Auditor's Annual Report 2023/24

Bradford District Care NHS Foundation Trust

June 2024

Contents

KEY CONTACTS

Salma Younis

Director

Salma.Younis@KPMG.co.uk

John Blewett

Manager

John.Blewett@kpmg.co.uk

Goabaone Phuthego

Assistant Manager

Goabaone.Phuthego@kpmg.co.uk

		Page
01	**Executive Summary**	3
02	**Audit of the Financial Statements**	5
03	**Value of Money**	9
	a) Financial Sustainability	
	b) Governance	
	c) Improving economy, efficiency and effectiveness	

This report is addressed to Bradford District Care NHS Foundation Trust (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.

01 Executive Summary

Executive Summary

Purpose of the Auditor's Annual Report

This Auditor's Annual Report provides a summary of the findings and key issues arising from our 2023-24 audit of Bradford District Care 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 GAM).

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	We issued an unqualified opinion on the Trust's accounts on 27 June 2024. This means that we believe the accounts give a true and fair view of the financial performance and position of the Trust. We have provided further details of the key risks we identified and our response on page 7.
Annual report	We did not identify any significant inconsistencies between the content of the annual report and our knowledge of the Trust. We confirmed that the Governance Statement had been prepared in line with the Department of Health and Social Care requirements.
Value for money	We are required to report if we identify any matters that indicate the Trust does not have sufficient arrangements to achieve value for money. We have nothing to report in this regard.
Other reporting	We did not consider it necessary to issue any other reports in the public interest.

02
Audit of the Financial Statements

Audit of the financial statements

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

- Give a true and fair view of the state of the Trust's affairs as at 31 March 2024 and of its income and expenditure for the year then ended;
- Have been properly prepared in accordance with the accounting policies directed by NHS England with the consent of the Secretary of State in February 2024 as being relevant to NHS Foundation Trusts and included in the Department of Health and Social Care Group Accounting Manual 2023/24; and
- Have been prepared in accordance with the requirements of the National Health Service Act 2006 (as amended).

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. We have fulfilled our ethical responsibilities under, and are independent of the Trust in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Audit opinion on the financial statements

We have issued an unqualified opinion on the Trust's financial statements before the 28 June 2024 DHSC submission deadline.

The full opinion is included in the Trust's Annual Report and Accounts for 2023/24 which can be obtained from the Trust's website.

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

Audit of the financial statements

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	Procedures undertaken	Findings
Valuation of land and buildings We identified a risk that the value of land and buildings recorded is not reflective of the fair value. Land and buildings are required to be held at fair value. As hospital buildings are specialised assets and there is not an active market for them they are usually valued on the basis of the cost to replace them with a 'modern equivalent asset'. The value of the Trust's land and buildings at 31 March 2023 was £41m, of which £35m specialised assets were valued at depreciated replacement cost. The Trust's accounting policy requires revaluations of property, plant and equipment to be performed with sufficient regularity to ensure that carrying values are not materially different from those that would be determined at the end of the reporting period. Valuations are inherently judgmental. There is a risk that the methodology, assumptions and underlying data, are not appropriate or correctly applied. The Valuer performed a desktop review for 23/24.	We critically assessed the independence, objectivity and expertise of the valuer, and challenged key assumptions within the valuation. We inspected the instructions issued to the valuers. We then agreed the calculations performed of the movements in value of land and buildings and confirmed that these have been accurately accounted for.	We concluded the valuer had sufficient expertise and had appropriate independence and objectivity to perform the valuation exercise, and the significant assumptions used were neutral. We noted the methodology used was consistent with the requirements of the RICS red book and the DHSC GAM. We compared significant assumptions such as BCIS indices and Location factors used by the valuer and found these to be neutral. **We did not identify any material misstatements relating to this risk.**

Audit of the financial statements

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	Procedures undertaken	Findings
Fraudulent expenditure recognition Auditing standards suggest for public sector entities a rebuttable assumption that there is a risk expenditure is recognised inappropriately. We considered this would be most likely to occur through understating accruals, for example to push back expenditure to 2024-25 to mitigate financial pressures.	We have performed sample testing to confirm expenditure has been completely recorded, and in the correct accounting period. We selected a sample of year-end accruals and inspected evidence of the actual amount paid after year end in order to assess whether the accruals have been accurately recorded. We also performed a year on year comparison of accrual categories in the prior year and current year and challenged management where the movement is not in line with our understanding of the Trust.	We did not identify any issues from our sample testing and review of accruals. **We did not identify any material misstatements relating to this risk.**
Management override of controls Professional standards require us to communicate the fraud risk from management override of controls as significant. Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We have not identified any specific additional risks of management override relating to this audit	We assessed accounting estimates for bias by evaluating whether judgements and decisions in making accounting estimates indicated a possible bias. We analysed all journals through the year and focused our testing on those with a higher risk, such as journals impacting expenditure recognition at year-end.	We evaluated the valuation of land and buildings and did not identify any indicators of management bias. We did not identify any significant unusual transactions. Our testing of the high risk journal entries did not identify any inappropriate or unusual entries **We did not identify any material misstatements relating to this risk.**

03 Value for Money

Value for Money

Introduction

We are required to consider whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or 'value for money'. We consider whether there are sufficient arrangements in place for the Trust for the following criteria, as defined by the National Audit Office (NAO) in their Code of Audit Practice:

- 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

Approach

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.

We are required to report a summary of the work undertaken and the conclusions reached against each of the aforementioned reporting criteria in this Auditor's Annual Report. We do this as part of our commentary on VFM arrangements over the following pages.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Trust.

Summary of findings

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
Commentary page reference	12 -13	14 - 15	16
Identified risks of significant weakness?	No	No	No
Actual significant weakness identified?	No	No	No
2022-23 Findings	Risk of significant weakness noted but did not materialise into significant weakness.	No significant weakness identified.	No significant weakness identified.
Direction of travel	⇔	⇔	⇔

Value for Money

NATIONAL CONTEXT

Financial performance

The 2023-24 financial year saw a significant increase in the level of financial pressures facing the NHS sector. This followed the end of Covid-19 related financing arrangements. The sector has faced cost pressures from a range of factors, most significantly the impacts of inflation felt during the year and the costs of industrial action.

At the end of January 2024 NHS England forecast that the NHS would record an overspend of £1.1bn against its agreed budgets. This came after additional funding had been made available earlier in the year to support with the costs of industrial action.

Operational performance

In January 2023 the Government announced five pledges for 2023, including reducing NHS waiting lists and the time people wait for procedures. Waiting lists had grown significantly during the Covid-19 pandemic as elective activity was postponed in order to prioritise the treatment of Covid patients and ensure safe working.

According to the Health Foundation the NHS waiting list had grown from 6.2 million patients at the beginning of 2022 to 7.2 million in January 2023. There had also been a significant increase in the number of patients with long waits. At the end of 2023 there remained 355,000 patients that had been waiting over a year for treatment.

System working

The Health and Care Act 2022 formally established integrated care systems (ICSs), 42 partnerships within local geographies to promote closer working between the organisations responsible for healthcare delivery. Integrated Care Boards were formed on 1 July 2022, taking over commissioning responsibility from Clinical Commissioning Groups.

In their first full year of operation ICSs have continued to work to develop and embed governance arrangements both within the ICBs themselves and as systems.

LOCAL CONTEXT

Bradford District Care NHS Foundation Trust is mental health and community care provider which delivers services across a number of sites in the Bradford Place.

The Trust faces cost pressures similar to those of other Mental Health and Community providers, including Out of Area Placements for patients, increasing use of temporary staff and inflationary pressures.

The Trust achieved a small surplus in 23/24, after delivering recurring cost savings of £9m, against a target of £16.9m. There have been no significant strategic changes in 23/24 and the Trust has a limited capital budget. The Trust has identified a strategic need to develop the site at Lynfield Mount, with the associated capital funding still to be secured.

The Trust financial plan for 24/25 shows a breakeven position. This is after cost savings target of £14.2m. The target is similar to that in 23/24, and whilst the Trust delivered its financial plan there was a need to rely on non-recurrent measures.

The Trust is in the process of establishing action plans for delivering the savings target for 24/25. Outline figures show £11m of the target will be recurrent and the remaining £3.2m will be non-recurrent.

The Trust recognises the need to identify recurrent measures so that savings are inherent in the processes and services delivered by the Trust and not one-off gains. One action the Trust is taking to support this focus, is in reviewing the transformational resource that is available to support teams in identifying and delivering efficiencies and savings.

The Integrated Care System final revenue plan for 24/25 was a £50m deficit. This has reduced from a nearly £100m deficit in the initial plan in March 2024 and is subject to review by NHS England.

Financial Sustainability

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

We have considered the following in our work:

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

For the 23/24 financial year, the majority of the Trust's income for services was paid on a block contract basis, with the block covering the full range of services commissioned. Allocations are now set at Integrated Care Board (ICB) level after the merger of local Clinical Commissioning Groups (CCGs) from 1st of July 2022. ICB programme allocations are based on annualised system funding envelopes with adjustments for normalising baseline, net growth for 23/24 and convergence adjustment towards fair share allocations.

Following the above guidance, the Trust set its financial plan for 23/24 with 0.7% inflation uplift on 22/23 and net tariff uplift of 1.8%. Also its Mental Health Investment Standard (MHIS) funding agreed at base growth of 5% plus a further 1.7%. Covid income has reduced significantly to £0.613m and the expectation is that Covid costs will now be absorbed.

The Cost Improvement Programmes (CIP) that the Trust had in place during 2023/24 consisted of a mix of transformational and transactional schemes that supported the Trust's requirement to deliver a breakeven position with focus on recurring efficiencies. An efficiency programme was in place to support the sustainable delivery and monitoring of the transformational strategic programmes. The Trust achieved recurrent efficiencies of £9.4m in year, against a target of £16.9m. The Trust has monitored delivery against planned efficiencies through sub-groups, Senior Leadership Team (SLT), Finance and Performance Committee (FPC) and Trust Board through financial reports at each meeting.

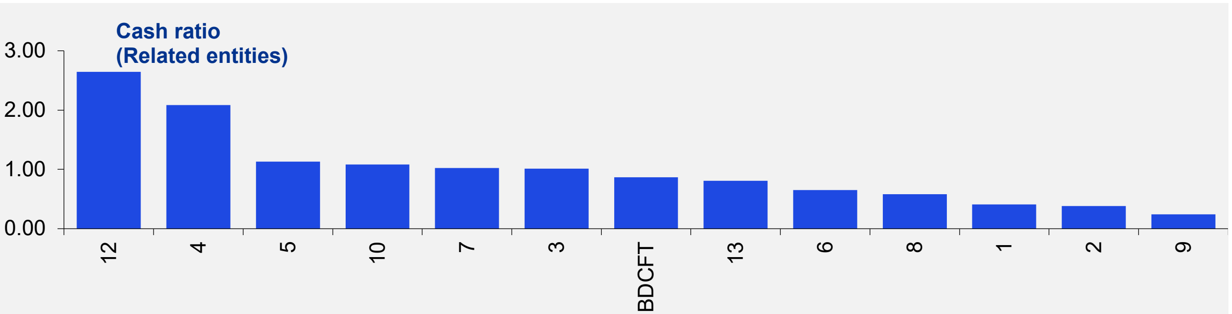
The Trust has a clear commitment to continue with the investment needed to deliver the Mental Health (MH) long term plan ambitions. Secured investments including Mental Health Investment Standard (MHIS) were monitored on monthly basis through SLT's finance dashboard review which is aligned with Trust's operational plans.

We found that the budget monitoring and control processes are able to identify and incorporate significant nonrecurrent pressures into the financial plan to ensure it was achievable and realistic. Emerging cost pressures were identified through monthly review of budget statements by the budget holders and reporting of any material variances to budget to the FPC.

Financial Sustainability

- Within the Trust, financial risks have been considered and incorporated into the Trust's financial plan, throughout the financial planning process, via direct involvement, including discussions and challenge, of and with key stakeholders, including SLT, FPC and Board. Furthermore, financial risks have been identified, assessed, managed, challenged and monitored via the Trust's risk registers, including the Trust's Board Assurance Framework, in accordance with the Trust's Risk Policy, which is reviewed at Audit Committee and Board on regular and timely basis.
- Cost pressures continued to be driven by the demand for Mental Health inpatient services and the associated costs for out of area placements and increased use of temporary staff. The Trust has introduced some measures, such as daily reporting on OAPs and agency costs to get early sight of issues so that immediate action can be taken to minimise the impact
- The Trust exceeded its plan and recorded a surplus of £1.2m due to additional £0.8m allocation from the ICB. The CIP savings target of £17m underachieved by £7.9m, consistent with reporting through the year. This has been offset by contingencies, MHIS income and non-recurrent flexibilities.
- The Trust received the planning guidance for 24/25 from NHSE and has submitted its plans to NHSE in May 2024 with a final submission due in June. The initial 24/25 plan showed a £5.5m deficit however the Trust reviewed the plan, working with system partners and the Trust Board approved a breakeven plan in May. This is dependent on achieving £14.2m of savings, compared to £9m that was delivered in 23/24.
- As at June 2024, the Trust had identified £11m of recurrent savings with a remaining balance of £3.2m which is non-recurrent.
- In month 1 (April 2024) the Trust reported a £145k deficit in line with plan. The key risks identified in the plan are being borne out, with an overspend on plan for out of area placements by £145k and agency costs exceeding the agency cap by £101k.

Key financial and performance metrics:	2023-24	2022-23
Planned surplus/(deficit)	Break-even	Break-even
Actual surplus/(deficit)	£1.2m	Break-even
Planned CIP as:		
- Recurrent	£11.3m	£8.6m
- Non-recurrent	£5.6m	£5.8m
Actual CIP as:		
- Recurrent	£4.5m	£3.8m
- Non-recurrent	£4.5m	£10.6m
Year-end cash position	£21.2m	£30m



As shown in the benchmarking data from related entities, Bradford District Care NHS FT have an average cash ratio. As at 31 March 2024, the Trust held cash balances of £21m and net Current Assets were £4.6m.

**(data is taken from unaudited PFRs of KPMG audited entities)*

Governance

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

We have considered the following in our work:

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

We consider the Trust to have effective processes and controls in place to identify, monitor and assess the risk. Strategic risks are recorded and identified using the Board Assurance Framework (BAF), and any identified risks are reported in accordance with the Trust's established risk management arrangements . Our review of the risk register found this was sufficiently detailed to effectively manage key risks.

The Trust undertakes a number of measures to prevent and detect fraud. They engage a local counter fraud specialist through their internal auditors – the most recent update reported to the Audit Committee confirmed the Trust is green rated for 12 out of 13 components of the Counter Fraud Functional Standard Return. Only one red rating is issued against the non-adoption of new risk assessment methodology, which is based on the risk assessment framework used by members of the Government Counter Fraud Profession. We have not assessed this as a significant risk.

The Trust has relevant policies in place e.g. Freedom to speak up policy as well as clear authorisation processes and separation of duties controls for financial transactions.

Based on our assessment, we understand that the Trust has processes in place to enable appropriate scrutiny, challenge and transparency on decision making. Business cases were presented to the Board or delegated committee following internal review and approval. Business cases with a value over £600k require Board approval and we reviewed such sampled cases in our assessment from the 2023-24 period and found there was evidence of both scrutiny and challenge prior to approval.

We have also reviewed the development and approval of the 2023-24 financial plan by the FPC followed by the Board and seen scrutiny and challenge within this approval. The Trust set a breakeven plan for full year reflecting CCGs/ICB as key funding while local authority, NHS England and other operating income contributing as other sources of the Trust's annual income. The key risks identified in the plan related to increased spend on temporary staffing costs and the cost of out of area placements. Trust identified total cost pressures of £4.328m, offset by £62k related CIPs and inflationary funding within the tariff of £1.693m to leave net cost pressures of £2.689m. These were managed through the year through securing the Pay Award funding, CIP achievement and non-recurrent flexibilities.

The 24/25 financial plan was submitted to Board for approval 24th April 2024. The planned outturn for 24/25 is breakeven and the board papers made clear the necessary level of savings required to meet that target and outlined key savings plans to required to deliver it. The paper also highlighted the key areas of risk to achieving the outturn, such as increased costs for in-patient services and the staff levels required to deliver the increased activity.

Governance

Our assessment indicated there to be appropriate scrutiny and challenge of the budgets and appropriate approval through the budget holders and FPC. A number of methods are employed by the Trust to monitor the performance against budget. These include a dedicated EMT session on a monthly basis that focussed on financial performance, individual budget manager meetings with finance team, monthly Quality and Operations Group (QuOP) meetings to monitor financial position of Care Groups at service line level, regular monitoring by SLT and financial position presentation to FPC and Trust Board at each meeting.

Reviews of compliance with laws & regulations, staff code of conduct and the Trust's constitution are completed through Board meetings, Audit Committee and other governance structures as identified through our risk assessment procedures.

We noted that relevant financial risks highlighted by the plan were included in the Trust's risk register.

Care Quality Commission's (CQC) latest inspection of the Trust was conducted in September 2021 and an 'Overall Good' rating was awarded. A 'Good' rating was given in all categories of Effective, Caring, Responsive and Well-led services while a 'Requires improvement' rating given in the category of Safety.

The Trust's Staff Code of Conduct clearly communicates values and expected behaviours of staff. This is communicated to staff from the recruitment process and is integral part of appraisal process. Trust has business conduct, bribery and conflict of interest policies in place. These policies clearly sets out the process for registering all interests which could impact staff's integrity.

Our assessment indicates that the Trust ensures key decisions are appropriately challenged and scrutinised by the Executive Team with escalation to Board as required. The Trust has an annual planning process along with FPC, which scrutinises the contents of business cases before they are presented to the Board which ensures that all aspects of major decisions or investments are taken into consideration.

	2024	2023
Control deficiencies reported in the Annual Governance Statement by the Trust	There were no significant control deficiencies identified in the governance statement.	There were no significant control deficiencies identified in the governance statement.
Head of Internal Audit Opinion	Significant assurance	Significant assurance
Oversight Framework segmentation	Segment 2 – target support.	Segment 2 – target support.
Care Quality Commission rating	Overall Good rating (21/22)	Overall Good rating (21/22)

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

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Trust evaluates the services it provides to assess performance and identify areas for improvement;
- how the Trust ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- where the Trust commissions or procures services, how it assesses whether it is realising the expected benefits.

We found appropriate processes in place to ensure the Trust uses information about costs and performance to improve the way they manage and deliver services, with a focus on the level of value for money being achieved. Monthly reporting is undertaken and reported to the FPC and Board allowing the Trust to assess the level of value for money being achieved and any improvements required.

The Trust has utilised NHS benchmarking network, Model Mental Health Trust and other standards to enable decisions and changes to be made to benefit and reduce the cost base. Further, cost improvement schemes that impact on service delivery are required to have an quality impact assessment. Such analysis allows the Trust to assess the level of value for money being achieved.

Throughout our work and discussions with the Trust, we have seen evidence of engagement with the ICS. The Trust worked closely with the ICS for the 2023/24 financial planning process to ensure alignment of plans. Trust's key executives continued to be members at Place and System meetings including working as lead for System Quality Committee and Finance Committee.

We noted that the Trust continued to keep its activities and strategic priorities aligned with those of the ICS and local Bradford place, with evidence of reports on this progress having gone to the Board. Planning for the required savings within 24/25 financial plans is in progress and the Trust has been involved in peer reviews with other organisations within the West Yorkshire ICS. This is an additional level of challenge to ensure forecasts are appropriate and required savings plans are clearly identified.

The Trust has two significant (over £1m in annual value) sub contracts in place, which are for the provision of clinical agency staffing and independent sector bed capacity. Regular contract performance meetings are held with the service provider considering key performance indicators related to both cost and volume of the activity. There will be continued focus on these areas of spending into 24/25 to manage costs as these have been raised as areas of risk to the delivery of the 24/25 financial, with saving schemes focusing on use of temporary staffing and out of area placements.

kpmg.com/uk