

Shropshire Community Health NHS Trust

Auditor's Annual Report for the
year ended 31 March 2024

21 June 2024



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We are required under Section 21(2A)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

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



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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.

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Introduction



Purpose of the Auditor's Annual Report

This report brings together a summary of all the work we have undertaken for Shropshire Community Health NHS Trust (the Trust) during 2023/24 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements. Here we draw the reader's attention to relevant issues, recommendations arising from our work and how the Trust has responded to recommendations made in previous years. The responsibilities of the Trust are set out in Appendix A.

Responsibilities of the appointed auditor

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Trust as at 31 March 2024 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with international accounting standards as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2023/24, and
- have been prepared in accordance with the requirements of the National Health Service Act 2006

We also consider the Annual Governance Statement, the relevant disclosures within the Annual Report including the remuneration report and undertake work relating to the Whole of Government consolidation exercise.

Value for money

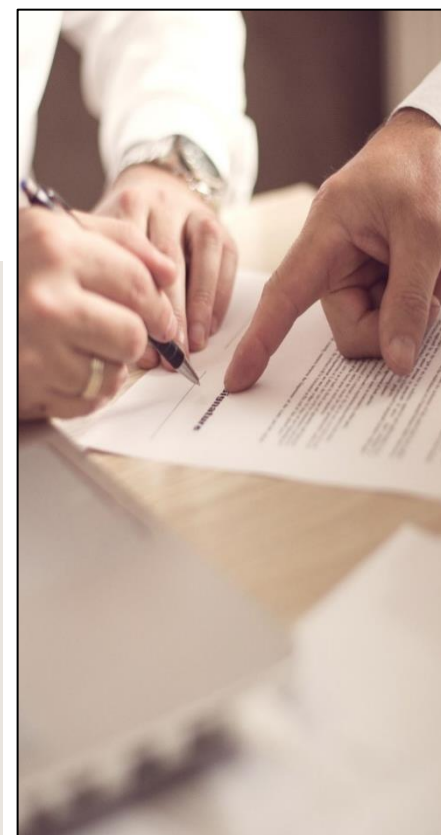
We report our judgements on whether the Trust has proper arrangements in place regarding arrangements under the three specified criteria:

- financial sustainability
- governance
- Improving economy, efficiency and effectiveness

Other powers

Under Section 30 of the Local Audit and Accountability Act 2014, the auditor of an NHS body has a duty to consider whether there are any issues arising during their work that indicate possible or actual unlawful expenditure or action leading to a possible or actual loss or deficiency that should be referred to the Secretary of State. They may also issue:

- Statutory written recommendations to the Trust Board which they must consider publicly
- A Public Interest Report (PIR)



The Value for Money Auditor responsibilities are set out in Appendix B.

Executive summary



Executive summary

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (referred to as Value for Money). The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas as set out below.



Financial sustainability

The Trust has a history of achieving its financial targets, and in 2023/24 delivered a £0.224m surplus compared to a breakeven plan. For 2024/25 the Trust has increased its planned surplus from £0.8m to £1.3m in order to further support the system position. The Trust has appropriate arrangements in place to monitor efficiencies, but there is scope to ensure that these are more fully developed earlier in the year, and this is linked to agreeing a system-wide Medium Term Financial Plan.

Our work has not identified evidence of significant weaknesses within the arrangements in place. However, we have identified three areas where the Trust could further improve arrangements and as such, have raised three improvement recommendations which have been accepted by Management. Please see page 13.



Governance

The Trust has sound arrangements in place for risk management, the Board Assurance Framework (BAF), internal audit and counter fraud. Budget setting begins in the Autumn of the previous year and the Trust has a track record of delivering to its agreed budget. This is supported by clear finance reports with variances and mitigating actions. Arrangements for ensuring robust decision making are also sound, with an effective Audit Committee.

The Trust has made some progress in addressing an improvement recommendation we raised in the previous year, around ensuring that Trust policies and Standard Operating Procedures are up to date, but this is not complete and is carried forward. Please see Appendix C.



Improving economy, efficiency and effectiveness

The Trust has appropriate Performance Management and reporting arrangements in place, with an Integrated Performance Report presented to each Board meeting, supported by the Quality and Safety Report. The Trust is taking action to address areas where performance needs to improve. The Trust is working positively with system partners to support improvement. For example, setting up sub-acute wards at two acute hospital sites. Procurement arrangements are reasonable, with Shropshire Healthcare Procurement Service providing the service across the system.



We have completed our audit of your financial statements issued an unqualified audit opinion on 21 June 2024. Our findings are set out in further detail on pages 7 and 8.



Executive summary (continued)



Overall summary of our Value for Money assessment of the Trust's arrangements

Criteria	2023/24 Risk assessment	2023/24 Auditor judgement on arrangements	2022/23 Auditor judgement on arrangements
Financial sustainability	No risks of significant weakness identified.	<p>A</p> <p>No significant weaknesses in arrangements identified, but we have made three improvement recommendations to support the Trust in further enhancing arrangements for financial planning.</p> <p>These relate to agreeing a system-wide Medium Term Financial Plan which links to and supports the Trust's other key strategies and enables earlier identification and development of recurring efficiencies.</p> <p>Two prior year improvement recommendations have been addressed. One around integrating financial and other planning has been refreshed with recommendation three on page 13.</p>	<p>A</p> <p>No significant weakness in arrangements identified, but three improvement recommendations made.</p>
Governance	No risks of significant weakness identified.	<p>A</p> <p>No significant weaknesses in arrangements identified, and no new improvement recommendations have been made. One prior year improvement recommendation around ensuring policies are up to date remains incomplete and is carried forward.</p>	<p>A</p> <p>No significant weakness in arrangements identified, but two improvement recommendations made.</p>
Improving economy, efficiency and effectiveness	No risks of significant weakness identified.	<p>G</p> <p>No significant weaknesses in arrangements identified and no improvement recommendations made. Our prior year recommendation around the engagement plan has been implemented and is closed.</p>	<p>A</p> <p>No significant weakness in arrangements identified, but one improvement recommendation made.</p>

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

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



Opinion on the financial statements



Audit opinion on the financial statements

We issued an unqualified opinion on the Trust's financial statements on 21 June 2024.

The full opinion is included in the Trust's Annual Report for 2023/24, which can be obtained from the Trust's website.

Grant Thornton provides an independent opinion on whether the Trust's financial statements:

- give a true and fair view of the financial position of the Trust as at 31 March 2024 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with international accounting standards as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2023-24, and
- have been prepared in accordance with the requirements of the National Health Service Act 2006

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Trust in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

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

Draft financial statements were of a reasonable standard and supported by detailed working papers.

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report was presented to the Trust's Audit Committee on 17 June 2024. Requests for this Audit Findings Report should be directed to the Trust.



Other reporting requirements and use of auditor's powers



Remuneration and Staff Report

Under the Code of Audit Practice [2020] published by the National Audit Office, we are required to audit specified parts of the Remuneration and Staff Report included in the Trust's Annual Report for 2023/24. Our work to determine whether these specified parts of the Remuneration and Staff Report have been properly prepared in accordance with the requirements of the Department of Health and Social Care Group Accounting Manual 2023/24 has not identified any issues. .

Annual Governance Statement

Under the Code of Audit Practice [2020] published by the National Audit Office, we are required to consider whether the Annual Governance Statement included in the Trust's Annual Report for 2023/24 does not comply with the guidance issued by NHS England, or is misleading or inconsistent with the information of which we are aware from our audit. We have nothing to report in this regard.

Annual Report

Under the Code of Audit Practice [2020] published by the National Audit Office, we are required to consider whether, based on the work undertaken in the course of the audit of the Trust's financial statements for 2023/24, the other information published together with the financial statements in the Trust's Annual Report for 2023/24 is consistent with the financial statements. We have nothing to report in this regard.

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. We have not identified any significant issues.

We bring the following matters to your attention:

Referrals to the Secretary of State

We did not issue a section 30 referral to the Secretary of State for Health and Social Care regarding the Trust's break even duty. We do not consider that any unlawful expenditure has been made or planned for.

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body.

We did not issue any statutory recommendations to the Trust in 2023/24.

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report 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 did not issue a report in the Public Interest with regard to arrangements at the Trust for 2023/24.

Value for Money Commentary on arrangements



The current NHS landscape



National context

In 2023/24, the NHS has continued to show commitment to patient care and service delivery. Advancements in digital health technologies including virtual wards have the potential to support service redesign, reduce waiting times, and improve patient outcomes. Data published by NHS England in April 2024 indicates that performance against key metrics for elective waiting times, diagnostic tests access, and A&E 4 hour waits all improved year on year, though performance is still some way from target. These achievements demonstrate the resilience and adaptability of NHS staff amidst ongoing pressures.

Integrated Care Systems, established on 1st July 2022, remain at varying stages of maturity. Some systems have developed changes to patient pathways designed to improve outcomes, create efficiencies, tailor services to the needs of their local population and address local health inequalities. Most systems continue to face significant challenges, including workforce shortages, rising demand for healthcare services, and efficient resource management, all resulting in financial sustainability uncertainties.

Pay and productivity remain key challenges nationally. Staffing numbers have increased significantly since 2019/20 with staff costs now exceeding the funding available in many systems, exacerbated by industrial action costs. At the same time, activity growth has not kept pace, leaving a “productivity gap” that is not yet fully understood. This is further hampered by staff absences and pressures in social care staffing. NHS England has requested that all systems formally review the workforce increases seen over recent years. Many NHS bodies are already recognising an urgent need to manage down their temporary and agency staff costs, and recruit and retain the substantive staff they need to deliver services. There also needs to be a continued focus on quality and ensuring system governance is sound. Learning from public inquiry reports and maintaining high standards of behaviour is key to improving patient safety and building public trust.

These challenges are likely to make 2024/25 another challenging year for all local health services. However, the NHS is focusing on the recovery of core services through continuous improvement in access, quality, and productivity whilst transforming the way care is delivered and creating stronger foundations for the future.

Local context

Shropshire Community Health NHS Trust provides community-based health services for adults and children in Shropshire, Telford and Wrekin, and some services in surrounding areas. Most of the Trust’s work is with people in their homes, in community centres and clinics. A very small number of people also receive inpatient care in community hospitals.

The Integrated Care System (ICS) is extremely challenged financially and incurs increased costs through having an excess number of Urgent & Emergency Care beds, owing to challenges in discharging patients from the two acute hospitals. The Trust has been working collaboratively with acute system partners to provide two Rehabilitation and Recovery Units based at the Princess Royal Hospital (PRH) and the Royal Shrewsbury Hospital (RSH). The Rehabilitation and Recovery Units provide rehabilitative care to adult patients who require ongoing nursing and medical care alongside intensive rehabilitation and support before returning to their place of home.

The Trust has also supported the system by achieving its financial targets for 2023/24.

It is within this context that we set out our commentary on the Trust’s value for money arrangements in 2023/24 and make recommendations where any significant weaknesses or improvement opportunities in arrangements have been identified to support management in 2024/25.

Financial sustainability – commentary on arrangements



We considered how the Trust:	Commentary on arrangements	Assessment
identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	For 2023/24 the Trust reported an adjusted surplus of £0.224m, compared to a breakeven plan. For 2024/25 the Trust submitted an initial plan for a £0.8m surplus. This was based on appropriate assumptions and includes a £3.1m (3.0% of Turnover) Cost Improvement Plan. Known pressures have been included. Moving away from the Intelligent Fixed Payment approach is expected to result in an additional £7.3m recurrent income, removing the recurrent deficit the approach created. To further support the system the Trust submitted a final plan with a £1.3m surplus. The ICS does not have a system-wide Medium Term Financial Plan, and this is an area for improvement.	A
plans to bridge its funding gaps and identify achievable savings	The Trust has appropriate arrangements in place to meet its Cost Improvement Plan savings, clearly reporting progress and risks to Board. These arrangements were strengthened early in the financial year to respond to the increased challenge, and have been carried forward into 2024/25, when the Trust is planning efficiencies of £3.1m, all of which are recurrent. Efficiencies are planned to increase each month, with only £0.07m planned for April and May in total. This allows time for schemes to be further developed. Of the £3.1m efficiencies, £1.8m are "High" risk, with £0.4m "Low" risk. Only £0.5m is "Fully Developed", there are £0.3m "Pay - service re-design" and £0.3m "Non-pay service-re-design" which are shown as "Unidentified". The highest value scheme is £0.35m "procurement efficiencies" which is an "Opportunity". The risk profile of efficiencies presents a heightened risk of non-delivery. However, the Trust is achieving year on year continuous improvement in having a higher level of recurrent efficiencies identified earlier.	G
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	The Trust's strategic objectives are linked to the Care Quality Commission inspection categories. However, whilst financial plans reported to Trust Board include pay and non-pay services changes in the 2024/25 budget, including new or extended services, they do not show how the plan will support achieving the objectives. This is an improvement opportunity. The Trust has appropriate arrangements to understand cost, including using benchmarking when appropriate. The Trust is also supporting the system-wide Urgent & Emergency Care pathway with a virtual ward having been set up and opening a sub-acute ward at each of the two hospital sites to reduce "escalation costs" which is a significant challenge for the system. This is good practice.	A
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	The Trust works well with system partners to ensure financial plans are aligned and to do what it can to support the wider-system. Planning assumptions follow national guidance and are reasonable. The Trust has plans for reducing its carbon emissions and improving estates, but these are not costed. They should be linked to the Medium Term Financial Plan. This is an improvement opportunity.	A
identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans	The Board Assurance Framework includes key financial risks and the challenges to achieving the agreed financial position. Sufficient appropriate information is reported to provide assurance that risks are being managed appropriately. Finance reports to the Resource and Performance Committee and Trust Board include significant challenges or variances and action being taken. The Trust has specific groups who oversee the key risks, such as the Agency Scrutiny Group and the Cost Improvement Plan Delivery Group.	G

G

No significant weaknesses in arrangements identified or improvement recommendation made.

A

No significant weaknesses in arrangements identified, but improvement recommendations made.

R

Significant weaknesses in arrangements identified and key recommendations made.

Financial sustainability (continued)



Areas for improvement

Whilst the Trust has been able to achieve a balanced financial position on a recurrent basis, the wider system is experiencing extreme financial challenges. A robust and realistic system-wide Medium Term Financial Plan (MTFP), with the Trust's own MTFP an integral part of that, would support the system in moving to a recurrently balanced financial position through being able to plan efficiencies in the medium to long term.

Improvement opportunity 1 – The Trust is working with partners on the development of a Medium Term Financial Plan (MTFP). This includes the use of external consultants to develop a robust demand and capacity model that links to workforce and finances. The MTFP needs to be completed and agreed as soon as possible in order to afford the Trust and its partners maximum opportunity to bring the system to a recurrent financial balance position.

The Trust has reasonable financial planning arrangements in place, and a history of achieving agreed budgets. However, there is an opportunity to further improve arrangements by more clearly linking areas of investment or saving to the Trust's strategic objectives so that it is clear how the financial plan will support their achievement.

Improvement opportunity 2 – In order to more clearly demonstrate how its financial plans will help to achieve strategic objectives, the Trust should more clearly link investments or planned efficiencies to its objectives.

The Trust has strategies in place to reduce carbon emissions (Green Plan 2022-26) and improve its estates (Estates Strategy 2022-27). However, the Green Plan does not include costs or financial benefits of specific projects. The Estates Strategy shows the backlog maintenance required, but there is no reference to specific projects or costs. Including this level of detail, and including it in the Medium Term Financial Plan, will support the Trust in implementing these plans and strategies.

Improvement opportunity 3 – As part of finalising a Medium Term Financial Plan, the Trust should ensure that the cost of all planned developments and projects is included. For example, reducing its carbon emissions and specific projects to improve estates.

Governance – commentary on arrangements



We considered how the Trust: Commentary on arrangements

Assessment

monitors and assesses risk and how the Trust gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	The Trust has appropriate arrangements to manage and monitor risks, including the use of a Board Assurance Framework (BAF) that identifies gaps in control or assurance and assigns responsibility for addressing them. The Performance Committee and internal audit team review BAF entries and make recommendations to the Board. The Trust has adequate arrangements for the prevention and detection of fraud, with an Anti-Fraud, Bribery and Corruption Response Plan Policy, Freedom to Speak up Policy, and progress reports on counter fraud activities. The Trust has arrangements to gain assurance on issues of internal control relating to clinical and workforce issues through risk registers and engagement methods such as the NHS Staff Survey. We note that the Internal Audit Business Continuity Planning report provided "Limited Assurance". The Trust has responded to this report appropriately, whilst gaps remain it is taking steps to strengthen arrangements and as such we do not consider it necessary to raise a further improvement recommendation.	G
approaches and carries out its annual budget setting process	The Trust has sound arrangements for budget setting, beginning the process in the Autumn of the previous year, which enables an opening budget to be agreed, even if this is subject to change as the annual financial planning process concluded.	G
ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	In-year budget monitoring reports provide a clear understanding of the Trust's financial position. Variances identified are explained and sufficient evidence of plans to mitigate the effects of such variances have been noted. Where non-financial information is reported, the focus is how this affects the Trust financially.	G
ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee	The Trust has appropriate arrangements to make informed decisions with clear purpose of papers presented and appropriate responses indicating whether they are for information only, noting, or requiring additional assurances. Board meetings are appropriately constituted with a mix of non-executive and executive directors and the Chair provides regular updates to the Public Board. The Audit Committee provides an overarching governance role and reviews the work of other governance committees within the Trust. There is no evidence of inappropriate decision-making at Board level. One prior year improvement recommendation around ensuring policies are up to date remains incomplete. Please see the next page for further detail.	A
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour	The Trust has adequate arrangements in place to report legislative and regularity information to the Board. The procurement strategy prioritises sustainable and environmental purchasing. The Trust has a robust history of managing cybersecurity and has updated the Fit and Proper Persons Framework to further enhance arrangements to ensure compliance. The Trust identifies weaknesses and takes action to address them, demonstrating a commitment to continuous improvement. The Trust also has a Declaration of Interests Policy and Procurement Policy that prioritise patient care, achieve best value, and comply with regulatory and legislative standards.	G

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

Governance (continued)



Ongoing Prior Year Improvement Recommendation

In our prior year report we made an improvement recommendation that the Trust should strengthen its arrangements for ensuring that its policies and Standard Operating Procedures remained meaningful and supported decision making. Review of Committee Minutes shows that some policies have been reviewed, but we have not seen that this has been completed comprehensively. Therefore, this recommendation is carried forward. Please see Appendix C for more detail.



Improving economy, efficiency and effectiveness – commentary on arrangements



We considered how the Trust:	Commentary on arrangements	Assessment
uses financial and performance information to assess performance to identify areas for improvement	The Trust has adequate arrangements to monitor performance, with an Integrated Performance Report presented at every Board meeting focusing on relevant key performance indicators. The Quality and Safety Report provides assurance against key lines of enquiry and supports the Trust's strategic goals and priorities. The Trust is addressing performance issues, including incomplete pathways in Referral to Treatment and sickness absence rates, through measures such as transferring services and recruiting additional clinicians. The Trust also has a Data Quality sub-group and scores highly in NHSE's data quality assessment. While there are inevitably challenges in some areas, the Trust is actively monitoring and addressing areas of low performance and does not have significant weaknesses or risks.	G
evaluates the services it provides to assess performance and identify areas for improvement	The Trust last had a Care Quality Commission (CQC) inspection in August 2019 and was assessed as "Good" in all areas. Until recently the Trust was assessed in National Oversight Framework (NoF) category 2 but has been moved down to NoF 3 to align with other organisations within the system. The system as a whole needs improvement, and the Trust is working with others to reduce Urgent and Emergency Care pathway costs and improve performance through initiatives like setting up virtual and sub-acute wards which remain a significant financial pressure for the acute providers in the system.	G
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	The Trust's Trust Plan 2023/24 has three strategic objectives that have identified priorities and programmes of work monitored against key milestones and expected outcomes. The plan links to the BAF and performance reports, enabling the Trust to align its processes with its strategic priorities. The Trust is developing a long-term strategy that will guide the direction and transformation of its services, which will inform future priorities and plans. The Trust has put in place a Communications Strategy & Implementation Plan whose purpose is to raise the profile of the Trust through impactful, thoughtful communications, aligning with vision and values, and collaborating with stakeholders. The Trust is working well with system partners to improve performance, especially at the acute hospital sites.	G
commissions or procures services, assessing whether it is realising the expected benefits	The Resources and Performance Committee receives reports on contract monitoring and procurement updates and raised questions about contracts coming to an end and the completeness of the register of contracts, which were followed up and addressed. The Trust is part of the Shropshire Healthcare Procurement Service (SHPS) that provides procurement services to three NHS organizations and has a dedicated website with detailed information on services offered.	G

G

No significant weaknesses in arrangements identified or improvement recommendation made.

A

No significant weaknesses in arrangements identified, but improvement recommendations made.

R

Significant weaknesses in arrangements identified and key recommendations made.

**Value for Money
Recommendations raised in
2023/24**



Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
1 The Trust is working with partners on the development of a Medium Term Financial Plan (MTFP). This includes the use of external consultants to develop a robust demand and capacity model that links to workforce and finances. The MTFP needs to be completed and agreed as soon as possible in order to afford the Trust and its partners maximum opportunity to bring the system to a recurrent financial balance.	Improvement	Financial sustainability	Review of MTFP planning.	A fully developed MTFP will enable the system and the Trust to identify efficiency challenges further in advance in order to avoid having to rely in non-recurrent savings or income.	Once the 2024/25 plan is agreed across the system, our attention will shift to refreshing the MTFP with our system partners. Working together to revisit the medium term planning will be expected to prepare Shropcom and system partners for the 2025/26 planning round, identifying the main drivers for achieving a significant improvement to the system's financial performance over the medium, and to prioritise key decisions that need to be made in the short term to have the impact in the medium term.
2 In order to more clearly demonstrate how its financial plans will help to achieve strategic objectives, the Trust should more clearly link investments or planned efficiencies to its objectives.	Improvement	Financial sustainability	Trust's Vision and 2024/25 Financial Plans to Board.	It is important to demonstrate how strategic objectives are being delivered, including financial measures and plans. This provides assurance that resources are being allocated in order to achieve objectives.	Our 3 strategic objectives ; Looking after our people, Caring for our community and Managing our resources will be used to articulate how each significant investment or programme will contribute to delivering our strategy.

- Explanations of the different types of recommendations which can be made are summarised in Appendix B.
- We have followed up prior year recommendations in Appendix C.

Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
3 As part of finalising a Medium Term Financial Plan, the Trust should ensure that the cost of all planned developments and projects is included. For example, reducing its carbon emissions and specific projects to improve estates.	Improvement	Financial sustainability	Green Plan and Estates Strategy.	Fully costed plans need to be developed and built into the MTFP in order for them to be financed appropriately, thereby supporting the Trust in delivering its plans.	We will use the updated MTFP to create a time line for key investments which will allow us to plan our decisions/approvals process and external funding requirements.

- Explanations of the different types of recommendations which can be made are summarised in Appendix B.
- We have followed up prior year recommendations in Appendix C.

Appendices

Appendix A:

Responsibilities of the NHS 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 directors of the Trust are 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 directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are required to comply with 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:

Value for Money Auditor responsibilities



Value for Money arrangements work

All NHS 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.

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

Under the Local Audit and Accountability Act 2014, 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 (NAO) Code of Audit Practice ('the Code'), 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 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.

2023/24 is the fourth year that we have reported our findings in this way. We undertake and report the work in three phases as set out in the Code.

Phase 1 – Planning and initial risk assessment

As part of our planning we assess our knowledge of the Trust's arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period.

Information which informs our risk assessment	
Cumulative knowledge of arrangements from the prior year	Key performance and risk management information reported to the Board
Interviews and discussions with key officers	NHS Oversight Framework (NOF) rating
Progress with implementing recommendations	Care Quality Commission (CQC) reporting
Findings from our opinion audit	Annual Governance Statement including the Head of Internal Audit annual opinion

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements we will undertake further work to understand whether there are significant weaknesses. We use auditor's professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations. A range of different recommendations can be raised by the Trust's auditors as follows:

- **Key recommendations** – the actions which should be taken by the Trust where significant weaknesses are identified within arrangements.
- **Improvement recommendations** – actions which should improve arrangements in place but are not a result of identifying significant weaknesses in the Trust's arrangements.
- **Statutory recommendations** – written recommendations to the Trust under Section 24 [Schedule 7] of the Local Audit and Accountability Act 2014.

Appendix C:

Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
1 The Trust should enhance its management and monitoring processes for the Cost Improvement Plan [CIP] to successfully meet its ambitious target for 2023/24. This could involve developing a more granular risk assessment for CIP schemes and implementing additional strategies to reduce the reliance on high-risk and non-recurrent measures.	Improvement	July 2023	Assurance over the savings process is through the CIP Working Group who oversee the delivery of the target throughout the year and develops a three-year rolling CIP programme. Monthly updates of the progression of savings are delivered to the Finance and Resource Committee and the Financial Recovery Group. Planned recurrent CIP was £2.4m with £2.2m achieved. Planned non-recurrent was £1.7m with £2.3m achieved.	Yes	No.
2 The Trust should invest in developing a more comprehensive understanding of its cost base. This can be achieved through the full utilisation of tools such as Service Level Reporting (SLR) and Patient Level Information and Costing Systems (PLICS). Understanding the Trust's cost base will provide a more detailed perspective on cost efficiency opportunities and enable the validation of higher costs, thereby enhancing financial efficiency and transparency. This work should already build on the current understanding which has already identified Outpatients as an area for initial focus.	Improvement	July 2023	The Trust uses benchmarking where appropriate. A Productivity & Improvement Group was established in Summer 2023 and the service areas are very engaged with it. There is less scope to undertake costing activities than in an acute trust.	Yes	No.

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

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Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
3 For a comprehensive and robust strategic plan, the Trust should work towards integrating its workforce and financial planning with its estate and clinical plans. Creating a linkage among these plans will ensure a holistic approach that considers how changes in one area will impact the others. This will not only provide a forward-looking perspective for the fiscal year 2023/24 but will also enhance overall strategic planning, ensuring all areas are harmonised and mutually supportive.	Improvement	July 2023	The Trust still needs to do this and we have refreshed the recommendation (see improvement opportunity 3).	No	Implement the refreshed recommendation.
4 Shropshire Community NHS Trust should take an active role in supporting any detailed collaboration plans to improve the system rating. This plan should outline the strategies to actively collaborate with stakeholders, with a focus on improving financial stability, addressing operational issues, and fostering patient care initiatives. The implementation of such a plan would effectively underscore the Trust's proactive role and valuable contributions to the healthcare system, and its commitment to achieving system objectives.	Improvement	July 2023	The Trust takes an active role in working with the system, in particular in supporting SaTH, to improve the overall system rating.	Yes	No.

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Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
5 The Trust should consider implementing a comprehensive review and consolidation process for its current policies and Standard Operating Procedures (SOPs). By doing so, the Trust could identify opportunities for refinement, consolidation, and simplification of its guidelines. This process would not only make policies and SOPs more meaningful and user-friendly but also more efficient for decision making.	Improvement	July 2023	Review of Committee Minutes shows that some policies have been reviewed, but we have not seen that this has been comprehensively.	In part	Yes – implement the recommendation in full.
6 The Trust should communicate transparently with stakeholders, including patients, service users, residents, and its workforce, the status and implementation of the comprehensive engagement plan. Regular updates and opportunities for feedback can help build trust and ensure that patient and public voices are effectively incorporated.	Improvement	July 2023	The Trust has put in place a Communications Strategy & Implementation Plan whose purpose is to raise the profile of the Trust through impactful, thoughtful communications, aligning with vision and values, and collaborating with stakeholders.	Yes	No.

