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Request for Information Reference: 05.18.02

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Email only

21 June 2018

Freedom of Information Act 2000 – Request for Information

Thank you for your request for information received on 2 May 2018 in relation to the County Durham and Darlington NHS Foundation Trust (Trust). We are dealing with your request under the provisions of the Freedom of Information Act 2000.

You requested information regarding financial reviews. Specifically you asked for:

I am making a request under the freedom of information act to understand any financial reviews undertaken by the organisation. To do so, please complete and return the attached document.

To clarify the information that is being request: a financial review should include any reviews that have been completed on the organisations financial records to identify savings available and the recovery is completed on behalf of the organisation. Savings could be from the application of rates being outside of contractual agreements, identification of duplicate charges on invoices, incorrect fees or margins etc.

Examples of reviews include: telecommunications, energy, VAT, accounts payable, water, estates and temporary staffing

If the organisation has procured multiple reviews, please duplicate the questions in my document and provide the requested information for all reviews.

- 1. Has the organisation procured services from a third party to provide financial review services in the last five financial years (12/13-17/18)?***

This should include any reviews that have been completed on the organisations financial records to identify savings available and the recovery is completed on behalf of the organisation. Savings could be from the

application of rates being outside of contractual agreements, identification of duplicate charges on invoices, incorrect fees or margins etc.

Types of reviews include but are not limited to;

- ***Telecommunications –***
- ***Energy (electricity & gas)***
- ***Water***
- ***VAT***
- ***Estates***
- ***Accounts Payable***
- ***Temporary Staffing***

For all reviews contracted by the organisation, please provide the following information:

- 1. Type of financial review undertaken***
- 2. Name of third party who completed the review***
- 3. Please provide a detailed description of the review undertaken (including the number of year's reviews, what records were reviewed to conduct the review etc.)***
- 4. How many weeks did the review take?***
- 5. What was the total amount of savings identified through the review?***
- 6. What was the total amount of savings recovered through the review?***
- 7. Has the organisation achieved annual ongoing savings as a result of the third party's review? If so, please provide detail of the total annual savings***
- 8. Please state the total paid to the third party for the review undertaken***
- 9. Did the organisation use a framework to award the contract? If so, please state which framework was used***

County Durham and Darlington NHS Foundation Trust replies:

There have been no reviews for Telecommunications.

For Estates the following reviews have been carried out:

A: Property Valuation review:

1. Type of financial review undertaken – Review of the valuation of the 2 main hospital sites using the modern equivalent asset model.
2. Name of third party who completed the review – QE Facilities Ltd

3. Please provide a detailed description of the review undertaken (including the number of years reviews, what records were reviewed to conduct the review etc.) – a review of the valuation of the main 2 hospital sites covering the last 3 years using the modern equivalent asset method.
4. How many weeks did the review take? – 3 months
5. What was the total amount of savings identified through the review? - £121,558 business rates
6. What was the total amount of savings recovered through the review? - £121,558 business rates
7. Has the organisation achieved annual ongoing savings as a result of the third party's review? If so, please provide detail of the total annual savings – no one off benefits
8. Please state the total paid to the third party for the review undertaken - 50% of savings identified
9. Did the organisation use a framework to award the contract? If so, please state which framework was used – no joint working partnership

B: PFI Contract review:

1. Type of financial review undertaken – PFI Contract review
2. Name of third party who completed the review – P2G
3. Please provide a detailed description of the review undertaken (including the number of years reviews, what records were reviewed to conduct the review etc.) – review of the current costs paid to the pfi provider in relation to estates and facilities services
4. How many weeks did the review take? – 6 months
5. What was the total amount of savings identified through the review? - £100,000
6. What was the total amount of savings recovered through the review? - £100,000
7. Has the organisation achieved annual ongoing savings as a result of the third party's review? If so, please provide detail of the total annual savings – £100,000

8. Please state the total paid to the third party for the review undertaken -
£13,750
9. Did the organisation use a framework to award the contract? If so, please
state which framework was used – no framework was used

C: VAT & Accounts Payable

1. Type of financial review undertaken - Annual VAT Reviews to verify amounts
of VAT under and over-claimed on contracted-out services, including business
activities reviews and partial exemption calculations
2. Name of third party who completed the review - Deloitte , BDO and Liaison
VAT
3. Please provide a detailed description of the review undertaken (including the
number of years reviews, what records were reviewed to conduct the review
etc.) - As above. Reviews are annual (i.e. every year). The annual review
ascertains whether we have correctly accounted for VAT on all items of
income and expenditure, usually resulting in an overall net under-claim on
contracted-out services. A specific review is undertaken of business activities
and a partial exemption calculation is undertaken by the third party
organisation. Records examined include accounts payable invoices, accounts
receivable invoices, annual accounts and records of claims already made.
4. How many weeks did the review take? - Contracted Out services reviews take
place twice a year totalling approximately 5 weeks including time off site
Business activities and partial exemption calculation take approximately 2
weeks including time off site
5. What was the total amount of savings identified through the review?
This varies each year. Example figures for 201617 (as 201718 not yet
complete) are as follows re contracted- out services:- Deloitte identified net
vat under-claim of £273k, followed by Liaison VAT identifying additional net
VAT under-claim of £249k
Latest Business Activity/Partial Exemption calculation awaiting agreement
from HMRC is re 201415 resulting in a net payment to HMRC of £52k.
6. What was the total amount of savings recovered through the review? - As
Above. Under-claims identified are reclaimed from HMRC. Over-claims or
payments required are re-paid to HMRC.
7. Has the organisation achieved annual ongoing savings as a result of the third
party's review? If so, please provide detail of the total annual savings
Annual savings are made as a result of each individual review; however
lessons are learnt from each review. It's not possible to quantify the ongoing
savings.

8. Please state the total paid to the third party for the review undertaken -
Example re 201617: Deloittes Costs -£84k, Liaison VAT Costs - £62k. Charge
for 201415 business activity /partial exemption review not yet known
9. Did the organisation use a framework to award the contract? If so, please
state which framework was used - No framework was used.

D: VAT

1. Type of financial review undertaken - VAT advice on appropriate mechanisms
for correcting VAT recovery following the transfer of a hospital site to a
subsidiary company
2. Name of third party who completed the review - Ernst & Young LLP
3. Please provide a detailed description of the review undertaken (including the
number of years reviews, what records were reviewed to conduct the review
etc.) - Review of capital spend incurred by Trust on capital assets transferred
prior to completion to subsidiary company along with an application of the
Capital Goods Scheme including preparation of submission/disclosure to
HMRC.
Records reviewed included business case associated with the transfer of the
property as well as the nature of the land interest and subsequent supply of
services back to the Trust. Several meetings were held with Trust to review
capital spend, contracts and understand the documents provided.
4. How many weeks did the review take? - Approximately 13 weeks from
commencement to disclosure to HMRC
5. What was the total amount of savings identified through the review?
VAT that was paid on capital schemes and subsequently recovered was
£3,228,319
6. What was the total amount of savings recovered through the review? - As item
5
7. Has the organisation achieved annual ongoing savings as a result of the third
party's review? If so, please provide detail of the total annual savings. - One
off recovery of VAT on capital items
8. Please state the total paid to the third party for the review undertaken -
£10,000
9. Did the organisation use a framework to award the contract? If so, please
state which framework was used - No due to the value of the contract.
Competitive quotations were received.

In line with the Information Commissioner's directive on the disclosure of information under the Freedom of Information Act 2000 your request will form part of our disclosure log. Therefore, a version of our response which will protect your anonymity will be posted on the County Durham and Darlington NHS Foundation Trust website.

If you have any queries or wish to discuss the information supplied, please do not hesitate to contact me on the above telephone number or at the above address.

If you are unhappy with the way your request for information has been handled, you can request a review by writing to:

The Chief Executive
County Durham & Darlington NHS Foundation Trust
Darlington Memorial Hospital
Hollyhurst Road
Darlington
DL3 6HX

If, you remain dissatisfied with the handling of your request or complaint, you have a right to appeal to the Information Commissioner at:

The Information Commissioner's Office
Wycliffe House
Water Lane
Wilmslow
Cheshire
SK9 5AF

Telephone: 0303 123 1113
Website: www.ico.gov.uk.

There is no charge for making an appeal.

Yours sincerely

Joanna Tyrrell
Freedom of Information Officer