

Auditor's Annual Report on Shropshire Community Health NHS Trust

2021-22

September 2022



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We are required under Section 21(3)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Executive summary



Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Trust has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Trust's arrangements under specified criteria and 2021/22 is the second year that findings have been reported in this way. As part of our work, we considered whether there were any risks of significant weakness in the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Criteria	Risk assessment	2021/22 Auditor Judgment
Financial sustainability	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but one improvement recommendation have been made.
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but three improvement recommendations have been made.
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but four improvement recommendations have been made.

- No significant weaknesses in arrangements identified or improvement recommendation made.
- No significant weaknesses in arrangements identified, but improvement recommendations made.
- Significant weaknesses in arrangements identified and key recommendations made.



Financial sustainability

The Trust has a history of achieving key financial performance measures. 2021/22 financial performance continues to support this. In 2021/22 the Trust forecast a surplus of £1.351m and achieved an outturn of £2.761m, a favourable variance of £1.4m.

2022/23 planning guidance expects that the Trust will need to make cost savings by developing CIPs in 2022/23 and per the plan agreed with the ICS and submitted to NHSE/1 the Trust has included a target of £1.565m of CIPs. At the time of drafting this report £1,370k of CIP had been identified (88%) and of these £380k (24%) were considered High Risk.



Governance

The Trust has seen a significant movement of staff at Executive level during 2021/22 which has delayed the Trust's ability to progress its review of governance and risk management arrangements.

We are satisfied this is now being taken forward by the Trust there is significant work to do to ensure the Trust Board are appropriately focussed on key strategic issues facing the Trust and are supported by high quality and effective reporting mechanisms.



Improving economy, efficiency and effectiveness

The Trust has appropriate arrangements in place to monitor and manage performance and maintains its 'Good' CQC rating, first awarded in 2019.

As the local healthcare economy moves towards more collaborative working arrangements, there is opportunity to foster a closer working relationship with system partners.

The Trust is facing challenges in staff recruitment and retention, leading to excessive agency spend.

Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

Opinion on the financial statements

Auditors are required by section 21 of the Local Audit and Accountability Act 2014 to express an opinion on the accounts that includes the auditor's view on whether the accounts: (i) present a true and fair view and comply with statutory requirements (ii) have been prepared in accordance with proper practices

We have completed our audit of your financial statements and issued an unqualified audit opinion on 21 June 2022, following the Audit Committee meeting on 10 June 2022. Our findings are set out in further detail on page 26.

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body

We did not issue any statutory recommendations.

Section 30 referral

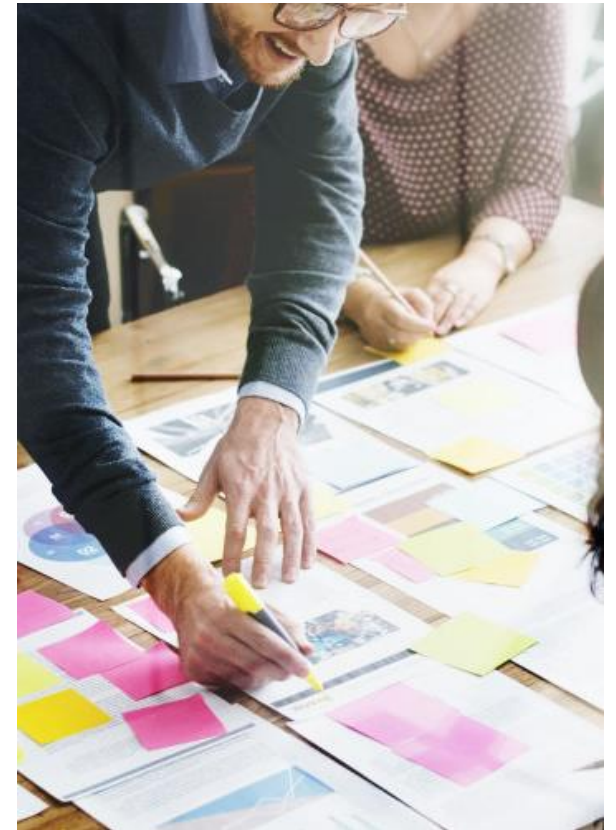
Under Section 30 of the Local Audit and Accountability Act 2014, the auditor of an NHS body has a duty to consider whether there are any issues arising during their work that indicate possible or actual unlawful expenditure or action leading to a possible or actual loss or deficiency that should be referred to the Secretary of State, and/or relevant NHS regulatory body as appropriate.

We did not issue a section 30 referral.

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a public interest report.



Securing economy, efficiency and effectiveness in the Trust's use of resources

All NHS Trusts are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Trust's responsibilities are set out in Appendix A.

NHS Trusts report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial Sustainability

Arrangements for ensuring the Trust can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



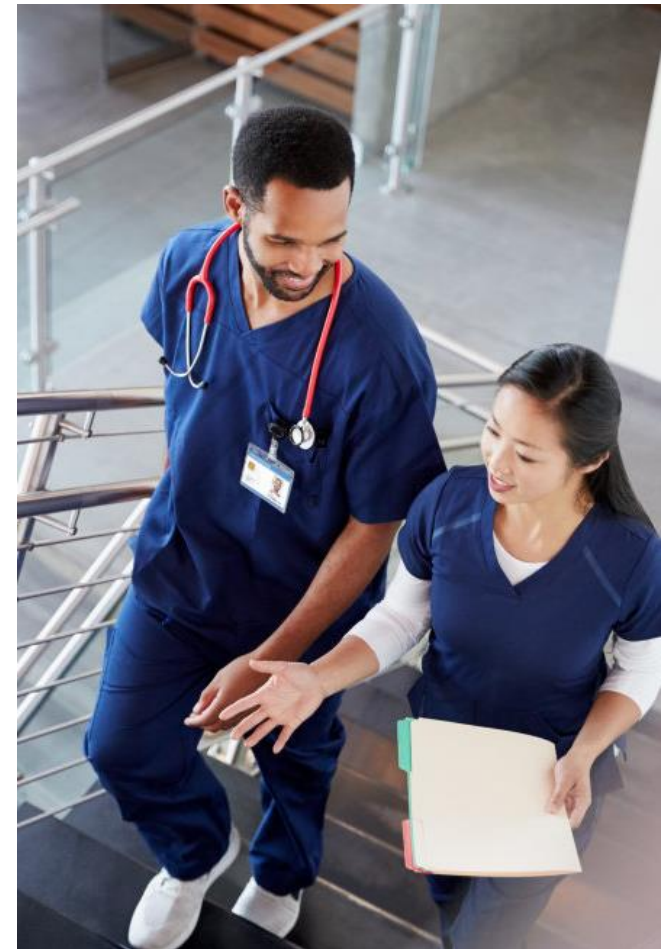
Governance

Arrangements for ensuring that the Trust makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Trust makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Trust delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on the Trust's arrangements in each of these three areas, is set out on pages 6 to 25. Further detail on how we approached our work is included in Appendix B.

Financial sustainability



We considered how the NHS Trust:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Overview

The Trust delivered a financial performance in line with agreed revenue and capital targets set for the 2021/22 financial year. This included delivery of:

- a surplus of £2.761m against a budgeted surplus of £1.351m
- capital spend of £4.360m, with slippage in year of £0.9m due to supply chain issues, for which additional Public Dividend Capital of £0.602m was received in year
- exceeded overall savings target in the year.

Financial management

The Trust has processes in place which detail the responsibilities of Trust Board members and senior management for planning and managing the Trust's finances. These are set out in the Trust's Standing Financial Instructions (SFIs). We have not identified any evidence of the Trust not complying with these processes. The Trust identifies future cost pressures as part of its initial budget setting process, which involves meetings between budget holders and members of the finance team on an ongoing basis throughout the year, usually through budget monitoring meetings.

The Director of Finance maintains an overview of the Trust's financial position and prepares a monthly report to the Resource and Performance Committee (RPC), which in turn is taken to each meeting of the Trust Board. These reports set out key financial information, such as actual and forecast performance against budget, progress on delivery of efficiency savings and wider developments within the healthcare sector which impact on the Trust's finances, both in the short and medium term. These reports are sent out in advance of the meetings, which enables questions to be formulated for discussion and scrutiny and challenge to take place.

The Trust's medium term financial plans are developed in conjunction with its partners in the Shropshire, Telford and Wrekin healthcare system, which enable the strategic priorities for this system to be taken into account, as well as key assumptions around demand and funding. The Director of Finance takes the lead on ensuring that the Trust's financial plans are consistent with its workforce and operational plans, liaising with other senior management colleagues as appropriate. Where issues need to be addressed, these are escalated first to the Resource and Performance Committee, and then to the Trust Board as appropriate.

Based on this we have not identified any weaknesses in relation to the Trust's approach to financial management.

Financial year 2021/22 -Outturn

The Trust has a history of achieving key financial performance measures and the 2021/22 financial performance continues to support this. In 2021/22 the Trust forecast a surplus of £1.351m and achieved an outturn of £2.761m, a favourable variance of £1.4m. The increase in surplus was as result of late system funding allocated to the Trust. The Trust clearly communicated to commissioners it would not be able to spend this additional resource within 2021/22 hence the increase in planned surplus. The Trust's 2021/22 plan included an efficiency target of £1.677m (£1.311m of this recurrent and £0.366m non recurrent). This was surpassed at £1.777m (£1.332m of this recurrent and ££0.445m non recurrent)

At 31 March 2022 the Trust held a favourable cash position of £18.7m. The Trust is forecasting that this reduces over the current financial year to a projected balance of £16.99m as at 31 March 2023. This remains a significant level of cash balance for the Trust.

Financial sustainability

Financial year 2022/23 – Plan

For 2022/23, NHS planning guidance has set out the need to move from the simplified finance and contracting arrangements which have operated throughout the COVID-19 pandemic, to revised financial and contracting arrangements which will focus on management of NHS resources at a system level. For the Trust, the system is the Shropshire, Telford and Wrekin Sustainable Transformation Partnership (STP) which became an Integrated Care System (ICS) from 1st April 2021.

The partners within the system worked to develop an overall plan with NHSE/I providing national challenge and oversight. The national oversight has meant agreeing the final 2022/23 Operational Plan has been an iterative process:

- At its meeting on 7 April the Board approved the Trust's proposed financial plan for 2022/23 following review and discussion of the underlying information by the Resource and Performance Committee on 28 March 2022. This plan was for a budgeted deficit of £3.53m in the year and capital expenditure of £5.86m (inclusive of £3.36m related to capitalised leases under adoption of the new IFRS 16 accounting standard)
- It was highlighted to the Trust Board that further adjustments were expected to be made as a result of agreeing the final financial plan across the ICS. The Trust submitted its updated 2022/23 operational plan to NHSE/I on 28th April 2022. This plan forecasted a deficit of £2.3m for the financial year to 31 March 2023.
- The most recent financial plan was submitted to NHSE/I on 20 June with a forecast deficit of £1.3m for the financial year to 31 March 2023.

A full explanation of the changes between the financial plan as approved by the Trust Board and the updated plan dated 28 April were reported to the June 2022 Trust Board with a further update being provided to the August Board. The Trust has been transparent in its reporting of changes made to its 2022/23 financial plans.

The Operational Plan shows a clear move from a planned surplus in months 1-3 to deficit position upon the allocation of an element of the ICS total deficit to the Trust from 1 July 2021 as follows:

- | | |
|--|-----------|
| • Months 1 to 3 of the 2022/23 planned surplus | £577k |
| • Months 4-12 of the 2022/23 planned deficit | (£1.877m) |
| • Total deficit forecast for 2022/23 | (£1.3m) |

Based on total budget expenditure of £102m budget this represents a 1.3% deficit.

Cost Improvement Plans (CIP) and 2022/23 Financial Performance

Financial arrangements were amended during the response to the Covid-19 pandemic and have continued throughout 2021/22. In summary:

- System funding envelopes, containing 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 the pay award, and increased efficiency requirement.
- Block payment arrangements remaining in place for relationships between NHS commissioners (comprising NHS England and CCGs) and NHS providers (comprising NHS foundation trusts and NHS trusts).
- Signed 2021/22 contracts between NHS commissioners and NHS providers were not required. Where services continue to be provided, the nationally mandated terms of the NHS Standard Contract for 2021/22 applied from 1 April 2021 onwards, and a contract incorporating those nationally mandated terms was implied as being in place between the parties. It is the expectation that signed contracts will be required for 2022/23.

During H2 planning across the ICS, it was recognised that all organisations were struggling to deliver the recurrent CIP target of 3% set by NHSE/I due to the ongoing impact of the pandemic. A realistic view of delivery was agreed for each organisation and the Trust's CIP target for 2021/22 was revised to £1,677k (comprising £1,311k (78%) recurrent and £366k (22%) non-recurrent).

The Trust delivered £1,777k efficiencies in year, (£1,332k of this recurrent and £445k non recurrent). Both recurrent and non recurrent delivery exceeded target. This continues the Trust's historic record of achieving savings plan. Previously we have commented upon the Trust's over reliance on non recurrent savings. In 2021/22 75% of savings were recurrent, this was slightly down on the planned 78%, however this is due to overperformance against both recurrent and non recurrent target. Whilst this will still mean more recurrent savings will be required in 2022/23 the trend is in the right direction.

2022/23 planning guidance expects that the Trust will need to make cost savings by developing CIPs in 2022/23 and per the plan agreed with the ICS and submitted to NHSE/I the Trust has included a target of £1.565m of CIPs. At the time of drafting this report £1,370k of CIP had been identified (88%) and of these £380k (24%) were considered High Risk.

Financial sustainability

As at Month 3 whilst the Trust was reporting a surplus of £604k compared to a planned surplus of £577k. Whilst on track at headline level there are significant challenges within the system. Bank and Agency costs are £1.05m (some 31%) ahead of plan but these are offset by a decline in the substantive workforce of 4% since the beginning of the year with reduced costs of £1.8m. These expenditure savings have then helped offset a similar reduction in expected income through the Covid-19 vaccination service. This demonstrates there is still significant volatility within the system. We have not identified any significant weaknesses in arrangements but further developing savings and addressing workforce challenges continue to be risk areas.

An IMPROVEMENT recommendation has been raised:

Improvement recommendation #1

The Trust needs to fully identify and develop cost improvement plans for 2022/23 and across the medium term to address the Cost Improvement Programme (CIP) requirement.

Cash and Capital

At the end of the 2021/22 financial year, the Trust held a favourable cash position of £18.4m. The Trust's finance team produce a rolling 12 month cash flow forecast which forecasts a reduced but still buoyant cash balance at 30 April 2023 of £15.47m. There is no recent or forecast requirement for liquidity support.

The Trust spent within its Capital Resource Limit of £4.337m for the 2021/22 financial year.

It has been confirmed that capital allocations for 2022/23 will be allocated to ICSs and each should then agree how this funding will be distributed amongst partner organisations. The Trust has entered a planned capital spend for 2022/23 of £5.86m (inclusive of £3.36m related to capitalised leases under adoption of the new IFRS 16 accounting standard) in its latest NHSE/I submission.

Long Term Plan

NHS Shropshire, Telford and Wrekin is the commissioning body within the ICS. It came into being as a statutory body on 1 July 2022, and took on the duties and responsibilities of the former NHS Shropshire, Telford and Wrekin Clinical Commissioning Group.

In March 2021, the ICS Chief Executives Group and the Sustainability Committee confirmed six 'big-ticket' programmes that were identified as having the potential to deliver the most significant quality and financial benefits to the system in the quickest time. These programmes were identified as the System's key priorities that would address quality issues and financial sustainability and would need to be mobilised quickly and delivered at pace.

Following initial scoping and modelling activity, several key elements of work were identified that needed to be delivered by end March 2022 alongside the big-ticket programmes to ensure realisation of financial and quality benefits including:

- Developing a system Workforce Model
- Developing plans to deliver operational efficiency savings in 2022/23
- Developing a System Capital Strategy and plan
- Developing System Demand & Capacity Model

An Integrated Delivery Board was subsequently established in November 2021 to mobilise and drive these elements of work alongside the big-ticket programmes plus any other additional transformation workstreams.

It is acknowledged the big ticket programmes are highly complex in nature and are in some cases are in their infancy. Delivery of such schemes will require a system level approach. We are satisfied the Trust has the ability to contribute and influence decision making within the ICS by having appropriate representation at key ICS committees.

Although we have not identified a risk of significant weakness, we have made an improvement recommendation as part of our consideration of System arrangements on page XXX in our consideration of Economy, Efficiency and Effectiveness

Conclusion

Overall, we found no evidence of any significant weaknesses in the Trust's arrangements for ensuring that it appropriately manages its finances to maintain sustainable levels of spending over the medium term .

Improvement recommendations



Financial sustainability

Recommendation 1

The Trust needs to fully identify and develop cost improvement plans for 2022/23 and across the medium term to address the Cost Improvement Programme (CIP) requirement.

Why/impact

To help the system attain financial balance the Trust is being asked to operate to a deficit for the first time. With increasing cost pressures the risk of being able to manage to this also increases with the potential impact on the long-term financial sustainability of the Trust.

Auditor judgement

The identification of recurrent CIP schemes should be prioritised and the Trust should look to achieve this through continuing to benchmark its operations and where appropriate making use of Model Hospital and Getting It Right First Time data, increased partnership working, and ensuring stakeholder engagement on all savings plans. Increasing staff costs and the use of temporary staff should be closely managed.

Summary findings

2022/23 planning guidance expects that the Trust will need to make cost savings by developing CIPs in 2022/23 and per the plan agreed with the ICS and submitted to NHSE/I the Trust has included a target of £1.565m of CIPs. At the time of drafting this report £1,370k of CIP had been identified (88%) and of these £380k (24%) were considered High Risk.

Management comment

The Trust is working with ICS partners to develop a medium-term financial model which will include demographic and non-demographic growth, cost pressures, inflation and this will support with estimating efficiency requirements. We anticipate a greater focus on identifying system-wide efficiencies, such as through pathway redesign and procurement benefits.



The range of recommendations that external auditors can make is explained in Appendix C

Governance



We considered how the NHS Trust:

- monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to:
 - ensure budgetary control
 - communicate relevant, accurate and timely management information (including non-financial information where appropriate)
 - supports its statutory financial reporting requirements; and ensures corrective action is taken where needed
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency

Leadership, Governance structure and committee effectiveness

Historically, the Trust has seen a stable leadership team at both Executive and Non-Executive Level. However, 2021/22 has seen changes in both with the more significant ones being at Executive level.

- At Non Executive Director (NED) level there has been an appointment of one new NED and one Associate NED.
- At Executive level the Trust's new Chief Executive joined in April 2021 and a new Director of Nursing and a new Chief Operating Officer (COO) were appointed in November 2021. Alongside this the Director of People role was undertaken by a secondee from another Trust during 2021/22 and the Trust is currently receiving support for this post from the Midlands and Lancashire CSU. The role of Director of Governance was filled on an interim basis from January 2021 until November 2021 when it was made into a joint role with Robert Jones and Agnes Hunt Orthopaedic Hospital NHS Foundation Trust.

The level of change combined with the challenge of recovery post-pandemic had delayed the Trust's review of governance and risk management arrangements until January 2022. Internal Audit also reported upon areas for improvement in the Trust's governance arrangements, particularly through their Well Led and Corporate Governance audit work. Alongside this Internal Audit identified through review of minutes and papers to Board and various sub committees evidence of ineffective and repetitive discussions, inconsistency in the quality of papers presented and unproductive action taking which has led to the Board having inadequate time to properly focus on its strategy and vision and clearly monitor progress against key strategic objectives.

Our review of minutes for the Trust Board and sub-committees has noted:

- Highlight reports from each sub-committee are presented at Board meetings to allow Board oversight. It is not clear however, for some sub-committee reports what assurance is actually being provided to the Board, if any, and in some cases what are the key issues which need to be escalated to Trust Board for consideration in a strategic context.
- Committee agendas and the volume of reports can be significant, particularly for a relatively small Trust. The Trust is currently reviewing its committee structure and this should consider whether the delegation of certain items to new sub-committees could reduce the agenda further and free up committee members to focus on key strategic matters facing the Trust.
- There are errors within some reports which include the header of the report being that of other Trusts for example. Inaccuracies within reports can seek to undermine the validity of other information within the report if the reader loses confidence in the accuracy of the report.

Whilst we are satisfied the Trust had a functioning committee structure in place throughout 2021 the effectiveness of committees and in particular the assurances that are being provided to the Trust board need to be improved.

With the appointment of a substantive Director of Governance, and working alongside the Trust's wider management team, a review and updating a number of governance processes has been carried out. The findings of this review were presented to Trust Board in February 2022 detailing the new framework which was put in place from 1 April 2022. We recognise there has been a period of adjustment as a result of the personnel changes but the Trust should now monitor the effectiveness of the new governance framework including committee structures, the remit of each committee/sub-committee, reporting arrangements and supporting operational policies and procedures. The Executive team and Non Executive Directors will need to ensure the 'tone from the top' is clear to staff and supports the strategic direction of the Trust. We also note that there are three NEDs whose terms are due to expire in 2023 so the Trust will either need to seek extensions or have plans in place to manage the transition and factor this into their review.

Governance

An IMPROVEMENT recommendation has been raised:

Improvement recommendation #2

The Trust should monitor the effectiveness of its newly implemented governance arrangements, ensure they remain fit for purpose and enable the Trust to respond to the challenges of working within a complex ICS environment. This will ensure the Trust Board are appropriately focussed on key strategic issues facing the Trust and are supported by high quality and effective reporting mechanisms.

Risk management

The Trust has governance structures in place that provide sufficient oversight of risk management arrangements across the Trust. The Board Assurance Framework (BAF) and Corporate Risk Register (CRR), as considered by the Audit Committee, are presented at each Trust Board meeting as part of the Governance Report. Risks within the CRR are RAG-rated and an Executive Lead is assigned for each risk. Neither the BAF or Corporate Risk Register however clearly identify the how the risk links to the achievement of the Trust's Strategic objectives. This was also reported as part of the 2020/21 AAR. As noted earlier we are aware however that the Trust is reviewing its current governance structures and associated reporting arrangements. For this reason a further improvement recommendation has not been raised.

Policies, Procedures and Decision-making

The Trust's overarching core policies, namely its Standing Orders, Standing Financial Instructions, Scheme of reservation and Scheme of Delegation are up to date. We do, however, note that there are a number of policies and Standard Operating Procedures that have exceeded their review date. Our general perception is that there are too many and the number of policies and procedures could be refined, consolidated and made more meaningful to aid in decision-making.

As part of work we noted the Trust's approach to the decision to close Bishops Castle Community Hospital (BCCH) to new inpatient admissions in October 2021. As detailed on the Trust's website:

On 7 October 2021 in the private section of our Trust Board meeting, the Board considered critical staffing and linked ongoing safety issues at Bishops Castle Community Hospital (BCCH).

After reviewing the evidence, the Trust Board decided to temporarily close BCCH on safety grounds, due to the consistent very high reliance on agency staffing and the lack of adequate numbers of staff to provide the services in a safe manner.

Closure of the hospital commenced on 17 October 2021, at which point no new inpatient admissions were received. The closure was complete by 31 October 2021, at which point all inpatients had been transferred to another appropriate place of care. All patients and their families were fully informed and involved in the transfer.

Following the closure of inpatient services at BCCH it was identified that the Trust had not carried out the necessary options appraisal and consultation process in relation to this closure. Although the decision was taken, rightly so, in relation to patient safety and safe staffing levels the Trust had not complied with relevant procedures regarding the cessation of these services. This could have left the Trust open to legal challenge and reputational risk. By have clear and appropriate policies and procedures to follow this occurrence may have been avoided.

An IMPROVEMENT recommendation has been raised in relation to the Trusts Policies and procedures.

Improvement recommendation #3

The Trust should carry out a full review of all policies and procedures to ensure all policies out of date are reviewed, updated or superseded.

Governance

Budget setting

Budget setting processes are appropriate. The Trust prepares an annual financial plan, activity plan, and a workforce plan. The plans are submitted to NHSEI for review. The process undertaken is comprehensive covering different aspects of income and expenditure, activity trends and developments.. Confirm and challenge meetings are in place to discuss the budget. Finance plans are also shared across the ICS to coordinate spending plans. The final budget is signed off by the Resource and Performance Committee, and the Trust Board.

Financial management and reporting

The Trust has appropriate procedures in place for managing its financial spend. Financial performance management is a key objective for senior managers. Monthly budget meetings take place and consider the financial position for each division. This information is reported via a monthly finance and performance report . A bi-monthly summary report is taken to Trust Board.

There is sufficient capacity in the finance team. The finance structure in place includes a Director of Finance, Head of Finance and Head of Financial Reporting. All of whom are supported by an experienced and stable finance team.

A clear accounts timetable is in place and the 2021/22 financial statements were delivered within the timescales agreed. Accounting policies were appropriately approved by the Audit Committee. Improvements to a small number of working papers supplied as part of the audit were identified however there are no significant issues in relation to the final accounts process.

Internal controls

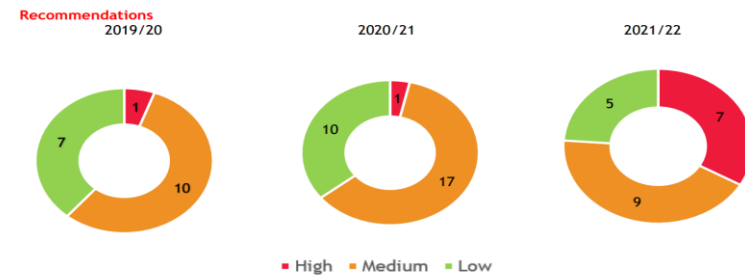
There is no evidence of pervasive and significant weaknesses in the Trust's internal controls from the external audit of the financial statements or the work of internal audit.

The Trust develops its internal audit plan in conjunction with executives and the Trust Audit Committee. The plan is based on internal audit's view of assessed high risk areas in relation to control design and operation. There is then a process to ensure any proposed pieces of work are aligned to Trust objectives and purpose.

The Head of Internal Audit (HOIA) Opinion provided Moderate Assurance that there was a sound system of internal control, designed to meet the Trust's objectives and that controls were being applied consistently in 2021/22. Whilst a Moderate Assurance was given internal audit was of the view that the control environment had weakened over the last 12 months, primarily due to changeover in the Executive Team, and lack of engagement for follow-up.

This is highlighted by the HOIA's report which includes a summary of recommendations raised over the year along with a comparison to the previous 2 years. An extract of this is included below. This highlights the level of medium and, in particular, high risk recommendations has increased as a percentage of total recommendations raised year on year.

RECOMMENDATIONS AND ASSURANCE DASHBOARD



Overall we are satisfied that the weakening of the control environment is currently not a significant weakness. We have already highlighted a recommendation in respect of improving governance and have therefore not raised a further recommendation here.

The Trust has a well established and well embedded culture of counter fraud. The Trust has continued to ensure its staff are aware of responsibilities towards fraud and bribery and has a Fraud and Anti-bribery Policy to support staff. The Trust is committed to creating an open and honest culture that encourages responsible and timely dialogue about matters relating to risks to patients, staff, the public and organisational probity.

The Trust actively encourages staff to raise concerns at the earliest opportunity about safety, malpractice or wrongdoing at work. The Local Counter Fraud Service (LCFS) lead regularly reports to Audit Committee and any identified cases of fraud are proactively investigated and criminal cases pursued where the evidence supports it. The LCFS concluded based on their work that there were no significant fraud risks that required reporting within the Trust's Annual Governance Statement for 2021/22.

Governance

Procurement

The Shropshire Healthcare Procurement Service (SHPS) is a department hosted by The Shrewsbury and Telford Hospital NHS Trust. It is a shared service providing procurement services for the Trust

From our attendance at Audit Committee it was identified that the use of procurement waivers at the trust has increased significantly in quarter 4 (January to March 2022) The Trust does have a Scheme of Delegation that enables waivers under £5,000 to be used without authorisation. However, it requires the Audit Committee to review all waivers over £20,000 and a competitive quotation process for any purchases over £5,000. In very exceptional circumstances, where the organisation deems that formal tendering procedures would not be practicable, or the estimated expenditure or income would not warrant formal tendering procedures, the Trust may waive the need for competitive tender.

Although we have not identified a risk of significant weakness, we have made an improvement recommendation in relation to reducing the usage of procurement waivers moving forwards.

2021/22	Number of waivers reported to Audit Committee	Value of waivers reported to Audit Committee
Q1	2	£88k
Q2	3	£44k
Q3	1	£13k
Q4	10	£445k
Total	18	£590k

Improvement recommendation #4

The Trust should reduce its dependence on the use of procurement waivers where suppliers outside of the Trust's procurement framework are used.

Freedom to Speak Up (FTSU) Guardian

The Trust has demonstrated self-awareness and recognised that its FTSU arrangements are not as robust as they should be and therefore full assurance cannot be given with regard to current compliance.

The Trust has nominated the new Director of Governance (in post from December 2021) to be the Freedom to Speak Up Guardian and to support the Trust with achieving compliance with all speaking up requirements.

At the time of this report we have noted the Trust's website is out of date and does not reflect this change. The 'Freedom to Speak Up: Raising Concerns (Whistleblowing) Policy', also available on the Trust's website is out of date. The policy was adopted in February 2017, there is evidence of an update in January 2021 however this policy will need to be fully reviewed.

A recommendation has not been raised in relation to this point as this is an example of the issues already raised regarding governance structures and out of date policies and procedures.

Conclusion

Overall, we found no evidence of any significant weaknesses in the Trust's arrangements for ensuring that it makes informed decisions and properly manages its risks. We have however raised 3 improvement recommendation for the Trust to address.

Improvement recommendations

Governance

Recommendation 2 The Trust should monitor the effectiveness of its newly implemented governance arrangements, ensure they remain fit for purpose and enable the Trust to respond to the challenges of working within a complex ICS environment. This will ensure the Trust Board are appropriately focussed on key strategic issues facing the Trust and are supported by high quality and effective reporting mechanisms.

Why/impact Committees with overly long agendas can suffer from lack of direction as are at risk of being overwhelmed by the volume of information which may not be a key priority for the Trust

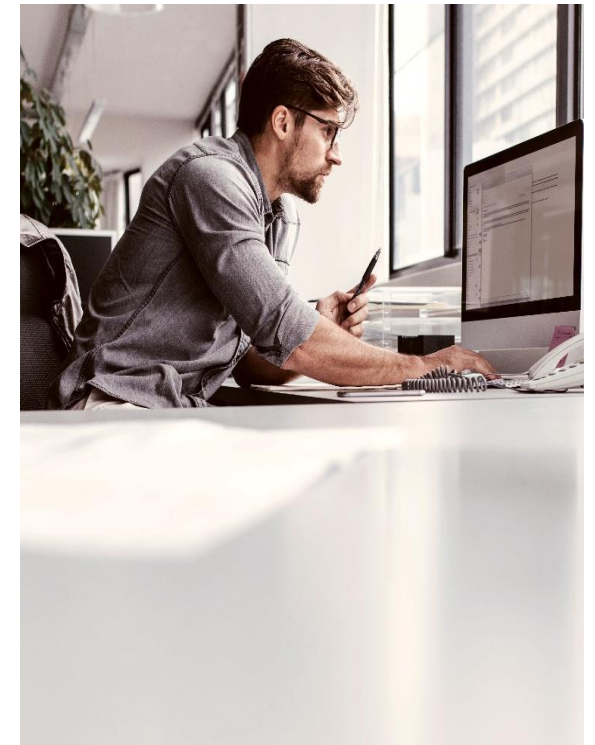
Auditor judgement Continue to monitor the effectiveness of new committee structures. Clear reporting and accountability for actions will be the key determinant to the success of committee structure changes and will ensure the Trust Board are focussed on key strategic issues facing the Trust.

Summary findings With the appointment of a substantive Director of Governance, and working alongside the Trust's wider management team, a review and updating a number of governance processes has been carried out. The findings of this review were presented to Trust Board in February 2022 detailing the new framework which was put in place from 1 April 2022. We recognise there has been a period of adjustment as a result of the personnel changes but the Trust should now monitor the effectiveness of the new governance framework including committee structures, the remit of each committee/sub-committee, reporting arrangements and supporting operational policies and procedures. The Executive team and Non Executive Directors will need to ensure the 'tone from the top' is clear to staff and supports the strategic direction of the Trust. We also note that there are three NEDs whose terms are due to expire in 2023 so the Trust will either need to seek extensions or have plans in place to manage the transition and factor this into their review.

Management comment The Trust has reviewed its governance arrangements and implemented a new governance framework with new Chair's reports introduced to ensure the level of assurance obtained is clear along with any issues to be escalated.

The Trust has also arranged Report Writing Training for its senior managers to ensure the committees are receiving quality reports.

The plan is to formally assess the effectiveness of the Committees at 6 months and 12 months to ensure the improvements made have the intended impact.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Governance

Recommendation 3	The Trust should carry out a full review of its policies and procedures to ensure all policies out of date are reviewed, updated or superseded where appropriate to do so.
Why/impact	Having policies and procedures demonstrates competence as a Trust and provides clear guidelines to staff, patients and other relevant stakeholders on how the Trust operates and the professional practices and processes in place to safeguard the Trust and stakeholders.
Auditor judgement	The Trust's policies and procedures are not fully updated.
Summary findings	There are a number of policies and Standard Operating Procedures that have exceeded their review. The general perception is that there are too many and the number of policies and procedures need to be refined and made more meaningful.
Management comment	<p>A full review of the Trust's policies and procedures is underway to ensure that they are up to date and fit for purpose.</p> <p>The Committee workplans will incorporate the policies that are coming up for review to ensure that this is done in a timely manner.</p>



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Governance

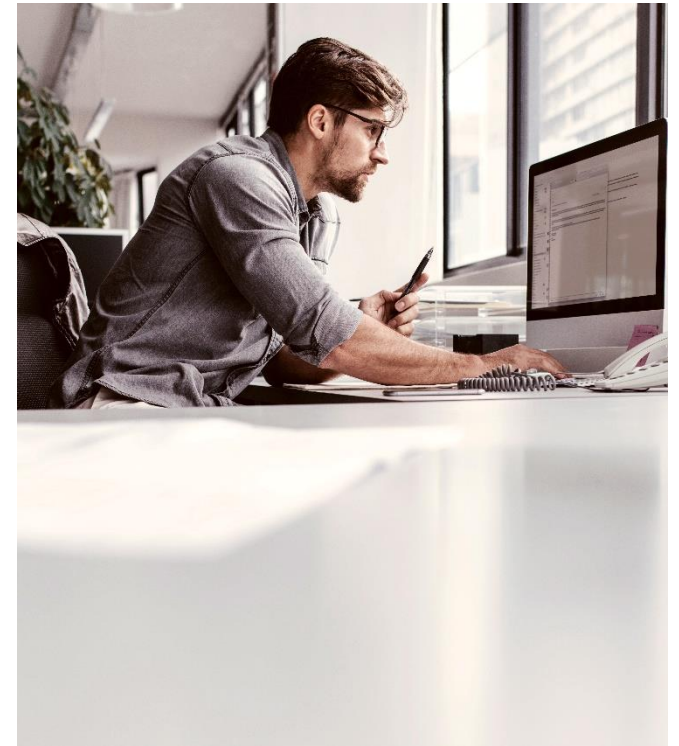
Recommendation 4 The Trust should reduce its dependence on the use of procurement waivers where suppliers outside of the Trust's procurement framework are used.

Why/impact There is a risk that the Trust is not achieving value for money in its procurement activities due to the significant usage of procurement waivers, particularly in Quarter 4 of 2021/22. Ideally, procurement waivers should only be used in exceptional circumstances, with the majority of procurement delivered through the procurement framework.

Auditor judgement We do not consider this to be a risk of significant weakness as the Trust is able to demonstrate robust procedures in place regarding the approval of procurement waivers

Summary findings From our attendance at Audit Committee it was identified that the use of procurement waivers at the Trust increased significantly in Quarter 4 (January to March 2022). The Trust does have a Scheme of Delegation that enables waivers under £5,000 to be used without authorisation.

Management comment Agreed that procurement waivers will be reduced, noting that there may still be a requirement to utilise these in exceptional circumstances.



The range of recommendations that external auditors can make is explained in Appendix C.

Economy, efficiency and effectiveness



We considered how the NHS Trust:

- uses financial and performance information has been used to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve
- ensures that it procures services in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefit.

Board strategy

The Trust has an operational plan in place however this relates to 2019/20 and as such is out of date. The Strategic Goals are referred to as part of Board reporting throughout 2021/22 which are :

- To deliver high quality care
- To support people to live independently at home
- To deliver integrated care
- To develop sustainable community services

Due to the outbreak of the COVID 19 pandemic and resulting operational pressures within the Trust a 'strategy on a page' was developed for 2020/21. This focussed on the immediate issues faced by the Trust in light of the pandemic, the overarching objective being:

'By the end of March 2021 we will have stabilised our services, taken the opportunity to redesign and innovate, and built up public confidence in the safety and quality of care we provide.'

Due to ICS planning arrangements the Trust did not develop an overarching operational plan for 2021/22. It has, however, developed its Clinical and Quality Strategy 2021-24 which was presented to 1 April 2021 Trust Board. This strategy sets out the Trust's approach to delivering services over the next two years and is aligned to the Trust's strategic Goals and Priorities. It has been developed taking into account both Trust and system priorities, national influences and feedback from a range of clinicians within the Trust.

The overarching purpose of the Clinical and Quality Strategy is to describe how the Trust will provide the best possible community health services whilst keeping a focus on improving quality and supporting staff to deliver the right care at the right time in the right place. The strategy is viewed as a dynamic document and as such has been flagged for review at least annually in order to take account of necessary developments within the ICS. Implementation of the strategy is planned to be monitored six monthly and reported to the Quality and Safety Committee.

The Trust has also developed its first nursing strategy (2021-23). This has been developed listening to the reflections of nurses on the learning and the opportunities the pandemic has provided for nurses. The Trust's Nurses are the largest workforce group and developing this strategy has helped to identify what has been achieved so far and the ambitions and priorities for nursing for the next two years.

Economy, efficiency and effectiveness

Performance reporting and monitoring

Quality and Safety reports are presented to the Board at each meeting, this includes the Integrated Quality and Safety Performance Report. The report sets out the current issues for the Trust. The reporting is comprehensive covering whether the Trust is Safe, Caring, Responsive, Effective and Well Led.

A summary of key points reported to the February 2022 Trust Board as part of the Integrated Quality and Safety Performance included:

- Services that have improved, are consistently performing well and meeting both CQC descriptors for 'Good' and Trust quality KPI's
- Services falling below CQC descriptors for 'Good' and Trust quality KPI's that are on an improvement plan
- Services where quality and performance are considered to meet or exceed CQC descriptors for 'Outstanding' and Trust performance
- Learning from when things go well and not so well
- New or increased risks identified by the Service Delivery Groups
- Trust overview of key mandatory safety training, information governance and appraisal performance.

Issues highlighted to the Trust Board for consideration include (list is not exhaustive)

- The number of shifts solely filled with agency Registered Nurses to achieve required RN establishment
- The Number of Patient falls and how this had increased slightly in December to 18 with 1 fall being reported as a Serious Incident.
- The volume and nature of Serious Incidents
- Duty of Candour compliance and the fact this was not achieved in 4 cases.
- New birth visits in Shropshire which were highlighted as a continued area of concern with 75.96% visits achieved within the designated timeframe. As a result of the discussions held, further triangulation of data and a deep dive is to be commenced.

- the discussions held, further triangulation of data and a deep dive is to be commenced.
- Referral to Treatment for November 2021 was at 73%. Harm proformas are completed in regard to any breaches.
- MRSA Screening rates which remain below a performance at 91.6% against a target of 97%.
- Complaint responses achieved the performance target of 95%

Financial data is provided to the Trust Board. Each finance report is reviewed by the Director of Finance. This ensures there is a full review of the accuracy of data to be presented to Trust Board prior to papers being submitted. Each report includes a summary of the key points, risks affecting the delivery of the financial plan for the year and recommendations for the Board to consider or note.

We note that although ICS developments are reported to the Board there are no routine performance monitoring reports which specifically cover the performance of the ICS. We do however note that a system wide financial framework to ensure the equitable distribution of resources is in development but is not yet in place.

The majority of the six national key targets for ICSs (see below) are focussed on the acute provider sector i.e.:

- 111 call abandonment;
- Mean 999 call answering times;
- Category 2 ambulance response times;
- Average hours lost to ambulance handover delays per day;
- Adult general and acute type 1 bed occupancy (adjusted for void beds); and
- Percentage of beds occupied by patients who no longer meet the criteria to reside

The Trust can play a key role in reducing bed occupation in hospitals and looking further into the year NHS England has also said that integrated care systems will be responsible for 'initial problem solving and intervention' if trusts fail to deliver against key targets to prepare for winter. ICBs are responsible for initial problem solving and intervention should providers fail, or be unable, to deliver their agreed role.

A framework for monitoring the performance of the IICS is therefore urgently needed to ensure that decisions are visible, transparent, and ensures the correct prioritisation of resource across the health economy

Economy, efficiency and effectiveness

System working

We have identified from our work that the Trust is heavily involved in system working across the ICS and, in some cases, has individuals who lead systemwide workstreams. We are satisfied the Trust has appropriate representation within ICS committee and sub-committee meetings. The Trust has also played an active role in developing the governance structures in the system.

As well as contributing strongly at an ICS level the Trust recognises in its Long Term Plan the importance of delivering against system wide priorities. The Trust has strong relationships across the ICS and given its cross-cutting role within community services is in a position to influence the direction of travel of the ICS which indicates strong system working, however this is a new way of working for the Trust.

In the most recent segmentation ratings (July 2022) the Trust has been allocated to NHS System Oversight Framework segment 2. This means it has been assessed as having plans that have the support of system partners in place to address areas of challenge but that targeted support may be required to address specific identified issues. Around 47% of providers nationally were assessed as within Segment 1.

Fellow providers within the ICS, Robert Jones and Agnes Hunt Orthopaedic Hospital NHS Foundation Trust and Shrewsbury and Telford Hospital NHS Trust, have been graded 3 and 4 respectively. The ICB has also been graded 4 (one of 12% nationally) which means it has been assessed as having very serious, complex issues manifesting as critical quality and/or finance concerns that require intensive support and will therefore receive mandated intensive support delivered through the national Recovery Support Programme.

This confirms our overall view that there are no significant weaknesses within the Trust's arrangements but recognise it is working within a challenging environment with partners and therefore ensuring its governance arrangements are sound and enable it to work in an agile fashion is key to continuing to operating successfully.

Although we have not identified a risk of significant weakness, we have made an improvement recommendation that the Trust and its system partners should foster an environment of collaboration, challenge, and accountability and continue to monitor this going forward. This has been raised as part of Improvement recommendation #2.

Accuracy of financial and performance data

A Data Quality Audit is carried out by the Trust's internal auditors. In April 2022 Internal audit reported that there were inconsistent levels of compliance with the data quality policies across various service areas. A number of recommendations have been raised by Internal audit for the Trust to address.

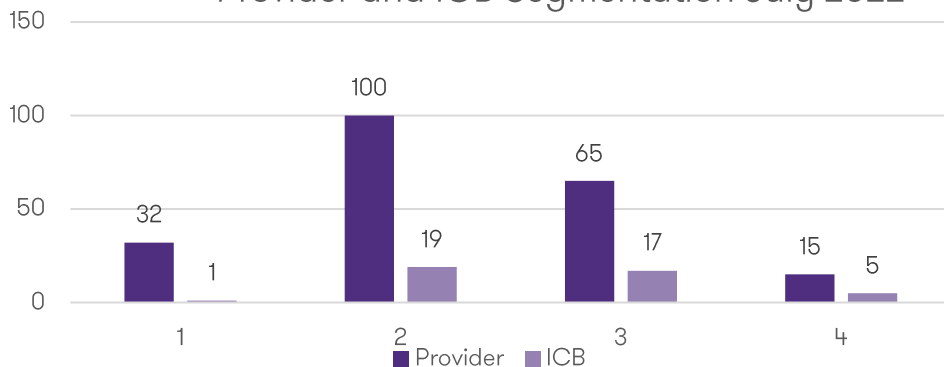
Internal audit carried out a high-level review of evidence items in the DSP Toolkit self-assessment return in March 2022. They rated confidence in the Trust's DSP Toolkit return as high. They did identify however that to comply with the DSP Toolkit, the Trust is required to meet all mandatory sub-assertions, therefore further work would be required ahead of the year-end submission to address the areas of non-compliance identified.

Financial data is provided to the Trust Board, Each finance report is reviewed by the Director of Finance. This ensures there is a full review of the accuracy of data to be presented to the Trust Board.

Benchmarking , and learning from others

We reported in the 2020/21 Auditors Annual report that the Trust was developing its approach to benchmarking for example, the Model Hospital – data and interactive charts were presented to the Quality and Safety Delivery Group on how a Community Trust could increase the use of the model hospital tool. There was an appetite to make best use of this model for benchmarking by piloting in a couple of areas.

Provider and ICB Segmentation July 2022



Economy, efficiency and effectiveness

There has been little progress in relation to the Trust's work around the Model Hospital. As at April 2022 data is still being collected by the Trust under this model. Benchmarking is not widely used by the Trust when comparing to similar organisations.

An IMPROVEMENT recommendation has been raised in relation to this.

Improvement recommendation #5

The Trust should review areas where benchmarking could be a beneficial source of information and explore how to develop and embed this within the Trust. This may be for example to develop insight into potential new ways of working or identifying key differences to peers, whether positive or negative

Staff survey

A stable workforce and hence the retention of staff is a key issue for the Trust, and the NHS nationally. Understanding workforce data should be at the centre of an effective retention strategy. Collecting and analysing data and identifying trends will help the Trust to identify and understand the profile of its workforce will help the Trust to assess the risk points and ensure that retention issues affecting particular groups are addressed.

The National Staff Survey provides in-depth feedback from the Trust's staff after nearly two years into a pandemic. The survey is carried out in November each year with the results being published in March. While the increase in survey response rate from 56.5% in 2020 to 60.8% in 2021 is positive there are marked reductions in the theme of 'staff morale' which has moved from a score of 6.2 to 5.8 (our of a maximum score of 10) in 2021. The Trusts score in relation to morale are below the national average of 6.1.

The Trust is already highly dependent on agency staff to ensure safe staffing levels are maintained and has witnessed a 4% drop in WTEs since the beginning of April 2022. Low staff morale is closely linked to higher staff sickness rates, which the Trust is already experiencing. Ultimately, this has the potential to impact on service delivery.

Governance is integrated and the low morale may impact on other areas of the Trust's arrangements e.g. are staff aware how to speak up if they have concerns? The governance section of our review has already highlighted weaknesses in arrangements regarding freedom to speak up/whistleblowing arrangements.

An IMPROVEMENT Recommendation has been raised in relation to this.

Improvement recommendation #6

The Trust should engage with staff to understand the root cause of this reduction across the theme of 'low morale'.

Workforce

Agency spend for year of £2,721k exceeds plan by £320k. Although this was highlighted as a risk for the Trust in the dashboard, the overspend was due to Admission Avoidance and Covid-19 staffing both of which are funded separately.

It is notable that that the spend across community hospitals is higher than the same period in 2020/21, this is due to the need for more resource to deliver care under the Covid-19 restrictions. As we reported earlier agency spend in the early part of 2022/23 continues to be above budget but is currently more than matched by the underspend in the substantive staff budget due to vacancy rates.

Community Services spend is £496k higher than the equivalent period in 2020 year. This is due to a higher number of referrals and the need for district nurses and therapists to spend more time with patients who have higher acuity.

We are satisfied the continuing over reliance on agency staff was frequently discussed at the Trust Board and Resource and Performance Committee The gulf in recruitment is a sector-wide issue, with multiple NHS organisations drawing upon the same geographical talent pools.

Our work has not identified any risk of significant weakness in relation to workforce, however we have made an improvement recommendation that the Trust should reduce its reliance on agency staff and develop a sustainable strategy to recruit and retain the right people to deliver its services.

Improvement recommendation #7

The Trust should continue its work to reduce its reliance on agency staff and develop a sustainable strategy to recruit and retain the right people to deliver its services.

Economy, efficiency and effectiveness

Care Quality Commission (CQC)

The Trust received an overall CQC rating of GOOD, (published August 2019). This was an improved rating following "Requires Improvement" in 2016. Additionally, in 2019, every individual core service also achieved CQC rating of GOOD.

Although the Trust received a rating of Good from the CQC a number of areas for improvement were identified from the review which resulted in the creation of a Well-led Improvement Plan

We have reviewed Board reporting in relation to the Well-led improvement plan from April 2021 to March 2022. We have found reporting to be minimal and it is unclear how the Board are assured of progress and/or gaps in relation to CQC action points.

An IMPROVEMENT recommendation has been raised in relation to this.

Improvement recommendation #8

The Trust should review and update the Well-led improvement plan following the 2019 CQC visit but also consider whether there have been further practices/incidents identified which could lead to CQC challenge or a have a negative impact within the CQC inspection process.

Conclusion

Overall, we found no evidence of any significant weaknesses in the Trust's arrangements for ensuring that it drives improvement outcomes for service users with the resources available to it. We have however raised four improvement recommendations.

Improvement recommendations

Economy, efficiency and effectiveness

Recommendation 5 The Trust should review areas where benchmarking could be a beneficial source of information and explore how to develop and embed this within the Trust. This may be for example to develop insight into potential new ways of working or identifying key differences to peers, whether positive or negative

Why/impact Benchmarking is a powerful management tool. It can help to break through resistance to change by demonstrating other methods of solving problems than those that the Trust may currently use and demonstrating that they work, because they are being successfully used by others.

Auditor judgement We do not consider this to be a risk of significant weakness.

Summary findings There has been little progress in relation to the Trust's work around the Model Hospital. As at April 2022 data is still being collected by the Trust under this model.

Benchmarking is not widely used by the Trust when comparing to similar organisations.

Management comment Managers are to review the key sources of benchmarking information to be used alongside the benchmarking information already available to the trust, including Model Hospital. The Managers will propose priority areas within their services, where they can apply benchmarking to explore opportunities for improving outcomes, productivity and efficiency.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Economy, efficiency and effectiveness

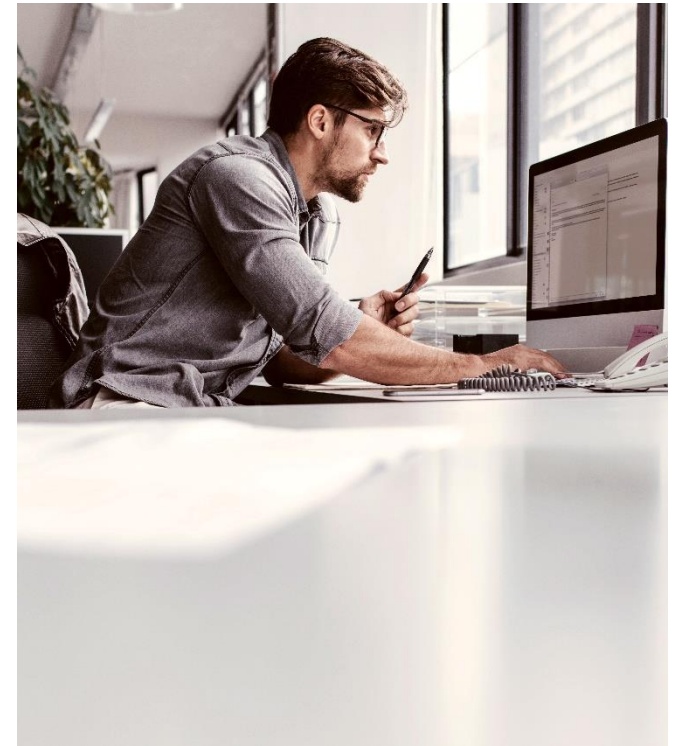
Recommendation 6 The Trust should engage with staff to understand the root cause of this reduction across the Staff Survey theme of 'staff morale'.

Why/impact The Trust is already highly dependent on agency staff to ensure safe staffing levels are maintained. Low staff morale is closely linked to higher staff sickness rates, which the Trust is already experiencing. Ultimately, this has the potential to impact on service delivery.

Auditor judgement We do not consider this to be a significant weakness as the Trust has been able to operate its services safely with, where appropriate the use of agency staff and redeployment of permanent staff. Where safe staffing levels are not in place the Trust, rightly, makes the appropriate decision to downsize service offerings, for example the closure of Bishops Castle inpatient service.

Summary findings The National Staff Survey provides in-depth feedback from the Trust's staff after nearly two years into a pandemic. The survey is carried out in November each year with the results being published in March. While the increase in survey response rate from 56.5% in 2020 to 60.8% in 2021 is positive there are marked reductions in the theme of 'staff morale' which has moved from a score of 6.2 to 5.8 (our of a maximum score of 10) in 2021. The Trusts score in relation to morale are below the national average of 6.1.

Management comment It is recognised that the last 2 years within the Pandemic has markedly affected staff moral across all services within the NHS, and Shropcom is no different to this. However, our people are our most valuable and important asset to us to ensure we continue to deliver high quality patient centered care. Over the next 2 years, with a series of initiatives, we are engaging with our teams, including undertaking recognition and rewards programmes, cultural engagement programmes and listening events with the aim to improve staff morale, as well as retention of our staff.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Economy, efficiency and effectiveness

Recommendation 7 The Trust should continue its work to reduce its reliance on agency staff and develop a sustainable strategy to recruit and retain the right people to deliver its services.

Why/impact There is a risk that the Trust is overpaying for the delivery of services by engaging agency staff at premium rates rather than recruiting into substantive or bank roles, and this risk could lead to longer term impacts if agency staff are being used to relieve short term pressures.

Auditor judgement We do not consider this to be a risk of significant weakness as the Trust has been able to demonstrate an ongoing awareness of its reliance on agency staff, is taking reasonable steps to reduce this where possible, and is managing the financial implications of this within its available resources.

Summary findings The Trust has excessive use of agency staff and should reduce this reliance by developing a sustainable strategy to recruit and retain the right people to deliver the Trust's services in the long term.

Management comment The Trust is currently working on many recruitment and retention initiatives to ensure its workforce model is sustainable. These include the expansion of Trainee Nursing Associate Posts, International Nurse recruitment, Health visitor students, growing apprenticeships across the organisation, increasing Healthcare Support Worker numbers and enhanced bank and overtime agreements.

The Trust is also working with ICS colleagues to look at rotational and joint posts to ensure roles remain attractive and appealing to current & prospective employees. There are plans developing to gain a system wide Bank solution once the Community Trust has agreement to have an electronic ERostering solution.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Economy, efficiency and effectiveness

Recommendation 8 The Trust should review and update the Well-led improvement plan following the 2019 CQC visit but also consider whether there have been further practices/incidents identified which could lead to CQC challenge or a have a negative impact within the CQC inspection process.

Why/impact In 2019, every individual core service also achieved CQC rating of GOOD. Although positive, a number of areas for improvement were identified from the review which resulted in the creation of a Well-led Improvement Plan.

If there the improvement points identified by the CQC have not been addressed or in fact have deteriorated here is the risk that the Trusts next CQC visit could result in less favourable ratings.

Auditor judgement We do not consider this to be a risk of significant weakness as we are aware the Trust, with the appointment of a new Director of Governance is in the process of updating the Trusts Well-led assessment.

Summary findings We have reviewed Board reporting in relation to the Well-led improvement plan from April 2021 to March 2022. We have found reporting to be minimal and it is unclear how the Board are assured of progress and/or gaps in relation to CQC action points.

Management comment The Trust's well led improvement plan from April 2021 has been incorporated into the overall action plan to prepare for the CQC and updates are provided to the Quality and Safety Committee in relation to this.

The Trust has recently undergone a full well led review and the report is due to be presented to the Board shortly, this enable the Board to have full sight of the current position and the resulting action plan will be monitored via the Board going forward.



The range of recommendations that external auditors can make is explained in Appendix C.

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1 Ensure a risk appetite statement is developed and agreed by the Board, which assigns an appropriate level of risk appetite for each of the Trust's strategic objectives.	Improvement	July 2021	Recommendation completed	Yes	No

Opinion on the financial statements



Audit opinion on the financial statements

We gave an unqualified opinion on the Trust's financial statements on 21 June 2022.

Other opinion/key findings

We did not identify any matters which we were required to report by exception.

Whole of Government Accounts

To support the audit of Consolidated NHS Provider Accounts, the Department of Health and Social Care group accounts, and the Whole of Government Accounts, we are required to examine and report on the consistency of the Trust's consolidation schedules with their audited financial statements. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

Our work did not identify any issues.

Preparation of the accounts

The Trust provided draft accounts in line with the national deadline and provided a good set of working papers to support it.

Issues arising from the accounts:

The key issues during the 2021/22 financial statements audit were:

- 4 unadjusted misstatements with a net immaterial impact on the Trust's surplus position
- 1 high risk recommendation in relation to the Trust's commitment accounting procedures to ensure expenditure is recorded in the correct financial period
- 5 medium risk recommendations for the Trust to address as part of its financial accounts process in 22/23.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation



Appendices

Appendix A – Responsibilities of the NHS Trust

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The directors of the Trust are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are required to comply with the Department of Health & Social Care Group Accounting Manual and prepare the financial statements on a going concern basis, unless the Trust is informed of the intention for dissolution without transfer of services or function to another entity. An organisation prepares accounts as a 'going concern' when it can reasonably expect to continue to function for the foreseeable future, usually regarded as at least the next 12 months.

The Trust is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B - Risks of significant weaknesses - our procedures and findings

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Risk of significant weakness	Procedures undertaken	Findings	Outcome
<p>Financial sustainability: Management of Trust Finances The Trust has been funded via block contract for 2021/22 and is forecasting a surplus for the year. The ICS reduced expected Cost Improvement Programmes (CIPs) for the year from 3% to 1.4%. The Trust is on track to deliver this. Developing plans for 2022/23 alongside managing workforce risks remains a challenge.</p> <p>We will review the on-going progress to identify and deliver CIP schemes for 2021/22 and assess the impact of any residual gap on the achievement of your year-end financial performance and plans for 2022/23, with particular reference to workforce planning and the impact of significant staff vacancies and absence.</p>	<p>We have:</p> <ul style="list-style-type: none"> Reviewed the Trusts financial outturn reporting for 2021/22 including reporting to relevant Trust forums eg. Trust Board and Resource and Performance Committee. Reviewed financial plans for 22/23 submitted to NHSE/I Held meetings with the Chief Executive and Director of Finance in order to discuss the Trust's financial position. 	<p>In 2021/22 the Trust forecast a surplus of £1.351m and achieved an outturn of £2.761m, a favourable variance of £1.4m.</p> <p>The Trusts 21/22 plan included efficiency target of £1.017 which it surpassed at £1.060m. (£840k of this recurrent and £220k non recurrent)</p>	<p>The Trust has a history of achieving key financial performance measures. 2021/22 financial performance continues to support this.</p> <p>We are satisfied there are no risks of significant weakness to report,</p>
<p>Governance – ICS governance structures Governance structures regarding the ICS are in their infancy and will continue to develop. At this stage the Trust has appropriate membership of relevant ICS decision making groups. The ICS committed to a stabilisation plan that covers the full 2021/22 financial year and measures recurrent (on-going) expenditure only. The Trust's stabilisation plan is a deficit of £4,021k for 2021/22. We will:</p> <ul style="list-style-type: none"> review the Trusts arrangements for monitoring and actioning points from key system reporting forums to ensure implications for the Trust are appropriately considered. monitor progress on service transformation discussions within the ICS and the impact this may have on the Trusts longer-term financial sustainability and governance arrangements. 	<p>We have:</p> <ul style="list-style-type: none"> Held meetings with Chief Executive, Director of Finance, Trust Board Secretary and Chief Operating Officer in order to discuss ICS governance structures. Reviewed minutes of key ICS meetings including assessing the level of the Trusts representation at these meetings. 	<p>We have reviewed a number of key ICS meeting minutes, including:</p> <ul style="list-style-type: none"> Weekly ICS CFO meeting Weekly System Finance Meeting Monthly ICS sustainability Committee – Monthly ICS CFO group Monthly ICS Investment Group <p>We are satisfied that there is appropriate representation by the Trust at each meeting. The may include one or more of the Chief Executive, Director of Finance ,Chief Operating officer and NEDs.</p>	<p>Appropriate arrangements are in place for 2021/22 however such arrangements will need to continuously reviewed to ensure they remain fit for purpose as the demands and opportunities within the ICS change.</p> <p>We are satisfied there are no risks of significant weakness to report,</p>

Appendix C – An explanatory note on recommendations

A range of different recommendations can be raised by the Trust’s auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Trust under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	Not applicable
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Trust. We have defined these recommendations as ‘key recommendations’.	No	Not applicable
Improvement	These recommendations, if implemented should improve the arrangements in place at the Trust, but are not a result of identifying significant weaknesses in the Trust’s arrangements.	Yes	Pages 9,14,15,16,22,23,24,25

Appendix D – Sources of evidence



Staff involved

- Sarah Lloyd (Director of Finance)
- David Court (Head of Financial Accounting)
- Patricia Davies (CEO)
- Shelley Ramtuhul (Director of Governance)
- Angie Wallace (Chief Operating Officer)



Documents Reviewed

- Board Assurance Framework (April 2022)
- Corporate Risk Register (April 2022)
- Finance Reports taken to Board in April 2022, June 2022 and August 2022
- Audit Committee Meeting Pack Papers (21st April 2022)
- Budget Setting Report for 2022-23
- Finance Plan submitted to NHSE/I on 28th April 2022
- Operational Plan on a Page 2021-22
- NHS Staff Survey 2021 R1D Directorate
- NHS Staff Survey 2021 R1D Full
- ICS Finance Meeting Minutes (21st April 2022)
- Data Protection Policy
- Records and Document Management Policy

