



Auditor's Annual Report 2023/24

North West Anglia NHS Foundation Trust

—

5 July 2024

Contents

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	Page
01 Executive Summary	3
02 Audit of the Financial Statements	5
03 Value of Money	8
a) Financial Sustainability	
b) Governance	
c) Improving economy, efficiency and effectiveness	

This report is addressed to North West Anglia NHS Foundation 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 North West Anglia NHS Foundation 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	We issued an unqualified opinion on the Trust’s accounts on 5 July 2024. This means that we believe the accounts give a true and fair view of the financial performance and position of the Trust. We have provided further details of the key risks we identified and our response on page 6.
Annual report	We did not identify any significant inconsistencies between the content of the annual report and our knowledge of the Trust. We confirmed that the Governance Statement had been prepared in line with the Department of Health and Social Care requirements.
Value for money	We are required to report if we identify any matters that indicate the Trust does not have sufficient arrangements to achieve value for money. We have nothing to report in this regard.
Other reporting	We did not consider it necessary to issue any other reports in the public interest.



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 NHS England with the consent of the Secretary of State in February 2024 as being relevant to NHS Foundation Trusts 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 have issued an unqualified opinion on the Trust's financial statements on 5 July 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 in our audit.

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 manual accruals and non-pay expenditure.</p>	<p>We have performed the following procedures in order to respond to the significant risk identified:</p> <ul style="list-style-type: none"> • 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 and accurately recorded; • We inspected a sample of transactions relating to expenditure (invoices and bank transactions), in the period after 31 March 2024, to determine whether expenditure has been recognised in the correct accounting period; • We selected a sample of year end accruals and inspected evidence of the actual amount paid after year end (or investigated those unpaid) in order to assess whether the accruals have been accurately recorded. • 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 • We performed a year on year comparison of a sample of the largest accruals in the prior year and current year and challenged management where the movement is not in line with our understanding of the entity. 	<p>We did not identify any material misstatements relating to this risk.</p>
<p><i>Management override of controls</i></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>Our audit methodology incorporates the risk of management override as a default significant risk. We carried out the follow procedures:</p> <ul style="list-style-type: none"> • Assessed accounting estimates for bias by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicated a possible bias. • In line with our methodology, evaluated the design and implementation of controls over journal entries and post closing adjustments. • Assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates. • Assessed the business rationale and the appropriateness of the accounting for significant transactions that are outside the component's normal course of business, or are otherwise unusual. • We analysed all journals through the year using data and analytics and focused our testing on those with a higher risk, such as journals impacting expenditure recognition posted during the final close down. 	<p>We did not identify any material misstatements relating to this risk.</p>

Audit of the financial statements


Risk	Procedures undertaken	Findings
<p>Valuation of land and buildings</p> <p>Land and buildings are required to be held at fair value. As hospital buildings are specialised assets and there is not an active market for them they are usually valued on the basis of the cost to replace them with a 'modern equivalent asset'.</p> <p>The Trust engaged Gerald Eve to undertake a desktop valuation for the year ended 31 March 2024. The assessment of the fair value of the assets is a key estimate in the financial statements.</p>	<p>We have performed the following procedures in order to respond to the significant risk identified:</p> <ul style="list-style-type: none"> • We considered the carrying value of the land and buildings; including any material movements from the previous revaluations; • We challenged key assumptions within the valuation, including the use of relevant indices and assumptions of how a modern equivalent asset would be developed, as part of our judgement; • We agreed the calculations performed of the movements in value of land and buildings and verified that these have been accurately accounted for in line with the requirements of the GAM; and • We assessed the independence, objectivity and competency of the valuer utilised by the Trust to complete the desktop valuation. We challenged key assumptions within the valuation including the cost rates applied. 	<p>We did not identify any material misstatements relating to this risk.</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	11-12	13-14	15
Identified risks of significant weakness?	 Yes	 No	 No
Actual significant weakness identified?	 No	 No	 No
2022-23 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

The Trust delivers a range of emergency, specialist and general medical services through Peterborough Hospital, Hinchinbrook Hospital and Stamford Hospital, along with a variety of community-based care, serving a population of over 850,000 across Cambridgeshire, Lincolnshire and neighbouring counties with over 7,000. The Trust is a member of the Cambridgeshire and Peterborough Integrated Care System ('ICS').

Financial performance

The Trust has reported an underlying deficit position for several years, with a current year deficit of £65m million, which is a slight improvement of the forecast position. After adjustments the Trust achieved a breakeven position on a control total basis.

System working

The ICS as a whole has delivered a breakeven financial position at the year end. The Trust and the Cambridge and Peterborough system sit within System Oversight Framework segment 3, - significant support needs against one or more of the five national oversight themes and in actual breach of the NHS provider licence.

The 2024/25 Trust and ICS plan was approved by the Board on 29 April 2024 with the overall ICS forecasting a breakeven position. The plans include challenging cost improvement target of £136m, 6.8% for the system, which is greater than the CIP delivered in the current year.

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

Summary of arrangements

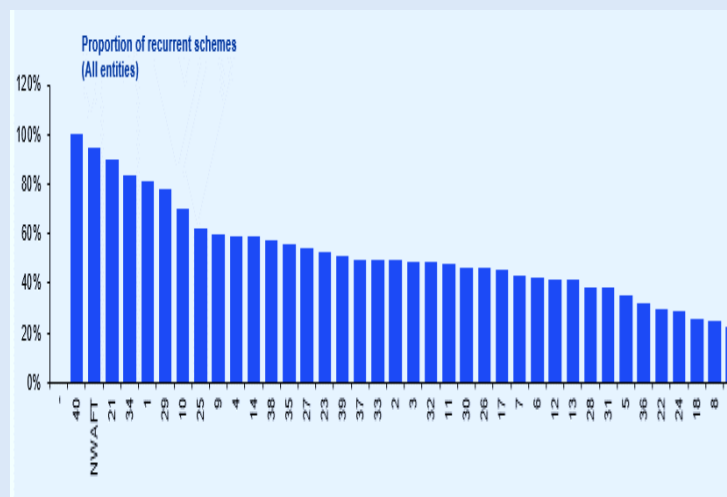
We have not identified any **significant weaknesses** in the Trust’s arrangements in relation to financial sustainability.

Delivery against 23-24 financial plan

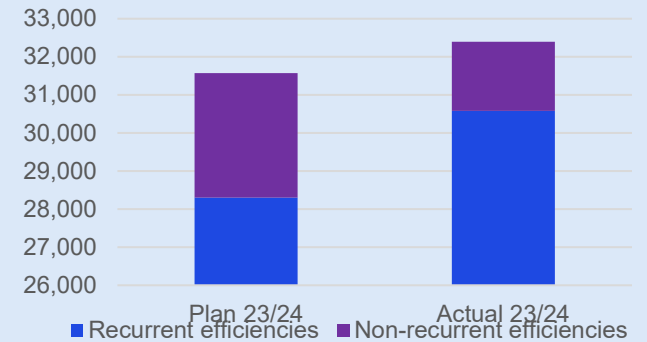
The original Trust financial plans for 2023/24 was a breakeven budget, which formed part of a wider ICS breakeven budget. The budgets were prepared based on appropriate local and national planning assumptions and were approved at both a Trust and ICS level prior to submission. The Trust and the System achieved its 2023/24 final outturn position.

To support the delivery of the financial position, the Trust planned delivery of £31.57 million through Cost Improvement Programmes (CIPs), with £28.3 million as recurrent savings and £3.2 million non-recurrent savings. The Trust achieved CIPs of £32.39 million, in excess of the planned target, although a higher proportion was delivered through additional income, which the Trust have treated as recurrent.

Trust recurrent schemes compared to all entities for the 2023/24 financial period



Recurrent and Non-recurrent efficiencies



Financial Sustainability

Capital Spend

As part of the 2023/24 plan, the Trust identified £72.3 million of capital spend, related to a variety of on-going projects and required estates maintenance, the largest being £10.5 million allocated to increasing capacity in the Endoscopy department. The delivery of plans are monitored through the Board. The Trust recorded capital spend of £61.7 million at the year end. The underspend was due to delays than the original schedule in relation to RAAC and the Clinical Diagnostic Centre (CDC).

Planning process for 2024/25

The Trust has worked with ICS partner organisations to develop plans for 2024/25 in line with the national guidance. The Trust set a breakeven revenue plan in 2024/25 along with a breakeven ICS plan. The Trust budget includes Cost Improvement Programme (CIP) of £27.2m which is a slight reduction on 2023/24 and equates to 3.9% of operating expenditure. The Trust has identified four themes:

- *Productivity improvement* – to support the long wait reduction campaign;
- *Transactional divisional CIP's* – focusing on quick wins;
- *Corporate/Centrally driven schemes* – such as procurement, estates and recruitment plan; and
- *Workforce/temporary staffing* – alignment with HR partners to achieve operational cost reduction.

As at May 2024, the Trust had identified a £6.6m gap in CIP in current identified schemes. The Trust acknowledges that a significant portion of the CIP pipeline for 2024/25 consists of £9.1m of additional income (45% of CIP) with a need for Divisions to identify expenditure CIP to substantially reduce its cost base.

Prior to submission of the financial plan, management obtained approval from the Trust Board within the private session on 29 April 2024 with minutes evidencing sufficient challenge and scrutiny on all relevant aspects of the draft plan.

The final Trust and ICS plans were submitted on 2 May 2024 with the Trust submitting a breakeven plan and the wider ICS reporting a breakeven position. This plan included £135.6 million in its Savings Plan.

Key financial and performance metrics:	2024-25	2023-24	2022-23
Planned breakeven (adjusted financial performance)	£0	£0	£0
Actual surplus (adjusted financial performance)	TBC	£0	£0.3m
Planned CIP	£27.2m	£31.6m	£23.6m
Actual CIP	TBC	£32.4m	£17.6m
Year-end cash position	TBC	£88.5m	£109.3m

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 arrangements

We have not identified any **significant weaknesses** in the Trust's arrangements in relation to governance.

Risk Management Process

The Trust has defined processes in place to monitor and assess risk, with key documents including the Board Assurance Framework (BAF) to manage strategic risks, which is reviewed regularly by the Audit Committee and by the Board, and the Trust Corporate Risk Register, which contains key operational risks. A revised BAF was developed during 2024/24 and was approved by the Board, the revised framework will be implemented in 2024/25. The Trust's top 3 risks at 31 March 2024, relate to a risk to patient and staff safety at Hinchingsbrooke Hospital due to old and non compliant building and risk of RAAC panel failure, risk of patient harm due to the Trust not sustaining effective patient flow, impacting on waiting times, safety and staff and patient experience and the impact of industrial action, where the Trust, system are not able to achieve national operational targets and standards.

Financial Planning

In response to financial sustainability challenges and as part of the actions to move the Trust and ICS from System Operating Framework 3, the Trust is working with Cambridgeshire and Peterborough Integrated Care System to ensure the overall long-term financial sustainability of providers. The Trust has established enhanced financial governance processes in place. The Trust budget is reviewed within the context of the national planning guidance and financial funding arrangements and presented to the Finance and Digital Committee and Trust Board for approval. Subsequently, the actual performance is monitored on a monthly basis and variances are analysed and presented in monthly CIP update reports. Key strategic decisions are made via the Trust's governance process. A scheme of delegation is in place which sets out where different decisions/approvals should take place. The Trust has agreed business case templates in place and each case is subject to approval in line with the scheme of delegation prior to formal approval and scrutiny at the Committee and the Trust Board.

Enforcement Undertakings and Improvement

Between April 2020 and April 2023, the Trust had four enforcement undertakings in place under its terms as a Licensee of an NHS Foundation Trust. These undertakings were reviewed in April 2023, with two removed (RTT and Quality) and two remaining, UEC and Cancer. The two remaining undertakings were updated at the start of 2023/24 to reflect the NHSE performance and planning requirements. Since then, the Trust's improvement plans for UEC and Cancer have been monitored alongside the relevant performance standards, including a monthly update on the undertakings in the Integrated Performance Report that is seen by the Performance and Estates Committee and the Trust Board.

Governance

	2024	2023
Control deficiencies reported in the Annual Governance Statement	None	None
Head of Internal Audit Opinion	<p>The organisation has an adequate and effective framework for risk management, governance and internal control.</p> <p>However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.</p>	<p>The organisation has an adequate and effective framework for risk management, governance and internal control.</p> <p>However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.</p>
Oversight Framework segmentation	<p>NWAF – Segment 3 (Significant support needs against one or more of the five national oversight themes and in actual breach of the NHS provider licence).</p> <p>Cambridgeshire and Peterborough ICB – Segment 3 (Significant support needs against one or more of the five national oversight themes and in actual breach of the NHS provider licence).</p>	<p>NWAF – Segment 3 (Significant support needs against one or more of the five national oversight themes and in actual breach of the NHS provider licence).</p> <p>Cambridgeshire and Peterborough ICB – Segment 3 (Significant support needs against one or more of the five national oversight themes and in actual breach of the NHS provider licence).</p>
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 arrangements

We have not identified any **significant weaknesses** in the Trust's arrangements in relation to economy, efficiency and effectiveness.

Partnership Working

As a member of 'Cambridge and Peterborough ICB (ICB)', members of the Board and leadership team are integrated within the governance of the system. Planning is performed at a ICS level as well as considering the individual entities that makeup the system, with the aim of achieving financial sustainability at a system level rather than a traditional focus on individual control totals. Working in the system, the interaction between providers and other stakeholders is essential to ensure appropriate operational and clinical flow across the system and longer term objectives.

There is evidence of increased plans within the system for joint working, with the Trust working closely with the ICB in relation to the new CQC strategy, quality statements and inspection-preparedness across the region. The Trust's Improvement Plan was shaped by the Trust Strategy, NHS National Priorities alongside the ICB Strategy and Joint Forward Plan. In addition, the ICB secured funds to establish a Community Diagnostic Centre (CDC) in the Peterborough area and worked with the ICB to contribute to the ICB Estate Strategy.

Given the increased focus on financial sustainability at a system level, increased joint working is essential and will need to continue to be a priority.

Maternity CQC Inspection

The Trust received a CQC inspection of the maternity services in April 2023 with the final report issued in June 2023 providing a 'Good' for both "Safe" and "Well Led" at Peterborough City Hospital site. 'Good' for "Well Led" at Hinchingbrooke Hospital and "Safe" remaining the same at "Required Improvement". The report rating did not result in a change to the overall Trust rating of 'Requires Improvement'. In response to the report, the Trust developed a comprehensive action plan to address the points raised by the CQC. The timeframe for completing the recommendation is the end of June 2024 and end of September 2024. The action plan is overseen as part of the Trust's Maternity Sustainability Plan, which is reviewed by the Trust's Maternity and Corporate Governance Structure and upwardly reported through the Trust's Improvement Board. The latest update to the action plan noted that twelve of the fifteen identified actions, were all complete.



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