



Auditor's Annual Report

Derbyshire Healthcare NHS Foundation Trust – year ended 31 March 2024

June 2024

Contents

01	Introduction
02	Audit of the financial statements
03	Commentary on VFM arrangements
04	Other reporting responsibilities
A	Appendix A: Further information on our audit of the financial statements

01

Introduction



Introduction

Purpose of the Auditor’s Annual Report

Our Auditor’s Annual Report (AAR) summarises the work we have undertaken as the auditor for Derbyshire Healthcare NHS Foundation Trust (‘the Trust’) for the year ended 31 March 2024. 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 26 June 2024. We expect to issue an unqualified opinion.



Value for Money arrangements
We did not identify any significant weaknesses in the Trust’s arrangements to secure economy, efficiency and effectiveness in its use of resources. Section 3 provides our commentary on the Trust’s arrangements.



Wider reporting responsibilities
In line with group audit instructions issued by the NAO, we reported that the Trust’s consolidation schedules are consistent with the audited financial statements.

02

Audit of the financial statements



Audit of the financial statements

Our audit of the financial statements

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 2024 and of its financial performance for the year then ended. Our audit report gave an unqualified opinion on the financial statements for the year ended 31 March 2024.

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix A. In this appendix we also outline the uncorrected misstatements we identified and any internal control recommendations we made.

Qualitative aspects of the Trust's accounting practices

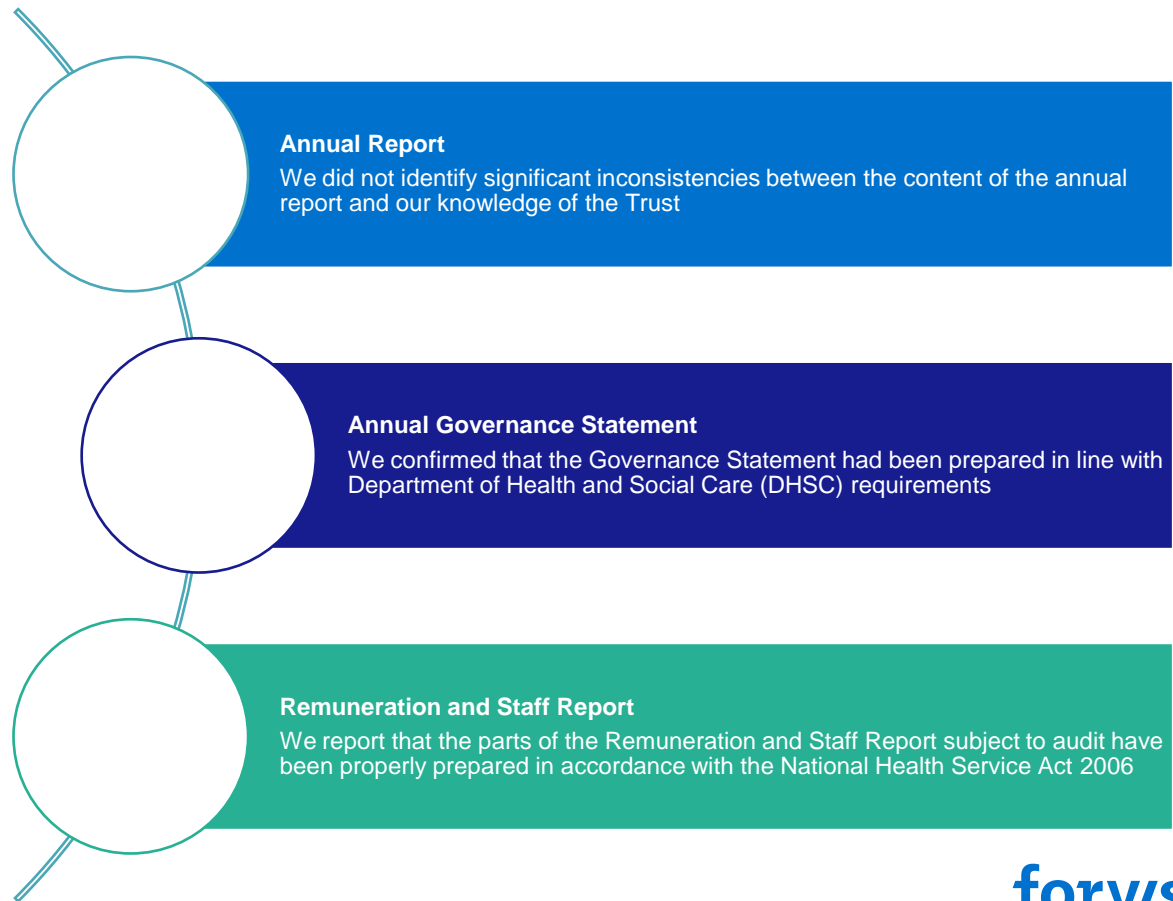
We reviewed the Trust's accounting policies and disclosures and concluded they complied with relevant accounting practice.

Internal Controls

The purpose of our audit was to express an opinion on the financial statements. As part of our audit, we considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

Our detailed findings and recommendations were included in the Audit Completion Report to the Trust's Audit and Risk Committee in June 2024, confirming there were no 'high' priority recommendations with potential for financial loss, damage to reputation or loss of information that may have implications for the achievement of business strategic objectives for immediate implementation.

Other reporting responsibilities

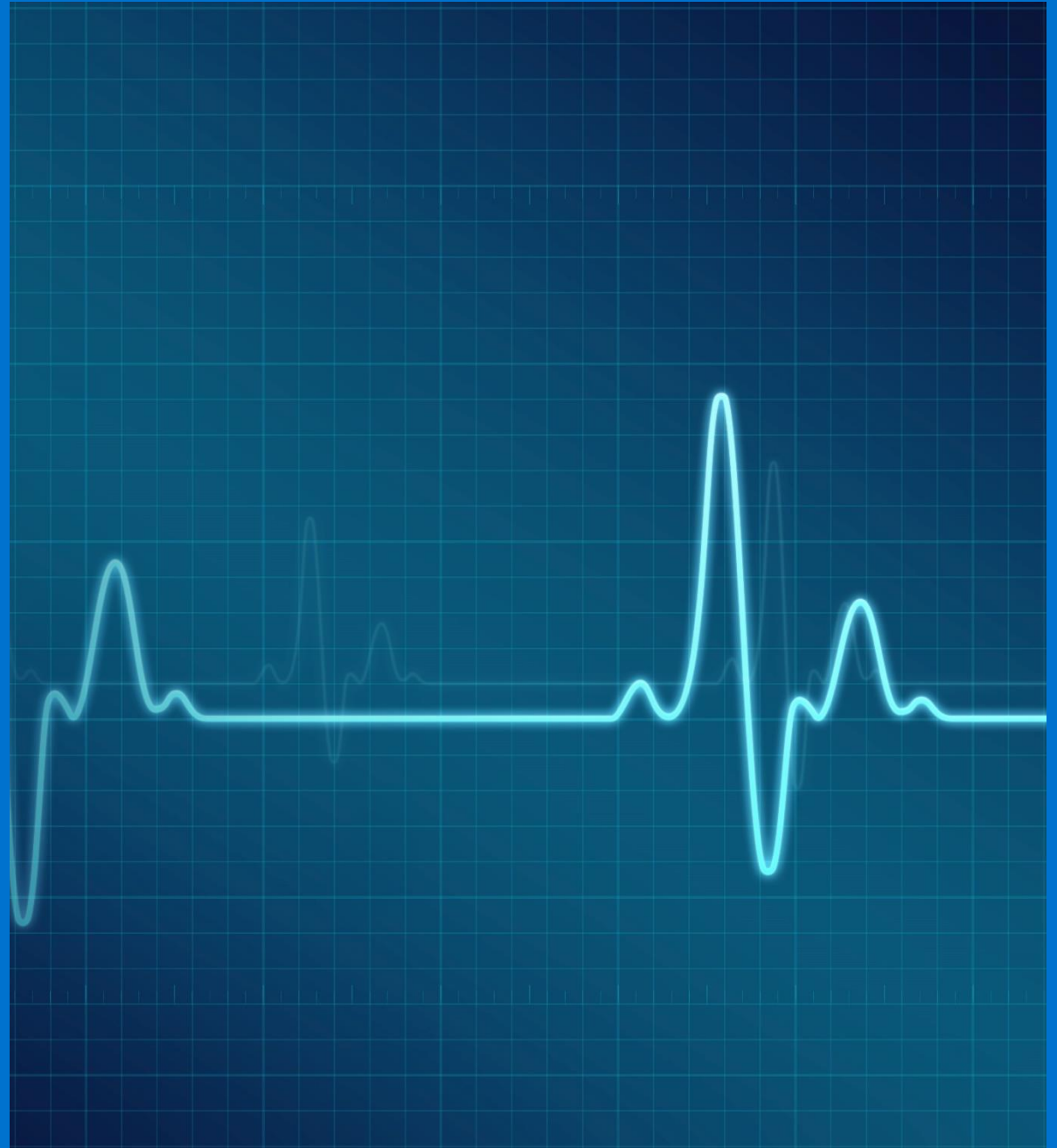


03

Our work on Value for Money arrangements




VFM Arrangements: Overall Summary





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.

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.

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	18	No	No	No
	Improving economy, efficiency and effectiveness	21	Yes – Conditions applied to the Radbourne Unit	No	Yes

Financial Sustainability

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

Significant weakness in 2022/23	Nil.
Significant weaknesses in 2023/24	Nil.



VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability

Position brought forward from 2022/23

As set out in the table above, there were no significant weakness in the Trust's arrangements for financial sustainability brought forward from 2022/23.

Context to NHS spending

The 2021 Spending Review set Government departmental budgets and spending plans for the three years from 2022/23 to 2024/25. The NHS's settlement provided additional funding for elective recovery, but also assumed inflation would be 2% and pay settlements of 2%. The review announced that core day-to-day spending on the NHS would rise by 3.8% between 2021/22 – 2024/25, reaching a total of £152bn in 2024/25.

However:

1. The Consumer Prices Index (CPI) rose by 3.4% in the 12 months to March 2024, down from 10.1% for the 12 months to 2023.
2. The Government announced pay awards for Agenda for Change staff in England which included a 5% consolidated award for 2023/24.
3. The reformed pay scale for consultants; the new offer consisted of an extra £3,000 for senior doctors between four and seven years into their careers, equivalent to a 2.85 per cent uplift, in addition to a 6 per cent rise awarded last year. NHSE will fund the backdated pay relating to the 2023/24 for Providers.

Integrated Care Systems are the key unit for financial planning purposes, with the aim of encouraging greater collaboration and collective responsibility for financial performance. The Integrated Care Board (ICB) allocations for primary medical care services and running cost allocations remained broadly consistent with previous years, reflecting demographics of the serviced populations and broader economic factors.

Funding for elective recovery has operated on a new basis during 2023/24. Each commissioner was set an individual elective activity target that recognised the level of elective activity delivered in 2022/23 by its contracted trusts. Commissioners were then required to agree contracts with their providers. For trusts, almost

all contracts were based on aligned payment and incentive contracts with a fixed and variable element. The fixed element covered funding for the expected level of activity for all services apart from those identified in the variable element. The variable element funded elective activity paid at 100% of the NHS Payment Scheme unit price.

As under previous arrangements, systems were required to achieve a breakeven position. This continued to necessitate further collaboration through the planning process, as individual organisations worked together to achieve system-level outcomes.

General Election

A general election will take place on Thursday 4 July. Parliament was prorogued on Friday 24 May and will be dissolved on Thursday 30 May. Neither House nor their committees will then meet until after the election.

NHS England has provided [guidance](#)¹ regarding the need to remain neutral and impartial during the pre-election period. The guidance explains that Board meetings should be confined to discussing matters that need a board decision or require board oversight and that matters of future strategy should be deferred.

1. www.england.nhs.uk/long-read/pre-election-guidance-for-nhs-organisations-general-election-2024/

VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability

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 2023/24. These confirm the Trust Board undertook its 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 Trust's service users.

The Trust's Finance and Performance Committee has met regularly through the year and reported through to the Board. Within the Committee's remit includes oversight of:

- Financial performance and plans;
- Operational Performance;
- Continuous improvement and transformational change programmes;
- Estates strategy and delivery, including the Making Room for Dignity Programme;
- Information technology and systems strategy and execution;
- Contract delivery and system working (including collaborations and partnerships); and
- Oversight of key risks relating to the above.

In our view, the function and remit is as we would expect for a Trust of this size and complexity and evidence of adequate arrangements in place for financial governance.

The Trust's financial planning and monitoring arrangements

Through the year we have met regularly with management and reviewed relevant board and committee reports and minutes, including the Integrated Performance Report presented to the May 2024 Board.

Through our review of board and committee reports, meetings with management and relevant work performed on the financial statements, we are satisfied that the Trust's arrangements for budget monitoring remain

appropriate, and these include:

- Standing Financial Instructions with relevant provisions for budgetary control and reporting;
- Oversight from the Trust Board and its Committees, through an Integrated Performance Report and detailed reports on finance including outturn and financial planning;
- The Trust has well established arrangements for year-end financial reporting, despite increasing challenges placed on the finance team with concurrent financial reporting and 2024/25 financial planning deadlines.

2023/24 financial outturn

Financial performance is regularly reported and scrutinised by the Finance and Performance Committee alongside Audit and Risk Committee. There is regular integrated reporting of financial and performance information to the Board.

The Trust's draft financial statements showed:

- An Operating deficit from continuing operations of **£1.9m deficit** (Prior Year = £6.7m surplus);
- An Overall deficit for the year of **£9.8m deficit** (Prior Year = £2.5m surplus), against gross expenditure of £231m (Prior Year = £204m) – although important to note that £4.5m one-off additional costs as a result of a change in accounting treatment for the measurement of PFI liabilities in 2023/24;
- As shown in the Cashflow statement, the Trust generated £8m positive cash inflow from operating activities (Prior Year = £12m) and ended the year with cash and cash equivalents of £34m ((Prior Year = £54m); and
- As shown in the Balance Sheet, the Trust's Income & Expenditure Reserve is a deficit of £6m (Prior Year = £14m surplus).

Our audit work on the financial statements has not highlighted any material errors and our consideration of the reported financial position does not highlight any specific concerns over the financial sustainability criteria for 2024.

VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability

2023/24 financial outturn (continued)

Achieving a sustainable revenue surplus is a measure of success against maintaining financial sustainability, where a sustainable surplus enables the cash generated to be invested in subsequent years, for example maintenance of estates, purchase medical equipment or development of digital infrastructure. The Trust's financial performance for the year is adjusted to remove technical, non-recurrent, accounting adjustments to arrive at an "Adjusted financial performance control total". For 2023/24, the Trust's position was **£4.6m deficit** (Prior Year = £0.02 surplus) against a break-even plan, with the Trust Board being informed that the main drivers were:

- Public Dividend Capital (PDC) funding withdrawal of £2.5m;
- Patient with a complex eating disorder costs of £2.2m (net of a £500k contribution to date);
- Management of operational cost pressures offset by vacancies, interest income, cost reductions and release of balance sheet items.

No issues arose from our testing of revenue in the financial statements. Given the financial performance for the year and as employee expenses make up 75% of operating expenses, we considered pay costs, staff sickness, the NHS staff survey and the achievement of efficiency savings in more detail.

Capital expenditure

As set out in Note 14 of the financial statements, the Trust spent £70.7m on capital additions in 2023/24, mainly on the Dormitory Eradication Programme. Our testing of capital expenditure and capital payables in the 2023/24 financial statements did not identify any significant errors.

Pay costs

Employee costs for 2023/24 are set out in note 8 of the financial statements, showing £122.2m spent on salaries and wages and £8.8m on temporary staffing. Our testing on pay and pay related costs did not highlight any concerns.

From our discussions with management and review of the Integrated Performance Report for 2023/24, we note that agency costs are £3.5m over planned costs, mainly due to £2.8m of additional costs to support a patient with complex needs on one of the wards. The two highest areas of agency usage relate to Consultants and Nursing staff. Excluding the effect of this single issue, agency costs are £0.7m over plan.

The table below also summarises our calculation of temporary costs as a percentage of Trust expenditure on salaries, wages, social security and pension costs as shown in Note 8 of the draft financial statements. It shows that temporary staff costs have remained static over the prior year, with a small increase in the percentage. In our view, this does not demonstrate a risk of significant weakness in arrangements.

Note 8 (draft financial statements £k)	2022/23	2023/24
Agency / contract staff	7,596	8,825
Salaries, wages, social security and pension costs	147,998	157,327
Temporary staff costs as a % of employee benefits expenses	5.1 %	5.6 %

VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability

2023/24 financial outturn (continued)

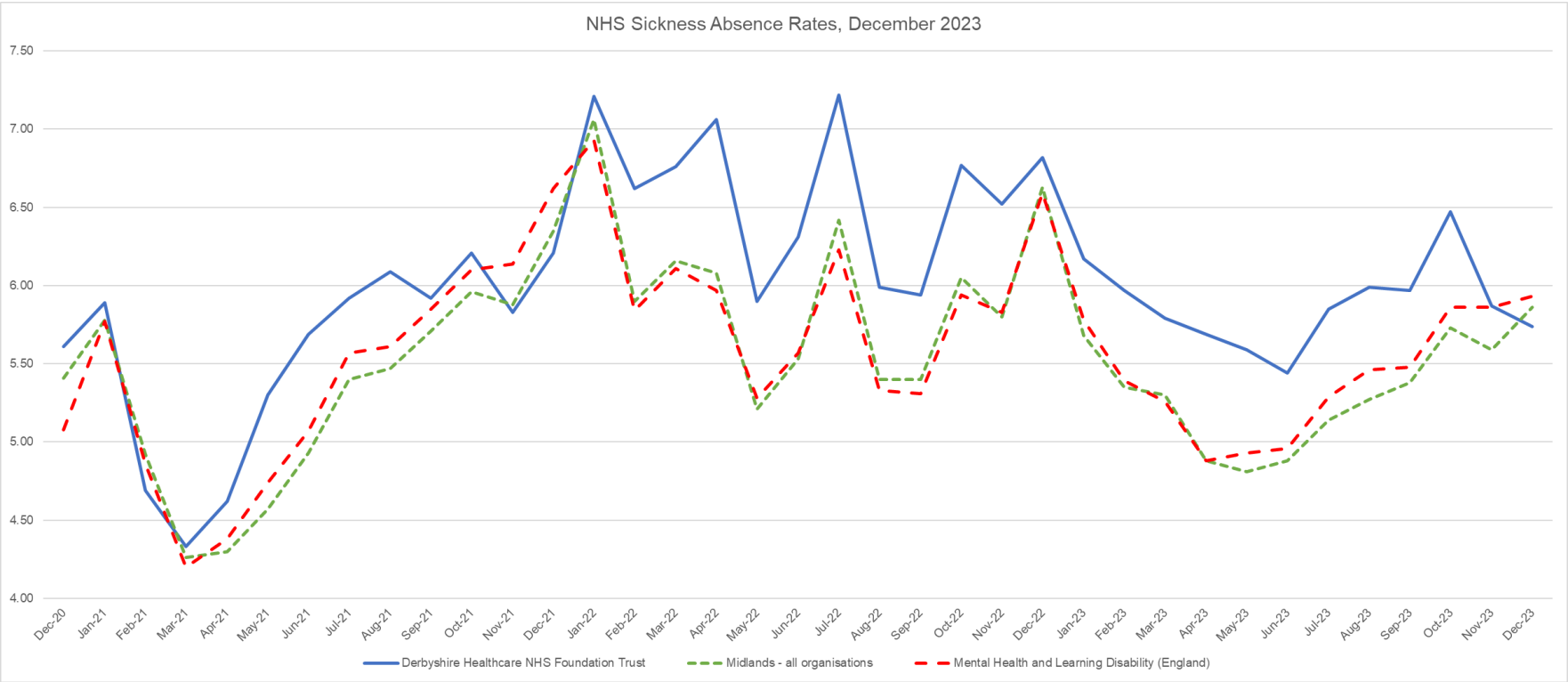
Sickness absence

As reported to the May Board, sickness absence overall is 0.4% lower than in the previous year, running at 6.03%.

We obtained the latest data release on sickness absence, up to the period December 2023 from NHS digital, which shows monthly sickness absence rates of NHS Hospital and Community Health Services staff working in NHS Trusts and other core organisations and NHS Support Organisations and Central Bodies. According to NHS Digital:

- the overall sickness absence rate for England was 5.5%. This has increased slightly since November 2023 (5.3%) but is lower than in December 2022 (6.3%).
- Anxiety/stress/depression/other psychiatric illnesses was the most reported reason for sickness, accounting for over 620,820 full time equivalent days lost and 25.6% of all sickness absence in December 2023. This has decreased slightly since November 2023 (26.2%).

As shown in the chart opposite, the Trust's sickness absence rate has been running at higher levels than other Mental Health Trusts between January 2022 and November 2023, with a particular spike in July 2022 (when the UK experienced a 40 degree heatwave). That long-running trend has an accumulating effect on the need to backfill roles through temporary staffing measures.



VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability

2023/24 financial outturn (continued)

NHS Staff survey

The National NHS Staff Survey 2023 was conducted between September and November 2023. We obtained the 2023 NHS Staff Survey published in March 2024 and confirmed the survey results have been received by Board in March 2024.

In our view, the staff survey can provide insights into staff engagement that can correlate into productivity and overall performance. We therefore analysed the results for the current year and reviewed the Trust's scores for two other indicators which, in our view, represent key performance indicators relating to workforce:

- Percentage of people that would recommend the Trust as a place to work
- Percentage of people happy with the standard of care Friends and Family would receive.

The outcome of the NHS Staff Survey shows general improvement in most domains and no indicators of a potential risk of significant weakness in the Trust's arrangements.

Survey Area	DH (2021/22)	DH (2022/23)	Derbyshire Healthcare (2023/24)	Best	Average	Worst	Trend
We are compassionate and inclusive	7.8	7.7	7.7	7.9	7.6	7.1	Stable
We are recognised and rewarded	6.6	6.5	6.6	6.9	6.4	6.0	Improving
We each have a voice that counts	7.2	7.1	7.1	7.3	7.0	6.2	Stable
We are safe and healthy	6.6	6.5	Not reported				
We are always learning	5.8	5.7	6.0	6.5	5.9	5.2	Improving
We work flexibly	7.1	7	7.2	7.3	6.8	6.2	Improving
We are a team	7.3	7.3	7.3	7.5	7.2	6.9	Stable
Staff engagement	7.3	7.2	7.2	7.5	7.1	6.5	Stable
Morale	6.5	6.3	6.4	6.6	6.2	5.2	Improving

I would recommend my organisation as a place to work				
	Best	Derbyshire Healthcare (2023/24)	Average	Worst
2021	73.6%	72.1%	63.1%	43.3%
2022	73.0%	68.0%	62.8%	39.6%
2023	75.4%	71.8%	65.6%	39.5%

If a friend or relative needed treatment I would be happy with the standard of care provided by this organisation				
	Best	Derbyshire Healthcare (2023/24)	Average	Worst
2021	82.4%	71.7%	64.9%	45.0%
2022	79.6%	66.5%	63.6%	40.1%
2023	80.4%	67.6%	65.2%	43.6%

VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability

2023/24 financial outturn (continued)

Efficiencies delivered 2023/24 and planned for 2024/25

The Trust is required to make financial efficiency savings through schemes known as Cost Improvement Programmes (CIP). The Trust assesses CIP savings each month against the cumulative Year to Date (YTD) planned savings. In 2022/23 and 2023/24 the Trust has delivered 100% of its savings targets.

We reviewed the Integrated Performance Report to the May 2024 Board, which explained that the Trust's 2023/24 financial plan assumed an efficiency requirement of £8.8m, phased equally across the financial year. At the end of the financial year, whilst £8.8m savings were delivered (in line with Plan), the majority (76%) of those savings were non-recurrent in nature. This is consistent with the financial return (TAC) form that accompanies our work on the financial statements.

We obtained and reviewed the 2024/25 financial plan, which is for an adjusted financial performance deficit of £6.4m, depending on £12.5m efficiencies (4.6% of operating expenditure), of which:

- £10.8m are in pay costs, where the majority (£8.1m) are expected from come service re-design;
- the Trust has categorised £3.7m as 'High Risk' of delivery;
- £8.8m are either developed or have plans in progress; and
- 71% are planned to be recurrent.

Extracting information from the 2022/23 financial plan, 2023/24 financial plan, 2023/24 TAC forms and the 2024/25 financial plan (May 2024 version), we prepared the table opposite to summarise the Trust's CIP plans.

Whilst the Trust has a track record of delivering the value of required savings, it has become reliant on non-recurrent measures to deliver financial balance. The Trust's Board Assurance Framework recognises the financial risks in delivering the required efficiencies, with the Audit and Risk Committee receiving a 'deep dive' review in January 2024. The Trust recognises the over-reliance on non-recurrent measures is not sustainable in the long-term because it compounds pressure on future financial years.

Overall, we have not identified any indicators of a significant weakness in the Trust's arrangements relating to the Financial Sustainability criteria.

	2022/23 Financial Plan	2023/24 Financial Plan	2023/24 Outturn	2024/25 Financial Plan
Total efficiencies	6,016	8,770	8,770	12,540
<u>Efficiency Plan Risk</u>				
High Risk	1,171	4,000		3,715
Medium risk	1,963	2,834		7,865
Low Risk	2,882	1,936		960
<u>Efficiency Plan Status</u>				
Fully Developed	2,582	1,936		700
Plans in Progress	0	0		8,125
Opportunity	2,264	5,304		2,300
Unidentified	1,171	1,530		1,415
Operating expenses	174,816	196,168	220,153	261,410
Total Provider efficiency % of operating expenses	3.3%	4.3%	3.9%	4.6%
Recurrent as a % of all efficiencies	61.1%	75.0%	24.2%	71.1%
Non-Recurrent as a % of all efficiencies	38.9%	25.0%	75.8%	28.9%

Governance

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

Significant weakness in 2022/23	Nil.
Significant weaknesses in 2023/24	Nil.



VFM arrangements – Governance

Overall commentary on Governance

Position brought forward from 2022/23

There are no indications of a significant weakness in the Trust's arrangements brought forward from 2022/23.

Overall arrangements for governance

The Trust has a full suite of governance arrangements in place, supported by the Trust's Constitution and Scheme of delegation. These are set out in the Trust's Annual Report and Annual Governance Statement. We reviewed these documents as part of our audit and confirmed they were consistent with our understanding of the Trust's arrangements in place.

Our review of the Trust's governance framework confirms arrangements are in place, with the Trust Board being overall responsible for the performance of the Trust and having a clear set of strategic and supervisory roles. The Trust has established Committees to support these roles, with the following Committees in place:

- Audit and Risk Committee;
- Finance and Performance Committee;
- Mental Health Act Committee;
- People and Culture Committee;
- Quality and Safeguarding Committee; and
- Remuneration and Appointments Committee

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.

Our review of Board and committee papers confirms that a template covering report is used for all Board reports, ensuring the purpose, strategic context, governance issues, and recommendations are clear. Minutes are published and reviewed by the Board to evidence the matters discussed, challenge and decisions made.

Monitoring and assessing risk

The Trust records strategic risks in the Board Assurance Framework and our review confirms it is sufficiently detailed to manage the Trust's key risks, identify controls, gaps in controls and obtain the assurance required to work towards a targeted risk score. Our review of reports as well as attendance at Audit and Risk Committee meetings confirms the Board Assurance Framework is regularly updated and in sufficient detail to allow for adequate review including primary risk controls, gaps, plans to improve controls and any additional actions required.

Internal Audit reviewed the Board Assurance Framework for 2023/24 giving it a conclusion rating of “ ”. In our view, we are satisfied this provides further evidence that arrangements are adequate.

The Audit and Risk Committee considers the Board Assurance Framework, Annual Report and Accounts, and Annual Governance Statement and monitors progress against internal and external audit plans. We have attended Committee meetings and reviewed supporting documents and are satisfied that the programme of work is appropriate for the Trust's requirements. Our attendance at Audit and Risk Committee has confirmed there continues to be an appropriate level of effective challenge.

Internal controls

To provide assurance over the effective operation of internal controls, including arrangements to protect and detect fraud, The Trust has appointed independent third parties as internal auditors. Work plans are agreed with management at the start of the financial year and reviewed by the Audit and Risk Committee prior to approval.

We have read Internal Audit's Annual Plan and Annual Report and confirmed the Head of Internal Audit Opinion is reflected in the Annual Governance Statement. From our attendance at Audit and Risk Committee and review of supporting reports and minutes, Internal Audit has not identified any significant weaknesses in the governance, risk and the control environment in the 2023/24 Head of Internal Audit annual opinion.

Our audit of the financial statements did not identify any significant weakness in internal controls.

VFM arrangements – Governance

Overall commentary on Governance

Well led review

The Care Quality Commission defines an organisation that is “Well-Led” as one where the leadership, management and governance of the organisation assures the delivery of high-quality and person-centred care, supports learning and innovation, and promotes an open and fair culture.

During 2023/24, the Trust Board received regular updates to prepare for the CQC inspection. The review was carried out by the Office of Modern Governance and the final report which includes the recommendations was issued and discussed by Board in November 2023. The agreed recommendations have been built into an action plan that will be reported to and monitored by the Audit and Risk Committee. We reviewed the report and are satisfied it provides corroborative assurance over arrangements for governance and improving economy, efficiency and effectiveness, with no indication a significant weakness in arrangements, in particular noting the following statements:

- “There is a strong and embedded governance framework in place that facilitates Board oversight of good quality service provision and the execution of the Trust Strategy. It compares well with other mental health foundation trusts.”
- “Board, operational and clinical assurance systems are comprehensive enabling performance issues to be escalated appropriately.”

We say more on CQC and regulatory reporting under the criteria for Improving Economy, Efficiency and Effectiveness in the next section of our report.

Budgetary control and financial reporting

The Trust has well established arrangements for financial reporting, with no significant matters arising from our work on the financial statements or in our detailed Audit Completion Report, issued to the Audit and Risk Committee in June 2024. As set out under our commentary for financial sustainability, the Trust delivered against the revised financial control total for 2023/24.

2024/25 budget setting

Our review of the Trust’s 2024/25 financial plan did not identify any evidence of deviation from planning guidance.

We reviewed the May 2024 Board meeting of Derbyshire Integrated Care Board (ICB) confirmed the Trust developed its 2024/25 operating and financial plan alongside system partners. As a system, the overall financial projection generates an underlying trading deficit of £68.8m for the ICB and five Foundation Trusts (inclusive of East Midlands Ambulance Services) combined, with deficit plans for the Chesterfield Royal Hospitals FT, University Hospitals of Derby & Burton FT, and Derbyshire Healthcare FT.

In addition, we have discussed financial performance with management and reviewed the position at Month 1 as reported to the Finance and Performance Committee in May 2024, which showed the Trust’s financial performance was in line with plan and was playing an active role in the local health system (Joined up Care Derbyshire).

We have not identified any indicators of a significant weakness in the Trust’s arrangements relating to the Governance criteria.

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

Significant weakness in 2022/23	Nil.
Significant weaknesses in 2023/24	Nil.



VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on Improving Economy, Efficiency and Effectiveness

Position brought forward from 2022/23

There are no concerns arising from prior years and overall arrangements for improving economy, efficiency and effectiveness are not significantly different in 2023/24.

Risks of significant weaknesses in arrangements in relation to improving economy, efficiency and effectiveness

We have outlined below the risk of significant weaknesses in arrangements that we identified as part of our continuous planning procedures, and the work undertaken to respond to it.

Risk of significant weakness	Work undertaken and the results of our work	
<p>Care Quality Commission (CQC) imposed conditions on the Radbourne Unit</p> <p>In April 2024, the CQC commenced an unannounced inspection of the Trust's acute mental health services. At the end of the inspection, the Trust received some initial feedback, where the CQC highlighted areas for improvement, including some immediate environmental changes to ensure patient safety alongside a Section 31 Notice of Decision to impose conditions on the Trust's registration as a service provider in respect of its regulated activities. Written findings, draft or otherwise, have not been issued as at 19 June 2024.</p>	<p>Work undertaken</p> <p>We reviewed the CQC's website, where condition of registration relating to carrying out this regulated activity have been applied to Ward 33 and 35 of Radbourne Unit. The Trust was required to provide a report to CQC on 19 April 2024 and weekly thereafter setting out the steps and progress undertaken to implement the actions as detailed in the above conditions. We noted that Section 31 is used where the CQC believes a person will "or may" be exposed to a "risk of harm" – this does not require that there "will" be "serious harm".</p> <p>We reviewed the financial ledger which showed:</p> <ul style="list-style-type: none">• Costs associated with Wards 33, 34, 35 and 36 of the Radbourne Unit were c£7.9m in 2023/24 – c3.6% of total operating expenditure in the financial statements.• Expenditure on just Ward 33 and Ward 35 of the Radbourne Unit was c£4m in 2023/24 – which is equivalent to c1.9% of the Trust's operating expenditure for 2023/24. <p>We have considered the Trust's arrangements it has in place relating to performance, including:</p> <ul style="list-style-type: none">• An Integrated Performance Report is presented at each Board meeting covering operational performance, quality of care, workforce and finances. Each Board Committee receives its own section of the dashboard at each meeting for detailed discussion, scrutiny and challenge so that it is able to provide assurance to the Trust Board.• Performance is monitored and tracked using dashboards linked to the electronic patient records that can be drilled down from a strategic, to a divisional and then down to a team level. <p>From our review of board and committee reports and minutes, there is evidence to show that mental health acute services and risks associated with provision of care are included Board Reports and the Board Assurance Framework.</p>	<p>Results of our work</p> <p>In considering the results of our work, we have taken into account that:</p> <ul style="list-style-type: none">• The Trust's overall CQC rating remains "Good" and the published CQC rating of acute services is "Requires Improvement".• No evidence has been presented that indicates the issues raised by the CQC are replicated across other services.• The conditions apply to two of the wards in the Radbourne Unit. <p>As a consequence, we have concluded that this is not a significant weakness in arrangements for the year ending 31 March 2024.</p> <p>"Other" Recommendation</p> <p>The Trust should continue to monitor and track the implementation of its action plans and ensure improvements are sustained. On receipt of the report from the CQC, it should also consider whether to seek specific assurance whether any matters arising could be more widespread in the services it provides.</p> <p>Management response</p> <p>The Trust took immediate action to respond to and address the CQC findings and has put in place a robust action plan which has been agreed with the CQC. We continue to report progress into the CQC and provider regular assurance reports through our own governance structures into Board on the progress and effectiveness of these actions. The includes a range of measures, some of which are already resolved and others continue to monitored for ongoing compliance, consistency of application and effectiveness. The Trust has also taken measures to review and ensure it is sighted on all our clinical services, so similar issues don't re-occur elsewhere. The detail of the above action plan and wider quality assurance work is overseen by our Quality & Safeguarding Committee</p>

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on Improving Economy, Efficiency and Effectiveness

Overall arrangements

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

- an Integrated Performance Report to each Board meeting
- the publication of the Quality Report, Annual Report and Accounts, and Annual Governance Statement, which are reviewed by the Audit and Risk Committee before adoption by the Board.

Our review of Trust Board and committee reports and minutes confirms that regular Integrated Performance Reports have been received. Performance is summarised in format which shows performance against target and over time. Board members are also able to triangulate information from this report with the assurance summaries from supporting committees, where committee chairs draw attention to assurances provided or matters escalated for the full Board's attention.

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. In our view, the Trust's reports are adequately laid out and sufficiently detailed to monitor performance and take corrective action where required, which may include updating the Board Assurance Framework.

The Performance Report in the Annual Report 2023/24 sets out, amongst other things, the Trust's performance against the nationally set Long Term Plan targets. This also outlines performance in the Trusts financial position, the workforce, recognition, regulatory performance, quality performance as well as equality, diversity and inclusion.

Procurement

There are established procurement Strategy procedures in place with a requirement to procure via open competition, framework agreements or to seek prior approval via a waiver. Waiver requests are reviewed before approval and are reported to Audit and Risk Committee. The Trust's Standing Financial Instructions set out the procedures, controls and the authorisation sign offs that are required for the commissioning or procurement of

services. There is a professional procurement team in place, operated in collaboration with a neighbouring Trust. There are processes in place to ensure that the selected option and supplier gives best value for money. Legally compliant Framework Agreements are used where appropriate and there are instructions in place regarding the levels for delegated approval of expenditure. The Trust has policies in place regarding expected standards of business conduct, and gifts and hospitality, to mitigate the risk of conflicts of interests arising.

Partnerships

Our review of Board minutes and discussions with management confirms the Trust continues to work in close partnership with other health and social care organisations in the area. This is evidenced through the agreement of the 2023/24 outturn position and the 2024/25 plan with partners in the Integrated Care System.

Consideration of regulatory oversight

NHS England: Single oversight framework

NHS England applies a framework to allocate trusts into one of four segments depending on its view of the level and nature of support required, ranging from no specific support needs (segment 1) to a requirement for mandated intensive support (segment 4).

The most recent update was published on 31 May 2024, placing the Trust in segment 2 (plans that have the support of system partners in place to address areas of challenge). We are satisfied there is no evidence of a weakness in the Trust's arrangements.

Care Quality Commission (CQC)

We have reviewed board reports and minutes during the year, including those to the Council of Governors (November 2023), Trust Board and held meetings with management. We examined the CQC's website, where the Trust's overall rating is "good", with "requires improvement" over the safe domain.

Acute mental health services are formally rated "requires improvement" as at 19 June 2024.

04

Other reporting responsibilities and our fees



Other reporting responsibilities and our fees

Other reporting responsibilities

Public interest reports

Auditors have the power to make a report if they consider a matter is sufficiently important to be brought to 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 make a report in the public interest during 2023/24.

Schedule 10 referrals

Under Schedule 10 of the NHS Act 2006, auditors of a Foundation Trust have 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 reported to the relevant NHS regulatory body.

We have not reported any such matters because no unlawful expenditure was identified.

Reporting to the National Audit Office (NAO)

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. The NAO also included the Trust in its sample of component bodies for the purpose of its audit of the DHSC group.

We expect to report to the NAO that consolidation data was consistent with the audited financial statements. We will report to the NAO in line with its group audit instructions.

Fees for our 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 and Risk Committee in March 2024. Having completed our work for the 2023/24 financial year, we can confirm that our fees are as follows:

Area of work	2023/24 fees	2022/23 fees
Planned fee in respect of our work under the Code of Audit Practice	£82,000	£76,998
Total fees	£82,000	£76,998

Fees for other work

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

Appendices

A: Further information on our audit of the financial statements

Appendix A: Further information on our audit of the financial statements

Significant risks and audit findings

Our audit approach is risk-based and primarily driven by the issues that we consider lead to a higher risk of material misstatement of the accounts. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment. On completion of our work, we report the detailed findings to the Audit & Risk Committee, which included the following risks relevant to our audit of the financial statements.

Audit area	Level of audit risk	How we addressed the risk	Audit conclusions
Management override of controls This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.	Significant risk: an area that, in our judgment, requires special audit consideration.	We addressed the risk through performing work over accounting estimates, journal entries and considering whether there were any significant transactions outside the normal course of business or otherwise unusual. In addition, we made enquiries of management and used our data analytics and interrogation software to extract accounting journals for detailed testing on specific risk characteristics.	There are no significant matters to report in respect of management override of controls.
Valuation of land, buildings and dwellings The valuation of these properties is complex and is subject to a number of management assumptions, judgements and a high degree of estimation uncertainty.	Significant risk	<p>Our procedures to address this risk included, but was not limited to:</p> <ul style="list-style-type: none">• liaising with management to update our understanding of the approach taken by the Trust in its valuation of land, buildings and dwellings. This included understanding how capital additions and backlog maintenance is considered;• reviewing the work of management’s valuation expert and how these have been incorporated into the financial statements;• testing a sample of valuations, reviewing the valuation methodology used and the underlying data and assumptions.	There are no significant matters to report in respect of valuation of land, building and dwelling assets.
Risk of fraud in expenditure recognition The risk of fraud in expenditure recognition is presumed to be a significant risk on all audits due to the potential to inappropriately shift the timing and basis of expenditure recognition as well as the potential to record fictitious revenues or fail to record actual expenditure.	Significant risk	<p>We evaluated the design and implementation of controls the Trust has in place which mitigate the risk of expenditure being recognised in the wrong year. In addition we undertook a range of substantive procedures including:</p> <ul style="list-style-type: none">• testing payments in the pre and post year end period to ensure they have been recognised in the right year;• testing year end accruals to confirm they are complete and are recorded at the correct value;• reviewing intra-NHS reconciliations and data matches provided by the Department of Health.	There are no significant matters to report in respect of management override of controls.

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