



Auditor's Annual Report 2022/23

Bridgewater Community Healthcare NHS Foundation Trust

June 2023

Key contacts

Your key contacts in connection with this report are:

James Boyle

Director

Tel: +44 7795 666968

James.Boyle@KPMG.co.uk

John Blewett

Manager

Tel: +44 7884 202351

John.Blewett@KPMG.co.uk

Adam Lyon

Assistant Manager

Tel: +44 7899 063393

Adam.Lyon@KPMG.co.uk

Contents	Page
Summary	3
Accounts audit	4
Value for money commentary	5

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

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

Summary

Introduction

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

Our responsibilities

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

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

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

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

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

Findings

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

Financial Statements	<p>We issued an unqualified opinion on the Trust's financial statements on 29 June 2023. This means that we believe the financial statements give a true and fair view of the financial performance and position of the Trust.</p> <p>We have provided further details of the key risks we identified and our response on page 4.</p>
Annual Report	<p>We did not identify any significant inconsistencies between the content of the annual report and our knowledge of the Trust.</p> <p>We confirmed that the Governance Statement had been prepared in line with the DHSC requirements.</p>
Value for Money	<p>We are required to report if we identify any significant weaknesses in the arrangements the Trust has in place to achieve value for money.</p> <p>We have nothing to report in this regard.</p>
Other Reporting	<p>We did not consider it necessary to issue any other reports in the public interest.</p>

Accounts Audit

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

Risk	Findings
<p><i>Fraudulent expenditure recognition</i></p> <p>Auditing standards suggest for public sector entities a rebuttable assumption that there is a risk expenditure is recognised inappropriately. We recognised this risk over the completeness and accuracy of manual Non-NHS accruals.</p>	<p>We did not identify any material misstatements relating to this risk.</p> <p>We did not raise any recommendations relating to this risk.</p>
<p><i>IFRS 16</i></p> <p>IFRS 16 Leases has been fully adopted for the first time within the 2022/23 financial statements. Impact disclosures were required and reviewed as part of the 2021/22 audit.</p> <p>The main source of this risk is that lease terms are inappropriately determined. This is a particular risk for arrangements which are not subject to a formal contract such as property agreements with NHS Property Services and Community Health Partnerships without an agreed contract or term.</p> <p>We therefore conclude the risk relates to the accuracy of the lease term used to value to the lease liability.</p>	<p>We did not identify any material misstatements relating to this risk .</p> <p>We raised a recommendation relating to the need for management to continue to formalise its lease agreements with its lessors.</p>
<p><i>Management override of controls</i></p> <p>We are required by auditing standards to recognise the risk that management may use their authority to override the usual control environment.</p>	<p>We did not identify any material misstatements relating to this risk.</p> <p>We did not raise any recommendations relating to this risk.</p>

Value for money

Introduction

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

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

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

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

Matters that informed our risk assessment

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

Source	Detail
Care Quality Commission rating	Requires improvement rating for Well-Led – last inspection 4 th to 27 th September 2018
[Single Oversight Framework rating]	2
Governance statement	There were no significant control deficiencies identified in the governance statement.
Head of Internal Audit opinion	Unqualified

Commentary on arrangements

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

Summary of findings

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

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

Value for money

Financial sustainability

Description

This relates to ensuring that the Trust has sufficient arrangements in place to be able to continue to provide its services within the resources available to it.

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

- How the Trust sets its financial plans to ensure services can continue to be delivered;
- How financial performance is monitored and actions identified where it is behind plan; and
- How financial risks are identified and actions to manage risks implemented.

Commentary on arrangements

- The 2022-23 financial year saw the national allocations methodology reset to move systems back towards a fair share distribution of resource approach, at the levels deemed affordable within the Spending Review 2021 settlement. The 2022-23 national planning guidance, issued on 24 December 2021, confirmed a continuation of system funding envelopes for 2022-23 based on block contract values in H2 of 2021-22. These H2 block contract values were doubled to account for the full year and adjusted for inflation of 2.8% and a national efficiency requirement of 1.1%. The Trust's income for the year followed the ICS allocation process and the Trust's approved financial plan was that of a breakeven position.
- Furthermore, for 2022-23, there was a move away from emergency COVID block-payment arrangements back to local contracting and commissioning measures. Therefore, signed written contracts between commissioners and all providers (NHS and non-NHS) have been put into place where appropriate, with relevant contracts transferred to the ICB through a nationally agreed transfer scheme. Contracts for all commissioned healthcare services, other than core primary care services, have been in the form of the NHS Standard Contract.
- In year, the Trust has retained block contracts with their CCGs / ICB and Local Authority for services provided. However, these were agreed later in the year than has been the case historically due to the continued impact of COVID-19 on the timing of the financial planning guidelines provided to NHS bodies.
- As such the setting of the 2022/23 financial plans has not been fully in line with the Trust's usual financial planning and budget setting processes, with retrospective approval of the 22/23 financial plan obtained from the Trust's Board in July 2022. However the processes put in place by the Trust, including ownership and involvement of key stakeholders, challenge of key budget assumptions via the Trust's governance structure, and inclusion of emerging cost pressures ensured that the financial plan was considered achievable and to be based on realistic assumptions.
- As part of financial planning, national guidance required the Trust to make CIP savings in 2022/23 of £4.197m (4.5%), split between £1.865m recurrent CIP (required by the original planning guidance) and £2.332m non-recurrent savings.
- The Trust's Cost Improvement Programme (CIP) process for 2022/23 returned to the pre-Covid position. CIP plans were developed throughout the budget setting process, through 'grip and control' meetings and reviews at borough FWP meetings. CIP planning for 2022/23 formed part of the organisational monthly finance meetings. In addition, a CIP Report was presented to the Finance and Performance Committee (F&P) at their meeting held in April 2022 that provided details of the source of the savings and how they were identified.
- As part of the Trust's processes, all recurring CIP schemes are subject to an Equality/Quality Impact Assessment (EQIA /QIA) prior to approval and delivery of cost or income improvement schemes is monitored through reporting to the F&P. Schemes are monitored to ensure no adverse impact to service provision as a result of the saving.
- For the year ending 31/3/23, the Trust reported a surplus for the year of £524k and a total comprehensive income for the period of £741k. As part of its delivery, the Trust achieved £1,405k of its full year recurrent CIP target of £1,845k and £2,795k of its full year non-recurrent CIP target of £1,379k.

Value for money

Financial sustainability

Description

Commentary on arrangements

- In addition to financial planning, the Trust has also produced a Workforce Planning Plan for 2022/23 which sets out the staffing requirements by staff type for each month of 2022/23, and the Winter Plan for 2022/23 which sets out how the entity will ensure operational resilience for the winter season of 2022/23. The Capital Programme for 2022/23 was also inspected, and found to have been presented to the F&P. The programme details capital investments and the balance from the programme reconciled to the financial plans.
- Processes are in place for assessing risks to financial sustainability. As per the Risk Management Framework, the Trust utilises horizon scanning which allows emerging risks to be identified and the impact and likelihood of these to be assessed. A system is in place that ensures risk scores are reviewed, with the regularity of review based on the risk score. Reviews of risks provide an opportunity for the risk score to be challenged and evaluated.
- Control measures are put in place to reduce the likelihood of risks being realised. These measure include policies and procedures, staff training and physical barriers. The Board receives the Board Assurance Framework (BAF) which includes BAF Risk 4 'Financial Sustainability'. An extensive update on the BAF is provided at each Board meeting, which includes details of assurances, gaps in controls, controls in place and the rationale for the current risk score. In addition the F&P receive the Risk Management Summary Report that includes details of corporate risk register risks and the BAF. Review of F&P meeting minutes and Board risk papers provides evidence of appropriate challenge around risk actions, with a focus on financial risks and pressures. Reporting on financial sustainability risks is sufficiently detailed and balanced to enable appropriate management and monitoring.
- Performance is reported to the Board and F&P throughout the year, including through finance reports and Integrated Quality Performance Reports (IQPR). The Trust reported a forecast breakeven position for 2022/23 in the month nine finance report (the most recent inspected by the Audit Team).
- On 6 April 2023, the Director of Finance presented its 23/24 financial plan which was approved by Board. It was acknowledged that any changes to the plan would be presented back to the Board, however a breakeven plan would be re-submitted each time. The breakeven plan, which was submitted to NHSE in May 2023, include a CIP target of 4.15% which has been set in line ICB instructions and reflects the national planning ask, the local convergence factor and the notified reduction in Covid funding.

Conclusion

- Based on the procedures performed, we have not identified a significant weakness associated with financial sustainability.

Value for money

Governance	
Description	Commentary on arrangements
<p>This relates to the arrangements in place for overseeing the Trust's performance, identifying risks to achievement of its objectives and taking key decisions.</p> <p>We considered the following areas as part of assessing whether sufficient arrangements were in place:</p> <ul style="list-style-type: none"> Processes for the identification and management of strategic risks; Decision making framework for assessing strategic decisions; Processes for ensuring compliance with laws and regulations; How controls in key areas are monitored to ensure they are working effectively. 	<ul style="list-style-type: none"> We consider the Trust to have effective processes in place to identify, monitor and manage risk, which are in turn underpinned by a risk management framework. Strategic risks are recorded and identified using the BAF, and any identified risks are reported to the Governing Body and relevant sub-committee. Our review of the risk register found this was sufficiently detailed to effectively monitor and manage key risks. There are various controls in place to prevent and detect fraud, including a range of monthly reconciliation and transaction controls that mandate segregation of duties. These controls are supported by the Freedom to Speak Up: Raising Concerns Policy, Anti-Fraud, Bribery and Corruption Policy, and the Employee Code of Conduct. The financial plans were developed in line with operational planning guidelines issued by NHSE. Various reports with regards to financial planning that considered financial risks were presented to F&P and the Board, who also receive the BAF which includes the Trust's financial sustainability risk. As per the terms of reference of the F&P, the financial plans are to be reviewed by the F&P who are to make a recommendation to the Board whether or not to approve. As per the standing financial instructions (SFI) and scheme of reservation and delegation (SoRD) the financial plans and budgets are to be received by the Board and approved. Board approved the 2022/23 financial plan in July 2022. Financial performance is reported to budget holders as they have access to the business intelligence (BI) system and are responsible for accessing this and reviewing their own budgets each month. Borough-level reports are compiled within a couple of days of the end of the month-end process and sent to each borough director to be reviewed / discussed at their borough performance meeting. Variances are reviewed with budget holders and actions to resolve them are identified, with management accountants aiming to meet budget holders on a regular basis (monthly for some of the more complex budgets but quarterly as a minimum). Performance is reported to the Board and F&P throughout the year, including through finance reports and IQPRs. The Trust has processes in place to ensure that financial performance is monitored against budget that will allow it to be determined whether or not financial performance is in line with budget, providing the opportunity for actions to be identified where adverse variances occur. However, as per the month nine finance report reviewed, there are no such specific adverse variances which would require action. The Trust has a Managing Conflicts of Interest (including Gifts & Hospitality) in the NHS Policy in place, and maintains Registers of Gifts & Hospitality and Directors' Declarations. The Trust has a BAF in place which is presented to the Board and F&P that includes specific provisions for the monitoring of laws and regulations. The Trust has a number of relevant policies in place designed to enable the monitoring of laws and regulations so as to ensure compliance. These include the Freedom to Speak Up: Raising Concerns Policy, the Employee Code of Conduct, and the Anti-Fraud, Bribery and Corruption Policy. The Trust receives regular updates from NHSE and its anti-fraud service. In addition the Trust has access to legal advice in respect of employment and property law.

Value for money

Governance	
Description	Commentary on arrangements
	<ul style="list-style-type: none"> ▪ The Trust's anti-fraud service is provided by specialists from Mersey Internal Audit Agency (MIAA) who present at Trust staff induction meetings, as well as provide training and regular updates on fraudulent activity. Subject matter experts keep up-to-date with their relevant legal requirements via external networks, continuing professional development and direct relationships with relevant regulators. The Trust does not maintain a register of significant laws and regulations with which it has to comply. While this does not meet the threshold for a formal recommendation, the Trust should consider introducing such a register to bring it in line with best practice and to strengthen the monitoring of compliance with laws and regulations. ▪ While not an issue with regards to compliance with expected standards of behaviour, the most recent CQC inspection report published 17 December 2018 determined that the Trust required improvement under the Well-Led domain. The Trust developed a Well-Led Action Plan and we have confirmed that all actions identified have now been implemented by the Trust. ▪ The SFIs, SoRD and ToRs demonstrate that there is an appropriate escalation framework for making significant decisions based on financial limits and allows for decisions that are significant for non-financial reasons to be escalated to the Board as necessary. The contents required to be included in business cases and equivalent documents for significant decisions show evidence of consideration of financial matters, quality and performance and compliance with relevant legislation in areas such as equality and diversity. This is primarily through EQIA/QIA which are included as part of all significant decisions. Challenge and scrutiny of decisions is evident through the minutes of the F&P and Board including via their receipt by the F&P of New Business and Divestment Update reports, and the receipt of updates on potential significant decisions by the Board. However, no significant decisions have been identified in the current year. <p>Conclusion</p> <ul style="list-style-type: none"> ▪ Based on the procedures performed, we have not identified a significant weakness associated with governance.

Value for money

Improving economy, efficiency and effectiveness

Description	Commentary on arrangements
<p>This relates to how the Trust seeks to improve its systems so that it can deliver more for the resources that are available to it.</p> <p>We considered the following areas as part of assessing whether sufficient arrangements were in place:</p> <ul style="list-style-type: none"> ▪ The planning and delivery of efficiency plans to achieve savings in how services are delivered; ▪ The use of benchmarking information to identify areas where services could be delivered more effectively; ▪ Monitoring of non-financial performance to assess whether objectives are being achieved; and ▪ Management of partners and subcontractors. 	<ul style="list-style-type: none"> ▪ The Trust uses external data and benchmarking to assess its cost base. This includes use of Reference Costs returns, the Model Hospital, Corporate Services benchmarking reports, and benchmarking reports provided by KPMG based on the Provider Finance Returns (PFR) submitted to NHSE. A spend comparison service was also launched in August 2019 and the Trust's Procurement Team utilises the service to undertake benchmarking and spend analytics on purchase order data from across all NHSE providers, allowing the Procurement Team to evaluate whether supplier-negotiated prices are too high. Appropriate processes were found to be in place to ensure the Trust uses information about costs and performance to improve the way they manage and deliver services. ▪ The Trust produces an IQPR that is reviewed at F&P and Board. The IQPR is generated from base data and is used throughout the organisation to monitor performance and inform decision making. ▪ The Trust participates in and contributes to the ICS' PLACE, recovery, workforce and finance plans. ▪ A range of evidence was inspected that demonstrates partnership working including the Memorandum of Understanding - Provider Collaborative of NHS Mental Health; Warrington Together Finance, Investment and Resources Committee; One Halton Partnership Finance and Performance Sub-Committee, One Halton Delivery and Operations Plan, Winter Plan 2022/23. ▪ The Board receives regular updates from the Chief Executive, Director of Finance and COO regarding the activities of the ICS and other key partnerships. Inspection of the minutes of relevant meetings evidenced appropriate reporting on the ICS and other key partnerships to the Trust's Board. For example, the Key Corporate Messages report. <p>Conclusion</p> <ul style="list-style-type: none"> ▪ Based on the procedures performed, we have not identified a significant weakness associated with improving economy, efficiency and effectiveness.



kpmg.com/uk

© 2023 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Document Classification: KPMG Confidential