

# Sussex Partnership NHS Foundation Trust

## Auditors Annual Report: Year ended 31 March 2024

Draft report issued to management on 12 July 2024

Draft report to the Audit Committee issued on 16 July 2024 and presented on 22 July 2024

Report finalised on 23 July 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 Sussex Partnership 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 23 July 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 to 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, refer 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.

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## 3. Audit of the financial statements

### **Audit conclusion**

We issued an unqualified opinion on the Trust's financial statements on 23 July 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 new 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**

We did not identify any misstatements above our clearly trivial threshold that required an adjustment to the financial statements. We do note however that a number of disclosure adjustments were made as part of the audit process.

## 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 the 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 the Trust 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 Trust intends to arrange and provide NHS services to meet the needs of everyone within Sussex. 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 performance against financial plan, executive summary of the financial position, movement in run rate, financial recovery report, pay and non-pay spend analysis, income report and a capital programme summary. A summary finance report is presented to the Board as part of Finance and Investment Committee Summary presented at each Board meeting. This ensures that the Board are aware of how the Trust is performing from a financial perspective.

#### *Board Assurance Framework*

The Board Assurance Framework (BAF) recognises the financial risks highlighted at planning as ongoing risks in the future. The Trust monitor these risks on an ongoing basis. The Trust made changes to the BAF for 2023/24 to enhance its usefulness as a risk management tool by ensuring that completion dates are updated, and that the assurance rating is consistent with the information found within the BAF. We are content that there are no significant control deficiencies or significant weaknesses associated with this process.

### ***Surplus / deficit calculation***

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

The Trust reported an operating surplus of £23k and a comprehensive expense of £34.5 million in its Statement of Comprehensive Income for 2023/24. This compares to an operating deficit of £4.6 million and a comprehensive expense of £2.2m in 2022/23.

The value as per the Statement of Comprehensive Income is stated with impairments arising from the revaluation of property included. Once these are removed from the calculation, the Trust are left in a surplus position for 2023/24. The removal and accounting of the impairment loss in this way is the result of a technical valuation exercise and does not have any impact or any relation to the operational financial performance.

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 the Trust had a small surplus), the financial management and planning process appears to be operating effectively.

### ***Saving requirements***

In 2023/24 a savings requirement of £27.5 million was identified. An actual savings was achieved of £27.5 million. A key element of the Trust's plan to meet this goal was reducing the level of expenditure on agency. The Trust reduced the amount spent on nursing agency costs by £5.6m in 2023/24 when compared to 2022/23. As a result of this, agency spend as a percentage of total staff costs reduced from 11.1% on 31 March 2023 to 9.9% at 31 March 2024. Although progress has been made here, the Trust acknowledge agency spend remains significantly above the national target of 3.7% and as such, will remain one the Trust's most significant cost pressures going into 2024/25.

For 2024/25, the Trust have set a target of £25 million for its savings requirements. The Trust have identified £16m (64%) of savings from a cost improvement programme which will come from approved schemes where quality impact assessments have been carried out and are being implemented. Further reviews are taking place at present to identify where further savings can be made. Although the Trust made performed well against their target in 2023/24, repeating this for 2024/25 will be challenging. There will be a requirement for the Trust to continue to monitor and improve their monthly run rate of costs together with the need to secure additional income into the Trust to ensure that they can continue to meet their breakeven target.

### ***Monitoring saving requirements.***

The position is discussed on a monthly basis at the Finance & Investment Committee throughout the year to ascertain whether or not the target is going to be met. This ensures that the Board have oversight of the situation and provides the opportunity for suggestions to be made on how to increase the level of cost savings.

The Trust are required to submit a monthly return to the centre which outlines how the Trust are performing throughout the year in relation to their cost improvement programme.

## 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. Periodic updates were provided throughout the year at the Audit Committee meetings.

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 review of the minutes of the Audit 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).

#### ***Counter fraud function***

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

### ***Budget setting 2023/24***

We documented the budget setting and monitoring process as part of the audit work on the Annual Report and Accounts. The budgeting process for the following financial year starts in September and runs through to March. There are a series of milestones between these two points which the Trust works towards before the budget is formally signed off, usually in March, by the Finance and Investment Committee and the Board of Directors.

The Trust have a series of Financial instructions which outline the responsibilities for planning, budget setting and budget monitoring. The budget setting process includes representatives from across the Trust including the divisional budget holder alongside representatives of other functions within the Trust usually including finance. The joined-up approach helps to ensure that multiple perspectives are considered when setting the budget. The process appeared to be robust with no significant control weaknesses identified.

### ***Budget monitoring 2023/24***

Each division will have a designated budget holder who is responsible for monitoring the budget. Performance clinics are held on a monthly basis where budgets and variances are discussed in detail before the information is summarised and included in the monthly finance report which is presented to the Board of Directors, the Finance and Investment Committee.

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.

### ***Budget setting for 2024/25***

The Trust submitted their financial plan to the ICS for 2024/25 in June 2024. The detail of the plan was presented to the Finance & Investment Committee before the Trust Board for approval. The underlying deficit is currently forecast to be £45m. This is driven by inflationary pressures, increasing workforce costs and increasing demand. The cost improvement programme will help to reduce this deficit as savings are made during 2024/25. The plan will be constantly monitored and updated where appropriate.

### ***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***

During 2023/24, the Trust's internal audit function undertook eight internal audits. In terms of assurance levels, two reports had substantial assurance and two had reasonable assurance. The remaining four reports had no assurance rating as the reports were commissioned for advisory or update purposes only.

As reported in the Trust's Annual Governance Statement, the Head of Internal Audit's overall opinion for 2023/24 is as follows: *"The organisation has an adequate and effective framework for risk management, governance and internal control. 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"*

There are no significant VfM issues identified as a result of the review of the internal audit reports.

## 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 at each meeting, 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.

#### ***KPIs for Trust performance***

We are content that the performance monitoring measures via the various KPIs which apply to the Trust takes place on a regular basis. The Board are provided with regular updates on key performance metrics with the KPIs considered in detail as part of these meetings. Alongside this, the Trust also make use of integrated quality and performance reporting which contains both financial and non-financial metrics upon which Trust performance is assessed.

#### ***SFIs and waivers***

The Trust's Standing Financial Instructions set out the path applicable to different types of procurement. The Audit 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 SFIs and waivers. No significant weaknesses were identified.

#### ***KPIs for services provided to the Trust***

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

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### **Partnerships**

During 2023/24, the Trust has continued to engage with partners across the Sussex region. This engagement has covered both strategic and operational matters, such as the arrangements for Integrated Care Boards and the transformational programmes to improve hospital services across the Sussex area.

Performance is monitored centrally on a monthly basis and the Trust, and partners, are required to submit returns which are then discussed and scrutinised. Stakeholders complete surveys on services provided by the Trust. The results of these surveys are included within the Annual Report and Accounts.

### **Sussex ICS**

The Trust work as part of the Sussex ICS which includes the Mental Health Board (previously the Mental Health Collaborative). The Trust are represented on this Board which aims to improve that the needs of those with mental health are considered within the Sussex ICS.

### **Provider collaboratives**

The Trust are also the lead provider of four provider collaboratives in the South-East of England. The provider collaboratives are as follows:

- Kent, Sussex and Surrey Adult Secure Services Provider Collaborative;
- the Kent and Sussex CAMHS Tier 4 Provider Collaborative;
- the Kent and Sussex Adult Eating Disorders Provider Collaborative; and
- the Wessex and Dorset CAMHS Tier 4 Provider Collaborative.

The overall aim of these provider collaboratives is to try and ensure that where individuals are in need of care, they can access hospitals sites without having to travel significant distances to do so. The Trust have reported in their Annual Report that the number of inpatients and out of area placements have reduced at some of these locations as part of the provider collaborative which is seen as a positive achievement by the Trust.

## 8. Prior year recommendation

KPMG carried out the audit of the Trust in the prior year. As part of their VFM work, no significant weaknesses were identified, however, two low level recommendations were made. The recommendation and managements response can be seen here:

Area	Significant weakness	Recommendation	Management response	Implemented
Governance	No	Consideration should be given to including additional information within the Board Assurance Framework	The Trust note the recommendation and will consider the improvements when we review our Board Assurance Framework format.	Fully implemented – BAF provided and noted that additional information had been integrated as a result of prior year’s finding.
Improving economy, efficiency and effectiveness	No	<p>To further improve performance reporting, consideration should be given to providing a summary one page performance dashboard at the front of the integrated performance report to highlight the key issues for consideration of the Board/</p> <p>With greater integration across the system as the role of the ICB develops, the Trust may wish to look at the inclusion of some wider ICP performance measures in the integrated performance report which would be useful for Trust Board members to be aware of</p>	The Trust note the recommendation and will consider incorporating the suggested improvements at the appropriate time	Fully implemented – a copy of a recent Performance Improvement Report was provided that demonstrated a one page summary had been built into the report.

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## 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 new significant weaknesses in relation to arrangements in any of the 3 criteria, financial sustainability, governance and improving economy, efficiency and effectiveness.

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