Grant Thornton

Kent and Medway NHS and Social Care Partnership Trust

Auditor's Annual Report for the year ended 31 March 2023

September 2023

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We are required under Section 21(2A)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Executive summary

Value for money arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Trust has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Trust's arrangements under specified criteria and 2022/23 is the third year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in arrangements we are required to make recommendations so that the Trust may set out actions to make improvements. Our conclusions are summarised in the table below.

Criteria	2022/23 Risk assessment	2022/23 Auditor judgement on arrangements		2021/22 Auditor judgement on arrangements		Direction of travel
Financial sustainability	No risks of significant weakness identified	A	No significant weaknesses in arrangements identified, but three improvement recommendations made.	A	No significant weaknesses in arrangements identified, but two improvement recommendations made.	↔
Governance	No risks of significant weakness identified	A	No significant weaknesses in arrangements identified, but two improvement recommendations made.	A	No significant weaknesses in arrangements identified, but one improvement recommendation made.	↔
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	G	No significant weaknesses in arrangements identified, and no improvement recommendations made.	A	No significant weaknesses in arrangements identified, but one improvement recommendation made.	↑

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

Executive summary

Financial sustainability

We have not identified any areas of significant weakness in respect of the arrangements the Trust has in place to achieve financial sustainability. Overall, we are satisfied budget setting, monitoring and financial planning arrangements are appropriately robust. We have identified three improvement recommendations, and these are summarised below. The Trust should:

- continue to develop its medium-term financial planning, including the development of system wide financial planning and the creation of a multi-year efficiency programme to support the Financial Plan;
- continue to embed its approach to identifying and monitoring efficiencies and remain focused on delivering the ambitious savings target for 2023/24;
- develop the approach to sensitivity and scenario analysis in both annual and medium-term financial planning.

Governance

The Trust has appropriate governance arrangements in place to manage risk, provide assurance on the system of internal control, make informed decisions and ensure appropriate standards of behaviour. We have not identified any evidence of significant weaknesses in these areas, but have identified two improvement recommendations to strengthen arrangements. The Trust should:

- identify and consider system wide risks as part of the Board Assurance Framework;
- strengthen risk management arrangements in 2023/24 following the migration to InPhase.

Improving economy, efficiency and effectiveness

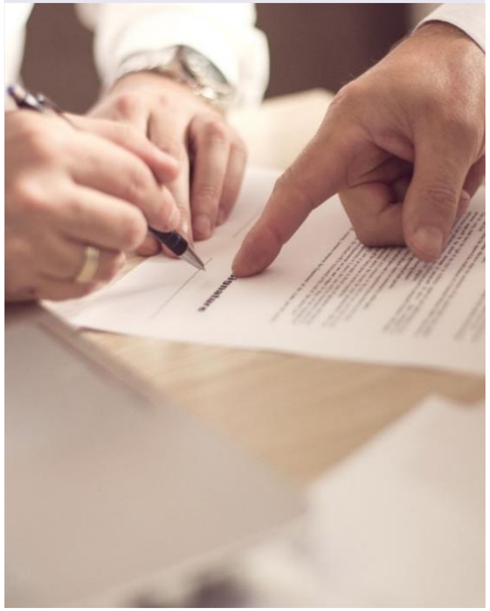
We have not identified any areas of significant weakness with the Trust's arrangements to secure economy, efficiency and effectiveness in service delivery. Adequate arrangements are in place with respect to monitoring and reporting performance, identifying areas for improvement through benchmarking, and working with partners.

The Trust has an overall rating of "Good" from the Care Quality Commission (CQC). As a result of recent inspections from the CQC, two specific services, learning disability and autism and acute wards at Littlebrook Hospital, were downgraded to "requires improvement". As part of our 2023/24 value for money assessment we will consider the Trust's response to the CQC inspections.

We have not identified any improvement recommendations with regard to economy, efficiency and effectiveness.

Financial Statements opinion

We have completed our audit of your financial statements and issued an unqualified audit opinion on 15 June 2023, following the Audit Committee meeting on 6 June 2023. Our findings are set out in further detail on pages 34 to 35.



Securing economy, efficiency and effectiveness in the Trust's use of resources

All NHS Trusts are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Trust's responsibilities are set out in Appendix A.

NHS Trusts report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:

Financial Sustainability

Arrangements for ensuring the Trust can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).

Governance

Arrangements for ensuring that the Trust makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Trust makes decisions based on appropriate information.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the Trust delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Our commentary on the Trust's arrangements in each of these three areas, is set out on pages 8 to 25.

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Board and committee reports
- Regular meetings with Senior officers
- Interviews with other Board members and management
- Attendance at Audit and Risk Committee
- Considering the work of Internal Audit
- Reviewing reports from third parties including the Care Quality Commission and correspondence with NHS England
- Consideration of other sources of external evidence such as the NHS National Staff Survey, Healthwatch reports etc
- Reviewing the Trust's Annual Governance Statement and other publications

The current NHS landscape

National context

As we emerge from the worst of the COVID-19 pandemic, the health and care sector continues to face extreme challenges. The backlog of postponed procedures and operations makes elective recovery a priority. Waiting lists are higher than they have been for a decade and those waiting the longest are often those with additional complexities. There are numerous workforce pressures facing the NHS, including retention and recruitment, reducing reliance upon bank and agency staff, and having staff with the right skills delivering the right services. The introduction of Integrated Care Systems has changed the NHS Landscape and encouraged greater partnership working not only with other health organisations, but also social care and Local Authority bodies. Shifting from the Commissioner / Provider model to system working will take time and relies upon the creation of strong and trusted relationships at both a senior and middle management level.

The changes in government leadership, coupled with the cost of living pressures, has meant that 2022/23 saw attention return to grip and control over finances. The block funding seen during the pandemic is shifting to activity based and the regulators are expecting high clinical standards and improvements through savings or productivity to be delivered. Cash balances remained high during the pandemic which have initially allowed non-cash savings to be realised. However, cost savings or productivity improvements will now be required which necessitate wholesale redesign of services and the delivery of savings at a scale not seen for some years. Funding has increased from 2019 levels and yet productivity has not. The scale of transformation required to deliver more for less will take time.

In 2021/22, the NAO published the Auditor's Annual Report for 204 NHS Trusts. Of these, 39 (19%) reported significant weaknesses in their value for money arrangements identified by their auditors. Of these:

- 3 Trusts had weaknesses identified in each of the three Code criteria areas compared with 5 in 2020/21
- 19 Trusts reported two significant weaknesses compared with 11 in 2020/21
- Financial Sustainability and Governance were the two Code criteria with the greatest number of significant weaknesses identified (24 each across a total of 37 Trusts). In 2020/21 Governance was the Code criteria with the greatest number

Overall, more Trusts had significant weaknesses reported in their Auditor's Annual Report. (36 in 2020/21). Whilst Improving economy, efficiency and effectiveness and Governance received a comparable number of reported significant weaknesses, there was an increase in the number of Trusts with significant weaknesses reported for their Financial Sustainability arrangements.

Due to the financial pressures being experienced by the NHS in 2022/23 and the greater focus from Government and Regulators, it is highly likely that this trend will continue.

2021/22 significant weaknesses reported

2020/21 significant weaknesses reported

The current NHS landscape

Local context

Kent and Medway NHS and Social Care Partnership Trust is one of the largest mental health trusts in the United Kingdom, employing over 3,600 people and providing a range of adult mental health and learning disability services to the 1.8 million people of Kent and Medway. The Trust also provides specialist services for adults in Sussex and Surrey.

The Trust is part of the Kent and Medway Integrated Care System (ICS), which is a partnership of organisations responsible for planning and delivering joined up health and care services in Kent and Medway. The Kent and Medway Integrated Care Board (ICB) was created in July 2022, replacing the Clinical Commissioning Group in its role as the main commissioner of NHS services. The Trust plays an active role in the ICB, representing mental health and community health services, with the Chief Executive taking on the role of ICB member for these services.

The Trust has reorganised its services to better support the ICS and the new integrated ways of working, aligning services to the four local area integrated health and care partnerships. The existing Care Group structure will be replaced by Directorates organised by place from 1 April 2023, enabling a joined-up area approach to improving health outcomes, reducing health inequalities and supporting social and economic development.

The Kent and Medway ICS financial position for 2022/23 was a system deficit of £31.1m. This was within the deficit control total that was agreed with NHSE during the year using the protocol for in-year changes and moved the system from a breakeven financial position to an agreed deficit of £25.3m. The ICB also lost a contract arbitration during the year and discussions with NHSE lead to the agreement to move from a breakeven position to a £6m deficit.

All other system partners delivered agreed financial control totals for 2022/23, with 3 providers breaking even, 2 providers delivering deficit positions and one provider posting a small surplus. Within this position Kent and Medway NHS and Social Care Partnership Trust delivered a £45k surplus against the breakeven plan for 2022/23.

The Kent and Medway ICS submitted a £72.0m deficit plan for 2023/24, made up from an ICB surplus of £14.9m and a net provider deficit of £86.9m. While the Kent and Medway NHS and Social Care Partnership Trust's position is a balanced financial plan for 2023/24, it is part of a health system which has significant financial challenges.

Financial sustainability

We considered how the Trust:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans

National context

In 2010/11, just 5 per cent of NHS trusts and foundation trusts in England overspent their annual budgets. By 2015/16, two-thirds of trusts (66 per cent) were in deficit. The latest NHS deficit position within the 2023/24 financial planning submissions was reported to be £3 billion.

Systems are expected to work together to find sufficient savings to deliver balanced budgets. However savings on the scale required are very challenging, require system transformation and strong partnership working with Local Government and the voluntary sector. Savings need to be recurrent and focus on patient pathways redesign. This is hampered by the annual financial planning requirements and short-term funding allocations.

We analysed what Trusts outlined in their financial reporting to board and found that the majority (69%) cited under-delivery against their cost improvement plans (CIP) as the key factor for deficits. Other factors included:

- COVID-19 spend being higher than planned;
- cost inflation being higher than funding;
- higher temporary staffing (bank and agency) costs due to substantive staff shortages and staff absences; and
- under delivery against the elective recovery fund (ERF).

2021/22 financial plans were based upon inaccurate historical activity, inaccurate financial baselines and included operational assumptions which have not been achievable. Nearly half (47%) of Trusts cited unplanned operational pressures impacting on their financial performance. Given the ongoing operational pressures, and the competing demands for resources between elective recovery and urgent care, it seems reasonable to assume that the national financial position will not be recovered for some time.

Short and medium-term financial planning

2022/23 financial performance

The Trust delivered a £45k surplus in 2022/23 and so fulfilled its financial duty to breakeven. Within this net position there were cost pressures relating to agency staff and external placements and expenditure in these areas should continue to be monitored closely by the Trust.

Standard business planning processes returned for 2022/23 following the Covid-19 funding arrangements that were in place for the previous two years, when the government provided additional funding nationally to reflect the impact of the pandemic. From 2022/23 there is a renewed focus on providers and the ICS as a whole achieving financial breakeven. The Trust submitted a breakeven financial plan for 2022/23 in accordance with national planning guidance.

Within the net surplus position the Trust spent £8.0m on agency staff, exceeding the previous year spend of £7.5m and exceeding the 2021/22 agency cap of £6.8m. This level of spend reflects vacancies and staff absence, particularly in nursing and medical staff groups.

The level of agency spend is a risk to the financial position of the Trust, and this is a national issue within the NHS. The Trust recognises there needs to be a focus on minimising agency spend and the position is monitored as part of the monthly Finance Reports.

The agency cap for 2023/24 is £7.0m and the Trust has identified that this will be challenging to deliver based on current vacancy rates. There are plans to further control agency spend across the Trust, including increased scrutiny through Executive-led check and challenge sessions with Service Directors and action plans in development to contain spend.

The Trust also experienced cost pressures in relation to higher than planned spend for external placements. This was due to the decanting of patients from the Fern Ward due to capital refurbishment works requiring five additional acute beds, and the costs of patients with complex needs.

Financial sustainability

The Trust's performance against key financial metrics is set out in the table below. Capital expenditure and cost improvement programmes are discussed in more detail elsewhere in this report.

	2022/23	2021/22
Planned surplus/(deficit)	£0k	£0k
Actual surplus/(deficit)	£(4,292)k	£1,101k
Adjusted surplus/(deficit)	£45k	£(4,578k)*
Planned capital spend	£22,090k	£15,505k
Actual capital spend	£20,163k	£9,068k
Planned savings	£6,995k	£6,999k
Actual savings	£6,116k	£6,581k
Year-end cash position	£19,685k	£20,077k

* While the Trust delivered a financial surplus in 2021/22, a prior period adjustment was required in relation to the reclassification of a private finance initiative to a finance lease, resulting in an adjusted deficit of £4.6m for the year.

We have not identified any risk of significant weakness from our review of the Trust's financial performance for 2022/23.

2023/24 financial planning

The Trust submitted a balanced financial plan for 2023/24 in May 2023, and this is based on realistic assumptions that reflect national planning guidance.

Financial and business planning updates are provided to the Board and Finance and Performance Committee to keep them informed of the impact of national planning guidance and the assumptions used for setting the budget.

The Trust Board approved the financial plan for 2023/24 in March 2023, with the Trust submitting a plan for financial breakeven in accordance with national requirements. All NHS organisations were required to submit a further financial plan in May 2023 due to the number of deficit plans submitted nationally in March. The Trust's May plan submission confirms their breakeven position for 2023/24.

Financial plans are based on realistic income and expenditure assumptions and are clearly set out in the budget reports to Board and Finance and Performance Committee. Assumptions relating to key areas of the budget include:

- total income of £248.6m, with the main source of income from block contracts with health commissioners;
- Mental Health Investment Standard expenditure increasing 5.3%;
- NHS contract uplift set at 1.8%, reflecting 2.9% growth less a 1.1% efficiency requirement;
- pay settlement of 2%, non-pay inflation 5.5% and drugs 1.3%;
- non pay budgets are rolled over from 2022/23 due to consistency of spend in recent years and adjusted for the impact of utilities inflation (£1.6m) and NHS inflationary uplift (£0.3m);
- agency spend to be capped at 3.7% or £7m of total staffing budget;
- Covid-19 funding is now included in within baseline income at 0.6% of contract value.

The Trust's key financial planning metrics for 2023/24 are set out below:

	2023/24
Planned surplus/(deficit)	£0k
Planned surplus/(deficit) as a % of income	0%
Planned savings	£10,906k
Planned savings as a % of operating expenses	4.3%
Planned savings targets	Recurrent £7,820k (72%) Non recurrent £3,086k (28%)
Planned savings rated amber/green	£7,090k, 65.0%

Financial sustainability

From our review of the Trust's financial plan for 2023/24 we have not identified any risk of significant weakness. We have made an improvement recommendation elsewhere in this Auditor's Annual Report relating to the ambitious savings programme for 2023/24.

Medium term financial planning

Ensuring financial sustainability will require the development of a multi-year efficiency programme to deliver the estimated £5.5m per annum savings identified in the 3-Year Financial Plan. The Trust should also work with system partners to develop a consistent approach to medium term financial planning.

Uncertainties remain that could impact medium term financial planning, such as the continuation of annual funding allocations, the development of provider collaboratives, and the impact of the Mental Health Investment Standard. The Trust's action plan arising from the HFMA Financial Sustainability Checklist recognises that a longer-term planning process requires development, including a 3-year cost improvement programme and system wide financial planning.

The Board Assurance Framework identifies long term financial sustainability as a key risk with a need to continue to focus on cost savings in order to prevent moving back into an underlying deficit position. The Trust is currently reporting an underlying structural breakeven position, in comparison to the £5.6m deficit reported in April 2022. However, future NHSE efficiency requirements and service cost pressures will require further annual savings in order to breakeven.

The Trust has started to refocus on medium-term financial planning as it exits from the Covid-19 pandemic, through the development of a 3-Year Financial Plan. The Financial Plan sets out the potential funding position of the Trust to 2025/26 and, based on assumptions relating to the removal of vacant posts, inflation and the delivery of CIP, identifies that financial breakeven will require approximately £5.5m of efficiency savings each year.

The 3-Year Financial Plan reflects a return to the development of medium-term financial planning, and now needs to be developed into a detailed plan of how financial sustainability will be achieved. Medium term financial planning should also be developed at a system level, including the agreement of consistent assumptions and models, for example in relation to Mental Health Investment Standard and the development of partnerships, provider collaboratives and lead provider arrangements.

We have made an improvement recommendation that the Trust should continue to develop its medium-term financial planning. This should include the development of system wide financial planning using consistent assumptions, and the creation of a multi-year efficiency programme to support the Financial Plan and produce a balanced financial position over the next three years.

Identifying savings

The total savings target for 2023/24 is £10.9m, comprising a Trust CIP target of £4.8m and a productivity target of £6.1m. This savings target for 2023/24 will be challenging for the Trust to deliver and represents a risk to achieving financial breakeven. The Trust should continue to embed its approach to identifying and monitoring efficiencies and ensure that it remains focused on delivering the required savings, prioritising recurrent cost reduction plans.

The Trust developed the Long-Term Sustainability Programme in 2021/22 as the approach for identifying and delivering efficiencies. Within the programme are key pillars that encourage cross organisational working and are Deputy Director led. Pillars within the programme include back office, workforce, service line reporting and patient pathways.

Efficiencies within the programme pillars are identified through various methods. Benchmarking such as Corporate Back Office Benchmarking, Model Hospital, Mental Health Optimal Staffing Tool and Service Line Reporting identifies areas of high cost or opportunity within support services and care groups. Procurement spend is reviewed to identify savings opportunities through consistency or economies of scale. Productivity savings are achieved through reviewing staff structures and removing vacant posts from the establishment if they are no longer required.

The Trust has a good track record of delivering a significant proportion of its CIP savings. For 2021/22 the annual savings target was £7m, of which £6.6m was delivered (94%). For 2022/23, the trust delivered efficiencies of £6.1m against a target of £7.0m (87%).

While the majority of savings targets have been delivered, £2.2m of the 2022/23 efficiencies (36%) were delivered non-recurrently. The Trust planned to deliver all of the 2022/23 savings target recurrently. Non-recurrent CIP delivery creates additional pressure for savings to be delivered in future years and creates a risk to financial sustainability.

Financial sustainability

The final Integrated Planning Return 2023/24 submitted to NHSE in May 2023 provides the latest position regarding the identification of savings within the £10.9m target. While no savings were unidentified at this point, £1.9m (18%) were classified as opportunities where no detailed schemes have yet been worked up, and £3.8m (35%) classified as high risk. Within the total savings target, £3.1m (28%) are non-recurrent efficiencies.

The Trust has appropriately developed governance arrangements in place for the identification, delivery and monitoring of savings schemes. These arrangements include:

- CIP targets are allocated to services based on opportunity, through benchmarking and service line reporting, through the Long-Term Sustainability Programme;
- the ICS Cost and Quality Improvement Collaborative and Productivity Group meet regularly to develop a system-wide approach to efficiencies;
- the Business Case Review Group considers business cases for approval to Executive members, and these require quality assurance and impact measures to be agreed;
- the delivery of savings plans is monitored and reported to the Board and the Finance and Performance Committee, setting out the forecast for efficiency delivery against plan for each pillar;
- care group Quarterly Performance Review meetings include review of CIP delivery and check and challenge sessions are held to escalate CIP delivery issues;
- specific efficiency schemes, such as the Roster Scheme and Mental Health Optimal Staffing Tool, are subject to their own detailed reporting for delivery and benefits realisation.

The Trust recognises the CIP process can be further developed, with the HFMA Financial Sustainability Checklist action plan including actions to develop a 3-year CIP plan and further embed the CIP development, monitoring and challenge process.

It is noted that the Trust is currently reporting an underlying structural breakeven position and has a good track record of delivering the majority of planned savings. Governance arrangements for developing and delivering CIP schemes are adequate. Therefore, we have not identified a significant weakness in arrangements to identify and deliver efficiency schemes.

We have made an improvement recommendation that the Trust should continue to embed its approach to identifying and monitoring efficiencies and should ensure that it remains focused on delivering the ambitious savings target for 2023/24. Recurrent savings that benefit the financial position in future years should be a priority.

Financial planning and other operational plans

The Trust can demonstrate that financial plans are aligned to other operational plans such as the workforce plan and estates plan.

A key principle of the business planning approach for 2023/24 is that there are clear establishment and workforce plans. Staff budgets reflect structures based on staffing reviews undertaken in 2022/23 relating to the Place Structure, the Mental Health Investment Standard, and the Mental Health Optimal Staffing Tool.

Business planning templates provide directorate analysis of the budgeted financial position and establishment position against control totals. A workforce review is undertaken that captures budgeted posts, average permanent staff, bank and agency usage and vacancy rates. Vacancies are analysed to identify business critical posts. Care group recruitment plans are identified that will reduce vacancy rates and the reduce use of temporary staff.

The Trust recognises that high levels of agency spend are a challenge to financial sustainability and the position is closely monitored through monthly financial reporting to the Board and through deep dive reports during the year. To mitigate the impact of agency fees the Trust uses tools such as the Mental Health Optimal Staffing Tool to identify opportunities for efficiencies while maintaining safe staffing levels. Workforce is a strategic priority for the Trust, including reducing the vacancy gap through recruitment and retention strategies and improving staff health and wellbeing.

The Trust is in the process of reshaping the Estates and Facilities management service to ensure that it is customer focused and delivers clean, safe and efficient buildings for staff and service users. Accommodation in some areas of the Trust is considered poor and access to capital funds for maintenance and rebuild is restricted. Therefore, the greatest opportunity to create fit for purpose buildings, is identified as the efficient and appropriate use of estate, sharing accommodation with partners and rationalising existing accommodation.

The Trust has a process in place to ensure that backlog maintenance requirements are identified and prioritised. The backlog maintenance register informs investment decisions and the annual investment plan, with building condition assessed through seven facet condition surveys, clinical priorities and risk assessments. The Strategic Estates Group has recently been re-established to provide oversight on estates investment and disinvestment decisions.

Financial sustainability

The Estates Strategy Update presented to the Finance and Performance Committee in April 2023 details delivery against the themes within the Strategy, confirming that significant works and capital investment were delivered in 2022/23 such as the completion of the Fern Ward upgrade and Jasmine Ward refurbishment and progress with the Ruby Ward rebuild.

We have not identified any risk of significant weakness from our review of the integration between financial and operational plans.

Manging risks to financial resilience

The Trust identifies risk as part of the financial planning process and manages and reports on these risks during the financial year, providing the Board and Finance and Performance Committee with oversight of financial risk.

The Annual Plan Submission to the Finance and Performance Committee in March 2023 identifies the financial risks to the delivery of the breakeven plan. These comprise of risks relating to inflation, staffing, delivery of CIP, capital spend and system financial challenges with a significant system underlying deficit. As part of the business planning process, key risks, lead manager, and mitigating actions are identified on business planning templates.

The Finance and Performance Committee receives Financial Forecast Reports during the year which set out the revenue and capital forecasts and known risks and opportunities for key budget variances, resulting in likely, best case and worst-case forecast outturns for the year. Financial risks appearing on the Board Assurance Framework and actions being taken to mitigate the risk are provided to each meeting of the Finance and Performance Committee for review.

We identified an improvement recommendation in the 2021/22 Auditor's Annual Report that the Trust should consider where the use of sensitivity analysis and scenario planning can add value in the annual business planning process. Such analysis can increase the understanding of risk within the budget and allow for further mitigating strategies to be developed.

We have confirmed with officers that no significant sensitivity or scenario analysis is undertaken as part of the annual budget process. Activity does not drive income for a mental health trust in the same way as an acute trust and within this context, the Trust has focused on creating a stable baseline budget and identification of efficiency projects.

As noted elsewhere in the Auditor's Annual Report, the Trust has started to refocus on medium term financial planning through the development of the 3-Year Financial Plan. As medium-term financial planning progresses, including the development of a system wide MTFP using consistent planning assumptions, sensitivity and scenario analysis will become more relevant. Scenario analysis can be used to test assumptions and provide a greater understanding of risk.

We have made a further improvement recommendation that the Trust should now develop its approach to sensitivity and scenario analysis in both annual and medium-term financial planning. This will assist the development of medium-term financial planning and the 3-Year Financial Plan and should be undertaken in collaboration with system partners to develop consistent modelling assumptions.

Capital programme

Capital funding within the NHS is constrained at both national and system level. The Trust has adequate arrangements in place to ensure that scarce capital resources are allocated to strategic priorities and to monitor and manage capital projects. The availability of capital funding is recognised as a significant risk in the Board Assurance Framework, with the implications of not receiving sufficient funding including non-delivery of the Estates Plan resulting in clinical and workspace environments that are not fit for purpose.

To mitigate this risk the Trust Capital Group meets monthly to review the prioritisation, phasing and delivery of capital schemes. The Trust uses a prioritisation matrix to assess potential capital schemes against criteria agreed by all system partners to ensure consideration is given to alignment to strategy, impact on patient care, legal requirements, efficiencies and risk mitigation. The prioritisation process ensures the limited capital funds are allocated to schemes that will achieve strategic objectives.

The Trust is provided an indicative capital allocation by the system, and capital bids are requested from Estates, IT and care groups. The prioritisation process includes the initial scoring of schemes, moderation exercises, and identification of "must do" schemes that have not necessarily scored highly. There is regular review during the process by the Trust Capital Group before they recommend the proposed capital programme to the Board.

The Trust has a capital programme for 2023/24 of £12.7m, made up from £9.8m system capital allocations and £2.9m specific public dividend capital funded schemes. The programme aligns to national and system strategic priorities, with the largest capital scheme relating to the national eradication of dormitories programme with the Ruby Ward rebuild (£7.4m).

Financial sustainability

Historically the Trust has outsourced the function for delivering the capital programme to third party architects. In June 2022 approval was given for the recruitment to an internal Capital Development Team to manage the delivery of capital projects, providing better oversight and control of the programme and ensuring that quality and cost objectives are met. Recruitment to the team is ongoing, and at the time of writing the recruitment to the role of Head of Capital Development was expected imminently.

The capital programme is closely monitored throughout the financial year and reported to the Board and Finance and Performance Committee. During 2022/23 it was recognised that capital expenditure was below that planned due to delays in scheme delivery, particularly with the Ruby Ward scheme due to issues identified during the groundworks stage. The Trust managed the underspend position and ensured there was no impact on funding future capital schemes through working with the system to broker £2m of funds to other organisations in 2022/23, and ensuring that funding is available in 2023/24 for the Ruby Ward scheme. The Trust also brought forward other capital schemes from future years such as the data centre refresh and kit replacement.

Capital spend in 2022/23 was £20.2m against planned spend of £22.1m. The underspend will have no impact on the delivery of the overall capital programme.

We have not identified any risk of significant weakness in the Trust's arrangements for developing and managing the capital programme.

Annual budget setting and budgetary control

The Trust has arrangements in place to set a robust budget, ensuring a consistent financial planning approach across care groups and adequately engaging with system partners and internal stakeholders. The financial position of the Trust is monitored closely during the year and reported to Board and Finance and Performance Committee.

The Trust produces an Annual Business Planning and Budget Setting Principles and Timescales document to ensure a consistent approach to business planning by care groups through a common framework. Business planning templates are completed that include analysis of establishment and workforce, proposed budgets, cost improvement plans, activity, and risks. Business planning templates feed into the overall Trust Plan for approval and sign off by the Trust Board. Principles are defined relating to cost pressures, pay budgets, non-pay budgets, CIPs, capital and central contingency.

The Trust engages with system partners when developing the annual budget through the Finance and Activity Modelling Group. This ensures a consistent approach to developing the annual budget and collaboration in the development of efficiency schemes, deficit reduction, and application of funding. The ICS Cost and Quality Improvement Collaborative and Productivity Group facilitate a system wide approach to planning and efficiencies such as collaborative bank and medicines management, along with the consideration of opportunities such as virtual wards.

There is appropriate internal engagement in the budget process. The Trust Board and Finance and Performance Committee receive regular updates during the annual planning process regarding national guidance and its impact on the Trust, and of financial planning assumptions.

The financial planning principles paper confirms the budget timetable and evidences internal engagement through issuing draft budgets in December 2022, check and challenge sessions in January and February 2023, and with final draft budgets issued in February. Final check and challenge sessions were held in March with care groups. Draft budgets are then signed off by the Finance and Performance Committee and Board in March 2023.

Standing Financial Instructions require that all budget holders sign up to their allocated budgets. The budget sign off template confirms acknowledgement of the budget holder's delegated responsibility, accountability and commitment to delivering a balanced budget.

The Trust monitors the financial position closely during the financial year. Budget holders and finance business partners meet monthly to review the detailed budget and forecasts. Budget holders also have self-service access to the finance system that enables them to review spend against their budget. Monthly care group budget meetings are held, which include a detailed review of budget variances, forecasts, staffing costs and progress with delivering efficiency targets.

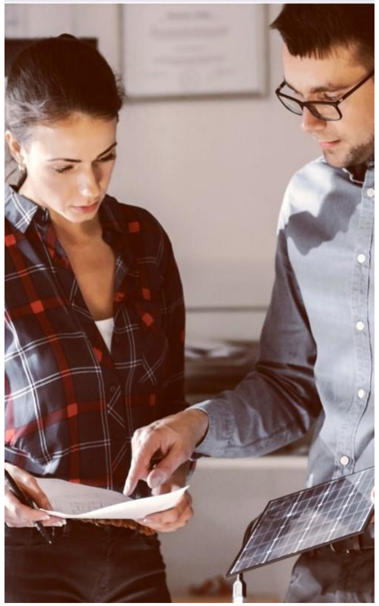
Finance Reports are submitted to each meeting of the Trust Board and the Finance and Performance Committee. These reports, in addition to the Service Line Reporting and Financial Forecast Reports presented to the Finance and Performance Committee, provide for sufficiently detailed financial information on which to base decisions and identify key budget risks.

We have not identified any risk of significant weakness from our review of the Trust's arrangements for setting the annual budget and for monitoring the budget position during the year.

Improvement recommendations

Recommendation 1	The Trust should continue to develop its medium-term financial planning. This should include the development of system wide financial planning using consistent assumptions, and the creation of a multi-year efficiency programme to support the Financial Plan and produce a balanced financial position over the next three years.
Improvement opportunity identified	As part of the medium-term financial planning process, the Trust should focus on developing multi-year efficiency plans to deliver the required savings of £5.5m identified in the 3-Year Financial Plan. Financial planning would be strengthened through the development of a system wide model and consistent planning assumptions.
Summary findings	The Trust has started to refocus on medium-term financial planning as it exits from the Covid-19 pandemic, through the development of a 3-Year Financial Plan. The Financial Plan identifies that financial breakeven will require approximately £5.5m of efficiency savings each year. The Financial Plan now needs to be developed into a detailed plan of how financial sustainability will be achieved. Financial planning should also be developed at a system level, including the agreement of consistent assumptions and models, for example in relation to Mental Health Investment Standard and the development of partnerships, provider collaboratives and lead provider arrangements.
Criteria impacted	Financial Sustainability; Governance; Improving economy, efficiency and effectiveness
Management comments	The Trust is working with its system colleagues to develop its three-year financial planning, with a baseline position expected at the end of Quarter 2 2023/24. This will form the basis for future planning. In addition, the Trust is developing its CIP programme to stretch across the next 3 years, focusing on service level reviews (including looking for unwarranted variations) and benchmarked opportunities. This builds on the approach for 2023/24 and will be factored into future modelling and budgets. December 2023.

The range of recommendations that external auditors can make is explained in Appendix B.

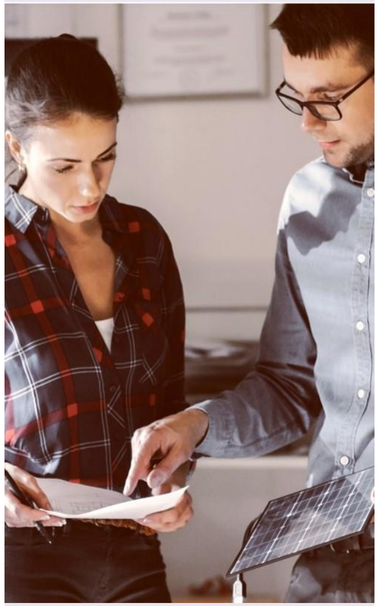


Progressing the actions management has identified to address the recommendations made will support the Trust in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Recommendation 2	The Trust should continue to embed its approach to identifying and monitoring efficiencies and should ensure that it remains focused on delivering the ambitious savings target for 2023/24. Recurrent savings that benefit the financial position in future years should be a priority.
Improvement opportunity identified	The Trust recognises that the CIP process can be further developed, with the HFMA Financial Sustainability Checklist action plan including actions to develop a 3-year CIP plan and further embed the CIP development, monitoring and challenge process.
Summary findings	The savings target of £10.9m for 2023/24 will be challenging for the Trust to deliver and represents a risk to achieving financial breakeven. The target is a significant increase from the £6.1m delivered in 2022/23 (79% increase) and represents 4.3% of the Trust's budgeted operating expenses. As of May 2023, 35% of the target was classified as high risk and the plan includes 28% of non-recurrent efficiencies. It is noted that the Trust is currently reporting an underlying structural breakeven position and has a good track record of delivering the majority of planned savings. There are well developed governance arrangements in place for the identification, delivery and monitoring of savings schemes. Therefore, we have not identified a significant weakness in arrangements to identify and deliver efficiency schemes.
Criteria impacted	Financial Sustainability; Governance; Improving economy, efficiency and effectiveness
Management comments	The Trust recognises the need to deliver recurrent cost improvement savings in order to remain financially sustainable. The Trust is focusing in year on identifying unwarranted variation and the opportunities for greater efficiencies within its support functions. This work will form the base of the longer term (multi-period) CIP programme.

The range of recommendations that external auditors can make is explained in Appendix B.



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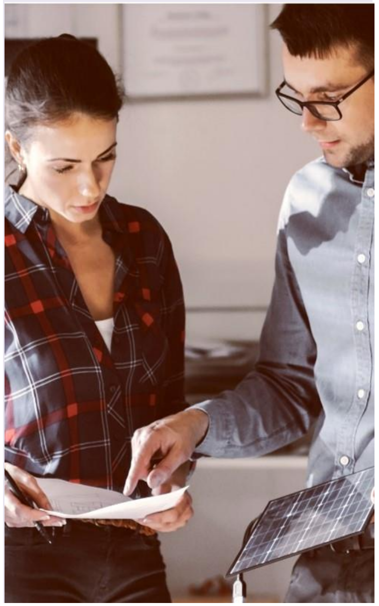
Improvement recommendations

Recommendation 3	The Trust should now develop its approach to sensitivity and scenario analysis in both annual and medium-term financial planning.
Improvement opportunity identified	Sensitivity and scenario analysis will assist the development of medium-term financial planning and the 3-Year Plan and should be undertaken in collaboration with system partners to develop consistent modelling assumptions. Scenario analysis can be used to test assumptions and provide a greater understanding of risk in both annual and medium-term financial planning.
Summary findings	We have confirmed with officers that no significant sensitivity or scenario analysis is undertaken as part of the annual budget process. Activity does not drive income for a mental health trust in the same way as an acute trust and within this context, the Trust has focused on creating a stable baseline budget and identification of efficiency projects.
Criteria impacted	Financial Sustainability; Governance; Improving economy, efficiency and effectiveness
Management comments	The Trust has less opportunity for traditional areas of sensitivity analysis where cost and volume income streams are in place. With the move towards the 3-year planning cycle, the Trust will seek to embed sensitivity analysis into the longer-term planning, adopting those that are valuable into the annual planning cycle. This will look to focus on the areas of risk, to help with the development of mitigation strategies. March 2024.

The range of recommendations that external auditors can make is explained in Appendix B.



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Governance

We considered how the Trust:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour

National context

With the impending introduction of Integrated Care Systems in 2022 and following on from the pandemic which saw governance stripped back to basics, it is not surprising that the greatest number of significant weaknesses reported in 2021/22 related to governance.

Common themes seen across provider Trusts included:

- Strategic risks not being appropriately mitigated
- Risk management arrangements not being robust throughout the organisation
- CQC required improvements not be progressed at an appropriate pace, particularly for Emergency services and Maternity

We are seeing more higher profile cases of Leadership over-ride within the press which is an indication of poor governance and Trusts should ensure that they are maintaining high standards in all their arrangements.

The Board Assurance Framework (BAF)

- The BAF brings together in one place all of the relevant information on the risks to the board's strategic objectives
- They should remain a live document and drive strategic risk management across the Trust and in Board agendas
- Assurances in place and gaps in controls should be mapped to each risk, drawing on many sources of information including internal audit and external regulators
- Using a scoring matrix, risks can be assessed to allow greater scrutiny to those most significant
- We have assessed that with too many strategic objectives or too many risks, it is difficult to maintain a meaningful BAF

Risk management

The Trust had well established arrangements in place to identify, record and score risks during the 2022/23 financial year. The Board Assurance Framework (BAF) contains the elements of good practice we would expect and provides a comprehensive view of organisational risk. The BAF is regularly reviewed by the Trust Board and Committees provide further assurance that governance arrangements are in place and risk is being mitigated. We have raised improvement recommendations with regard to the consideration of system-wide risks and to strengthen risk management arrangements within the Trust following the migration to the new InPhase system in March 2023.

The Trust Board receives Board Assurance Framework (BAF) reports at each meeting. The BAF is clear and understandable and includes enough information to enable the Board to have an overview of strategic risks and how they are being mitigated. BAF risks are aligned to strategic objectives, scored in accordance with the Trust's risk matrix, Red, Amber Green (RAG) rated and assigned to risk owners. The BAF includes descriptions of controls, assurances and further actions to reduce risk with target dates. The BAF is accompanied by a covering report that highlights top scoring risks, movements in risk, new risks, and risks recommended for removal to the Board.

While the BAF includes various elements of good practice there is scope to further strengthen arrangements through the consideration of system-wide risks. Considering system wide risk would ensure robust impact assessment of local decisions and enhance collaborative decision making and risk management in the future. For example, the current BAF refers to risks relating to the Trusts' financial sustainability and delivery of the financial plan, when the focus nationally is increasingly on delivering system wide financial sustainability through collaboration and collective ownership. We have raised an improvement recommendation that the Trust should identify and consider system wide risks as part of the BAF.

Governance

Board committees also have responsibility for managing risk within their Terms of Reference and are assigned individual risks from the Trust Risk Register. The Audit and Risk Committee reviews the BAF and Trust Risk Register on a quarterly basis and provides assurance on the governance arrangements for managing risk. We note the May 2023 Audit and Risk Committee considered process changes to the BAF as part of a quality improvement process. Opportunities to further improve the quality of the BAF, reduce duplication and improve the timeliness of data through delivery of a "point in time" reporting schedule were identified. At the time of writing the new process is under consideration by the Executive Management Team. We will review any changes to the BAF process as part of our 2023/24 value for money review.

The Trust has a Risk Management Strategy, Risk Management Policy and Risk Management Procedure in place that set out the objectives, roles and responsibilities for managing risk. The Risk Management Strategy was approved in September 2022 and is next due for review in 2024.

The May 2023 BAF includes a new risk currently red RAG rated that relates to the migration from the legacy Datix system to the new InPhase system in March 2023. Issues have been identified with the quality of the data migrated from Datix to InPhase and the ability of officers to extract data for reporting and assurance purposes. This is mitigated through being able to continue to access the Datix system, but this will become less reliable as time passes. Should this access to the legacy system be restricted this will impact upon the Trust's ability to present complete data in a recognised format in order to provide assurance to the Board. The Trust continues to work with InPhase to resolve these issues and improve the reporting capability of the system.

We have raised an improvement recommendation to strengthen risk management arrangements within the Trust following the go live date for the new InPhase system in March 2023. The Trust should continue to monitor the risk raised on the BAF relating to InPhase and ensure that appropriate arrangements are in place to be able to provide assurance reporting using reliable and complete data. The Trust should also ensure that the Risk Management Strategy and any other associated policies are updated to reflect the migration to InPhase.

Internal control

The Trust has a system of internal control with arrangements in place to review and report on the system of internal control and provide sufficient assurance to the Audit and Risk Committee.

TIAA provide the internal audit function for the Trust, delivering an annual audit plan that is approved by the Audit and Risk Committee and is based on an analysis of risk within the BAF and discussions with senior management. Key areas relating to data quality, the assurance framework and financial systems are reviewed on an annual basis.

The Audit and Risk Committee are provided with internal audit progress reports at every meeting that provide updates on the progress made delivering the annual audit plan, executive summaries of audits completed, and information on outstanding internal audit recommendations. The May 2023 progress report confirms that of 18 recommendations due, 17 had been implemented, with the timescale extended for the single outstanding recommendation relating to a system benefits realisation exercise.

From the work we have carried out we have found no evidence of pervasive or significant weaknesses in internal control. The Head of Internal Audit's Opinion for 2022/23 is one of reasonable assurance that there is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently. This annual opinion is based on 15 assurance reviews completed, of which two were provided with substantial assurance, eight reasonable assurance, and five limited assurance opinions.

TIAA provides specialist counter-fraud services to the Trust based on an annual counter fraud risk assessment. Counter-fraud work includes compliance work, fraud awareness, policy and controls review , targeted thematic reviews and fraud investigations. The Audit and Risk Committee receive updates on the work of the counter-fraud team at each meeting.

The Trust has policies in place to prevent and detect fraud, including the Managing Conflicts of Interest Policy approved in March 2022 which includes the policies relating to interests, gifts and hospitality. There is also a Whistleblowing Policy in place which has recently been reviewed as part of the new staff handbook. The Anti-Fraud, Bribery and Corruption Policy was reviewed and approved in August 2022.

We noted in the Auditor's Annual Report 2021/22 that an internal investigation was undertaken into alleged irregularities for a specific contract, and this resulted in the dismissal of the officer concerned. Improvements to controls, policies and processes to address weaknesses were identified through the investigation. Internal audit provided an update report which confirmed that all eight recommendations were complete.

Governance

Informed decision-making

The Trust can demonstrate arrangements are in place to ensure that all relevant information is provided to decision makers before major decisions are made. We have found no evidence of decision making that is unlawful or could lead to exposure to significant financial or reputational risk.

The Board delegates certain powers to its committees and senior management. Committees such as the Quality Committee, Audit and Risk Committee and Finance and Performance Committee report back to the Board to bring key matters to their attention in relation to risk, performance, key projects, and agenda items discussed.

The Quality Committee provides the Board with assurance concerning all aspects of quality and safety relating to the provision of care and services, that there are structures and processes in place to support delivery of excellent quality health and social care services. Groups such as the Care Quality Commission Oversight Group and Patient Safety and Mortality Group report to the Quality Committee who in turn report to the Board after each meeting through the Chair's report.

When there are financial implications from decision making, business cases are presented for approval in accordance with Standing Financial Instructions and the level of investment required. Business cases are reviewed and ratified by the Business Case Review Group prior to formal approval by the Board. Business cases set out the level of investment required, funding, the case for change, as well as the impact on health priorities, quality and patient care. Business cases include a benefits realisation template that sets out the benefits, desired outcomes and metrics for measuring progress.

Standards and behaviours

Arrangements are in place across the Trust to promote and monitor appropriate standards of behaviour and ensure compliance with legislation and regulatory requirements.

There is evidence senior officers set an appropriate “tone form the top” through engagement, openness and transparency in the decision-making process. A culture of leadership and challenge is maintained through the attendance of key officers at Board meetings, including the Chief Executive, Chief Medical Officer, Chief Nurse, Chief Operating Officer and Chief Finance and Resources Officer, in addition to the Trust Chair and Non-Executive Directors. The membership of the Board ensures that there is a suitable mix of skills and experience.

The Trust has a Freedom to Speak Up (FTSU) Guardian in place along with a network of ambassadors to encourage open and honest relationships as part of the Just and Learning Culture. A third-party company was procured to undertake the FTSU Service during 2022/23, providing an independent and confidential mechanism for staff to raise concerns about the workplace. The Trust Board receives FTSU update reports that identify recommendations to embed and improve the process and provide oversight on the number of cases raised. An action plan addressing these recommendations has been developed and was presented at the March 2023 Workforce Organisational Development Committee.

The Board approved the Managing Conflicts Policy in March 2022. This sets out standards required and procedures to be followed for managing conflicts, interests, gifts and hospitality. The Policy reflects the core values of being open and honest along with the principles of good governance with reference to the Seven Nolan Principles of Public Life. The Trust Board register of interests is published on the website and declarations are made at the beginning of each Board and Committee meeting.

The results of the national NHS staff survey were reported to the Board in March 2023, confirming a 63.4% response rate and an overall engagement score of 6.9 out of 10, in comparison to a 67.8% response rate and total engagement score of 7 out of 10 the previous year. Staff survey results were largely consistent with the previous survey and with national averages for mental health trusts.

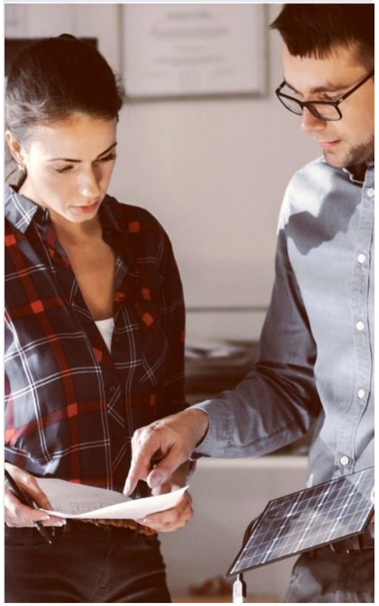
The Trust has identified key areas of focus as a result of the survey including satisfaction with levels of pay and staffing levels, responding to concerns and supporting staff. These areas will be addressed as part of the Trust’s People Plan 2023-26 and the Trust recognises the value of engaging with staff regarding their experience in order to identify areas for improvement. A management toolkit is available to support discussions with teams regarding their working experiences, building on the results of the staff survey.

The Trust can further evidence the promotion and oversight of appropriate standards of behaviour though the review of allegations of patient abuse by staff between 2015 and 2022. The review was requested by the Quality Committee and reported to the Trust Board in September 2022. Improvements to processes to ensure a consistent approach to investigating and reporting incidents and to ensure learning was cascaded across the organisation were identified for consideration.

Improvement recommendations

Recommendation 4	The Trust should identify and consider system wide risks as part of the Board Assurance Framework.
Improvement opportunity identified	Considering system wide risk would ensure robust impact assessment of local decisions and enhance collaborative decision making and risk management in the future.
Summary findings	While the BAF includes the elements of best practice that we would expect to see and provides for a detailed and comprehensive view of organisational risk, there is scope to further strengthen arrangements through the consideration of system-wide risks. For example, the current BAF refers to risks relating to the Trusts' financial sustainability and delivery of the financial plan, when the focus nationally is increasingly on delivering system wide financial sustainability through collaboration and collective ownership.
Criteria impacted	Financial Sustainability; Governance; Improving economy, efficiency and effectiveness
Management comments	The Trust's BAF provides a comprehensive view of the organisational risk. We will work with system colleagues to ensure appropriate system risks are reflects in the BAF as the wider system approach develops.

The range of recommendations that external auditors can make is explained in Appendix B.

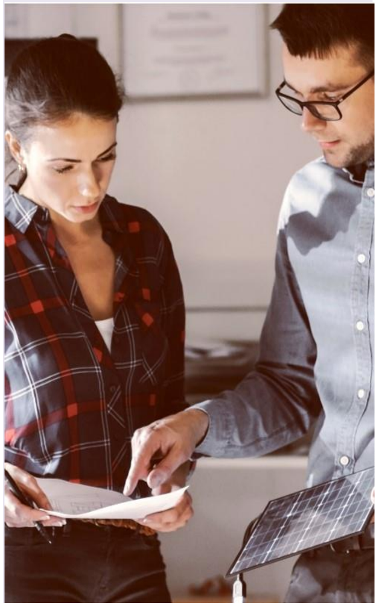


Progressing the actions management has identified to address the recommendations made will support the Trust in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Recommendation 5	The Trust should strengthen risk management arrangements in 2023/24 by: • continuing to monitor the risk raised on the Board Assurance Framework relating to InPhase; • ensuring that appropriate arrangements are in place to be able to provide assurance reporting using reliable and complete data.; • ensuring that the Risk Management Strategy and any other associated policies are updated to reflect the migration to InPhase.
Improvement opportunity identified	We have raised an improvement recommendation to strengthen risk management arrangements within the Trust following the go live date for the new InPhase system in March 2023.
Summary findings	The May 2023 BAF includes a new risk currently red RAG rated that relates to the migration from the legacy Datix system to the new InPhase system in March 2023. Issues have been identified with the quality of the data migrated from Datix to InPhase and the ability of officers to extract data for reporting and assurance purposes.
Criteria impacted	Financial Sustainability; Governance; Improving economy, efficiency and effectiveness
Management comments	The Trust continues to manage the implementation of the new InPhase system and its inclusion within the Trust's BAF reflects the importance placed around this. Work is on-going and reported regularly through the Trust's quality committee and Trust Board.

The range of recommendations that external auditors can make is explained in Appendix B.



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Improving economy, efficiency and effectiveness

We considered how the NHS Trust:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- 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
- where it commissions or procures services assesses whether it is realising the expected benefits

Performance management and data quality

Reporting of operational performance is comprehensive at both Trust Board and sub-committee level. The Board receives Integrated Quality and Performance Reports (IQPR) at each meeting as well as summary updates from the various sub-committees, such as the Quality committee, that monitor performance.

The IQPR reports measure operational performance against metrics relating to the five Care Quality Commission domains of safe, effective, well led, caring, and responsive. Performance indicators are also mapped to strategic objectives. The IQPR reports include a dashboard of performance metrics relating to the System Oversight Framework. Performance indicator information is Red, Amber, Green (RAG) rated and includes actual performance against target with supporting narrative and issues of concern highlighted.

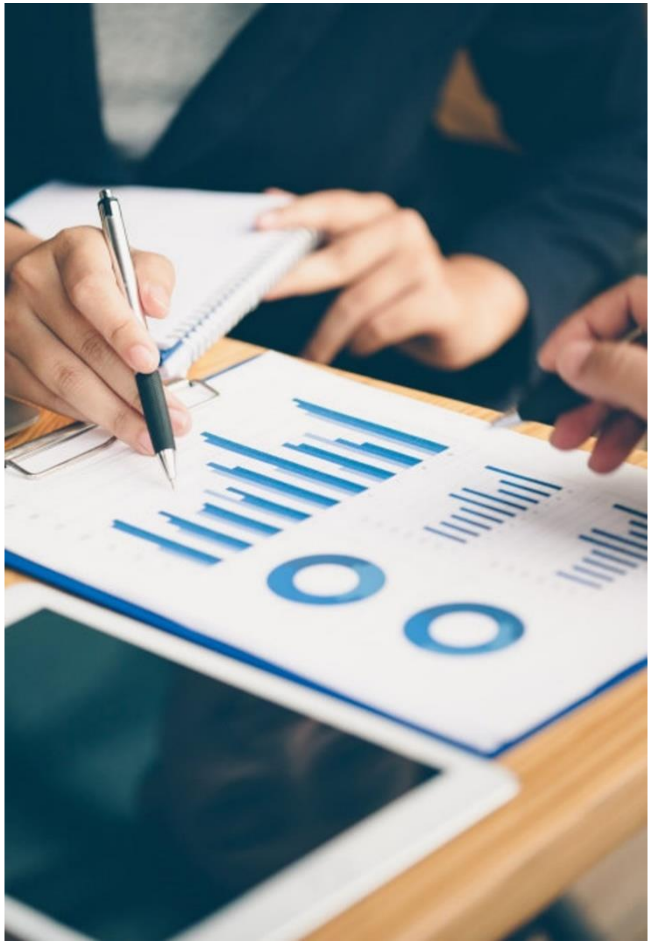
Therefore, the performance information provided is comprehensive and includes the elements of best practice we would expect to see.

The Trust has a Data Quality Policy in place and gains assurance over the quality of performance data through annual internal audit reviews of data quality, the data quality dashboard and data integrity reports that are reported to the Audit and Risk Committee. The Data Quality Group promotes the use of high quality data across the Trust and there are several workstreams in place that include the development of a data quality metric and review of the IQPR with increased focus on data quality.

We have not found any significant weaknesses in the Trust's arrangements for performance monitoring or ensuring the quality of performance data. The Trust continues to refine its approach to ensuring data quality.

Assessing performance and identifying improvement

The Trust has appropriate arrangements in place to assess performance and identify areas for improvement through the use of benchmarking and key performance indicators. The Integrated Performance Reports demonstrate that the Trust is identifying where performance can be improved and that mitigating actions to improve performance are implemented.



Improving economy, efficiency and effectiveness

The Trust can demonstrate that it makes use of a variety of benchmarking data and tools to compare its financial and quality performance against other organisations in order to identify areas for improvement. The benchmarking undertaken by the Trust includes the following:

- use of the Mental Health Optimal Staffing Tool to annually review staffing and inpatient levels against benchmarks to ensure adequate and safe staffing levels are maintained for the level of care required and identify savings where there is overprovision of care;
- review of the Quality Digest by the Quality Committee to analyse serious incidents, establish trends and benchmark against national indicators to identify outliers and develop mitigating actions;
- participation in the National Cost Collection Submission through submitting the costs of providing care which is utilised in Patient Level Information Costing System, Model Hospital and Getting It Right First Time benchmarking tools;
- use of Service Line Reporting using cost data generated from the Patient Level Costing System to review care group costs, with cost base information feeding into the Trust's efficiency programme.

	Indicator*	Average	Current period	RAG	Previous	Period
Operational	Early Intervention: Treatment started within 2 weeks	70.00%	86.67%		↑	202212
	Mental health out of area placements	91.00%	100.00%		–	202212
	Percentage of patients followed up after discharge from psychiatric inpatient care	79.00%	81.48%		↓	202212
	Staff sickness absence rate	5.00%	5.00%		↑	202212
	Staff turnover stability index	85.00%	84.73%		↓	202212
Clinical	FFT: Percentage of respondents likely to recommend - Mental Health	87.00%	85.10%		↑	202302
	Incidents resulting in severe harm or death	1.00%	0.75%		↓	202302

Using our bespoke Grant Thornton benchmarking tool, we have used NHS performance data to provide a comparison of the Trust's performance against other organisations as well as assessing trend analysis across historic data.

Below is a scorecard for the Trust's operational and clinical performance data. The benchmarking data shows that across the metrics identified, the Trust is largely within the middle performing 50% of all organisations, apart from for early intervention treatment started within two weeks where performance is in the best performing 25% of organisations.

Therefore, while the benchmarking scorecard does not indicate any areas of significant weakness in relation to performance and value for money, there are some areas where performance could be improved. Some of the performance areas highlighted in the benchmarking with an amber RAG rating are brought to the Board's attention in the Trust's IQPR reports as areas where performance is below target. This gives assurance that the Trust is identifying areas where performance can be improved and is taking mitigating actions.

Performance issues brought to the Board's attention in the March 2023 IQPR report relate to the following areas:

- sickness absence rate increase to 6.1% compared to the 4% target, driven by an increase in Covid-19;
- vacancy gap and turnover continue to exceed target;
- delayed transfers of care have increased with 11.6% of bed days lost in February compared to the target of 7.5%;
- out of area placements are a challenge with 123 bed days used in February.

Where performance is below target, the IQPR reports highlight the mitigating actions being taken.

Legend

- Poorest performing 25% of organisations
- Middle performing 50% of organisations
- Best performing 25% of organisations

- ↓ Performance deteriorated (higher better)
- ↑ Performance deteriorated (lower better)
- ↑ Performance improved (higher better)
- ↓ Performance improved (lower better)
- – Performance stayed the same

Improving economy, efficiency and effectiveness

Workforce pressures

There are significant workforce challenges across all roles and all regions. Many bodies are reporting that the recruitment and retention of skilled and experienced staff is their greatest risk.

How the NHS found itself in this position is a complex picture; a perfect storm.

- **Historic understaffing:** inadequate workforce planning with insufficient funding and infrastructure
- **Declining wellbeing:** delivering care amid persistent staff shortages with agency staff and normalised increased workloads
- **Early retirements:** staff choosing to retire earlier than planned has reduced both capacity and experience
- **Poor retention:** greater workloads and stressful working conditions have increased attrition
- **Pay pressures:** recent strike action has highlighted the level of feeling from NHS workers

The Trust is working with partners to reduce delayed transfers of care including the use of winter funds by social care partners. A key focus to improve performance across care planning and delayed transfers of care is to reduce the caseload for older and younger adult mental health teams. This can be achieved through partner agencies supporting a step-down model for patients whose mental health is stable. To achieve this the Mental Health Together approach will be piloted in Medway and Swale. There is also regular scrutiny of caseloads by community services.

The Trust has mitigating actions planned to reduce sickness absence that include improving the wellbeing offer for staff and robust absence management. The Trust Board considered a deep dive into recruitment and retention in November 2022, providing an overview of the vacancy and turnover position and the measures being taken to reduce both through workforce redesign, recruitment and apprenticeships.

The System Oversight Framework is built around five national themes that reflect the ambitions of the NHS Long Term Plan, including quality of care, people and finance. Every NHS body receives a rating of 1-4. A body with a rating of one is cconsistently high performing, where-as a rating of four indicates very serious, complex issues manifesting as critical quality and/or finance concerns that require intensive support.

The Trust is rated as System Oversight Framework 2, indicating plans that have the support of system partners are in place to address any areas of challenge. Therefore, there are no indications of significant weaknesses in the Trust's performance from their System Oversight Framework rating.

Care Quality Commission Inspections

The Trust has an overall rating of "Good" from the Care Quality Commission (CQC). As a result of recent inspections from the CQC, two specific services, learning disability and autism and acute wards at Littlebrook Hospital, were downgraded to "requires improvement". As part of our 2023/24 value for money assessment we will consider the Trust's response to the CQC inspections.

The Trust received an overall "Good" rating from the CQC based on their last full inspection report published in February 2022. The Trust has put in place quality improvement plans to implement the recommendations identified from the inspection, and the progress implementing these plans is reported to the Trust Board, Quality Committee and CQC Oversight Group.

The CQC update to the Quality Committee in January 2023 reported that progress had been made against all actions of the improvement plan, with several actions now completed. The Trust can therefore demonstrate that it responds to the findings of regulators and monitors the implementation of recommendations.

During April 2023, the CQC undertook an unannounced inspection of the Trust's two learning disability and autism wards at Littlebrook Hospital, having previously suspended the provider ratings for these wards in response to concerns about the service. The CQC report was published in August 2023 and resulted in a downgrading of the service rating to "requires improvement".

The CQC also undertook an inspection of the acute wards at Littlebrook Hospital in May 2023. The CQC report was published in August 2023 and resulted in a downgrading of the service rating to "requires improvement".

We note that the Trust's overall CQC rating remains as "Good". Quality improvement plans are being finalised to address the findings of the recent CQC inspections and to ensure any recommendations identified through the visits are implemented. As part of our 2023/24 value for money assessment we will consider the Trust's response to the CQC inspections, including the development, implementation and oversight of the quality improvement plans.

Improving economy, efficiency and effectiveness

Partnership working

The Trust can demonstrate it engages and works with partners, taking an active role in improving health care across the health system. Partnership working includes the establishment of Provider Collaboratives that allow several providers to work together at scale across multiple areas to improve better health outcomes and reduce health inequality. The Trust Chair and Chief Executive reports keep the Board updated on developments for collaborative system working.

The Trust works in partnership with other NHS and private providers through the Kent, Surrey and Sussex Provider Collaborative in order to provide low and medium forensic patient care. NHSE has approached the Provider Collaborative to expand its scope to include clinical and financial responsibility for patients with a learning disability.

The Mental Health, Learning Disability and Autism Provider Collaborative first met in May 2022, and is chaired and vice chaired by the Kent and Medway NHS Social Care Partnership Trust and Kent Community Health Foundation Trust (KCHFT) chairs. The Provider Collaborative took over from the previous system-wide Mental Health Learning Disability and Autism Improvement Board. The Provider Collaborative aims to bring together key partners across Kent and Medway to collaborate and deliver mental health, learning disability and autism improvement priorities at scale. Membership includes NHS providers, local authorities and voluntary sector providers.

The Provider Collaborative is supported by multiagency groups that focus on priorities that include dementia, access to children and young peoples' services, community mental health framework, and out of area placements.

Work during the first year of the provider collaborative has included building relationships and understanding between members, deep dives into workstreams, and consideration of the most appropriate governance model. A shared leadership model has been agreed, with a mental health provider, social care provider and community provider sharing leadership responsibility. Some significant areas of improvement have been reported to the Trust Board, such as improvement in the physical checks for people with enduring mental health needs from 9% to 41.7% and increased dementia diagnosis rates.

The Trust's Chief Executive has agreed to take on the role of lead Chief Executive for Provider Collaboratives, supporting other system leaders to establish further provider collaboratives.

The Trust has signed a memorandum of understanding with KCHFT in 2020. The memorandum of understanding is intended to improve the quality of care through working in a more collaborative way, particularly with dementia, learning disability and adult neurodevelopmental pathways.

The Board received a report in November 2022 updating them on the progress made with work on clinical pathways. A dementia crisis pilot started in April 2022, with a prescribing mental health nurse part of the KCHFT frailty team but employed by the Trust, and supported by a consultant old age psychiatrist. Collaborative work on autism and nerodisability continues, for example annual health checks for people with a learning disability. Further opportunities in relation to workforce and leadership were also identified.

Facilities management

In the Auditor's Annual Report 2021/22 we noted Internal Audit and the Care Quality Commission had identified weaknesses in the Trust's arrangements for facilities management. We reported that the Trust was working to implement the recommendations made to address these weaknesses and that there was a new Director of Estates and Facilities Management in post.

From our discussions with senior officers we are satisfied that the Trust continues to make progress in strengthening its arrangements for facilities management. A review of Estates and Facilities has been undertaken. The service has been restructured to provide additional resources for management and governance activity, including performance management of the external maintenance contract. Roles are being recruited as permanent employees rather than interims for key positions.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	The Trust should consider where the use of sensitivity analysis and scenario planning can add value in the annual business planning process.	Improvement	June 2022	We have confirmed with officers that no significant sensitivity or scenario analysis is undertaken as part of the annual budget process. Activity does not drive income for a mental health trust in the same way as an acute trust and within this context, the Trust has focused on creating a stable baseline budget and identification of efficiency projects.	No	A further improvement recommendation has been raised that the Trust should now develop its approach to sensitivity and scenario analysis in both annual and medium-term financial planning.
2	The Trust should continue to develop recurrent cost improvement schemes in order to reach the £7m target for 2022/23 and address the underlying deficit.	Improvement	June 2022	While the Trust has reduced its underlying deficit and delivered the majority of planned savings in 2022/23, we are making a further improvement recommendation due to the scale of the 2023/24 savings target of £10.9m.	Yes	A further improvement recommendation has been raised that the Trust should continue to embed its approach to identifying and monitoring efficiencies and should ensure that it remains focused on delivering the ambitious savings target for 2023/24.
3	The Trust should review their framework contract structure with regard to the ability to sub-contract. If this continues to be permissible, then terms should be included in relation to sub-contractor standards, with a requirement to notify the Trust where work is sub-contracted and allow the Trust some control on the decisions made in relation to sub-contractors.	Improvement	June 2022	Contract documents require identification of sub-contractors that will be relied on to deliver the contract specification. Bidders are also required to inform the Trust immediately of any proposed change to the sub-contractor arrangements. The Trust reserve the right to deselect bidders prior to any contract award based on updated sub-contractor arrangements.	Yes	No

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
4	The Trust should ensure that it updates the Integrated Quality and Performance Report to reflect its current System Oversight Framework Segmentation 2 rating.	Improvement	June 2022	The Integrated Performance Reports correctly identify the Trust as System Oversight Framework 2 rating.	Yes	No

Opinion on the financial statements

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

- give a true and fair view of the financial position of the Trust as at 31 March 2023 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with international accounting standards as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2022-23, and
- have been prepared in accordance with the requirements of the National Health Service Act 2006

We conducted our audit in accordance with:

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

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

Audit opinion on the financial statements

We issued an unqualified opinion on the Trust's financial statements on 15th June 2023.

The full opinion is included in the Trust's Annual Report for 2022/23, which can be obtained from the Trust's website.

Further information on our audit of the financial statements is set out overleaf.

Other reporting requirements

Remuneration and Staff Report

Under the Code of Audit Practice (2020) published by the National Audit Office, we are required to audit specified parts of the Remuneration and Staff Report included in the Trust's Annual Report for 2022/23. These specified parts of the Remuneration and Staff Report have been properly prepared in accordance with the requirements of the Department of Health and Social Care Group Accounting Manual 2022-23.

Annual Governance Statement

Under the Code of Audit Practice (2020) published by the National Audit Office, we are required to consider whether the Annual Governance Statement included in the Trust's Annual Report for 2022/23 does not comply with the guidance issued by NHS England, or is misleading or inconsistent with the information of which we are aware from our audit. We have nothing to report in this regard.

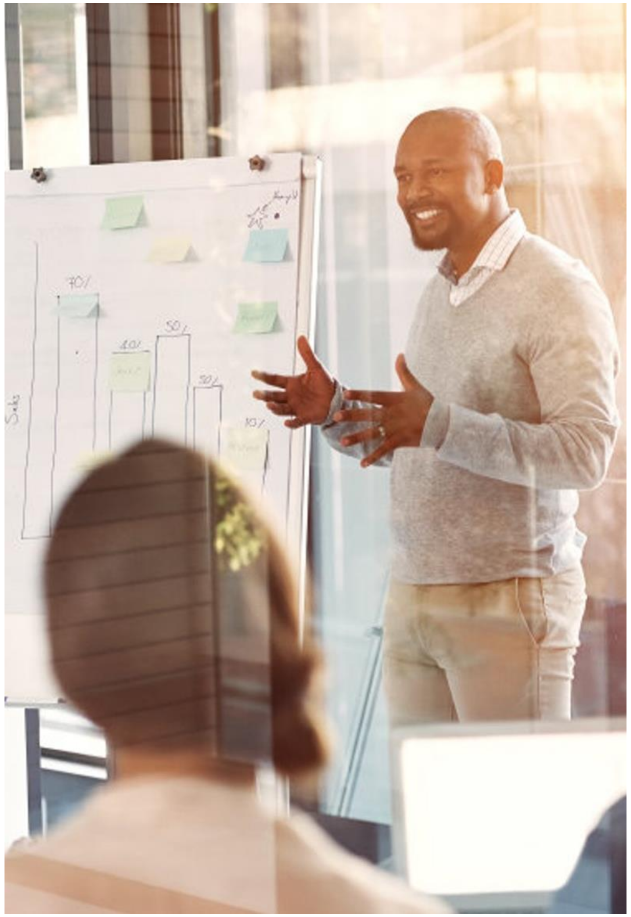
Annual Report

Under the Code of Audit Practice (2020) published by the National Audit Office, we are required to consider whether, based on the work undertaken in the course of the audit of the Trust's financial statements for 2022/23, the other information published together with the financial statements in the Trust's Annual Report for 2022/23 is consistent with the financial statements. We have nothing to report in this regard.

Whole of Government Accounts

To support the audit of Consolidated NHS Provider Accounts, the Department of Health and Social Care group accounts, and the Whole of Government Accounts, we are required to examine and report on the consistency of the Trust's consolidation schedules with their audited financial statements. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

There are no matters relating to our reporting in the above areas that we wish to bring to your attention.



The use of auditor's powers

We bring the following matters to your attention:

Statutory recommendations Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body	We did not issue any statutory recommendations to the Trust in 2022/23.
Section 30 referral Under Section 30 of the Local Audit and Accountability Act 2014, the auditor of an NHS body has a duty to consider whether there are any issues arising during their work that indicate possible or actual unlawful expenditure or action leading to a possible or actual loss or deficiency that should be referred to the Secretary of State, and/or relevant NHS regulatory body as appropriate	We did not issue a section 30 referral to the Secretary of State for Health and Social Care regarding the Trust's break even duty. We do not consider that any unlawful expenditure has been made or planned for.
Public Interest Report Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.	We did not issue a report in the Public Interest with regard to arrangements at Kent and Medway Social Care Partnership NHS Trust for 2022/23.

Appendices

Appendix A: Responsibilities of the NHS Trust

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The directors of the Trust are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are required to comply with the Department of Health & Social Care Group Accounting Manual and prepare the financial statements on a going concern basis, unless the Trust is informed of the intention for dissolution without transfer of services or function to another entity. An organisation prepares accounts as a 'going concern' when it can reasonably expect to continue to function for the foreseeable future, usually regarded as at least the next 12 months.

The Trust is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Appendix B:
An explanatory note on recommendations

A range of different recommendations can be raised by the Trust's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference(s)
Statutory	Written recommendations to the Trust under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Trust. We have defined these recommendations as 'key recommendations'.	No	
Improvement	These recommendations, if implemented should improve the arrangements in place at the Trust, but are not a result of identifying significant weaknesses in the Trust's arrangements.	Yes	Pages 14 - 16 Pages 20-21