

Auditor's Annual Report

on Torbay and South Devon NHS Foundation Trust

2021/22

September 2022



Contents

Section	Page
Executive summary	3
Opinion on the financial statements and use of auditor's powers	5
Commentary on the Foundation Trust's arrangements to secure economy, efficiency and effectiveness in its use of resources	6
Financial sustainability	7
Improvement recommendation	10
Governance	11
Improvement recommendation	13
Improving economy, efficiency and effectiveness	14
Improvement recommendation	16
Follow-up of previous recommendations	22
Opinion on the financial statements	23
Appendices	
Appendix A – Responsibilities of the Foundation Trust	25
Appendix B – Risks of significant weaknesses, our procedures and findings	26
Appendix C – An explanatory note on recommendations	27



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.



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.







Executive summary






Value for money arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Trust has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Trust's arrangements under specified criteria and 2021/22 is the second year that we have reported our findings in this way. 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 conclusions are summarised in the table below.

Criteria	Risk assessment	2020/21 Auditor Judgment	2021/22 Auditor Judgment
Financial sustainability	Risk identified because of the Trust's significant cumulative deficit.	 No significant weaknesses in arrangements identified, but improvement recommendation made	 No significant weaknesses in arrangements identified, but improvement recommendation made
Governance	No risks of significant weakness identified	 No significant weaknesses in arrangements identified	 No significant weaknesses in arrangements identified, but improvement recommendation made
Improving economy, efficiency and effectiveness	Risk identified because of the inadequate rating of the Trust's main provider of healthcare	 No significant weaknesses in arrangements identified	 No significant weaknesses in arrangements identified, but improvement recommendation made

-  No significant weaknesses in arrangements identified or improvement recommendations made.
-  No significant weaknesses in arrangements identified, but improvement recommendations made.
-  Significant weaknesses in arrangements identified and key recommendations made.

Executive summary



Financial sustainability

In our Audit Plan, we identified a risk of significant weakness in respect of financial sustainability arrangements at the Trust, specifically in relation to how the Trust plans to bridge its funding gaps and identifies achievable savings.

Overall we are satisfied that the Trust had appropriate arrangements in place to manage the financial resilience risks it faced with budget setting and medium term financial planning. Our work has not identified any significant weaknesses in arrangements in relation to financial sustainability, but recognises the significant financial challenge for the Trust to deliver in line with the breakeven budget for 2022/23 and beyond.

Further work is needed to ensure that adequate recurrent savings and efficiencies are identified and delivered to mitigate the risks for 2022/23 and future years.

Our findings are set out in further detail on pages 7 to 10.



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. We have made one improvement recommendation. Our findings are set out in further detail on pages 11 to 14.



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 fundamental 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, although we have made an improvement recommendation. Our findings are set out in further detail on pages 15 to 21.



We have completed our audit of your financial statements and issued an unqualified audit opinion on 22 June 2022, following the Audit Committee meeting on 17 June 2022. Our findings are set out in further detail on page 23.



Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

Opinion on the financial statements

Auditors are required by Schedule 10 paragraph 4(1)(b) of the National Health Service Act 2006 to express an opinion on the Trust's accounts.

We have completed our audit of your financial statements and issued an unqualified audit opinion on 22 June 2022, following the Audit Committee meeting on 17 June 2022. Our findings are set out in further detail on page 23.

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.

We have not issued a report under Schedule 10 of the National Health Service Act 2006.

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.

We have not issued a Public Interest Report.



Securing economy, efficiency and effectiveness in **the Trust's** 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) 03, 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 the Trust's arrangements in each of these three areas, is set out on pages 7 to 21 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 that are relevant to its short and medium-term plans and builds them 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 which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Overview

2021/22 has been another exceptional year in terms of financial planning and performance, with funding being received to aid Trusts to work towards breakeven positions to allow them to focus on Covid-19. The funding arrangements for 2022/23 have changed and are moving back towards pre Covid arrangements using the aligned contract methodology and as such financial sustainability is once again a priority for the sector.

Overall, the Trust has performed well for 2021/22, however an historic underlying deficit position continues to be a challenge for the Trust and will come into greater focus again in 2022/23. The 2022/23 plan has been developed and submitted to NHSE/I which demonstrates a breakeven position with a high level of risk to achievement. The risks to the plan are deemed to be significant and although there is not a significant weakness in the Trust's arrangements in relation to financial sustainability, this issue is of concern.

The Trust reported a significant financial deficit in the financial year prior to the pandemic. In 2020/21 an £124k deficit was reported but in 2021/22 a small surplus of £1.2m was achieved.

In line with other deficit Trusts nationally, the cumulative deficit on the balance sheet was replaced by cash injections of PDC. Consequently, the Trust ended 2020/21 with an inflated cash balance of £45.5m and a balance of £39.3m at the end of 2021/22. However, although historical 'debt' has been covered off via PDC, the Trust remains with an underlying operating deficit which requires a sustained approach to bring it back to a breakeven position over time, supported across the Devon system. That noted, it is recognised that the Devon system is financial challenged and financial sustainability will take some time to resolve.

Financial Year 2021/22 Outturn

In 2021/22, the majority of the Trust's income was received from its commissioners in the form of block contract arrangements, the funding envelopes which determined the level of funding received by each Trust were agreed by the Devon ICS. The Trust has also received additional income outside of the block and system envelopes to reimburse specific costs incurred and other income top-ups to support the delivery of services through the pandemic. The aim of this funding regime was to allow the sector to focus on the response to the pandemic and be funded to a breakeven position to support this aim. Additionally the Trust was able to earn extra income of £7m via the Elective Recovery Fund (ERF) which not only ensured patients received their operations but helped the Trust with its financial targets.

Given the financial arrangements in 2021/22 the Trust has concentrated on financial planning in the short term particularly as there was no requirement to prepare any medium or long term financial submissions under the financial regime in place during 2021/22. However the Trust continued to work with system partners in developing plans to support both the Trust's and the system's financial sustainability going forward.

The Trust reported a surplus of £1.2m in its financial statements for the year ended 31 March 2022. It should be noted that although the Trust has maintained strong financial control during the pandemic, as in 2020/21, the financial support throughout the whole of the NHS masks the Trust's underlying financial position.

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

Financial sustainability

Bridging Funding Gaps

The creation of the Devon 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.

The Trust has an underlying deficit position and has previously required additional funding in the form of working capital loans to continue to operate. Plans for 2022/23 and into the medium to long term show the Trust remaining in a deficit position overall though a breakeven position is planned for 2022/23. The Trust has been allocated into segment 3 (where the Trust will receive bespoke mandated support) of the NHSE/I segmentation process, the Strategic Oversight Framework (SOF). This is the second lowest level of segmentation with segment 1 the best and segment 4 for those Trusts / CCGs requiring the most intensive support. The Devon ICS system overall has been allocated to segment 4.

The Trust's financial plans for 2021/22 included a CIP plan to bridge the shortfall in funding received. The target for 2021/22 changed between initial budget setting and the H1 and H2 efficiency targets. The target for the year was £8.0m and in year £8.2m was achieved, an overachievement of £0.2m, however only £1.6m (19.5%) of the CIP target was delivered via recurrent savings. The level of non recurrent CIPs versus the recurrent level will inevitably lead to longer term impacts on the financial sustainability of the Trust as the value of non recurrent delivery will be added to the following years target.

The Trust has arrangements in place to identify, evaluate and monitor potential CIP savings. The prescribed process includes the submission of a Quality Impact Assessment (QIA) proforma that requires sign off by the Chief Nurse and the Executive Medical Director before a scheme can proceed. All schemes are risk rated to evaluate any potential adverse impact on a number of factors such as patient safety, clinical effectiveness and the patient experience.

The 2022/23 planning guidance expects that the Trust will need to make cost savings by developing CIPs in 2022/23 and per the plan agreed with the ICS and submitted to NHSEI the Trust has included a target of £28.5m of CIPs. At the time of the June 2022 submission only £2.4m of worked up schemes had been identified and £21.5m of schemes were deemed medium to high risk of not being achieved, with £8m of this total being high risk. At the end of July 2022, £4.9m of savings are unidentified with a further £13.9m rated as high risk with no plans yet in place. The plan stated £25.3m of schemes delivered would be recurrent in nature (89%). This represents 4.7% of operating spend. This level of CIP will be a considerable challenge for the Trust and system partners.

The Trust has strong arrangements in place to help oversee the delivery of the CIP target with progress monitored via the Finance, Performance and Digital Committee (FPDC) as well as the Board, but this represents a challenging target and we have raised an improvement recommendation.

How the Trust plans its finances

The Trust responded well to national guidance that continued to change and evolve during the early days of the pandemic and these changes continued into 2021/22. The budget setting and planning process includes identification, and consideration, of key cost pressures with each budget subject to scrutiny ahead of approval at the Financial Performance and Digital Committee (FPDC).

In 2021/22 the Trust invested £37.6m in its estate, facilities, and equipment as a prominent feature of its strategy. In 2022/23 the Trust is planning to spend c£34.3m in total on capital projects. However the Trust currently has a system approved CDEL limit of £18.4m and is pursuing the additional capital funding via a variety of routes and is aware that spend can not exceed the CDEL values allocated to the Trust. The Trust now receives the majority of its capital funding from within the funding envelope issued to the ICS by the regional team of NHSE/I, although there is also significant national capital funding coming through avenues such as the Targeted Investment Fund (TIF).

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.

2022/23 Financial Plan

The 2022/23 planning guidance required the Trust to submit, via the ICS, a draft financial plan in March 2022 and then a final plan in April 2022. These deadlines were appropriately complied with and there was a good level of liaison with the ICS throughout to ensure that assumptions were aligned and plans submitted as required. The Trust submitted the initial draft plans with a deficit position of circa £30m.

Financial sustainability

An amended final plan was required to be submitted in June 2022, which shows a breakeven position. This represents a significant challenge to the Trust as the financial regime returns to a variation of that in operation prior to Covid. If the planned CIP savings are not met in full and a percentage are delivered non recurrently, this will make subsequent years financial plans / targets more difficult to achieve.

The plan submitted does contain risks and the Trust is aware of these and will work on an ongoing basis to mitigate the risks over the year. The risks include:

- inability to reduce Covid-19 costs as planned;
- delivery of planned savings less than expected;
- inability to achieve the level of activity required to achieve Elective Recovery Funding (ERF);
- inflation above national guidelines; and
- the impact of higher than expected staff turnover leading to a requirement for bank /locum/ agency staff.

We reviewed the risks and believe these are appropriate based on the environment and the Trust's operations and noted no obvious omissions. All other assumptions in the plan are also deemed to be appropriate in line with the planning guidance, the environment the Trust faces and local discussions with the ICS.

As part of the Devon system, which was unable to submit a balanced financial plan for 2022/23 in April 2022 a further finance submission was required by NHSEI in June 2022 which undoubtedly called on more efficiencies / savings across the system partners. This will therefore have a direct impact on the initial finance plans described above and lead to additional finance risk across the Trust and system partners.

Improvement recommendations



Financial sustainability

Recommendation 1

The Trust must continue to prioritise the identification and development of CIP schemes as there is a clear risk that the 2022/23 CIP requirement will not be fully identified. It must also urgently develop a clear timeline for the expected delivery of future savings plans, for 2022/23 and beyond, 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

Following two years of a relaxed funding regime due to the pandemic, the Trust needs to address the underlying pressures in its finances. The development of efficiency savings that deliver recurring savings, working with partners to return the Trust and the wider Devon ICS to a sustainable financial footing is urgently required.

Summary findings

The Trust, in common with its Devon ICS partners, is facing a significant challenge to address the underlying deficit at an organisational and wider system level. The pandemic, while providing significant additional financial resources, has exacerbated the underlying deficit. 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, and faces a challenging savings target in 2022/23 with the majority of the savings being rated medium or high risk at the time of the June submission. 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

The Trust continues to implement this recommendation. The Trust has a robust process in identifying risks to the savings programme and is in the process of identifying and prioritising mitigations both recurrently and non-recurrently to close the gap. The Trust is also working closely with ICS in delivering a joint transformation programme aimed at reducing the underlying deficit and improving financial sustainability for the current and future financial years.

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 effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

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 2021/22 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

Risks are Red, Amber, Green (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. The internal audit review of Risk Management gave a 'satisfactory assurance' rating.

Internal control

Internal Audit at the Trust is provided by ASW Assurance, an 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 Committee 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 of recommendations made is actively monitored and challenged where appropriate.

Internal Audit completed their work for the 2021/22 financial year 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 also provided by ASW Assurance. An annual plan for LCFS work is produced and approved by the Audit Committee. There is 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

The budget setting process in 2021/22 has differed from the usual process due to the interim financial regime in place due to the pandemic, with normal planning processes suspended before the 2020/21 budgets were completed and approved.

Financial arrangements are monitored by 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.

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 timely and sufficiently detailed.

Financial performance is a key objective for senior managers in terms of the reporting, identification of risks and responses to these risks. We identified a capacity issue within the finance department at the Trust, due to the Trust having significant reliance on a very small number of key officers for the production of the financial statements and to deal with audit queries. This inevitably produced delays and a bottleneck in the timely delivery of the audit, recognising the significant number of queries raised due to the extent of audit procedures. We have raised an improvement recommendation in respect of this.

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.

The Trust places significant reliance on a very small number of key officers for the production of the financial statements and to deal with audit queries. This position has deteriorated in 2021/22 with the departure of some experienced officers and delays in the planned restructure of the Finance team, which led to audit delays due to the volume of issues needing to be resolved. We have raised an improvement recommendation in respect of this.

Informed decision making

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; Counter Fraud, Bribery and Corruption Policy; Raising Concerns (Whistleblowing) Policy. 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.

Improvement recommendations



Governance

Recommendation 2

The Trust must recruit to the vacant posts within the restructured finance team to address the capacity issues within the finance team responsible for the production of the financial statements and external audit liaison.

Why/impact

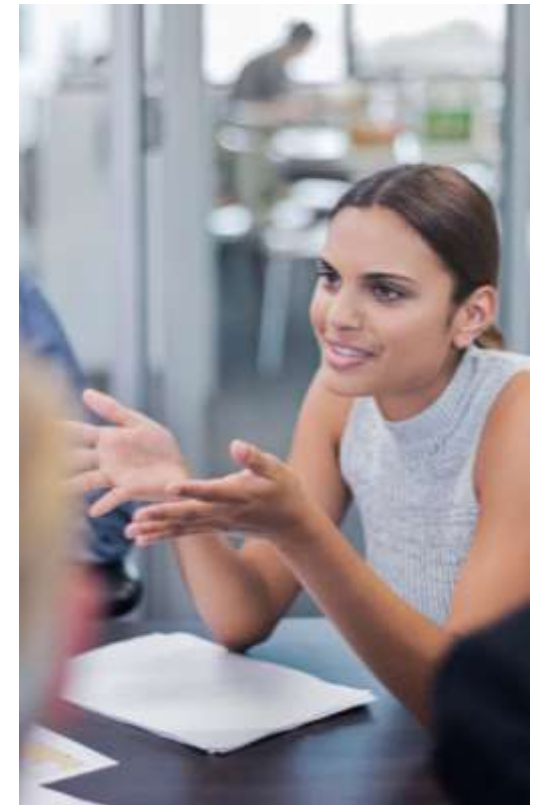
Over reliance on individual officers represents a risk to the Trust for the production of the financial statements and an efficient audit process.

Summary findings

The Trust places significant reliance on a very small number of key officers for the production of the financial statements and to deal with audit queries. This position has deteriorated in 2021/22 with the departure of some experienced officers and delays in the planned restructure of the Finance team, which led to audit delays due to the volume of issues needing to be resolved.

Management Comments

The finance team restructure had been completed in 21/22, there had been some areas of on-going vacancies which are covered by interim resources to ensure that the team is adequately resourced in delivering key audit requirements. We will continue to recruit to these posts permanently. In addition number of areas had been identified jointly with GT that could benefit both Client and Auditors and to improve audit efficiency going forward.



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

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 and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services 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. There has also been increases locally and nationally in ambulance handover delays and the 4 hour emergency department waiting times.

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.

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, being one of the first in the country to integrate local health and social care teams.

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.

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.

The Trust have a CQC action plan which is monitored through the CQC and Compliance Assurance Group.

The Board are presented with CQC Assurance Report detailing any actions and relevant commentary. The report sets out the progress with any overdue "Must do" actions from CQC reports and the plans to address them.

There was a CQC focussed inspection on 1 December 2021 of medical Care at Torbay Hospital, following concerns raised regarding staffing levels, nutrition and hydration. The report was published in March 2022. The Trust had submitted an immediate improvement plan to the CQC and the Quality Assurance Committee in January 2022, which was resubmitted in March 2022 to demonstrate full compliance with Regulation 12 - Safe Care and Treatment and Regulation 17 - Good Governance.

New services

The most significant new service taken on by the Trust recently 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 to the 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. We did identify that the procurement strategy has not been updated since it was issued in 2018, despite being scheduled for review in 2020, and we have raised an improvement recommendation in respect of this.

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 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 out on the following pages. The benchmarking data is based on nationally available data and is therefore subject to any limitations of each data source. Some data is also of a more historic nature. Despite this, it does provide the opportunity to assess how areas identified have been addressed.

As can be seen from the table on page 17 there are ten areas where the Trust's performance is below that of its peers. This is a worsening position compared to last year. 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.

Improving economy, efficiency and effectiveness

2021-22

2020-21

	Indicator*	Average	Current period	RAG	Previous	Average	Current period	RAG	Previous
Financial	Average income per WTE staff member (£000s)	83.07	86.96	●	↑	79.42	80.39	●	↑
	National Cost Collection Index (NCCI)	100.49	103.00	●	↓	100.79	104.62	●	↑
	Average revenue per activity unit (£)	1,365.59	1,258.86	●		1,365.59	1,258.86	●	
	Agency spend as percentage of total staff costs	4.00%	3.35%	●	↓	4.00%	3.98%	●	↑
Operational	Average length of stay for all activity	2.78	2.71	●		2.78	2.71	●	
	Admitted patients waited 18 weeks or less from referral to treatment	66.00%	58.09%	●	↓	56.00%	63.29%	●	↑
	Non-Admitted patients waited 18 weeks or less from referral to treatment	76.00%	70.52%	●	↓	75.00%	74.16%	●	↑
	Patients waiting 18 weeks or less from referral to treatment	65.00%	57.44%	●	↑	65.00%	62.55%	●	↑
	Percentage of patients admitted, transferred or discharged from A&E within 4 ho...	62.00%	45.19%	●	↓	77.00%	81.25%	●	↑
	Percentage of patients waiting 13+ weeks for diagnostic tests	11.00%	14.85%	●	↑	14.00%	21.64%	●	↑
	Percentage of patients waiting 6+ weeks for diagnostic tests	26.00%	33.76%	●	↑	30.00%	34.96%	●	↑
	Percentage of patients with two-week cancer treatment wait (all cancers)	91.00%	84.98%	●	↓	88.00%	74.75%	●	↓
	DTOC: total number of bed days where a patient was fit for discharge	798.99	823.00	●	↑	798.99	823.00	●	↑
	Staff sickness absence rate	5.00%	5.05%	●	↑	4.00%	3.73%	●	↓
	DTOC: percentage of the total number of bed days where a patient was fit for di...	4.00%	6.01%	●	↑	4.00%	6.01%	●	↑
	Staff turnover stability index	89.00%	92.00%	●	↑	85.00%	92.00%	●	—
	CAMHS ED: Non-urgent referrals seen within 4 weeks	50.00%	45.45%	●	↑	0.00%	0.00%	●	↑
CAMHS ED: Urgent referrals seen within 1 week	67.00%	77.78%	●	↑	82.00%	19.35%	●	↓	
Clinical	FFT: Percentage of respondents likely to recommend - Inpatients	94.00%	1.00	●	—	1.00	1.00	●	
	FFT: Percentage of respondents likely to recommend - Outpatients	92.00%	87.50%	●	↓	94.00%	1.00	●	
	FFT: Percentage of respondents likely to recommend - A&E	77.00%	90.91%	●	↓	85.00%	1.00	●	
	FFT: Percentage of respondents likely to recommend - Maternity	87.00%	80.00%	●	↓	96.00%	1.00	●	
	FFT: Percentage of respondents likely to recommend - Community	94.00%	96.81%	●	↑	96.00%	96.20%	●	↑
	Incidents resulting in severe harm or death	0.00%	0.00%	●	↓	0.00%	1.49%	●	↑
	Patient experience scores: overall (inpatient)	76.00%	78.07%	●		76.00%	78.07%	●	
	Summary Hospital-level Mortality Indicator (SHMI)	1.00	1.04	●	↑	1.00	1.01	●	—

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

Admitted patients waited 18 weeks or less from referral to treatment

Performance for all three referral to treatment waiting time indicators is in the lowest 25% performing acute trusts, showing a deterioration of the Trust's position reported in last year's report. The table on this page shows the position for admitted patients based on data at October 2021.

The Trust's IPR report to the April 2022 Board notes the continued increase and sets out that the plans remain on track to re-open the Day Surgery Unit and restart routine elective orthopaedic inpatient surgery capacity will become available to target the longest waiting patients. The Trust is engaged with the ICS system Waiting Well programme. Through this work non-clinical validation of long wait patients (longer than 52 weeks) is being supported by the Devon Referrals Support Service contacting some of the Trust's longest waiting patients to give assurance and direct them to wellbeing and lifestyle support.

RAG rating

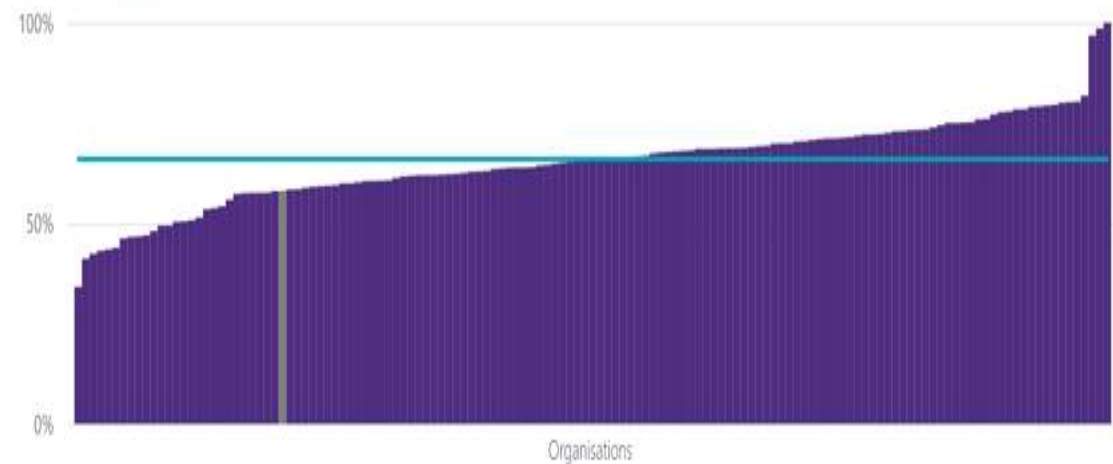


The chart shows the performance for the most recent data period. A red bar shows the organisation was in the poorest performing 25% of organisations nationally, green shows the best performing 25% of organisations nationally, and amber the organisations in between. The also chart shows the average (line),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

Organisation comparison and RAG rating based on latest data period: 202110

Admitted patients waited 18 weeks or less from referral to treatment

Organisations Average Selected organisation



Improving economy, efficiency and effectiveness

Percentage of patients admitted, transferred or discharged from A&E within 4 hours

The Trust's performance shows a marked deterioration from last year with the Trust now being within the lowest 25% performing acute trusts.

The Trust reports in the IPR to the April 2022 Board meeting that Urgent and emergency services continued to be challenged throughout March with OPEL 4 declared on 18 days and all other days OPEL 3. High bed occupancy has continued to affect delays to ambulance handover, extended waits in ED and assessment areas, and patients bedded in ED and assessment areas overnight.

Organisation comparison and RAG rating based on latest data period: 202110

Percentage of patients admitted, transferred or discharged from A&E within 4 hours



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.

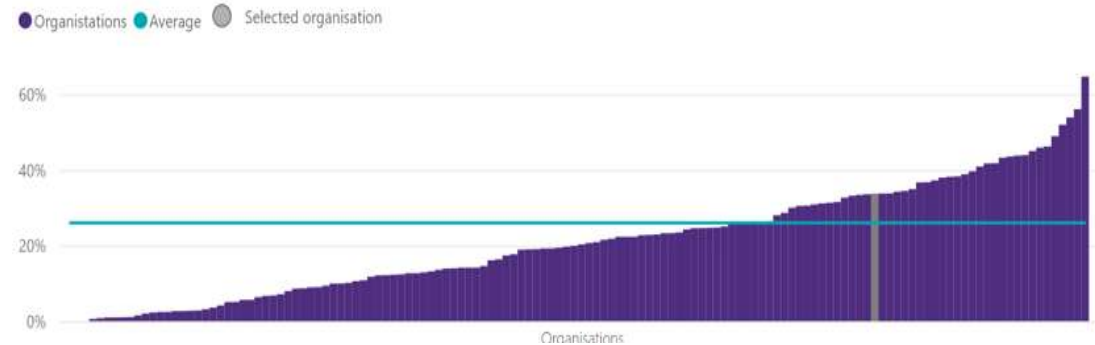
Percentage of patients waiting 6+ weeks for diagnostic tests

Performance for patients waiting for diagnostic tests for 6+ and 13+ weeks is in the lowest 25% performing acute trusts. The position for 13+ week waits, while still red-rated, has improved from last year, however the 6+ week waits is now also red rated having previously been amber.

The Trust reports in the IPR to the April 2022 Board that MRI, CT, Endoscopy, CT, and cardiology MRI remain challenged with a number of patients waiting over 6 weeks for diagnostic tests. The use of a mobile scanner, insourcing at weekends, and the use of the Nightingale Hospital facilities will continue to be critical to supporting capacity.

Organisation comparison and RAG rating based on latest data period: 202110

Percentage of patients waiting 6+ 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)

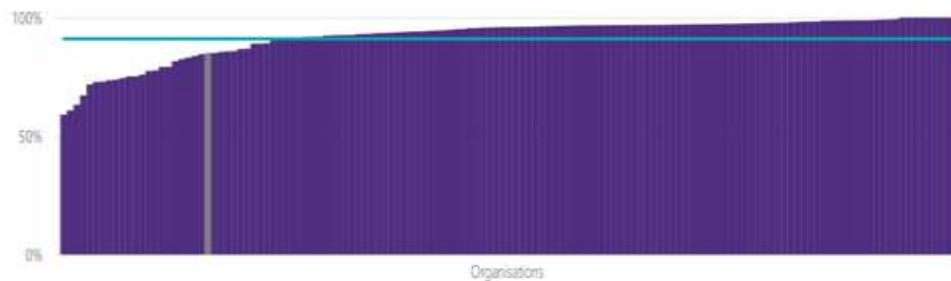
The Trust's remains in the lowest 25% of acute trusts and has deteriorated from the position in last year's report.

The Trust reported in the IPR to the April 2022 Board that an increase in referrals and reduction in capacity from covid escalation for surgical and diagnostic stages of care continues to impact on the delivery of the cancer performance standards. Performance across the key access time standards improved in March. Improvement in Dermatology times has continued and now within target. Urology has seen a deterioration with the impact of staff changes and relocation of services. Urology is the highest risk service across the cancer standards.

Organisation comparison and RAG rating based on latest data period: 202103

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

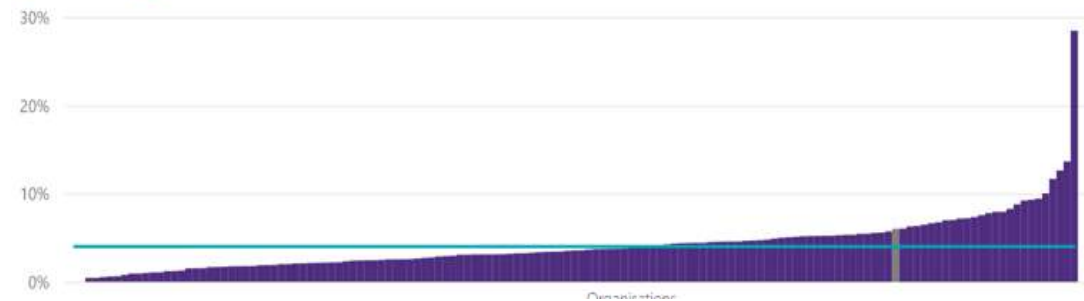
The publicly available data for this indicator has not been updated since our report last year, which showed the trust in the lowest 25% of acute trusts, however this remains a pressure areas for the Trust

The Trust reports in the IPR to the April 2022 Board that In March, the number of 7-day and 21-day length of stay patients had remained significantly higher than normal levels. The increased length of stay is due in part to the number of patients medically fit to criteria to reside in hospital who require ongoing support and care in community settings. The retention and recruitment of staff remains a significant challenge for the independent sector.

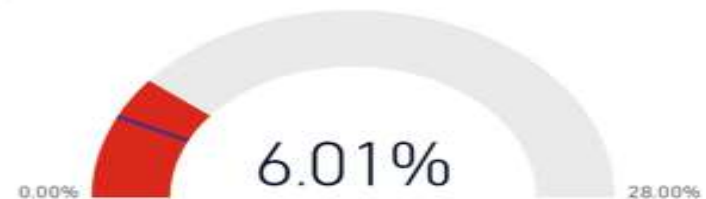
Organisation comparison and RAG rating based on latest data period: 202002

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

FFT: Percentage of respondents likely to recommend – Outpatients

FFT: Percentage of respondents likely to recommend – Maternity

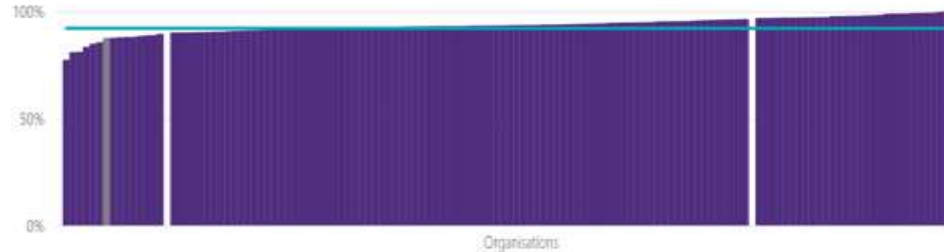
The Trust's performance on these indicators has deteriorated and it is now in the lowest performing 25% of acute trusts.

The results of the FFT questionnaires are reviewed through the Feedback and Engagement Group, with a check and challenge approach, to ensure the Trust know what peoples experience has been of it services, what it can could do better and how this can be shared for organisational learning.

Organisation comparison and RAG rating based on latest data period: 202109

FFT: percentage of respondents likely to recommend - Outpatients

● Organisations ● Average ● Selected organisation



RAG rating

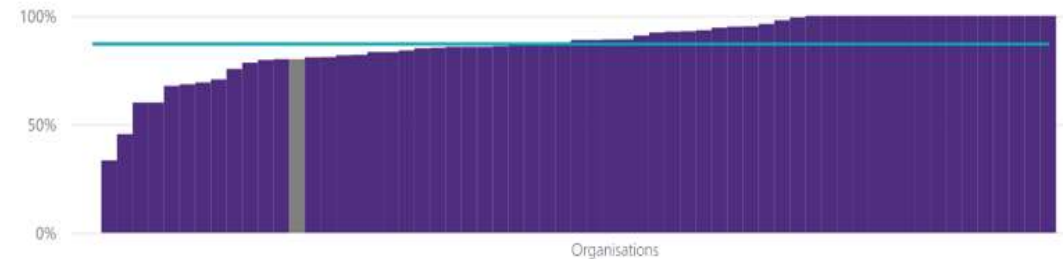


The chart shows the performance for the most recent data period. A red bar shows the organisation was in the poorest performing 25% of organisations nationally, green shows the best performing 25% of organisations nationally, and amber the organisations in between. The also chart shows the average (line),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

Organisation comparison and RAG rating based on latest data period: 202109

FFT: percentage of respondents likely to recommend - Maternity

● 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.

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 3

The Trust's Procurement Strategy should be reviewed to ensure that it remains up to date and reflects the Trust's arrangements.

Why/impact

The current Procurement Strategy has not been updated since it was issued in 2018, despite being scheduled for review in 2020. Key documents should be subject to regular review to ensure that they remain current and valid.

Summary findings

The Trust's Procurement Strategy 2017-2022 was issued in March 2018 and was scheduled for review in August 2020. The Strategy has not been reviewed due to the prioritisation of the Covid response.

Management Comments

We will undertake this review and complete the recommendations by end of February initially focusing on health services. A separate review of Adult Social Care Procurement and Contract Management has been undertaken, the recommendations are subject to Options Appraisal in November 2022. It is also worth noting that an ICS joint Procurement Strategy is currently under development and the joint appointment of and ICS Head of Procurement is in progress.



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

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	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.	Improvement	August 2021	The Trust is working us plans to support CIP savings of £28.5m for 2022/23, with only £2.4m being fully developed at the date of the 2022/23 plan submission in June, with £8m of the remaining target being rated as high risk. This represents a significant challenge for the Trust.	No	See replacement improvement recommendation at page 10.

Opinion on the financial statements



Audit opinion on the financial statements

We gave an unqualified opinion or we qualified the opinion on the Trust's financial statements on 22 June 2022.

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 22 June 2022 however amendments were required to the Remuneration Report to comply with the requirements of the Foundation Trust Annual Reporting Manual. The following issue was identified:

- The real increase in Cash Equivalent Transfer Values (CETV) should exclude employee contributions

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

- Annual Governance Statement; and
- Annual Report.

Whole of Government Accounts

To support the audit of Consolidated NHS Provider Accounts, the Department of Health and Social Care group accounts, and the Whole of Government Accounts, we are required to examine and report on the consistency of the Trust's consolidation schedules with their audited financial statements. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

There are three mismatches where the differences result from the Trust reporting the amounts on a net basis, with the counterparty reporting them gross. We were satisfied that this is the reason for these differences and that they do not constitute errors, however we reported these differences to the NAO.

Preparation of the accounts

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

Key issue arising from the accounts:

We had significant challenges in obtaining responses from the valuer to our standard enquiries and in obtaining sufficient appropriate evidence for us to test the valuation of a sample of assets. As a result, we were unable to reperform the valuation calculations for the revalued assets that we selected for testing, as the Group's valuer would not provide the underlying details and their calculations. This was despite extensive correspondence with the valuer and this having been raised as an issue in last year's report.

With the support of our independent valuers, as our auditor's experts, we carried out alternative procedures in order to gain sufficient assurance over the values of these assets at 31 March 2022.

More detailed findings can be found in our Audit Findings Report, which was reported to the Trust's Audit Committee on 17 June 2022.

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

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 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, our findings and the final outcome of our work:

Risk of significant weakness	Procedures undertaken	Findings	Outcome
<p>Financial sustainability - How the Trust plans to bridge its funding gaps and identifies achievable savings</p> <p>The Trust has set a deficit budget of £32.7m in its draft plan submission for 2022/23, which includes a requirement for cost reductions of £28.5m to be achieved.</p> <p>We will review the draft plan submitted, along with the final plan that is due to be submitted in late April and consider the assumptions included within it. We will consider the Trust's progress in addressing the in-year and underlying deficit, including its progress in developing realistic achievable savings plans.</p>	<p>We :</p> <ul style="list-style-type: none"> reviewed the Trust's 2021/22 outturn position; reviewed the progress for responding to the changes and uncertainties inherent in the 2021/22 financial planning process; reconciled in year financial reporting with the outturn position; considered the Trust's arrangements and progress towards working more closely with partners across the ICS to achieve a sustainable financial position in the longer term; reviewed the general financial arrangements underpinning financial management. 	<p>Our work has not identified a significant weakness in arrangements for 2021/22. 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 surplus in the year.</p> <p>The Trust is aware that the improvement in performance has been due to the additional funding provided centrally. 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, which demonstrates the scale of the challenge.</p>	<p>Appropriate arrangements are in place, one improvement recommendation raised.</p>

Appendix C – An explanatory note on recommendations

A range of different recommendations can be raised by the Trust’s auditors 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	10, 13 and 16

