

Auditor's Annual Report on Kent Community NHS Foundation Trust

For the period 2021/22

August 2022



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

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



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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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Executive summary



Value for money arrangements and key recommendation(s)

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

Auditors are required to report their commentary on the Trust's arrangements under specified criteria and 2021/22 is the second year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Criteria	Risk assessment	2021/22 Auditor Judgment
Financial sustainability	No risks of significant weakness identified	No significant weaknesses in arrangements identified, one improvement recommendation made
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified, no improvement recommendation made
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified, one improvement recommendation made

Risk assessment

- **Dark Purple** Significant weaknesses in arrangements identified and key recommendations made
- **Blue** No significant weaknesses in arrangements identified, improvement recommendations made
- **Light Purple** No significant weaknesses identified or improvement recommendations made



Financial sustainability

Overall we are satisfied that the Trust had appropriate arrangements in place to manage the financial resilience risks it faced with regard to budget setting and medium term financial planning. We have not identified any significant weaknesses and have identified one opportunity for improvement.

- The Trust's annual 2022/23 CIP Programme of £6.698 million should be profiled, on a monthly basis, according to CIP delivery rather than an overall equal target of 1/12ths equalling £564k a month.

Further details and management's response are found on page 10.



Governance

We have not identified any areas of significant weakness in the Trust's governance arrangements with regard to managing risk, internal control, culture and standards. We have made no improvements recommendations.



Improving economy, efficiency and effectiveness

We have not identified any areas of significant weakness in arrangements with regard to improving economy, efficiency and effectiveness. We have made one improvement recommendation;

- The Trust should update its Communications, Engagement & Patient Experience, and Commercial Strategies and ensure that all other enabling strategies are reviewed on an annual basis.

Further details and management's response are found on page 22

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

We bring the following matters to your attention:

Opinion on the financial statements

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

We have completed our audit of your financial statements. We issued an unqualified audit opinion on 22 June 2022, following the Audit Committee meeting on 13 June 2022. Our findings are set out in further detail on page 21.

Referral to NHS Regulator

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

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

We did not refer any matters to the NHS Regulator.

Public Interest Report

Under Schedule 10 of the National Health Service Act 2006, auditors of foundation trusts have a responsibility to make a report in the public interest if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a public interest report.



Securing economy, efficiency and effectiveness in the Trust's use of resources

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

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

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

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial Sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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



Our commentary on the Trust's arrangements in each of these three areas, is set out on pages 6 to 23. Further detail on how we approached our work is included in Appendix B.

Financial sustainability



We considered how the Foundation Trust:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Financial management 2021/22

During 2020/21 and 2021/22, the NHS was operating under exceptional conditions caused by the COVID-19 pandemic. The funding regime for 2021/22 was largely a continuation of that introduced in 2020/21 where the government provided additional funding nationally reflecting the ongoing impact of the pandemic and assistance with elective care and mental health service recovery.

The 2021/22 budget was built up from the rollover 2020/21 budget, adjusted to align with the first half year of 2021/2022 (H1) block funding assumptions, and in line with the following, which were agreed financial principles across the Kent and Medway system:

- the budget delivers a break even income and expenditure position;
- the capital plan is affordable without external borrowing;
- the Trust is not reliant on non-recurrent Cost Improvement Programmes or other savings in order to meet its targets; and
- budgets are sufficient to deliver safe and effective services.

The Trust chose to budget for the full 12 months, despite only being required to submit a budget for H1. The arrangements for the second half of 2021/22 were consistent with the framework in place for the first six months of the financial year.

The operational planning guidance issued by NHS England & Improvement (NHSEI) highlighted the importance of effective partnership working across systems and a system based approach to funding. Financial envelopes were published at the Kent and Medway Integrated Care System (ICS) level with indicative envelopes for providers.

The Trust's Finance, Business and Investment Committee (FBI) and the Board were kept informed of the progress made in developing the ICS plan submission and the development of the Trust's own financial plan. The Trust's May 2021 planning submission to the board was a breakeven position, a capital plan of £12.7m (£7.8m of Trust expenditure and £4.9m ring-fenced funding held on the behalf of the K&M system) and a Cost Improvement Programme (CIP) target of some £4 million. The Trust's financial planning included the cost of delivering priority areas such as the Kent & Medway Care Record (KMCR) system, capital investment on NHS Property Services' sites and the mass vaccination programme. The implementation of KMCR is a commendable achievement in the improvement of record sharing between the NHS and Local Government.

The position continued to be monitored throughout the year with regular reporting to FBI Committee and the Board. In November 2021, the Trust's capital plan and control total was reduced by £2.8m, following a successful external capital funding application for the KMCR as a priority scheme.

Financial sustainability

KCHFT delivered a £9k surplus as at 31 March 2022 against the planned breakeven position. Additional income was received during the year in relation to the pay award and the KMCR project. Key financial measures relating to performance against the I&E surplus, cash balances, capital investment, control total and staff were met or exceeded by the year end, although the CIP target was achieved through the use of non-recurrent measures relating to travel costs savings, rather than the planned recurrent savings in adult care. The Trust scored overall the maximum 1 rating against the Use of Resource rating metrics for M12 2021-22. The YTD I&E margin % returned a rating of 2 as a result of the Trust's break-even regime.

The monthly budget monitoring reports presented to the FBI Committee during the year demonstrate that variances are identified and explained promptly, forecast to the year end, and mitigating action taken where required. Financial reporting to the Board is at a higher level, consisting of key financial performance indicators as part of the Integrated Performance Report (IPR). In line with good practice, the IPR also includes quality, workforce and operational indicators, allowing for all aspects of the Trust's performance to be considered at once. The Director of Finance, who attends both the FBI Committee and Board meetings reports to the Board with a more detailed summary of the financial monitoring position.

In addition to formal financial reporting to the FBI Committee and the Board, arrangements are in place to monitor detailed financial performance through the monthly Executive Performance Reviews (EPRs) at a directorate level. There are also regular meetings held between the finance team and budget holders where variances are identified and actions agreed.

KCHFT managed its 2021/22 capital programme within the capital envelope set at a system level, and in accordance with agreed priorities and ring-fenced monies reserved for K&M system priorities. The Trust focused its capital investments on Estates and IT, budgeting for £6m which was later adjusted to £3.2m following a successful external capital funding application for the KMCR system as a priority scheme. The Trust's Capital Steering Group (CSG) met monthly to consider business cases for capital funding and to monitor the delivery of capital projects. The FBI Committee receive high level capital monitoring through the monthly finance reports, escalating issues up to the Board as required through the Chair's report.

KCHFT has robust arrangements in place with regard to financial management, as demonstrated through the delivery of an outturn surplus for 2021/22. We have not found any evidence of significant weakness in arrangements from the work we have undertaken.

Financial planning 2022/23

The Trust set the 2022/23 budget following the methodology set out in the Trust's budget setting framework which was approved by the Finance Business and Investment Committee in October 2021. The Board was informed of national planning priorities and guidance during the financial planning process.

Since the start of the covid pandemic, block contract payments have been received from the NHSEI and the CCGs. The block payment from Kent and Medway CCG was calculated as follows:

- a system envelope using 2021/22 H2 income less covid funding and adjusted for inflation, growth, efficiency and system efficiency; and
- further funding for prescribing inflation (£0.238m), the balance of funding for the 2021/22 pay award which was funded non-recurrently in 21/22 from covid funding (£2.147m), NHSPS true up costs (£1.165m), plus funding for two new services which are the Medway Looked After Children (£0.532m) and the Neurodevelopmental service (£3.171m). Covid funding will also continue and was agreed at £2.76m for 2022/23.

The budget was adjusted for the negative staff turnover factor, which continues to be a significant risk within the Trust, with an elevated risk level in the Business Assurance Framework (BAF) at the end of 2021/22. The Trust's 2022/23 financial plan is aligned to its workforce establishment, with detailed workforce data used to build up individual service budgets. Financial planning at the ICS level also takes into account the workforce plans of individual providers, reflecting increases in staffing across priority areas.

The Trust submitted a draft 22/23 financial plan to the ICS and NHSI on the 17th March 2022. At this point, there was still work to be done across the Kent and Medway system to finalise the allocation of funding to providers.

Financial sustainability

In April 2022, at second draft submission stage, there was an aggregate ICS provider deficit of £46.152m across the Kent and Medway system. This deficit was significantly driven by East Kent Hospital, but four other trusts (including KCHFT) also submitted a deficit plan. The ICS 22/23 financial position by provider, in April and June 22, is shown below.

ICS Provider Financial Position – 2022/23 Operating Plan Submission (£m)							
Trust	D>	EKHUFT	K&MSCPT	KCHFT	M&TWT	MFT	Total
2 nd Draft submission (April 22)	- 5.382	- 21.893	0	-1.850	- 9.730	- 7.297	-46.152
Final submission (June 22)	0	0	0	0	0	0	0

The ICB were also reporting a deficit of £38.19m taking the total Kent & Medway ICS deficit to £84.34m. Following the second submission of deficit plans by a large proportion of health ICS's nationally, additional funding was allocated by the Department of Health and Social Care to cover inflationary pressures and other pressure points. A condition of trusts accepting the additional funding was that they had to issue revised financial plans, with reduced costs, showing a breakeven position for 2022/23. By June 2022, the Kent & Medway ICS overall 2022/23 financial planning position was £0m.

The Trust's Cost Improvement Programme (CIP) target for 2022/23 is £6.769 million and equates to 2.49% of operating expenditure. This includes £1.538 million of 21/22 CIP adjustments (£1.064 m for Adult Services and £474k for Estates) which were not achieved in 21/22.

The portfolio of service and corporate CIP plans is monitored in detail, by the FBI Committee, through a monthly tracker to provide assurance that savings are being delivered. However, the Trust has profiled its £6.769 million of CIP savings equally between 12 months giving a target of £564k a month which shows that the CIP monitoring does not reflect that individual CIP projects deliver efficiencies at different rates. KCHFT is one of two trusts out of the six trusts in the Kent & Medway ICS not to profile their CIP monitoring on planned CIP delivery rather than a straight 1/12th.

At the end of June 2022, the 22/23 CIP tracker showed that the CIP progress was RAG-rated red as a result of Adult Services being 93% behind its month 3 target. The Trust recognises that this service has historically struggled to both identify and deliver recurring CIPs and Chief Officers are working to identify projects that can deliver recurring savings, for example employing more staff on a contract basis rather than using bank and agency staff. Given the challenges faced by adult services, the Trust is currently carrying forward non-recurrent CIPs of £1.333 million for adult services into 2023/34 which is a practice used for 21/22.

There is a risk that the Trust will continue to need non-recurrent savings to deliver the 22/23 CIP Programme, despite the budgeting principle that the Trust is not reliant on non-recurrent Cost Improvement Programmes or other savings in order to meet its targets.

Improvement Recommendation 1

To improve the transparency of reporting on in-year CIP delivery, the Trust's annual CIP Programme should be based on a revised monthly profile reflecting planned CIP delivery timelines rather than an equal CIP delivery target of £564k a month.

Medium term financial planning

It is important to note that in 2020/21 and throughout 2021/22, the NHS was operating under exceptional conditions caused by the COVID-19 pandemic. Instructions from NHSE/I was to prepare budgets on a short term basis, either 6 or 12 monthly. Therefore the focus on medium to long term planning diminished. The latest 5 year Medium Term Financial Plan (MTFP) was last produced and updated by KCHFT in 2019.

There is evidence of plans to update the MTFP with the Business Development update paper submitted to the FBI Committee in 22/23 and the development of a 5 year capital plan in 21/22. However, a MTFP is critical to demonstrate the financial sustainability of the Trust. The NHS has a national CIP target of 1.1% for 2022/23, and this target is expect to remain for the next 3-5 years. KCHFT has calculated that they will need to identify between approximately £22.1m to £33.5m worth of savings over this period which will be a significant challenge. The 22/23 internally set CIP target is 2.49% but the Trust needs to plan for a higher percentage in the medium term. In order to achieve 3% per annum going forward, the Trust needs to develop its five-year vision with robust financial planning, which if successful, will support achievement of 9% to 15% efficiencies.

Financial sustainability

The medium-term ambition is to start to develop transformational plans across pathways and providers in recognition of the new ICS and system control total stipulations and the provider responsibilities within this. The trust proposes there could be scope to adjust percentage targets per annum by provider based on a system approach to efficiency with some trusts being able to support higher percentages some years than others and/or agreeing significant efficiencies across the entire system benefitting from large scale enabling programmes, such as automation. This new approach builds on the work done to date within KCHFT in supporting a mindset shift from a short-term tactical approach to a longer-term strategic approach. The plan is a two-phase process, with phase one having commenced in 21/22 already.

Medium term financial modelling, based on the best information available and regularly reviewed, is an important tool for achieving financial sustainability and allows time for the development of a pipeline of efficiency schemes to meet financial targets in future years. The Trust has a long term capital plan in place and there is clear evidence that the Trust is operating with a medium/long term mindset and historically, the Trust has a good track record of meeting its financial targets. However, the current MTFP is out-of-date and requires renewing.

From our work reviewing the Trust's arrangements for medium term financial planning, we have not identified any risks of significant weakness as the Trust recognises and has plans in place to develop its Medium Term Financial Plan.

Improvement recommendations



Financial sustainability

Recommendation 1

The Trust's annual 2022/23 CIP Programme of £6.698 million should be profiled, on a monthly basis, according to CIP delivery rather than an overall equal target of 1/12ths equalling £564k a month.

Why/impact

We believe that this will improve the transparency of reporting on in-year CIP delivery.

Summary findings

The portfolio of efficiency savings identified for 2022/23 is monitored in detail, by the FBI Committee, through a monthly tracker to provide assurance that savings are being delivered. However, the Trust has profiled its £6.769 million of CIP savings equally between the 12 months giving a target of £564k a month which shows that the CIP Programme monitoring does not reflect that individual CIP projects deliver efficiencies at different rates.

Given the challenges faced by adult services, the Trust is currently carrying forward non-recurrent CIPs of £1.333 million for adult services into 2023/24 which is a practice that was used for 21/22. There is a risk that the Trust will need non-recurrent savings to deliver the 22/23 CIP Programme, despite the budgeting principle that the Trust is not reliant on non-recurrent Cost Improvement Programmes or other savings in order to meet its targets.

Management Comments

The Trust will develop realistic profiles for CIP and monitor these through forecasting whilst retaining an even budget profile to ensure risk of back ended plans do not provide false assurance.



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

Governance



We considered how the Foundation Trust:

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

Risk management

KCHFT has adequate arrangements in place to identify and manage strategic risks. The Board receives and reviews the Board Assurance Framework (BAF) report as a standing agenda item which identifies thematic risks to the delivery of the Trust's strategic objectives. Risks within the BAF include the elements of best practice we would expect to see, including RAG rated risk scores, mapping to strategic goals, responsible executive, controls, assurance and actions to manage the risk. The number of strategic risks presented in the BAF for consideration is not excessive, allowing for detailed review and understanding of key risks.

The BAF is discussed at the Board, each committee and various senior manager monthly and weekly meetings. In order to manage version control, adjustments are made solely by the Head of Corporate Services. Corporate Services are responsible for reviewing the departmental risk registers on a weekly basis, elevating risks to the BAF where appropriate.

The Audit and Risk Committee (ARC) has the responsibility for reviewing the establishment and maintenance of an effective risk management system across the Trust. The ARC reviews the BAF as a standing agenda item and periodically reviews a deep dive report into a BAF risk of their choosing to check that the risk is being managed appropriately.

The BAF recognises workforce as a critical thematic risk for the Trust. The risk that KCHFT will not have the right number of staff with the right skills is increased though the legacy impact of the pandemic, backlogs in some service areas, and the return to full activity and service expansion. As the country emerges from the pandemic, staff wellbeing and resilience is a key issue for all NHS organisations.

Mitigating strategies are in place to manage the workforce risk, such as the development of the "Our People Strategy", significant international recruitment of nursing staff and a noticeable focus on staff wellbeing and support. The Trust reported that it benchmarked well against the gold standard of staff wellbeing support and that it has set its target on achieving the platinum standard which addressed how the organisation impacted others in the system. The Trust monitors workforce metrics such as turnover, sickness and vacancy rates closely through the Integrated Performance Report (IPR).

We have not identified any risk of significant weakness with regard to the Trust's arrangements for managing risks.

Internal control

The internal audit function is delivered by TIAA who provide progress reports and recommendation trackers to each meeting of the ARC to show progress in delivering the Internal Audit plan and where improvements in controls have been agreed.

Governance

The annual Internal Audit Plan is approved by ARC and reflects priorities informed by the BAF, the Executive Team, fundamental control systems, and risk based audits. The Head of Internal Audit (HOIA) opinion for 2021/22 was submitted to the May 22 ARC. Whilst not all of the plan was completed at the time of drafting the HOIA, the auditors concluded that sufficient work from the annual plan had been completed to provide the HOIA opinion and reasonable assurance was given that there was generally a sound system of internal control in place at the Trust during 2021/22.

There are adequate arrangements in place with respect to the prevention and detection of fraud. The Trust's Local Counter Fraud specialist provides regular progress reports to ARC on the annual Counter Fraud Plan. There is an informative countering fraud section on the Trust's website which directs staff and members of the public, who might have concerns that fraud is taking place, to the appropriate NHS person.

From our work we have found no areas of significant weakness in the arrangements for managing and reporting on internal control. The Trust has an effective internal audit and counter fraud function, with adequate monitoring arrangements in place to review their work and gain assurance over the internal control environment.

Culture and standards

KCHFT has arrangements in place to promote and monitor standards and ensure compliance with legislation and regulation. There is good evidence of senior officers setting an appropriate "tone from the top" in respect of demonstrating engagement, openness and transparency in decision making. Board minutes confirm regular attendance from key officers including the Chief Executive, Director of Finance, Chief Nurse, Medical Director, Chief Operating Officer, Director of Strategy & Partnerships, Director of Corporate Services and the Director of People and Organisational Development which helps promote a culture of leadership and challenge.

The NHSEI System Oversight Framework oversees NHS systems and providers to identify potential support needs. The Framework incorporates themes that include quality of care, finance and use of resources, people and leadership. As of June 2022, the Trust is judged by NHSEI to be in Segment 1, the highest segment, requiring no specific support measures and is therefore allowed maximum autonomy in its operations.

Directors must certify on appointment, and subsequently through annual declarations, that they remain a "fit and proper person" in accordance with the requirements of the Care Quality Commission regulations. ARC reviews the Trust's Fit and Proper Persons registers annually to receive assurance that the declarations are made and that Directors continue to comply with the requirements.

The Trust's Policy on Standards of Business Conduct requires a Register of Gifts, Hospitality and Sponsorship to be maintained disclosing receipts with a value of £25 or more. ARC reviews the register in September each year, as part of the Standards of Business Conduct Report, to gain assurance that processes are in place and being adhered to. Each declaration provides the name of the employee, item declared, value and date.

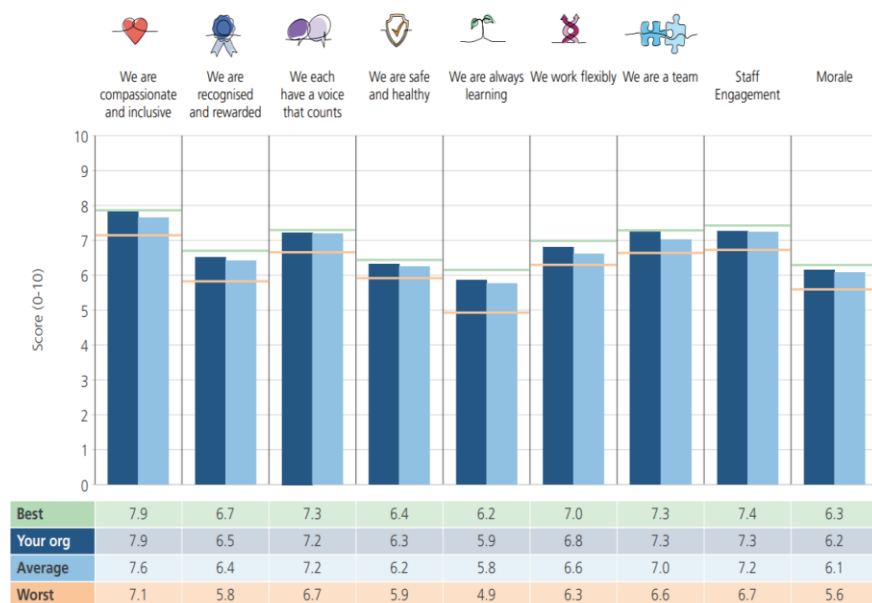
The Registers are publicly available online, which is seen as good practice. The Trust may also wish to publishes it policy and explanatory information alongside the online Registers of Interest and Register of Gifts, Hospitality and Sponsorship to aid the public's understanding of the policies and the types of declarations that are allowable.

The Trust also requires a Register of Interests to be maintained. At each Board and committee meeting, declarations of interest must be made in addition to annual declarations by Governors, Directors, and officers with decision making influence. Declarations are published online through respective Registers of Interest and these are reviewed annually by ARC to gain assurance that procedures are being followed.

The Board receives reports summarising the themes of concerns and learning raised by staff through the Freedom to Speak Up (FTSU) Strategy. Staff are encouraged to speak up about concerns they may have about patient care, safety and their work environment. A FTSU guardian and ambassadors are in place to support staff in speaking up. The CQC recognised an open and honest culture was reflected through all levels of the Trust in their 2019 inspection. The Trust was ranked 2nd amongst all community trusts in the national FTSU Index based on scores from the annual NHS staff survey.

Governance

The 2021 staff survey achieved a good response rate of 65%, the highest the organisation has ever achieved. As shown below, the Trust achieved the best in their peer group in two areas, above average for six elements and one where the Trust scored equal to the average.



The survey confirmed that 70% of staff would recommend the organisation as a place to work and that colleagues feel secure in raising concerns about unsafe clinical practice.

From the work undertaken we have not found any risk of significant weakness with regard to the arrangements in place to monitor standards and promote an open and transparent culture at the Trust.

Engagement with stakeholders and work with the wider local health economy

Kent Community Health NHS Foundation Trust has a reputation for strong communications and engagement and has spent the past three years building a brand that is trusted by patients and partners. The Communications, Engagement and Patient Experience strategy (2019-2022) was co-produced with colleagues, governors and patients, and this sets the Trust's communications and engagement goals and objectives.

The Trust also recently published the *"Nobody left behind"* - Our people, equity, diversity and inclusion strategy, that aims to answer one single question - How do we make all our colleagues feel safe and empowered to bring their full selves and potential to work? The Trust acknowledges the answer is far from a simple one, however the strategy lays the foundations for the work ahead, which involves listening and valuing all of their stakeholders.

During 2021/22, The Trust led the development and transformation of the Edenbridge Memorial Health Centre, a joint partnership project to replace the existing Memorial Hospital with a new centre. This multi-million pound development project between KCHFT and Edenbridge Medical Practice required strong involvement of stakeholders, including the ICS and alignment of risks and financial structuring. The project was highly complex and a top priority for the ICS. It been recognised by many that the Trust has worked well with all the stakeholders over the last few years to reach a successful conclusion.

The Kent and Medway ICS (established in April 2020) will take a statutory footing from July 2022 in the form of the Integrated Care Board (ICB). This will be a statutory joint committee between NHS and Local Govt to formally agree the strategic direction for the health system

Governance

The ICB will be responsible for the development of plans to meet the health needs of the population and delivery the wider integrated care strategy and national plans. This will involve allocating resources, the arrangement of health service provision, implementation of the People Plan and lead on the system-wide action on digital and data.

In November 2021 the ICB announced that Paul Bentley, who held the role as Chief Executive at KCHFT since 2016, would be appointed as the new ICB Chief Executive. Various other senior KCHFT members have also adopted roles within the ICS. This will strengthen partnerships and collaborative working between member bodies.

Alongside the statutory changes, four health and care partnerships (HCP) have been developed between the populations of Dartford, Gravesham & Swanley, East Kent, Medway & Swale and West Kent. These will oversee local delivery strategies and plans to support delivery of the ICS and the national health, care and well-being priorities.

The Kent and Medway CCG Audit Committee was responsible for assuring that the CCG transition and close down arrangements were robust and, for scrutinising the Readiness to Operate Statement (ROS) and due diligence documents. To assure partners of the transition arrangements, the Audit Committee invited the ICB designate Chair and non-executive members to join them as part of this.

Progress regarding the development of ICS and partnership working has been reported through the Trust's governance structures during the 2021/22 year. The Board received regular reports regarding the development of ICS. It is notable that the formal governance framework of the ICB underwent significant challenge by the KCHFT Board and as a result of this, is in a much stronger position.

From our work we have identified that that the Trust has appropriate governance structures in place to support system wide working. Adequate arrangements are in place to engage with stakeholders, we have not identified any risk of significant weakness from our work.

Improving economy, efficiency and effectiveness



We considered how the Foundation Trust:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Performance management

Key performance indicators (KPIs) are reported to the Board to enable monitoring of the Trust's performance and identify areas for improvement. At each meeting the Board is provided with the Integrated Performance Report (IPR) which includes a corporate scorecard showing the Trust's performance against its strategic goals. Three summary reports relating to quality, workforce and finance are also reported on by their respective committees. The Board also receives information relating to mortality, serious incidents and patient safety aimed at identifying where the quality of care can be improved and share learning across the Trust.

Performance is monitored against number of national, contractual and internal key indicators. Where a KPI has a negative variation and is significantly below the aspirational internal target, a weekly report may be requested by the Chief Operating Officer. Such a report provides oversight and progress on improvements at a granular level on a regular basis. We saw this request made with respect to the "non consultant-led access waiting times" KPI.

The data quality of performance information is monitored by the Performance & Business Intelligence Team and a Data Integrity Report is produced annually and submitted to the ARC for approval. The Trust also obtains assurance through the Annual Financial Assurance work carried out by Internal Audit. This piece of core work involves assessing the accuracy of financial reporting up to the Trust Board as well as what was reported to the NHSE/I. Reasonable Assurance was given for this piece of work in 2021/22.

Internal audit also perform a KPI review as part of the annual audit plan, which includes testing whether appropriate policy, procedures and guidance exist and assessing whether they are operating effectively from the initial capture of the activity right through to it being reported to the Board. Each year the IA team agrees with the Trust which KPI should be investigated. For 2021/22, the KPI selected for testing was "Percentage of Rapid Response Consultations Started Within Two Hours of Referral Acceptance" which received Reasonable Assurance.

To ensure the IPR and BAF remains complete, the Trust holds monthly integrated operations meetings which includes all the clinical and service line directors and senior officers, ensuring a wide spectrum of management have had the opportunity to review and identify any gaps.

From the work we have performed we are satisfied that the Trust has adequate performance monitoring arrangements and that there are controls in place to detect and prevent inaccurate information. We have not identified any risks of significant weakness.

Improving economy, efficiency and effectiveness

Benchmarking and learning from other organisations

Benchmarking is an effective tool that enables an organisation to compare and analyse its performance with others. It can provide a basis for collaboration and identify areas for improvement. We have undertaken benchmarking of the Trust's performance against other community provider trusts using financial, operational and clinical data.

Our benchmarking exercise identified that the Trust was in the lowest performing quartile for the performance metrics - 'total number of bed days where a patient was fit for discharge' (or 'No longer fit to reside'). From discussions with the Trust, and review of its own performance monitoring arrangements, it is clear that the monitoring of this indicator and improvement in performance for this area is a key priority.

The May 22 IPR, highlights the 'No longer fit to reside' performance measurement has only achieving target twice in the past 25 months. The prime driver for this variance is the Trust's difficulty in accessing sufficient and timely domiciliary care packages to support safe discharge. This is a system-wide challenge, which the Trust is working closely with the ICS to review capacity challenges, improve patient flow and support effective discharge.

Domiciliary care is a frequent discussion point at Board and a significant risk within the BAF. The Trust is focusing on improving domiciliary care, which in turn will lead to improvements in this performance indicator too.

The pandemic resulted in the suspension of many outpatient services which significantly negatively impacted on waiting times. Reducing waiting times is now a national priority. The Trust identified that the reduced performance in this area was largely driven by the Musculoskeletal (MSK) adult physiotherapy service and the poorer performance was exacerbated in 2021/22 due to job vacancies and redeployment of staff to support the vaccine offer. Action has been taken by returning deployed staff, reviewing the service model of the less clinically severe patients and looking to the medium term at its expected future pipeline and the possibility of increased training. Capacity is being addressed through staff working additional hours, recruitment and outsourcing. The Trust recognises that performance in this area may take time to improve but progress is being made.

One of the 2022-23 Operational Guidance objectives is to "Improve outcomes through reaching patients in crisis in under 2 hours where clinically appropriate". Providers are required to achieve, and ideally exceed in the majority of cases, the minimum threshold of reaching 70% of 2 hour crisis patients from the end of Q3. Over the last couple of years, this performance has significantly deteriorated.

During 2020/21 the Trust had a target of 95%, which was mostly achieved until November 2020. The main driver for the reduction in performance has been the change in data collection, moving from manual input to automatic logging through the introduction of RIO within urgent care services. Post Rio installation, performance reduced to around 60%. We note this not out of line with national data, which shows between 60-70%. There are signs of improvement, with the Trust reporting three consecutive monthly increases to 66.6% for month 12.

The Trust has previously participated in national cost collection data returns and benchmarking. Due to the impact of the Covid-19 pandemic on the production of cost data the NHS have only just produced a report for the 2020/21 National Cost Collection with the usual analysis and guidance in July 2022.

The Patient Level Information and Costing System (PLICS) is a new national data collection initiative designed to overcome the limitations of previous cost collection exercises by costing services at an individual patient level. The Trust is implementing the system and preparing for the first PLICS submissions using 2021/22 cost and activity data. More information is anticipated from NHSEI on how this data will be published in the future.

Improving economy, efficiency and effectiveness

There is evidence that the Trust uses reports from regulators to identify improvements to services. The last Care Quality Commission inspection in 2019 gave KCHFT an overall rating of **outstanding**, a sound improvement from the previous overall rating of good. The “outstanding” rating still applies to the 2021/22 financial year as it may not change until the Trust is fully assessed again by the CQC.

The ratings tables below show the ratings for each key aspect assessed by the CQC. The CQC decisions on overall ratings took into account factors including the relative size of services and professional judgement to reach fair and balanced rating.

Ratings for community health services

	Safe	Effective	Caring	Responsive	Well-led	Overall
Community health services for adults	Good Sept 2014	Requires improvement Sept 2014	Good Sept 2014	Good Sept 2014	Good Sept 2014	Good Sept 2014
Community health services for children and young people	Good Sept 2014	Good Sept 2014	Good Sept 2014	Good Sept 2014	Good Sept 2014	Good Sept 2014
Community health inpatient services	Good Sept 2014	Good Sept 2014	Good Sept 2014	Good Sept 2014	Good Sept 2014	Good Sept 2014
Community end of life care	Good Jun 2019	Good Jun 2019	Outstanding Jun 2019	Good Jun 2019	Good Jun 2019	Good Jun 2019
Community dental services	Good Jun 2019	Good Jun 2019	Good Jun 2019	Good Jun 2019	Good Jun 2019	Good Jun 2019
Community urgent care service	Good Jun 2019	Outstanding Jun 2019	Outstanding Jun 2019	Good Jun 2019	Outstanding Jun 2019	Outstanding Jun 2019
Community health sexual health services	Good Jun 2019	Outstanding Jun 2019	Outstanding Jun 2019	Outstanding Jun 2019	Outstanding Jun 2019	Outstanding Jun 2019
Overall*	Good Jun 2019	Outstanding Jun 2019	Outstanding Jun 2019	Good Jun 2019	Outstanding Jun 2019	Outstanding Jun 2019

*Overall ratings for community health services are from combining ratings for services. Our decisions on overall ratings take into account the relative size of services. We use our professional judgement to reach fair and balanced ratings.

A total of 5 ‘areas of improvement’ points were issued which were limited to the End of Life Care and Urgent Care Service. Recommendations were mostly based around providing sufficient training and monitoring of local polices, reviewing the layout of waiting areas and providing language information boards. None of these were deemed significant and we note the Trust monitors the uptake of mandatory training as part of the IPR.

The Trust can demonstrate it uses a variety of benchmarking data and external inspections in order to identify areas for improvement. We have not found any evidence of significant weakness with regard to the Trust’s benchmarking arrangements.

Partnership working

The Trust’s governance arrangements are strengthened by its close collaboration with key local health partners. The Trust's Operational Plan feeds into the system wide plan (ICS). This is apparent through out board and committee meetings, as often the focus is on the system issues and not just those of KCHFT.

The link between the organisational strategy of the Trust and the Kent & Medway ICS is clear and builds on existing work first started during the development of the Sustainability and Transformation Partnership. The opportunity to shape the future form and function of the ICB as an equal partner is an area of focus and energy for the Board. The Board has set a strategic goal in partnership working and they receive an updated report on this each month by the CEO. The Trust has stated it will:

- continue to provide leadership and support across the ICS key functions
- progress co-creation and implementation of existing and new transformation schemes
- influence the future shape of the system architecture and creation of an integrated care system
- actively engage in all four integrated care partnerships in Kent and Medway, including Board and Executive membership in East and West Kent HCPs.

Improving economy, efficiency and effectiveness

The Board has provided significant support and challenge to better shape and define the overall system architecture and framework as well as the trust providing leadership and expertise on the multi-million pound joint ICS Edenbridge health care project. KCHFT is one of the ICS leaders and has a special relationship with the ICS as the Trust's last Chief Executive has moved onto to be the Chief Executive of the ICB

A trust must be transparent, collaborative and open with their partners for the relationship to be effective. KCHFT ensures this through various channels of communication which are agreed with their partners. An example is that CFO finance meetings exist across the Kent and Medway system which allow for financial position and risks discussion.

The Trust can demonstrate that it successfully works with partners to deliver corporate priorities, including working with the ICS for financial and operational planning. We have not identified any risk of significant weakness with regard to partnership arrangements.

Procurement of services

The Trust has arrangements in place to procure services in accordance with legislation and in order to achieve value for money. This is set out in a clear and understandable format in the Standing Financial Instructions which is made available to all staff.

ARC receives quarterly procurement waiver reports to allow for scrutiny where open market procurements have not been undertaken and gain assurance that there are legitimate reasons why this is the case. Waivers during the year were in the main due to exceptional circumstances in response to covid which couldn't have been planned in advance or an immediate response was needed.

There is evidence of KCHFT seeking to maximise value for money opportunities through taking advantage of economies of scale produced by the potential joint buying power of the ICS. The Trust's procurement team are reviewing and influencing purchasing non-pay budgets of some £30 million within the Trust and are joint working on procurement projects with a number of other organisations. An example of this is the joint procurement of medicines supplies with Kent & Medway Partnership Trust. The Trust also joined a national mobile phone procurement exercise and encouraged KMPT to do the same as another large user of mobile phones in the system.

KCHFT has recently appointed a Director of Estates whom has joint responsibility for managing its estate and that of Kent & Medway Partnership Trust, which will naturally lead to an increase in joint projects and savings.

From the work we have performed we are satisfied that the Trust has adequate procurement procedures in place and are actively seeking cost savings from harnessing the purchasing power of the ICS, we have not identified any risks of significant weakness.

We note the Trust's Commercial Strategy 2017 to 2020, and the Communications, Engagement and Patient Experience Strategy 2019 to 2022 are due for renewal. The Trust should ensure these strategies are updated before the year-end of 2022/23. Enabling strategies for economy, efficiency and effectiveness should be aligned to ensure that the Trust's strategic objectives can be met.

Improvement recommendation 2

The Trust should update its Communications, Engagement & Patient Experience, and Commercial Strategies and ensure that all other enabling strategies are reviewed on an annual basis.

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 2

The Trust should update its Communications, Engagement & Patient Experience, and Commercial Strategies and ensure that all other enabling strategies are reviewed on an annual basis.

Why/impact

Enabling strategies for economy, efficiency and effectiveness should be aligned to ensure that the Trust's strategic objectives can be met.

Summary findings

We note the Trust's Commercial Strategy 2017 to 2020, and the Communications, Engagement & Patient Experience Strategy 2019 to 2022 are due for renewal. The Trust should ensure these strategies are updated before the year-end of 2022/23.

Management Comments

The Commercial Strategy is being replaced by the Business and Development Strategy and is on the Board agenda for 7th September for approval.

The Communications and Patient Engagement Strategy is being refreshed during 22-23 following recent NHSE guidance.



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

Financial Statements

Opinion on the financial statements



Audit opinion on the financial statements

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

Other opinion/key findings

We also concluded the other information to be published with the financial statements was consistent with our knowledge of the Trust and the financial statements we audited.

Audit Findings Report (AFR)

More detailed findings can be found in our AFR, which was published and reported to the Trust's Audit Committee on 13 June 2022.

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 were able to certify and report to the NAO that the figures reported in the consolidation schedules were consistent with the audited financial statements.

Preparation of the accounts

The Trust provided draft accounts in line with the national deadline and provided a good set of working papers to support it.

Issues arising from the accounts:

As a result of our audit, management agreed to reclassify:

- £5.7 million Kent and Medway Care Records (KMCR) system from PPE (Property, Plant and Equipment) Information Technology to Intangibles; and
- £1,090k from Payables (accruals) to Other Liabilities (deferred income), and from expenditure to income as Kent County Council confirmed the funding may be carried forward for future projects in 2022/23.

There were no other adjustment to the financial statements.

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

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



Appendices

Appendix A – Responsibilities of the Foundation Trust

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

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

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

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

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

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



Appendix B: Follow-up of 2020/21 previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	"At other trusts we have noted that the level of assurance gained from mitigating controls is RAG rated helping those scrutinising the BAF to understand the extent to which a particular control mitigates the identified risk. There is a balance on how much information to display within the BAF to enable clarity. The Trust's BAF does include a list of mitigations, the Trust could consider enhancing the BAF by showing the level of assurance that can be gained from the mitigating controls."	Improvement	2020/21 VFM AAR	The BAF now includes risk ratings which are RAG rated pre controls assurance, post controls assurance and post planned actions/target.	Yes	None
2	"We recommend that the formal governance arrangement to support system working are enhanced as the ICS develops during 2021/22"	Improvement	2020/21 VFM AAR	There is now a clear and formal ICS framework document which details the architecture and governance of the ICS and its subgroups. This document was issued in March 2022, before the ICB's statutory footing.	Yes	None
3	"In reporting to scrutiny panels it should be highlighted which decisions can be made on a trust-only level and which form part of a wider ICS plan."	Improvement	2020/21 VFM AAR	Progress has been made in this area, such as the ICS issuing the formal architecture and governance framework, which sets out responsibilities and decision making of the ICS and HCPs. However, time will prove whether this framework works in a practical setting.	In progress	We will continue to monitor how the scrutiny panels manage this risk in a practical sense, now that a ICB framework has been formalised.

Appendix C – An explanatory note on recommendations

A range of different recommendations can be raised by the Trust's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Trust. We have defined these recommendations as 'key recommendations'.	No	Not applicable
Improvement	These recommendations, if implemented should improve the arrangements in place at the Trust, but are not a result of identifying significant weaknesses in the Trust's arrangements.	Yes	<ul style="list-style-type: none"> Financial Sustainability – pg 10 Improving economy, efficiency and effectiveness – pg 19

Appendix D – Sources of evidence



Staff involved

- Gordon Flack, Acting Chief Executive
- Gill Jacobs, Acting Director of Finance
- Debra Ody, Acting Deputy Director of Finance
- Carl Williams, Head of Financial Accounting
- Annabelle Smith-Whibley, Head of Procurement
- Nick Plumber, Associate Director of Performance and Business Intelligence
- Ben Norton, Head of Corporate Services Improvement



Documents Reviewed

- Board of Directors agenda papers
- Audit and Risk Committee agenda papers
- Finance, Business and Investment Committee agenda papers
- Operational Plan Submission 2022/23
- Workforce Plan 2022/23
- Annual Report 2021/22
- Board Assurance Framework reports
- Integrated Performance reports
- Financial Planning reports
- CIP Savings tracker 2022/23
- Internal audit progress reports and papers
- Counter fraud progress reports
- Medium term Capital programme
- Capital Project Budget Monitoring Report
- Budget templates
- Registers of interest, gifts, hospitality and sponsorship
- Care Quality Commission inspection reports and SOF ranking
- Procurement waiver reports
- Annual Data Integrity Report 2021/22
- ICS Architecture and Governance Framework March 2022
- KCHFT Medium Term Strategy documents
- Standing Financial Instructions (Policies and procedures guidance)
- Benchmarking information

Appendix E - Key acronyms and abbreviations

The following acronyms and abbreviations have been used within this report:

ARC - Audit and Risk Committee

BAF – Board Assurance Framework

CCG - Clinical commissioning group; clinically-led statutory NHS body responsible for the planning and commissioning of healthcare services for their local area. CCGs were closed on 30 June 2022. Integrated Care Boards were established on 1 July 2022 and took on CCG responsibilities.

CIP – Cost Improvement Programme

CSG - Capital Steering Group

EPR- Executive Performance Reviews

FBI - Finance, Business and Investment Committee

FTSU – Freedom to speak up

IA - Internal Audit

ICB – Integrated Care Board

ICS – Integrated Care System

IPR – Integrated Performance Report

KCHFT – Kent Community NHS Foundation Trust

KMCR – Kent & Medway Care Records system

NHSEI – NHS England and Improvement

