

# Medway NHS Foundation Trust

Auditor's Annual Report for the  
year ended 31 March 2024

June 2024



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We are required under Schedule 10 paragraph 1(d) of the National Health Service Act 2006 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.



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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# Introduction



## Purpose of the Auditor's Annual Report

This report brings together a summary of all the work we have undertaken for Medway NHS Foundation Trust during 2023/24 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements. Here we draw the reader's attention to relevant issues, recommendations arising from our work and how the Trust has responded to recommendations made in previous years. The responsibilities of the Trust are set out in Appendix A.

## Responsibilities of the appointed auditor

### Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Trust as at 31 March 2024 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with international accounting standards as interpreted and adapted by 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.

We also consider the Annual Governance Statement, the relevant disclosures within the Annual Report including the remuneration report and undertake work relating to the Whole of Government consolidation exercise.

### Value for money

We report our judgements on whether the Trust has proper arrangements in place regarding arrangements under the three specified criteria:

- financial sustainability
- governance
- Improving economy, efficiency and effectiveness

### Other powers

Auditors of a Foundation Trust have 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 relevant NHS regulatory body.

Auditors of Foundation Trusts also have the duty to consider whether to issue a report in the public interest (PIR), where it is appropriate to do so



The Value for Money Auditor responsibilities are set out in Appendix B.

# Executive summary



# Executive summary

Under Schedule 10 paragraph 1(d) of the National Health Service Act 2006, we are required to be satisfied whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (referred to as Value for Money). The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas as set out below.



## Financial sustainability

The Trust planned for a deficit of £15 million in 2023/24 and delivered an overall deficit of £23.977 million, despite receiving additional £15m cash support from NHSE. In part, the larger than planned deficit was because of non-achieved efficiencies. The Trust plans to return to an annual financial balance in 2028/29. Drivers of the deficit, such as workforce, pay and rates of non-criteria to reside patients are under review and the Trust has arrangements for monitoring financial risk. We note that the Trust has backlog maintenance of around £120 million to address. We have identified a significant weakness in arrangements for planning and delivering efficiency during 2023/24 and for delivering efficiencies to contain the deficit in 2024/25. We raise one key recommendation and two improvement recommendations around arrangements for financial sustainability.



## Governance

The Trust has effective arrangements in place for monitoring and assessing risk; maintaining internal control; making informed decisions; and ensuring legal and regulatory compliance. In March 2024, professional consultants identified issues with budget setting and monitoring arrangements. We raise one improvement recommendation recommending that these issues be addressed at pace. We note that there should be regular feedback on progress with implementing the recommendations so that the Trust maintains momentum.



## Improving economy, efficiency and effectiveness

The Trust has a comprehensive system of performance reporting in place. The Trust has appropriate arrangements in place to support services to address and maintain regulatory standards; work with partners; and manage procurement and contract management. The Care Quality Commission (CQC) issued the Trust with an overall rating of 'Requires Improvement' in 2020. Follow up unannounced inspections were undertaken in 2021 and in 2022 and a maternity visit was undertaken in 2023. At the time of writing this report, the draft report from another CQC unannounced visit in February 2024 was still awaited.



We have completed our audit of your financial statements and issued an unqualified audit opinion on 24 June 2024, following the Audit and Risk Committee meeting on 20 June 2024. Our findings are set out in further detail on pages 9 to 10.



# Executive summary (continued)



## Overall summary of our Value for Money assessment of the Trust's arrangements

Criteria	2023/24 Risk assessment	2023/24 Auditor judgement on arrangements	2022/23 Auditor judgement on arrangements
Financial sustainability	We identified a risk of significant weakness in the Trust's arrangements to secure financial sustainability.	R A significant weakness in the Trust's arrangements in 2023/24 for financial sustainability was identified and a key recommendation was made relating to the Trust Board gaining assurance over a new efficiency process; starting the process of identifying efficiencies earlier; considering the time phasing of efficiencies; and continuing to develop granular, recurring plans for 2024/25.	R We identified a significant weakness in the Trust's arrangements to secure financial sustainability in 2022/23 and we made an improvement recommendation around efficiency plans. There have been steps taken to strengthen efficiency plans in 2023/24 but there continues to be a significant weakness in underlying arrangements in 2023/24.
Governance	No risks of significant weakness identified.	A No significant weaknesses in arrangements was identified in 2023/24, but we note that external professional consultants identified issues around budget setting and monitoring; and we note that it will be important the Trust addresses this. We raise an improvement recommendation around addressing budget setting and monitoring issues at pace.	A We did not identify a significant weakness in the Trust's arrangements for governance in 2022/23. We made one improvement recommendation surrounding resourcing for the Information Governance team, which has been addressed.
Improving economy, efficiency and effectiveness	No risks of significant weakness identified.	A No significant weaknesses in arrangements was identified in 2023/24, but we note that the draft report from a CQC unannounced visit in February 2024 was unavailable at the time we completed our work.	A We did not identify a significant weakness in the Trust's arrangements for improving economy, efficiency and effectiveness in 2022/23. We made two improvement recommendations surrounding clinical local audit and dealing with complaints. These have both now been implemented.

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

# Executive summary (continued)



## Significant weakness identified in arrangements for financial sustainability

We reviewed the Trust's arrangements to deliver financial sustainability and we have concluded that there was a significant weakness in arrangements for planning and delivering efficiencies in 2023/24.

### Planning and delivering efficiencies

The Trust planned efficiencies for 2023/24 of £27 million, forecasting they would all be recurring. The Trust delivered efficiencies of £16.4 million (60% of the target), of which £14.3 million (53% of the target) were recurring. For 2024/25 a deficit of £28.958 million is planned which assumes efficiencies of some £21.55 million is delivered.

The Trust has carried out significant work to improve its efficiencies process during 2023/24, but there is scope for undertaking the identification and development of savings earlier; and for undertaking work throughout the year to create a pipeline. The Trust Board may benefit from obtaining early assurance over new arrangements in place for identifying and developing efficiency opportunities, ahead of starting the detailed 2025/26 planning. Early assurance would give the Trust time to make any further amendments to arrangements if required.

### Key recommendation

**The timing of efficiencies identification for 2025/26 should be brought forward to an early start point. Granular and robust efficiencies should be identified as part of the planning exercise for 2025/26 and the identification process should be completed before the start of the 2025/26 year.**

**The Trust Board should obtain assurance over arrangements in place for identifying and developing efficiency opportunities and whether the new arrangements now in place are robust, ahead of starting the detailed 2025/26 planning.**



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



# Opinion on the financial statements



## Audit opinion on the financial statements

We issued an unqualified opinion on the Trust's financial statements on 24 June 2024.

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

## Grant Thornton provides an independent opinion on whether the Trust's financial statements:

- give a true and fair view of the financial position of the Trust as at 31 March 2024 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with international accounting standards as interpreted and adapted by 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

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Trust in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

## Findings from the audit of the financial statements

The Trust provided draft accounts in line with the national deadline.

Draft financial statements were of a good standard and supported by detailed working papers. There were no significant issues arising from the audit.

## Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report was presented to the Trust's Audit and Risk Committee on 20 June 2024. Requests for this Audit Findings Report should be directed to the Trust.



# Other reporting requirements and use of auditor's powers



## Remuneration and Staff Report

Under the Code of Audit Practice (2020) published by the National Audit Office, we are required to audit specified parts of the Remuneration and Staff Report included in the Trust's Annual Report for 2023/24. These specified parts of the Remuneration and Staff Report have been properly prepared in accordance with the requirements of the Department of Health and Social Care Group Accounting Manual 2023/24.

## Annual Governance Statement

Under the Code of Audit Practice (2020) published by the National Audit Office, we are required to consider whether the Annual Governance Statement included in the Trust's Annual Report for 2023/24 does not comply with the guidance issued by NHS England, or is misleading or inconsistent with the information of which we are aware from our audit. We have nothing to report in this regard.

## Annual Report

Under the Code of Audit Practice (2020) published by the National Audit Office, we are required to consider whether, based on the work undertaken in the course of the audit of the Trust's financial statements for 2023/24, the other information published together with the financial statements in the Trust's Annual Report for 2023/24 is consistent with the financial statements. We have nothing to report in this regard.

## 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 significant issues.

We bring the following matters to your attention:

## Referrals to the relevant regulatory body

We did not make a referral under Schedule 10 paragraph 6 of the National Health Service Act 2006. We do not consider that any unlawful expenditure has been made or planned for. **OR**

## Public Interest Report

Under Schedule 10 paragraph 3 National Health Service Act 2006, 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 report in the Public Interest with regard to arrangements at Medway NHS Foundation Trust for 2023/24.

# Value for Money Commentary on arrangements



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# The current NHS landscape

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## National context

In 2023/24, the NHS has continued to show commitment to patient care and service delivery. Advancements in digital health technologies including virtual wards have the potential to support service redesign, reduce waiting times, and improve patient outcomes. Data published by NHS England in April 2024 indicates that performance against key metrics for elective waiting times, diagnostic tests access, and A&E 4 hour waits all improved year on year, though performance is still some way from target. These achievements demonstrate the resilience and adaptability of NHS staff amidst ongoing pressures.

Integrated Care Systems, established on 1<sup>st</sup> July 2022, remain at varying stages of maturity. Some systems have developed changes to patient pathways designed to improve outcomes, create efficiencies, tailor services to the needs of their local population and address local health inequalities. Most systems continue to face significant challenges, including workforce shortages, rising demand for healthcare services, and efficient resource management, all resulting in financial sustainability uncertainties.

Pay and productivity remain key challenges nationally. Staffing numbers have increased significantly since 2019/20 with staff costs now exceeding the funding available in many systems, exacerbated by industrial action costs. At the same time, activity growth has not kept pace, leaving a “productivity gap” that is not yet fully understood. This is further hampered by staff absences and pressures in social care staffing. NHS England has requested that all systems formally review the workforce increases seen over recent years. Many NHS bodies are already recognising an urgent need to manage down their temporary and agency staff costs, and recruit and retain the substantive staff they need to deliver services. There also needs to be a continued focus on quality and ensuring system governance is sound. Learning from public inquiry reports and maintaining high standards of behaviour is key to improving patient safety and building public trust.

These challenges are likely to make 2024/25 another challenging year for all local health services. However, the NHS is focusing on the recovery of core services through continuous improvement in access, quality, and productivity whilst transforming the way care is delivered and creating stronger foundations for the future.

## Local context

Medway NHS Foundation Trust is a single-site hospital Trust based in Gillingham, Kent serving more than 427,000 people across Medway and Swale. The Trust provides clinical services to more than half a million patients a year, including approximately 180,000 attendances to the Emergency Department, more than 87,000 admissions, more than 345,000 outpatients’ appointments and more than 4,600 babies in a typical year.

The Trust is a member of the Kent and Medway integrated care system, which is led by the Kent and Medway Integrated Care Board, Kent County Council, and Medway Council. The Trust is one of six Trusts within the integrated care system. Together they are responsible for improving outcomes in population health and health care; tackling inequalities in outcomes, experience, and access; enhancing productivity and value for money; and helping to support broader social and economic development in the Kent and Medway area. The integrated care system is divided into four localities, known as “Places,” where a range of partners work closely with one another. Medway NHS Foundation Trust is part of the Medway and Swale health and care partnership.

It is within this context that we set out our commentary on the Trust’s value for money arrangements in 2023/24 and make recommendations where any significant weaknesses or improvement opportunities in arrangements have been identified to support management in 2024/25.

# Financial sustainability



We considered how the Trust:	Commentary on arrangements	Assessment
identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	The Trust identifies financial pressure by taking into account national planning assumptions and local factors. The Trust agreed with NHS England a planned deficit for 2023/24 of £15 million. However, pay awards and industrial action not were anticipated in the budget and non-achieved efficiencies meant that by the end of 2023/24, the Trust had incurred an overall deficit of £23.977 million, despite receiving additional cash support of £15 million during the year from NHS England. The Trust's financial performance during 2023/24 was therefore adverse to plan. The Trust's current Financial Recovery Plan (a medium term financial plan) was prepared in April 2022 and forecasts the Trust will not achieve annual financial balance until 2028/29. We note that at the time of producing our report the Trust is in discussion with NHSE to revise and shorten this forecast.	A
plans to bridge its funding gaps and identify achievable savings	Efficiency target setting for 2023/24 was overly ambitious. At the start of 2023/24, the Trust set itself a £27 million efficiency target for the year, but robust and granular plans were only in place for around £4 million of efficiency work. The Trust's track record from 2022/23 had been to deliver just £7 million of efficiency in one year. Over the course of 2023/24, the Trust undertook an extensive exercise to validate planned efficiencies; update the efficiencies tracker; increase the number of identified and approved efficiency schemes ; and strengthen governance and oversight over efficiencies management. However, an even bigger deficit of £28.958 million is planned for 2024/25; it depends on efficiencies of another £21.55 million being achieved; and there are still high risk and non-recurring elements within the 2024/25 efficiencies plan.	R
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	We note that at the time of producing our report the Trust, in collaboration with NHSE, is revising its current Financial Recovery Plan with an aim to reduce its forecast deficit position. At the time of writing, we have not yet seen a revised financial plan that is sustainable. However, the Trust does still plan around strategic and statutory objectives. The Trust has a good understanding of its cost base. Workforce and pay related drivers are under review. The Trust is seeking support from the ICB and its local council to reduce the number of non-criteria to reside patients. The Trust uses tools we would expect it too, to understand, benchmark and track costs. These include national cost collection data and Model Hospital data. There are some incidences of data needing to be corrected when it is skewed by under recording of activity. The Trust is already pursuing correction actions.	G
ensures 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	The Trust's Patient First Strategy was refreshed in September 2023 using a data collection exercise across every directorate and every portfolio. The data from this exercise then fed into the financial planning process for 2024/25 and will now underpin new Clinical and Workforce Strategies. The Trust has an Estates Strategy in place and is developing a Green Strategy. We note however that there is more than £120 million estates backlog to catch up on. The Trust undertook its own extensive review of the estates backlog in 2023/24 to quantify this figure. It will be important now, that regular reporting to the Executive Committee is introduced and that the correct figure is disclosed on the ERIC return to NHSE Digital.	A

# Financial sustainability continued



## We considered how the Trust:

identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans

## Commentary on arrangements

There are effective arrangements in place for reporting risks and mitigations to FPPC and the Trust Board through the year. These include risk registers; risk assessments for the Board; and monthly reports on financial risk. Recent risks shared with the Trust Board include risks around elective recovery performance; growth in workforce size; and funding capital works. Minutes of Trust board meetings show there is robust challenge and discussion and that risk, including financial risk, is taken seriously by the Trust Board.

## Assessment

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<b>G</b>	No significant weaknesses in arrangements identified or improvement recommendation made.
<b>A</b>	No significant weaknesses in arrangements identified, but improvement recommendations made.
<b>R</b>	Significant weaknesses in arrangements identified and key recommendations made.

# Financial sustainability



## Significant weakness identified

There were significant weaknesses in arrangements for planning efficiencies for 2023/24. The Trust planned efficiencies of £27 million, forecasting they would all be recurring. The Trust delivered efficiencies of just £16.4 million (60% of the target), of which only £14.3 million (53%) were recurring. The Trust's forecast deficit is growing (£28.958 million in 2024/25 compared to £23.977 million in 2023/24) and effective efficiency schemes to contain that growth will be essential.

The Trust has undertaken significant work to improve its processes around identifying and managing efficiencies since the start of 2023/24. This has included: Introducing a high-profile validation exercise (during 2023/24, the exercise increased identified granular efficiency plans from £4 million at the start of the year to £23 million); using a panel process to approve proposed efficiencies (the Chief Nursing Officer and the Chief Operating Officer, as well as the senior Finance team, were included on the panel); splitting the savings pipeline tracker into two, so that approved efficiencies could be monitored separately to those under development; re-introducing a Project Management Office; and introducing monthly reporting to an Efficiencies Delivery Group.

For the 2024/25 CIPs programme, not all of the CIPs were identified by the beginning of the year. By May 2024, £14.85 million CIPs (68%) had been identified all assessed as recurring with some £6.7 million of the planned efficiencies assessed as high risk and non-recurring. This is a significant improvement compared to a year ago and is testament to the focus and revised processes noted above. Experience has shown that trusts commencing a financial year with a substantial portion of CIP schemes assessed as 'green,' particularly with a high percentage (90%+) being recurrent, are more likely to meet their financial targets. The Trust's current status of CIP identification at the beginning of the year raises concerns about its ability to achieve the planned targeted deficit.

### Key Recommendation

**We recommend the Trust completes the identification of the 2024/25 efficiency programme by the end of quarter one to achieve a fully 'green' assessed programme. The Trust should aim for an efficiency programme with 90% recurrent savings/efficiency initiatives for this year and future years. The Trust should also initiate the identification of a multi-year efficiency/financial improvement programme, recognising the need for further CIPs in the medium term, and report milestone progress to the Finance and Performance Committee**

# Financial sustainability



## Areas for improvement

Medway NHS Foundation Trust has been incurring deficits since 2009/10. In 2023/24, the Trust agreed a planned deficit of £15 million with NHS England but its performance was adverse to plan and an overall deficit of £23.977 million was incurred.

In the Autumn of 2023, the Trust worked with Kent and Medway ICB and the wider Kent and Medway system to prepare financial modelling that fed into a recovery programme. The modelling showed that the Trust expected to remain in deficit throughout 2023/24 and 2024/25 and 2025/26. The modelling was based on non-complex assumptions and there was an intention that it would be revisited with more complex workforce and activity assumptions; and integrated financial recovery measures. There was also an intention that the modelling would be extended over five years rather than three. The Trust's own medium term financial plan has to be updated but given that bridging the financial gap is not entirely within its own control, the update to its Financial Recovery Plan has to be alongside the System wide medium term financial plan. This work has not yet been carried out.

The Trust launched a Financial Sustainability Strategy in April 2024. This restated the ambition to achieve recurrent breakeven by 2028/29. Financial recovery is one of the Trust's strategic initiatives and the Financial Sustainability Strategy aims to build and increase partnership working to achieve the financial ambition. It is acknowledged that the Trust's Financial Recovery Plan needs to be refreshed.

### Improvement recommendation 1

The Trust should update its Financial Recovery Plan by December 2024 and through working with the local System, secure agreement to those medium term areas of its financial recovery that are not within its control.

# Financial sustainability



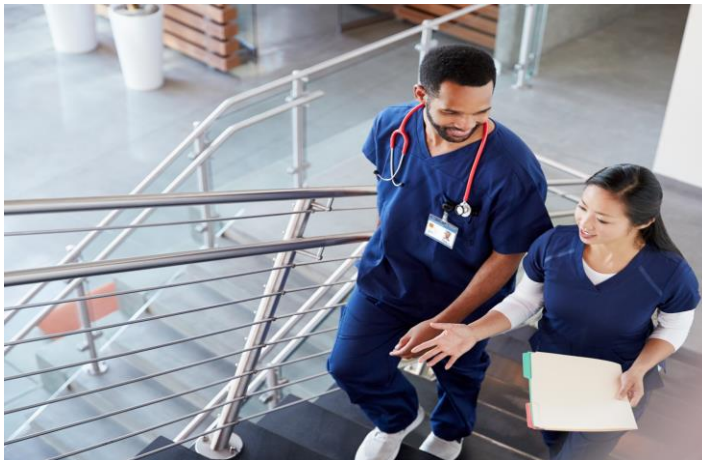
## Areas for improvement

Until 2023/24, no estates survey had been undertaken by the Trust for around 15 years. A rolling figure of £67 million was entered by the Trust onto national returns for estates backlog data every year but there were no workings to support it.

During 2023/24, the Trust introduced a comprehensive estates survey. The survey identified that the actual value of the backlog is higher than £120 million. Within this, work of some £60 million is considered high risk. At the time of completing our work, a report on estates backlog was planned for the May 2024 meeting of the Executive Committee. This will be the first report to the Committee on Estates backlog for some 15 years.

### Improvement recommendation 2

The Trust should introduce regular reporting to the Executive Committee on the Estates backlog. The correct value of the Estates backlog should be reported to NHSE Digital on the next ERIC return.



# Governance – commentary on arrangements



We considered how the Trust:	Commentary on arrangements	Assessment
<p>monitors and assesses risk and how the Trust gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud</p>	<p>The Trust presents quarterly reports on the Board Assurance Framework (BAF). The risk register maps risks to strategic objectives and has an executive and operational owner for each strategic risk. The Trust has a comprehensive risk management framework covering corporate risks. Internal audit present an annual plan and regular updates to the Audit and Risk Committee. The Trust has adequate arrangements for fraud detection, monitored by an external provider, and provides regular updates on this to the Audit and Risk Committee as well. The Trust conducts staff cultural surveys and has a Patient Safety Incident Response Plan with a patient complaint and feedback management policy. The Trust also has a Learning from Deaths report addressing Hospital Standardised Mortality Ratios (HSMR) and Summary Hospital-Level Mortality Indicator (SHMI) rates. The Trust is developing an early warning indicator system for HSMR and SHMI as well.</p>	<p>G</p>
<p>approaches and carries out its annual budget setting process</p>	<p>In March 2024, professional consultants identified significant weaknesses in the budget setting and monitoring process. Budget setting weaknesses included lack of alignment between bottom-up budget setters and top-down funding; late budget setting; incorrect activity data leading to under recovery of income; incorrect workforce data; and services and beds being provided with no income attached to them. The consultants raised 27 high priority key recommendations and 17 low priority recommendations around financial alignment, system and culture. The Trust's new Financial Sustainability Strategy in April 2024 listed implementing the recommendations as one of the Trust's key objectives. It will be important that the recommendations are implemented at pace and that regular feedback on progress is provided to the Trust Board.</p>	<p>A</p>
<p>ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships</p>	<p>There are no specific concerns around the financial statements preparation process. However, there are weaknesses in arrangements for budget monitoring, forecasting and re-forecasting. The Trust's external professional consultants highlighted that: There are up to 77 different systems feeding into budget reports; inconsistent approaches between divisions; lags in information on the workforce; and incorrect activity coding. They also highlighted that reports are often too long for budget holders to read (300 pages.) As we have noted, the Trust's new Financial Sustainability Strategy in April 2024 listed implementing the recommendations as one of the Trust's key objectives. Again, it will be important that the recommendations are implemented at pace and that progress with this is monitored.</p>	<p>A</p>

# Governance – commentary on arrangements



We considered how the Trust:	Commentary on arrangements	Assessment
ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee	The Board ensures informed decision-making, supported by evidence and allowing for challenge and transparency. Board papers clearly indicate items for noting or approval and include executive summaries. Assurance reports from committees are reviewed before presentation to the Board. Board minutes show Non-Executive Directors challenging and raising concerns, which are addressed. The Non-Executive Directors requested improved documentation of "check and challenge" at meetings, which has been implemented.	G
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour	There is a Patient Safety Incident Response Policy. The Trust maintains the Gifts and Hospitality Register and a register of interests, and has a zero-tolerance policy for bribery. Our prior year recommendations around allocating additional resources to the Information Governance team and to implementing specific time frames for closing complaints have been implemented. Single tender waivers are reported to and monitored by the Audit and Risk Committee.	G

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

# Governance



## Areas for improvement

In March 2024, external professional consultants engaged by the Trust to review financial alignment, systems and culture made 27 high priority recommendations and 17 lower priority recommendations around the Trust's arrangements for budget setting and budgetary control. Weaknesses identified included:

**Budget setting:** Finance lacking engagement with divisional leads at budget setting stage; unrealistic efficiency targets; differences in the way that roll forwards work between different cost types; workforce mark-ups for annual leave not including maternity cover; and some beds and activities not included in the budget.

**Budgetary control:** Lack of ownership by budget holders; monthly reports using estimates instead of actual data for workforce activity; monthly reports being difficult to digest; there being no forecast outturn for the first six months of 2023/24; and limited or no clinical engagement in the budget review process.

The Trust adopted a new Financial Sustainability Strategy in April 2024, which includes a commitment to implement an Action Plan from the consultant's report. More widely, the new Strategy also committed to: An improved business planning process, with robust triangulation of demand and capacity and workforce planning and a move towards zero-based budget setting; earlier budget sign off, before the end of April each year; increased accountability of divisions and budget holders; improved capacity and capability of the Financial Management Team; and targeted financial training for Divisional and Care Group teams and budget holders.

The earlier that recommendations from external professional consultants and the new Financial Sustainability Strategy are implemented, the more likely they are to have a positive impact on financial results for 2024/25. Progress with implementing recommendations should be monitored and reported on to the Trust Board, so that momentum is maintained.

### Improvement recommendation 3

The Trust should now move at pace to agree timelines for implementing the recommendations from external professional consultants and the new Financial Sustainability Strategy.

There should be regular feedback on progress with implementing recommendations and progress against timelines so that the Trust maintains momentum.

# Improving economy, efficiency and effectiveness – commentary on arrangements



We considered how the Trust:	Commentary on arrangements	Assessment
<p>uses financial and performance information to assess performance to identify areas for improvement</p>	<p>The Trust has a comprehensive system of performance reporting in place. Performance metrics are reported to the Board by way of the monthly Integrated Quality and Performance Reports (IQPRs). There are also weekly spotlight sessions where service lines update senior leaders with progress with improvement measures. Under a recent refresh of the Patient First Strategy, thirty-three new metrics were recently developed by the Trust for measuring performance. Reports to the Trust Board show which metrics are improving and which show concern. Performance metrics are also shared with NHSE at Recovery Support Programme escalation meetings.</p> <p>Performance metrics sometimes showed a mixed picture. For wait times, for example, the March 2024 IQPR showed that for 4 hour wait times, the Trust was the most improved in the South-East of England. However, the Trust also declared two 78- week breaches and ongoing work for wait times over 65 weeks.</p>	G
<p>evaluates the services it provides to assess performance and identify areas for improvement</p>	<p>The Trust has arrangements in place to support services and, where relevant, respond to regulatory findings. In 2020, CQC issued the Trust an overall rating of 'Requires Improvement'. There have been unannounced inspections and a maternity services visit since. In February 2024, another unannounced visit focussing on the Accident and Emergency Department occurred. A draft report from the visit was not available at the time we completed our work.</p>	A
<p>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</p>	<p>The Trust has arrangements in place for engaging with stakeholders and working in partnership to meet its objectives. For example, the Trust is working with other members of the Medway and Swale Health and Care Partnership to tackle issues around reducing the incidence of non-criteria to reside patients. Two new Community Diagnostic Centres were due to be launched for Medway and Swale during 2023/24 but have been delayed until 2024/25. It is hoped they will reduce future wait times. In the meantime, the Trust works with other members of the integrated care system on the Joint Forward Plan and with the League of Friends.</p>	G
<p>commissions or procures services, assessing whether it is realising the expected benefits</p>	<p>The Trust has effective arrangements in place for procurement and contract management. The Procurement Strategy and Procurement Manual and procurement and contract management training are due to be updated after the new Procurement Act comes into force.</p>	G

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

**Value for Money  
Recommendations raised in  
2023/24**



# Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
We recommend the Trust completes the identification of the 2024/25 efficiency programme by the end of quarter one to achieve a fully 'green' assessed programme. The Trust should aim for an efficiency programme with 90% recurrent savings/efficiency initiatives for this year and future years. The Trust should also initiate the identification of a multi-year efficiency/financial improvement programme, recognising the need for further CIPs in the medium term, and report milestone progress to the Finance and Performance Committee	Key	Financial sustainability	Interview with officers	Clearer planning for return to breakeven.	<p><b>Actions:</b> Identification, development and implementation of efficiencies is approached as a continual process rather than once per year planning exercise. Consequently, the governance is in place to challenge services in this manner and approve schemes through our panel weekly. The Trust is developing an Integrated Improvement Plan that will take this work further, including working with system partners on a medium-term plan.</p> <p><b>Responsible Officer:</b> Steve Reipond</p> <p><b>Executive Lead:</b> Gavin MacDonald</p> <p><b>Due Date:</b> 30 Sep 2024</p>
The Trust should update its Financial Recovery Plan by December 2024 and through working with the local System, secure agreement to those medium-term areas of its financial recovery that are not within its control.	Improvement	Financial sustainability	Financial sustainability strategy	Maintaining momentum for improvement over a longer timeframe.	<p><b>Actions:</b> Agreed. We have drafted an Integrated Implementation Plan and are working with system partners on an ICS medium term financial plan.</p> <p><b>Responsible Officer:</b> Paul Kimber</p> <p><b>Executive Lead:</b> Alan Davies</p> <p><b>Due Date :</b>31 Dec 2024</p>

\* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

# Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
The Trust should introduce regular reporting to the Executive Committee on the Estates backlog. The correct value of the Estates backlog should be reported to NHSE Digital on the next ERIC return.	Improvement	Financial sustainability	Estates backlog data and interview with officers	Better assessment of estates backlog requirements.	<p><b>Actions:</b> The Trust Executive have agreed to receive at least monthly reporting on the estates backlog.</p> <p><b>Responsible Officer:</b> Neil McElduff</p> <p><b>Executive Lead:</b> Nick Sinclair</p> <p><b>Due Date:</b> 31 Jul 2024</p>
<p>The Trust should now move at pace to agree timelines for implementing the recommendations from external professional consultants and the new Financial Sustainability Strategy.</p> <p>There should be regular feedback on progress with implementing recommendations and progress against timelines so that the Trust maintains momentum.</p>	Improvement	Governance	Report commissioned by the Trust from external professional consultants	Stronger budget setting, forecasting, re-forecasting and budget monitoring arrangements.	<p><b>Actions:</b> A progress report was presented to the Finance, Planning and Performance Committee in April 2024 and it is intended to bring this back 3-4 times per annum whilst recommendations remain open. Current proposals are to review monthly at the Trust Executive meetings to ensure progress.</p> <p><b>Responsible Officer:</b> Paul Kimber</p> <p><b>Executive Lead:</b> Alan Davies</p> <p><b>Due Date:</b> 31 Dec 2024</p>

\* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

# 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: Value for Money Auditor responsibilities



## Value for Money arrangements work

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 Schedule 10 paragraph 1(d) National Health Service Act 2006, 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 (NAO) Code of Audit Practice ('the Code'), 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.

2023/24 is the fourth year that we have reported our findings in this way. We undertake and report the work in three phases as set out in the Code.

## Phase 1 – Planning and initial risk assessment

As part of our planning, we assess our knowledge of the Trust's arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period.

Information which informs our risk assessment	
Cumulative knowledge of arrangements from the prior year	Key performance and risk management information reported to the Board
Interviews and discussions with key officers	NHS Oversight Framework (NOF) rating
Progress with implementing recommendations	Care Quality Commission (CQC) reporting
Findings from our opinion audit	Annual Governance Statement including the Head of Internal Audit annual opinion

## Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements, we will undertake further work to understand whether there are significant weaknesses. We use auditor's professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

## Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations. A range of different recommendations can be raised by the Trust's auditors as follows:

- **Key recommendations** – the actions which should be taken by the Trust where significant weaknesses are identified within arrangements.
- **Improvement recommendations** – actions which should improve arrangements in place but are not a result of identifying significant weaknesses in the Trust's arrangements.

# Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
<p>As a priority the Trust needs to develop further its efficiencies programme and work with system partners to identify wider opportunities to support this and a pipeline of wider transformation opportunities for the medium and longer term.</p> <p>The programme, once fully developed should be underpinned by robust assumptions, validated by staff delivering the efficiencies and triangulated with other supporting plans, for example workforce and activity plans, as well as with system plans. Progress against delivery should be reported to the Finance, Planning and Performance Committee and the Board, and support provided to services to deliver remedial action as soon as possible, if delivery is off track.</p>	Key	June 2023	<p>The Trust planned for fully recurring efficiencies in 2023/24 of £27 million, using a straight-line basis to support the plan (required savings calculated as the difference between planned spend and expected income). Efficiencies of some £16 million were delivered, of which some £2 million were non-recurring.</p> <p>An extensive validation exercise was undertaken after the plan for 2023/24 had been submitted. Granular approval and tracking processes were introduced. We note that the Trust Board may benefit from obtaining early assurance over these new arrangements ahead of starting the detailed 2025/26 planning. Early assurance would give the Trust time to make any further amendments to arrangements if required.</p> <p>The target set for 2024/25 was less ambitious (£21 million, with the recognition that significant elements will be non-recurring) and had a lower risk profile compared to the target for 2023/24. However, most of the schemes now planned for 2024/25 remain non-recurring (£16.6 million).</p> <p>Work is now underway to identify central schemes to deliver recurring efficiencies in future years. We recommend that the timing of efficiency identification be brought forward and that the time phasing of efficiencies over 2025/26 be considered.</p>	In progress	<p>Yes</p> <p>We raise a new Key Recommendation recommending that the timing of efficiency identification be brought forward; the Trust Board obtain early assurance over the new arrangements for efficiencies identification; and that the time phasing of efficiencies over 2025/26 be considered.</p>

\* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

# Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
2 The Trust should allocate temporary extra resource to the Information Governance team to address the current backlog in order to ensure that regulatory timeframes are met.	Improvement	June 2023	Four new Full-Time Equivalent posts were approved for eight months as additional resource for the Information Governance team during 2023/24. These posts have since been extended by a further four months and the Trust is planning to allow for permanent recruitment within the 2024/25 business plans.	Yes	No
3 The Trust should consider a review of its clinical effectiveness process to form a more manageable local clinical audit programme and ensure there is accountability for uncompleted projects and action plans.	Improvement	June 2023	The number of local clinical audits has been reduced, making the process for accountability more manageable. All local clinical audits must now be aligned to a breakthrough objective and quality priority.	Yes	No
4 The Trust should consider implementing a specific time frame to close all breached and open complaints.	Improvement	June 2023	The Trust now has a Key Performance Indicator of closing 95% of complaints within 20 working days. The number of open complaints and the length of wait time have both fallen.	Yes	No

\* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

