

Auditor's Annual Report

Leeds Community Healthcare NHS Trust
– year ended 31 March 2022

August 2022



Contents

- 01** Introduction
- 02** Audit of the financial statements
- 03** Commentary on VFM arrangements
- 04** Other reporting responsibilities and our fees

This document is to be regarded as confidential to Leeds Community Healthcare NHS Trust. It has been prepared for the sole use of the Audit Committee as the appropriate sub-committee charged with governance by the Board of Directors. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

01

Section 01: **Introduction**

1. Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Leeds Community Healthcare NHS Trust ('the Trust') for the year ended 31 March 2022. Although this report is addressed to the Trust, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



Opinion on the financial statements

We issued our audit report on 20 June 2022. Our opinion on the financial statements was unqualified.



Wider reporting responsibilities

In line with group audit instructions issued by the NAO, on 20 June 2022 we reported that the Trust's consolidation schedules were consistent with the audited financial statements.



Value for Money arrangements

In our audit report issued we reported that we had not completed our work on the Trust's arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements at the time of reporting. Section 3 confirms that we have now completed this work and provides our commentary on the Trust's arrangements. No significant weaknesses in arrangements were identified and there are no recommendations arising from our work.

Following the completion of our work we have issued our audit certificate which formally closes the audit for the 2021/22 financial year.

Introduction

Audit of the financial statements

Commentary on VFM arrangements

Other reporting responsibilities and our fees

02

Section 02:

Audit of the financial statements

2. Audit of the financial statements

The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Trust and whether they give a true and fair view of the Trust's financial position as at 31 March 2022 and of its financial performance for the year then ended. Our audit report, issued on 20 June 2022 gave an unqualified opinion on the financial statements for the year ended 31 March 2022

Qualitative aspects of the Trust's accounting practices

We reviewed the Trust's accounting policies and disclosures and concluded they comply with Department of Health and Social Care Group Accounting Manual 2021/22 (GAM), appropriately tailored to the Trust's circumstances.

Draft accounts were received from the Trust on 26 April 2022 and were of a good quality.

Significant difficulties during the audit

During the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

We would like to thank the Finance Team for the quality of their supporting working papers and for being available throughout the audit to respond to our queries.

Internal control recommendations

As part of our audit we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls. We did not make any internal control recommendation in 2021/22.

03

Section 03:

**Our work on Value for Money
arrangements**

3. VFM arrangements

Overall Summary



3. VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:



Financial sustainability - How the Trust plans and manages its resources to ensure it can continue to deliver its services



Governance - How the Trust ensures that it makes informed decisions and properly manages its risks



Improving economy, efficiency and effectiveness - How the Trust uses information about its costs and performance to improve the way it manages and delivers its services

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Trust has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with staff and directors

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We outline the risks that we have identified and the work we have done to address those risks on page 10.

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Trust. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements**
We make these recommendations for improvement where we have identified a significant weakness in the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations**
We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but which still require action to be taken

The table on the following page summarises the outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

Introduction


Audit of the financial statements

Commentary on VFM arrangements

Other reporting responsibilities and our fees

3. VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	11	No	No	No
 Governance	15	No	No	No
 Improving economy, efficiency and effectiveness	19	No	No	No

Introduction

Audit of the financial statements

Commentary on VFM arrangements

Other reporting responsibilities and our fees

3. VFM arrangements

Financial Sustainability

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



3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

Overall responsibilities for financial governance

We have reviewed the Trust's overall governance framework, including Board and committee reports, the Annual Governance Statement, and Annual Report and Accounts for 2021/22. These confirm the Trust Board has a responsibility to define the strategic aims and objectives, approve budgets and monitor financial performance against budgets and plans to best meet the needs of the Trusts service users.

The Business Committee oversees all aspects of financial management and operational performance on behalf of the Board. This includes:

- reviewing the Trust's financial plans to test assumptions and provide assurance that reports and returns represent a true and fair view of the financial period under review;
- detailed review of the performance brief and domain reports and ensuring they include appropriate performance metrics to provide assurance to the Board on all aspects of organisational performance in line with strategic goals and corporate objectives;
- ongoing review of financial and operational performance, including providing assurance that the finance and performance reporting systems of the organisation are robust;
- seeking assurance that any appropriate management action has been taken to return the Trust's performance to plan and that any such actions or recovery plans in place are adequately resourced, implemented and monitored; and
- providing assurance to the Board that cost improvement plans to support organisational change are being achieved.

Our review of supporting papers confirmed that it did so effectively throughout 2021/22.

Background to the NHS financing regime in 2021/22

Following the onset of the Covid-19 pandemic in March 2020, the original NHS Planning Guidance 2020/21 was suspended and a new financial regime was implemented. For the second half of the 2020/21 year (October 2020 to March 2021) there was a move to "system envelopes", with funding allocations covering most NHS activity made at the system level, including resources to meet the additional costs of the Covid-19 pandemic. The 2021/22 financial year was also split into two halves, with a different funding regime in each. However, the regimes were largely a continuation of those introduced in 2020/21 in response to COVID-19, where system envelopes block payment arrangements remained in place.

The 2021/22 H1 (April 2021 to September 2021) envelopes comprised of adjusted Clinical Commissioning Group (CCG) allocations, system top-up and COVID-19 fixed allocation, based on the H2 2020/21 envelopes, adjusted for known pressures and policy priorities. The 2021/22 H1 NHS guidance also confirmed that block payment arrangements would remain in place for relationships between NHS commissioners and NHS providers. The guidance for H2 (October 2021 to March 2022) confirmed that the arrangements would stay broadly consistent with a continuation of the H1 framework. The 2021/22 H2 "system envelopes" contained adjusted CCG allocations, system top-up and COVID-19 fixed allocation, based on the H1 2021/22 envelopes adjusted for additional known pressures, such as the impact of pay awards, and increased efficiency requirements.

Over the course of the year and into 2022/23, the focus of the funding regime has shifted from responding to the immediate challenges caused by COVID-19 to supporting recovery in the healthcare system.

This has facilitated the need for collaborative working between commissioners and providers, as local systems were expected to work together to deliver a balanced position in 2021/22, with additional funding available for those systems exceeding target activity levels through the Elective Recovery Fund. The planning guidance for 2022/23 supports the transition back to local agreement of contracts and requires systems to achieve a break even position each year. This will necessitate further collaboration through the planning process, as individual organisations work together to achieve system-level outcomes.

Budget monitoring and control

At the start of the financial year revenue and capital expenditure budgets are prepared for approval by the Board. Financial pressures are collated throughout the year and form part of the budget planning process for the following year. Rolled forward budgets are prepared following review of current outturn, known workforce changes and identified cost pressures. Funding or cost pressures the Trust believes are demand or policy led are taken forward in contract negotiations with Commissioners. Financial pressures are taken to Senior Management Team (SMT) for review and approval as part of the financial plan for the year. A single triangulated plan is submitted to NHS England and Improvement (NHSE/I) for scrutiny and feedback. The financial plan is taken to the Business Committee and approved by the Trust Board.

Clear responsibilities are outlined for budget holders and the Trust's Standing Orders and Standing Financial Instructions include specific provisions for the preparation and approval of the financial plan and budget.

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria - continued

We read the Trust's Standing Orders and Standing Financial Instructions and found they appropriately cover preparation and approval of plans and budgets, budgetary delegation, budgetary control and reporting and capital expenditure. We also found Senior Finance Managers provide dedicated support to budget holders to ensure effective financial management at business unit level, which feeds into monitoring of the overall Trust financial position.

Financial Planning and Monitoring

Following confirmation that the financial regime in place for the second half of 2020/21 would continue into quarter 1 of 2021/22, the Trust Board approved a financial plan for 2021/22 that was based on the roll forward of recurrent budgets for 2020/21. In addition, unidentified cost improvement programmes (CIPs) not recurrently delivered were rolled forward, budgets for tendered services were provided at the level identified in the tender and draft unavoidable cost pressures included in the expenditure budget. The accompanying report taken to Trust Board highlighted the high level of uncertainty concerning the financial regime beyond Q2 2021/22 and the actual level of income the Trust could anticipate to meet the expenditure budgets. However, the report recognised the need to set a budget to provide initial certainty of resources to budget holders and enable budgets to be allocated for the new financial year. Over the first half of the year the Trust achieved break-even.

Expenditure within the financial plans was underpinned by assumptions around pay, cost pressures, inflation and service development areas. The West Yorkshire and Harrogate Integrated Care System (ICS) approach to Q1 financial planning was that organisational plans would be based on existing Q2 2020/21 plans updated to reflect national pressures. However, where the Trust had contracts outside of the NHS these continued to be negotiated with the commissioning body to reflect current year demand/changes.

The Trust submitted a revised financial plan for the second half of the financial year to NHSE/I. This plan included a forecast breakeven position. The Trust reported an unadjusted outturn position at 31 March 2022 of £0.49m surplus. This is consistent with its revised target to achieve a £0.5m surplus. In 2021/22 the Trust met all its financial targets, something it has continued to do since its inception in 2010/11.

During the year the Trust reported its financial position to the Business Committee and then subsequently to the Board. We reviewed a sample of reports presented for 2021/22, which contain evidence of a clear summary of the Trust's performance, detail any variances and provide adequate explanation of the causes. The reports also provide an updated forecast to the end of the financial year.

Cost Improvement Programme

The Trust has developed a CIP which, where necessary aims to bridge funding gaps through efficiency savings programmes. Senior Management Team and the Business Committee identify potential efficiency savings programmes and make recommendations to Trust Board who approve the final Cost Improvement Programme.

Nationally the efficiency target set for Q1 of 2021/22 was 0.5%. The Trust planned non recurrent CIPs of £265k for the first half of 2021/22 and £800k for the second half in line with the national planning expectations. The £265k was delivered as planned through estate savings and the £800k was delivered through an additional in year vacancy factor. Unidentified cost improvement programmes (CIPs) not recurrently delivered have been rolled forward into the 2022/23 financial plan.

Cost Improvement Programme performance is reported to the Business Committee and Trust Board within the Performance Brief. We reviewed examples of these reports and confirmed they contain a high-level Trust wide summary of performance against plan.

Financial Planning 2022/23

We reviewed the financial plan for 2022/23 which was submitted to NHSE/I in April 2022. We also reviewed the March 2022 Board paper recommending approval of the plan by the Trust Board.

For 2022/23 the NHS will revert to contracting arrangements instead of the current block payments system introduced to simplify arrangements during the pandemic. NHSE/I has allocated revenue allocations to Integrated Care Boards (ICBs) based on the system funding envelopes calculated for H2 2021/22. This continued the basis of calculating funding at ICS level introduced at the start of the Covid-19 pandemic. Core ICB allocations have grown by 3.6% in 2022/23, against an adjusted 2021/22 baseline. This is intended to fund inflation and activity growth, however there is a 1.1% efficiency requirement. Specific allocations to meet Covid costs have also reduced as NHSE/I expects savings to be made as the NHS recovers from Covid-19 and direct costs associated with the pandemic. Additional funding has been made available for elective recovery.

The financial plan submitted in April 2022 showed a breakeven I&E position and included CIP savings of 1.5% of expenditure or £3m. The efficiency expectation nationally for 2022/23 is 1.1%. The Trust has identified CIP schemes equal to the £3m. The CIP proposals for 2022/23 recognise the severe pressure that many of services

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria - continued

have continued to face during 2022/23. For that reason, the Trust has not applied a general CIP across the Trust or across business units. The 2022/23 CIPs seek to protect front line clinical delivery wherever possible.

The Trust have set a capital plan of £4.1m. The Trust's calculated general allocation is £3.8m. The difference of £0.3m relates to the impact of changes to lease accounting (IFRS16) that will be implemented from 1 April 2022, for which the Trust is expecting Capital Department Expenditure Limit (CDEL) cover.

NHSE/I required that all 2022/23 plans be resubmitted by 20 June 2022 and offered the ICSs additional funding to help broker breakeven positions in local plans. The Trust's resubmitted plan projects a £1.04m surplus for 2022/23. The plan shows that the CIP target has remained at £3m.

The Business Committee and Trust Board received a report in March 2022 setting out the approach taken to producing the financial plan and requesting approval of an expenditure budget totalling £197.9m. Review of the report and minutes highlight that the Committee and Board were informed of the key financial challenges presented within the budget. A report was taken to the August Trust Board providing an update on the revised plan submitted the NHSE/I, which made it clear to the Board the revised plan is not without significant financial risk. However, as stated above the Trust has a good track record of delivering its financial targets and the expectation is that current vacancy levels will mitigate much of this risk.

Review of the month 3 monitoring reported to the Business Committee and Trust Board shows an overall surplus of £0.5m, which is in line with the plan for quarter 1 and CIP delivery of £762k. It is clear that the Trust is closely monitoring the progress against plan to date, is fully aware of where the risks and uncertainties lie and the financial pressures that exist beyond the current financial plan period.

Conclusion

Given the above, we are satisfied there is not a significant weakness in the Trust's arrangements in relation to the financial sustainability reporting criteria.

3. VFM arrangements

Governance

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



3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

Governance Structure

We have reviewed the Trust's Board and committee reports during the year as well as key documents in relation to how the Trust ensures that it makes informed decisions and properly manages its risks. Through this review we note that the Trust's governance arrangements are consistent with prior years. As a result, our commentary on those arrangements is also consistent with our commentary as reported through our AAR for 2020/21. The Trust Board is accountable for the Trust's strategies, policies and performance as set out in the Codes of Conduct and Accountability issued by the Secretary of State. The key role of the Board is to consider the key strategic and managerial issues facing the Trust in carrying out its statutory and other functions.

Our review of the Trust's governance framework confirms appropriate arrangements are in place. The Trust has established committees with responsibility for specific areas, such as finance and performance, and the quality of care, including:

- Audit Committee.
- Nominations and Remuneration Committee.
- Charitable Funds Committee.
- Business Committee.
- Quality Committee.

The terms of reference and work plans of these various committees ensures that the Board is provided with adequate assurance. We consider the committee structure of the Trust is sufficient to provide assurance that decision making, risk and performance management is subject to appropriate levels of oversight and challenge.

The Trust has arrangements in place to review the performance and effectiveness of the governance framework in place. The Audit Committee terms of reference set out that the committee will be the custodian of the Board and sub-committee annual effectiveness process. The Audit Committee completes an annual report on its own effectiveness and submits this to the Board. Review of the Trust Board papers for the May 2022 meeting show that the Audit Committee Annual Report for 2021-22 was submitted to Board, as well as the committee Terms of Reference Review. The latter concluded that the committee structure was operating effectively and recommended some minor changes to the committee's terms of reference.

The Board requires Board members to declare on appointment and thereafter on an annual basis that they remain a fit and proper person to be employed as a Board member. Independent checks are also undertaken on an annual basis for all Board members to ensure they remain fit and proper for the role. The committee

chairs meet annually to review their combined performance and to ensure that they collectively serve the Board.

We reviewed the minutes of the most recent committee chairs review which covered the governance structure, committee's effectiveness. The review included a summary of actions and recommended minor changes to the way views about committee effectiveness were collated. It also recommended a bi-annual review of effectiveness as opposed to the annual reviews currently undertaken.

Our review of Board and committee papers confirms that a template covering report is used for all Board Reports, ensuring the purpose, key points, committee reporting history, recommendations and responsible director are clear. Minutes are published and reviewed by the Board to evidence the matters discussed, appropriate challenge and decisions made.

We read the Care Quality Commission's (CQC) most recent inspection report on the Trust from October 2019. CQC reported, "There was a governance structure to enable safe, high-quality care to flourish. There was a comprehensive committee structure which ensured the trust had a systematic approach to ensuring the quality and safety of its services and being assured of this."

Audit Committee

The Trust has an established Audit Committee that is responsible for reviewing the establishment and maintenance of an effective system of integrated governance, risk management and internal control across the organisation's activities that supports the achievement of the organisation's objectives.

It achieves this by reviewing the adequacy and effectiveness of:

- the Trust's general risk management structures, processes and responsibilities, together with any accompanying Head of Internal Audit statement, external audit opinion or other appropriate independent assurances, prior to endorsement by the Board;
- the underlying assurance processes that indicate the degree of achievement of corporate objectives and the effectiveness of the management of strategic risks;
- the policies for ensuring compliance with the relevant regulatory, legal and code of conduct requirements and related reporting and self-certification; and
- the policies and procedures for all work related to fraud and corruption as required by NHS Protect

Introduction

Audit of the financial statements

Commentary on VFM arrangements

Other reporting responsibilities and our fees

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

The Audit Committee is also responsible for:

- the provision and maintenance of an effective system of financial risk identification and associated controls, reporting and governance;
- reviewing the Board Assurance Framework's sources of assurance for appropriateness, independence, and frequency. Evaluating whether these can effectively evidence that the controls are working and that the assurance process is being effectively applied; and
- ensuring that appropriate governance is in place to ensure that the Trust can comply with its statutory duties relating to information governance.

Our review found the Audit Committee considers the Board Assurance Framework, Annual Report, Annual Governance Statement and progress of internal audit, counter fraud and external audit plans. It also regularly receives updates on losses and special payments, waivers of standing orders and reviews on behalf of the Board, the operation of and proposed changes to the standing orders, standing financial instructions and scheme of delegation.

We have reviewed supporting documents and confirmed the Audit Committee has agreed terms of reference, meets regularly and reviews its programme of work to maintain focus on key aspects of governance and internal control. Our attendance at Audit Committee has confirmed there is an appropriate level of effective challenge.

Board Assurance Framework

The Trust has a well-established Board Assurance Framework and risk management system in place which is embedded into the governance structure of the organisation. The Trust has a risk management policy and procedure in place, setting out its key objectives, the requirement for an integrated and consistent approach to risk management and the key roles and responsibilities for risk management. The Trust Board is responsible for the organisation's overall governance and to review and maintain an effective system of internal control, including systems and resources for managing all types of risk.

All risks, including financial are recorded and monitored through the Trust's risk management software programme, Datix. The risk register includes a description of the risk, any controls currently in place, actions to be completed, and the initial, current and target risk scores. All risks are assigned a risk owner. Extracts from the Datix system are regularly scrutinised by senior managers. The Quality Committee scrutinise management

of clinical risks and provide evidence of effective clinical risk management to the Board. The Business Committee scrutinise non-clinical risks with a risk score of 8 or above and where relevant, propose further risk reduction treatment. Risks assigned a score of 12 or above (high) and 15 or above (extreme) are escalated to Trust Board.

Review of reports to the Business Committee and Quality Committee show clear reporting of risks, including details of the risk, rationale for the risk score, controls in place and actions taken. Risks are assigned a target risk score and an expected date to reach target is set. Reports also include escalated, de-escalated, new and closed risks. Minutes of the Quality Committee and Business Committee are presented to Trust Board to allow for scrutiny and challenge by the Trust leadership.

We have reviewed minutes of the Business Committee and Quality Committee and are content that the above arrangements have been in effective practice throughout 2021/22.

Internal Audit and Counter Fraud

In order to provide assurance over the effective operation of internal controls, including arrangements to protect and detect fraud, The Trust appointed "TIAA" as internal auditors and local counter fraud specialists (LCFS). Work plans are agreed with management at the start of the financial year and reviewed by the Audit Committee prior to approval. For 2022/23 onwards the Trust has appointed Audit Yorkshire as internal auditors and LCFS.

We have reviewed the Internal Audit Plans for 2021/22 and 2022/23 and confirmed planned work is informed by a risk assessment and is focused on the key audit risks and to ensure a robust Head of Internal Audit Opinion can be provided. For 2022/23 onwards an outline strategic plan for 2022/23 to 2024/25 has been developed, which incorporates the annual operational plan for 2022/23. This was approved by the Audit Committee in March 2022. Progress reports are presented to each Audit Committee meeting including follow up reporting of recommendations not fully implemented by agreed due dates. This allows the Committee to effectively hold management to account on behalf of the Board. Members of the committee engage in robust challenge of management when discussing findings from internal audit reviews.

The Head of Internal Audit Opinion is reflected in the published Annual Governance Statement, where, in their view internal audit were satisfied the Trust had reasonable and effective risk management, control and governance processes in place throughout 2021/22.

Introduction

Audit of the financial statements

Commentary on VFM arrangements

Other reporting responsibilities and our fees

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

Performance Management

We have reviewed key reports issued to the Board and confirmed the Trust reports its performance in several different ways:

- a Performance Brief to each Board meeting; and
- the publication of the Annual Report and Annual Governance Statement, which are reviewed by the Audit Committee before adoption by the Board.

The Performance Brief is structured in line with the CQC domains of safe, caring, effective, responsive and well led, with the addition of finance. Performance in each area is summarised in an assurance summary dashboard, which shows performance against target and over time. Performance is rated using a traffic light system and prior year data is included for comparative purposes. Key themes and actions taken are summarised in the narrative commentary supporting each of the key areas. Cross-membership to ensure all committees have members who are on more than one committee, ensures information can be triangulated with more in-depth reporting to committees.

The Business Committee oversees and gains assurance on all aspects of financial management and operational performance, including data quality, finance and performance reporting, cost improvement plans, non-clinical risks, review of operational plan and budget, tender evaluation, oversight of workforce, estates and statutory health and safety obligations and treasury management.

Our review confirms, overall, that the Trust’s reports are clearly laid out and sufficiently detailed to monitor performance and corrective action is taken where required.

Conduct

We have reviewed key policies and procedures in place to maintain compliance with legislative/regulatory requirements and standards in behaviour, including conflicts of interest. These policies and procedures are subject to regular review by the Trust.

The Trust has a Conflicts of Interest Policy and all Board members are required to declare any interest on an annual basis. Before each Board/committee meeting, the Chair reviews the papers and considers any potential conflicts of interest. At each meeting there is a standing item on the agenda for members and attendees to

declare any additional interests. A gifts and hospitality register is maintained by the Company Secretary.

We reviewed the declarations of interest during the financial statements audit. We have confirmed that all executive and non-executive declared interests and gifts and hospitality are reported within the 2021/22 Annual Report.

Conclusion

Given the above, we are satisfied there is not a significant weakness in the Trust’s arrangements in relation to the governance reporting criteria.

3. VFM arrangements

Improving Economy, Efficiency and Effectiveness

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



3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

Performance Management

The Trust is a member of the NHS Benchmarking Club and participates in most benchmarking exercises, focusing on those services that it believes will benefit most from comparative cost and performance information. The recent benchmarking focus has been on managing through and beginning the recovery from the Covid 19 pandemic.

The Trust have participated in the West Yorkshire community and mental health Trusts corporate benchmarking review undertaken by the NHS Benchmarking Club. The review was focused on current arrangements for accessing a wide range of corporate functions. With the aim being to use latest evidence on provision and performance to inform future strategy. The scope of the review included analysis of existing data and information, exploring themes evident in each corporate function and participation in wider discussion with peer Trusts. Prior to the review 4 workshops took place between the participating organisations allowing for collaboration and discussion of key topic areas. Whilst commissioned by Bradford and District Care NHS Foundation Trust all participating organisations received a copy of the comparative data and the key points from the workshops. It is the intention of the Trust to use this output from the from the benchmarking review and understanding from the workshops to inform the development of CIPs in corporate services for 2022/23.

The Trust uses a range of internal and external data to monitor performance and deliver improvements, an example of this is the commissioning of NTH Solutions to undertake a review of the soft facilities management. The review highlighted some immediate issues that needed to be addressed. As a result, an experienced Interim Facilities Manager has been recruited to oversee immediate enhancements and drive the improvement plan developed.

The Trust triangulates financial and performance information in key services. The Business Committee regularly receives a report triangulating information on the neighbourhood teams. Review of the reports to Business Committee show reporting of staffing, quality and finance data across the themes of capacity, delivery, safety and experience, compliance (workforce indicators) and finance. The Trust Board also receive regular Performance Briefs covering performance against the CQC domains and finance. Our review confirms the reports provide sufficient detail to understand performance and published minutes demonstrate sufficient challenge from non-executive directors on the Trust’s costs, performance and service delivery.

The Trust has established and embedded a new way of delivering improvement projects during recent years. The Business Change and Development Service (BCDS) brings together project and business managers to

project manage service transformation. We reviewed the Project Initiation Document (PID) for the Neighbourhood Model transformation project, along with project progress reporting to the Transformation Progress Board. The PID clearly sets out the aim, scope and time, cost and quality parameters for the project. The document also sets out how the project will work, the Governance arrangements, role of the Transformation Board, the project team and individual projects that make up the overall transformation project. Objectives and success measures are also set out along with risks to delivery and identified mitigating actions. Reporting to the Transformation Progress Board includes progress against high level milestones, with explanations for any slippage along with monitoring of progress at the individual project level and outlining of planned next steps. Where appropriate high-level reporting also highlights any new risks, issues, escalations, project interdependencies or parameter changes. Overall, this demonstrates that projects are clearly planned and monitored to ensure successful delivery of outcomes.

The Trust has developed its own performance information portal (PIP) to provide managers with information in relation to mandated performance measures and service specific indicators. The system brings together performance data from a range of sources into overall Trust wide reports that can be drilled down to business unit/service level. Review of example PIP information at the neighbourhood team level shows a wide range of metrics are collated monthly, these are consolidated into an overall heatmap showing areas of strong, moderate and weak performance at a glance. Output and dashboards from PIP feed into reports to committees and Trust Board and are used at business unit level performance panels to hold operational managers to account.

We have read and reviewed the Trust’s Annual Report which sets out its performance against key financial indicators and how it evaluates and reports performance and ensures the quality of data on which performance is reported. We read the CQC’s most recent inspection report from Oct 2019, which stated, ‘There were systems to identify performance issues and to manage these. The Trust produced a range of dashboards at all levels of the organisation to monitor performance in the full range of trust functions. There was a system of assurance meetings where managers were held to account for performance. The trust was assured of the quality of its data’.

Partnership Working

The Trust has “being a good partner” as one of the four statements about how it will achieve its vision. The strategic risks to delivery of that goal are identified in the Board Assurance Framework and as such they are monitored by the Business Committee and or Board. The Trust has introduced an internally developed

Introduction

Audit of the financial statements

Commentary on VFM arrangements

Other reporting responsibilities and our fees

3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria - continued

Partnership Governance Framework to ensure all aspects of working in partnership are considered in advance of entering into a partnership and the Trust has formal partnership boards where it is providing commissioned services as a lead provider.

A recent example where the Trust has worked in partnership to deliver improved health outcomes is the Leeds Covid Vaccination Programme. The Trust's Director of Operations is the Senior Responsible Officer (SRO) for the programme, co-ordinating the service delivery across a range of health, social care, GP and pharmacy organisations. A Vaccine Programme Board was put in place which included representatives from the Leeds NHS Trusts, CCG, NHSE Leeds City Council and GP Confederation and a 'live' plan was implemented to co-ordinate delivery of the programme, monitor outcomes and identify areas requiring additional action. Review of example Programme Board minutes show updates on previous actions, discussion around national and regional updates, review of the 'live' plan, workstream updates and updates on cross cutting issues e.g. finance, IT etc, with actions taken forward to future meetings.

The revised finance regime means that financial performance is now measured at an ICS level and the organisations of the West Yorkshire ICS have collective performance targets. This shared responsibility is discharged through timely and transparent sharing of data, regular Director of Finance Forum meetings and joint meetings to develop a consensus on approach and risk mitigation across the ICS. This is an example of how the Leeds organisations are working together at an ICS level.

Other examples of partnership working include the partnership with Leeds Teaching Hospitals NHS Trust to deliver the Leeds Long Covid Rehabilitation Service and collaborative working with primary care providers to launch integrated wound clinics and the Integrated Diabetes Service.

Procurement

The Trust's processes for procurement of goods and services are governed by standing orders, standing financial instructions, the scheme of delegation and relevant policies and procedures. A six-monthly report on procurement is presented to the Business Committee. The Trust is a member of the North of England Commercial Procurement Collaboration (NoECPC) using it for expert advice and procurement frameworks, as well as having a service level agreement in place for transactional procurement services and advice from Leeds and York Partnership NHS Foundation Trust.

Our attendance at the Audit Committee confirms it receives regular reports on any breaches of Standing Orders/Standing Financial Instructions and Single Tender Waivers to assure the Board that the Trust is working in accordance with relevant legislation, professional standards and internal policies. Sufficient information is provided to enable an adequate level of review and we have observed an appropriate level of challenge from Committee members through the year.

Conclusion

Given the above, we are satisfied there is not a significant weakness in the Trust's arrangements in relation to the economy, efficiency and effectiveness reporting criteria.

Introduction

Audit of the financial statements

Commentary on VFM arrangements

Other reporting responsibilities and our fees

04

Section 04:

**Other reporting responsibilities and
our fees**

4. Other reporting responsibilities and our fees

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make a referral to the Secretary of State
- make a written recommendation to the Trust which must be responded to publicly.

We have not exercised any of these statutory reporting powers.

We are also required to report if, in our opinion, the governance statement does not comply with relevant guidance or is inconsistent with our knowledge and understanding of the Trust. We did not identify any matters to report in this regard.

Reporting to the NAO in respect of consolidation data

The NAO, as group auditor, requires us to report to them whether consolidation data that the Trust has submitted is consistent with the audited financial statements. We have concluded and reported that the consolidation data is consistent with the audited financial statements.

4. Other reporting responsibilities and our fees

Fees for work as the Trust's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit Committee in March 2022. Having completed our work for the 2021/22 financial year, we can confirm that our fees are as follows:.

Area of work	2021/22 fees
Planned fee in respect of our work under the Code of Audit Practice	£56,525
Total fees	£56,525

Fees for other work

We confirm that we have not undertaken any non-audit services for the Trust in the year.

Mark Dalton, Director – Public Services

Mazars

5th Floor
3 Wellington Place
Leeds
LS1 4AP

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.