid-19 and there remains an ongoing challenge in the need for clarity on NHS financing beyond October 2021.

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

Staff Engagement: NHS Staff Survey

We obtained the NHS Staff Survey directly and also reviewed Board and Committee papers, confirming that the results were considered by the People and Organisational Development Committee and then Board in April 2021, with the overall theme scores shown in the table below.

Theme	ULHT	Benchmarked position
Equality, diversity & inclusion	9.0	Above average
Health & well being	5.6	Below average
Immediate Managers	6.2	In line with the worst
Morale	5.6	In line with the worst
Quality of Care	7.1	Below average
Safe environment – bullying & harassment	7.7	Below average
Safe environment – violence	9.3	Below average
Safety Culture	6.2	Below average
Staff engagement	6.4	In line with the worst
Team working	6.0	In line with the worst

Our discussions with the Trust, alongside our review of committee reports show these are known issues for the Trust and the Covid-19 pandemic has hampered the Trust's plans for organisational development and staff engagement. The Trust's main response to the survey results is to commence a Culture and Leadership Programme using a framework used across many other trusts to address the issue of culture and consistency of leadership.

Staff sickness

We also obtained staff sickness data from NHS Digital and compared average sickness rates for the Trust to comparator groups from 2018 through to December 2020 (the most up-to-date data set as at date of testing). The Trust runs at an average 4.3% sickness absence vs 3.9% for large acutes, which is the equivalent of 1,791 FTE days lost per quarter vs 1,684 days for the large acute average (107 days excess) and will affect the need for agency and bank staff.

Agency costs

We reviewed the Annual Report and Board Papers to confirm that agency costs are routinely reported in the Board's Integrated Performance Report and our testing of agency costs and disclosures in the remuneration report has not identified any issues. Total agency costs for 2020/21 were presented to the May Board via the Integrated Performance Report, being £42.05m for the year. This figure is included within the 'other' costs shown in the annual report.

We reviewed a sample of Integrated Performance Reports presented to the Board, which includes sections on workforce. The Trust is being supported by NHS England and Improvement (NHSE/I) nursing recruitment programme. The overall NHSE/I target, to include the rapid recruitment of 100 INRs, is 293, to be achieved over a period of April 2020 – March 2022, with the March 2021 Board being informed that 126 job offers had been made to international nurse recruits, to start by the end of April 2021. There however remains a shortfall in staff numbers that still needs to be addressed by further actions in 2020/21 where, as at the end August 2021, 191 job offers have been made with 160 international nurse recruits now in the UK. There is ongoing work on the international recruitment pipeline to achieve the target of 200 new appointments by October 2021, with the ambition that this will reduce agency costs in 2021/22.

Significant weakness in financial sustainability arrangements: workforce

We have highlighted a significant weakness in arrangements against the financial sustainability reporting criteria as a result of issues in relation to workforce (agency and staffing indicators) as explained on page 18.

VFM arrangements – financial sustainability summary

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

Capital and estates

We reviewed Board and Committee reports and confirmed the Trust regularly monitor's progress against capital expenditure through FPEC and the Fire Safety Risk is embedded into the Board Assurance Framework. The reports are sufficiently structured to provide scrutiny and oversight of the risks, actions taken and performance to date.

Through our review of Board reports, meetings with management and the audit of the financial statements, we understand that the capital programme for 2020/21 was the largest in the Trusts' history and delivered in extremely challenging circumstances. Capital expenditure for 2020/21 equated to £42.6m, with some £21m delivered in Month 12 alone. Note 36 of the financial statements confirms the Trust's CRL as £43.9m, with a 2020/21 charge against the limit of £41.7m, leading to an in-year underspend against that limit of £2.2m. Our testing of capital expenditure in the financial statements did not identify any concerns.

As at the end of March 2021, Fire Safety Notices remained in place, however, we have reviewed the evidence to confirm these have been lifted as at July 2021.

We reviewed the Internal Audit Report into Estates Management, issued in May 2021, and also discussed this with the Head of Internal Audit. The Report concluded the Trust's arrangements provide 'No assurance' to the Board. We reviewed Committee minutes and attended meetings showing the Audit and Risk Committee's oversight of the issue and the development of an Action Plan to respond to the findings.

As announced in December 2020, the Trust is to get a share of a £600m national fund being put forward to eradicate the maintenance backlog in NHS hospitals. It includes £1.8 million to United Lincolnshire Hospitals NHS Trust for a new trust-wide roof infrastructure programme. A further five projects at the hospital trust, adding up to a value of £9.6m will also be funded. In 2021/22, the NHS capital budget has been increased to begin work on new hospital building, hospital upgrades, and to replace old diagnostic equipment and to make further progress on mental health inpatient facilities. This will result in many outdated and inadequate facilities being replaced and will reduce the backlog for trusts that receive funding.

We confirmed the development of 2021/22 Capital Programme is continuing to monitor progress against the remaining backlog of critical infrastructure and the Capital Delivery Group is monitoring the delivery of key capital programmes and ensure robust programme governance. The Trust's Estates Evolution and Estates Group review compliance and key statutory areas.

Looking forwards, the 2021/22 capital allocation for NHS providers is £6.2bn and will be split into three categories:

Amount	Allocation	Purpose
£3.9bn	System level allocation	For day-to-day operational investments including Critical Infrastructure Risk to address backlog maintenance.
£1.2bn	Nationally allocated	For strategic projects already announced and in development and/or construction such as hospital upgrades (STP capital funded schemes) and new hospitals
£1.1bn	National capital investment	Including funding for technology

The Health Infrastructure Plan is a rolling 5-year programme of investment in health infrastructure, including capital to help eradicate critical safety issues in the NHS estate. The Trust remains legally responsible for maintaining its estate and delivering the capital plan. However, for 2020/21 the STP will receive an operational capital spending envelope derived from the system-level allocation and will be responsible for keeping capital spending across the system within budget.

Significant weakness in financial sustainability arrangements: capital and estates

As explained on page 17, the long-standing issues regarding the Trust's capital backlog, coupled with the Internal Audit review into estate management indicates the Trust's arrangements are inadequate and expose the Trust to a risk of significant financial loss and can be reasonably expected to lead to a significant impact on the quality or effectiveness of service and the Trust's reputation.

VFM arrangements – financial sustainability summary

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

Financial standing

Note 38 of the financial statements we audited, sets out the Trust's performance against the statutory break-even duty, which we have re-produced in the table below as well as showing the two major components of Taxpayer's Equity: Public Dividend Capital and the Income & Expenditure Reserve. Figures in brackets represent a deficit position.

	2018/19 (£'000)	2019/20 (£'000)	2020/21 (£'000)
Breakeven Duty			
Breakeven duty in-year financial performance	(87,945)	(41,876)	3,149
Breakeven duty cumulative position	(330,474)	(372,350)	(369,201)
Taxpayer's Equity			
Public Dividend Capital	260,042	267,906	677,570
Income and expenditure reserve	(422,232)	(462,642)	(457,742)
Total Taxpayer's Equity	(134,690)	(168,497)	247,540

During 2020/21 £378m of loan principal and £2.5m interest accrual arising from existing Department of Health and Social Care interim revenue and capital loans as at 31 March 2020 were extinguished and replaced with the issue of Public Dividend Capital (PDC) to allow the repayment.

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

The Trust has an Integrated Improvement Plan that has 38 Major Projects to improve quality and safety for completion in 2021/22, including delivering the financial plan.

For the first half of 2021/22 the NHS will remain under the same financial arrangements as for the second half of 2020/21. The arrangements will continue to include system funding envelopes. Block payments will remain in

place for relationships between CCGs and NHS providers. NHS England and improvement (NHSE/I) have nationally calculated CCG and NHS provider organisational plans as the default positions for systems and organisations to adopt. These then provide a starting point for budget management without the need to complete an extensive planning process.

We reviewed the financial plan submitted by the Trust, which includes assumptions around staffing levels, pay awards and Covid-19 expenditure and is based on block funding based on 2020/21 values adjusted for inflation for the first half of 2021/22. The Trust plans to break-even and to deliver c£6m of efficiency savings within the first 6 months of the year with areas of focus including improving the efficiency of clinical and non-clinical services aligned to benchmarking information.

We reviewed Board reports and note the Trust does not have a strong historic performance record in delivery of savings programmes. The outcome and implementation of the public consultation regarding the future shape of health services within Lincolnshire provides opportunity for major structural change unlocking potential savings across partner organisations, however this has been paused during Covid-19.

Significant weakness in financial sustainability arrangements

The Trust has complied with relevant financial planning guidance during 2020/21 and has continued to monitor progress against plan to date, which included delivering a financial outturn in line with the system envelope. However, as reported in the Annual Governance Statement, the Trust has been in Financial Special Measures since September 2017 and continues to face significant financial challenges. The Trust agreed a Financial Recovery Plan for NHSI, but this has been materially impacted by Covid-19 with most elements paused during 2020/21.

The Trust's financial sustainability, is dependent on the resolution of long-standing issues in workforce planning, estates and in implementing the outcomes of the public consultation on the future configuration of Lincolnshire health services initiated in March 2019. It is also dependent on the national funding structures yet to be determined. These long-standing issues, alongside the need to respond and adapt to Covid-19, have prevented the Trust from improving arrangements during 2020/21. Overall, therefore, we have concluded that there is an ongoing significant weakness in arrangements to secure financial sustainability as explained on page 19.

VFM arrangements – Governance

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

Governance structure

We have reviewed the Trust's Board and Committee Reports during the year as well as key documents in relation to how the Trust ensures that it makes informed decisions and properly manages its risks. The Trust Board is accountable for the Trust's strategies, policies and performance actions as set out in the Codes of Conduct and Accountability issued by the Secretary of State. Each Executive Director is responsible for their specific area to ensure this occurs.

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

Our review of the Trust's governance framework confirms arrangements are in place, with the Trust Board being accountable for the Trust's strategies, policies and performance. The Trust has established committees with responsibility for specific areas, such as finance and performance, clinical risk and patient safety, including:

- Audit and Risk Committee;
- Quality Governance Committee;
- Remuneration Committee;
- Finance, Performance and Estates Committee; and
- People and Organisational Development Committee.

We consider the committee structure of the Trust is sufficient to provide assurance that decision making, risk and performance management is subject to appropriate levels of oversight and challenge.

Our review of Board and Committee papers confirms that a template covering report is used for all Board Reports, ensuring the purpose, strategic context, governance issues, and recommendations are clear. Minutes are published and reviewed by the Board to evidence the matters discussed, challenge and decisions made.

Significant weakness in governance arrangements: Judicial review of the Trust's downgrading of Grantham Hospital A&E to an urgent care centre

During 2020/21, the Trust designated Grantham and District Hospital a "Green Site". This meant that Covid-19 patients would not be treated at the hospital to allow treatments like elective surgery and chemotherapy to occur on the site. All patients treated at the hospital would be tested for Covid-19, and the A&E department would be replaced with a walk-in Urgent Treatment Centre. The decision was challenged through a judicial review.

A judicial review considers the legality of decision-making by public bodies in the UK. We reviewed Board Reports as well as the judicial outcome itself. We also reviewed the minutes of the extraordinary board meeting in March, where it was decided a partial A&E service would reopen at Grantham Hospital by the end of June 2021.

The original case was made on four grounds and the claimant was only given permission to proceed in respect of two of these: one being a failure to consult; and the other that the decision was either irrational, for an improper purpose or insufficiently reasoned. The judicial review considered the impact of the Covid-19 pandemic on the Trust with the final judgement upheld one of the grounds, being that there was no clear evidence that the Trust was unable to consult and it could have made suitable arrangements to secure the meaningful participation of service users.

The judicial review found the Trust breached both section 242 (1B) (b) and (c) of the National Health Service Act 2006 Act. Section 242 is one of several provisions in the 2006 Act which place obligations on NHS bodies to make arrangements to secure the involvement of service users in decision-making about services.

We have reported this a significant weakness in Governance arrangements as explained on page 20.

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VFM arrangements – Governance

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

Board Assurance Framework

The Trust records strategic risks in the Board Assurance Framework and our review confirms it is sufficiently detailed to manage the Trust’s key risks, identify controls, gaps in controls and obtain the assurance required to work towards a targeted risk score. Our review of reports as well as attendance at Audit and Risk Committee meetings confirms the Board Assurance Framework is regularly updated and in sufficient detail to allow for adequate review including primary risk controls, gaps, plans to improve controls and any additional actions required. We reviewed a selection of reports provided to the Trust on the highest priority strategic risks currently being managed within the Trust. The report to the April 2021 Board included over 80 strategic risks recorded on the strategic risk register. Whilst we are satisfied that the Trust’s arrangements are adequate, there is further work to do to refine and focus risk management in the Trust.

Audit and Risk Committee

The Trust has an established Audit and Risk Committee that is responsible for establishing and maintaining an effective system of governance in a way that supports the organisation’s objectives. It achieves this by:

- Reviewing the work and findings of internal audit, external audit and the counter-fraud service;
- Reviewing the Annual Report, Annual Governance Statement and the financial statements before they are submitted to the Board; and
- Ensuring that the systems for financial reporting to the Board, including those around budgetary control, are subject to review in order to be sure that they are complete and accurate.

The Audit and Risk Committee considers the Board Assurance Framework, Annual Report and Annual Governance Statement and progress with internal and external audit plans. It also regularly receives updates on losses and compensation payments, single source tenders and waivers of Standing Financial Instructions.

We have reviewed supporting documents and confirmed the Audit and Risk Committee meets regularly and reviews its programme of work to maintain focus on key aspects of governance and internal control. In response to Covid-19, the Trust moved Board and Committee meetings on-line. Our attendance at Audit and Risk Committee has confirmed there is an appropriate level of effective challenge.

Internal Audit and Counter-Fraud

The Trust’s Internal Audit and Counter-Fraud Service is provided by independent third parties who provide a plan and regular progress reports to the Audit and Risk Committee, which we have read. The Head of Internal Audit Opinion is reflected in the published Annual Governance Statement, where, in their view Internal Audit had “partial assurance with improvement required.”

VFM arrangements – Improving Economy, Efficiency and Effectiveness

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

Performance management

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

- an Integrated Performance Report to each Board meeting; and
- the publication of the Quality Report, Annual Report, and Annual Governance Statement, which are reviewed by the Audit and Risk Committee before adoption by the Board.

In March 2020, in response to the Covid-19 pandemic, the Trust enacted the Pandemic Flu plan and elements of the Major Incident Plan and put in place Command and Control systems. This response continued until August when nationally the national Emergency Response Level was reduced to Level 3. This signified the start of the Recovery Phase of the response to Covid-19 pandemic.

Operational performance for the periods from August 2020 where data is available reflects the Recovery Phase where services are being reinstated as part of this Phase 3 Recovery programme. From August, this recovery commenced with ambitions to returning to pre-Covid-19 levels of waiting lists, response times and constitutional standards, in line with expectations as set out in Sir Simon Stevens' letter of July 2020.

However, the Covid-19 2nd wave has impacted significantly against the Trusts plans.

We considered the Trust's operational performance for the year by reviewing a selection of Integrated Performance Reports to the Board in the year, including the 2020/21 full year report presented to the May 2021 Board. In doing so, we recognise the highly unusual circumstances caused by Covid-19 posed challenges across both non-elective and elective pathways, including cancer, and resulting in the intermittent pausing of the green pathways at both Lincoln and Pilgrim hospitals.

Our review of Board and Committee reports and minutes confirms that the Finance, Performance and Estates Committee and the Trust Board have continued to receive regular Integrated Performance Reports covering Performance, Quality & Safety, Workforce and Finance. Performance is summarised in an assurance summary dashboard, which shows performance against target and over time. Board members are also able to triangulate information from this report with the assurance summaries from each Committee, where more in depth reports are provided. Our review confirms the reports provide sufficient detail to understand performance and published minutes demonstrate sufficient challenge from non-executive directors on the Trust's costs, performance and service delivery. Our review also confirms the Board has paid particular focus to the impact of the Covid-19 pandemic on performance and the Board holds managers to account where performance improvements are required.

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

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

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

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Care Quality Commission (CQC)

On 16 March 2020, the CQC announced they would suspend their routine inspection schedule however, they may still inspect if they have patient safety concerns. We reviewed the CQC website and all inspection reports issued during 2020/21, including service specific reports. Lincoln County Hospital and Pilgrim Hospital were last inspected in January 2020 and rated 'Requires Improvement', and Grantham & District Hospital and County Hospital Louth were last inspected in February 2018, both rated 'Good'. At the end of 2020/21, the Trust's overall quality rating by the CQC remains as 'Requires Improvement', with the domain scores show in the table opposite.

Ratings will not change until the next formal inspection by the CQC. NHSE/I continues to meet with the Trust for Performance review meetings.

We reviewed Board and Committee Reports and confirmed that the Board receives regular updates on performance through the Integrated Performance Report, which links the Trust's priority areas to the relevant CQC domain. The Report is sufficiently laid out to enable scrutiny on performance against targets and performance trends as well as consider and challenge the actions to recover performance. We also reviewed the Board Assurance Framework, which adequately links the identified risks to CQC domains and therefore through to controls, sources of assurance and planned actions.

We reviewed the 2020/21 Annual Report, which explains the improvement made to address and exit Special Measures. We also reviewed Board and Committee reports, where the Quality Governance Committee provides regular reporting up to the Board on the strategic risks considered by the Committee on behalf of the Board and any matters for escalation for the Board's response. Our review confirms the Trust's arrangements are in line with sector norms.

We recognise the impact of Covid-19 during the year, but the Trust has remained in financial and quality special measures throughout 2020/21 and there is insufficient evidence to demonstrate the Trust has made sufficient progress for conditions to be lifted and the effectiveness of arrangements is subject to any future inspection findings from the CQC.

Theme	Rating
United Lincolnshire Hospitals (Report Issued October 2019)	
Overall rating	Requires improvement
Are services safe	Requires improvement
Are services effective	Requires Improvement
Are services caring	Good
Are services responsive	Requires Improvement
Are services well-led	Requires improvement
Use of resources	Inadequate

VFM arrangements – Improving Economy, Efficiency and Effectiveness

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

Single oversight framework (SOF)

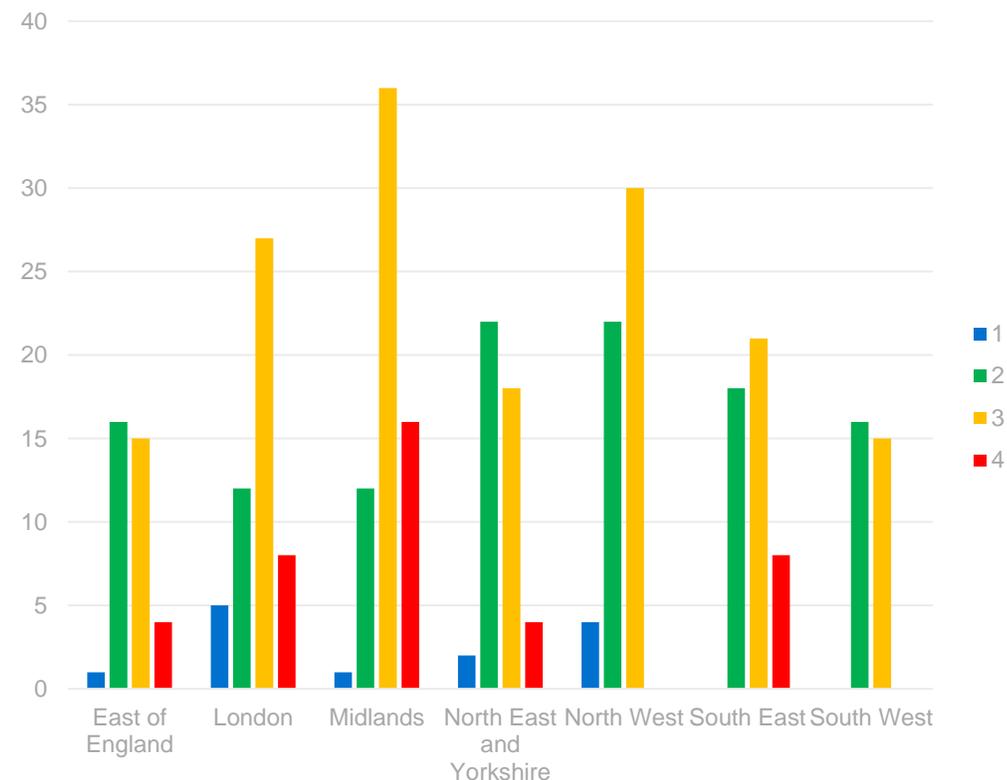
Under the SOF, which is designed to help NHS providers attain, and maintain, CQC ratings of ‘Good’ or ‘Outstanding’, NHSE/I now segment providers based on the level of support each provider needs. Each trust is segmented into one of the following four categories:

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

We reviewed the Trust’s public score, which for 2020/21 is 4, defined as: Providers in special measures: there is actual or suspected breach of licence with very serious and/or complex issues. The Provider Regulation Committee has agreed it meets the criteria to go into special measures. The public score is changed only once providers have been informed by their regional lead and there is a move between segments.

The chart opposite sets out the Trust’s relative position on the SOF against all acute providers in England and the Trust’s current SOF rating is an indicator of inadequate arrangements.

Acute Sector SOF Segmentation



VFM arrangements – Improving Economy, Efficiency and Effectiveness

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

Lincolnshire STP

Our review of board minutes and discussions with management confirms the Trust works in close partnership with other Health and Social Care organisations in the area, but notably with the sustainability and transformation partnership for Lincolnshire. Due to the revised arrangements in place in 2020/21, the Trust has increasingly had to work with partner organisations across Lincolnshire to deliver a financial position within the allocated system envelope.

A key priority for the Trust is to achieve Teaching & University Hospital status which is linked to the strategic objectives as outlined in the Integrated Improvement Plan. The Trust aims to submit an application pack to the University Hospitals Association to support having Teaching University Hospital status by 1 April 2022.

Procurement

We read the Trust's Standing Financial Instructions and confirm these adequately set out the procedures, controls and the authorisation sign offs that are required for the commission or procurement of services. In 2020/21, to assist the management of the Trust's response to Covid-19, supported by the Cabinet Office's Procurement Policy Note (PPN 02/20) issued in March 2020, the Trust introduced temporary Standing Financial Instructions. Our attendance at the Audit and Risk Committee confirms it receives regular reports on any breaches of Standing Financial Instructions and Single Tender Waivers to assure the Board that the Trust is working in accordance with relevant legislation, professional standards and internal policies. Sufficient information is provided to enable an adequate level of review and we have observed an appropriate level of challenge from Committee members through the year.

Significant weakness in arrangements to improve economy, efficiency and effectiveness

Notwithstanding the above, as highlighted on pages 16 and 18, we have identified significant weaknesses in arrangements against the Improving Economy, Efficiency and Effectiveness reporting criteria as a result of the matters arising in workforce (staffing indicators) and the Trust continuing to be under special measures.

04

Section 04:

Other reporting responsibilities

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

Other reporting responsibilities

Matters we report by exception

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

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

We have not exercised any of these statutory reporting powers.

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

Reporting to the National Audit Office in respect of consolidation data

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

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