

University Hospitals of North Midlands NHS Trust

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

27 July 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.



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.

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Executive summary



Value for money arrangements and key recommendation(s)

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 noted on page 7, the findings below and in this report need to be placed within the context of the changing NHS and government landscape in 2022/23 which is seeing attention returning for 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. 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. The NAO reported in 2021/22 that auditors were reporting more significant weaknesses in their Auditor's Annual Report primarily driven by an increase in those related to 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 nationally this trend will continue but we are able to report that this not the case at the Trust. Whilst the number of improvement recommendations has increased, as shown in the direction of travel indicators, no significant weaknesses have been identified.

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	We identified a risk related to financial sustainability taking into account the longer-term deficit and related financial planning and assumptions, partnership working with the ICS and cost improvement plans.	A	No significant weaknesses in arrangements identified; improvement recommendations made to support management of the Trust's efficiency programme and financial planning, given the increasingly challenging financial context.	G	Our work did not identify any areas where we considered that key or improvement recommendations were required.	↓
Governance	No risks of significant weakness identified.	A	No significant weaknesses in arrangements identified; improvement recommendation made to manage the Trust's exposure to aggregate risk from weaknesses identified by internal audit in relation to aspects of workforce planning and data.	A	No significant weaknesses in arrangements identified, but one improvement recommendation made to support the Trust in monitoring progress in implementing from the brap/Kline review of bullying and harassment.	↔
Improving economy, efficiency and effectiveness	We identified a need to review the Trust's plans to improve operational performance and its response to CQC findings.	A	No significant weaknesses in arrangements identified; improvement recommendation made to support the Trust in extending good practice over data quality assurance and implementing findings from CQC inspections.	G	Our work did not identify any areas where we considered that key or improvement recommendations were required.	↓

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 (continued)



Financial sustainability

We identified in our audit plan a risk related to the Trust's financial sustainability, considering its longer-term deficit, and the related financial planning and assumptions, as well as partnership working with the ICS and cost improvement plans. The Trust delivered a small surplus in 2022/23, though it under-delivered its recurrent savings target, and has set a balanced plan for 2023/24. Its 2023/24 delivery plans rely, however, on it delivering against a challenging £55 million efficiency programme - more than double the Trust's 2022/23 target, which it did not meet. Given the Trust's good quality budget-monitoring, which includes its efficiency programme, the fact it is making progress against its efficiency plans, and its collaborative approach to developing financial plans, we do not identify this as a significant weakness in its arrangements in 2022/23. The Trust does however continue to carry a substantial accumulated deficit, and operates in an increasingly financially challenged system and, in this context, needs to continuously improve its ability to generate recurrent savings. We therefore raise improvement recommendations in relation to the arrangements in place in the year of our review, to support the Trust in developing and managing its efficiency programme moving forward, and to support financial planning and financial governance, which management has accepted.



Governance

We did not identify significant weaknesses in the Trust's governance arrangements. The Trust has good processes in place to report risks to the Board and to oversee strategic risks to delivering its strategic objectives. We note that the Trust also has a track record of considering challenging issues publicly in its Board meetings, including recent reports on data quality and waiting list management, and CQC warning notices. While exposing the Trust to potential criticism, this approach provides transparency over the Trust's grip of, and response to, these challenges. The Trust has rolled its response to last year's review by brap and Roger Kline into culture and bullying (report entitled 'A review into culture and bullying at University Hospitals of North Midlands NHS Trust- March 2022') into a wider culture improvement programme and, whilst this work is ongoing, we did not identify any weaknesses in the Trust's arrangements for overseeing the implementation of recommendations or and monitoring impact. We make one improvement recommendation in relation to monitoring the Trust's exposure to aggregate risk from weaknesses identified by internal audit in relation to aspects of workforce planning and data, which management has accepted.



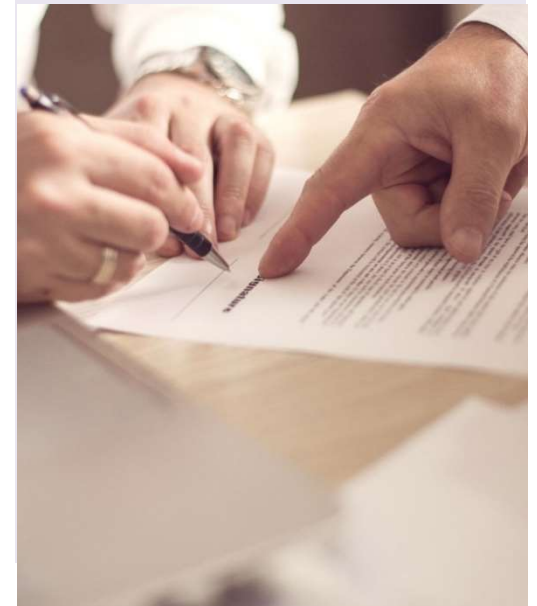
Improving economy, efficiency and effectiveness

Operationally, the Trust faces challenges on many fronts, including both elective and emergency care. This situation is reflected in its current System Oversight Framework (SOF) '3' rating which has not improved over the year. We did not identify any significant weaknesses, however, in the Trust's arrangements to monitor and report on these challenges, and we note the Trust is engaging actively with Integrated Care System (ICS) partners and its regulators to develop plans to improve its performance and, subsequently, its ratings. We have identified a small number of areas where the Trust could improve further on its arrangements, particularly around data quality assurance and monitoring actions from CQC inspections, as the Trust does have outstanding CQC judgements. We have raised two improvement recommendations, which Management has accepted.



Financial Statements opinion

We have completed our audit of your financial statements and issued an unqualified audit opinion on 30 June 2023, following the Audit Committee meeting on 16 June 2023 and Board meeting on 28 June 2023. Our findings are set out in further detail on pages 29 to 31.



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.

Paragraph 2(1) of Schedule 5 of the National Health Service Act 2006 provides:

- Each NHS Trust must ensure that its revenue is not less than sufficient, taking one financial year with another, to meet outgoings properly chargeable to revenue account.

This duty is known as the 'break even duty'. The phrase 'taking one financial year with another' has been interpreted by the Department of Health and Social Care and HM Treasury as meaning that the duty is met if income equals or exceeds expenditure over a three-year rolling period, or exceptionally a five-year rolling period with the agreement of NHS Improvement.

We issued a section 30 referral to the Secretary of State for Health and Social Care because the Trust had a cumulative deficit of £179 million as at 31 March 2022 which gave rise to a duty on us to report under section 30(b) of the Local Audit and Accountability Act 2014 in respect of the three year period ending 31 March 2022. We issued this report on 3 June 2022.

Since then, University Hospitals of North Midlands NHS Trust has reported in-year surpluses of £7.085 million in 2020/21, £9.126m million in 2021/22 and £0.047 million in 2022/23, resulting in a three year rolling operating surplus position of £16.258 million at 31 March 2023.

However, the Trust has been in a cumulative deficit position each year since 2013/14. In this period the cumulative deficit has risen from £16.188m as at 31 March 2014 to a cumulative deficit position of £178.950m at 31 March 2023.

Taking into account the 'Statutory breakeven duty: a guide for NHS trusts' guidance issued by NHS Improvement in April 2018, the continuing cumulative deficit position means that the University Hospitals of North Midlands NHS Trust has therefore taken a course of action that has led to a breach of the Trust's breakeven duty for the three-year period ending 31 March 2023.

We therefore made a further referral on 8 June 2023 referencing that the Trust still remains in deficit.

This was reflected in our Auditor's Report issued on 30 June 2023 and the wording of the referral was included for the Audit Committee's reference in our Audit Findings Report reported to the Audit Committee on 16 June 2023 and the final version issued on 28 June 2023.

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 the Trust in 2022/23.

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.

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 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



Our commentary on the Trust's arrangements in each of these three areas, is set out on pages 9 to 27.

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 including retention, 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.

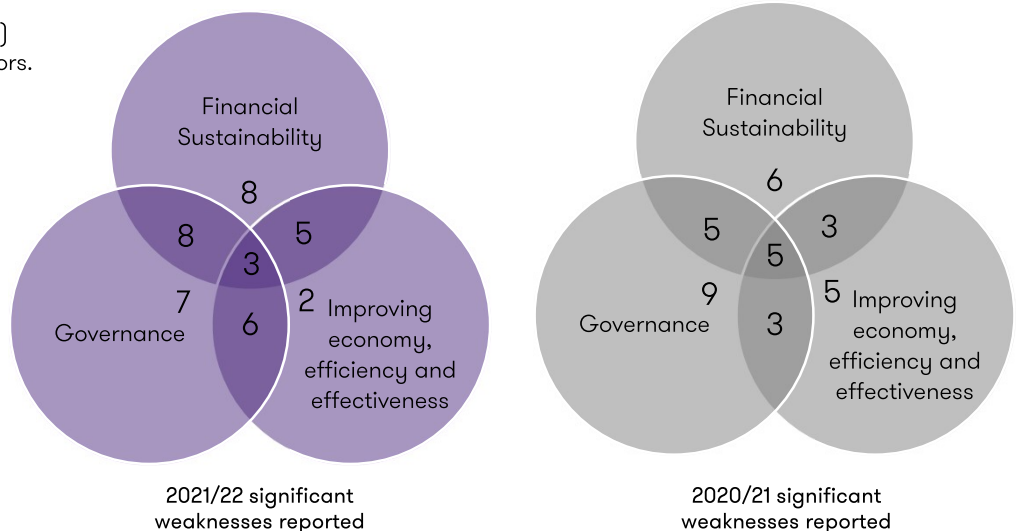
The changes in government leadership, coupled with the cost of living pressures, has meant that 2022/23 is seeing attention returning for grip and control over finances. The block funding seen during the pandemic is shifting to activity based and the regulators are expecting high clinical standards and 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 to deliver.

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.



The current NHS landscape (continued)

Local context

University Hospitals of North Midlands is a large acute Trust serving a population of around 700,000 people in and around Staffordshire, and further afield. Each year it serves around 2 million people from two main hospital sites: Royal Stoke University Hospital, located in Stoke-on-Trent, and County Hospital, located in Stafford. The trust provides a full range of emergency and planned care, as well as undertaking teaching and research activities.

Like many other Trusts within the region and nationally, the Trust is operating in an increasingly challenging operational and financial environment. Although its services are provided regionally and nationally, as well as locally, the Trust is now part of the wider Staffordshire and Stoke on Trent Integrated Care System (ICS) for financial planning purposes.

Each ICS has a statutory NHS Integrated Care Board (ICB) and a wider Statutory Integrated Care Partnership (ICP). The ICB is responsible for making decisions about health services across its ten constituent boroughs and cities. The Trust works closely with the ICB to develop its strategies and plans.

University Hospitals of North Midlands NHS Trust is the main acute provider within the Staffordshire and Stoke on Trent system and is also the largest NHS provider by financial value within the system. Alongside its partner Trusts and the ICB, it shares responsibility for delivering a balanced financial performance across the ICS. The system overall faces a challenging financial picture, and work to deliver the required savings in 2023/24 and develop a medium-term plan to address a longer-term deficit, is ongoing. There are also challenges relating to key aspects of operational performance, including A&E and ambulance waiting times, and planned care backlogs, including in cancer care.

It is within this context that we set out our findings on the Trust’s arrangements to secure value for money in the 2022/23 financial year.

The top image is a slide titled "UHNM Strategy on a Page 2021 - 2025" from University Hospitals of North Midlands NHS Trust. It is divided into four quadrants:

- Our Vision:** "Delivering Exceptional Care with Exceptional People"
- Our Strategic Priority Themes:** A circular diagram with "Improving Together" at the center, surrounded by "High Quality", "Responsive", "People for Patients", "Improving & Innovating", and "Systems & Resources".
- Our Values:** A heart-shaped diagram with "Together", "Compassion", "Safe", and "Improving".
- Our Strategic Priority Objectives:** A list of five objectives:
 - High Quality: Providing safe, effective and caring services
 - Responsive: Providing Efficient and Responsive Services
 - People for Patients: Empowering, developing and supporting for effective performance
 - Improving & Innovating: Achieving excellence in development and research
 - Systems & Resources: Leading strategic change within Staffordshire and beyond

 The bottom image is a tree diagram representing the "Integrated Care System". The trunk is labeled "Integrated Care System". The canopy consists of several interlocking gears of different colors, each representing a different organization or partnership within the system, such as "NHS Region", "Stoke-on-Trent City Council", "Integrated Care Partnership", "Integrated Care Board", "Place", and "NHS Midlands".

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. But savings on the scale required are very challenging. They 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 ended the 2022/23 financial year with a small surplus of £0.047 million, against a breakeven plan. This made 2022/23 the fourth consecutive year in which the Trust has delivered a surplus, albeit the surplus for 2022/23 was substantially smaller than that recorded the prior year, when it was £9.1 million.

This means that the Trust's cumulative deficit position, some £179 million, is substantively unchanged since we reported in 2021/22.

The Trust recognises that its position in 2022/23 position relied on its non-recurrent cost improvement programme (CIP) delivery and other one-off benefits and recognises that it needs to focus on recurrent cost control and efficiency programmes, delivered as part of a system plan, to ensure long term financial sustainability (page 11).

2023/24 financial planning

The Trust has set a breakeven plan for 2023/24 but this relies on it delivering a challenging £55 million (5.2%) efficiency programme. The Trust begun planning on the basis of a £34.2 million deficit, as part of a system-wide deficit plan of £123 million. Through several iterations of the Trust's and the wider system's plans, the Trust eventually reached a breakeven plan with a relatively achievable 3.8% (£40 million) CIP target, as part of a wider system deficit plan residual of £39.4 million.

Following further discussions, however, the system moved to develop a balanced 2023/24 financial plan and, as at 4 May 2023, the Trust's own plan included an increased CIP target of £55 million, with the difference reflecting additional non-recurrent savings requirements. While this clearly demonstrates the Trust's commitment to playing its part within a system plan, it inevitably increases the risk to the Trust's own 2023/24 position.

Financial sustainability (continued)

Short and medium term financial planning (continued)

The Trust collaborates effectively in developing system-wide financial strategies and plans. The Directors of Finance of the system's three main NHS provider Trusts, and the ICB, developed a joint financial strategy for 2022/23 in October 2022, which explained that, as in recent years, the underlying principle for 2022/23 was "flat activity, flat cash". Effectively this means that no new investment or activity growth beyond the 103% level is funded. In return, each provider receives its full allocation of funding from the start of the year.

In line with this, the key financial assumptions within the Trust's 2023/24 plan are:

- Planned care performance achieving 103% of historic 2019/20 activity.
- No recurrent investments in year (unless resourced within existing baselines) in line with the system's existing "flat activity, flat cash" approach.

The Trust's Capital Expenditure plan for 2023/24 is £59 million. However, the Trust notes in its plan that it has been agreed with the Midlands NHSE region that UHNM will spend £13.6 million more than the capital funding in 2023/24 in order to fund the development of its new car park which it will meet from its own cash resources. This will need to be balanced by an equal underspend in 2024/25 funded in part by the disposal of other sites.

We have considered the risk of significant weakness in the Trust's arrangements in line with our audit plan. We have not identified significant weaknesses in the Trust's financial planning assumptions and note the strong integration and collaboration with the ICB and wider system in developing the 2023/24 plan. However, we also note that the system financial position is increasingly stretched and this is reflected in a much more challenging efficiency target for the Trust in 2023/24. The Trust did not meet its target for recurrent savings as part of meeting its objectives in 2022/23 and as a result did not reduce its deficit. Given this, it is vital the Trust further develop its capacity to identify and deliver recurrent efficiencies and makes progress with the medium-term plan to support the system in returning to financial sustainability.

	2022/23	2021/22
Planned surplus/(deficit)	£0	£0
Actual surplus/(deficit)	£5.8m	£28.1m
Adjusted surplus/(deficit)	£0.04m	£ 9.1m
Planned capital spend	£63.4m	£51m
Actual capital spend	£63.4m	£47.2m
Year-end cash position	£84m	£87.6m
System Oversight Framework segmentation	3	3



The System Oversight Framework

- Introduced in July 2021
- All bodies receive a rating
- The framework is built around five national themes that reflect the ambitions of the NHS Long Term Plan:
 - quality of care, access and outcomes
 - preventing ill health and reducing inequalities
 - people
 - finance and use of resources
 - leadership and capability

Every NHS body receives a rating of 1–4:

1. Consistently high performing
2. Plans that have the support of system partners in place to address areas of challenge
3. Significant support needs against one or more of the five national oversight themes
4. Very serious, complex issues manifesting as critical quality and/or finance concerns that require intensive support

Financial sustainability (continued)



Cost Improvement Plans

- CIPs are individual trusts' efficiency targets, which are reported to NHS England and aggregated up to give a national figure
- The efficiency targets are set at the beginning of the financial year based upon the expected costs set against the projected income for each trust
- CIPs can be delivered from reducing costs or improving productivity
- CIPs can also be recurrent (delivered every year going forward), or non-recurrent (made in one year but incurred in the following year)
- They can also be cash releasing or non-cash releasing
- Over the past decade, Trusts have never delivered more than 5% on average
- The danger of a national efficiency assumption historically is that it has been treated as the 'balancing item' against the overall financial allocation for the service

Identifying and delivering savings

The Trust delivered £12.1 million of savings in 2022-23 – a shortfall of £7.2 million against its £19.3 million target. At the year-end the Trust reported to the Performance and Finance Committee that it had validated £12.1m savings in-year, with a full year (recurrent) impact of £5.3 million, which is significant variance of £8.3 million to the Trust's recurrent target of £13.6 million. The majority of the recurrent shortfall (some £5.2 million) was driven by failure to meet divisional targets.

Progress with identifying and delivering savings is reported clearly via a programme management office (PMO) and monthly updates to the Performance and Finance Committee. These reports include some detail on whether the schemes are corporate, or divisional, and include monthly and annual performance. We note that a RAG rating of schemes is not typically included in monthly monitoring reports and including this would provide greater clarity over expected performance. The CIP programme is included in updates to the Board via the Integrated Performance Report, though Board reporting is relatively high level and does not always include a breakdown of the reported performance.

Internal Audit reviewed the Trust's CIP framework during 2022/23, returning a rating of "reasonable assurance". Concluding that the Trust has a framework in place for the development and monitoring of the Cost Improvement Plan (CIP) Programme, the review also noted three areas of improvement including: the documentation and approval of Quality Impact Assessments (QIAs); The approval of the Financial Plan, which incorporates the CIP Programme, by the Trust Board; and assurances included in the Board Assurance Framework (BAF) in respect of the CIP framework.

The 2023/24 Cost Improvement Program (CIP) is even more challenging. The Trust has a total CIP requirement in 2023/24 of £55 million, £26.4 million is recurrent and £28.6m is non-recurrent. Recurrent Divisional targets are £8 million. The non-recurrent element of the CIP includes the release of an annual leave accrual following a move back to the pre-COVID annual leave policy and £6 million of pay underspends resulting from existing vacancy levels. Given the importance of accurate workforce data to planning the CIP programme we make a related improvement recommendation later in this report (see page 19) that the Trust ensure the Board is sighted on any remaining risks to data quality and processes in this area, given limited assurance reports from Internal Audit in related areas during the year.

Delivery indicates a significant risk at this stage of the 2023/24 financial year, though the Trust is making progress. At the June 2023 Performance and Finance Committee, the Trust reported a validated £5.6 million CIP savings against a plan of £9.2 million, with £47 million of schemes identified in total. The £8 million divisional schemes remained unidentified at this stage.

Given the proportion of the plan not identified at divisional level with the financial year already begun, we recommend the Trust begin CIP planning earlier in the year. Further, given the implied high risk-rating of the divisional schemes in both the 2022/23 outturn CIP performance and the 2023/24 plan, we recommend the Trust provide more granular reporting to the Performance and Finance Committee on progress with divisional schemes.

Financial sustainability (continued)

Financial planning and other operational and strategic plans

The Trust's financial plan is aligned to other operational plans. It includes reconciliations with activity and workforce assumptions. Capital and revenue assumptions are aligned - a key risk highlighted being the proposed disposal of land in the 2024/25 financial year to support the capital programme to enable underspending against the ICB funding allocation to offset the planned overspend in 2023/24 (see page 10).

There are substantial financial pressures identified throughout the system. Pressures on the ICB and other provider partners will inevitably reduce the prospect of in-year non-recurrent support from the system and places an even greater emphasis on transparency and accountability over the Trust's own financial performance. The system's overall efficiency target is some 7.6% of its allocation (£181 million) and the Trust's £55 million is a substantial part of the overall target.

The Trust, as part of the wider system, is in the process of developing a full medium-term financial plan (MTFP). The system's 2023/24 financial strategy, developed in October 2022 (page 10) recognises that the "flat activity, flat cash" approach that has supported balanced financial delivery in recent years, will not continue to do so given rising costs and demand, and a more transformative plan is now required. The Directors of Finance committed to delivering an agreed MTFP by the end of the 2023/24 year and the Trust's Finance and Performance Committee will have a key role in overseeing the Trust's contribution to this, as well as overseeing delivery of the Trust's CIP target (page 11).

Managing risks to financial resilience

As explained on page 16, the Trust's Board has an established Board Assurance Framework (BAF) which sets out its strategic risks and the associated assurances and mitigation plans. Financial sustainability is recognised as a key risk in the BAF, which ensures that the Board receives regular updates on this key area. We note that BAF reporting on financial sustainability focuses mainly on in-year financial performance, however, which is a relatively short time horizon for strategic risk.

We recommend the Trust augment the BAF to include a medium-term and system financial perspective, aligned to development of the development of the system MTFP (see opposite).

The April 2023 iteration of the Trust's 2023/24 financial plan identified four key risks to delivery, which align to our analysis of the Trust's financial plans

1. Delivery of the CIP target
2. Recurrent investments (no provision has been made for additional recurrent investments in line with the system financial strategy).
3. Elective recovery (achieving the goal of 103% of 2018/19 activity); and
4. Capital: operational sub-groups do not have enough funding to replace existing assets in a timely manner - specifically relates to the pressures raised by Medical equipment. There remains uncertainty over the funding of IFRS16 leases (that would previously have been classified as operating leases) in future years.

The financial planning documents we reviewed did not explicitly identify the potential financial consequences of unplanned or unforeseen events, such as remedial actions from an unannounced CQC visit.



Financial impact from workforce planning

- The Government has committed to publishing an NHS workforce plan, for the staff numbers needed to maintain the workforce over the next five to fifteen years
- It has also commissioned Health Education England to review trends in the health and regulated social care workforce
- There is a target for 50,000 more nurses by the end of March 2024 but think tanks have expressed concern that demand for nurses is increasing faster than supply
- The goal of 26,000 more primary care professionals appears on track, but the number of GPs has decreased
- NHS figures indicate more people are joining than leaving the NHS. However, vacancies have increased in recent years. September 2022 had 133,450 vacancies recorded across the NHS with 47,500 of these for nurses
- The NHS uses internal 'banks' of staff and external agencies to fill vacancies. Staff supplied by agencies cost on average 20% more than NHS bank staff. The NHS England spend on agency staff was £2.44 billion in 2020/21

Financial Governance

Annual budget setting

Annual budget setting is managed appropriately and integrated at the system level.

As we reported in our 2021/22 Auditor's Annual Report, the Trust's annual budget setting process is managed through the Performance and Finance Committee (FPC) which facilitates both executive and non-executive engagement and challenge and discussion. The financial plan submission to this committee highlights risks to the plan (see page 12), though we did not see evidence of formal options, scenario or sensitivity analysis in the planning submissions.

The Trust's financial planning is well integrated into the system planning process. The emerging system 2023/24 financial plan was considered formally by the Trust's FPC in March 2023. The system funding gap (at that point) is detailed across Trusts as well as the ICB itself. The final submissions to NHSE were a single, system plan.

As part of its 2022/23 review of the Trust's CIP framework, Internal Audit found that the Performance and Finance Committee approved the Financial Plan for 2022/23; the plan was not approved by the Trust Board, as stated within the Trust Board's Terms of Reference. Our review of the minutes of Board meetings from April to June 2023 indicate that the plan was again approved at Performance and Finance Committee this year, and not approved by the Board.

We recommend the Board formally approve the financial plan each year.

Budgetary control

The Trust's arrangements to monitor the budget in-year are well established and clear.

As last year, once the annual budget has been agreed, financial performance is reported to the Performance and Finance Committee on a monthly basis. This allows scrutiny and oversight of financial performance and any spending pressures arising. Financial reporting includes detailed analysis of income and expenditure, capital, CIPs, cash and the balance sheet. Forecasts to the year-end are included as well as in-month and year-to-date performance. An outturn report was included for the 2022/23 financial year in April 2023.

Finance indicators are also included in the Board level Integrated Performance Report (IPR), ensuring regular board-level scrutiny, alongside a highlight report from the performance and finance committee.

Our review of Board and Committee papers highlighted regular review sessions with the organisation's senior team and the operational divisions. Monthly reporting to the Finance and Performance Committee is of high-quality. Although the Performance and Finance Committee is mainly constituted from finance professionals (and Non-Executives) we note that clinical staff attend regularly, along with other senior leaders presenting specific items. The Chief Nurse and Medical Director are members of the Board.

	2023/24
Planned surplus/(deficit)	£0
Planned surplus/(deficit) as a % of income	n/a
Planned CIP	£55m
Planned CIP as a % of income	5.2%
Planned CIP (recurrent/non-recurrent)	£26.4m recurrent £28.6m non-recurrent

Improvement recommendations

Recommendation 1	Review the process for developing CIP schemes and monitoring progress, including more granular monitoring within Performance and Finance Committee updates (particularly divisional schemes) and bringing forward divisional CIP planning earlier in the year.
Improvement opportunity identified	Improved performance on recurrent CIP delivery, contributing to year-on-year financial sustainability and deficit reduction.
Summary findings	The Trust has a challenging CIP target in 2023/24. In under-delivered recurrent CIPs in 2022/23, with the divisional plan being the main driver of under-performance, it has again identified divisional CIPs as the main risk to its plans this year.
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Agreed - Finance report to be enhanced to give greater detail on divisional schemes. CIP planning through PMO has already recommenced and will be a rolling programme to inform future planning rounds
Recommendation 2	Include a medium-term perspective in reporting against financial sustainability within the Board Assurance Framework (BAF), aligned to the developing system medium-term financial plan.
Improvement opportunity identified	Increased Board level assurance over medium-term financial risk and performance.
Summary findings	The Trust, as part of the wider system, is in the process of developing a full medium-term financial plan. The Trust's Board has an established BAF. BAF reporting on financial sustainability focuses mainly on in-year financial performance, which is a relatively short time horizon for monitoring this strategic risk.
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	BAF to be reflective of medium-term planning exercise being undertaken during the summer.

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 3	Ensure the Board formally approves the financial plan annually.
Improvement opportunity identified	Enhanced Board Level oversight of near-term financial risk and performance.
Summary findings	The Board did not formally approve the 2022/23, or 2023/24 financial plans, although the Performance and Finance Committee of the Board approved the plan in both years.
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	<p>The Performance and Finance Committee was acting under delegated authority of the Trust Board in its approval of the Financial Plans for both years, and the approval of the Financial Plan was referred to as part of the highlight report from the Performance and Finance Committee to the Board. In addition, the Board signed off the Annual Plan and is content that it had reviewed and approved the draft 2023/24 Financial Plan as this had been considered at February's Board Seminar.</p> <p>However, for 2024, the Trust will timetable to formally recommend the budget into the Board workplan.</p>

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.

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

The greatest number of significant weaknesses reported in 2021/22 related to governance. This is probably not surprising given the then impending, and now implemented, introduction of Integrated Care Systems in 2022 and following on from the pandemic which saw governance stripped back to basics.

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.

Risk management

The Trust has clear and established processes for managing strategic risk. The Trust's risk management policy covers both operational and strategic risk. It clarifies that operational risks are reported monthly through the Risk Register, while Strategic risks are reported quarterly through the Board Assurance Framework (BAF) to the Board and its Committees.

The Board of Directors has an established BAF which sets out in a clear and appropriate format strategic risks and the associated assurances and mitigation plans. The BAF clearly identifies the key risks to the achievement of the Trust's objectives and the assurance mechanisms, and it reports on the effectiveness of the Trusts systems of internal control in those areas. Each BAF risk is owned by a relevant sub-committee of the Board, and it is the responsibility of each sub-committee to review its risks and ensure that work is being done to bridge gaps in controls, as well as obtain assurance that mitigations are operating as intended.

The BAF is kept under continual review. In March 2023, the Board considered the Strategic Risks for the Board Assurance Framework 2023/24 – this resulted in an update to the BAF risk related to System Working, which will focus more specifically for 2023/24 on "Improving the Health of our Population". The Board decided that the top 3 risks for 2023/24 are: Delivering Positive Patient Outcomes and Responsive Patient Care; Sustainable Workforce; and Financial Sustainability.



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

Governance (continued)

Internal controls and the Audit Committee

Our attendance at Audit Committee during the year indicates a good level of challenge and neither the Trust nor its internal auditors have identified any significant internal control weaknesses.

RSM provide the Trust's internal audit function and its programme of work and reports support the Audit Committee. RSM confirmed in April 2022 that its independent assessor had concluded RSM 'generally conforms to the requirements of the Institute of Internal Auditors (IIA) standards', and also with the IIA Code of Ethics

Internal Audit workplans for 2022/23 and 2023/24 are wide-ranging, cover clinical and non-clinical areas and align to the Trust's view of risk (see page 16). Topics covered include governance and leadership, finance, performance and sustainability, quality and people (including workforce planning), and IT/data security.

The Audit Committee received regular internal audit progress reports throughout the year for example in June, July, October 2022 as well as February and April 2023.

The overall Head of Internal Audit opinion for 2022/23 was an "above the line" opinion - "the organisation has an adequate and effective framework for risk management, governance and internal control" This is a positive opinion overall, the second highest available on a 4-point scale. As the Trust notes in its own Annual Governance Statement, whilst no significant internal control issues were raised and of in themselves during the year, Internal Audit identified some specific internal control weaknesses in its reports on workforce planning; bank and agency; the framework for clinical audit; and data quality in relation to annual leave indicators.

We note that the majority of the partial assurance reports relate to the quality of processes in relation to workforce planning and aspects of workforce data quality. **Given the importance of accurate workforce data to the Trust's financial and efficiency calculations we recommend the Trust consider reporting any outstanding risks from weaknesses identified by internal audit in its Board IPR, as well as via the usual recommendation tracking process overseen by the Audit Committee.**

The Trust self-certified compliance with most of its provider licence conditions during the year. However, compliance could not be confirmed against two specific areas (FT4.4 and G6). Whilst financial performance improved during 2022/23, there remain major risks in relation to the challenging financial position at Trust and system level, as well as long waiting lists, the need to demonstrate sustainable improvements in urgent care performance and outstanding Section 31 and 29a Notices from the Care Quality Commission. We cover issues related to financial sustainability in the relevant section of this report, and the Trust's response to CQC findings on page 25, and make improvement recommendations in relation to each of these known areas of concern.

	2022/23	2021/22
Annual Governance Statement (control deficiencies)	None	None
Head of Internal Audit opinion	Positive/'above the line' (amber-green)	Positive 'above the line' (amber-green)
System Oversight Framework segmentation	3	3
Care Quality Commission rating	Requires Improvement	Requires Improvement

The Trust's performance against key governance metrics is set out in the table above. The Trust is currently rated 3 due to system finances, ambulance handover times and long waits in the emergency department, elective care / long waits and cancer backlogs, the Trust's CQC rating and governance and oversight. The Trust is working closely with NHSE and system partners to agree the specific exit criteria to drive recovery and improvement in these areas.

Governance (continued)



NHS Leadership

- Leadership plays a key role in shaping the culture of an NHS organisation
- NHS leaders are facing considerable challenges, including significant financial and operational pressures and high levels of regulation
- This is reflected in high vacancy rates and short tenures among senior leaders that risk undermining organisational culture and performance
- Many of the recent NHS failures have come from poor leadership. This may be a focus on one aspect of delivery at the expense of another, e.g. prioritising financial performance over clinical care
- Senior leadership should welcome honesty in their assurances, creating an environment where staff can be open and flag risks
- Boards should remain alert to the question, “could we have a problem and how do we know we don’t?”

Standards and behaviours

From our review of Board papers, there is evidence of an appropriate “tone from the top” in respect of decision making. Senior officers and board members are open and transparent on debates in meetings and other discussions. The Trust’s Chief Executive provides an update to all board meetings setting out both challenges and highlights from the previous month. Each Board meeting typically includes a patient story and a staff story.

The Trust has a Standards of Business Conduct Policy. This was approved by the Audit Committee in April 2021 and will be due for a refresh in April 2024. This policy describes the broad framework of arrangements for the management of standards of business conduct and the outlines the conduct expected of all trust employees as well as board members. There is also a gifts and hospitality policy and declaration of interest which requires that all formal meetings including the board and its committees must have a standing agenda item at the beginning of each meeting to determine whether anyone has any conflict of interest to declare in relation to the business to be transacted at the meeting. Compliance with business conduct policies is reported to the Audit Committee via a corporate governance report. Fit and proper persons tests are in place and up to date for the year 2022/23.

The Trust considers potentially challenging findings openly in Public Board meetings. In our 2021/22 Auditor’s Annual Report, we highlighted Board’s discussion of the review by brap and Roger Kline (report entitled ‘A review into culture and bullying at University Hospitals of North Midlands NHS Trust- March 2022’) and in June 2023, for example, the Board considered a review of waiting list management (which was subsequently reported in the Health Service Journal). This report detailed the findings of an independent review of waiting list management which the Trust commissioned to assess whether it was managing and reporting waiting lists appropriately and in accordance with national guidelines, following an increase in the number of 78-week waiters being reported.

The review found no evidence of deliberate irregularities in the management of waiting times but, as with all NHS organisations, the capacity for human error when administering patient pathways is constant. The review also found that UHNM did not differ in this respect to any other NHS acute Trust. Importantly, the review also noted that the data within the reports produced by the Trust was correct and represented the intended purpose of the report.

In line with our improvement recommendation raised in 2021/22, the Trust has tracked the actions arising from the brap/Kline review of bullying and harassment, as part of a wider culture improvement programme. This programme is reviewed quarterly by the Transformation and People Committee of the Board supported by key metrics, which include diversity indicators, set out visually in a ‘culture heatmap’ of indicators. As at March 2023, the Trust highlighted sickness rates of 6%, vacancies of 12.6% and the fact that only 43% of staff responding to its survey considered that “the Trust supports my wellbeing” as challenges. We note that workforce indicators are also included in the Trust’s integrated performance report.

The Trust has identified, however, that the culture issues identified in the report continue to impact its level of workforce risk and, as March 2023, the level of workforce risk remains at ‘extreme’ to cultural issues, higher than expected sickness levels and their impact on workforce availability. As set out on page 16, the Board has already identified workforce as a key risk for 2023/24. On the basis that the Trust has put in place appropriate arrangements to respond to the brap/Kline review and is monitoring working issues at a number of levels, we do not raise a further recommendation in this area.

Improvement recommendations

Recommendation 4	Ensure the specific risk around workforce data and planning is escalated as appropriate to the Board or its assurance committees and that progress including closing recommendations is tracked closely.
Improvement opportunity identified	Enhanced Board Level oversight of aggregate risks arising from issues with the integrity of strategic workforce processes and data.
Summary findings	We note that the majority of the partial assurance Internal Audit reports relate to the quality of processes in relation to workforce planning and aspects of workforce data quality. Data on factors such as annual leave underpins wider planning, such as the Trust's efficiency programme.
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Agreed- to consider fully the recommendations in the internal audit programme and identify the best committee / route to flag on-going risks.

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.

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

Use of financial and performance information

The Trust reports performance to the Board through an extensive but well-summarised Integrated Performance Report (IPR) that includes a wide range of clinical, organisation and financial indicators. Its overall Board reporting is aligned to its 6 strategic objectives of:

- high quality;
- people;
- resources;
- responsive;
- systems and partners; and
- improving an innovating.

The IPR typically include indicators relating to quality, operational performance, workforce and finance. These dimensions align clearly to the six strategic objectives, though we note there are currently no indicators regularly reported within the IPR to capture “systems and partners, or “improving and innovating”.

Given the critical importance of system working moving forward we recommend the Trust develops and reports, within the IPR, indicators that capture the quality and impact of its engagement with the system and other partners.

Alongside a high-level narrative the IPR presents a range of key performance indicators (KPIs) to assess the current performance of services and allow users to understand the key trends within the Trust. The narrative on each domain is prefaced by an exception/highlights report and a dashboard which provides a useful summary of performance and should support further, more detailed inspection of indicators which are off-track.

The IPR uses statistical process control (SPC) methods, which provide a useful additional level of information and allows deeper interrogation of trend performance. SPC effectively presents “normal” or “expected” variation as a set of bars or tramlines and highlights variation that is outside the bounds of “normal” or random statistical variation (process limits). This information is presented in the dashboard alongside the actual figures to help interpret apparent trends.



Improving economy, efficiency and effectiveness (continued)



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

Use of financial and performance information (continued)

The Trust takes data quality seriously and appreciates the opportunities and risks associated with data quality.

While well-managed systems do not guarantee error-free data and analysis, regular review of those systems can highlight risks and support accurate interpretation of data in key reports. The Trust ensures the Board is sighted on data quality issues in a number of ways. For example:

- The integrated performance report explicitly addresses data quality, setting out a framework for assuring key performance indicators (KPIs) using a set of Data Quality Assurance Indicators (DQAI) to help give context and assurance as to the reliability and quality of the data being used. The 'STAR' Indicator provides assurance around the processes used to provide the data for the metrics reported on, while four Data Quality domains are each assessed and assurance levels for each are indicated by RAG status. In theory this provides very useful context and assurance to help the reader assess how much reliance to place on the statistical control information and trend data, though we note from Board reports we have reviewed in practice this assurance rating is only applied to a small number of indicators. In March 2023, for example, DQAI's were only displayed alongside Cancer Care indicators within the core constitutional standards. There is therefore an opportunity to extend the coverage of the DQAI's.
- The internal audit plans for 2022/23 and 2023/24 show good coverage of data quality with reviews planned on ICB indicators.
- as set out on page 18, the Board considered in June 2023 a review of waiting list management which covered data quality issues in some detail.

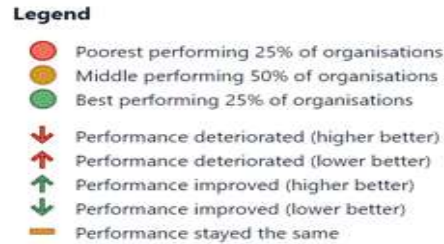


Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement (continued)

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

Below is a scorecard for your financial, operational and clinical performance data.



	Indicator*	Average	Current period	RAG	Previous	Period
Financial	National Cost Collection Index (NCCI)	100.82	98.00	●	↑	202204
Operational	Admitted patients waited 18 weeks or less from referral to treatment	57.00%	53.41%	●	↓	202302
	Non-Admitted patients waited 18 weeks or less from referral to treatment	66.00%	64.64%	●	↓	202302
	Percentage of patients waiting 13+ weeks for diagnostic tests	12.00%	5.66%	●	↓	202302
	Percentage of patients waiting 6+ weeks for diagnostic tests	26.00%	24.82%	●	↓	202302
	Percentage of patients with two-week cancer treatment wait (all cancers)	79.00%	80.70%	●	↑	202302
	Staff sickness absence rate	5.00%	5.23%	●	↓	202302
	Staff turnover stability index	87.00%	89.38%	●	↓	202302
Clinical	FFT: percentage of respondents likely to recommend - A&E	80.00%	67.45%	●	↓	202302
	FFT: Percentage of respondents likely to recommend - Inpatients	94.00%	95.39%	●	↓	202302
	FFT: Percentage of respondents likely to recommend - Maternity	88.00%	0.00%	●	—	202302
	FFT: percentage of respondents likely to recommend - Outpatients	94.00%	96.47%	●	↓	202302
	Incidents resulting in severe harm or death	0.00%	0.29%	●	↓	202302
	Summary Hospital-level Mortality Indicator (SHMI)	100.00%	1.05	●	↑	202302

Although the Trust appears in the “middle” quartile of Trusts in relation to most operational and clinical indicators relating to planned care, it has an ongoing challenge to deal with backlogs of planned care. It also has challenges, as indicated in its current SOF 3 rating, in part to emergency care and ambulance handover times and long waits in the emergency department.

These data provide a snapshot of performance at a point in time (February 2023 for most indicators) and we summarise some of the Trust’s key operational challenges using its own data on pages 23 and 24.

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
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- **Pay pressures:** recent strike action has highlighted the level of feeling from NHS workers

Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement (continued)

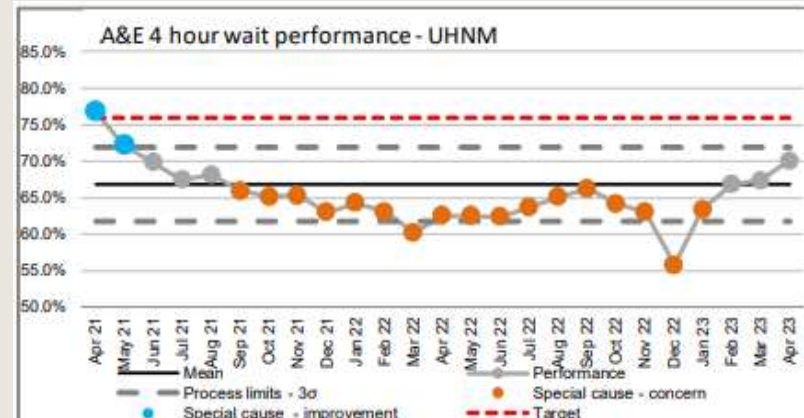
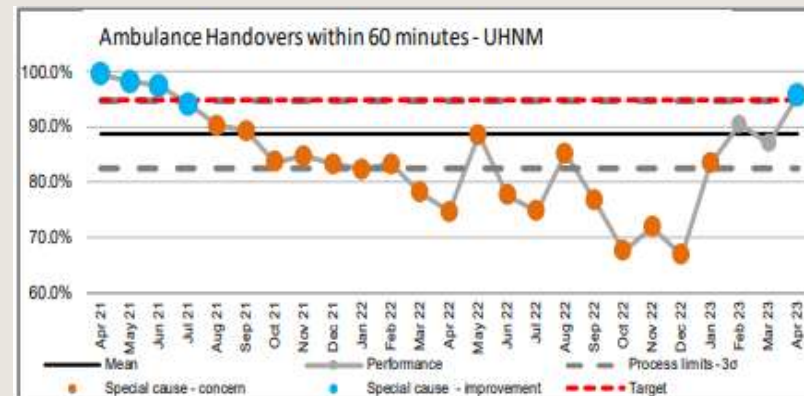
In common with many other Trusts, the Trust experienced high demand for emergency care during 2022/23, particularly in the winter months. In April 2023, the Trust achieved above 70% for 4-hour wait performance against its expected trajectory performance of 64%, although it noted continued challenges with long waits. Its 4-hour wait performance was still below targets, though had begun to reach levels seen two years ago.

At the end of October 2022, the Trust implemented an initiative called 'Your Next Patient' (YNP), which aims to improve the 'flow' of patients through hospital to release capacity in the Emergency Department (ED) and assessment portals so that ambulance crews can be released to respond to 999 calls.

The Board received presentations on YNP at the time of its introduction and were provided an opportunity to challenge and receive answers on this model at its October 2022 meeting, with updates provided in subsequent meetings through the integrated performance report, as well as highlight reporting from the Quality Governance Committee and Performance and Finance Committee. Updates from the Quality Governance Committee, and that Committee's own papers demonstrate regular monitoring of any quality and safety implications of the initiative. The Board also received updates on other aspects of the Trust's response to winter pressures. The Chief Executive confirmed to the Board that neither corridor care nor YNP were 'business as usual' but would be part of the formal escalation process to respond to extreme pressures.

The Trust recognises that whilst this initiative supported the organisation to reduce ambulance handover delays, it continued to have a level of ambulances being held outside ED for protracted periods of time. By April 2023, however, ambulance handovers had improved to 150 hours lost and improved performance had been sustained for 3 weeks and corridor care was being used infrequently and the Trust was undertaking further work to see if these improvements could be sustained.

Extract from the Trust's June 2023 Board Integrated Performance Report



Improving economy, efficiency and effectiveness (continued)

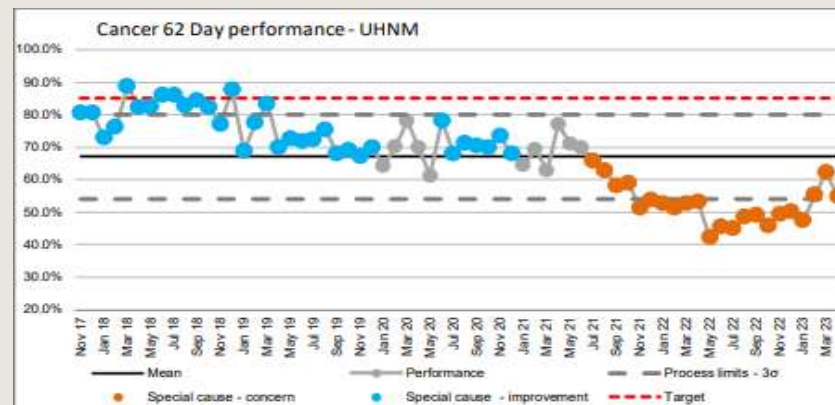
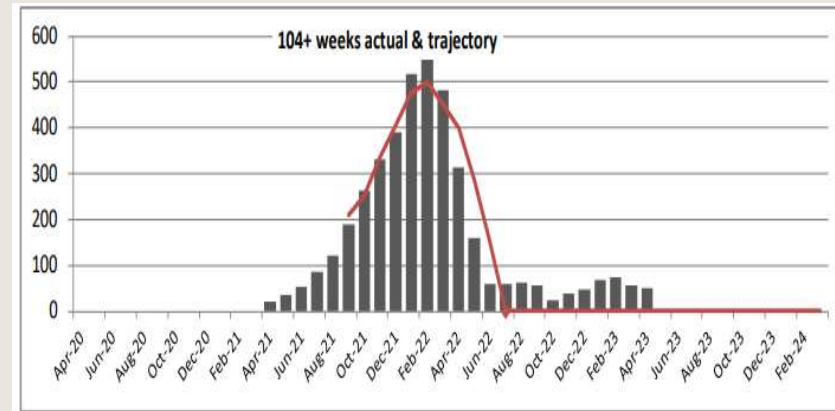
Assessing performance and identifying improvement (continued)

Elective care waiting times (particularly 65 week waits): The national ambition is to have no patients waiting over 65 weeks at the end of 2023/24. In Staffordshire and Stoke on Trent there remains a focus on those waiting for long periods of time including some waiting over 78 and 104 weeks (see opposite). In June 2023 the Trust reported to its Board that, between February and March the number of patients waiting more than 78 weeks reduced considerably and from March to April there has been a marginal reduction. The number of patients waiting over 104 weeks increased during the winter period, with March and April seeing a reduction. This is made up of patient choice, patients presenting unwell or complex pathways. April data is unvalidated.

Reducing the backlog of patients waiting over 62 days on an active cancer patient tracking list: National NHS planning guidance for 2022/23 set an ambition to return the number of patients waiting over 62 days on the live patient tracking list, to pre-pandemic levels. As at March 2023, the Trust had a backlog position of 313 such patients, which was a reduction of over 700 patients since August 2022, including patients with a treatment date scheduled.

As set out on page 17, the Trust is currently rated SOF 3 due partly to its performance on ambulance handover times and long waits in the emergency department, and its elective care and cancer backlogs. The Trust is working closely with NHSE and system partners to agree the specific exit criteria to drive recovery and improvement in these areas. Its Board papers and those of the Finance and Performance Committee demonstrate active, timely monitoring of trends in these areas, and we did not identify any significant weaknesses in the trust's ability to track and monitor trends, or in the consistency and completeness of its reporting to decision makers.

Extract from the Trust's June 2023 Board Integrated Performance Report



Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement (continued)

The Trust has clear arrangements to learn from regulators and to identify improvements, though some actions to address CQC findings are outstanding.

The Trust was most recently subject to an inspection by the Care Quality Commission (CQC) in 2021 with the findings report published on 22 December 2021. The Trust were given an overall rating of 'Requires Improvement' but did achieve a rating of 'Outstanding' in relation to 'Are services caring?' and a rating of 'Good' in relation to 'Are services well-led?'. The Trust was able to demonstrate progression and improvement from the prior CQC inspection. Following the inspection, a Warning Notice under Section 29A of the Health and Social Care Act 2008 was served to notify the Trust that the view had been formed that the quality of care in relation to medical staffing in urgent and emergency care at Royal Stoke University Hospital and the risk management of patients with mental health needs medicine at County Hospital required significant improvements.

In response to these findings the Trust established a CQC working group whose focus is addressing the findings of the inspection and leading on improvements. This working group communicates regularly with CQC on progress against improvement recommendations.

During the year the Trust updated its self-assessment against the Well Led Framework and re-assessed its assurance ratings - the Trust's latest CQC Well Led Inspection during 2021 resulted in an improvement from 'Requires Improvement' to 'Good' as above.

At the time of our audit work, and as reported in its annual governance statement, the Trust had submitted evidence of improvements to the CQC but had not yet had a response from the CQC.

In March 2023, the Care Quality Commission inspected the Maternity service at Royal Stoke University Hospital and served a further S29a notice in relation to the management of delays in induction of labour, and triage times in the Maternity Assessment Unit. The Trust was required to make the necessary improvements by 30 June 2023 although at the time of compiling this Auditor's Annual Report, it was still awaiting the final report in relation to this inspection.

On the basis that the Trust has established arrangements mechanisms to respond to the CQC findings and given it reported the findings promptly and transparently in its public board meeting, as well as in its Annual Report, we have not identified this as a significant weakness.

We raise an improvement recommendation that the Trust be proactive in seeking assurance that the required actions have been undertaken to respond to the CQC's findings and that these have had the necessary impact. A post-implementation review to ensure key improvements are still in place should be undertaken after an appropriate interval.

A key part of the Trust's response to CQC is its quality strategy, which aligns to its corporate plan as well as the CQC Key Lines Of Enquiry (KLOEs). The Trust is implementing a continuous quality improvement methodology as the new way of working at UHNM - this is known as Improving Together. This is based on LEAN principles and is known internally as "improving together". The fundamentals of this approach are to encourage structured, collaborative problem solving (known as A3 thinking), supporting standardisation of processes to encourage predictability of delivery and outcomes and as a baseline for improvements, and empowering staff to make decisions that will improve quality.

The Trust uses benchmarking to report comparative performance in urgent care as part of its integrated performance report. In the February 2023 report, for example, the IPR contained a set of charts in which each different colour line represents a different group of Peers, with one line representing a recommended group of Trusts based on combination of size, finance and activity as used in the Model Hospital/Healthcare Evaluation Data (HED).

The Trust also uses Model Hospital data to benchmark HR indicators. In March 2023 it used Model Hospital benchmarks to interrogate its gender pay gap, noting negative variances from the national benchmark across a range of indicators,

Improving economy, efficiency and effectiveness (continued)

Partnership working

The Trust is actively engaged in key partnerships, including system partnership working within the ICS.

Inclusion of system working as a key BAF, as well as the close working on financial and operational planning noted on page 13, are good indicators of system working becoming embedded within the Trust's core business.

Reporting on System Working is managed formally by the Board: Item on the 2023/24 BAF is System, in which the Trust recognises that *"if we are unable to effectively collaborate, engage and influence key stakeholders as part of the integrated care system, then we may not be able to provide health services which meet the wider needs of the system population, resulting in fragmented, poor quality, inefficient and ineffective services."*

We note from the Trust's reporting and our discussions with the Trust and the ICB that the Trust has contributed significantly to the development of the ICB's core governance arrangements through a system Governance and Risk Network. Whilst still early in its development, there has been positive feedback from ICB Internal Auditors, and the work has been recognised both nationally and regionally. This work will continue to evolve and during 2023/24.

The Trust also work closely with other providers locally and regionally in relation to procurement and are a member of the North Midlands and Black Country Procurement Group, which is documented in the Procurement Policy. There is also evidence of active partnerships with Further Education Colleges and Higher Education Institutions.

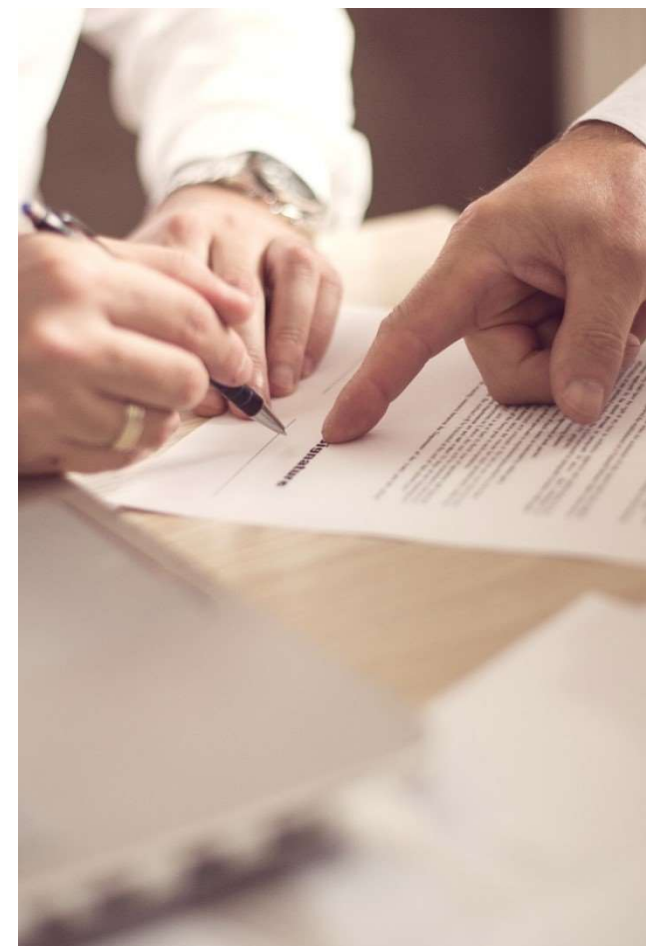
Commissioning and procurement

The Audit Committee regularly receives procurement and contract management newsletters, which advocate the use of KPIs within contracts as essential for contract management purposes. There is also evidence in Committee papers that contract renewal documentation is shared with legal advisors prior to sign-off. The Performance and Finance Committee receive requests to approve new contract awards and contract extensions, although concern has been raised regarding the number that were retrospective.

Reports detailing standing financial instruction (SFI) breaches and single tender waivers exceeding £50,000 are reported to the Audit Committee on a quarterly basis. Sixteen single tender waivers exceeding £50,000 were approved during 2022-23. There were 544 breaches of SFIs during 2022-23 (such as a purchase order raised after the goods or services were delivered). The procurement department plan to offer training to reduce the number of breaches.

Capital payments and any slippage in the capital programme are reported to the Performance and Finance (P&F) Committee on a regular basis. A review of the "Capital Programme: Planned and Backlog Maintenance", is included on the Internal Audit plan for 2023/24. Updates of individual projects were not clearly detailed in P&F Committee papers but should be picked up in other reports to relevant Trust Committees and Boards.

The Trust is engaged with the NHSE Central Commercial Function, as well as the North Midlands and Black Country Procurement Group, and wider procurement collaboratives across the Staffordshire and Stoke-on-Trent and Black Country ICS areas. Quarterly reports on activity are provided to the Trust's Performance and Finance, which indicated that total forecast savings on supplies and procurement for 2022/23 totalled some £7.3 million.



Improvement recommendations

Recommendation 5	Review the application of Data Quality Assurance Indicators (DQAI) within the Board Integrated Performance Report (IPR); and develop and report indicators within the IPR to capture the quality and impact of its engagement with the system and other partners.
Improvement opportunity identified	Building on the good practice of including formal DQAI within the IPR.
Summary findings	The Trust includes a useful data quality assurance mechanism in its IPR, but examples we reviewed did not show this information against all indicators.
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Agreed - to develop the roll out plan for DQAI's.
Recommendation 6	Proactively seek assurance that the required actions in response to the CQC's S29a notice have been undertaken and have had the necessary impact. A post-implementation review to ensure key improvements are still in place should be undertaken after an appropriate interval.
Improvement opportunity identified	Assurance over actions taken in response to CQC findings.
Summary findings	In March 2023, the CQC inspected the Maternity service at Royal Stoke University Hospital and served a S29s notice. The Trust was required to make the necessary improvements by 30 June 2023 although at the time of compiling this Auditor's Annual Report, it was still awaiting the final report in relation to this inspection.
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Tendable (a cloud based, real time inspection and reporting tool for healthcare quality inspections) system is now in place doing on-going audit samples. Further assurance is being sought in early August where comprehensive audit undertaken. This will then be submitted to CQC as evidence in support of the removal of the section 29a. Tendable will then continue to ensure changes are embedded.

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.

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
<p>1 From our work the Trust are currently at the 'listening and understanding' phase of responding to the findings of the Brap and Kline report on bullying and harassment within the culture of the Trust. It is important that the Trust continues the proactive work it is undertaking in relation to the issues raised in the report and that appropriate action delivers tangible changes, supported by an evidence base to demonstrate the robustness of the management response.</p>	Improvement	July 2022	<p>In line with our improvement recommendation raised in 2021/22, the Trust has tracked the actions arising from the brap/Kline review of bullying and harassment, as part of a wider culture improvement programme. This programme is reviewed quarterly by the Transformation and People Committee of the Board supported by key metrics, which include diversity indicators, set out visually in a 'culture heatmap' of indicators. As at March 2023, the Trust highlighted sickness rates of 6%, vacancies of 12.6% and the fact that only 43% of staff responding to its survey considered that "the Trust supports my wellbeing" as challenges.</p> <p>The Trust has identified, however, that the culture issues identified in the report continue to impact its level of workforce risk and, as March 2023, the level of workforce risk remains at 'extreme' to cultural issues, high sickness levels and their impact on workforce availability. As set out on page 16, the Board has already identified workforce as a key risk for 2023/24.</p>	Yes	<p>No – although the Trust's action plan is ongoing, we do not raise a further, specific recommendation on this area as we have not identified a weakness in its arrangements for responding to the report.</p>

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 30 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. We were unable to issue our audit certificate at the same time as our work on value for money, as reported in this document, was not yet complete.

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



Opinion on the financial statements



Timescale for the audit of the financial statements

- We presented our Audit Plan to the Trust's Audit Committee on 27 April 2023.
- Our risk assessment and planning visit, including attending year end stocktakes, took place in February and March 2023 and our audit work was completed both remotely and on site at Thornburrow House during May and June 2023.
- We received the Trust's draft financial statements on 27 April 2023, in line with the national timetable. The audited financial statements and the Annual Report are submitted as a combined document, but the draft of the latter is generally not available until approximately three weeks after the former is provided to us. We have recommended that the Trust provides both documents at the same time.
- We encountered difficulties in our work auditing the Trust's valuation of its land and buildings, both in obtaining appropriate evidence from the Trust's External Valuer (as management's expert) and in tracing back information used to source information held by estates: this led to the identification of a material error and a prior period adjustment being made.
- Our unqualified audit opinion on the Trust's financial statements was issued on 30 June 2023, the final day of the national timetable.

Findings from the audit of the financial statements

Our materiality on the audit was £12.5m.

We did not identify any adjustments to the financial statements which impacted upon the Trust's reported Comprehensive Expenditure figure.

As a result of our work an error in the Trust's Property, Plant & Equipment (PP&E) valuation was identified which resulted in a reduction of the net book value of £22.5m in 2022/23 and an equivalent prior period adjustment (PPA) of £21.1m being made to the 2021/22 comparative figures. Full details of the PPA are disclosed in Note 1.28 of the Trust's updated accounts. The adjustments are to reflect corrections to errors in the gross internal areas (GIA) of assets provided to the valuer since 2019/20.

We identified one misstatement which the Trust determined not to amend for on the basis that it is not material either quantitatively or qualitatively to a reader of the accounts. This relates to depreciation associated with the prior period adjustment made by the Trust. Management has elected not to adjust for the impact of depreciation, which means that the charge in relation to the current year is overstated by £470k.

In respect of significant audit risks, for management override of control our focus was on journals posted by management and developing a testing strategy to identify high risk, unusual journals. Our work did not identify any instances of management override of controls or any issues in relation to management's key accounting estimates and critical judgements.

The valuation of land and buildings is a significant estimate within the financial statements that management appoint their own expert to assist with. As part of our continuous risk assessment we further focussed our risk assessment to the valuation of land and buildings with large and/or unusual changes to their valuation approach as a significant risk requiring special audit consideration.

Findings from the audit of the financial statements (cont'd)

Once our sample was identified we evaluated the competence, capabilities and objectivity of the valuation experts used by the Trust and challenged the information and assumptions used. We tested and agreed detailed valuation calculations and key source data for a sample of land and building assets. Our key finding was the material error as a result of errors in GIAs reported opposite.

We also noted that the Trust continues to have a significant gross value of assets with a nil net book value of £61.8m: approximately £10m of this has been verified leaving £51.07m yet to be reviewed: this could be indicative of useful lives either being incorrect, or assets not being disposed of correctly and on a timely basis. We therefore continue to roll forward our recommendation that the Trust continue to revisit its asset register to consider such assets and ensure their continued use.

IFRS 16 was implemented by NHS bodies from 1 April 2022 and requires all leases to be accounted for 'on balance sheet' by the lessee, a major departure from the requirements of IAS 17 in respect of operating leases. We have discussed with the Trust's finance team the approach taken in identifying leases, and the accounting treatment applied. The Trust has identified, as part of this process, contracts that were not previously recognised as leases or where a change of requirement needed to be recognised. The value of these per the Trust's Consolidation schedules are £7.039m and as such are not material. On those grounds we do not consider that a prior period adjustment is necessary. We have challenged the Trust on the processes in place to recognise leases going forward to ensure that the accounting for such arrangements is complete and are assured that procedures are in place to capture these on an ongoing basis.

More detailed findings are set out in our Audit Findings Report, which was presented to the Trust's Audit Committee on 16 June 2023 and a final version issued for the Trust Board meeting on 28 June 2023. Requests for this Audit Findings Report should be directed to the Trust.

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 (GAM).

We did identify that the pay multiplier calculation indicated that it did not fully comply with GAM requirements to include temporary and agency staff. An estimate was subsequently made by management which produced no difference in the pay multiple being reported (when rounded to one decimal place). The GAM permits estimates to be made, when such information is not readily available, but we recommend that the Trust includes these estimations in its initial calculations for future years.

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.

The Trust was selected as a 'non-sampled' component for 2022/23. This results in a shorter list of specified procedures to be undertaken. We were satisfied that the consolidation schedules were consistent with the financial statements and there were **no additional matters we were required to report.**



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	n/a
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	n/a
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 14-15, 19, and 27

