

Section 172 Statement - Year ended 31 December 2022

Under Section 172 (1) of the Companies Act 2006 ('s172'), the Board of Directors are required to have regard to the relevant matters set out in S172 (1) (a) to (f). The Board of Directors of Cygnet consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 31 December 2022.

To the extent necessary for an understanding of the development, performance and position of the entity, an explanation of how the group board has considered the matters is set out in the s172 statement below.

Message from our CEO, Dr Tony Romero:

"This year marks Cygnet's 35th anniversary and I am incredibly proud of how we have grown to help many thousands of people across the United Kingdom.

With almost 200 services we are the leading provider of behavioural health facilities in the country.

Last year we navigated the path out of Covid with a focus on sustaining our quality, we adapted services to help meet national need. The opportunities for growth in the UK are positive and demand for our services is growing. In fact, due to the size of our UK-wide operations, we have now split Cygnet into two divisions: Health Care and Social Care.

Our reputation for quality care means the National Health Service and local government are seeking our provision more than ever before. We are looking forward to continue to strengthen those partnerships and extending our services further.

Our regulators also continue to recognise our quality and we are proud that in 2022 we outperformed the national average for services rated Good or Outstanding. We will keep focussing on this quality and continue to extend our work into the communities we serve - through education outreach, raising awareness and extending our social media networks, where we grew our online following by 24% last year.

We also take our environmental responsibilities very seriously and have invested significantly in projects to help tackle climate change. Our Sustainability Strategy is ambitious and we aim to achieve net zero emissions by 2040 across both our direct emissions and that of our supply chain.

None of these achievements and ambitions would be possible without our dedicated colleagues. Caring is in our DNA and integral to our culture and values.

In our Health Care services we always strive for our clinical outcomes to exceed the expected standards so people can return home safely. Our social care services provide sanctuary for each individual entrusted to us and I like the saying that: "Our residents don't live in our workplace, we work in their homes."

Indeed, it is our 10,600-strong workforce that are key to our success. They are our magic ingredient. They are the ones who turned up despite the challenges of Covid to deliver the best quality care. We cherish them and are grateful for all they do.

Never has care been more important and despite many challenges last year, we continued to push forward with optimism and success. We will keep supporting our staff to be the best and resolve to overcome the challenges we face globally, nationally and economically with determination.

2023 will be one for growth as we develop and open purpose-built hospitals and invest further in our current portfolio. It is an exciting time in the UK and I look forward to leading us in the next chapter of Cygnet's work."

Principal Activities

Cygnet is a leading provider of mental health, autism and learning disability services in the UK. Established in 1988, our 35-year history has seen us build a reputation for delivering pioneering services and outstanding outcomes for young people and adults.

We provide services in England, Scotland and Wales and our expert and highly dedicated team of more than 10,600 employees enable 150 sites to consistently make a positive difference to their lives.

Our regulators have rated 80% of our services as either "Good" or "Outstanding" and 100% of Cygnet schools within our CAMHS services are rated "Good" by OFSTED.

Cygnet operates across health and social care. Cygnet provides a broad coverage of the behavioural health spectrum from Secure, PICU / Acute, Mental Health Rehabilitation and Recovery, Personality Disorder, Children and Adolescents, Eating Disorder, Learning Disabilities, Autism Spectrum Disorder, Neuropsychiatric, Older Adults, Deafness and Mental Health.

Cygnet is supported by its long term strategic partner and ultimate parent company, Universal Health Services Inc. ("UHS"). UHS is one of the largest and most respected providers of hospital and healthcare services in the USA. Through its subsidiaries, the company operates around 400 facilities across the US, UK and Puerto Rico:

- 28 Acute Care hospitals;
- 331 Behavioural Health inpatient facilities; and
- Nearly 40 outpatient facilities and ambulatory care centres.

UHS helps Cygnet to focus on investing in the delivery of high quality, value-for-money services. Cygnet remains focussed on quality and delivering clinically effective shorter lengths of stay with lower episode costs so that our customers receive better value, and service users are rehabilitated faster.

Cygnet recognises that its most valuable asset is its staff – their health, well-being and career development is crucially important. We fundamentally want to deliver on our vision and mission of working together in a positive culture of openness, honesty and inclusivity, which includes those who use our services. This means ensuring that everyone's voice is heard and acted upon.

Therefore, we look critically at all aspects of our work and develop long term outcome driven action plans for inclusion, equity and diversity. Not only will this ensure that we deliver services that have zero tolerance to racism, prejudice and discrimination, and that everyone can access the right help they need at the right time, but also, ensure we recruit, support and retain talented people who exemplify our values and feel proud to be part of Cygnet in the delivery of person-centred care.

Overview of our Services

1. Learning Disabilities

Our services have considerable experience and expertise in supporting individuals with a learning disability to develop independent skills and to live an active and happy life. We work with them to ensure they have more choice and control in their lives.

We find out their strengths, abilities and preferences so that the care provided can be as person-centred and meaningful to each individual as possible. Most importantly with the right support and help we empower each individual to progress along their care pathway to an environment that suits their needs.

We support emergency, planned and pre-assessed admissions and provide a multi-disciplinary approach.

2. Autism Spectrum Disorder

Cygnets has over 30 years' experience of delivering the best outcomes for individuals with autism and learning disabilities, who may present with behaviours that challenge.

Our residential services, with and without nursing, offer residents an organised and efficient care pathway delivered in environments that promote structure, security, consistency and understanding – essential for individuals who live with autism and its day-to-day challenges.

3. Eating Disorder Services

Cygnets provides highly specialised eating disorder services for adults aged over 18, including those with extremely low BMIs.

Care and support is provided by comprehensive multi-disciplinary teams in environments that are highly structured, while also cheerful and non-institutional. We aim to support service users in their recovery and personal transformation towards a successful discharge to a community setting or supported living environment.

4. Mental Health Services

PICU & Acute: We offer a national network of urgent admission beds, to meet the acute needs of adults requiring rapid access to mental health services, including those who may need an intensive care environment.

Our range of emergency admission services for adults include hospitals that can provide psychiatric intensive care, acute wards and older adult specific services.

Secure: Our nationwide network of low and secure mental health services includes a range of highly specialist services for Deaf service users and individuals with a personality disorder or autism spectrum disorder.

Personality Disorder ("PD"): Specialist personality disorder services provide medium secure and low secure, emergency, Tier 4 inpatient, highly specialised personality disorder and dual diagnosis PD and eating disorder services.

The main aim within our mental health rehabilitation and recovery services is to make a positive difference to the lives of our service users by building essential community links and strategies that support re-integration into the wider community through working in partnership with each individual.

We take huge pride in our accreditations, including:

- 4 of our Neuropsychiatric services are Headway accredited;
- More than 60 of our Social Care services have achieved their Dignity in Care Award;
- All of our Neuropsychiatric services are accredited by the Independent Neurorehabilitation Providers Alliance (“INPA”);
- 5 of our PICU services have been accredited and/or are members with the Quality Network for Psychiatric Intensive Care Units (“QNPICU”);
- Staff membership of the Royal College of Psychiatrists including our Group Clinical Director who is Chair of the Adult Faculty – the largest in the College;
- All of our CAMHS services are members and/or are accredited with the Quality Network for inpatient CAMHS (“QNIC”);
- 16 of our secure services are members of the Quality Network for Forensic Mental Health Services (“QNFMS”);
- 6 of our inpatient mental health services are accredited with AIMS-Rehab and AIMS – Working Age; and
- 6 of our PICU, acute and secure services have been accredited with Star Wards.

Business Review

Cygnnet continued to invest its cash flow to fund capital expenditure to maintain its existing sites, to invest in the operational infrastructure, its IT and systems infrastructure, and to develop further capacity. During the last year there was a £19.3m increase in capital expenditure spend to £36.4m.

Cygnnet operates in a highly competitive market. Most competition is based on regional catchment areas and the funding body’s procurement initiatives, with the NHS including Integrated Care Boards (“ICBs”) and Local Authorities usually being the dominant providers. Our business continues to be supported by strong relationships with customers; in 2022 Cygnnet did business with 432 (2021: 354) NHS and Local Authority purchasing bodies. We are pleased to be partnering with our commissioners on working together in new innovative and strategic ways that are mutually beneficial to us both clinically and from an efficiency point of view, but also in a way that puts those in our care first. In 2022, Cygnnet was a partner in multiple Local Provider Collaboratives across England, which focused on the local provision of Adult Secure, Children and Adolescent Mental Health Services (“CAMHS”) and eating disorder services.

Our Corporate strategic priorities

Our **purpose** is to make a positive difference to the lives of the individuals we care for, their loved ones and all those who work with us.

Our **vision** is to provide high quality, sustainable specialist services that: Ensure service users and residents feel safe and supported, staff are proud of, commissioners and service users and residents select, and stakeholders trust.

Our **mission** is to work together in a positive culture of openness, honesty and inclusivity, where we deliver safe, compassionate care for our service users and staff enjoy a fulfilling, rewarding environment in which to work.

Our **values** are to care for our service users, staff and visitors, to respect them, to ensure a bond of trust is built among us, to at all times empower those we look after as well as our staff, to deliver quality services with integrity.

Our Strategic priorities are:

- **Service users first:** Putting individuals at the heart of all we do in the delivery of safe, high quality care.
- **Support and help more people:** Providing the right care, at the right time in settings that best meet individual needs.
- **Deliver service excellence:** To be seen as a provider of choice for the delivery of high quality, evidence-based, specialist care.
- **Value and develop our staff:** To recruit and retain talented people who exemplify our values and feel proud to work in a culture that promotes excellence, delivers person-centred care and provides opportunities for everyone to be their best.
- **Innovation for the future:** Showcase innovation and vision, harness technology, deliver our sustainability targets, be a force for good in the communities we serve.

Corporate Governance and Clinical Delivery

Cygnnet is committed to providing high quality care through a robust governance, following Wates governance framework, which is transparent, accountable and inclusive. Clinical excellence and governance are the foundation of our business meaning we can provide high quality, safe, sustainable services and ensure learning opportunities to constantly improve and excel.

Our central service functions provide support to our corporate, operational and clinical colleagues and organisation to external mechanisms to gain assurance and identify where further support is required. This includes monthly Executive Management (thematic) meetings, bi-monthly Executive Management Board (performance) meetings, and quarterly Executive Management Board (governance) meetings. During the period 2021/22 the management structure changed with the establishment of a CEO for the Health Care division and CEO for the Social Care division. This has brought additional strategic management and operational delivery expertise to the Executive Board. During the same period Cygnnet appointed General Counsel, which has brought expertise in legal matters alongside the strengthened governance arrangements through the appointment of a Board Secretary in 2021.

Cygnnet has an Advisory Board, with members having senior experience and expertise to support the Board's Committees. Advisory Board Members are independent and hold non-executive positions, and this is chaired by Cygnnet's Senior Independent non-statutory Director, Professor Lord Patel OBE. It is attended by Mark Stephens CBE (Chair of Audit and Risk Committee), Dame Clare Gerada MBE (Chair of Clinical Governance and Improvement Committee) and Sian Jarvis CB. The Non-Executive Director role provides the organisation with unbiased perspective and judgement to the Board of Directors. Feedback from each of those committees is fed up through to the Main Board by the Senior Independent non-statutory Director. The Main Board is chaired by Mr Alan B Miller, Executive Chairman of UHS and attended by UHS colleagues, Cygnnet's CEO, CFO and other Cygnnet Statutory Directors. Mr Miller also chairs the Remuneration, Nomination and Leadership Committee. The board

makes use of committees to help with the consideration of matters such as financial reporting, risk, remuneration and quality.

Stakeholder Relationship and Engagement

As part of our commitment to improving our engagement with our stakeholders, during 2022 we established a new role, Director of Partnership and Engagement who is responsible for maintaining, building and improving relationships with internal and external stakeholders, by being the first point of contact for key stakeholders. We meet regularly with our external regulators and stakeholders to improve, progress and innovate. We believe this drive for service excellence sets us apart as sector-leaders, attaining high standards that are reflected in our regulatory ratings, accreditations and outcomes for those who use our services.

We believe good governance is everyone's responsibility and strive to foster a culture of openness. At Cygnet, speaking up is viewed as a positive action, and one that is encouraged and supported. Enabling our staff to speak up and share information in a prompt way allows us to identify risks, agree next steps, share lessons learnt and assess our performance.

From an engagement perspective, Cygnet invites patients, service user's, relatives and/or carers to attend in person quarterly Executive Management Board (Governance) meetings to present their feedback to members. This is an opportunity for individuals to share their experiences first hand and to discuss positives and negatives directly with Directors. This is reported to the Advisory Board for assurance.

Our Freedom to Speak Up Guardian operates independently, impartially and objectively. They:

- Seek guidance and where appropriate escalate matters to bodies outside of the organisation;
- Have open, honest conversations with leaders in Cygnet to promote change;
- Support staff who speak up and agree next steps with them collaboratively;
- Support the right to confidentiality wherever possible whilst also taking concerns forward; and
- Work closely with Freedom to Speak Up Ambassadors at sites, supporting them to influence change.

Cygnet promotes strong relationships with its network of suppliers which are actively consistently managed by our procurement team. This ensures group-wide policies and consistent quality is provided and the robust supplier on boarding process helps manage any third party risk.

Our commitment to Service Users

The views of the people who use our services, as well as their families and carers, are all extremely important to Cygnet. We work together with service users and their families to make sure that we are meeting individual needs and providing the treatment, care and support that people rightly expect and deserve.

Cygnet remains committed to ensuring that our Service Users receive the highest standards of care across each of our sites. Service User experience is at the heart of this, and everything we do at Cygnet, and we continue to do our utmost to involve our Service Users in shaping their care to ensure we are responsive to their needs.

Our People's Council meetings are held locally at site level and provide our Service Users with a forum where they can discuss their experiences with other Service Users and local managers. The views and discussions from these meetings are anonymised and reported on through local governance

structures to identify any areas that may require further focus and identify if any themes or hotspots are emerging across the business.

We also assure ourselves of our progress in this key area regularly by utilising a number of different methods to capture our Service Users' views and experiences to track our progress. We conduct a number of surveys throughout the year, which are made available in the most appropriate format for each individual's own needs. We also gather views of families and carers and use all this valuable data to shape our improvement programmes across the business. Using our existing governance structures, we put this data in the hands of leaders and key members of staff across the business who are able to translate these comments into real improvements for our Service Users.

Expert by Experience

Cygnet has a full programme of Expert by Experience visits within the organisation. These are primarily to ensure our service users' views are heard in the provision and development of our services. Our clinical services ensure our service users' voice is at the heart of our provision of high quality services. Cygnet has entered into a service level agreement with Choice Support who manage the contracts with Expert by Experience. This ensures there is a robust governance around Experts by Experience and that they are looked after and all references and DBS checks are performed on all those who we use as experts by experience.

Our commitment to Quality

Providing the highest standards of safe, quality care to our Service Users is our priority. Our Quality Strategy sets out our quality priorities along with our quality targets. Our Quality Strategy is the plan through which we focus on the quality of care we provide to our service users, and ensure we are continually challenging our services to improve. It ensures that quality, outcomes and service user experience drive the overall direction of our work and that our service users are at the centre of what we do as a business.

Our commitment to operational excellence

Cygnet's services provide individuals and their families with compassionate, quality care based on proven therapies and treatments that result in successful, long-term recovery and qualities of life that are recognised among the country's best.

We remain committed to our top priority — delivering safe, high quality care. This includes a persistent focus on treating individuals with respect, operating with integrity, building trust, empowering our teams and in providing a superior quality care.

Our Operations team work closely with HR, Clinical and Estates teams to ensure fluid communication and collaboration occurs between departments to deliver the best quality care to our service users.

Using our existing governance structures, we put data in the hands of leaders and key members of staff across the business who are able to communicate real improvements for our service users.

At Cygnet, employees from all levels of the organisation constantly strive to improve our services. In support of these efforts, progress is continually measured against our goals. Our teams focus on patient satisfaction and we quantify our clinical care. These measures allow Cygnet to benchmark, improve and report on the high-quality care provided.

Our resolute clinical and quality outcomes enable our ability to measure a broad set of evidence-based clinical and therapeutic practices that are linked to positive service user outcomes.

Our commitment to community and the environment

Cygnnet genuinely values good relationships with people in the local communities where we have services. We have more than 35-years of experience in helping and caring for people in communities across the UK and we have built strong relationships with our neighbours.

Our facilities have an established history as care providers and as supporters of initiatives important to the local community. As an employer of choice, provider of high-quality health and social care services, and value-generating business partner, we are proud to contribute meaningfully to the communities we are privileged to serve.

Cygnnet employs more than 10,500 people UK-wide and we bring additional economic and social benefits to the local economies in which our services are based. Where possible we use local produce, resources and suppliers at our facilities to support the local economy and community infrastructure. We support our staff in their local community endeavours including building relationships with local MPs, councillors, businesses, schools, charities, community groups and other residential care services. We actively encourage our staff to play a proactive role in the communities where they work and are proud supporters and sponsors of numerous community initiatives, clubs and groups.

Cygnnet is committed to having a positive impact on the environment. We take our responsibility to contribute to a greener society very seriously. Our Sustainability Strategy is a key priority in Cygnnet's Strategic Plan 2022-2027. It sets out our aims to achieve:

- Net zero carbon for our direct (own sources) and indirect emissions (other sources) by 2035; and
- Net zero carbon emissions in our supply chain by 2040.

Across the organisation we are pushing forward with a number of initiatives to help achieve our aim of net zero carbon by 2040. From the installation of solar panels, to the reduction of CO² emissions across our vehicle fleet and waste management solutions at our services, we are making great strides in our environmental commitments.

In 2020 Cygnnet introduced vehicle tracking and driver training devices, called 'Lightfoot', in all company-owned vehicles. The devices have had a proven outcome of lowering emissions, saving fuel, reducing accidents and ensuring the safe, comfortable transfer of service users.

In its first two years, the 'Lightfoot' system reduced CO² emissions by 122 tonnes across our vehicle fleet, which is the equivalent of:

- 434,000 washing machine cycles;
- Boiling the kettle more than 2 million times; and
- The weight of 189 polar bears.

With 1000+ drivers across Cygnnet, the project has also incentivised drivers to adopt safer, more environmentally-friendly driving styles.

From a pilot across 20 sites, Lightfoot has now been implemented across all 150 Cygnet sites and was shortlisted as a finalist for the Environmental Sustainability Project of the Year at the HSJ Partnership Awards.

From the rich data that Lightfoot provides, Cygnet has been able to confidently replace petrol and diesel vehicles with suitable electric vehicles. Our aim is to replace our entire fleet with electric vehicles by 2032, and this programme is now well underway, with 15 electric vehicles already on order.

In 2022, Cygnet completed the installation of solar panels at five of our top 22 electricity usage sites. The solar energy now accounts for approximately one-quarter of the electricity at each of those sites. In just one site, the CO² emissions that are avoided equate to 21,631kg per year or 21.63 tonnes. This is equivalent to 865 trees being planted. Installation of solar panels at the remaining 17 sites is expected to be completed in 2023.

In addition to our own solar installation programme, 100% of electricity procured by Cygnet is renewable. All new builds or fit-outs are completed to high environmental standards including solar energy generation, LED lighting, high-efficiency boilers, full insulation and double glazing. All light fittings in existing sites are replaced with suitable LED units when they reach end of life and high efficiency condensing boilers are installed when heating boilers need to be replaced.

Waste recycling across the organisation increased from 16% in 2019 to 31% in 2022. This is due to initiatives such as our 'Right size, right shape' project, in partnership with our waste management provider, which monitors the recycling habits across sites and supports greater awareness and action. In 2022, Cygnet facilities also successfully recycled more than 5.84 tonnes of cooking oil into biodiesel and we have removed all black plastic from our food supplies.

The Co-Sustain initiative empowers service users and staff to take sustainability into their own hands. Through Co-Sustain, we will be working closely with service users, residents and staff to raise awareness of environmental issues, take action and explore creative ways of reducing our carbon footprint across our services.

Cygnet have formed the ESG Steering Group, attended by a cross functional team of senior leaders, convened bi-monthly, this meeting feeds into the: Executive Management Board, Finance and Audit and Risk Committees. The ESG Steering Group encourages key stakeholders to: propose and seek approval of strategic change; update progress of ESG initiatives; and flag any emergent ESG risks and opportunities.

Our commitment to our people

Cygnet has an experienced Human Resources ('HR') department to support our people, including operational HR Business Partners, Employee benefits specialists, a Learning and Development team covering our mandatory and developmental training programmes, and a central On-boarding and Resourcing team who specialise in award winning branding and campaigns, international recruitment, and innovative recruitment strategies.

In 2023 the People and Culture Committee was created to advise and assure the Executive Management Board on all matters relating to staff and workforce planning; and plans to enhance the environment that supports and values staff in order to engage the talent and nurture the leadership capability of individuals and teams working together to drive the desired culture throughout Cygnet to deliver safer better health and social care.

Our HR strategy includes:

- Ensuring we have the right people in the right roles;
- Having a clear and sustainable recruitment strategy;
- Providing focus on retention of our staff;
- Ensuring our staff are appropriately skilled to undertake their roles safely;
- Having up to date and effective HR processes;
- Having a clear international recruitment strategy; and
- Implementing a central on-boarding team.

In addition to the national recruitment strategy, Cygnet has a clear international staffing strategy to recruit for skill shortages. Working alongside an external company of expert recruiters we have sourced many more sponsorship visas than ever before so that we can attract doctors and nurses from overseas.

We have created a central on-boarding team to ensure a positive candidate experience and speed up the process from the candidate applying to their start date. Our HR Business Partners carry out HR site reviews with service managers regularly. This is a full review of the employee life cycle and includes staffing, turnover, retention, employee relations including disciplinary, grievance, staff welfare, etc.

HR Clinics are conducted every 6 months or more frequently for sites if required. The clinics are an open forum for all staff to speak to HR in confidence about anything they may be experiencing or with queries and for HR to gauge staff morale and take positive action and work with local management on action plans if required.

Cygnet are committed to hearing our staff voice and ensuring everyone is treated equally, fairly and with respect. The following actions have been taken to ensure Cygnet have acted fairly between members of the company:

- Provide targeted and relevant staff communications through accessible and interactive platforms;
- Continue to promote the Freedom to offer the Guardian Service as a confidential support service for staff;
- Reconvene our Staff Representative Groups (SRGs) to gather and respond to feedback;
- Cygnet Awards including our first Cygnet Staff Achievement Awards held in November 2022;
- Reflecting the diversity of our workforce and those we look after in our leadership and opportunities for progression;
- Implement the Framework for Open Cultures;
- Implement our Equality, Diversity and Inclusion (EDI) strategy with clear objectives to ensure everyone enjoys equal opportunities according to their needs and individual aims; and
- Working with the EDI, Multicultural Network, LGBTQIA Network and Women's Network to promote awareness and inclusion so that staff feel more confident in sharing their information.

Cygnet continues to review our benefits packages and have introduced a number of new features recently and bolstered others. Cygnet benchmarks its approach to pay and reward annually, both across the sector and geographically. We also continue to report on gender pay gap, comparing men

and women's average pay across the organisation, provide Work Race Equality statistics and Work Disability Equality Statistics.

In order to obtain staff feedback an annual staff survey is carried out. 2023 has seen response rate of 71% and a process of reviewing feedback and creating individual as well as corporate action plans will commence.

Cygnet is very proud to have a first class team of management and staff in our organisation who combine a unique set of skills to drive our business forward. It is the expertise of our people and the culture of passion and commitment that enables us to do such a fantastic job of caring for our service users and improving their lives day by day. We believe in our core values of Care, Respect, Empower, Trust and Integrity.

We would like to take this opportunity to thank all of our staff for their skill and dedication to the business and all the people in our care.

People with disabilities

It is the Group's policy to give fair consideration to the employment needs of people with disabilities and to comply with current legislation with regard to their employment. Wherever practical, we continue to employ and promote the careers of existing employees who become disabled and to consider employment for people with disabilities, subsequent training, career development and promotion on the basis of their aptitudes and abilities.

Key Performance Indicators ('KPIs')

Cygnet uses a range of financial and non-financial indicators to measure and monitor its progress.

Financial

These include revenue and profit before tax. Adjusted margins are also considered and reflect the causes for changes in profit, such as changes in occupancy rates.

Non-financial

We use a variety of Quality KPI's to ascertain our performance and compliance with standards.

A monthly Quality Dashboard by region is produced which summarises performance by unit, this includes occupancy rates, published Regulatory Ratings as well as the Internal Quality Assurance Manager Rating of the service. The Dashboard includes Audit Submissions as well as identifying underperforming audit compliance ratings, Resuscitation Simulations, surveys and results of Medication Audits.

We promote a culture which encourages an open and transparent approach to incident reporting and investigation and one which seeks to learn lessons and implement risk reduction measures. In order to support continuous improvement in how we manage our incidents and risks we undertook a procurement exercise aimed at ensuring that our electronic systems best support continuous improvement.

Following recommendations made as a result of this exercise we have opted to purchase a dedicated incident and risk software which has the benefit of both being an upgrade to our present system and of aligning us more closely with broader public sector (NHS) incident and risk management practice.

We continue to work with people who use our services and experts by experience to further enhance our approach to managing complaints and compliments. We have done this through participation in local People's Councils as well as the Co-production Steering Group. We are committed to using complaints as a valuable opportunity to improve our services for the benefit of service users. This year we have further enhanced our Complaints Dashboard and have made it easier for local units to monitor and respond to complaints and compliments.

Staffing KPI's include recruitment of staff, retention of staff, training compliance, employed / agency hourly rate, sick hour's usage and levels of agency.

Future prospects

In line with our five year corporate strategy (2022 – 2027) it is our commitment that we will:

- Continue to maintain and enhance high quality, safe services for children, young people, adults and older people. We want all our services to deliver to the level of our absolute best and provide person-centred care;
- Further expand our provision of mental health and social care services, ensuring we continue to grow and evolve, meeting the demands and needs of service users, their families and those who commission our services. Any extension of our services will be financially sustainable, in line with national policy and supported by a clear operational framework;
- Use data intelligently to drive improvement and foster a culture of continual learning;
- Recognise our staff are our most important asset in the delivery of safe, quality care and create a culture which promotes excellence and provides a fulfilling place for staff to pursue their careers; and
- Demonstrate how we value our workforce through training, development, compassionate leadership, recognition and responding to their own wellbeing needs.

Key risks and uncertainties

The Group will face many risks and uncertainties from external factors. The following are the most significant risks and uncertainties facing the Group:

Loss of funding

Cygnnet relies on publicly funded entities in the UK for substantially all of its revenues and the loss or reduction of such funding, or changes in procurement methods, could negatively impact the Company's occupancy rates which could have corresponding material adverse effects.

As a provider with a national footprint across England, Wales and Scotland, and subsequently contract with most of the ICBs, NHS Provider Collaboratives and NHS England, NHS Trusts, Health Boards, and Local Authorities. Each commissioning entity is responsible for its own budget and commissioning strategy, which affords Cygnnet protection if revenues from a particular commissioning entity reduces.

Competition

Cygnnet monitors competition closely to ensure that it remains competitive in the market place. Cygnnet manages the risk associated with demand fluctuations by offering diversified services and monitoring demand, converting unused capacity to alternative services when appropriate and in collaboration with our commissioner's requirements. Cygnnet monitors prices charged both internally and externally to ensure that its services are appropriately priced to compete and importantly provide value.

Reputational risk

Reputational risk is the risk arising from adverse publicity. Cygnnet believes this is only likely to occur in relation to poor customer and/or service user care and has multi-layered systems to help prevent the risk occurring and manage any challenges arising.

Regulatory risk

Regulatory risk is the risk arising from adverse regulatory inspections, or employees failing to adhere to Cygnnet's policies and procedures. All themes and trends arising from regulator inspection reports are disseminated and action planning for improvements is shared across the group for learning purposes and to confirm Board Assurance. Health and Safety regulations are reviewed and internal policies, procedures and training updated in line with those regulations.

The Group engages in clinical audit, internal audit of systems, controls and continuous monitoring of performance of employees and customer and service user satisfaction.

Cygnnet has an external whistleblowing phone line to ensure that any concerns felt by staff, can be assured of a full hearing and action as a consequence this is in addition to having a Freedom to Speak Up Guardian (FTSU) and Staff Representative Groups across our services.

Inflationary Risk

Cygnnet is monitoring cost increases closely and is currently seeing high cost inflation in the majority of products and services purchased. In order to manage this risk Cygnnet is working with suppliers to fix prices where possible in order to give certainty over future costs.

Data Risk

The security and availability of operational data is essential and system security hardware and software are used to achieve this.

Cygnnet takes its data protection responsibilities very seriously and is committed to operating within the necessary regulatory boundaries of the data protection legislation. Cygnnet is aware of the requirements and is keeping its data protection and governance practices up to date accordingly.

Cygnnet continued to invest its cash flow in operational infrastructure, IT and systems infrastructure.

Climate risk

Climate-related risks have been identified as an emerging risk. This includes physical risks which are either event-driven such as heatwaves and droughts or chronic longer term shifts in climate patterns such as rising sea levels. As well as with transactional risk while we transition towards less polluting, greener solutions, including the effect of legal and regulatory requirements and policy changes.