



North East London NHS Foundation Trust

Auditors Annual Report: Year ended 31 March 2024

Draft reported to the Audit and Risk Committee on 13 June 2024

Final issued on 25 June 2024

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1. Executive summary

This Auditor's Annual Report provides a summary of the key issues arising from our audit of North East London NHS Foundation Trust (the 'Trust') for the year ended 31 March 2024.

Financial statements

We issued an unqualified opinion on the Trust's financial statements on 25 June 2024.

This means that we consider that the financial statements give a true and fair view of the financial position and its expenditure and income for the year.

Value for money

We have not identified any significant weaknesses in respect of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources having regard to the specified criteria in the Code.

Other reporting

We did not consider it necessary to use our auditor powers or report on other matters.

2. Purpose and summary

Purpose of the Auditor's Annual Report

This Auditor's Annual Report summarises the key issues arising from the work that we have carried out in respect of the year ended 31 March 2024.

It is addressed to the Trust but is also intended to communicate the key findings we have identified to key external stakeholders and members of the public.

Responsibilities of the Trust

It is the responsibility of the Trust to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for.

The Trust is also responsible for preparing and publishing its financial statements, annual report and governance statement.

Responsibilities of auditors

Our responsibility is to plan and carry out an audit that meets the requirements of the National Audit Office's (NAO's) Code of Audit Practice – April 2020 (the 'Code').

Under the Code, we are required to review and report on:

- Whether the financial statements give a true and fair view of the financial position of the Trust and of its income and expenditure for the year and have been properly prepared in accordance with the relevant legislation;
- Whether the other information published together with the financial statements is consistent with the financial statements;
- Whether the auditable parts of the remuneration and staff report are properly prepared;
- Whether the governance statement complies with the guidance issued;
- Whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources; and
- Where appropriate, make statutory recommendations, referral matters to the Secretary of State or issue a Public Interest Report.

Disclaimer

The contents of this report relate only to those matters which we are required to report under the NAO Code of Audit Practice (April 2020). We do not accept any responsibility if this report is used for any other purpose or by any other party other than the Trust.

3. Audit of the financial statements

Audit conclusion

We issued an unqualified opinion on the Trust's financial statements on 25 June 2024.

This means that we consider that the financial statements give a true and fair view of the financial position and its expenditure and income for the year.

Identification of control weaknesses

We did not identify any significant control deficiencies during the audit of the financial statements which have a significant impact on the Trust, including on its value for money requirements.

Audit differences

There were no unadjusted or adjusted errors identified during our audit .

4. Value for Money (VfM)

Scope

We are required to review and report on the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in these arrangements, we are required to report this in the auditor's report included in the financial statements and to make recommendations for improvement in the Auditor's Annual Report.

Specified criteria

The NAO has issued guidance for auditors to report against three specified reporting criteria:

- Financial sustainability - planning and managing resources to ensure the Trust can continue to deliver its services;
- Governance - informed decisions and properly managing risks; and
- Improving economy, efficiency and effectiveness – using information about costs and performance to improve the way the Trust manages and delivers its services.

The NAO guidance also includes a number of further areas for review within each criteria to allow the auditor to assess those arrangements.

Risk assessment

Our risk assessment has not identified any areas of potential significant weakness.

Audit conclusion

We have not identified any significant weaknesses in the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources.

We had no matters to report by exception in the audit report on the financial statements. We also have no matters to report in our closing audit certificate, on completion of our work on the Trust's value for money arrangements.

5. Financial Sustainability

Auditor's commentary on arrangements

The following areas have been considered:

- How significant financial pressures relevant to short and medium-term plans are identified and built into plans;
- Plans to bridge funding gaps and to identify achievable savings;
- Whether financial plans support the sustainable delivery of services in accordance with strategic priorities;
- The consistency of financial plans 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
- Identification and management of risks to financial resilience e.g. unplanned changes in demand, including challenge of assumptions underlying its plans.

Findings

Financial planning

The Trust has prepared a 2024/25 financial plan in accordance with the National Health Service Act 2006 (as amended by the Health and Care Act 2022) which requires NELFT and the other bodies within the Integrated Care System (ICS) to prepare a financial plan before the start of the financial year.

The purpose of the plan is to demonstrate how the ICS intends to arrange and provide NHS services to meet the needs of everyone within North East London. We have reviewed the plan and can see the allocation of resources across different trusts within the ICS.

Finance reporting

The Trust prepares a finance report, which we have observed is included within the Finance and Investment Committee papers (the Finance and Investment Committee is a sub-committee of the Board). The report includes overall monthly income and expenditure, a balance sheet summary, a monthly cash flow summary, and a detailed analysis of agency expenditure analysed

by directorate. A summary finance report is presented to the Board as part of Finance and Investment Committee Summary presented at each Board meeting.

Board Assurance Framework

The Trust's Board Assurance Framework (BAF) includes 'Financial Objectives' as a top organisational risk that could have the greatest impact on the delivery of the Trust's strategic objectives. The risk recognises that failure to achieve its financial objectives may lead to the organisation no longer being considered a going concern. This indicates that risks to financial resilience are given high focus within the Trust and subject to the Trust's formal risk management arrangements, as summarised in the 'Governance' section of our report.

Surplus / deficit calculation

From our audit of the NELFT Annual Report and Accounts, we have reviewed the calculations in support of the surplus / deficit calculation based upon the Trusts operating activities (including both income and expenditure).

The Trust reported its adjusted financial performance on a control total basis was a surplus of £3,000k for the year. This compares to an adjusted performance surplus of £1,388k in 2022-23.

The Trust were aiming for a breakeven position for their continuing operations position, in line with their Operating Plan. As the final position was better than a breakeven position (in that NELFT had a surplus), the financial management and planning appears to be operating effectively.

Saving requirements

The 2022/23 savings target of £14.0 million was achieved but £4.6 million (33%) was non recurrent and so was carried forward into 2023/24.

For 2023/24, a savings requirement of £13.6 million was identified. When combined with the value of recurrent savings not achieved in the prior year (£4.6 million), the total savings target for 2023/24 was £18.2 million. This was achieved but £8.8 million (48%) was non-recurrent. In 2023/24 the main savings were contributed on the level of Community Nursing, Finance and Workforce savings.

The Trust’s Cost Improvement Programme (“CIP”) performance is reported monthly at the Finance and investment committee, Delivering Value Group and the Strategic Delivery Group for partnership, improvement and value. A summary is provided at each of the meetings of the year-to-date performance against the plan, and highlight reports are provided by the workstream leads. Workstream leads will be required to show actual savings achieved against the planned savings target, at the delivering value group, which feeds into the SDG for partnership and improvement and value.

The non-recurrent amount represents savings that may not necessarily be repeated in subsequent years. The percentage of non-recurrent savings has increased for 2023/24 which increases the need for further savings to be embedded within the Trust. This is shown in the table below:

Year	Value of non-recurrent savings as a % of total savings achieved
2020/21	47.7%
2021/22	83.0%
2022/23	32.9%
2023/24	48.4%

2024/25 plan

The Trust’s 2024/25 Financial Plan includes a total savings requirement of £21 million for 2024/25. This savings goal forms part of a two year savings plan instigated by the Trust. The financial plan notes a savings requirement of £31.044m. Which is a significant increase to the prior year and current year due to the non-recurrent savings of 2023/24 which have rolled forward into 2024/25 (£8.8 million) and a forecasted deficit position of £10 million.

The above reasons result in the full savings requirement of £31 million for 2024/25. Due to the significant increase the Trust has established a two-year savings plan where the total savings of £42 million are spread over two years. Therefore, the final savings requirement for 2024/25 is £21 million. This will pose a challenge to the Trust for 2024/25.

The Trust is performing mitigating measures to further reduce the deficit in funding by renegotiating contracts and by raising awareness on financial sustainability within the Trust. As a result of the deficit position the Trust will be under a ‘triple lock’ for investments for the 2024/25 year. This means that before an investment can be made it requires approval of the Trust board, the ICB board and the London Region board. This is to further scrutinize value for money as a result of the funding gap.

Monitoring saving requirements

Saving requirements are monitored monthly through the Finance and Investment Committee. Updates are provided by the Executive Director of Partnerships and planned actions to try and meet targets are discussed with actions taken forward into subsequent meetings.

6. Governance

Auditor's commentary on arrangements

The following areas have been considered:

- Risks are assessed and monitored to gain assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud.
- The annual budget setting process is appropriate.
- Effective systems and processes are in place to ensure budgetary control, support statutory financial reporting requirements and ensure corrective action is taken where needed.
- The Trust makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.
- The Trust monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour.

Findings

Corporate risk register

As part of our audit of the Annual Report and Accounts, we reviewed the Corporate Risk Register during planning. Periodic updates were provided throughout the year at the audit committees which we attended.

The risks identified by the Trust were effectively communicated at Board level and were monitored throughout the year via the processes highlighted during our discussions with management throughout the audit.

From our attendance at the Audit and Risk Committee meetings, we are satisfied that the Committee has sufficient oversight of the risks, and the processes for managing risks through their review of the BAF.

BAF

Risks are regularly monitored by the Board via the BAF, which is a standing item on the agendas of these meetings. The BAF clearly links each risk to the strategic objectives of the Trust and includes appropriate details (including

mitigating controls, further controls needed and gaps in assurance). We have reviewed the most recent BAF presented to the Finance and Investment Committee in March 2024. We are content that there are no significant control deficiencies or significant weaknesses associated with this process.

Counter fraud function

The Trust's Local Counter Fraud Specialist prepares a programme of proactive work annually. This is reviewed and approved by the Audit and Risk Committee. Updates on progress against the work programme are discussed at Audit and Risk Committee meetings, as witnessed during our attendance at those meetings.

Budget setting and monitoring

Prior to the start of the financial year, the internal budget is set. The Associate Director for Business Partnering communicates to budget holders what is expected for the budget for the following period. Discussions will then take place with each of the budget holders where cost pressures, and other areas which may impact on the budget in future are discussed in detail. Findings from these meetings will be fed into the Excel model which is used in creating the budget. The information put into the budget document comes from the budget holders themselves so sign off of the information occurs when these discussions take place. A budget report is then run on the basis of this information which is then presented to the FIC. Once FIC members are satisfied with the budget, the Chief Executive will present it to the Board for approval. The process appeared to be robust with no significant control weaknesses identified.

Monthly Management Accounts (MMAs)

MMAs are prepared by the finance and are discussed in several committees, most importantly the Board of Director meetings. Actual figures are compared to the budgets and significant variances are discussed.

Budget and MMA discussions

We have confirmed that effective processes and systems are in place to monitor financial performance against budget, and to communicate relevant, accurate and timely management information (including nonfinancial information) to support the Trust's statutory financial reporting requirements, and we are satisfied that action is taken where deficits or issues are highlighted by this process.

Board minute review

We have reviewed papers and minutes of both the Board and its sub committees and confirmed that they cover all the key areas which we consider necessary to ensure that informed decisions regarding the future of the Trust are made.

Internal audit

As reported in the Trust's Annual Governance statement, the Head of Internal Audit's overall opinion for 2023/24 was that 'Significant assurance with minor improvement opportunities can be given on the overall adequacy and effectiveness of the Trust's framework of governance, risk management and control'.

During 2023/24, the Trust's internal audit function undertook nine internal audits. Seven of these audits provided significant assurance with minor improvement opportunities, and two audits provided partial assurance with improvements required. No significant weaknesses which impact on VfM were identified.

7. Improving economy, efficiency and effectiveness

Auditor's commentary on arrangements

The following areas have been considered:

- Financial and performance information has been used to assess performance to identify areas for improvement.
- Services provided are evaluated to assess performance and identify areas for improvement.
- The Trust delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve.
- Where the Trust commissions or procures services, this is done in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits of officer or member behaviour.

Findings

Board and Committee paper reviews

Through reviewing Board and sub-committee papers, we have confirmed that the Board is provided with both financial and non-financial performance information on a monthly basis, which includes finance, workforce and integrated performance reports, and Board members are able to challenge officers regarding any departures from plans or expectations. Within these reports, the Trust monitors the reasons for movements against planned performance and, where applicable, key performance indicators and uses these to identify areas for improvement, focussing its resources as necessary.

KPI's for Trust performance

We are content that the performance monitoring measures via the various KPI's which apply to the Trust takes place on a regular basis. The Board are provided with regular updates on key performance metrics with the KPI's considered in detail as part of these meetings.

SFI's and waivers

The Trust's Standing Financial Instructions set out the path applicable to different types of procurement. The Audit and Risk Committee reviews circumstances where SFIs have been waived at each of its meetings. We have also substantively tested expenditure as part of our financial audit procedures, including standard procurement activity in line with the SFI's and waivers. No significant weaknesses were identified.

Procurement activity

The Trust hosts a Procurement Shared Service in partnership with two other Trusts. The Shared Service has oversight of all procurement activities at the Trust and develops an annual work plan based on known/likely procurements during the year.

KPI's for services provided to the Trust

Entities that provide services to the Trust are required to report back against KPI's which are included into the contractual agreement with the Trust. We have reviewed the reporting back of performance against KPI's by service providers and are content that it does take place.

Partnerships

During 2023/24, the Trust has continued to engage with partners across the three main systems in which it operates. This engagement has covered both strategic and operational matters, such as the new arrangements for Integrated Care Boards and the development of the St George's Health and Wellbeing Hub.

Performance is monitored centrally on a monthly basis and the Trust, and partners, are required to submit returns which are then discussed and scrutinised.

During the financial year a new committee has been created. The Partnerships and Integrated Care Committee (PICC) which has been established to discuss the collaboration with partners in the new ICS, population health outcomes, the transformation and improvement of the clinical and corporate services within the ICS, patient leadership and engagement and performance improvements.

The Committee seeks evidence-based assurance on the delivery of strategies to deliver the strategic objective of Best Partners, improvement and

performance. It also recommends to the full Board of Directors the NELFT strategy and associated annual and medium-term plans for review and endorsement.

8. Prior year recommendations

ASM carried out the audit of NELFT in the prior year. As part of our VFM work, no significant weaknesses were identified and no recommendations were made.

9. Conclusion and recommendations

We have concluded throughout the report that the Trust has appropriate arrangements in place and that we have not identified any significant weaknesses in relation to arrangements in any of the 3 criteria, financial sustainability, governance and improving economy, efficiency and effectiveness.