

Auditor's Annual Report

Manchester University NHS Foundation
Trust – year ended 31 March 2022

June 2022



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

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Section 01: **Introduction**

1. Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Manchester University NHS Foundation Trust ('the Trust') for the year ended 31 March 2022. 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 21 June 2022. Our opinion on the financial statements was unqualified.



Wider reporting responsibilities

In line with group audit instructions issued by the NAO, on 21 June 2022 we reported that the Trust's consolidation schedules were consistent with the audited financial statements.

We have not exercised any of our other reporting powers.



Value for Money arrangements

In our audit report issued we reported that we had 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. Section 3 provides our commentary on the Trust's arrangements.

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Section 02:

Audit of the financial statements

2. 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 2022 and of its financial performance for the year then ended.

Our audit report, issued on 21 June 2022 gave an unqualified opinion on the financial statements for the year ended 31 March 2022.

Qualitative aspects of the Trust's accounting practices

We reviewed the Trust's accounting policies and disclosures and concluded they comply with Department of Health and Social Care Group Accounting Manual 2021/22, appropriately tailored to the Trust's circumstances.

Draft accounts were received from the Trust on 26th April 2022 and were of a good quality. Working papers were provided during the course of the audit.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

Internal control recommendations

As part of our audit we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls.

Following completion of our audit, we issued a small number of internal control recommendations. Management accepted these recommendations and have plans in place to address these.

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Section 03:

**Our work on Value for Money
arrangements**

3. VFM arrangements

Overall Summary



3. 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** - How the Trust plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Trust ensures that it makes informed decisions and properly manages its risks
- **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

Risk assessment and programme of work

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. We outline the risks that we have identified and the work we have done to address those risks on page 11.

Recommendations

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

We may also make recommendations where we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but which still require action to be taken. We call these recommendations 'other recommendations'.

The table below summarises the outcomes of our work against each reporting criteria. On the following pages we outline further detail of the work we have undertaken against each reporting criteria, including the judgements we have applied.

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
Financial sustainability	10	No	No	No
Governance	14	No	No	No
Improving economy, efficiency and effectiveness	18	No	No	No

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3. VFM arrangements

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services



3. VFM arrangements – Financial Sustainability

Risk of significant weakness in arrangements in relation to Financial Sustainability

We have outlined below 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	Work undertaken and the results of our work
<p>1 Delivery of the Waste Reduction Programme The Trust has developed a comprehensive Waste Reduction Programme (WRP) which aims to deliver efficiencies and savings whilst driving service improvements across the Trust. Waste Reduction Programme targets are built into the Trust’s annual financial planning both at group level and across individual hospitals. For 2021/22 the Trust has set a WRP target of £50m.</p> <p>Achievement of the Trust’s financial plans is in part dependent on the Trust achieving its WRP target.</p>	<p>Work undertaken We reviewed</p> <ul style="list-style-type: none"> • the Trust’s procedures for identifying WRP schemes, and how these link to the Trust’s annual planning process; • the procedures and controls in place to monitor delivery of identified WRP schemes; • how the Trust identifies mitigating actions where delivery of WRP schemes is behind plan; and • how the Trust exercises oversight of the programme through its governance structures. <p>Results of our work The detailed commentary on the financial sustainability arrangements is on pages 12-13. While the Trust did not achieve the total quantum of schemes against the target, it was able to identify sufficient schemes to contribute towards delivery of a £13m surplus in year. On this basis we have not identified a significant weakness in arrangements.</p>

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

Background to the NHS financing regime in 2021/22

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 second half of the 2020/21 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 allocating resources to meet the additional costs of the Covid-19 pandemic. The 2021/22 financial year was also split into two halves, with a different funding regime in each. However, these regimes were largely a continuation of those introduced in the previous year, whereby system envelopes and block payment arrangements remained in place to support the response to COVID-19.

The 2021/22 H1 (April 2021 to September 2021) envelopes comprised of adjusted CCG allocations, system top-up and COVID-19 fixed allocation, based on the H2 2020/21 envelopes, adjusted for known pressures and policy priorities. The 2021/22 H1 NHS guidance also confirmed block payment arrangements would remain in place for relationships between NHS commissioners and NHS providers. The guidance for H2 (October 2021 to March 2022) confirmed the arrangements would stay broadly consistent with a continuation of the H1 framework. The 2021/22 H2 “system envelopes” again contained adjusted CCG allocations, system top-up and COVID-19 fixed allocation, based on the H1 2021/22 envelopes adjusted for additional known pressures, such as the impact of pay awards, and increased efficiency requirements.

Over the course of the year and into 2022/23, the focus of the funding regime has shifted from responding to the immediate challenges caused by COVID-19 to supporting recovery in the healthcare system. This has facilitated the need for collaborative working between commissioners and providers, as local systems were expected to work together to deliver a balanced position in 2021/22, with additional funding available for those systems exceeding target activity levels through the Elective Recovery Fund. The planning guidance for 2022/23 supports the transition back to local agreement of contracts, and requires systems to achieve a break even position each year. This will necessitate further collaboration through the planning process, as individual organisations work together to achieve system-level outcomes.

2021/22 Financial performance

We undertaken a high level analysis of the financial statements, including the Statement of Comprehensive Income, the Statement of Financial Position and the Statement of Changes in Equity.

The deficit for the year from continuing operations is reported at £11m, compared with a deficit of £33m in the 2020/21 year. The improved deficit position is mostly driven by an increase in operating income from patient

care activities, which has increased by £472m from £1,719m in 2020/21 to £2,191m in 2021/22. The increase in income is driven primarily by the transfer of North Manchester General Hospital to the Trust on 1 April 2021, along with other additional funding such as from the elective recovery fund to support the backlog of elective care. The adjusted outturn position for the year on a control total basis is reported as a £13m surplus (£37m surplus reported for 2020/21). The adjustments include the removal of the net gains on transfer by absorption of £62m on the transfer of North Manchester General Hospital. The outturn position is in line with the H2 plan agreed with NHSI/E in late November 2021.

The Statement of Financial Position also shows an improved position with total net assets of £356m at 31 March 2022 (£256m at 31 March 2021). This includes an increase in property, plant & equipment of £142m and cash of £48m. Total borrowings have remained at the same level. The total taxpayer’s and other equity for the Trust stood at £356m as at 31 March 2022 (£256m at 31 March 2021). The increase has primarily been driven by a £84m receipt of public dividend capital (PDC).

The Trust’s arrangements and approach to 2022/23 financial planning

As detailed in the opening paragraphs of this section, the financial planning arrangements have changed for 2022/23 with the Trust needing to submit a financial plan to the Greater Manchester Integrated Care System (ICS) that contributes to a break even position for the ICS for the year. To facilitate this, the Trust has actively engaged with its ICS partners on the key aspects of local & ICS system financial and operational planning. We have reviewed papers prepared at ICS level which demonstrate MFT’s contribution to the planning process at system level.

The Trust’s Strategy and Finance teams co-ordinate the annual planning process – drawing on input from clinical, operational and support functions across the Trust – with Executive oversight. The annual planning and budget setting exercise includes the identification and quantification of financial and operational risks. Financial plans are considered by the Finance Scrutiny Committee prior to receiving Board approval. The Board and relevant sub-committees are kept updated on longer term financial modelling assumptions via regular reporting from the Group Chief Finance Officer. We have seen evidence of this through review of minutes from Finance Scrutiny Committee, Group Risk Oversight Committee and full Board meetings.

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3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria - continued

The Trust's arrangements and approach to 2022/23 financial planning (continued)

The Trust's plan submission to the ICS in May 2022 reflected a £56.2m deficit for the year, after allowing for a £117.2m Waste Reduction Programme (WRP). This was reduced to a £26.0m deficit following the allocation of additional national funding for increasing inflationary costs. This revised deficit was reflected in the Greater Manchester ICS position which continued to reflect a deficit position overall, after allowing for the impact of all additional national funding notified to date. Following this submission, NHSE/I have asked all ICSs to resubmit 'break-even' financial plans for the year during June 2022.

The Trust has continued to work on its resubmission alongside ICS partners. Discussions with the Finance team and review of Board papers confirms the Trust has been able to submit a revised break-even plan to the ICS by its deadline. The revised plan includes receipt of additional income to cover inflationary pressures, and assumptions in expenditure levels arising from pay awards, the funding of enduring costs and the phasing of capital plan delivery. The revised plan also assumes delivery of the £117.2m WRP.

At the time of reporting the Month 1 22/23 outturn, the Trust had identified £33.7m of waste reduction schemes, £13.0m of which had been assessed as 'Level 3' or above and therefore on track to deliver. Work to bring these remaining plans forward is well underway. The Trust continues to devote significant resources to understanding the drivers of its financial position in order to try to identify sustainable solutions that will improve the financial position.

The Trust's arrangements for the identification, management and monitoring of funding gaps and savings

The Trust has developed a comprehensive WRP which aims to deliver efficiencies and savings whilst driving service improvements across the Trust. WRP targets are built into the Trust's annual financial planning both at group level and across individual hospitals. Scheme ideas and live schemes are reported on the Trust's reporting system, Wave. The annual cycle for developing schemes is overseen by the Trust's Turnaround team and includes a timetable for staged development and submission of projects. Development 'cuts' are submitted at three stages, each requiring more detailed information. These cuts are reported to the Trust Executive and the final programme is incorporated into the Annual Plan submitted to GM ICS.

The WRP is subject to detailed monitoring and review across the Trust with involvement from the Turnaround

team and Finance/Operational teams and through Chief Finance Officer led meetings with Divisional Directors. Monthly progress is reported through to the Group Chief Finance Officer and Group Chief Operating Officer. The Turnaround Team produces a detailed monthly report of performance to date. We reviewed an example of this report and confirmed it contains a high level Trust-wide summary of performance against plan alongside a detailed review of each hospital's performance including commentary and identification of the top and bottom schemes against planned savings.

For 2021/22 the Trust had a WRP target of £50.0m, with an additional target that £36.7m of these schemes be advanced to 'Level 3' or above. This target was allocated across departments and divisions and was monitored by the Finance Scrutiny Committee. At the year end, the Trust reported it had achieved £34.2m out of the total £50.0m target at 'level 3' or above, with a further £0.8m of identified schemes below 'level 3'. This represents an achievement of 93% against the 'level 3' target, and was sufficient for the Trust to achieve its planned outturn for 2021/22. The remaining £15.8m balance is built into the 2022/23 WRP.

The Trust's latest 2022/23 plans submitted to the ICS include a WRP target of £117.2m. As referred to above, the planning process for 2022/23 is continuing into June 2022, and the Trust expects to resubmit a revised WRP target as part of the requested resubmission of financial plans. The Trust's current view, based on latest estimates, is that submission of a breakeven plan in June 2022 would now require a £92.6m WRP. The Trust has set individual Hospitals a target of £65.8m for the year, which includes the £15.8m balance from 2021/22, with the remaining balance of schemes being identified at Group level.

Notwithstanding the delays in agreeing the financial position, both nationally and at ICS level, the Trust commenced work on the 2022/23 WRP during the 2021/22 financial year. In doing so, the Trust has identified £13m of savings at level 3 or above by the end of month 1, with a further £20.7m of schemes identified at level 2 or below.

Changes to the operating environment and financial regime will mean 2022/23 is a challenging year for the Trust. The Trust is required to deliver its highest ever Waste Reduction Plan whilst continuing to address the backlog in elective care following the Covid-19 pandemic. Based on the above we are satisfied we have not identified a significant weakness in the Trust's arrangements in relation to financial sustainability.

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Governance

How the body ensures that it makes informed decisions and properly manages its risks



3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

The Trust’s decision making arrangements and control framework

The Trust has an established governance structure in place which is set out within its Annual Governance Statement. This is supported by the Trust’s Constitution, which was last reviewed and updated in February 2021, and scheme of delegation covering both the Trust-wide and sub organisation level. Executive Directors have clear responsibilities linked to their roles and the Board Sub-Committee structure in place at the Trust allows for effective oversight of the Trust’s operations and activity.

The Board of Directors and Council of Governors are committed to operating according to the highest corporate governance standards. The Board of Directors meets formally on a bi-monthly basis in order to discharge its duties effectively, including ensuring that systems and processes are maintained to measure and monitor the Trust’s effectiveness, efficiency and economy as well as the quality of its healthcare delivery. The Board of Directors has a balance of skills, independence and completeness appropriate for the requirements of the Trust. The Council of Governors meets on a regular basis in order to discharge its duties, including holding the Board of Directors to account for the performance of the Trust and to receive appropriate assurance and risk reports.

Group Non-Executive Directors (NEDs) are appointed for a term of three years by the Council of Governors. The Council of Governors can appoint or remove the Group Chairman or the Group NEDs at a general meeting. Group NEDs scrutinise the performance of the Group Executive management in meeting agreed goals and objectives and monitor the reporting of performance.

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.

During the 2021/22 COVID-19 pandemic, the Trust maintained financial governance through a number of arrangements, including: the monthly Finance Review meetings with each Hospital/ Managed Clinical Service (MCS)/ Local Care Organisation (LCO), Group Chief Finance Officer (CFO) and Group Chief Operating Officer (COO); and the implementation of an Investment Panel, comprising Hospital Director of Finance representatives and chaired by the Group Deputy CFO to review proposed investments prior to consideration by Strategic Command. A clear Financial Governance Framework has also been adopted through the Strategic

Command and communicated via Hospital/MCS/LCO Directors of Finance. Additionally, throughout the 2021/22 year the Trust continued both Finance and Digital Scrutiny Committee meetings to maintain Board oversight of the financial position. We have reviewed example minutes and papers from committee and Board meetings and confirmed they are in sufficient detail to allow effective oversight of the Trust’s financial position.

There is a comprehensive business case procedure in place at the Trust, whereby all investment cases require an appropriately detailed business case to be developed. Hospital Boards can approve business cases within the agreed financial thresholds (the scheme cost over 5 years is less than the lower of £5m or 2% of the Hospitals annual income), that are not otherwise triggered for Group level review. Schemes beyond the financial thresholds or meeting the other triggers require approval at Group Management Board (GMB). For a business case to be accepted for review at GMB it has to be first approved by the Hospital Board and have the signature of the Hospital Chief Executive, Director of Finance, Medical Director and Hospital estates lead.

As part of an internal audit a low level recommendation was made in relation to North Manchester General Hospital (NMGH)’s staff potentially being unaware of the full requirements of the business case processes and the required level of scrutiny once normal processes are relaunched. This was because a streamlined business case approval process was in place when NMGH joined the Group to speed up approvals in response to the Covid-19 pandemic. Management have agreed appropriate actions to address this going forward to ensure consistency in the arrangements across all of the hospitals in the group.

In order to provide assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud, the Trust has appointed internal auditors and local counter fraud specialists. Work plans are agreed with management at the start of the financial year and reviewed by Audit Committee prior to final approval.

We have reviewed the Internal Audit Plans for 2021/22 and 2022/23 and confirmed planned work is based around a group assurance model covering each of the hospitals within the Trust. Progress reports are presented to each Audit Committee meeting including follow up reporting of recommendations not fully implemented by agreed due dates. This allows the Committee to effectively hold management to account on behalf of the Board. Our attendance at Audit Committees throughout the period confirms the significance placed on internal audit findings. Members of the committee actively request management attendance at committees to discuss findings from internal audit reports.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria (continued)

The Trust's risk management and monitoring arrangements

The Trust has a comprehensive risk management system in place which is embedded into the governance structure of the organisation. The processes are supported by the Trust-wide Risk Management Strategy and the Trust leadership plays a key role in implementing and monitoring the risk management process.

All risks, externally and internally generated including financial, are managed and monitored through the Trust's risk management software programme, Ulysses. Owners of risks are requested automatically on an agreed period to review the present status of the risk, mitigations in place and actions to be taken. Risks are added and deleted from the system on a regular basis.

Regular risk management oversight takes place at Group-level in bi-monthly meetings held with representatives from Group and each hospital/MCS/LCO attending the Group Risk Oversight Committee (GROC) and Integrated Governance and Risk Committee (IGRC). From October 2021, the IGRC received a Group Risk and Assurance Profile that details all local risks newly escalated to scoring 12 or above, and risks at 15 or above. These meetings allow for a holistic view of current and emerging risks across the Group, with hospital/MCS/LCO representatives able to consider how risks can affect multiple sites across the Group.

We have reviewed minutes of Group Risk Oversight Committee meetings and confirmed detailed discussion and challenge has taken place on high level risks. The risks are clearly linked to the Strategic Aims of the Trust and are cross-referred to the Board Assurance Framework, providing a thread from operational to strategic risk management. The minutes include an action tracker allowing for timely monitoring of risks scheduled for review by the committee. We also reviewed an example high level risk report and confirmed it included sufficient detail to allow for effective review including mitigating actions in place, additional controls and actions required and a summary of the current risk rating and target risk rating.

During 2021/22 Internal Audit completed an audit of the Trust's risk management arrangements. This received an overall rating of 'significant assurance with minor improvement opportunities'. The Internal Audit review identified a number of areas of good practice, including there being a group-wide Risk Management Strategy and Policy in place, with each hospital/MCS/LCO having their own Risk Assurance Framework/Standard Operating Procedures to support this.

Regulators – Care Quality Commission (CQC)

The latest full CQC inspection of the Trust was undertaken during 2018, with the report published in March 2019. The overall CQC rating for the Trust was 'Good', with some outstanding practice identified within the Trust and some areas of improvement noted. In September 2020 the CQC set out its plans on how it is going to regulate Trusts during the next phase of the Covid 19 pandemic. In line with this new approach, the CQC undertook a Dynamic Monitoring review and a focused inspection of specific services at the Trust during the 2021/22 year.

The Trust had a Dynamic Monitoring review on the CQC's core service Medicine including Older People's Care in October 2021. Medicine, including Older People's Care was reviewed in the following hospitals: Manchester Royal Infirmary; Wythenshawe; Trafford; and North Manchester General Hospital. The overall feedback from the CQC was positive with no concerns identified from the review.

The St Mary's Sexual Assault Referral Centre (SARC) and the Child and Adolescent Mental Health Service (CAMHS) were inspected by the CQC in September 2021. The CQC report was positive overall. The key findings from the inspection included the following areas of good practice:

- The services had effective leadership and a strong culture of continuous improvement;
- The services had systems to help them manage risk;
- There were suitable information governance arrangements in place;
- The staff had suitable safeguarding processes and staff knew their responsibilities for safeguarding adults and children;
- Staff felt involved and supported and worked well as a team.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria (continued)

Regulators – Care Quality Commission (CQC) continued

The CQC identified one area for improvement from the SARC inspection, which was in relation to the frequency of Disclosure and Barring Service (DBS) checks. Although the service carried out DBS checks on staff at the point of recruitment this was not revisited during their employment. In response to this, the service is working with the senior leadership team in St Mary’s Hospital and the Trust Human Resource department to review its DBS checks processes.

In addition, The CQC carried out an unannounced inspection in September 2021 of CAMHS’s Galaxy House to monitor the use of the Mental Health Act (MHA) and compliance with the Code of Practice. Although there was evidence of good practice, the CQC raised some concerns in relation to the use of restrictive practice, the questions on the patient feedback questionnaire not always being appropriate for the specialist service, and patients not always being involved in their care plans. As a result, the CQC identified nine actions for the service. Eight of these have been addressed by the service, with the last action scheduled for completion in June 2022.

Regulators – The Information Commissioners Office (ICO)

In March 2022 the ICO published a report detailing findings from the data protection audit carried out at the Trust. The assurance rating given was ‘Reasonable’ in both areas of the audit scope of ‘Governance & Accountability’ and ‘Data Sharing’. The ICO issued 39 recommendations (15 high priority, 21 medium priority and 3 low priority) to the Trust within their report which the Trust is in the process of actioning. None of the recommendations were considered urgent.

The North Manchester General Hospital (NMGH) transaction

On 1st April 2020, MFT took responsibility for NMGH under the terms of a management agreement with the Board of Pennine Acute Hospitals NHS Trust (PAHT). This means the hospital has effectively operated as part of MFT throughout 2020/21. In December 2020 the Trust Board of Directors considered and approved the Business Case for the proposed acquisition of NMGH. The transaction was considered ‘material’ but not ‘significant’ under NHS transaction guidance and therefore required Board self-certification. This was completed in January 2021. The formal transfer of NMGH to MFT completed on 1 April 2021.

As part of our 2020/21 value for money audit work we considered the due diligence and governance arrangements associated with the transaction. We were satisfied with the arrangements in place. We have not identified any weaknesses in governance arrangements relation to NMGH since it’s official transfer at the start of the 2021/22 year.

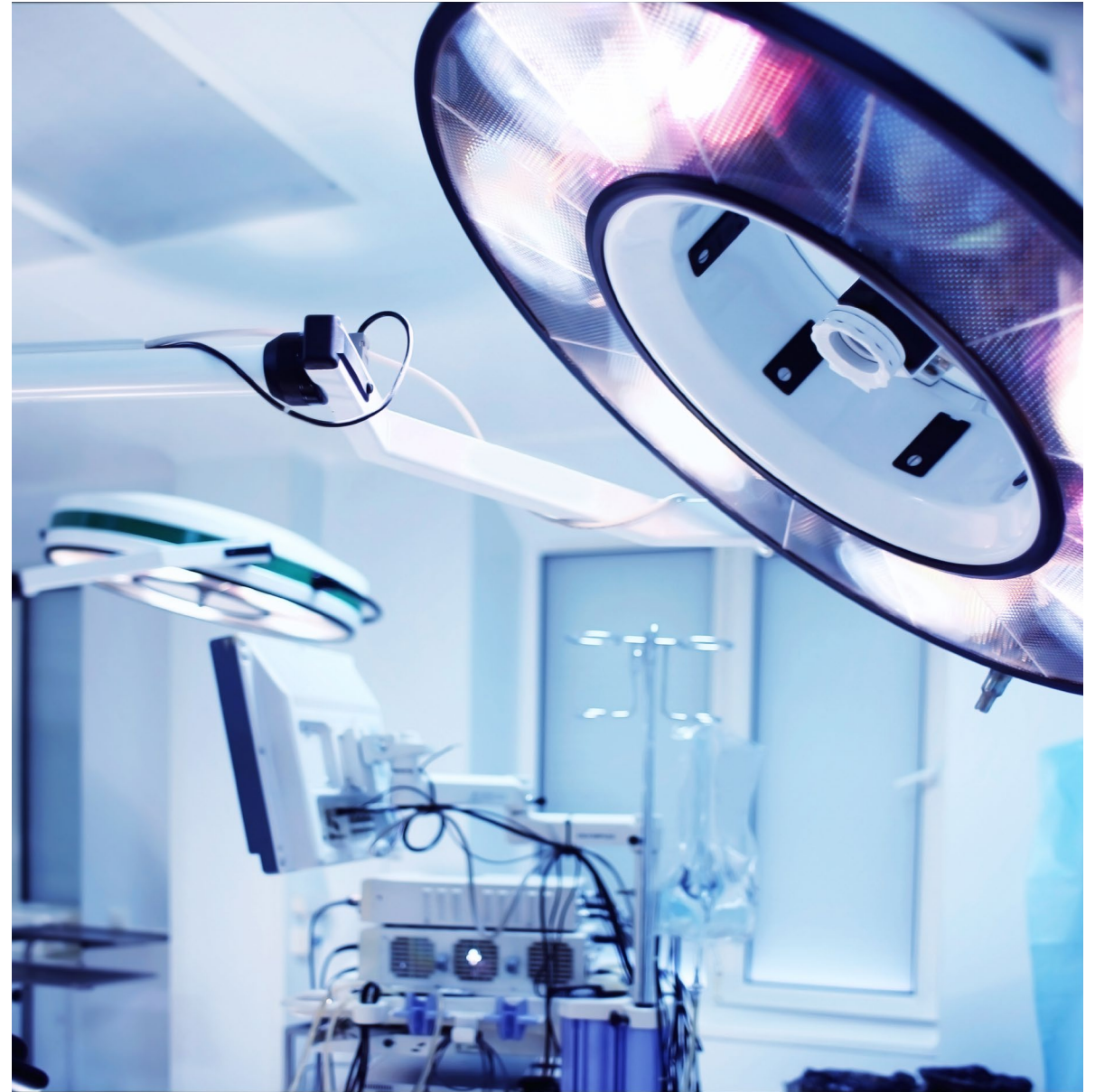
Following the transition, the Trust has continued to work closely with Northern Care Alliance NHS Foundation Trust (NCA), who took on the remainder of PAHT in October 2021. These arrangements include the Joint Delivery Board which is chaired by Executives of the Trusts, and the Finance Working Group which enables joint working on the Trusts’ respective financial positions and savings plans.

Based on the above considerations we are satisfied there is not a significant weakness in the Trust’s arrangements in relation to governance.

3. VFM arrangements

Improving Economy, Efficiency and Effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services



3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

The Trust's arrangements for assessing performance and evaluating service delivery

The Trust's Single Operating Model is underpinned by the Accountability and Oversight Framework (AOF) which contributes to the overarching Board Governance Framework, enabling the Group Board of Directors to fulfil its obligations and effectively run the organisation. The Trust's AOF process incorporates six domains: Safety, Patient Experience, Operational Excellence, Finance, Workforce & Leadership and Strategy.

To support the AOF monthly reporting cycle, a performance dashboard for each Hospital/MCS/LCO has been developed which captures in one place the overarching Hospital/MCS/LCO AOF score, individual domain scores and performance against the KPIs which form each domain.

We have reviewed the terms of reference for the Finance Review meetings and the underlying Finance Accountability Framework which forms the basis of discussion at these meetings. From our review we have confirmed the performance of the sub-organisation drives the frequency of meetings required allowing the Group CFO to focus on areas of concern within the Trust. The agenda for the meetings covers both a review of historic data and a forward looking forecast allowing for areas of improvements to be identified and incorporated into future plans.

Performance information is presented to the Board of Directors on a regular basis. In 2021/22 the Board has received a wide range of performance related reports. We have reviewed the performance information provided to Board as part of our review of board papers and minutes. Through this we have confirmed the Board effectively hold managers to account where performance improvements are required.

The Trust's arrangements for effective partnership working

The Trust has well-developed mechanisms for engagement with third party bodies at all levels across the organisation. They include regular arrangements, such as standing meetings, and time-limited arrangements set up for a specific purpose. Greater Manchester Devolution had led to a well-established set of governance arrangements ensure cooperation and close working across the whole of the GM health and social care system. The Trust has strong established partnership arrangements with other local providers, CCGs, local authorities and academic institutions. The key strategic partners of the Trust include Manchester City Council, The University of Manchester and The Christie. The Trust also has established collaborations with industry partners to enable the acquisition of new equipment, facilities and services using a shared risk approach.

The Trust and Manchester Science Partnerships have worked together to develop the next phase of the Citylabs development, the £60m expansion was completed during the 2020/21 financial year. It now houses SMEs and large companies developing new products and services relevant to the Trust's core services, including laboratory diagnostics, genomics, digital health and clinical trials. A major collaboration with global diagnostics firm, QIAGEN, has seen the company making Citylabs its base, bringing jobs and investment to Manchester.

The Trust's arrangements for commissioning services

The Trust has a professionally qualified procurement and commercial resources team that is structured both on a Group and on a sub-organisation and Group Directorate support basis. All procurement activity is conducted in accordance with the Trust Purchasing Procedure manual.

The Trust's procurement policy sets out the tendering process requirements for contracts of varying financial values under the standing financial orders: under £10,000 single quote to be obtained; £10,000 to £50,000 a minimum of three written quotes to be obtained; £50,000 to £138,760 local tender to be conducted; over £138,760 tender to be conducted in line with Public Contracts Regulations 2015. The tendering requirements are in line with both legal requirements and best practice for ensuring value for money in the procurement of goods and services. The procurement policy also sets out the Trust waiver approval procedures for the exceptional circumstances where the tendering process requirements cannot be met.

The Trust has a Standards of Business Conduct and Hospitality Policy in place to mitigate the risk of conflicts of interests arising. Our review of Board minutes confirms these are published on a regular basis.

Based on the above considerations we are satisfied there is not a significant weakness in the Trust's arrangements in relation to improving economy, efficiency and effectiveness.

3. VFM arrangements

Identified significant weaknesses in arrangements and our recommendations



04

Section 04:

**Other reporting responsibilities and
our fees**

4. Other reporting responsibilities and our fees

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 NAO 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.

4. Other reporting responsibilities and our fees

Fees for work as the Trust's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit Committee in February 2022. Having completed our work for the 2020/21 financial year, we can confirm that our fees are as follows:.

Area of work	2021/22 fees
Planned fee in respect of our work under the Code of Audit Practice	£85,000
Total fees	£85,000

Fees for other work

Mazars LLP are the appointed auditor for Manchester University Foundation Trust Charity. The agreed fee for our work is £9,000 (2020/21 £9,000).

Mazars

One St Peter's Square
Manchester
M2 3DE

Tel: 0161 238 9200

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