



Auditor's Annual Report 2022/23

Calderdale and Huddersfield NHS Foundation Trust

30 June 2023

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This report is addressed to Calderdale and Huddersfield NHS Foundation Trust (the Trust) and has been prepared for the sole use of the Trust. We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

Summary

Introduction

This Auditor's Annual Report provides a summary of the findings and key issues arising from our 2022-23 audit of Calderdale and Huddersfield NHS Foundation Trust (the 'Trust'). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office and is required to be published by the Trust alongside the annual report and accounts.

Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014. In line with this we provide conclusions on the following matters:

Accounts - We provide an opinion as to whether the accounts give a true and fair view of the financial position of the Trust and of its income and expenditure during the year. We confirm whether the accounts have been prepared in line with the Group Accounting Manual prepared by the Department of Health and Social Care (DHSC).

Annual report - We assess whether the annual report is consistent with our knowledge of the Trust. We perform testing of certain figures labelled in the remuneration report.

Value for money - We assess the arrangements in place for securing economy, efficiency and effectiveness (value for money) in the Trust's use of resources and provide a summary of our findings in the commentary in this report. We are required to report if we have identified any significant weaknesses as a result of this work.

Other reporting - We may issue other reports where we determine that this is necessary in the public interest under the Local Audit and Accountability Act.

Findings

We have set out below a summary of the conclusions that we provided in respect of our responsibilities.

Accounts	<p>We issued an unqualified opinion on the Trust's accounts on 30 June 2023. This means that we believe the accounts give a true and fair view of the financial performance and position of the Trust.</p> <p>We have provided further details of the key risks we identified and our response on page 4.</p>
Annual report	<p>We did not identify any significant inconsistencies between the content of the annual report and our knowledge of the Trust.</p> <p>We confirmed that the Governance Statement had been prepared in line with the DHSC requirements.</p>
Value for money	<p>We are required to report if we identify any significant weaknesses in the arrangements the Trust has in place to achieve value for money.</p> <p>We have nothing to report in this regard.</p>
Other reporting	<p>We did not consider it necessary to issue any other reports in the public interest.</p>

Accounts Audit

The table below summarises the key risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Risk	Findings
<p>Valuation of land and buildings The carrying value of Land and Buildings include a valuation that is estimated. An estimated Valuation inherently has a significant risk of error due to the nature of the estimate including a number of assumptions being used.</p>	<p>We did not identify any material misstatements relating to this risk. We raised a recommendation relating to a management review control of the Land and Buildings Valuation that was not appropriately designed and or implemented.</p> <p>We considered the estimate to be balanced based on the procedures performed.</p>
<p>Fraudulent expenditure recognition Auditing standards suggest for public sector entities a rebuttable assumption that there is a risk expenditure is recognised inappropriately. We recognised this risk over the non pay expenditure not being completely and accurately recognised.</p>	<p>We did not identify any material misstatements relating to this risk.</p> <p>We raised a recommendation relating to a management review control of the accruals that was not appropriately .</p>
<p>Management override of controls We are required by auditing standards to recognise the risk that management may use their authority to override the usual control environment.</p>	<p>We did not identify any material misstatements relating to this risk.</p> <p>We raised a recommendation relating to a management review control of the journal entries that was not appropriately designed and or implemented.</p>

Value for money

Introduction

We consider whether there are sufficient arrangements in place for the Trust for each of the elements that make up value for money. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

Further details of our value for money responsibilities can be found in the Audit Code of Practice at Code of Audit Practice (nao.org.uk).

Matters that informed our risk assessment

The table below provides a summary of the external sources of evidence that were utilised in forming our risk assessment as to whether there were significant risks that value for money was not being achieved:

Source	Detail
Care Quality Commission rating:	Overall Good Rating.
Oversight Framework rating:	SOF 3.
Governance statement:	There were no significant control deficiencies identified in the governance statement.
Head of Internal Audit opinion:	Significant Assurance provided.

Commentary on arrangements

We have set out on the following pages commentary on how the arrangements in place at the Trust compared to the expected systems that would be in place in the sector.

Summary of findings

We have set out in the table below the outcomes from our procedures against each of the domains of value for money:

Domain	Risk assessment	Summary of arrangements
Financial sustainability	No significant risks identified	No significant weaknesses identified
Governance	No significant risk identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness	No significant risk identified	No significant weakness identified

Value for money

Financial sustainability	
Description	Commentary on arrangements
<p>This relates to ensuring that the Trust has sufficient arrangements in place to be able to continue to provide its services within the resources available to it.</p> <p>We considered the following areas as part of assessing whether sufficient arrangements were in place:</p> <ul style="list-style-type: none"> How the Trust sets its financial plans to ensure services can continue to be delivered; How financial performance is monitored and actions identified where it is behind plan; and How financial risks are identified and actions to manage risks implemented. 	<p><i>2022/23 Budget Performance</i></p> <p>The Trust developed its financial plans for 2022/23 in the context of the West Yorkshire Integrated Care System (WYICS) in which it operates. Assumptions were based on NHSE planning guidance at a system level. This included incorporating individual entities workforce and operational plans.</p> <p>The 2022/23 funding was based on an Aligned Payment Incentive (API) approach with a fixed element based on agreed activity levels and a variable element Elective Recovery Funding (ERF) to support recovery of elective service. ERF funding is based on planned activity levels. The Trust has been allocated £7.3m block funding to support the Covid19 costs, the actual costs of Covid19 were £15.23m.</p> <p>The initial 2022-23 plan was set to deliver a £17.35m deficit position. This was agreed within the WYICS and outlined the underlying recurring deficit position the Trust faces going forward.</p> <p>Included in assumptions to meet the £17.35m deficit position was a cost improvement plan / efficiency target of £20.00m. The Trust has delivered the efficiency savings as planned.</p> <p>In terms of agency costs, WYICS set an agreed ceiling of £6.9m however the Trust incurred £14.35m in agency expenditure.</p> <p>At the year end the Trust reported a £17.33m deficit which was in line with its deficit plan, confirming that the Trust achieved its required savings target for the financial year 2022/23.</p> <p><i>2023/24 Budget Preparation</i></p> <p>Since September 2022 the Trust has been working on the 2023/24 and future plans. Submissions have been made and aligned to the work of the WYICS to ensure that as a system area a balanced position can be achieved.</p> <p>Following negotiations with the national finance team it was agreed that the WYICS plan submitted would be for a breakeven budget, with unidentified savings of £25m. The understanding is that the unidentified savings be further worked on across the whole ICS to achieve the balanced position by the year end.</p> <p><i>(continued)</i></p>

Value for money

Financial sustainability	
Description	Commentary on arrangements
<p>This relates to ensuring that the Trust has sufficient arrangements in place to be able to continue to provide its services within the resources available to it.</p> <p>We considered the following areas as part of assessing whether sufficient arrangements were in place:</p> <ul style="list-style-type: none"> How the Trust sets its financial plans to ensure services can continue to be delivered; How financial performance is monitored and actions identified where it is behind plan; and How financial risks are identified and actions to manage risks implemented. 	<p>The Trust's final financial plan submitted to the ICS in May 2023 showed a forecast 2023/24 deficit of £20.801m after efficiency savings of £32.325m. As per the May 2023 plan submission, the Trust has highlighted £19.797m of recurrent savings and £12.528m non-recurrent savings, of which £4.174m was still to be identified. However, the Trust continue to work to identify further recurrent savings, as such these figures remain subject to change.</p> <p>To help escalate the importance of identifying and achieving savings opportunities, the Trust has replaced the weekly Effective Use of Resources Group (ERG) with a weekly Turnaround Executive Group (TEG) this change in arrangements took place in January 2023. In addition to the responsibilities of the ERG, the TEG provide increased scrutiny and rigour of delivery of the efficiency programme and planning for the next financial year, they monitor all cost savings schemes for performance against plan and require adherence to support mechanisms, such as the Escalation Forum, where schemes are found to be off-plan. The group ensures executive oversight, it is chaired by the Deputy Chief Executive Officer and members include the Directors of Operations, executive directors and divisional directors.</p> <p><i>Underlying deficit</i></p> <p>The Trust's plan to address its underlying deficit is dependent upon approval of the Trust's £197m reconfiguration scheme and resulting service transformation plans require approval by the Secretary of State. As at 31 March 2022, the Outline Business Case has been supported by NHSE and approved at the national Joint Investment Committee. However, as was the case at 31 March 2022, approval from HM Treasury remains outstanding, meaning the Trust is limited in its ability to address the underlying financial deficit that it faces.</p> <p>Conclusion</p> <p>Based on the risk assessment procedures performed, we have not identified a significant risk that the Trust does not have sufficient arrangements in place to oversee and monitor and deliver financial sustainability to deliver their value for money achievement.</p>

Value for money

Governance	
Description	Commentary on arrangements
<p>This relates to the arrangements in place for overseeing the Trust's performance, identifying risks to achievement of its objectives and taking key decisions.</p> <p>We considered the following areas as part of assessing whether sufficient arrangements were in place:</p> <ul style="list-style-type: none"> Processes for the identification and management of strategic risks; Decision making framework for assessing strategic decisions; Processes for ensuring compliance with laws and regulations; How controls in key areas are monitored to ensure they are working effectively. 	<p>Strategic risks identified by Directors are based on the strategic objectives agreed at the start of the financial year. These strategic risks are recorded within the Board Assurance Framework (BAF) with risks scored using a 5x5 risk matrix to identify the current and target scores. The risks are updated regularly by risk owner, a Director, and are reviewed at the relevant lead Board Sub-Committee meetings. Oversight of strategic risks is performed by the Audit and Risk Committee (ARC) and the BAF is approved by the Trust Board.</p> <p>Financial risks are routinely reported to the Finance and Performance (F&P) Committee on a monthly basis and regularly discussed in this forum. The F&P Committee also has responsibility for specific BAF risks which are scheduled for regular in depth review prior to being received at Board meetings.</p> <p>The Trust has in place a Counter Fraud, Bribery and Corruption policy. The Trust also has a Local Counter Fraud Specialist as part of its internal audit provision. The ARC receives the Local Counter Fraud Workplan each year, supported by regular progress reports on the plan and also information on investigations that have been carried out and any additional national briefings that are shared with the Trust.</p> <p>The financial plan is presented each year to the F&P Committee to be reviewed, before taking the final version to the Board prior to submission.</p> <p>Budget holders receive monthly budget reports via an online portal. Budget variances are monitored against agreed tolerances and escalation protocols enacted accordingly. During the early part of 2022/23 the weekly ERG meetings were used as the body that drove through the efficiencies identified in the plans. As discussed in relation to financial sustainability, in January 2023 the Trust have escalated these arrangements to a weekly Turnaround Executive Group (TEG) demonstrating the commitment from the executive to the delivery of the required efficiencies. In addition to the responsibilities of the ERG, the TEG provide increased scrutiny and rigour of delivery of the efficiency programme and planning for the next financial year, they monitor all cost savings schemes for performance against plan and require adherence to support mechanisms, such as the Escalation Forum, where schemes are found to be off-plan.</p> <p>The Trust monitors its compliance with laws and regulations on an ongoing basis through the year, gaining assurance through commissioned internal audits, as well as other routes. The Governance Lead co-ordinates and monitors compliance with applicable legislation and regulatory standards, with the ARC receiving a compliance report each year setting out various compliance matters.</p> <p>(continued)</p>

Value for money

Governance	
Description	Commentary on arrangements
<p>This relates to the arrangements in place for overseeing the Trust's performance, identifying risks to achievement of its objectives and taking key decisions.</p> <p>We considered the following areas as part of assessing whether sufficient arrangements were in place:</p> <ul style="list-style-type: none"> Processes for the identification and management of strategic risks; Decision making framework for assessing strategic decisions; Processes for ensuring compliance with laws and regulations; How controls in key areas are monitored to ensure they are working effectively. 	<p>The Trust has a suite of human resources policies setting out expectations, together with a Group Policy on Conflicts of Interests and Standards of Business Conduct which is regularly reviewed. This includes the Trust's policy on gifts and hospitality and sets out clear expectations and the process for obtaining declarations. The ARC is responsible for monitoring Trust compliance with declarations of interest by receipt of a declarations of interest report at least annually.</p> <p>The Trust has an approved whistleblowing policy in place to allow individuals to report any issues to the Board.</p> <p>Key strategic decisions are discussed in several forums prior to submission to the Trust Board for approval. This includes the weekly Executive Board, the Business Case Approval Group and the relevant formal sub-committees of the Trust Board such as the Turnaround Executive Group, Transformation Programme Board, Workforce and Occupational Development Committee and the Finance & Performance Committee. At each stage of discussion constructive challenge is encouraged and any changes required incorporated. The hierarchy of delegation is demonstrated in the FT's governance structure.</p> <p>Conclusion</p> <p>Based on the procedures performed we have not identified a significant weakness that the Trust does not have sufficient governance arrangements in place to oversee and monitor their value for money achievement.</p>

Value for money

Improving economy, efficiency and effectiveness

Description	Commentary on arrangements
<p>This relates to how the Trust seeks to improve its systems so that it can deliver more for the resources that are available to it.</p> <p>We considered the following areas as part of assessing whether sufficient arrangements were in place:</p> <ul style="list-style-type: none"> ▪ The planning and delivery of efficiency plans to achieve savings in how services are delivered; ▪ The use of benchmarking information to identify areas where services could be delivered more effectively; ▪ Monitoring of non-financial performance to assess whether objectives are being achieved; and ▪ Management of partners and subcontractors. 	<p>The Trust has various forums that consider value for money and key strategic decisions. This includes the Trust Executive Board (EB), the Business Case Approval Group (BCAG) and formal sub-committees such as the Transformation Programme Board (TPB) and the Finance and Performance (F&P) Committee.</p> <p>Performance of services are monitored through the Integrated Performance Report (IPR), which reports on over 100 performance indicators, including Care Quality Commission (CQC) requirements. This is taken to and challenged by the TEB, as well as its sub-committees including the Quality Committee and the F&P Committee.</p> <p>A red, amber, or green rating is allocated to all performance indicators within the IPR, highlighting where improved performance is needed. Audits are performed over both red and green Key Performance Indicators (KPIs), including deep dives, with the results being reported to the Data Quality Board, EB and the F&P Committee.</p> <p>In terms of CQC external reviews the latest review took place in June 2018 and the overall review found the services to be delivered as being Good.</p> <p>The Trust is part of the West Yorkshire Association of Acute Trusts and also an active member of the West Yorkshire Integrated Care System (WYICS). Updates on activities and performance of these partnerships is provided to the Trust Board of Directors and relevant sub committees of the Board. The Trust cascades information from the WYICIS via its own communication channels.</p> <p>The Trust participates in Benchmarking to help highlight potential areas to improve efficiency – current benchmarking are showing potential efficiencies. Model Health System benchmarking has indicated that the Trust had a potential pre-pandemic opportunity for efficiency of up to £33m compared to the National median with key areas being non- elective medical treatment (£10m) and digital services including robotic process automation (£4m).</p> <p><i>(continued)</i></p>

Value for money

Improving economy, efficiency and effectiveness

Description

This relates to how the Trust seeks to improve its systems so that it can deliver more for the resources that are available to it.

We considered the following areas as part of assessing whether sufficient arrangements were in place:

- The planning and delivery of efficiency plans to achieve savings in how services are delivered;
- The use of benchmarking information to identify areas where services could be delivered more effectively;
- Monitoring of non-financial performance to assess whether objectives are being achieved; and
- Management of partners and subcontractors.

Commentary on arrangements

The Trust outsources its facilities management services to its fully owned subsidiary, Calderdale and Huddersfield Solutions (CHS) Limited. A joint Trust and CHS liaison committee is in place to oversee the delivery of the arrangement at Huddersfield Royal Infirmary and assess any performance issues through the measuring of KPIs and reporting.

In respect of the provision of services by external subcontractors, the performance of the Private Finance Initiative (PFI) contractor in relation to the Calderdale site is reviewed monthly and monitored against the contract requirements, as well as a monthly contract performance meeting. Performance penalties are in place should the subcontractor fail to meet performance criteria.

The Trust outsources its payroll processing service to Leeds Teaching Hospitals NHS Trust and an agreement is in place setting out roles and responsibilities of both parties. In addition, the Trust uses the North East Patches (NEP) general ledger system and the Deputy Director of Finance is on the NEP Board.

Conclusion

Based on the procedures performed we have not identified a significant weakness that the Trust does not have sufficient arrangements in place for improving economy, efficiency and effectiveness.



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