



Auditor's Annual Report 2023/24

London North West University Healthcare NHS Trust

—

28 June 2024

Contents

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	Page
01 Executive Summary	04
02 Audit of the Financial Statements	05
03 Value of Money	10
a) Financial Sustainability	
b) Governance	
c) Improving economy, efficiency and effectiveness	
d) Prior year findings	

This report is addressed to London North West University Healthcare NHS Trust](the Trust). We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.



01 Executive Summary

Executive Summary

Purpose of the Auditor’s Annual Report

This Auditor’s Annual Report provides a summary of the findings and key issues arising from our 2023-24 audit of London North West University Healthcare NHS Trust (the ‘Trust’). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office and is required to be published by the Trust alongside the annual report and accounts.

Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014. In line with this we provide conclusions on the following matters:



Accounts - We provide an opinion as to whether the accounts give a true and fair view of the financial position of the Trust and of its income and expenditure during the year. We confirm whether the accounts have been prepared in line with the Group Accounting Manual prepared by the Department of Health and Social Care (DHSC).



Annual report - We assess whether the annual report is consistent with our knowledge of the Trust. We perform testing of certain figures labelled in the remuneration report.



Value for money - We assess the arrangements in place for securing economy, efficiency and effectiveness (value for money) in the Trust’s use of resources and provide a summary of our findings in the commentary in this report. We are required to report if we have identified any significant weaknesses as a result of this work.



Other reporting - We may issue other reports where we determine that this is necessary in the public interest under the Local Audit and Accountability Act.

Findings

We have set out below a summary of the conclusions that we provided in respect of our responsibilities:

Accounts	<p>We issued an unqualified opinion on the Trust’s accounts before 28 June 2024. This means that we believe the accounts give a true and fair view of the financial performance and position of the Trust.</p> <p>We have provided further details of the key risks we identified and our response on pages 7-9.</p>
Annual report	<p>We did not identify any significant inconsistencies between the content of the annual report and our knowledge of the Trust.</p> <p>We confirmed that the Governance Statement had been prepared in line with the Department of Health and Social Care requirements.</p>
Value for money	<p>We are required to report if we identify any matters that indicate the Trust does not have sufficient arrangements to achieve value for money.</p> <p>We have nothing to report in this regard.</p>
Other reporting	<p>NHS Trusts have a statutory requirement to break even over a three year period. Although the Trust achieved this requirement in year, the Trust has a cumulative deficit as a result of deficits recorded in previous financial years.</p> <p>As a result of this, the Trust is considered to have breached the Break Even Duty. We made a referral to the Secretary of State for Health and Social Care on 23 May 2024 under Section 30 of the Local Audit and Accountability Act as a result of the breach.</p>



02 Audit of the Financial Statements

Audit of the financial statements

KPMG provides an independent opinion on whether the Trust's financial statements:

- Give a true and fair view of the state of the Trust's affairs as at 31 March 2024 and of its income and expenditure for the year then ended;
- Have been properly prepared in accordance with the accounting policies directed by the Secretary of State for Health and Social Care with the consent of HM Treasury in February 2024 as being relevant to NHS Trusts in England and included in the Department of Health and Social Care Group Accounting Manual 2023/24; and
- Have been prepared in accordance with the requirements of the National Health Service Act 2006 (as amended).

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. We have fulfilled our ethical responsibilities under, and are independent of the Trust in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Audit opinion on the financial statements

We issued an unqualified opinion on the Trust's financial statements on 28 June 2024.

The full opinion is included in the Trust's Annual Report and Accounts for 2023/24 which can be obtained from the Trust's website.

Further information on our audit of the financial statements is set out overleaf.

Audit of the financial statements

The table below summarises the key risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Risk	Procedures undertaken	Findings
<p>Valuation of land and buildings</p> <p>The carrying amount of revalued land & buildings differs materially from the fair value.</p> <p>The Trust is performing a desktop valuation in the 2023/24 financial year. Since there are judgements and assumptions underpinning the valuation, there is an inherent risk that the valuation of land and building could be materially misstated due to error.</p>	<p>We critically assessed the independence, objectivity and expertise of Savills, the valuers used in developing the valuation of the Trust's properties at 31 March 2024;</p> <p>We inspected the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the Group Accounting Manual;</p> <p>We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information, such as floor plans, and to previous valuations, challenging management where variances are identified;</p> <p>We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used; and</p> <p>We challenged the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations.</p>	<p>We did not identify any material misstatements relating to this risk.</p> <p>We considered the inflation uplift of 25% in the land values estimate to be optimistic based on the procedures performed, however overall the assumptions were found to be reasonable and within the materiality we worked to on this audit.</p> <p>We identified one projected uncorrected audit adjustment of £2.62m to the valuation resulting from incorrect floor area data.</p>

Audit of the financial statements (continued)

Risk	Procedures undertaken	Findings
<p><i>Fraudulent expenditure recognition</i></p> <p>Auditing standards suggest for public sector entities a rebuttable assumption that there is a risk expenditure is recognised inappropriately. We recognised this risk over the completeness of the year-end non-NHS expenditure.</p>	<p>We evaluated the design and implementation of controls for developing manual expenditure accruals at the end of the year to verify that they have been completely recorded;</p> <p>We inspected a sample of invoices of expenditure and payments made, in the period after 31 March 2024, to determine whether expenditure has been recognised in the correct accounting period.;</p> <p>We inspected journals posted as part of the year end close procedures that decrease the level of expenditure recorded in order to critically assess whether there was an appropriate basis for posting the journal and the value can be agreed to supporting evidence; and</p> <p>We performed a year on year comparison of a accruals in order to assess whether any items of expenditure accrued for at the 2022-23 financial year end had been excluded from the 2023-24 financial statements.</p>	<p>We have not identified any material misstatements relating to this risk.</p> <p>We note that our prior period recommendation relating to the review and appropriate classification between trade creditors and accruals remained open.</p>

Audit of the financial statements (continued)

Risk	Procedures undertaken	Findings
<p>Management override of controls</p> <p>We are required by auditing standards to recognise the risk that management may use their authority to override the usual control environment.</p>	<p>We assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias.</p> <p>In line with our methodology, we evaluated the design and implementation of controls over journal entries and post closing adjustments.</p> <p>We assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.</p> <p>We assessed the business rationale and the appropriateness of the accounting for significant transactions that are outside the Trust's normal course of business, or are otherwise unusual.</p> <p>We have analysed all journals through the year using data and analytics and focus our testing on those with a higher risk, such as unusual account code combinations, entries posted without authorisation, entries posted to seldom used accounts and entries posted in the incorrect period.</p> <p>We assessed the process in place for the identification of related party relationships and tested the completeness of the related parties identified. We verified that these have been appropriately disclosed within the financial statements.</p>	<p>Our testing over journals is complete. We did not find any material misstatements as a result of our work.</p> <p>We did not identify any significant unusual transactions.</p>

03 Value for Money

Value for Money

Introduction

We are required to consider whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or 'value for money'. We consider whether there are sufficient arrangements in place for the Trust for the following criteria, as defined by the National Audit Office (NAO) in their Code of Audit Practice:



Financial sustainability: How the Trust plans and manages its resources to ensure it can continue to deliver its services.



Governance: How the Trust ensures that it makes informed decisions and properly manages its risks.



Improving economy, efficiency and effectiveness: How the Trust uses information about its costs and performance to improve the way it manages and delivers its services

Approach

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

We are required to report a summary of the work undertaken and the conclusions reached against each of the aforementioned reporting criteria in this Auditor's Annual Report. We do this as part of our commentary on VFM arrangements over the following pages.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Trust.

Summary of findings

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
Commentary page reference	13-15	16-18	19-20
Identified risks of significant weakness?	No	No	No
Actual significant weakness identified?	No	No	No
2023-24 Findings	No significant weakness identified	No significant weakness identified	No significant weakness identified
Direction of travel	↔	↔	↔

Value for Money

NATIONAL CONTEXT

Financial performance

The 2023-24 financial year saw a significant increase in the level of financial pressures facing the NHS sector. This followed the end of Covid-19 related financing arrangements. The sector has faced cost pressures from a range of factors, most significantly the impacts of inflation felt during the year and the costs of industrial action.

At the end of January 2024 NHS England forecast that the NHS would record an overspend of £1.1bn against its agreed budgets. This came after additional funding had been made available earlier in the year to support with the costs of industrial action.

Operational performance

In January 2023 the Government announced five pledges for 2023, including reducing NHS waiting lists and the time people wait for procedures. Waiting lists had grown significantly during the Covid-19 pandemic as elective activity was postponed in order to prioritise the treatment of Covid patients and ensure safe working.

According to the Health Foundation the NHS waiting list had grown from 6.2 million patients at the beginning of 2022 to 7.2 million in January 2023. There had also been a significant increase in the number of patients with long waits. At the end of 2023 there remained 355,000 patients that had been waiting over a year for treatment. Income arrangements for the acute sector were revised in year to reimburse providers for elective activity based on the actual number of patients treated.

System working

The Health and Care Act 2022 formally established integrated care systems (ICSs), 42 partnerships within local geographies to promote closer working between the organisations responsible for healthcare delivery. Integrated Care Boards were formed on 1 July 2022, taking over commissioning responsibility from Clinical Commissioning Groups.

In their first full year of operation ICSs have continued to work to develop and embed governance arrangements both within the ICBs themselves and as systems.

LOCAL CONTEXT

London North West University Healthcare NHS Trust operates across multiple sites, including Central Middlesex in Brent, Ealing Hospital in Ealing, and Northwick Park in Harrow. This multi-site structure affects resource allocation, coordination, and efficiency.

The Trust has made significant capital investments recently, with £93 million in 2023-24 and £68 million in 2022-23. However, their 2024-25 capital plans of £32 million slightly exceed the available limit of £27 million. Balancing investment needs with financial constraints is crucial for VFM.

The Trust submitted a breakeven plan, but a core risk of £10 million remains. Achieving financial stability while addressing this risk impacts VFM. The wider ICS also faces a funding gap of approximately £25-30 million. A commissioned business care review aims to identify cost reduction opportunities. Collaborative efforts within the ICS are essential for efficient resource utilization.

The Month 1 in 24-25 saw a higher Elective Activity compared to 2023-24, which should help the Trust achieve Elective Recovery Funding. However, a £7 million gap remains to achieve the £35.1 million cost improvement plan (CIP) target. Balancing financial sustainability with service delivery is critical.

The Trust however has effective governance and proactive financial management contributing positively to VFM. Stability in management over the last three years has enhanced overall performance.

The London North West University Healthcare NHS Trust plays a crucial role within the North West London Acute Provider Collaborative. This formal partnership, established in July 2022, brings together four acute NHS trusts to enhance collaborative decision-making and optimize the use of collective resources. The collaborative approach will be assessed as part of the VFM risk assessment, emphasising the importance of collaborative efforts in achieving shared objectives.

Financial Sustainability

How the Trust plans and manages its resources to ensure it can continue to deliver its services.

We have considered the following in our work:

- How the Trust ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Trust plans to bridge its funding gaps and identifies achievable savings;
- How the Trust plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Trust ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- How the Trust identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

As part of the 2023-24 financial planning process, the Trust had also set up a Financial Delivery Group which meets on a monthly basis and is chaired by either the Chief Executive Officer (CEO) or Chief Financial Officer (CFO) to monitor and support financial delivery during the financial year. The Trust submitted its budget for 2023-24 in May and had planned to deliver a deficit of £1m at the end of March 2024.

At Month 11 of the 2023/24 financial year, the Trust was £7.3m adverse to plan. However, the Trust had sought and received agreement on additional funding from the NWL ICB to compensate for the increased operational pressures encountered during the financial year and eventually ended the year at Month 12 with reported 35k surplus as the Trust's adjusted financial position for the purpose of the system achievement. The funding for non-elective/emergency activity is based on a block payment, however, the Trust experienced a significant increase in emergency care workload, patient transportation costs, and high-cost drug expenses. Furthermore, the implementation of the Cerner EPR system in August 2023 had negatively impacted ERF income due to difficulties in recording the clinical activity.

In early 2024, following the release of national guidelines, the Trust developed the first draft of its financial plan for 2024/25. This plan has evolved as the Trust collaborates with budget holders and key partners to finalise income and expenditure components. The Trust Board approved the Draft 2024-25 financial plan in March 2024 which reported a deficit of £37.4m and the requirement for Public Dividend Capital (PDC) revenue cash support of c.£18.1m within the cash flow section, to maintain liquidity, which was subsequently submitted to NHSE in April 2024.

We noted appropriate challenge on the draft financial plan, both internally through the Trust Executive Group and the Non-Executive Directors (NEDs) in the Finance Performance Committee and externally through the Integrated Care Board (ICB) and Acute CFO Groups. We also noted that detailed responses to that challenge were provided by the CFO. The draft plan included adequate explanations detailing the drivers behind the planned deficit of £37.4m.

We reviewed the key assumptions used by the Trust when drafting the financial plan and found them to be in line with our understanding of the sector's funding arrangements. The Trust has also worked, via the CFO, with the ICB CFO Planning Group and with the Acute CFO Planning Group, so the Trust plan assumptions are aligned with system and collaborative plans for the coming year.

The financial strategies account for all recognised challenges and uncertainties, with the sole exception being the risks associated with hyperinflation. In accordance with an agreement with the ICB, all Trusts in North West London Integrated Care System (NWL ICS) are incorporating inflation rates as determined by the national planning process, which is deemed to be lower than the actual probable inflation rate. Nonetheless, the Trusts and the ICB are collaborating with regional and national teams to highlight the effects of high inflation and to obtain extra funding. The Trust regularly monitors these inflationary pressures and consistently shares this information with the ICB.

Financial Sustainability (continued)

The Trust 2024-25 financial plan is based on Cost Improvement Plans (CIPs) of £35.1m in the year anticipated to be delivered recurrently. The Trust has a dedicated Finance and Transformation team which meets on a weekly basis and monitors the CIP delivery and oversees the development of the 2024-25 CIP plan. For 2023-24 CIP savings target, we noted the Trust achieved the £31.8m target savings at the end of year. However, only 51% of all the savings achieved were through recurrent schemes as opposed to 100% planned as recurrent schemes.

Monitoring of delivery of CIPs also takes place at monthly Financial Delivery Group (FDG), Finance & Performance Committee meetings and the Trust Executive Group. The FDG monitors the Trust's financial performance and allows wider membership from across the Trust and is chaired by the CFO. Additionally, the Trust Board also monitors the progress of delivery of the CIPs through its review of the finance report.

The Trust continued to work towards reversing their deficit by 2028-29, in line with its 2021-22 Deficit Reduction Strategy. However, it is unlikely that the Trust will be able to meet its statutory cumulative breakeven duty in the short to medium term. We will therefore make a referral to the Secretary of State under Section 30 (1)(b) of the Local Audit and Accountability Act for 2023-24.

Every financial year, the Trust develops a Cost Reduction Plan (CRP) aimed at enhancing productivity and achieving better value for money. The CRP is subject to ongoing scrutiny and is monitored within the Trust's robust 'grip and control' framework for financial control and accountability. The strategies for realising the savings and the crucial milestones for achieving them are documented and their progress is tracked using the TRAKIT application. The reports generated by TRAKIT form an integral part of the Trust's CRP monitoring system. The Financial Delivery Group convenes on a monthly basis to review the progress towards meeting the CRP targets, including the data from TRAKIT, and to agree on actions to address underperformance or capitalise on overperformance, if necessary.

There is a dual process, both centralised and localised, for calculating income and cost pressures. Throughout the year, these pressures have been identified, assessed, and challenged at the divisional level through monthly finance meetings. We have reviewed the Monthly Performance Review reports for the Emergency & Ambulatory Care (M09), Women's & Children's, and Clinical Support Services (M07) divisions. These reports include monthly financial data for each respective division, comparing the budgeted financial performance with the actual results. The reports also monitor the progress of each division on their CIPs.

Budgets are issued at the start of the financial year to all budget-holders after a process of negotiation and agreement during January to March. On a monthly basis, budget-holders receive detailed reports of financial performance - for Divisional and Corporate Teams, these will be produced by the Heads of Finance and their teams. A monthly Financial Performance Review meeting takes place, chaired by the CFO or Deputy CFO which reviews all aspects of performance against budget (and also looks at activity and workforce data, as well as CIP delivery). The Trust has a Financial Performance Framework which sets out the approach to addressing unexplained variances or poor financial performance. We reviewed Finance & Performance Committee and Board finance reports for M11 and M10 finance report for the Finance Delivery Group (FDG) which included sufficient details providing comparison of budget against actuals figures. We also reviewed the respective meeting minutes and noted good level of discussion on these reports.

The Trust has a Board Assurance Framework (BAF) in place which provides information on business as usual and exceptional strategic risks to the achievement of the Trust's strategic objectives. The BAF includes a risk related to failure to deliver a financially sustainable performance year on year by the Trust. The current BAF includes financial sustainability as a high risk area for the Trust.

Financial Sustainability (continued)

We reviewed Audit and Risk Committee (ARC) papers and meeting minutes for M9 and M11 which included copies of BAF with adequate level of discussion on the risks. Similarly, BAF was presented and reviewed by the Trust Board on regular basis throughout the year.

In addition to reviewing the financial sustainability risk at ARC and the Board, regular monitoring of financial performance against planned budget takes place across the Trust. This is done at the Financial and Performance Committee and FDG and at divisional meetings.

We reviewed the Trust's M9 Provider Finance Return (PFR) submitted to NHSI to assess 2023-24 financial position and noted that the Trust's forecast position was in line with the reporting to within the organisation on the 2023-24 Financial Plan and Budgets.

As part of the planning process, the Trust recognised an underlying deficit for 2024-25 of £37.4m which is driven mainly due to lack of progress on income recovery and cost reduction. The Trust aims to reduce this underlying deficit through reduction in cost (£1.6m) as well as securing additional funding (£35.9m) to achieve breakeven during 2024-25.

Conclusion

Based upon the procedures we have undertaken, we have concluded that there is not a significant weakness associated with the Trust's arrangements to deliver financial sustainability for the year ended 31 March 2024.

Key financial and performance metrics:	2023-24 (£'000s)	2022-23 (£'000s)
Planned [surplus/(deficit)/net expenditure]	Breakeven	Breakeven
Actual surplus	35	100
Planned CIP as a % of spend	31,800	30,000
- Recurrent	3.23%	3.33%
- Non-recurrent	0%	0%
Actual CIP as a % of spend	31,802	30,010
- Recurrent	1.64%	1.01%
- Non-recurrent	1.59%	2.32%
Year-end cash position	19,839	50,109

Governance

How the Trust ensures that it makes informed decisions and properly manages its risks.

We have considered the following in our work:

- how the 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;
- how the Trust approaches and carries out its annual budget setting process;
- how the Trust ensures effective processes and systems are in place to ensure budgetary control; to 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, including in relation to significant partnerships;
- how the Trust ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour

Summary of risk assessment

We reviewed the risk management policy which was last updated in October 2021 and is scheduled for an update in September 2024. The policy details the responsibilities of various Board committees and all members of staff for identifying and assessing risks. It also provides guidance as to when different risk registers should be reviewed and how the risk should be assessed.

Trust's risk management policy incorporates bottom-up approach to risk identification and reporting as well as top-down risk identification, assessment and review by the senior management team. The risk registers includes the scores for the likelihood and potential consequence of each of the identified risk, the control measures, the targeted risk levels, due date to achieve target and any progress update.

Risk registers are maintained at divisional level to record the local risks which are then reported to the Risk and Compliance Group on a bi-monthly basis.

In order to help prevent and detect fraud, the Trust Anti Fraud and Bribery Policy in place to provide all employees including agency staff and contractors guidance on how to report if they have suspicions or become aware of a fraud. The Trust engages BDO to act as their Local Counter Fraud Specialist (LCFS). Ahead of each year, BDO agrees an annual plan with the Trust which is approved by the Audit and Risk Committee. BDO subsequently reports on the progress against the plan to Audit and Risk Committee.

BDO also provides internal audit services to the Trust. BDO also presents its annual internal audit plan ahead of the year to the Audit and Risk Committee and provides updates on progress against the plan to the members of the Committee. Internal audit issued a 'Moderate' Rating as the Head of Internal Audit opinion for the year 2023-24.

The Trust has standing financial instructions in place which specifies the duty of the Board of Directors regarding financial supervision and control. It also details the procurement process including the tendering process and any waivers that may apply.

The Board is sighted on the financial plans for the Trust and for the Collaborative through the work of the Finance and Performance Committee. There are two, the Trust Finance and Performance Committee and the Collaborative Finance and Performance Committee, and both of these receive updates through January to March as part of the financial planning process. In addition, the Board was briefed in January on the process before signing off the full budget in April 2024, after review by the March 2024 Collaborative Finance and Performance Committee.

Governance (continued)

We reviewed the January 2024 North West London Acute Provider Collaborative Board report for M9 noting that it included details of the various metrics monitored to assess the Trust's financial performance along with the NWL Acute Provider Collaborative (APC). These metrics include performance against ERF targets; actual vs budgeted pay and non-pay expenditure and the year to date tracking of the overall financial. The update also tracks the progress of the Cost Improvement Plans (CIPs) from across the APC.

Financial performance against budget is also monitored during each Finance & Performance Committee, Finance Deliver Group and Divisional Committees.

The Trust has developed its internal policies with reference to the relevant applicable laws and regulations. For example, we noted that the Fraud Act 2006 is considered in Anti Fraud and Bribery Policy and the Public Interest Disclosure Act 1998 as part of its Raising Concerns at Work policy. Through implementation of these policies and procedures, the Trust helps ensure compliance with laws and regulations.

We noted that the Trust has a Standards of Business Conduct and Conflicts of Interest Policy which covers its policies on declarations of interests, hospitality and gifts and is applicable to everyone working in the Trust. The Trust has a standing agenda item for every committee meeting where attendees are required to declare any new interest which they have not previously declared. The Trust also publishes the register of interests for all Board members.

The Trust also implemented the recommendation raised in 2022-23 and now publishes details of all hospitality and gifts received by each of the Trust Board members for improved transparency.

The Trust also has a standing agenda item for every ARC meeting where it provides an update on the exercise undertaken to increase compliance of in-date policies. As at M11, 92% policies were compliant and the work to identify the control, monitoring and audit arrangements for each of the policies to ensure good governance was expected to be completed by the end of April 2024.

We noted that key decisions affecting the finances of the Trust are approved under the business case approval process and in accordance with the Trust's Standing Financial Instructions and Scheme of Delegation. This sets out the recurring revenue investment levels and capital investments levels at which approval is required at executive, finance and performance committee or board level. We reviewed the business case for the 32 bed modular ward with a capital cost of £22.6m and confirmed that the Trust had followed the approval process appropriately.

No Care Quality Commission (CQC) inspections or formal visits were conducted during 2023-24. The Trust holds a monthly liaison meeting with the CQC, which occasionally includes an informal walk-around. However, there have been no significant regulatory issues noted during these engagements.

Conclusion

Based upon the procedures we have undertaken, we have concluded that there is not a significant weakness associated with the governance arrangements that the Trust has had in place for the year ended 31 March 2024.

Governance (continued)

	2024	2023
Control deficiencies reported in the Annual Governance Statement	No control deficiencies identified.	No control deficiencies identified.
Head of Internal Audit Opinion	Moderate Assurance.	Moderate Assurance.
Oversight Framework segmentation	Segment 2	Segment 2
Care Quality Commission rating	Requires Improvement	Requires Improvement

Improving economy, efficiency and effectiveness

How the Trust uses information about its costs and performance to improve the way it manages and delivers its services

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Trust evaluates the services it provides to assess performance and identify areas for improvement;
- how the Trust ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- where the Trust commissions or procures services, how it assesses whether it is realising the expected benefits.

Summary of risk assessment

The Trust has an established performance reporting in place which details non-financial performance indicators for the purposes of monitoring its performance. These indicators include the key challenges experienced by the Trust, a dashboard that tracks the Trust's performance on constitutional targets like A&E 12 Hours, Referral To Treatment (RTT) and Cancer 62 Day waits.

We noted that the Quality and Integrated Performance Reports were presented in Quality and Safety Committee, Finance and Performance Committee and the Trust Board meetings. The Trust benchmarks its operational performance between divisions and specialties to identify areas of good practice that can be shared. It also makes use of national benchmarking including Model Hospital and 'Getting It Right First Time' (GIRFT) review findings.

Operational performance metrics are governed by internal benchmarks and undergo rigorous examination at several sector and collaborative forums, including the weekly Elective Care Board and the monthly System Oversight/Provider Monitoring Board. We noted that the intensity of this scrutiny is substantial and directly contributes to performance enhancements. For example, the implementation of the Cerner system underwent thorough scrutiny during these meetings. This ensured accurate data documentation within the system and the establishment of measures to facilitate a seamless transition. Through above monitoring and benchmarking exercises the Trust identifies areas for improvement and devises plan to achieve excellence.

There are a number of ways through which the Trust engages with the ICS partners in the development of organisation and system wide plans and arrangements. The Trust is a member of the ICS as a provider. The Trust's CEO participates in the ICS CEO Meetings, while the CFO is part of the ICS CFO group, and this extends to other Executive Directors as well. Developments within the ICS are routinely reported to the Trust Board via the CEO and Chair's reports. However, in practice, the operations of the ICB, the Trust, and the Collaborative are closely interlinked. For instance, the ICB has been instrumental in aiding the Trust in the establishment of the Elective Orthopaedic Centre and has presided over the Programme Delivery Boards. On a formal level, the ICB and the Trust convene regularly through the System Oversight Meeting to assess organisational performance and ensure alignment between the two entities.

In 2022/23, the Trust become part of the NWL Acute Collaborative, comprising Imperial College Healthcare NHS Trust, The Hillingdon Hospitals and Chelsea and Westminster NHS Trust. There is now a single Collaborative Board in Common, which meets bi-monthly, supported by a series of Collaborative sub-Committees, a Collaborative Cabinet and a Joint Executive Group. We examined the minutes from the Month 10 Collaborative meeting to verify that they were functioning as intended. A series of reappointments of Non-Executive Directors (NEDs) was carried out, resulting in each NED serving on two Trust Boards. While the Trust Boards continue to exist as statutorily required, they are now incorporated into the Collaborative Board. This integration allows for specific board items pertaining to individual Trusts to be addressed at the Collaborative Board level.

Improving economy, efficiency and effectiveness (continued)

As part of the establishment of the NWL Procurement Service, the Trust has strategically relocated its procurement operations to the Central London Community Healthcare NHS Trust (CLCH). This transition is governed by a SLA and is further overseen by the CFO's participation in the NWL Procurement Board, which convenes on a monthly basis. In addition, as of November 2023, the Trust has initiated the delivery of financial services to the CLCH. These services encompass support for finance systems, including a shared multi-ledger environment that utilises a standardised chart of accounts, along with accounts receivable, accounts payable, and cashiering services. This collaborative approach is anticipated to enhance the quality of services and help deliver value for money.

The Trust procurement team also transitioned to CLCH during the year as part of the formation of the NWL Procurement Service. This proceeded without any significant challenge, and the Trust is working closely with the new NWLP service to continue to strengthen and improve procurement.

Through the formation of the NWL Procurement Hub, the Trust is moving to a more consistent and routine monitoring process for major contracts. The majority of Trust's significant contracts (e.g. PFI) are held by the Estates Team or the Commercial Team, where formal contract monitoring and management meetings are held to routinely review performance.

Conclusion

Based upon the procedures we have undertaken, we have concluded that there is not a significant weakness associated with the arrangements that the Trust has had in place in relation to improving economy, efficiency and effectiveness for the year ended 31 March 2024.



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