



# Northern Lincolnshire and Goole NHS Foundation Trust

## Auditors Annual Report: Year ended 31 March 2024

Final report to the Audit, Risk and Governance Committees in Common

Issued in draft to management on 19 July 2024

Issued in draft to Audit, Risk and Governance Committees in Common on 23 July 2024

Presented to Audit, Risk and Governance Committees in Common on 06 August 2024

Final issued to management on 09 August 2024

# Contents

1. Executive summary .....	3
2. Purpose and summary.....	4
3. Audit of the financial statements.....	5
4. Value for Money (VfM).....	6
5. Financial Sustainability .....	7
6. Governance .....	9
7. Improving economy, efficiency and effectiveness .....	11
8. Prior year recommendation .....	13
9. Conclusion and recommendations .....	15

## 1. Executive summary

This Auditor's Annual Report provides a summary of the key issues arising from our audit of Northern Lincolnshire and Goole NHS Foundation Trust (the 'Trust') for the year ended 31 March 2024.

### **Financial statements**

We issued an unqualified opinion on the Trust's financial statements on 09 August 2024.

This means that we consider that the financial statements give a true and fair view of the financial position and its expenditure and income for the year.

### **Value for money**

We have not identified any significant weaknesses in respect of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources having regard to the specified criteria in the Code.

### **Other reporting**

We did not consider it necessary to use our auditor powers to report on other matters.

## 2. Purpose and summary

### **Purpose of the Auditor's Annual Report**

This Auditor's Annual Report summarises the key issues arising from the work that we have carried out in respect of the year ended 31 March 2024.

It is addressed to the Trust but is also intended to communicate the key findings we have identified to key external stakeholders and members of the public.

### **Responsibilities of the Trust**

It is the responsibility of the Trust to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for.

The Trust is also responsible for preparing and publishing its financial statements, annual report and governance statement.

### **Responsibilities of auditors**

Our responsibility is to plan and carry out an audit that meets the requirements of the National Audit Office's (NAO's) Code of Audit Practice – April 2020 (the 'Code').

Under the Code, we are required to review and report on:

- Whether the financial statements give a true and fair view of the financial position of the Trust and of its income and expenditure for the year and have been properly prepared in accordance with the relevant legislation;
- Whether the other information published together with the financial statements is consistent with the financial statements;
- Whether the auditable parts of the remuneration and staff report are properly prepared;
- Whether the governance statement complies with the guidance issued;
- Whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources; and
- Where appropriate, make statutory recommendations, referral matters to the Secretary of State or issue a Public Interest Report.

### **Disclaimer**

The contents of this report relate only to those matters which we are required to report under the NAO Code of Audit Practice (April 2020). We do not accept any responsibility if this report is used for any other purpose or by any other party other than the Trust.

## 3. Audit of the financial statements

### **Audit conclusion**

We issued an unqualified opinion on the Trust's financial statements on 09 August 2024.

This means that we consider that the financial statements give a true and fair view of the financial position and its expenditure and income for the year.

### **Identification of control weaknesses**

We did not identify any significant control deficiencies during the audit of the financial statements which have a significant impact on the Trust, including on its value for money requirements.

### **Unadjusted misstatements**

International Standards on Auditing (UK) require that we report to you all misstatements which we identified as a result of the audit process but which were not adjusted by management, unless those matters are clearly trivial in size or nature.

We have not identified any unadjusted misstatements.

### **Adjusted misstatements**

We have not identified any adjusted misstatements during our audit work and up to the date of this report. We have agreed with management a small number of additional or amended disclosures which will be reflected in the final signed financial statements.

## 4. Value for Money (VfM)

### Scope

We are required to review and report on the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in these arrangements, we are required to report this in the auditor's report included in the financial statements and to make recommendations for improvement in the Auditor's Annual Report.

### Specified criteria

The NAO has issued guidance for auditors to report against three specified reporting criteria:

- Financial sustainability - planning and managing resources to ensure the Trust can continue to deliver its services;
- Governance - informed decisions and properly managing risks; and
- Improving economy, efficiency and effectiveness – using information about costs and performance to improve the way the Trust manages and delivers its services.

The NAO guidance also includes a number of further areas for review within each criteria to allow the auditor to assess those arrangements.

### Risk assessment

Our risk assessment has not identified any areas of potential significant weakness.

### Audit conclusion

We have not identified any significant weaknesses in the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources.

We had no matters to report by exception in the audit report on the financial statements. We also have no matters to report in our closing audit certificate, on completion of our work on the Trust's value for money arrangements.

## 5. Financial Sustainability

### Auditor's commentary on arrangements

#### The following areas have been considered:

- How significant financial pressures relevant to short and medium-term plans are identified and built into plans;
- Plans to bridge funding gaps and to identify achievable savings;
- Whether financial plans support the sustainable delivery of services in accordance with strategic priorities;
- The consistency of financial plans with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- Identification and management of risks to financial resilience e.g. unplanned changes in demand, including the challenge of assumptions underlying its plans.

### Findings

#### **Payroll and income**

The payroll element of the Trust's annual budget is subject to a zero-based budgeting exercise each year. Budgets for non-payroll costs and income are rolled forward from the previous year and the baseline amounts are appropriately adjusted for expected changes throughout the year.

#### **Financial planning**

The Trust has prepared a 2024/25 financial plan in accordance with the National Health Service Act 2006 (as amended by the Health and Care Act 2022) which requires NLAG and the other bodies within the Integrated Care System (ICS) to prepare a financial plan before the start of the financial year.

The purpose of the plan is to demonstrate how the ICS intends to arrange and provide NHS services to meet the needs of everyone within the local

population. We have reviewed the plan and can see the allocation of resources across different trusts within the ICS.

#### **Finance reporting**

The Trust prepares a finance report, which we have observed is included within the Performance, Estates and Finance Committee papers (the Performance, Estates and Finance Committee is a sub-committee of the Board). The report includes overall monthly income and expenditure, a balance sheet summary, a monthly cash flow summary, and a detailed analysis of agency expenditure analysed by directorate. A summary finance report is presented to the Board as part of Performance, Estates and Finance Committee Summary presented at each Board meeting. We note that Sumer NI met with the Performance, Estates and Finance Committee Chair to confirm sufficient coverage in relation to documentation obtained as part of our VFM work.

#### **Board Assurance Framework**

The Trust's Board Assurance Framework (BAF) includes a number of high rated risks including: timely access to care; estates, infrastructure and equipment; workforce; and finance targets.

Risks are regularly monitored by the Board via the BAF, which is a standing item on the agendas of these meetings. The BAF clearly links each risk to the strategic objectives of the Trust and includes appropriate details (including mitigating controls, further controls needed and gaps in assurance).

#### **Surplus / deficit calculation**

From our audit of the NLAG Annual Report and Accounts, we have reviewed the calculations in support of the surplus / deficit calculation based upon the Trusts operating activities (including both income and expenditure).

The Trust reported a deficit of £18.614 million in its Statement of Comprehensive Income for 2023/24 and its adjusted financial performance on a control total basis was a surplus of £0.125 million for the year. This compares to a deficit of £14.631 million and an adjusted performance surplus of £0.046 million in 2022/23.

The Trust were aiming for a breakeven position for their continuing operations position, in line with their Operating Plan. As the final position was better than a breakeven position (in that NLAG had a surplus), the financial management and planning appears to be operating effectively.

***Saving requirements***

In 2023/24 a savings requirement of £35.7 million was identified. An actual saving was achieved of £25.6million, however only £11.7 million of this was delivered recurrently.

***Forward planning***

The Trust's 2024/25 Financial Plan includes the need to address a non-recurrent savings requirement of £17.3m. In addition, a recurrent £20.2 million of savings are included in the plan to meet the 2024/25 efficiency requirement giving a total savings requirement of £37.5 million for 2024/25. This will pose a challenge to the Trust during 2024/25. Multi-year financial planning is not yet a fully developed component of the financial sustainability environment within the Trust, with the focus being primarily on annual planning.

***Monitoring saving requirements***

Saving requirements are monitored monthly through the Performance, Estates and Finance Committee. Updates are provided by the Chief Financial Officer and planned and actual savings are reported to the Performance and Finance Committee each month with the wider financial position, with any actions or further assurances requested taken forward as necessary.



## 6. Governance

### Auditor's commentary on arrangements

#### The following areas have been considered:

- Risks are assessed and monitored to gain assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud.
- The annual budget setting process is appropriate.
- Effective systems and processes are in place to ensure budgetary control, support statutory financial reporting requirements and ensure corrective action is taken where needed.
- The Trust makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.
- The Trust monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour.

### Findings

#### **Corporate risk register**

As part of our audit of the Annual Report and Accounts, we reviewed the Corporate Risk Register. Periodic updates were provided throughout the year at the Audit, Risk and Governance Committees in Common meetings.

The risks identified by the Trust were effectively communicated at Board level and were monitored throughout the year via the processes highlighted during our discussions with management throughout the audit.

From our review of the minutes of the Audit, Risk and Governance Committees in Common meetings, we are satisfied that the Committee has sufficient oversight of the risks, and the processes for managing risks through their review of the BAF.

#### **BAF**

Risks are regularly monitored by the Board via the BAF, which is a standing item on the agendas of these meetings. The BAF clearly links each risk to the strategic objectives of the Trust and includes appropriate details (including mitigating controls, further controls needed and gaps in assurance).

#### **Counter fraud function**

The Trust's Local Counter Fraud Specialist prepares a programme of proactive work annually. This is reviewed by the Audit, Risk and Governance Committees in Common following approval by the Chief Financial Officer. Updates on progress against the work programme are discussed at Audit, Risk and Governance Committees in Common meetings, as witnessed during our attendance at those meetings.

#### **Budget setting and monitoring**

We documented the budget setting and monitoring process as part of the audit work on the Annual Report and Accounts. The process appeared to be robust with no significant control weaknesses identified.

#### **Monthly Management Accounts (MMAs)**

MMAs are prepared by the finance department and are discussed in several committees, most importantly the Board of Director meetings. Actual figures are compared to the budgets and significant variances are discussed.

#### **Budget and MMA discussions**

We have confirmed that effective processes and systems are in place to monitor financial performance against budget, and to communicate relevant, accurate and timely management information (including nonfinancial information) to support the Trust's statutory financial reporting requirements, and we are satisfied that action is taken where deficits or issues are highlighted by this process.

### ***Board minute review***

We have reviewed papers and minutes of both the Board and its sub committees and confirmed that they cover all the key areas which we consider necessary to ensure that informed decisions regarding the future of the Trust are made.

### ***Internal audit***

During 2023/24, the Trust's internal audit function undertook 23 internal audits. In terms of assurance levels, one report has a high assurance level, seventeen have significant assurance with minor improvement opportunities and five have limited assurance with a number of further opportunities for improvement.

As reported in the Trust's Annual Governance Statement, the Head of Internal Audit's overall opinion for 2023/24 was that a significant assurance could be provided.

There are no significant VfM issues identified as a result of the review of the internal audit reports. Limited assurance was provided by internal audit however on Data Quality, Performance Management, IT Disaster Recovery Plan, Change Control Management and Integrated Acute Assessment Unit.

### ***Group Structure***

In August 2023 the trust joined together with Hull University Teaching Hospitals in a group organisational structure. In Spring 2024 the group formally launched its new name – NHS Humber Health Partnership and also created joint clinical services across both trusts called care groups. Whilst the executive team for the new group has been appointed, the strategy of the group commenced in July 2024.

Among other reasons, the rationale for the implementation of a group structure includes: increasing workforce resource, budgets and facilities; combining expertise and experience; delivering better care and a better experience for patients; and increasing bargaining power for securing funding and procurement of goods at best value.

### ***Board committees and committees-in-common***

Up until the end of December 2023 the board had established seven committees which support the discharging of the board's responsibilities. In addition to meeting the statutory requirements to have an Audit, Risk and Governance Committee and Remuneration and Terms of Service Committee, the trust also had a Finance and Performance Committee, Quality and Safety Committee, Strategic Development Committee (disbanded by the Trust Board at its meeting on 6 June 2023), a Workforce Committee, and a Charitable Funds Committee (known as the Health Tree Foundation Trustees Committee. Following agreement by the trust boards of Northern Lincolnshire and Goole NHS Foundation Trust (NLAG) and Hull University Teaching Hospitals NHS Trust (HUTH) to move to a group model and aligned governance and decision making, a number of committees-in-common have been created for the group and started to meet from January 2024.

## 7. Improving economy, efficiency and effectiveness

### Auditor's commentary on arrangements

#### The following areas have been considered:

- Financial and performance information has been used to assess performance to identify areas for improvement.
- Services provided are evaluated to assess performance and identify areas for improvement.
- The Trust delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve.
- Where the Trust commissions or procures services, this is done in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits of officer or member behaviour.

### Findings

#### **Board and Committee paper reviews**

Through reviewing Board and sub-committee papers, we have confirmed that the Board is provided with both financial and non-financial performance information at each meeting, which includes finance, workforce and integrated performance reports, and Board members are able to challenge officers regarding any departures from plans or expectations. Within these reports, the Trust monitors the reasons for movements against planned performance and, where applicable, key performance indicators and uses these to identify areas for improvement, focussing its resources as necessary.

Up until the end of December 2023 the board had established seven committees which support the discharging of the board's responsibilities. In addition to meeting the statutory requirements to have an Audit, Risk and Governance Committee in Common and Remuneration and Terms of Service

Committee, the trust also had a Finance and Performance Committee, Quality and Safety Committee, Strategic Development Committee (disbanded by the Trust Board at its meeting on 6 June 2023), a Workforce Committee, and a Charitable Funds Committee (known as the Health Tree Foundation Trustees Committee. Following agreement by the trust boards of Northern Lincolnshire and Goole NHS Foundation Trust (NLAG) and Hull University Teaching Hospitals NHS Trust (HUTH) to move to a group model and aligned governance and decision making, a number of committees-in-common have been created for the group and started to meet from January 2024.

#### **KPIs for Trust performance**

We are content that the performance monitoring measures via the various KPIs which apply to the Trust takes place on a regular basis. The Board are provided with regular updates on key performance metrics with the KPIs considered in detail as part of these meetings.

#### **SFIs and waivers**

The Trust's Standing Financial Instructions set out the path applicable to different types of procurement. The Audit, Risk and Governance Committee in Common reviews circumstances where SFIs have been waived at each of its meetings. We have also substantively tested expenditure as part of our financial audit procedures, including standard procurement activity in line with the SFI's and waivers. No significant weaknesses were identified.

#### **Procurement activity**

The Trust currently carries out procurement exercises which are specific to the Trust. The Trust has formed a procurement collaboration at the ICS level (covering three Trusts) effective from April 2023.

***KPIs for services provided to the Trust***

Entities that provide services to the Trust are required to report back against KPIs which are included into the contractual agreement with the Trust. We have reviewed the reporting back of performance against KPIs by service providers and are content that it does take place.

***Partnerships***

During 2023/24, the Trust has continued to engage with partners across the Northern Lincolnshire and Goole region. This engagement has covered both strategic and operational matters, such as the arrangements for Integrated Care Boards and the transformational programmes to improve acute hospital services across the Humber area, as well as the new group structure.

Performance is monitored centrally on a monthly basis and the Trust, and partners, are required to submit returns which are then discussed and scrutinised.

## 8. Prior year recommendation

There were no significant weaknesses identified in the prior year. There were two carried forward issues that have now been closed. See below for completeness:

Area	Significant weakness	Recommendation	Overall conclusion for 2023/24
<p><b>Financial sustainability</b> The Trust has been in Financial Special Measures since 2017 and continues to face significant financial challenges. The Trust has engaged with NHS England and Improvement (NHSE/I) regarding the current criteria for exiting from Financial Special Measures in 2021/22. These are focused on the Trust and the Integrated Care System achieving the first 6 months financial plan, restructuring of the Finance team, delivering planned savings and developing a robust long term financial plan with emphasis on reducing Covid expenditure and the underlying run rate.</p> <p>The Trust's long term financial sustainability is dependent, amongst other things, on the resolution of long-standing issues in relation to the local configuration of services and workforce, which is the focus of the ongoing Humber Acute Services Review and also of the work with Hull University Teaching Hospitals NHS Trust to complete the Interim Clinical Plan. It is also dependent on the national funding structures yet to be determined.</p>	<p>Yes</p>	<p>Within the context of revisions to NHS financing and the 2021/22 Planning Guidance, the Trust should ensure that it delivers the action plans that have been developed by management, and that monitoring and reporting, challenge and scrutiny and escalation arrangements are in place to drive the required improvements for patients and sustain the improvements that are made.</p>	<p>NHS England removed the Trust from the Recovery Support Programme on 17 May 2023.</p>

Area	Significant weakness	Recommendation	Overall conclusion for 2023/24
<p><b>Trusts arrangements for quality</b> The overall outcome from the most recent Care Quality Commission (CQC) inspection in 2019 was a combined rating of 'requires improvement', and the Trust continues to operate under the Quality Special Measures introduced in April 2017. The detailed assessment included a negative change in the rating in the 'Safe' domain (to 'inadequate') and an improvement in the rating in the 'well led' domain (to 'requires improvement'). Ratings will not change until the next formal inspection by the CQC. NHS England and Improvement (NHSE/I) continues to meet with the Trust for performance review meetings. The Trust also continues to be under the Financial Special Measures introduced in 2017.</p>	<p>Yes</p>	<p>In order to ensure systems, processes and training are in place to manage the risks relating to the health, safety, and welfare of service users, the Trust must ensure it embeds and sustains the action plans that it has put in place Trust-wide to address the patient care issues identified by the CQC. In particular, it needs to ensure that robust monitoring and reporting processes are maintained, and that challenge, scrutiny and escalation arrangements drive the required improvements for patients and sustain the progress made to-date in implementing the actions to address the issues raised by the CQC.</p>	<p>NHS England removed the Trust from the Recovery Support Programme on 17 May 2023.</p>

## 9. Conclusion and recommendations

We have concluded throughout the report that the Trust has appropriate arrangements in place and that we have not identified any new significant weaknesses in relation to arrangements in any of the 3 criteria, financial sustainability, governance and improving economy, efficiency and effectiveness.

Sumer Audit is the trading name of Sumer Auditco NI Limited, a limited company registered in Northern Ireland under company number NI712237. Registered to carry on audit work in the UK and Ireland by the Institute of Chartered Accountants in Ireland (ICAI).

Our registered office is: 4th Floor, Glendinning House, 6 Murray Street, Belfast, BT1 6DN. A list of the directors' names is available for inspection on request, with a full list of offices at [www.sumer.co.uk/our-champions](http://www.sumer.co.uk/our-champions).

Sumer Auditco NI Limited is independent of Sumer Group Holdings Limited. Sumer Group Bidco Limited provides services to Sumer Auditco NI Limited under a formal arm's length agreement.