

# **Auditor's Annual Report** on Torbay and South Devon NHS Foundation Trust

2020/21

August 2021



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We are required under Schedule 10 paragraph 1(d) of the National Health Service Act 2006 to satisfy ourselves that the Foundation Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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# Executive summary



## Value for money arrangements and improvement recommendations

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Foundation Trust has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified Value for Money (VFM) conclusion. Instead, auditors report in more detail on the Trust's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Trust's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our findings are summarised in the table below.

Criteria	Risk assessment	Findings
Financial sustainability	Risk identified because of the Trust's significant cumulative deficit	No significant weaknesses in arrangements identified, but improvement recommendation made
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified



## Financial sustainability

In our Audit Plan, we identified a risk of significant weakness in respect of financial sustainability arrangements at the Trust. The Trust's auditor in 2019/20 issued an adverse VFM conclusion due to the in-year deficit, forecast deficit positions and difficulties in delivering saving targets.

The cumulative deficit at the Trust is significant and at 31 March 2021, it stood at £18.2 million. In line with national guidelines the NHS planning process for 2020/21 was suspended before plans were fully developed. The Trust's draft plan was expecting to deliver a deficit of £41.4 million, however with the additional support provided through the revised arrangements the Trust delivered a deficit of just £124,000.

Given the changes in the funding regime and overall nature of planning now being effected at a system level, and considering the Trust's outturn position, our work has not identified any significant weaknesses in arrangements in relation to financial sustainability.

Despite this uncertainty and interim regime in place, the Trust has maintained good financial control. However, the financial challenge over the medium term remains high and work is needed to ensure that adequate efficiencies are identified and delivered to mitigate this risk.

Our findings are set out in further detail on pages 7 to 9.



## Governance

We did not identify any risks of significant weaknesses in the Trust's governance arrangements in our initial risk assessment. Our further work confirmed this view, with no significant weaknesses in arrangements identified, or improvement recommendations needing to be made. Our findings are set out in further detail on pages 10 to 11.



## Improving economy, efficiency and effectiveness

We did not identify any risks of significant weaknesses in the Trust's arrangements for improving economy, efficiency and effectiveness.

The Trust has demonstrated a clear understanding of the issues in improving economy, efficiency and effectiveness. Good progress is being made in relation to the ICS and this will be key to delivering transformation at the system level, which is key to ensuring sustainability for the Trust and the services it delivers.

Our work has not identified any significant weaknesses in arrangements or improvement recommendations in relation to delivering economy efficiency and effectiveness. Our findings are set out in further detail on pages 12 to 17.

# Executive summary



## Opinion on the financial statements

The Trust submitted draft financial statements for audit in line with national deadline. Working papers were provided to support the entries in the accounts.

Audit queries were responded to promptly and the finance team and senior officers were supportive of the audit process.

We have completed our audit of your financial statements and issued an unqualified audit opinion on 28 June 2021, following the Audit Committee meeting on 25 June 2021.

We made a small number of recommendations in respect of our findings from the audit process. Our review of the Trust's IT systems also identified a number of weaknesses.



# Key recommendations



The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Trust. We have defined these recommendations as 'key recommendations'.

Our work has not identified any significant weaknesses in arrangements and therefore we have not made any key recommendations.

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The range of recommendations that external auditors can make is explained in Appendix C.



# Commentary on the Foundation Trust's arrangements to secure economy, efficiency and effectiveness in its use of resources

All Foundation Trusts are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Trust's responsibilities are set out in Appendix A.

Foundation Trusts report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under Schedule 10 of the National Health Service Act 2006, we are required to be satisfied whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 3, requires us to assess arrangements under three areas:



## Financial Sustainability

Arrangements for ensuring the Trust can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



## Governance

Arrangements for ensuring that the Trust makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Foundation Trust makes decisions based on appropriate information.



## Improving economy, efficiency and effectiveness

Arrangements for improving the way the Trust delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on pages 7 to 18. Further detail on how we approached our work is included in Appendix B.



# Financial sustainability



## We considered how the Foundation Trust:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

## Financial Year 2020/21 Outturn

The Trust has an underlying deficit position, and has previously required additional funding in the form of working capital loans to continue to operate.

Due to the Covid-19 pandemic, the normal regime of NHS financial planning was paused in April 2020 and a temporary financial framework was put into place. During the first six months of 2020/21, the Trust was allocated a budget centrally to operate within. This was based on the 2019/20 spend with a small uplift. Any expenditure variances from this budget (Covid and non-Covid related) were then funded retrospectively to ensure that for the first six months of 2020/21, April to September 2020, the Trust had sufficient resources to respond to the pandemic. This regime was later extended to the full year.

The Trust reported a deficit of £124,000 in its financial statements for the year ended 31 March 2021. It should be noted that although the Trust has maintained strong financial control during the pandemic, the financial support throughout the whole of the NHS masks the Trust's underlying financial position.

However, it is clear that this financial outturn was a result of additional Covid-19 funding, rather than improved efficiency, which enabled the Trust to deliver a deficit of only £124k, compared to the deficit of £41.4m that it was in its draft plan.

The financial challenge over the medium term is significant and work is needed to ensure that adequate efficiencies are identified and delivered to mitigate this risk.

## Bridging Funding Gaps

The creation of the Devon Sustainability and Transformation Partnership, now the Integrated Care System, (ICS) provides the Trust with opportunities to work more closely with local partners to deliver a more sustainable future. The ICS consists of provider and commissioning organisations with links to local authority, private sector and voluntary organisations.

As noted above, the Trust has a significant underlying deficit position. The reported deficit in 2019/20 was £18m, which was driven by CIP under delivery, income under recovery and unplanned cost pressures. However, the underlying position was significantly worse than that at £44.9m due to non-recurrent income and savings in the year.

The Trust's draft financial plan for 2020/21, before the financial planning was paused, was for a deficit of £41.4m, but the achievement of this was dependent upon the delivery savings of £17.7m. However, the need to deliver CIP savings were suspended at the end of 2019/20 and the process is only getting started again during 2021/22. There is no evidence of significant weaknesses in the Trust's arrangements for identifying savings schemes but it should be noted that due to the pandemic the delivery of savings schemes has been halted for some 18 months, thus we have limited evidence on the ability of the Trust to deliver these in 2021/22 and beyond.

The impact of Covid-19 has had a major impact on the Trust's income and expenditure for the year, and the necessary focus on the pandemic has inevitably affected the Trust's ability to achieve savings and efficiencies. While the Trust's 2020/21 performance was close to break-even, the underlying deficit position has increased significantly from £44.9m to £67.6m. The Trust's underlying deficit position is part of a much wider issue within the Devon ICS, which has recently been put in the Recovery Support Programme (RSP) by NHSE/I.

# Financial sustainability

## Financial Planning 2021/22

The response to Covid-19 has also delayed the business as usual planning process in the NHS. Although work to develop plans has continued during the year, the clarification of the process has led to plans for 2021/22 being submitted in May 2021. Nationally, funding agreements and planning policy is expected to separate 2021/22 into two halves. Plans will need to be updated in September 2021 for the final two quarters of the year, when the ongoing impact of COVID-19 is assessed further.

For quarters 1 and 2, there will be a continuation of the Covid-19 response and payment at cost. For quarters 3 and 4 there is an expectation that there will be a return to 'normal' levels of activity, however full details of the financial regime have not yet been confirmed.

Our review has not identified any weaknesses in the Trust's financial planning and monitoring arrangements. Financial planning and subsequent reporting demonstrates that it is integrated with corporate objectives and activity and workforce plans.

## Identifying and assessing financial risks

The Trust has adequate arrangements in place for identifying and assessing risk. This is addressed through the Trust's reporting structure, with the Finance Performance and Digital Committee reporting into the Board. The Board Assurance Framework and Integrated Performance Reports include appropriate financial risks and metrics. These risks are monitored and updated throughout the period and reporting is clear and transparent which allows risks to be fully understood and mitigated. Risks are appropriately captured within the planning process.

## Summary from our audit review

The underlying deficit and the progress towards bringing the Trust back to financial balance over the medium term resulted in an adverse VFM conclusion in the 2019/20 auditor's report and the identification of a risk of significant weakness in our audit plan for the 2020/21 year. The changes in funding and the planning regime as a result of Covid -19 has allowed the Trust to deliver a small deficit in year rather than the £41.4 million deficit identified in the draft 2020/21 plan.

We have considered the arrangements the Trust has in place to deliver financial sustainability over the medium to longer term together with its consideration of the risks to delivery and we are satisfied that there is no significant weakness in this area for 2020/21. However, The underlying deficit at the Trust has increased and, post-Covid, the financial challenges are significant. The Trust will need to work with its partners at pace to deliver a financially sustainable position in the future and we have raised an improvement recommendation in relation to this.



# Improvement recommendations



## Financial sustainability

Recommendation	The Trust must urgently develop a clear timeline for the expected delivery of future savings plans and ensure that the risks associated with these are clearly articulated.
Why/impact	Sustainable recurrent savings plans, both at a Trust and ICS system level, are integral to reducing the underlying deficit and moving to a financial sustainable position.
Auditor judgement	<p>The Trust has a significant underlying financial deficit and has only achieved a deficit or break even position in 2020/21 due to additional support received including in the current year. The Trust is part of the Devon Integrated Care Systems (ICS), which has recently been put into Recovery Support Programme (RSP) by NHSE/I, which is a reflection of the scale of the challenge within the Devon health economy.</p> <p>The Trust needs to work together with its partners in the ICS, with the support of NHSE/I to achieve the economies of scale to begin to move towards a sustainable financial future.</p> <p>Although there is likely to be changes in financing at a national level as a result of the pandemic and the move to closer system work, further action is now required to develop realistic and achievable plans for a financially sustainable position in the future.</p>
Summary findings	The Trust, in common with its Devon ICS partners, is facing a significant challenge to address the underlying deficit within the ICS, which has increased during the pandemic. While there will be actions for the Trust, the issues are across the Devon ICS area and require system wide actions. The Trust under delivered on its savings plans in 2019/20, with the process being suspended in 2020/21. due to Covid. This has increased the scale of the challenge and the Trust needs to accelerate the development of realistic recurrent savings plans as a matter of priority.
Management Comments	<p>The Trust accepts the recommendation wholeheartedly and has begun to make arrangements to tackle the underlying deficit. This includes:</p> <p>Internal measures</p> <ul style="list-style-type: none"> <li>- strengthening the finance team and improving internal financial reporting through professional development and investment in technology</li> <li>- re-focusing the project management office to ensure a clear and consistent drive around productivity and efficiency through cost reduction and transformation</li> <li>- strengthening regular executive meetings to scrutinise financial delivery and the achievement of service objectives</li> </ul> <p>External measures</p> <ul style="list-style-type: none"> <li>- forming the SEND collaboration to identify mutual services where closer working will improve outcomes and value</li> <li>- proactively supporting the articulation of the ICS Long Term Plan, including high impact interventions which will deliver financial improvements</li> <li>- convening peninsula-wide groups to drive strategic recovery plans including those dependent on digital and the New Hospitals Programme, to ensure strong collaboration and consistency in approach</li> </ul> <p>The financial recovery trajectory will be developed with ICS partners, subject to the outcome of the H2 and 2022-23 spending settlements. A multi-year financial recovery plan will be available by March 2022.</p>

The range of recommendations that external auditors can make is explained in Appendix C.

# Governance



## We considered how the Foundation Trust:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

## Monitoring and assessing risk

The Trust has a Risk Management Strategy, supported by a Risk Management Policy. The Trust ensures a common and systematic approach to risk management to ensure it is embedded across all areas, which enables risks to be identified and managed effectively in the most appropriate place. The risks are included in the Corporate Risk Register, which is part of the Board Assurance Framework (BAF). The BAF is the principal means by which the Board identifies, measures and monitors strategic risks to the delivery of its objectives. The BAF is also the means by which the Board records steps which have been or will be taken with a view to mitigating such risks.

The BAF in place in 2020/21 addressed the risks to the Trust across its strategic objectives of:

- Safe, quality care and best experience
- Improving wellbeing through partnerships
- Valuing our workforce
- Well-led

In December 2020 the Trust's Internal Auditors gave 'substantial assurance' on the BAF. The internal audit review of Risk Management gave a 'satisfactory assurance' rating.

Risks are RAG rated and scored with evidence of ownership and mitigations, where appropriate. From our review, we are satisfied that the risks identified are managed and reported appropriately and that there is sufficient challenge and monitoring of risk owners.

## Internal control

Internal Audit at the Trust is provided by ASW Assurance (formerly Audit South West), which is a NHS consortium hosted by the Trust, delivering internal audit and counter fraud services across a range of NHS bodies.

The Audit Committee approves the annual audit plan and the three-year strategic plan each year and is provided with a progress report against this at each Committee meeting. Internal audit attend each Audit Committee and provide members with an update on work completed to date, any significant issues and work yet to be completed to inform the overall Head of Internal Audit opinion. From attendance at the Audit Committee we note that progress to ensure timely resolution is monitored and challenged.

Internal Audit have completed their work for the 2020/21 financial year as set out in their Audit Plan and the Head of Internal Audit opinion gave substantial assurance over the system of internal control in place at the Trust.

The Local Counter Fraud Service (LCFS) is provided by the Trust's Internal Auditors. An annual plan for LCFS work is produced and approved by the Audit Committee. Internal Audit have a named Counter-Fraud lead for the Trust who reports progress against the plan to the Audit Committee and who attends all Audit Committee meetings.

The Audit Committee has a key role to play in ensuring the overall effectiveness of internal controls. The Committee discharges this function adequately by adhering to its terms of reference and challenging officers in relation to internal and external audit findings.

# Governance

## Budget setting

Financial arrangements are monitored and challenged at the Finance Performance and Digital Committee which meets monthly and reports to the Board. The Committee was kept apprised of the process as it changed over the year and has considered the planning proposals throughout the year.

The Trust's draft financial plan for 2020/21, submitted in March 2020, was for a deficit of £41.4m. This plan was not finalised due to the outbreak of Covid.

The impact of Covid-19 was so great on the Trust's income and expenditure that it is not possible to comment on the reasonableness of the original planned budget for 2020/21 and the Trust's savings plans in a meaningful way.

## Financial management and reporting

Financial management processes are appropriate. Integrated Performance Reports (IPR) are reported monthly to the Finance Performance and Digital Committee and Board. These reports contain monthly monitoring of both operational performance and financial metrics as well as workforce metrics, to enable the Board to have an informed understanding of the Trust's financial position and to take appropriate remedial action where necessary. Reporting is considered to be sufficiently detailed.

Financial performance is a key objective for senior managers in terms of the reporting, identification of risks and responses to these risks. There is no evidence of any weaknesses in arrangements or lack of capacity in the finance department.

There is no evidence of serious or pervasive weaknesses in final accounts processes. The current and prior year audits did not identify any material errors. The standard of draft accounts production is good and there is no history of failure to meet statutory reporting deadlines.

## Informed decision making

The Trust consults with service users when significant changes to services are being proposed, with the most recent example being the public consultation in respect of the Health and Wellbeing Hub at Teignmouth. The Trust also engages with stakeholders regarding its medium term financial plans within the Devon ICS and partnerships including Children and Family Health Devon and the Strategic Alliance between Torbay and South Devon NHS Foundation Trust, Royal Devon and Exeter NHS Foundation Trust and Northern Devon Healthcare NHS Trust (SEND).

All Board and Committee reports have a mandatory cover schedule setting out the purpose of the paper, recommendations and actions required. They also include a summary of the key elements including the relevant strategic objectives, whether the item links to issues on the BAF and/or risk register and the external standards impacted by the report.

We are satisfied that appropriate arrangements are in place to ensure that all relevant information is provided to decision makers before major decisions are made, and that there are arrangements for challenge of such decisions before they are made.

## Ensuring Appropriate Standards

The Trust has a constitution in place which is regularly reviewed and updated. The constitution is shared with all staff members on and is openly available on the website. The Trust has other appropriate policies and procedures in place including: Standards of Business Conduct Policy, Fraud and Bribery Prevention Policy, Raising Concerns Policy (Whistleblowing), fit and proper person declarations, and the registers of interest and gifts and hospitality are kept up to date.

Arrangements for making a declaration of interest are in place at the beginning of all Board and Committee meetings.

We are satisfied that the Trust has appropriate arrangements in place to monitor compliance with legislation and regulatory requirements.

## Summary from our audit review

Overall, we found no evidence of any significant weaknesses in the Trust's arrangements for ensuring that it makes informed decisions and properly manages its risks.

# Improving economy, efficiency and effectiveness



## We considered how the Foundation Trust:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

## How financial and performance information has been used to assess performance to identify areas for improvement

The Trust has a range of performance indicators that are reported monthly in the Integrated Performance Report (IPR) to the Board and relevant sub committees. Finance is considered in more depth at the Finance Performance and Digital Committee, and quality at the Quality Assurance Committee with escalation reports submitted to the Board.

While services are beginning to recover from the Covid-19 pandemic there remains a long recovery ahead, particularly for elective services where patients are seeing much longer waiting times and the number of patients waiting over a year has risen across the country.

Data quality is within the remit of the Health Informatics Service and the Information team. The Trust reports on a number of areas in its annual Quality Account. Nationally reported benchmarking data is used by the Trust to identify areas for improvement.

The Trust identifies priorities for improvement through a number of mechanisms including interactions with patients, families and carers, the public, staff and Governors. These are monitored and reported publicly in the Trust's Quality Account.

## Working in partnership

As an Integrated Care Organisation (ICO) the Trust works in partnership with Torbay Council and NHS Devon CCG to deliver adult social care, one of the first in the country to integrate local health and social care teams.

The Trust recently formed a strategic alliance with Royal Devon and Exeter NHS Foundation Trust and Northern Devon Healthcare NHS Trust (SEND – South, East and North Devon). The partnership aims to establish a model of collaborative care and signifies commitment by each organisation to cooperate and collaborate to optimise the effective use of resources for the health benefit of the local populations. The Trusts engage with each other openly on all aspects of the development of clinical models, clinical strategies and delivery plans of collaborative service delivery arrangements.

In February 2021, the government published proposals to restructure parts of the NHS, with CCGs, which have commissioned services from provider trusts, being disbanded and integrated care systems (ICS), which will subsume these responsibilities, moving to a statutory footing.

The Trust is already an active partner in the Devon ICS. The development of the ICS aspires to move from a reactive and ultimately competitive model to a more proactive integrated approach to delivering healthcare to the local population.

Members of the Trust's management team are part of the management arrangements of the ICS including the Finance Working Group (Directors of Finance) and the System Transformation & Efficiency Committee (STEC), attended by Chief Executives from Devon. In addition to the system based financial planning, operational planning and priorities continue to be developed at a system level.

The Trust is working to develop organisational and system plans to incorporate national, regional and organisational priorities into developing plans.

# Improving economy, efficiency and effectiveness

## Key performance indicator scorecard

	Indicator*	Average	Current period	RAG	Previous
<b>Financial</b>	Average income per WTE staff member (£000s)	79.42	80.39	●	↑
	National Cost Collection Index (NCCI)	100.79	104.62	●	
	Average revenue per activity unit (£)	1,365.59	1,258.86	●	
	Agency spend as percentage of total staff costs	4.00%	3.98%	●	↑
<b>Operational</b>	Average length of stay for all activity	2.78	2.71	●	
	Admitted patients waited 18 weeks or less from referral to treatment	56.00%	63.29%	●	↑
	Non-Admitted patients waited 18 weeks or less from referral to treatment	75.00%	74.16%	●	↑
	Patients waiting 18 weeks or less from referral to treatment	65.00%	62.55%	●	↑
	Percentage of patients admitted, transferred or discharged from A&E within 4 ho...	77.00%	81.25%	●	↑
	Percentage of patients waiting 13+ weeks for diagnostic tests	14.00%	21.64%	●	↑
	Percentage of patients waiting 6+ weeks for diagnostic tests	30.00%	34.96%	●	↑
	Percentage of patients with two-week cancer treatment wait (all cancers)	88.00%	74.75%	●	↓
	DTOC: total number of bed days where a patient was fit for discharge	798.99	823.00	●	↑
	Staff sickness absence rate	4.00%	3.73%	●	↓
	DTOC: percentage of the total number of bed days where a patient was fit for di...	4.00%	6.01%	●	↑
	Staff turnover stability index	85.00%	92.00%	●	—
	CAMHS ED: Non-urgent referrals seen within 4 weeks	0.00%	0.00%	●	↑
	CAMHS ED: Urgent referrals seen within 1 week	82.00%	19.35%	●	↓
<b>Clinical</b>	FFT: Percentage of respondents likely to recommend - Inpatients	1.00	1.00	●	
	FFT: Percentage of respondents likely to recommend - Outpatients	94.00%	1.00	●	
	FFT: Percentage of respondents likely to recommend - A&E	85.00%	1.00	●	
	FFT: Percentage of respondents likely to recommend - Maternity	96.00%	1.00	●	
	FFT: Percentage of respondents likely to recommend - Community	96.00%	96.20%	●	↑
	Incidents resulting in severe harm or death	0.00%	1.49%	●	↑
	Patient experience scores: overall (inpatient)	76.00%	78.07%	●	
	Summary Hospital-level Mortality Indicator (SHMI)	1.00	1.01	●	—

## Benchmarking

To help us in performing our overall assessment of the Trust's arrangements for improving economy, efficiency and effectiveness, we have produced benchmarking data which compares the Trust against other providers nationally. The benchmarking data is based on nationally available data and is therefore subject to any limitations of each data source.

The tool RAG rates areas and shows how the Trust compares against peers in each area. The performance of the Trust against each of the areas is set opposite. It should be noted that the data on which this report has been based relates to data published during 2020, between February and October, as this is the latest period that comparative data is available. Despite this, it does provide the opportunity to assess how areas identified have been addressed.

As can be seen from the table there are four areas where the Trust's performance is below that of its peers. All organisations face challenges and this benchmarking is not looking to highlight areas where these challenges are but rather to assess the extent to which the Trust is aware of these challenges and has plans in place to address them.

### Legend

- Poorest performing 25% of organisations
- Middle performing 50% of organisations
- Best performing 25% of organisations
- ↓ Performance deteriorated (higher better)
- ↑ Performance deteriorated (lower better)
- ↑ Performance improved (higher better)
- ↓ Performance improved (lower better)
- Performance stayed the same

# Improving economy, efficiency and effectiveness

## Benchmarking

### Percentage of patients waiting 13+ weeks for diagnostic tests.

Performance for diagnostic waiting times is in the lowest 25% performing acute Trusts between November 2019 and March 2020 for the 13+ weeks indicator, although has improved since then – and goes back to the lowest 25% in October 2020. In June 2020, performance worsened, with the percentage of patients waiting 13+ weeks of c.26%, but this was better against the national average of c.32%.

The Trust has identified that the modalities with the greatest number of long waits are echocardiography, colonoscopy, endoscopy, and increasingly MRI investigations. Waits for CT have shown a reduction however capacity is still reliant on mobile insourcing capacity. The third CT installation that commenced in December 2020 will add additional capacity from June 2021. Access to diagnostics, and in particular radiology, is critical for maintaining timely cancer diagnosis and supporting treatment pathways. The Trust note that the radiology service continues to prioritise these urgent referrals along with maintaining service levels to inpatients, however, it does mean that overall some patients will wait longer for routine diagnostic tests.

Organisation comparison and RAG rating based on latest data period: 202010

### Percentage of patients waiting 13+ weeks for diagnostic tests



### RAG rating



The chart shows the performance for the most recent data period. A red bar shows the organisation was in the poorest performing 25% of organisations nationally, green shows the best performing 25% of organisations nationally, and amber the organisations in between. The also chart shows the average (line), minimum and maximum values across all organisations.



# Improving economy, efficiency and effectiveness

## Percentage of patients with two-week cancer treatment wait (all cancers)

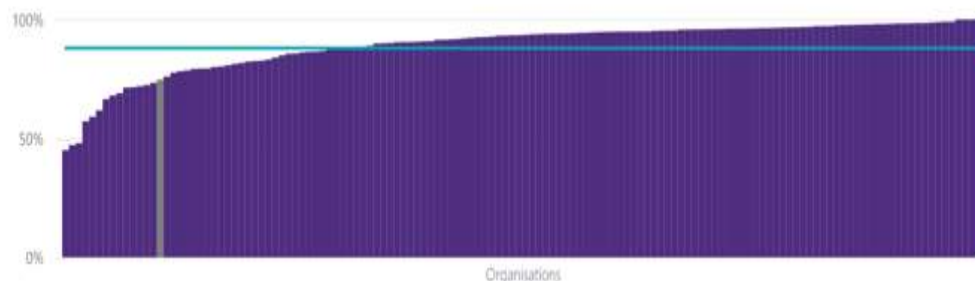
Performance for cancer treatment wait times has been mainly in the lowest 25% of acute Trusts. The trend shows greater fluctuations, compared to the national trend – which has been in a general plateau over the last couple of years. When comparing with peers, the Trust ranks the third lowest.

The Board has recognised the decline in performance for this metric at the Trust and they note building works to reconfigure the department and expand into the footprint of EAU3 (previous emergency assessment ward) is now complete. Board reporting confirms that plans are in place to ring-fence and prioritise capacity to support cancer pathways from referral, diagnosis, and treatment.

Organisation comparison and RAG rating based on latest data period: 202010

### Percentage of patients with two-week cancer treatment wait (all cancers)

● Organisations ● Average ● Selected organisation



RAG rating



The chart shows the performance for the most recent data period. A red bar shows the organisation was in the poorest performing 25% of organisations nationally, green shows the best performing 25% of organisations nationally, and amber the organisations in between. The also chart shows the average (line), minimum and maximum values across all organisations.

## DTOC – percentage of the total number of bed days where a patient was fit for discharge

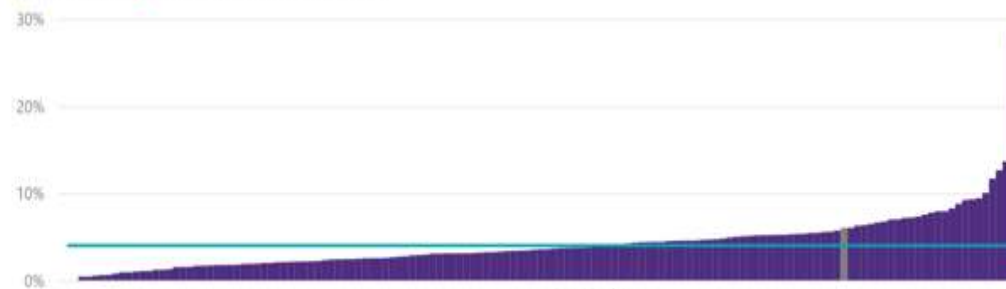
The Trust was within the middle 50% of acute Trusts for the majority of months between March 2019 and February 2020, and performing roughly close to the national average.

In 2020/21 the Trust has been reporting achievement against its Community and Social Care Framework indicator, noting that the national return has been suspended.

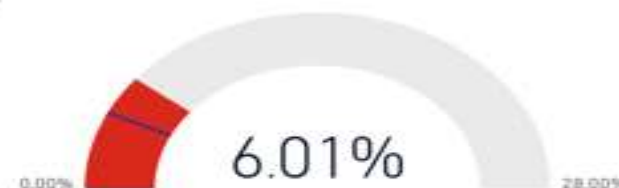
Organisation comparison and RAG rating based on latest data period: 202002

### DTOC: percentage of the total number of bed days where a patient was fit for discharge

● Organisations ● Average ● Selected organisation



RAG rating



The chart shows the performance for the most recent data period. A red bar shows the organisation was in the poorest performing 25% of organisations nationally, green shows the best performing 25% of organisations nationally, and amber the organisations in between. The also chart shows the average (line), minimum and maximum values across all organisations.

# Improving economy, efficiency and effectiveness

## Incidents resulting in severe harm or death.

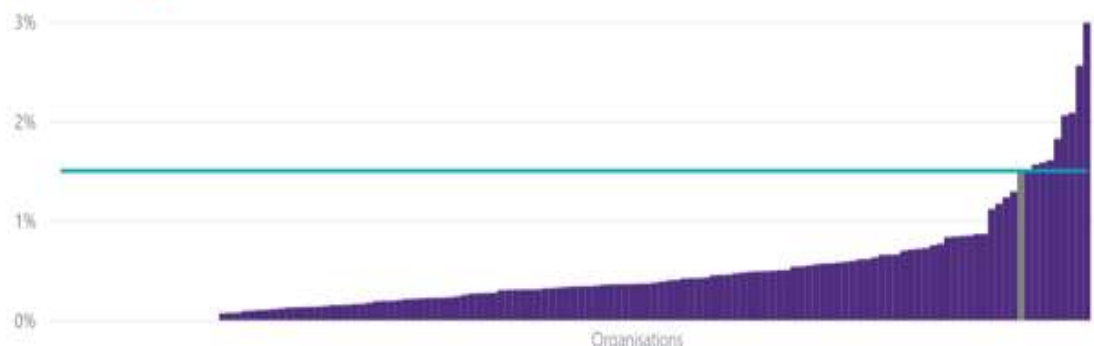
The indicator identifies that the Trust is above average for such incidents, although it should be noted that the overall numbers of such incidents is low. The Trust undertakes reviews of all serious incidents, which are reported to Trust Management and as part of private Board meeting agendas.

We are satisfied that the Trust is aware of areas where performance lags and is taking suitable action to address these matters.

### Organisation comparison and RAG rating based on latest data period: 202010

#### Incidents resulting in severe harm or death

● Organisations ● Average ● Selected organisation



#### RAG rating



The chart shows the performance for the most recent data period. A red bar shows the organisation was in the poorest performing 25% of organisations nationally, green shows the best performing 25% of organisations nationally, and amber the organisations in between. The also chart shows the average (line), minimum and maximum values across all organisations.

# Improving economy, efficiency and effectiveness

## Monitoring performance against expectations

The Care Quality Commission (CQC) is the independent regulator of health and social care in England. It monitors, inspects and regulates services provided by NHS Trusts, Foundation Trusts and independent hospitals to make sure they meet fundamental standards of quality and safety. Its most recent full inspection report was published in July 2020 and the Trust's overall assessment was 'Good'. There were no changes since the previous report issued by the CQC in May 2018 as the Trust level ratings were not updated as NHSE/I were not able to carry out the Trust-level well-led inspection during the Covid-19 pandemic.

The Board are presented with CQC Assurance Report detailing any actions and relevant commentary. Within the CQC improvement plan there were eight must do areas that are currently overdue that are themed into three areas, these are;

- Ensure equipment and premises are fit for purpose - works have commenced, which are interdependent on wider programmes of work which are progressing and being monitored through the capital planning process..
- Ensure staff are up to date with all mandatory training to include safeguarding training and resus – the Trust has improved its oversight of compliance training. The resus policy has been updated, reporting process and requirements have been agreed including monitoring processes
- Ensure staff are up to date with appraisals - rates of reviews completed continue to increase with all staff being encouraged to complete abbreviated reviews. Support is being provided to areas that are slow to improve.

The Trust have a CQC action plan which is monitored through the CQC and Compliance Assurance Group. The Group is chaired by System Director of Nursing & Professional Practice - South Devon and follows up on progress against recommendations.

## New services

The most significant new service taken on by the Trust recent is Children Family Health Devon (CFHD). Due to the significance of the service it has its own Integrated Governance Group (IGG) which is a performance review group. This reviews the performance in terms of quality, safety and finance. This demonstrates that the Trust has arrangements in place to review this new area closely on a regular basis against all metrics, to assess whether it is achieving the expected benefits. The performance of the CFHD is also reported within the Integrated Performance Reports to Finance Performance and Digital Committee and Board.

## Procurement and commissioning

The Trust has a procurement strategy in place covering 2017-2022. The strategy covers all non-pay spend of the Trust across a full range of goods and services, to support the Trust's strategic objectives. The Trust is a member of the Peninsula Purchasing and Supply Alliance (PPSA) which delivers collaborative procurement to the health sector across the South West. There is no evidence to suggest that proper practices are not in place.

The Trust has a small number of subsidiary and associated entities, the most significant is SDH Developments Limited, which provides outpatient pharmacy services to the Trust. The company is trading profitably and governance arrangements are in place.

We consider that the Trust has appropriate arrangements in place to manage procurement and commissioning of services.

## Private Finance Initiative (PFI)

The Trust has two PFI schemes, Dawlish Hospital and Newton Abbot Hospital. The Dawlish Hospital scheme is one of the earliest NHS PFI schemes and is due to expire in 2024/25. The Trust is aware of its options at the end of the contract and reported to Finance Performance and Digital Committee setting these out, the proposed actions and timelines.

We are satisfied that the Trust has appropriate arrangements for the expiry for the Dawlish Hospital PFI scheme.

## Summary from our audit review

Our review has not identified any areas of significant weakness in the Trust's arrangements for Improving economy, efficiency and effectiveness in 2020/21.

# COVID-19 arrangements



Since March 2020 COVID-19 has had a significant impact on the population as a whole and how NHS services are delivered.

We have considered how the Trust's arrangements have adapted to respond to the new risks they are facing.

## Financial Sustainability

As set out on pages 7 and 8, the impact of Covid-19 has radically altered the planning and financial systems within the NHS. Business as usual was suspended to allow the system to respond to managing the pandemic and the uncertainty that it created. Moving to an expenditure based system to ensure that providers had the funding they needed to provide patient care. Funding allocations were set nationally by NHSE/I to remove the need for contract negotiations. The Finance Performance and Digital Committee has reviewed the funding and budgets as the year has progressed.

This change to the funding regime based on actual expenditure has benefitted the Trust as demonstrated by the improved financial outturn delivered in the year from a predicted £41.4 million deficit to a deficit of just £124k. The Trust's medium term financial position is considered in further detail in the 'Financial sustainability' section of this report.

The Trust has been required to submit half year plans to NHSEI as a result of the amendment to the financial regime noted above. Our review of the Trust's processes identified that it complied with relevant requirements in relation to its financial plans.

Monitoring of COVID-19 related income and expenditure was undertaken on a regular basis, with monthly reporting to board. The regular reporting of information enabled comparison month on month, and for the board to appropriately identify any trends in the data.

## Governance

The Trust reacted swiftly to the emerging pandemic and implemented a Major Incident Plan, which included a Gold, Silver and Bronze command structure. This was supported by an amendment to its standing orders, SFIs and scheme of delegation. Specific internal audit reviews were commissioned to ensure that the core governance and financial governance in respect of the evolving issues was maintained.

Following the national lockdown, committee meetings moved to video conferencing and have taken place remotely throughout the pandemic. Appropriate levels of scrutiny and challenge continue to be applied. The corporate risk register has been updated to ensure COVID-19 related risks are recorded appropriately, mitigated where appropriate and monitored.

The Trust's COVID-19 core governance and financial governance arrangements were been reviewed by Internal Audit, whose reports concluded that they were appropriate and in line with national guidance.

## Improving economy, efficiency and effectiveness

Patient case activity and performance against statutory targets has been impacted significantly by the pandemic, both at the Trust and nationally. The funding regime for 2021/22 includes access to an elective recovery fund which began in April 2021, increasing elective activities as the year progresses is essential for the Trust to maintain its financial position.

The Trust has been mindful of the impact on the pandemic on its most important resource, its staff. Actions have been put in place to support staff wellbeing and supporting staff remains a key priority for the Trust.

## Summary from our audit review

Our review has not identified any significant weaknesses in the Trust's arrangements for responding to the COVID-19 pandemic.

# Opinion on the financial statements



## Audit opinion on the financial statements

We have an unqualified the financial statements on 28 June 2021.

## Other opinion/key findings

We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies were identified.

We are also required to give an opinion on whether the parts of the Remuneration Report and Staff Report subject to audit have been prepared properly in accordance with the requirements of the Act, directed by the Secretary of State with the consent of the Treasury.

We have audited the elements of the Remuneration Report and Staff Report, as required by the Code.

We issued an unmodified opinion in this regard on 25 June 2021, however a number of amendments were required to the Remuneration Report to comply with the requirements of the Foundation Trust Annual Reporting Manual.

We also reported no significant issues in relation to the Trust's:

- Annual Governance Statement; and
- Annual Report.

## Whole of government accounts

We undertook procedures, as a component auditor, mandated by the National Audit Office. We had no matters to report.

## Audit Findings Report (AFR)

More detailed findings can be found in our AFR, which was reported to the Trust's Audit Committee on 25 June 2021.

## Preparation of the accounts

The Trust provided draft accounts in line with the national deadline.

## Issues arising from the accounts:

The significant issues reported as part of our financial statements audit, related to weaknesses in the IT general controls in relation to systems that feed into the Trust's financial statements. Five further recommendations for improvement were raised relating to the financial statements audit.

## Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation



# Appendices



# Appendix A - Responsibilities of the Foundation Trust



## The accounting officer is responsible for:

- Preparation of the statement of accounts
- Ensuring that income and expenditure is in line with relevant laws and regulations
- Assessing the Trust's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The accounting officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Accountable Officer is also responsible for ensuring the regularity of expenditure and income.

The accounting officer is required to comply with the NHS foundation trust annual reporting manual and the Department of Health & Social Care group Accounting Manual and prepare the financial statements on a going concern basis, unless the Trust is informed of the intention for dissolution without transfer of services or function to another entity. An organisation prepares accounts as a 'going concern' when it can reasonably expect to continue to function for the foreseeable future, usually regarded as at least the next 12 months.

The Trust is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



# Appendix B - Risks of significant weaknesses - our procedures and findings

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, the conclusions we have drawn and the final outcome of our work:

Risk of significant weakness	Procedures undertaken	Conclusion	Outcome
<b>Financial sustainability</b>  The Trust's auditor in 2019/20 issued an adverse VFM conclusion due to the in-year deficit, forecast deficit positions and difficulties in delivering saving targets. Although the Trust is forecasting a small deficit in 2020/21, in line with its revised plan, this is mainly due to the block funding arrangements within the NHS due to Covid-19. The underlying financial position of the Trust remains challenging and the focus in current financial year has not been on savings plans or productivity. We will review and consider the arrangements that the Trust has in place to work with partners in the STP to achieve a financially sustainable position for the future, in addition to considering the Trust's own plans to drive further savings and efficiencies.	We : <ul style="list-style-type: none"> <li>reviewed the Trust's 2020/21 outturn position;</li> <li>reviewed the progress for responding to the changes and uncertainties inherent in the 2020/21 financial planning process;</li> <li>reconciled in year financial reporting with the outturn position;</li> <li>considered the Trust's arrangements and progress towards working more closely with partners across the STP/ICS to achieve a sustainable financial position in the longer term;</li> <li>reviewed the general financial arrangements underpinning financial management.</li> </ul>	<p>Our work has not identified a significant weakness in arrangements for 2020/21. The NHS's response to the Covid-19 pandemic in ensuring that provider trusts had sufficient funds to operate effectively has meant that Torbay and South Devon NHS Foundation Trust has been able to deliver a small deficit against a plan that envisaged a large deficit.</p> <p>The interim financial regime has been very prescriptive in how income was allocated and has also been clear around the cessation of delivering savings, to allow focus to be placed on responding to the pandemic.</p> <p>The Trust is aware that the improvement in performance has been due to the additional funding provided centrally and that, in the absence of the additional Covid-19 funding, the planned position was a deficit of £41.4 million. The underlying deficit has also increased as efficiency programmes were paused. The financial challenge over the medium term remains high.</p> <p>The Trust has continued to engage with its partners and Covid-19 has accelerated system working nationally. This work will continue in the Devon ICS area with the support of NHSE/I under the Recovery Support Programme, which demonstrates the scale of the challenge.</p>	Appropriate arrangements are in place, one improvement recommendation raised.

# Appendix C - An explanatory note on recommendations

The recommendations that can be raised by the Trust's auditors are as follows:

Type of recommendation	Background	Raised within this report	Page reference
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Trust. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Trust, but are not a result of identifying significant weaknesses in the Trust's arrangements.	Yes	9

# Appendix D - Use of formal auditor's powers

We bring the following matters to your attention:

## Public Interest Report

Under Schedule 10 of the National Health Service Act 2006, auditors of foundation trusts have a responsibility to make a report in the public interest if they consider a matter is sufficiently important to be brought to the attention of 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.

Our audit work has not identified any issues that would require us to issue a report in the public interest.

## Referral to NHS Regulator

Under Schedule 10 of the National Health Service Act 2006 auditors of foundation trusts have the responsibility to report to the relevant NHS regulatory body if the auditor has reason to believe that the foundation trust (or director or officer of the foundation trust) is:

- about to make, or has made a decision which involves or would involve unlawful expenditure;
- About to take, or has taken, a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss of deficiency.

Our audit work has not identified any issues that would require a referral to the regulator.



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