



South Warwickshire University NHS Foundation Trust

Auditor's Annual Report 2023/24

12 August 2024

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Key messages

Audit opinion on the financial statements We have issued an unmodified opinion on the Trust’s financial statements for the year ended 31 March 2024.

The Trust’s arrangements to secure Value for Money

Financial Sustainability

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

Overall, the Trust’s results for 2023/24 were in line with its budget, with an overall breakeven position on a control total basis. The Trust reported delivering £20m of savings as part of this, the majority of which were non-recurrent savings (with only 38% identified as being recurrent savings and 62% as non-recurrent). This makes the financial position for subsequent years more challenging.

The Trust’s submitted 2024/25 plan is again to breakeven on a control total basis, which will require £20m of savings. The level of savings required is consistent with that achieved in 2023/24, though we note that this remains relatively reliant on non-recurrent savings (at 41% of planned savings). The system has made further revisions to plans in July 2024, with the final Trust plan assuming a further £1.3m of ERF income to deliver a £1.3m surplus.

In performing our VfM procedures, we identified a potential risk of significant weakness in arrangements in relation to the Trust’s reliance on non-recurrent measures to hit Cost Productivity & Improvement Programme (CPIP) targets but concluded based on our procedures that there was not a significant weakness in this area. Our conclusion was based both on our understanding of the arrangements in place, and the Trust’s track record in achieving planned savings. However, we note that financial environment for 2024/25 is challenging across the NHS, and that the planned level of savings will require continued focus by the organisation to achieve the required savings.

We have not identified a significant weakness in the Trust’s arrangements.

Governance

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

NHS England has assessed the Trust under the NHS Oversight Framework in segment 1, which is the lowest risk and provides the highest level of autonomy. The most recent full CQC inspection in 2019 rated the Trust as outstanding in the ‘Well-Led’ area. No significant internal control issues have been identified in the Annual Governance Statement.

We have not identified a significant weakness in the Trust’s arrangements.

Improving economy, efficiency and effectiveness

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

The Trust's Head of Internal Audit opinion for the year was “Significant Assurance”. The most recent full CQC inspection in 2019 rated the Trust as ‘Outstanding’ overall. In April 2023 the CQC undertook a focused inspection of the Maternity service, with an overall ‘Good’ rating.

We have not identified a significant weakness in the Trust’s arrangements.

Purpose of this report

Our Auditor's Annual Report sets out the key findings arising from the work we have carried out at South Warwickshire University NHS Foundation Trust ("the Trust") for the year ended 31 March 2024.

This report is intended to bring together the results of our work over the year at the Trust, including commentary on the Trust's arrangements to secure economy, efficiency and effectiveness in the use of resources ("Value for Money", "VfM").

In preparing this report, we have followed the National Audit Office's ("NAO") 2020 Code of Audit Practice and its supporting Auditor Guidance Note ("AGN") 03 Value for Money, and AGN 07 Auditor Reporting. These are available from the NAO website. The planned 2024 Code of Audit Practice will apply for 2024/25 onwards, once issued by the NAO.

A key element of this report is our commentary on the Trust's arrangements to secure economy, efficiency and effectiveness in the use of resources ("Value for Money", "VfM"). Our work considering these arrangements is based on our assessment of the adequacy of the arrangements the Trust has put in place, based on our risk assessment. The commentary does not consider the adequacy of every arrangement the Trust has in place, nor does it provide positive assurance that the Trust is delivering or represents value for money.

Where we identify recommendations, we indicate whether these are:

- Recommendations in respect of significant weaknesses in the Trust's VfM arrangements, which we are required to make in accordance with paragraph 54 of AGN 03 where we identify a significant weakness, or
- Other recommendations, which we have indicated as "Deloitte Insights" are shown in bold text in the report.

We have not identified any significant weaknesses in the Trust's VfM arrangements, and so have not reported any recommendations in respect of significant weaknesses.

Assurance sources for the Trust

The diagram below illustrates how the assurances provided by external audit around finance, quality, controls and systems and the future of the Trust (in the green rows) and how this fits with some of the other assurances available over the Trust’s position and performance.

	Financial	Quality and Operational	Controls and systems	Future of the trust
	How is the Trust performing financially?	How is the Trust performing operationally and in quality of outcomes?	Does the Trust have adequate processes?	Is the Trust’s strategy appropriate and sustainable?
Business processes and Board oversight	Is reliable reporting and data being produced through the year, at each level within the Trust, and appropriately reviewed and followed up?			
	Is the Annual Report and Accounts, taken as a whole, fair, balanced and understandable?		Are the Trust’s processes operating effectively?	Are the Trust’s plans realistic and achievable?
	Is the Trust meeting its legal and regulatory obligations, and are appropriate plans in place to maintain compliance?			
	Has the Trust delivered on its financial plans?	Are Quality Priorities selected appropriate for the Trust?	Does the Trust have efficient systems and processes?	Are appropriate actions in place to deliver the Trust’s plans?
Is the Trust generating sufficient surplus for reinvestment?	Are quality report metrics accurate and complete?	Are risks around legacy systems etc appropriately mitigated?	What are the risks to achievement of the Trust’s plans and are appropriate mitigations in place?	
Internal audit assurance Local Counter Fraud	Is there a generally sound system of internal control on key financial and management processes?			
	Has the Trust suffered losses due to fraud?		Does the Trust have appropriate arrangements in place to mitigate fraud risks?	
External Audit assurance on reported performance	Do the financial statements give a true and fair view?		Is the Annual Governance Statement misleading or inconsistent with information we are aware of from our audit? *	Is there significant uncertainty over the going concern assumption?
	Have the financial statements and remuneration report been properly prepared?			
	Is the Annual Report consistent with the financial statements? *		Has the trust made proper arrangements for securing economy, efficiency and effectiveness in the use of resources?	

* The scope of external audit in this area is “negative assurance” of reporting by exception of issues identified.

Opinion on the financial statements

We provide an independent opinion on whether the Trust's financial statements:

- Give a true and fair view of the financial position of the Trust at 31 March 2024 and of its income and expenditure for the year then ended;
- Have been properly prepared in accordance with the accounting requirements of the Department of Health and Social Care Group Accounting Manual, as directed by NHS England; and
- Have been prepared in accordance with the requirements of the National Health Service Act 2006.

The full opinion and certificate are included in the Trust's Annual Report and Accounts, which can be obtained from the Trust's website.

We conduct our audit in accordance with the NAO's Code of Audit Practice, International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. We are independent of the Trust in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements:	We issued an unmodified opinion on the Trust's financial statements on 28 June 2024. We did not identify any matters where, in our opinion, proper practices had not been observed in the compilation of the financial statements.
Remuneration and Staff Report:	We reported that the parts of the Remuneration and Staff Report subject to audit had been properly prepared in accordance with the National Health Service Act 2006.
Annual Governance Statement:	We did not identify any matters where, in our opinion, the Annual Governance Statement did not meet the disclosure requirements set out in the NHS Foundation Trust Annual Reporting Manual, was misleading, or was inconsistent with information of which we are aware from our audit.
Annual Report:	We reported that the information given in the Performance Report and Accountability Report for the year ended 31 March 2024 was consistent with the financial statements.
Reports in the public interest and reports to NHS Improvement:	We did not exercise any of our additional reporting powers in respect of the year ended 31 March 2024.
Reporting to the group auditor:	In line with the group audit instructions issued by the NAO, we reported that the Trust's consolidation schedules that feed into the Consolidated NHS Provider Account and Department of Health and Social Care's group accounts were consistent with the audited financial statements.

Our financial statement audit - approach

An overview of the scope of the audit

Our audit was scoped by obtaining an understanding of the Trust and the environment it operates in, including internal control, and assessing the risks of material misstatement to the financial statements. Our risk assessment procedures include considering the size, composition and qualitative factors relating to account balances, classes of transactions and disclosures.

Audit work to respond to the risks of material misstatement was performed directly by the group audit team, including procedures on balances within the Trust's subsidiary, SWFT Clinical Services Limited, which are material to the group accounts. Statutory audits of the Trust's subsidiaries are completed each year following the group audit.

Materiality

Our work was planned and performed to detect material misstatements. We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the Group to be £9.0m, on the basis of 2% of total revenue.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £300k, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Procedures for auditing the Trust's financial statements

Our audit of the Trust's financial statements included:

- developing an understanding of the Trust, including its systems, processes, risks, challenges and opportunities and then using this understanding to focus audit procedures on areas where we consider there to be a higher risk of misstatement in the Trust's financial statements;
- interviewing members of the Trust's management team and reviewing documentation to test the design and implementation of the Trust's internal controls in certain key areas relevant to the financial statements; and
- performing sample tests on balances in the Trust's financial statements to supporting documentary evidence, as well as analytical procedures, to test the validity, accuracy and completeness of those balances.

Data analytic techniques were used to identify items of audit interest and in journal testing using our Spotlight data analytics software.

Our financial statement audit approach

An overview of the scope of the audit (continued)

Approach to audit risks

We focused our work on areas where we considered there to be a higher risk of misstatement. We refer to these areas as significant audit risks.

We provided a detailed audit plan to the Trust's Audit and Risk Committee setting out what we considered to be the significant audit risks for the Trust, together with our planned approach to addressing those risks. The significant risks identified for our audit were:

- accounting for capital expenditure,
- completeness of accruals and provisions, and of related expenditure,
- property valuations, and
- management override of controls (a required risk under International Standards on Auditing (UK)).

Other areas of audit focus where we reported to the Audit and Risk Committee on our procedures and findings were:

- recognition of NHS clinical revenue,
- the remuneration report, and
- "Agreement of Balances" mismatches with other NHS bodies.

From our procedures, we identified a restatement required to prior period figures reported within the Better Payment Practice Code disclosure, which had inappropriately included payments to HRMC. The Trust also restated its staff number disclosures to correct the disclosure of the number of "Other" staff.

We have made recommendations in our Audit and Risk Committee reporting for improvement in the Trust's policies, procedures and internal controls based on observations from our work. However, we do not consider these recommendations to reflect significant weaknesses in the Trust's VfM arrangements.

Auditor's work on Value for Money (VfM) arrangements

The Accounting Officer and the Board are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of 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 Accounting Officer reports on the Trust's arrangements, and the effectiveness with which the arrangements are operating as part of their annual governance statement.

Under 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. Under the National Audit Office's Auditor Guidance Note 3, we are required to assess arrangements under three areas which are shown alongside our risk assessment and summary conclusion in the table below.

Area	Risk assessment	Findings
Financial Sustainability	One risk identified	No significant weaknesses identified
Governance	No risks of significant weakness identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses identified

In this report, we set out the findings from the work we have undertaken. Where we have found significant weaknesses in arrangements, we are required to make recommendations so that the Trust can consider them and set out how it plans to make improvements. We have not identified any significant weaknesses in arrangements.

In planning and performing our work, we consider the arrangements that we expect bodies to have in place, and potential indicators of risks of significant weaknesses in those arrangements. Our assessment of potential indicators has been performed in the context of the overall operating environment for the NHS during 2023/24, including the impact of industrial action, demand pressures, and the activities to recover elective activity levels following the pandemic.

In addition to our financial statement audit, we performed a range of procedures to inform our VfM commentary, including:



Interviews with Board members and management.



Review of Board and committee reports and attendance at Audit Committee meetings.



Reviewing reports from third parties including Care Quality Commission, Internal audit, and correspondence with NHSE.



Considering the findings from our audit work on the financial statements.



Review of the Trust's annual governance statement and annual report.

Auditor's work on VfM arrangements (continued)

Trust performance

The table on the right provides a summary of Trust performance across a range of measures and where appropriate additional commentary is provided on the following pages.

The NHS Oversight Framework (NOF) - The NOF replaced the previous NHS oversight frameworks. It is built around five national themes:

- quality of care, access and outcomes;
- preventing ill health and reducing inequalities;
- people;
- finance and use of resources; and
- leadership and capability.

The NOF gives a rating from between 1-4 (1 - maximum autonomy, 2 - targeted support, 3 - mandated support and 4 – special measures).

As can be seen on the right, the Trust is currently rated 1 – which is the highest possible rating and indicates 'maximum autonomy' from a regulatory oversight perspective.

	2023/24	2022/23	2021/22	2020/21
Surplus / (Deficit)	£5.2m	(£1.8m)	(£4.3m)	(£1.9m)
Adjusted Surplus/(Deficit)	£0.0m	£0.07m	£0.02m	£0.3m
EBITDA as % of related income	2.7%	2.6%	2.8%	3.6%
CIP Actual/Target	£20.0/£20.0	£10.1m/£10.1m	£7.6m/£9m	£1.3m / £1.7m
Cash	£23.6m	£17.3m	£41.7m	£44.2m
Capital Expenditure	£40.8m	£41.2m	£21.1m	£26.7m
NOF rating/Segmentation	1	1	1	1
CQC report conclusions (last inspection Nov 21 – Jan 22)	Outstanding	Outstanding	Outstanding	Outstanding
Annual Governance Statement (Control deficiencies)	None	None	None	None
Head of Internal Audit Opinion	Significant Assurance	Significant Assurance	Significant Assurance	Significant Assurance
Internal Audit of HfMA Financial Sustainability self-assessment		11/12 NHSE specified questions concluded as reasonable*		

* In one question Internal Audit feel the Trust under-scored itself.

VfM arrangements: Financial Sustainability

Approach and considerations

Commentary

We have considered how the Trust plans and manages its resources to ensure it can continue to deliver its services, including:

- How the Trust ensures 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; and
 - How the Trust identifies and manages risks to financial resilience, including challenge of the assumptions underlying its plans.
- The Trust is assessed by NHSE on its adjusted surplus of £0.02m (£5.17m surplus prior to adjustments) against a breakeven plan of £0.0m for 2023/24. The prior period had £0.07m adjusted surplus and £1.84m deficit prior to adjustments. At 31 March 2023, the Trust had net assets of £170.9m (31 March 2023: £151.5m), net current liabilities of £11.7m (31 March 2023 net current liabilities: £16.5m), and cash of £23.6m (31 March 2023: £17.3m).
 - The NHS financial planning framework for 2023/24 focused on several key priorities aimed at addressing ongoing challenges including financial sustainability, core service recovery and productivity at a local, system and national level. Trusts have faced several significant challenges during the year including workforce shortages and industrial action alongside increased demand for services. At the same time as ensuring that financial sustainability is integrated within the organisation to achieve its own operational and strategic goals, the transition to system working means that organisations within the ICS must consider the impact of their decisions on system partners and vice versa.
 - The Trust has worked collaboratively with the Integrated Care Board (ICB) and system partners to develop its financial plans. Following a number of iterations, as requested by NHSE and the ICB, the final plan submission for 2023/24 in May 2023 forecast a breakeven position for the Trust and for the wider system. This included increasing the overall efficiency requirement for the Trust to £20.0m, higher than any previous year. A predominantly block funding based arrangement has remained in place during the year.
 - In line with Trusts' nationally, the Trust has continued to find the delivery of recurrent Cost, Productivity & Improvement Programme (CPIP) and arrangements to support the development and delivery of schemes going forward challenging over the last few years. As was the case in 22/23, we have again identified this as **risk of significant weakness** as part of our planning. The Trust delivered its cost savings target for 2023/24 of £20.0m (4.3%). However, this was primarily delivered through non-recurrent schemes and measures. The extent of reliance on non-recurrent efficiencies increases the level of savings required for next year.

VfM arrangements: Financial Sustainability (continued)

Commentary

- During 2023/24 the Trust has refreshed its strategy to respond to the changing landscape of increasing demand and Covid-19 recovery by establishing six pillars with the overall objective to create healthier, happier lives. These changes will position the Trust to be a sustainable provider through increasing flexibility for employees, reducing carbon emissions, embedding prevention in every service and finally taking a home first approach supported by technology and collaboration.
- The Trust has a robust financial planning process in place clearly stating assumptions and risks within the plan and known impact of changes to the business for FY25 are included and presented to the Board.
- In order to develop a recurrent approach to cost improvement and productivity, the Trust launched a new programme Excel in Everything during 2023 to promote excellence in quality, delivery and productivity whilst achieving CPIP targets. During 2023/24 the programme was successful in reducing nursing and medical agency spend, improving outpatient and theatre utilisation. The workstreams have been reviewed and whilst some have been moved into business as usual, others are retained and/or moved into divisional productivity programmes:
 - Excel in Patient Flow & Home First
 - Excel in Digitalisation
 - Excel in Procurement
 - Medical agency reduction
 - Nurse agency reduction
 - Excel in diagnostics
 - Divisional productivity schemes.
- The Trust's annual planning process includes triangulation of workforce, activity, performance and finance. Financial planning is undertaken in partnership with the ICB to develop a system wide plan and a Trust specific plan. Operational planning is undertaken by divisions with Divisional budgets produced taking into account cost pressures, CPIP and service developments. The Finance Performance Executive (FPE) is chaired by the CFO provides detailed scrutiny and challenge in these areas.

VfM arrangements: Financial Sustainability (continued)

Commentary

- During the current year the Trust has focused on reducing its reliance on agency staff as part of the Excel in Everything programme. Expenditure has reduced from £13.9m (5%) to £10.6m (3.5%) which is below the Trust's ceiling target 3.7%. This was achieved by increased recruitment and control over agency usage despite the winter pressures, industrial action and non-pay pressures in the final months of 2023/24 impacting agency usage.
- Financial risks are included within the Corporate Risk Register along with controls and assurance to mitigate the risks, gaps in controls and assurance and actions to address gaps. The all red rated risks (scored 15-25) are reviewed at Board in light of the assurance that has been received at Divisional Finance & Performance Executive Committees and further action taken as necessary.
- The 24/25 CIP target for the Trust is £20m to deliver a breakeven plan. The Trust faces a challenging landscape going into 2024/25 with the latest plans (submitted in May 2024) indicating a breakeven plan at the Trust but a £27m deficit at the System level. The system continues to have an underlying deficit of approximately £120m.
- The overall 23/24 CIP target for the Trust is £20.0m in order to deliver the breakeven plan. The savings have been profiled across the year to encourage Divisions to identify/deliver savings early in the year. The level of savings required is consistent with that achieved in 2023/24, though we note that this remains relatively reliant on non-recurrent savings (at 41% of planned savings), and that of the £11.8m of recurrent savings identified for 2024/25, £8.0m has been flagged as high risk. The total level of savings required is equivalent to 4.5% operating expenditure.
- ***Whilst we identified a risk of significant weaknesses to financial sustainability, based on the financial plan for 2024/25 and action being taken by the Trust to deliver recurrent CIPs, we have concluded that this is not a significant weakness in arrangements. Our conclusion was based both on our understanding of the arrangements in place, and the Trust's track record in achieving planned savings. However, we note that financial environment for 2024/25 is challenging across the NHS, and that the planned level of savings will require continued focus by the organisation to achieve the required savings.***

VfM arrangements: Governance

Approach and considerations

We have considered how the Trust ensures that it makes informed decisions and properly manages its risks, including:

- how the body 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 body approaches and carries out its annual budget setting process;
- how the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;
- how the body 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 officer behaviour.

Commentary

- The Trust has established Risk Management arrangements in place which are supported by the Risk Management Strategy. There is an anti fraud and bribery policy in place approved by Board. It has an accredited Local Counter Fraud Specialist (LCFS), with a programme of proactive counter fraud and corruption work which is risk based. The effectiveness of the Trust's internal control environment including counter fraud is overseen by the Audit Committee, through an annual internal audit and annual counter fraud plan.
- The Trust's Head of Internal Audit opinion for the year was "Significant assurance: there is a generally sound framework of governance, risk management and control designed to meet the organisations objectives, and controls are generally being applied consistently." This included significant assurance across all of the financial systems reviewed. Internal Audit stated that strategic risk management and BAF has been given Significant Assurance and is supported by divisional risk resisters. Recommendations have been noted by Internal audit and agreed with management and will continue to be reviewed into 2024/25.
- A part of their audit, Internal Audit highlighted the actions taken by the Trust to improve the interface between the BAF and Corporate risk registers and the fact this report is also reviewed by the Risk Health and Safety board. A number of enhancements were suggested to strengthen the framework for strategic risk management and encouraged the Trust to increase the number of risks presented on the BAF. However, it should also be noted that there were no concerns that the Trust were handling risk appropriately, as evidenced by the developments with Corporate Risk Group and Divisional Risk Management Groups.
- The most recent formal CQC inspection in 2019 rated the Trust as 'Outstanding' overall, as well as for 'Well-Led' and 'Use of Resources'. In April 2023 the CQC undertook an inspection of the Maternity service, with an overall rating of 'Good'
- As set out on Page 12, the Trust is currently within segment 1 of the NHS Oversight Framework. This is the highest rating and indicates 'maximum autonomy' from a regulatory oversight perspective.

VfM arrangements: Governance (continued)

Commentary

- Internal Audit have performed a second follow up review of the Governance arrangements surrounding the Electronic Patient Record system in May 2024 as the with implementation work due to commence. Of the total 17 recommendations raised by IA, 1 has been fully implemented, 12 are partially implemented and 4 are not yet implemented at March 2024. This in part reflects that some actions are dependent on the stage of the project, which has been delayed while implementation is completed at a neighbouring trust. There is a draft EPR risk management policy however it is recommended that that risk management to be embedded into the Governance framework.
- The new NHS Provider Code of Governance was effective from 1 April 2023. A report of compliance against the code has been provided to each Audit Committee and then Board on an annual basis. We have noted the Trust declared non-compliance with Provision 2.7 B on the length of service of Non-Executive Directors and independence of board members, as explained in the Annual Report. We note the Trust has a conflict of interest policy to mitigate related risks.
- The Trust participates in quarterly Foundation Group Boards meetings where the Boards of the Trust, George Eliot Hospital, Wye Valley and new member Worcestershire Acute Hospitals NHS Trust meet at the same time to share best practice and learnings from across the Foundation Group.
- The Trust has developed an environment for continuous improvement by developing its arrangements surrounding the progression and realisation of business cases. The Trust maintains a business case tracker which lists business cases which have been approved, those in development along with service improvement returns. The Trust follows a three-stage business case pathway with support provided by the Trust's Change Hub: firstly, completion of a strategic Outline Business for Planning Group Approval; secondly, development of a full business case for Management Board approval (investments over £500k must also be approved by the Trust Board); the final stage is a Return on Investment Review which is presented to the Service Improvement Board 12 months post implementation.
- The Chief Executive, as the Accounting Officer, concluded that no significant internal control issues have been identified requiring reporting in the Annual Governance Statement.

Governance over climate-related risks

- Climate change presents significant challenges for the NHS in adapting to a changing environment. As part of its response to these challenges, the Government is adopting the Task Force on Climate-related Financial Disclosures (TCFD) as a framework for public sector bodies to analyse, understand and disclose climate-related financial information, in order to support the management of climate-related financial risks and opportunities. The Government is adopting a phased approach to implementing TCFD disclosures in the public sector, with 2023/24 only requiring disclosures under the "Governance Pillar". The Trust's disclosures in the Performance Analysis section of the Annual Report set out the board's oversight of the Trust's approach to assessing and managing climate-related issues, and underlying management structures in respect of this.
- As noted in the Annual Report disclosure, although the Trust engages with the NHS Green Plan process (with executive sponsorship from the Chief Strategy Officer), there is limited Board consideration of climate-related risks and opportunities. - **See Deloitte insight on page 20**

VfM arrangements: Improving economy, efficiency and effectiveness

Approach and considerations

We have considered how the body uses information about its costs and performance to improve the way it manages and delivers its services, including:

- 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, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve; and
- Where the Trust commissions or procures services, how the Trust ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the Trust assesses whether it is realising the expected benefits.

Commentary

- The Board of Directors is responsible for ensuring systems are in place to maintain the economic, efficient and effective use of resources within the Trust. The Board receives performance and financial reports at each of its meetings and receives reports from the chairs of its committees to which it has delegated powers and responsibilities. The Trust's Integrated Performance Report includes a sections on Quality and Safety, Operational Performance, Workforce and Finance with executive narrative, supported by more detailed graphical analysis, an overview of driving factors, any specific actions underway, accompanied by corresponding risks. This report provides assurance to the Board of Directors on delivery against the Trust's key performance requirements aligned to its annual and strategic priorities along with information about regulatory compliance.
- The Trust remains a regular contributor to NHS Benchmarking and use this data along with internal service line reporting (including a Cost per Weighted Activity Unit measure), Getting It Right First Time (GIRFT) and Model Health to compare performance at both a Trust-wide and divisional level and identify any outliers. The Trust consistently benchmarks as an efficient provider however costs have increased significantly in the last two years.
- Excel in Everything (see page 14) is the Trusts major programme to achieve its CPIP target. During 2023/24 the programme was successful in reducing nursing and medical agency spend, improving outpatient and theatre utilisation. This was achieved by identifying seven specific workstreams (Patient flow & Home First, Digitisation, Procurement, Medical Agency reduction, Nurse Agency reduction, Diagnostics and Divisional Productivity) with areas for improvement and an executive lead for each workstream.
- The Trust is a key partner in the Coventry and Warwickshire ICS with the Chief Executive sitting on the ICB Board and executives sitting on relevant system forums. The Trust has been working collaboratively with the ICB to develop an Integrated Care Strategy to respond the assessed needs of the population, and a five-year Integrated Health and Care Delivery Plan developed with engagement from partners and based on the priorities of local communities.
- As highlighted on page 15, the Foundation Group now hold their Board Meetings together on a quarterly basis to drive collective performance and improvement.

VfM arrangements: Improving economy, efficiency and effectiveness (continued)

Commentary

- In February 2023 the Foundation Group, was selected as one of NHS England’s nine provider collaborative innovators that will help shape future policy around collaboration and work with national bodies and other collaboratives to share best practice and key learning.
- The Trust uses a procurement shared service across the Foundation Group, which went live during 2021/22. There is a Group Procurement Board, with Wye Valley CFO as Exec Lead, which provides appropriate governance. Due to this success the Trust has also moved to shared service model for Treasury and Income & Contracting with GEH.
- In addition, staff from a range of different functions including Digital Strategy, Governance, Pharmacy, Organisational Development and Service Improvement have taken on inter-organisational roles, helping to share ideas and best practice across the Foundation Group.
- Major contracts are managed and monitored through a new contracts register developed during 2023/24 with a focus on the contracts with the greatest risk associated.

Use of Artificial Intelligence in service delivery

- The Trust is undertaking pilot programmes in the use of Artificial Intelligence for example to reduce rates of “did not attends” for appointments, and a chat service to speed up wheelchair referral processes.
- The Trust has a risk in the Corporate Risk Register in respect of risks associated with the use of AI in provision of services, as part of its information governance process. Responsibility for oversight of pilot programmes is currently with the Strategic Information Governance Lead.

VfM arrangements: Improving economy, efficiency and effectiveness (continued)

Commentary

Innovate Healthcare Services Ltd (Innovate)

- Innovate is a company jointly controlled by the Trust and George Eliot Hospital NHS Trust (GEH), established to provide IT services to the Trust and GEH, as well as to primary care in Warwickshire. The Trust and GEH are planning for the implementation of their new Electronic Patient Record to be undertaken within Innovate during 2024/25, with Innovate providing as a managed service to the trusts. We have noted in our audit committee reporting the potential accounting complexities related to this, and the importance of consideration of their impact on each entity in finalising the plans for the new EPR implementation.
- The Trust made an additional investment in the joint venture of £26m in March 2023. In July 2023 Innovate subsequently repurchased £16.3m which was transacted as the cancellation of the previous year's £26m of shares and the issuance of £9.7m of shares. In March 2024, the Trust purchased a further £15m of shares. We understand that another repurchase of shares will be transacted by Innovate during 2024/25. Management disclosed to and discussed with the audit team in advance of the year end transaction taking place. Under the NHS capital control regime, these transactions count as capital expenditure (or reversal of capital expenditure) for the purposes of capital budgets, and effectively transfer capital allocations between years. Due to the interaction with how Public Dividend Capital dividends are calculated, the Trust has effectively paid an additional c£0.5m of PDC dividends in year and c£0.3m effective transfer of income to GEH due to operation of the profit sharing agreement, affecting the Trust's financial position (though with the funds remaining within the public sector). Although appropriately accounted for and disclosed in the financial statements, we have recommended that the Trust not undertake this type of transaction in the future, as we do not consider consistent with the principles of Managing Public Money.

Using information on Health Inequalities to inform service improvements

- NHS England published its first Statement on Information on Health Inequalities in November 2023, setting out NHS England's views on how the powers available to NHS bodies to collect, analyse and publish information should be exercised in respect of health inequalities.
- As noted in the Annual Report, although the Trust collects various information on health inequalities and is taking action to address them, there is currently not a comprehensive process to understand health access, experience and outcomes through analysing information on health inequalities and using this to inform actions. The Trust is reviewing whether it will be able to publish the required information on health inequalities alongside the Annual Report, or whether this reporting will be delayed. - ***See Deloitte insight on page 20***

Purpose of our report and responsibility statement

What we report

Our report fulfils our obligations under the Code of Audit Practice to issue an Auditor's Annual Report that brings together all of our work over the year, including our commentary on arrangements to secure value for money, and recommendations in respect of identified significant weaknesses in the Trust's arrangements.

The scope of our work

Our observations are developed in the context of our audit of the financial statements.

We described the scope of our work in our audit plan.

Use of this report

This report is made solely to the Council of Governors and Board of Directors ("the Boards"), as a body, in accordance with the National Health Service Act 2006. Our audit work has been undertaken so that we might state to the Boards those matters we are required to state to them in our Auditor's Annual Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Boards as a body, for our audit work, for this report, or for the opinions we have formed.

What we don't report

Our audit was not designed to identify all matters that may be relevant to the Trust.

Also, there will be further information the Board of Directors and Board of Governors need to discharge their governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and work under the Code of Audit Practice in respect of Value for Money arrangements.



Deloitte LLP

London | 12 August 2024

Appendix 1: Recommendations

We have summarised below Deloitte insights where there are opportunities to strengthen arrangements to secure economy, efficiency and effectiveness in the use of resources.

Task Force on Climate-Related Financial Disclosures

Deloitte insight

Observation – See page 15

The Government is adopting a phased approach to implementing TCFD disclosures in the public sector, with 2023/24 only requiring disclosures under the “Governance Pillar”.

As noted in the Annual Report disclosure, although the Trust engages with the NHS Green Plan process (with executive sponsorship from the Chief Strategy Officer), there is limited Board consideration of climate-related risks and opportunities.

Recommendation

We recommend the Trust consider whether any enhancements should be made in respect of:

- whether climate-related risks are sufficiently reflected in the Trust’s risk registers and Board Assurance Framework;
- how climate-related issues are considered when setting strategy;
- how climate-related issues are considered when overseeing major capital expenditure; and
- how information is reported back to the Board about processes within the Trust for assessing and managing climate-related issues.

Information on Health Inequalities

Deloitte insight

Observation – see page 18

NHS England published its first Statement on Information on Health Inequalities in November 2023, setting out NHS England’s views on how the powers available to NHS bodies to collect, analyse and publish information should be exercised in respect of health inequalities.

As noted in the Annual Report, although the Trust collects various information on health inequalities and is taking action to address them, there is currently not a comprehensive process to understand health access, experience and outcomes through analysing information on health inequalities and using this to inform actions. The Trust is reviewing whether it will be able to publish the required information on health inequalities alongside the Annual Report, or whether this reporting will be delayed.

Recommendation

We recommend the Trust review what changes are required to its data collection and analysis processes to support reporting in this area, and how additional analysis and reporting should be considered in the Trust’s governance processes.

Appendix 1: Trust's responsibilities

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 Chief Executive, as Accounting Officer of the Trust, is 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 Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Accounting Officer is required to comply with the Accounts Direction issued by NHS England, which requires the Trust 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. [In applying the going concern basis of accounting, the Accounting Officer has applied the 'continuing provision of services' approach set out in the Group Accounting Manual, as it is anticipated that the services the Trust provides will continue into the future.

The Accounting Officer is required to confirm that the Annual Report and Accounts, taken as a whole, is fair, balanced, and understandable, and provides the information necessary for patients, regulators and stakeholders to assess the Trust's performance, business model and strategy.

The Accounting Officer is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of the Trust's resources, for ensuring that the use of public funds complies with the relevant legislation, delegated authorities and guidance, for safeguarding the assets of the Trust, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Accounting Officer and the Board are responsible for ensuring proper stewardship and governance, and reviewing regularly the adequacy and effectiveness of these arrangements.

Appendix 2: Auditor's responsibilities

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Auditor's responsibilities relating to the Trust's arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under the Code of Audit Practice and 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.

We are not required to consider, nor have we considered, whether all aspects of the foundation trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our work in accordance with the Code of Audit Practice, having regard to the guidance, published by the Comptroller & Auditor General, as to whether the Trust has proper arrangements for securing economy, efficiency and effectiveness in the use of resources against the specified criteria of financial sustainability, governance, and improving economy, efficiency and effectiveness.

The Comptroller & Auditor General has determined that under the Code of Audit Practice, we discharge this responsibility by reporting by exception if we have reported to the Trust a significant weakness in arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023. Other findings from our work, including our commentary on the Trust's arrangements, are reported in our Auditor's Annual Report.

Auditor's other responsibilities

We are also required to report to you if we exercise any of our additional reporting powers under the National Health Service Act 2006 to:

- make a referral to NHS England if we believe that the Trust or an officer of the Trust is
 - about to make, or has made, a decision which involves or would involve the Trust incurring unlawful expenditure;;
 - about to take, or has begun to take a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency
- consider whether to issue a report in the public interest.



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