NHS Blood and Transplant

Board Meeting in Public

Tuesday, 24 September 2024

Title of Paper	Annual Report and Accounts	**Agenda No.**	4.1
Nature of Paper	☒ Official	☐ Official Sensitive	
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Non-Executive Director Sponsor	n/a		
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Presented for (tick all that applies)	☒ Approval ☒ Assurance	☐ Information* ☒ Update	

Executive Summary (max 300 word count)

The 2023-24 Annual Report and Accounts (ARA) were laid in Parliament on 10 September. The original plan had been to achieve this by 18 July. This paper considers the circumstances that gave rise to this delay, and the lessons learned from the year end process.

Additionally, the paper brings to the attention of the Board that an updated delegations letter was received from DHSC on 6 September, with the changes being effective immediately. The paper summarises the key changes, and a track changes version of the Scheme of Delegation included in the Reading Room for information. We have also made a small change to the delegations for external sponsorship.

Previously Considered by

A paper updating on progress to date in respect of the 2023-24 Annual Report and Accounts was presented to the July Board.

Recommendation	The Board is asked to: 1. to note the lessons learned from the year end process, and the actions planned to mitigate reoccurrence of the slippage in the timetable for the completion of the ARA, and comment as appropriate; and 2. to consider and approve the changes to the Scheme of Delegation.

Risk(s) identified (Link to Board Assurance Framework Risks)

P-05 Finance, and contributory risk Fin-04 Loss of reputation for sound financial control

Strategic Objective(s) this paper relates to: [Click on all that apply]

☐ Collaborate with partners ☐ Invest in people and culture ☐ Drive innovation

☐ Modernise our operations ☐ Grow and diversify our donor base

Appendices:	In the Reading Room: Scheme of Delegation s10 September 2024 v1.1.docx

Introduction

The 2023-24 Annual Report and Accounts (ARA) were laid in Parliament on 10 September. The original plan had been to achieve this by 18 July. This paper considers the circumstances that gave rise to this delay, and the lessons learned from the year end process.

Background

It is considered best practice for ARAs to be laid in Parliament rises for summer recess, which is usually around 22-23 July. NHSBT does not have a laying date set out by statute, but the Framework Agreement with DHSC sets the expectation that the ARA should be laid before the end of January of the following year.

The original plan for the 2023-24 ARA was for laying to occur on 18 July. The ARA can only be laid when Parliament is sitting.

The Financial Accounting and Control team are in transition and at the start of the process had a fairly fragile staffing position, with senior management being relatively new to the organisation and 4 of the 6 team members on temporary arrangements (arising from internal development opportunities, difficulty recruiting on a permanent basis, and one student placement). This contributed to the timetable being impacted at the start of the year end process when a key member of the team was taken seriously ill, and off work for four weeks followed by a phased return to work. With team resilience still evolving, the absence of a key member of the team was keenly felt, and the year end process fell fifteen working days behind schedule. A revised timeline was agreed with the auditors, which took account of the slippage whilst still aiming for pre-summer recess laying of the ARA.

A further challenge arose during the audit process, in respect of the valuation of two properties. In common with most other NHS bodies, NHSBT undertakes a full external professional valuation of its properties every five years, with the valuers completing desktop exercises in the intervening years. A full valuation was required for 2023-24. Following a competitive procurement exercise, new valuers were appointed to undertake the work.

The valuations they provided for the properties as at 31 March 2024 were reviewed and agreed by both Finance and the auditors, but showed a large reduction in the value of two properties when compared to the previous year. This arose due to a different approach being applied for the valuation of leasehold properties, when compared to the approach adopted for the previous year. Following discussions with the auditors, it was agreed that the approach adopted the previous year was incorrect, and that as a result an adjustment was required to the previous year's financial statements. Calculating this 'prior period adjustment', and its impact on the financial statements for both 2022-23 and 2023-24, added considerably to the workload of the team.

The combination of these two issues resulted in the ARA being laid approximately eight weeks later than originally planned, and also reduced our capacity to deal with issues raised by the audit during the audit period.

Lessons learned

The challenging year end process has highlighted a number of areas that need to be improved to help mitigate against similar issues arising in future years. We've had feedback from auditors, much of which was positive, but also included suggestions for improvement, and we have held internal meetings to discuss the key lesson for the continuous improvement plan. As a result, a number of team strengths were identified, but also some areas of focus for improvement:

1. **Stable team.** The Financial Accounting and Control team needs to be put on a more stable footing. Due to the nature of the work undertaken by the team, which runs on an annual cycle, it takes a year for staff to build full knowledge of all the processes and requirements. Internal secondments provide useful opportunities for staff to develop, but have contributed to shorter term appointments to the team, and consequently frequent changes in team members. External recruitment to appoint on a permanent basis has proved challenging, and took three rounds of recruitment, and the eventual use of a specialist recruitment agency, to successfully fill one post during 2023-24 (with the successful candidate only joining the team on 1 April 2024).

   Action: internal secondments need to be used less frequently, and more carefully, in future, and consideration needs to be given to engaging specialist recruitment agencies earlier in the process to ensure recruitment campaigns are more successful more quickly.

2. **Staff retention.** Staff need to be retained if experience is to be built up within the team. An experienced member of the team left during 2023-24 due to the lack of opportunities to progress.

   Action: the structure of the team, and career pathways will be reviewed.

3. **Build experience.** For key areas of the accounts, where the team may lack experience, working groups will be established to support staff to build their experience, and help them to develop stronger connections with other teams.

   Action: identify areas of weakness, and establish working groups to ensure the requirements are understood, and sources of information and key contacts are identified.

4. **Planning.** Planning for year end needs to start early, and the long established timetable needs review to ensure it is still fit for purpose. In particular, work needs to be brought forward, with more undertaken earlier in the year, with a view to more tasks being undertaken monthly or quarterly and not left until year end.

   Action: year end planning will commence in October, and key areas of work will be tested at Month 9.

5. **Contingency planning.** A contingency plan needs to be established, particularly in respect of key staff being taken ill during the key year end period.

   Action: identify and agree potential internal cover from other teams within Finance.

6. **Process improvement**. Improve processes where audit queries arose, to mitigate similar issues reoccurring and release time during the audit process for other tasks, including any unexpected issues that may arise during the year end process.

   Actions:
   - Provide feedback on issues identified by the audit to the wider Finance team and relevant business areas, in particular in relation to income, goods receipting and year end cut-off requirements generally.
   - Improve management information to assist with review and challenge of transactions.
   - Improve year end guidance to the business.

Progress to date

A full day workshop for the Financial Accounting and Control team was held on 20 August, to review tasks, roles, responsibilities, structure and career pathways. A follow-up session is scheduled for 9 October to review progress against actions.

Permanent recruitment to the Band 7 role in the team, currently filled through an internal secondment, is underway.

Recommendation

The Board is asked to note the lessons learned from the year end process, and the actions planned to mitigate reoccurrence of the slippage in the timetable for the completion of the ARA, and comment as appropriate.

Changes in delegations from DHSC

We would additionally like to bring to the attention of the Board that an updated delegations letter was received from DHSC on 6 September, with the changes being effective immediately. The key changes are summarised below, with a track changes version of the Scheme of Delegation included in the Reading Room for information:

1. **Contingent labour.** Clarifies that the control relates to the person, rather than the role.

2. **Professional services.** The value threshold for approval by DHSC remains at £100k, but the duration threshold has been removed (previously professional services of any value that were due to be provided over a period exceeding 3 months required DHSC approval)

3. **External equality, diversity and inclusion (EDI) expenditure.** Clarifies that DHSC expects this control to apply to NHSBT. Guidance on this expenditure control was issued in May by the Cabinet Office. Cabinet Office expenditure controls are not applicable by virtue of NHSBT's status as a public corporation, unless applied as a DHSC control. The control requires that all external EDI expenditure should be approved by the 'Accounting Officer, in consultation with the Board'. We will work with the CEO office and the Board Secretary to develop a proposal to address the requirement for Board consultation.

4. **IT projects/programmes.** Introduces additional thresholds for projects and programmes that relate specifically to IT, which start at £25m whole-life costs (including VAT).

5. **Revenue projects/programmes.** Previously revenue projects and programmes between £50m and £150m (including VAT) required DHSC Investment Committee approval. This has now changed to disclosure to HMT via the DHSC Sponsor Team and Finance Business Partner.

6. **Capital expenditure.** Previously, capital expenditure between £1m and £5m required approval by the DHSC Sponsor Team, and expenditure between £5m and £50m required approval by the DHSC Investment Committee. These levels of approval have now been removed. Approval requirements for capital expenditure over £50m is unchanged.

7. **Redundancy.** Introduces an additional requirement that: 'Fewer than ten redundancies under £100k require Sponsor Team approval and a submission to GAC for information only.' Whilst we assume that this means less than ten redundancies that form part of one redundancy/restructure programme we are still clarifying with DHSC colleagues that this is the case.

The changes detailed above are included in blue text in the updated Scheme of Delegation in the Reading Room.

In addition, there are a small number of changes included in red text in the updated Scheme of Delegation in the Reading Room, which relate to changes to internal NHSBT controls, some of which flow from the DHSC changes above, and some which add further clarification to existing internal controls. In summary these are as follows:

a. **Capital expenditure.** Changes to Chief Executive and Board approval levels, in light of the increased delegations from DHSC to NHSBT, which bring the approval requirements in-line with the ‘Projects, programmes and commercial expenditure’ category. Additionally, there is added clarification around approvals below Chief Executive level, including making the Investment Committee’s role clear.

b. **Increase in permanent staff above the established whole time equivalent.** This has been updated to reflect the additional establishment controls guidance issued by Finance Partners on 9 September 2024.

c. **Overseas travel.** Updated to reflect the new Travel and Expenses Policy guidance. Specifically, the policy now suggests Exec Directors approve overseas travel for staff, with ET members approved by the CEO and the CEO approved by the Chair.

d. **External sponsorship of events**. Up to £50k can be approved by the CEO, and over £50k needs Board approval. We have proposed increasing Exec Director level delegation from £1k to £5k.

Approval

The Board is asked to consider and approve the changes to the Scheme of Delegation.