***PUBLIC***

**CG 22/15**

(Agenda item: 8)

# Report to the Meeting of the Council of Governors

**4th November 2015**

**Oxford Health NHS Foundation Trust (OHFT):**

**Non-audit Services provided by the External Auditor - Annual report to Council of Governors**

**For: Information**

In accordance with Monitor guidance for Foundation Trusts the Council of Governors "should receive annually a report of non-audit services that have been approved for the auditors to provide under the Trust's policy. This should be based on the services that have been approved regardless of whether they have started or finished, and the expected fee for each service."

This report fulfils that obligation, and, in addition provides Governors with further detail as rationale and benefits achieved from this work.

**Background**

Between FY07 and FY13 OHFT had a strong track record of delivering against its cost improvement plans (CIPs). During FY 14 and FY15 the Trust delivered less than 50% of CIPs as it invested in remodelling services to improve integration and local access. Given the Trust's relative efficiency (Reference cost index 89) and unprecedented financial challenge and forecast deficit, external consultant support to review the Trust's CIPs and their management including benchmarking savings opportunities against other Trusts was sought.

This work was commissioned through a formal tender process (using Government Procurement service Framework RM662). Deloitte, the provider of our external audit, won the tender as judged by the evaluation panel consisting of Director of Finance, Chief Operating Officer, Director of Nursing and Clinical Governance along with Head of Strategy and Programmes, Deputy Director of Finance and Director of Business Development of Partnerships.

**Work completed or approved**

Q4 2014/15 £79,492 ex VAT

* Identify and validate 2015/2016 and 2016/2017 CIP opportunities by assessing existing CIPs and supporting documentation.
* Conduct a diagnostic of internal variance in productivity and skill mix to identify further savings opportunities across operational and corporate service areas.
* Review CIP governance including tools, capacity and reporting arrangements.

June 2015 £30,708 ex. VAT to provide follow-up support to:

* Validate OHFT’s agreed CIP and review of rationales as to why any opportunities had not been adopted.
* Support the Trust to validate project plans.

October 2015 c£35,000 Directorate support work (approved but not yet started).

CIP Delivery Group has identified a need for additional support to accelerate the development plans for service reviews to deliver the majority of savings through changes to skill mix and productivity during FY17 and FY18. Directorate teams require support to:

* Standardise and agree the methodologies for service reviews.
* Identify, agree and analyse data and reporting requirements (and any gaps) for service reviews.

This will be the final CIP engagement with Deloitte whilst they remain our Auditors.

**Governance and approval process**

All work has been procured in line with Standing Financial Instructions and in accordance with the Trust's policy on use of the external auditor to provide non-audit services.

Specifically, prior to each individual engagement (and prior to Deloitte being permitted to tender for the work) approval of the audit committee was obtained. This was based upon detailed review by the members of the Audit Committee of Deloitte's documentation of their own processes to safeguard auditor independence (in line with ES5 of the ethical standards for auditors) and discussion and review of potential threats to auditor independence by the Audit Committee itself. The Chair of the Audit Committee explained the various lines of enquiry underpinning their considerations of potential threats to the independence of the audit at the last Council of Governors meeting.

**Benefits achieved**

**Extensive redesign of CIP management structure:**

* Increased operational and clinical engagement created this year and the focus on delivering plans will enable us to save £8m in the following 3 years.
* A strengthened/re-focussed Programme Management Office (PMO) moved to be under the executive leadership of the Chief Operating Office with oversight to challenge and support Directorates has been put in place with a dedicated CIP Manager. This is resourced to support delivery and drive recovery and not just monitor and report progress.
* A more focussed programme structureis in place with 3 operational workstreams, currently consisting of approximately 50 projects.

**Improved delivery CIPs:**

* £1.74m at month 6, anticipating delivering full FY16 target of £5.1m.
* Based on projects currently delivering there is approximately £3.6m of savings already identified for FY17.
* Benchmarking scoped additional savings opportunities from service re-modelling of between £16.7-33.4m.

This work was seen by Monitor as very important in its investigation of the Trust's financial position and taken as evidence of the Trust's willingness to seek external challenge and identify efficiencies.

**Recommendation**

The Council of Governors is asked to note this paper.

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