

Auditor's Annual Report 2022/23

Sheffield Health and Social Care NHS Foundation Trust

June 2023

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Contents	Page
Summary	3
Accounts audit	4
Value for money commentary	5
Follow up of prior year recommendations	11

This report is addressed to Sheffield Health and Social Care 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 Sheffield Health and Social 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).

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 29 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 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'. Valuations are inherently judgmental. There is a risk that the methodology, assumptions and underlying data, are not appropriate or correctly applied.</p>	<p>We did not identify any material misstatements relating to this risk.</p> <p>We considered the estimate to be balanced based on the procedures performed.</p>
<p>Fraudulent expenditure recognition - completeness Auditing standards suggest for public sector entities a rebuttable assumption that there is a risk expenditure is recognised inappropriately. We recognised this risk over accrued expenditure.</p>	<p>We did not identify any material misstatements relating to this risk.</p> <p>We raised a recommendation relating to accruals to enhance controls.</p>
<p>Fraudulent revenue recognition - revenue Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. We recognise that the incentives in the NHS differ significantly to those in the private sector. As the Trust is required to meet a financial performance target at the end of the year, as well as a system based break-even requirement, this may create an incentive for revenue to be manipulated once target financial performance has been achieved. As much of the Trust's income for 2022/23 has been contracted on a block basis and other income is not significant our risk will be focused on the variable elements of NHS income.</p>	<p>We did not identify any material misstatements relating to this risk.</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>

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	Requires improvement (report August 2021)
Single Oversight Framework rating	3 – Mandated support
Governance statement	There were no significant control deficiencies identified in the governance statement.
Head of Internal Audit opinion	Significant assurance

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.

Significant weaknesses followed up from the prior year

On page 11, we have set out commentary on the significant weaknesses identified in the prior year.

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	Significant risk identified	No significant weaknesses identified
Governance	No significant risks identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness	No significant risks identified	No significant weaknesses 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. 	<ul style="list-style-type: none"> The 2022/23 financial year saw the national allocations methodology reset to move systems back towards a fair share distribution of resource approach, at the levels deemed affordable within the Spending Review 2021 settlement. The 2022/23 national planning guidance confirmed a continuation of system funding envelopes for 2022/23 based on block contract values in H2 of 2021/22. These H2 block contract values were doubled to account for the full year and adjusted for inflation of 2.8% and a national efficiency requirement of 1.1%. The Trust's income for the year followed the ICS allocation process and the Trust's approved financial plan was that of a breakeven position. However, the Trust's initial plan for 2022/23 was £2.7m overspend; the budget was set at breakeven on advice from the ICS as it was expected the deficit would be managed within the local system. The Trust consistently reported within its Finance Reports presented at both the Finance and Performance Committee (FPC) and Board throughout the year, the risk of not meeting the plan and the forecasted deficit, and monitored the associated financial sustainability risks on their Board Assurance Framework (BAF). The Trust's 2022-23 financial plan was developed, approved and submitted in line with national planning guidelines, assumptions and expectations. The Trust's financial planning process involved key stakeholders throughout the process, with Finance Business Partners producing initial expectations of budget requirements using their knowledge of the directorate and budget holders meetings, taking account of any service changes, required uplifts, etc. The Deputy Director and Director of Finance provided internal challenge of the plan, and additional scrutiny was provided by the South Yorkshire Integrated Care Board (ICB) and other providers within the system as part of the alignment of plans for the ICS. It was then reported to the FPC and Board to allow for scrutiny, challenge and approval. The cost improvement plan (CIP) was built into the Trust's wider financial planning process as outlined above. Assumptions were built from forecast internal cost saving developments and any incentives given by commissioners for delivery of services requested of the Trust. The CIP Programme Board oversaw the efficiency plan which reports directly to the FPC. Monitoring was performed monthly on a scheme by scheme basis. Findings were reported through the three main workstreams (covering Out of Area (OOA), agency and other efficiency schemes) and operational working group. The Trust ensured consistency between the financial plan and workforce and operational plans from their Business Planning Group. This group comprises of members from different departments across the Trust and ensured the various annual plans represent the Trust's full objectives and intended direction. The Group is responsible for explaining the plans to departmental heads once approved by NHSI and the Board. Within the Trust, financial risks were considered and incorporated into the Trust's financial plan, throughout the financial planning process. This was through direct involvement, including discussions and challenge, of and with, key stakeholders such as operational working groups, FPC and Board. Furthermore, financial risks are identified, assessed, challenged and monitored via the Trust's risk registers, including the Trust's BAF, in accordance with the Trust's Risk Policy, which is reviewed at Audit and Risk Committee and Board on a regular and timely basis. The Trust's financial BAF risk has rose in year to reflect current pressures.

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. 	<ul style="list-style-type: none"> • At month 10, the Trust was reporting a £3.9m deficit largely due to agency, pay inflation and OOA overspend. The best case scenario for the year-end was considered to be a £2.8m overspend. Additionally, CIP delivery was forecasted to be £2.3m underdelivered in 2023/23 which included £0.8m non-recurrent benefits from prior year. Discussions remained ongoing with how the Trust's deficit can be managed within the system. • Furthermore, capital spend was forecasted at month 10 to overspent by c. £0.3m due to emerging needs and cost pressures associated with inflation. The Trust could not breach the annual plan limit set by the system which was reduced in year as the allocation across the system has been exceeded. The Trust expected to manage the pressure internally with recovery options considered including delaying lower priority schemes until 2023/24. • The Trust's final position at 31 March 2023 was a deficit of £2.5m. CIP was underdelivered by £2.0m, achieving £3.2m in savings against a target of £5.2m. Capital was overspent against plan by £0.2m as part of system management to ensure the full utilisation of the system capital budget. At an entity level, the Trust had managed its capital expenditure within its capital plan. • The Trust has involved the FPC and Board in the 2023/24 financial planning process since the initial national guidance was released on 23 December 2022. This is evidenced through committee and Board papers and minutes of these meetings. The initial 2023/24 financial plan was submitted to the South Yorkshire ICB with a deficit of £4.3m and an efficiency savings requirement of £5.1m as agreed and approved by the Board in March 2023. Following discussions at system-level, a revised second plan was submitted to the ICB for system consolidation at the start of May 2023 showing a reduced deficit of £3.3m and an increased efficiency savings requirement of £5.7m. This was accepted by the FPC at the April 2023 meeting and presented to the Board in May 2023. All deadlines were achieved, and submissions made in accordance with ICB and national guidelines. • CIP schemes for 2023/24 are all identified and have been reported within the CIP Programme Board reports to the FPC and Board during the planning process. All CIP plans were agreed and approved as part of the financial plan. The main schemes for 2023/24 are: Out of Area, Agency reduction, and Efficiency which includes various smaller schemes. Each individual scheme has been RAG rated and monitoring mechanisms are in place for regular reporting to FPC and Board from M2 onward. The processes regarding data collection, monitoring and reporting of CIP have been reviewed to provide the Trust with greater assurance and better predict CIP performance delivery. • The Trust do not expect for the system to be penalised with a reduced CDEL allocation for 2023/24 as the ICB has achieved its provisional financial obligations from a revenue and capital position in 2022/23. The capital plan for 2023/24 is £12.8m and was submitted alongside the financial plan. The plan is reliant on the Fulwood House sale to proceed. Without the sale, the Trust would not be able to commit £4m of the plan – this is being closely monitored with no commitments are being made before the sale is secured. <p>Conclusion</p> <ul style="list-style-type: none"> • Based on the procedures performed, we have not identified any significant weaknesses.

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. 	<ul style="list-style-type: none"> • The Trust has well-documented and effective processes in place to identify, monitor and manage risk. In year, the Trust commissioned a Risk Management Review in June 2022 which acknowledged recent improvements made by the Trust but also provided further recommendations. An action plan has been prepared for the Trust to take these recommendations forward. This is a regular item on the Audit and Risk Committee agenda. • Strategic risks are identified for inclusion on the Board Assurance Framework (BAF) by the Board through workshop sessions and regular discussion at Board and its sub-committees. Operational risks are identified for inclusion in the Corporate Risk Register (CRR) at divisional and departmental level and escalated in line with policy. Risk scores are agreed and reviewed regularly: each risk identified is allocated to a committee for oversight and scrutiny. We have reviewed the BAF and CRR as well as evidence of reporting and follow-up on risks as part of our risk assessment. • The Trust undertake a number of measures to prevent and detect fraud. They engage a counter fraud specialist through their internal auditors – the most recent update reported to the Audit and Risk Committee confirmed the Trust is green rated for all components of the Counter Fraud Functional Standard Return. The Trust also have relevant policies in place e.g. surrounding whistleblowing and bribery as well as clear authorisation processes and separation of duties controls for financial transactions. • The 2022/23 financial plan was prepared by the Deputy and Director of Finance. It was reported to the FPC and Board regularly through the planning process to allow scrutiny and challenge prior to approval. Financial risks were clearly communicated and are evidenced in the minutes of these meetings. Further scrutiny is undertaken by the ICB and other providers to allow alignment within the ICS. • Financial performance is monitored against budget regularly. Monthly budget reports are circulated to budget holders following month-end closedown. Any adverse variances are discussed in meetings between budget holders and Finance Business Partners with action plans prepared to address such variances. Significant pressures are reported to the FPC and Board in the monthly finance reports. Directorate specific pressures are highlighted in the Directorate Information, Performance and Quality report that is presented to monthly directorate meetings for challenge and scrutiny. • Through inquiries of management, meeting minute reviews and review of policies/processes at the Trust during our risk assessment, we found the Trust has appropriate processes in place to monitor compliance with laws and regulations. In the 2022/23 financial year, there was a health and safety executive investigation regarding contravention of health and safety law. Two improvement notices were received and no further action was taken. There have been no breaches of legislation or regulatory standards that has led to an investigation by any legal or regulatory body.

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. 	<ul style="list-style-type: none"> • 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 available on the staff intranet. The Managing Conflicts of Interest policy is available on the Trust website and sets out the process for registering all interests and the Trust's gifts and hospitality policy. • The Trust has ensured appropriate scrutiny, challenge and transparency on decision making. The Trust guarantees key decisions are appropriately challenged and scrutinised by the executive team through the business case process which is considered alongside the Trust's SFIs, standing orders and scheme of delegation. Business cases are presented to the Board/sub-committees where required and decisions taken formally recorded in the meeting minutes. <p>Conclusion</p> <ul style="list-style-type: none"> • Based on the procedures performed, we have not identified any significant weaknesses.

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. 	<ul style="list-style-type: none"> • In the previous year, we documented findings of significant weaknesses in the Trust’s arrangements for securing economy, efficiency and effectiveness stemming from the April 2020 CQC findings. We did not raise a recommendation due to the progress made during 2021/22 resulting in the Trust moving for SOF4 to SOF3 in March 2022. The arrangements that contributed to this progress – namely the Well Led Development Plan and a Back to Good programme have continued to operate during the year. • The Trust received confirmation in year from NHSE of their intention to transition the Trust’s current Quality Board to a Quality Improvement Group chaired and overseen by the South Yorkshire ICB. The transition is due to NHSE’s “recognition of Trusts improvement work and assurances received at the Quality Board. The Trust has provided evidence of reducing risks to quality which supports a move from intensive to enhanced quality assurance and improvement and therefore there is no longer a requirement for regional NHS England (NHSE) leadership of the oversight arrangements for quality and safety.” This further evidences the continued progress of the Trust in its value for money arrangements since the aforementioned CQC report. • 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. In addition, the Trust has utilised external benchmarking and Model Hospital to enable decisions and changes to be made to benefit and reduce the cost base. • The Trust have in place a Performance Framework which allows for scrutiny and challenge of performance. Since the aforementioned CQC findings, the Trust have introduced an Integrated Performance and Quality Report which is reported at various sub-committees and Board on a monthly basis. The report measures actual to target performance. This highlights key issues and improvement areas, allowing the Trust to effectively monitor and challenge the performance of its services. • 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 2022/23 financial planning process to ensure alignment of plans. • The Trust are part of numerous partnerships including Sheffield Health and Care Partnership, South Yorkshire and Bassetlaw ICS, South Yorkshire Mental Health, Learning Disability Autism Provider Collaborative, for which the Chief Executive has the lead CEO role, and Horizon (Provider collaborative for Adult Secure Care) which launched in May 2022. The Board receive regular reporting on the performance of such partnerships through the Chair’s verbal update and the CEO’s written report. <p>Conclusion</p> <ul style="list-style-type: none"> • Based on the procedures performed, we have not identified any significant weaknesses.

Value for money

Significant weaknesses followed up from the prior year

In our annual auditor's report for the financial year 2021/22 we reported that the Trust had a significant weakness in arrangements. As required by the Code of Audit Practice we have revisited this issue and set out in the table below an update in regards to the arrangements in this area.

Weakness reported in 2021/22	Recommendation	Update
<p>The Trust has been responding to historic issues following an inadequate rating of CQC in April 2020. Despite significant progress being made during the year, there is evidence that statutory/regularity requirements have not been met throughout the year. For instance, for the majority of the financial year the previous Section 29A enforcement notice was in place (closed in February 2022) and the Trust was in SOF4 until March 2022. We also note during 2021 -22 Trust management reported their concerns to CQC over the Assessment and Treatment Service, which led to a CQC visit in April 2021 that concluded the service was inadequate and CQC placed a condition on the Trust that they must not admit any service user to this service without the written permission of CQC.</p> <p>Consequently our judgement is that the Trust had significant weaknesses in its arrangements for improving economy, efficiency and effectiveness in respect of ensuring statutory and regulatory requirements were met throughout the year.</p>	<p>No recommendation was raised in the prior year due to the Trust's significant progress throughout the year against previous recommendations, that resulted in the Trust moving into Segment 3 in March 2022.</p>	<p>The Trust continues to make progress as documented in our commentary on the previous pages and no significant weaknesses were raised in relation to the Trust's value for money arrangements in 2022/23..</p>



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