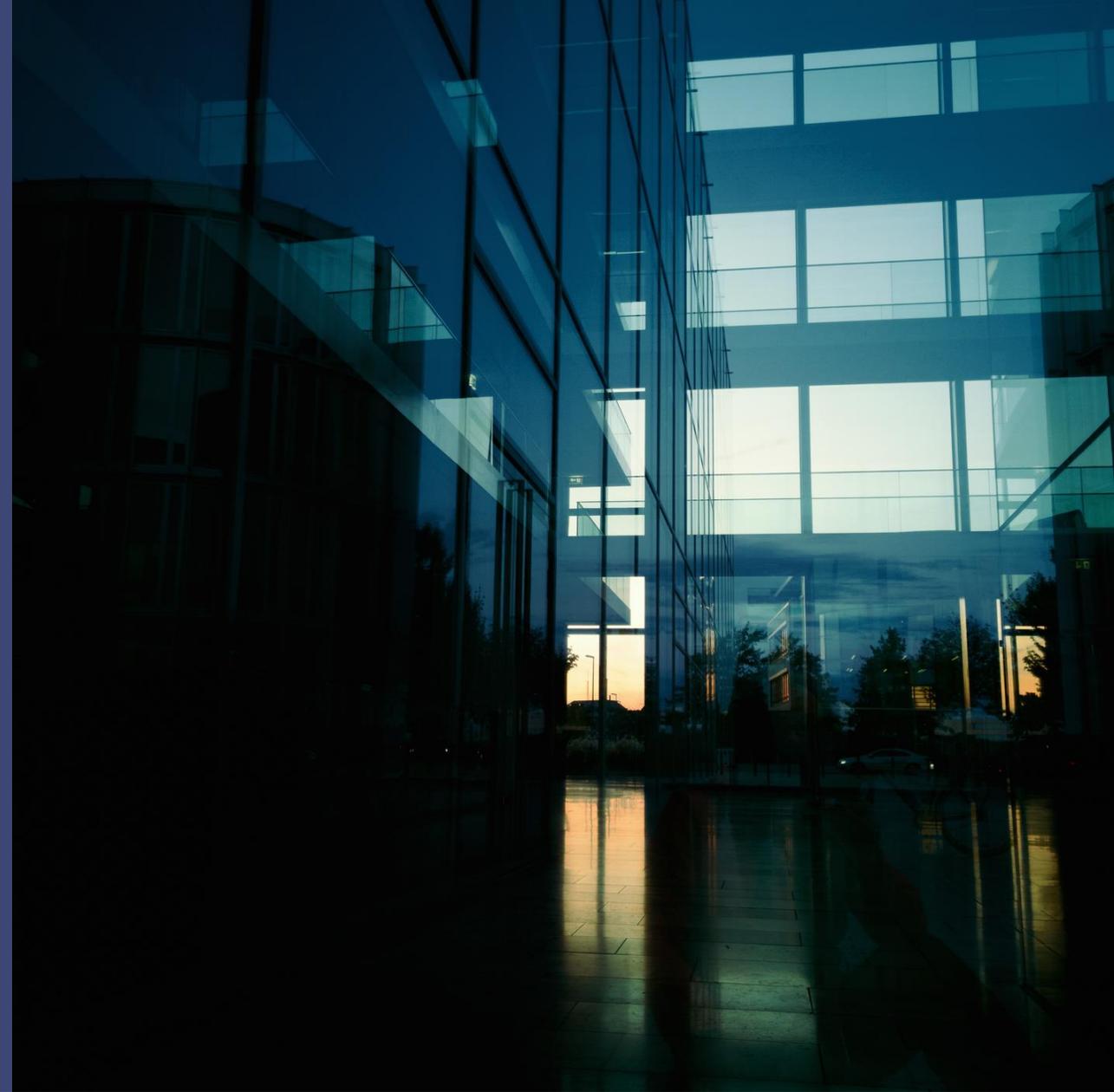


Auditor's Annual Report

Walsall Healthcare NHS Trust – year
ended 31 March 2021

August 2021



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This document is to be regarded as confidential to Walsall Healthcare NHS Trust. It has been prepared for the sole use of the Audit Committee as the appropriate sub-committee charged with governance by the Board of Directors. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

01

Section 01: **Introduction**

Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Walsall Healthcare NHS Trust ('the Trust') for the year ended 31 March 2021. Although this report is addressed to the Trust, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



Opinion on the financial statements

We issued our audit report on 29 June 2021. Our opinion on the financial statements was unqualified.



Wider reporting responsibilities

In line with group audit instructions issued by the NAO, on 29 June 2021 we reported that the Trust's consolidation schedules were consistent with the audited financial statements.



Value for Money arrangements

In our audit report we reported that we had not completed our work on the Trust's arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements at the time of reporting. Section 3 confirms that we have now completed this work and provides our commentary on the Trust's arrangements.

Following the completion of our work we issue our audit certificate which formally closes the audit for the 2020/21 financial year.

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Section 02:

Audit of the financial statements

In this section of the report, we summarise the outcome of our audit of the financial statements

Audit of the financial statements

The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code and International Standards on Auditing (ISAs).

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Trust and whether they give a true and fair view of the Trust's financial position as at 31 March 2021 and of its financial performance for the year then ended. Our audit report, issued on 29 June 2021 gave an unqualified opinion on the financial statements for the year ended 31 March 2021:

"In our opinion, the financial statements:

- give a true and fair view of the financial position of the Trust as at 31 March 2021 and of the Trust's income and expenditure for the year then ended;
- have been properly prepared in accordance with the Department of Health and Social Care Group Accounting Manual 2020/21; and
- have been properly prepared in accordance with the requirements of the National Health Service Act 2006."

03

Section 03:

Commentary on VFM arrangements

In this section of the report, we explain our approach, whether we identified any significant risks and whether those significant risks led to identified weaknesses in arrangements

Commentary on VFM arrangements

Overall Summary



VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- Financial sustainability;
- Governance; and
- Improving economy, efficiency and effectiveness.

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Trust has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements. Where we identify significant risks, we design a programme of work (risk-based procedures) to enable us to decide whether there is a significant weakness in arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Our assessment of what constitutes a significant weakness is a matter of professional judgement, based on our evaluation of the subject matter in question, including adequacy of the Trust's responses. The National Audit Office's guidance states that a weakness may though be said to be significant if it:

- Exposes (or could reasonably be expected to expose) the body to significant financial loss or risk;
- Leads to (or could reasonably be expected to lead to) significant impact on the quality or effectiveness of service or on the body's reputation;
- Leads to (or could reasonably be expected to lead to) unlawful actions; or
- Involves a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

Where our risk-based procedures identify actual significant weaknesses in arrangements, we are required to report these and make recommendations for improvement.

To arrive at our assessment, we performed a variety of work to obtain an understanding of the Trust's arrangements for each specified reporting criteria. This included performing a detailed risk assessment, drawing from a variety of sources, including, but not limited to:

- Meeting with management;
- Considering the views of the Audit Committee;
- Reviewing supporting guidance from the National Audit Office, including indicators of significant weaknesses;
- Considering our understanding of sector developments and any local issues;
- Reading and reviewing Board and Committee reports;
- Reviewing the Trust's Annual Governance Statement and Annual Report;
- Considering the outcomes from the work of internal audit;
- Reading risk registers and risk management reporting; and
- Considering the work of regulators and inspectorates.

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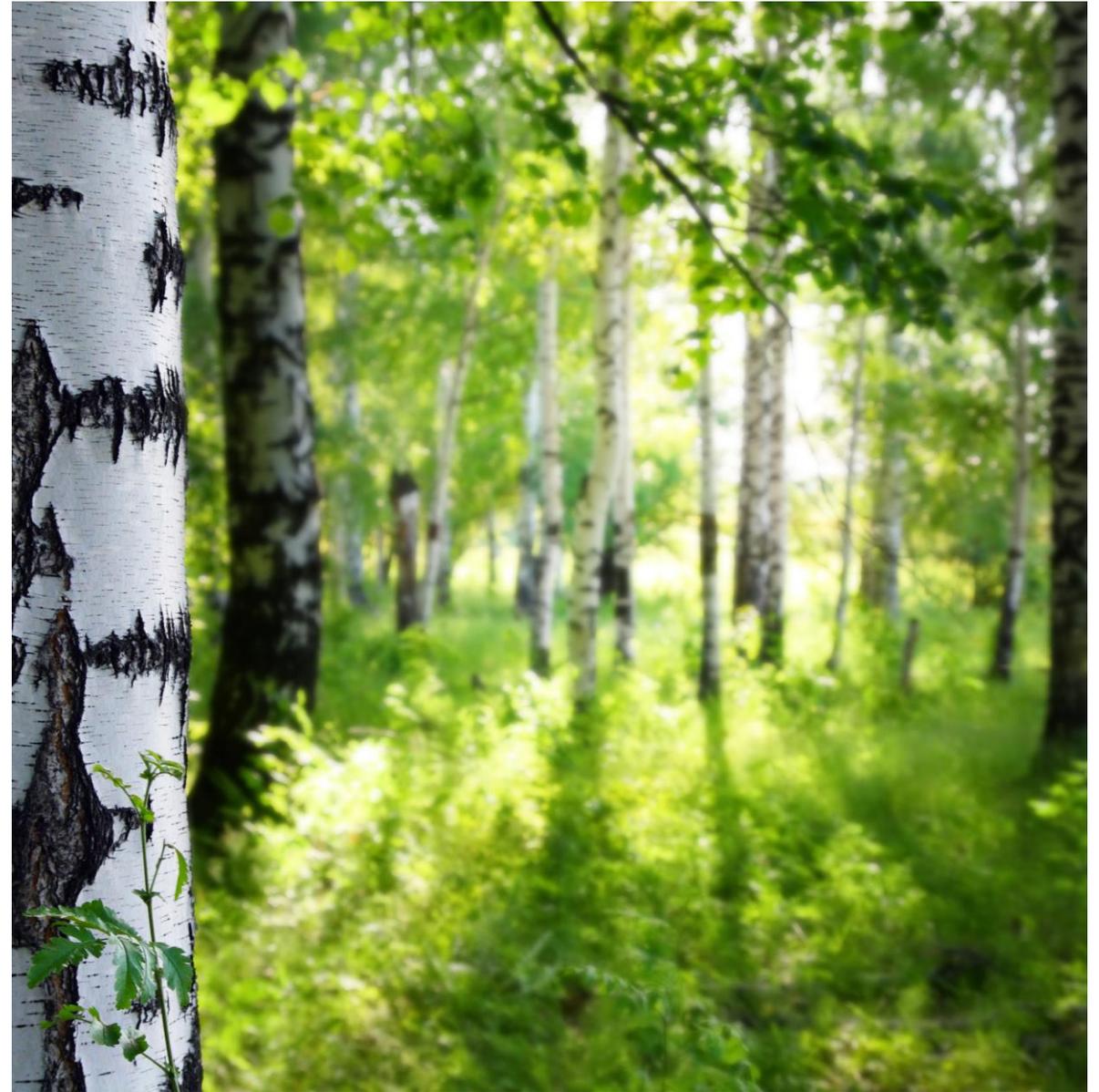
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Commentary on VFM arrangements

Risks of significant weaknesses in arrangements



VFM arrangements – Risks of significant weakness in arrangements

Risk of significant weakness in arrangements

The Trust’s financial sustainability

The Trust achieved the control total for 2019/20 of a £0.3million deficit, including central funding of Provider Sustainability & Financial Recovery Funds (PSF & FRF). Whilst there was evidence of improvement over 2018/19, at 31 March 2020, the Trust had a cumulative deficit in the Income & Expenditure Reserve of £165million and remained reliant on Financial Recovery Funds. Pre-Covid, the Trust had developed a financial plan that retained an on-going break-even position for 2020/21 onwards.

Total operating income for the year as recorded in the Statement of Comprehensive Income was £348.5m, which included £33.1million of ‘Top-Up’. This ultimately resulted in an operating surplus for 2020/21 of £1million, compared to a deficit in 2019/20 of £0.9million. As set out in the Statement of Financial Position, the Income & Expenditure Reserve is £164million deficit.

The Trust’s financial position for 2020/21 is clearly affected by the changing in financing regime and Covid-19 supporting a break-even position. The funding regime beyond the first six months of 2021/22, however, remains uncertain and this is an NHS wide issue.

Work undertaken

Our work in relation to this matter included:

- Reading the Trust Board papers for insight on the financial performance of the Trust through 2020/21
- Review the Trust’s financial performance for 2020/21 through the financial statements
- Discuss with management and review the Trust’s progress in developing a financial plan within the constraints of the current NHS funding regime.

Results

In August 2021, we issued a report that there was no significant weakness in the Trust’s arrangements.

VFM arrangements – Risks of significant weakness in arrangements

Risk of significant weakness in arrangements	Work undertaken	Results
<p>Workforce and Organisational Development</p> <p>Each year a National NHS wide staff opinion survey is undertaken (introduced in 2003) which offers staff the opportunity to feedback what it is like to work in their NHS organisation and groups feedback into several themes including morale, quality of care and staff engagement.</p> <p>In 2019/20, the Trust continued to take action to address staff engagement, however, these actions did not yet demonstrate a significant improvement in planning, organising and developing the workforce because whilst showing areas of improvement in six themes, the NHS Staff Survey published in February 2020 showed sustained issues for the Trust. Scores are below the national average in all 11 themes, including, but not limited to Staff Engagement, Immediate Managers, Morale, Safety Culture, and Quality of Care.</p> <p>For 2020/21, we have reviewed the staff survey results published in April 2021 and noted that the Trust is still falling below average in a large number of areas. We recognise the challenges posed by Covid-19 and will consider this further prior to forming our commentary.</p> <p>Hospitals in England spent over £6 billion on agency and NHS bank staff in 2019/20. Rules were relaxed in 2020/21 to support the response to Covid-19. Significant spend on bank and agency, combined with staff engagement levels may be indicative of significant weakness in arrangements, leading to significant financial and clinical performance consequences.</p>	<p>Our work in relation to this matter included:</p> <ul style="list-style-type: none">• Holding discussions with the Trust and reviewing board and committee reports• Review NHS Staff Survey Results• Testing the level of agency expenditure in the financial statements.	<p>In August 2021, we issued our report on this significant weakness to the Trust and supported it with a recommendation for improvement.</p> <p>A summary of the significant weakness in arrangements identified and the supporting recommendation(s) for improvement are provided on page 17.</p>

VFM arrangements – Risks of significant weakness in arrangements

Risk of significant weakness in arrangements

Board Turnover & Collaboration

The National Audit Office produces Auditor Guidance Notes (AGN's) that support and suggest areas to review and inform the auditor's risk assessment, and includes:

- High/sudden turnover of those charged with governance (including Board); and
- Development of Strategic Partnerships.

During 2020/21, there has been a high degree of turnover in the Trust Board as well as developing a strategic collaboration with Royal Wolverhampton NHS Trust. As a result, we need to understand the arrangements in place and any underlying drivers for turnover.

Board Member Conduct

The Health and Social Care Act 2008 (Regulated Activities) Regulations 2014 requires all trusts to ensure that all executive and non-executive director posts (or anyone performing similar or equivalent functions) are filled by people that meet the requirements of the Fit and Proper Persons test.

The Trust received an anonymous complaint that raised concerns on the conduct of some of the Trust's Non-Executive Directors.

In response, the Trust commissioned an independent investigation with the final report received on 18 January 2021.

Work undertaken

Our work in relation to this matter will include:

- Reviewing Trust Board papers to understand the development of the collaboration with Royal Wolverhampton NHS Trust and meeting with management to discuss arrangements in place
- Reviewing Board minutes and meeting with management to understand the reasons for Board arrivals and departures
- Reviewing the Annual Governance Statement
- Meeting with NHSE/I.

Our planned procedures include:

- a review the investigation report
- discussing matters with senior management and the acting chair of audit committee
- a review the Trust's relevant policies and procedures.

Results

In August 2021, we issued a report that there was no significant weakness in the Trust's arrangements.

In March 2021, we reported there was no significant weakness in the Trust's arrangements.

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VFM arrangements – Risks of significant weakness in arrangements

Risk of significant weakness in arrangements

Clinical performance

The outcome from the most recent CQC inspection in 2019 was 'requires improvement'. At the end of 2020/21, the Trust's overall quality rating by the CQC remains as 'Requires Improvement. Ratings will not change until the next formal inspection by the Care Quality Commission.

In May 2021, the Care Quality Commission (CQC) has told Walsall Healthcare NHS Trust NHS Trust that it must make significant improvements to medical services at Walsall Manor Hospital. A focused inspection of the hospital was carried out on 9 March due to concerns raised about the safety and quality of the services, specifically within the medical wards at Walsall Manor Hospital. Following the inspection, the Trust was issued with a warning notice due to concerns found around staffing and governance, and how patients were discharged. The notice has given the trust Three months to rectify the areas of concern identified.

As a result of the inspection, the overall rating of medical services at Walsall Manor Hospital changed from 'requires improvement' to 'inadequate'. Medical services were rated inadequate for being safe, responsive and well-led. The overall Trust rating remains unchanged as 'requires improvement'.

Work undertaken

Our work in relation to this matter included:

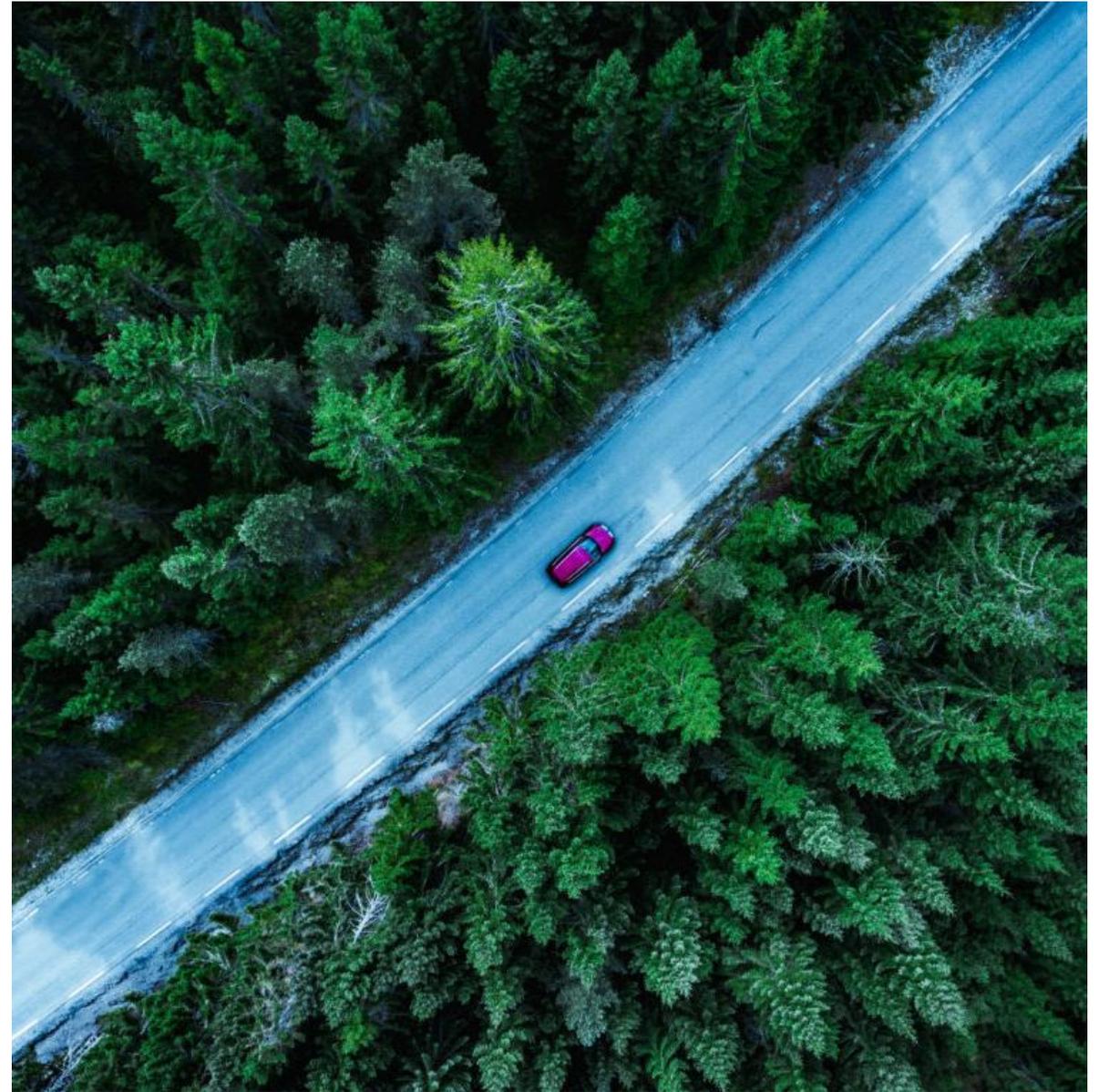
- Reviewing relevant CQC Reports
- Reviewing the Trust's score under the Single Oversight Framework
- Reviewing Board / Audit Committee Reports to review progress
- Discussions with management on the actions being taken to resolve the weaknesses identified in the reports.

Results

In July 2021, we reported this significant weakness to the Trust and supported it with a recommendation for improvement. A summary of the significant weakness in arrangements identified and the supporting recommendation(s) for improvement are provided on page 16.

Commentary on VFM arrangements

Identified significant weaknesses and our recommendations



VFM arrangements - Identified significant weaknesses and our recommendations

As a result of our work, we have identified significant weaknesses in the Trust's arrangements to secure economy, efficiency and effectiveness in its use of resources.

Identified significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Recommendation(s)
<p>Clinical performance</p> <p>In September 2020, the Care Quality Commission (CQC) carried out a short notice announced focused inspection of the emergency department and maternity service at Manor Hospital in response to concerns around safety and governance. The CQC found areas for improvement including breaches of legal requirements that the Trust must put right, including:</p> <ul style="list-style-type: none"> In Urgent and Emergency Services, ensuring staff participate in mandatory training, and deploying sufficient numbers of suitably qualified, competent, skilled and experienced staff to make sure that they can meet patient's care and treatment needs In Maternity Services, putting in place arrangements to effectively assess and monitor the provision of staffing. <p>In March 2021, the CQC carried out an unannounced focused inspection because it had received information of concern about the safety and quality of services within the medicine wards at the Manor Hospital. The Trust's medical services were rated as "inadequate" and a Section 29a warning notice was served on the Trust on the 31 March 2021 due to breaches in regulations in staffing, governance and the provision of safe care and treatment.</p> <p>The areas of concern identified included:</p> <ul style="list-style-type: none"> ensuring staff have access to the information they need to provide person centred care, including maintenance of complete and accurate records that describe patients' individual needs and preferences, ensuring staffing is actively assessed, reviewed and escalated appropriately to prevent exposing patients to the risk of harm and that staff are suitably qualified, skilled and competent to care for and meet the needs of patients within all areas of the medical services. ensuring effective risk and governance systems are embedded that supports safe, quality care and to investigate, immediately upon becoming aware of, any allegation or evidence of such abuse. ensuring all staff adhere to policies and procedures to ensure patients are kept safe from avoidable harm of infection. <p>Oversight of progress against CQC Must and Should Do actions continues via a monthly CQC action plan oversight group and a detailed action plan is monitored by the Director of Nursing and Director of Governance. The Trust was given three months to rectify the areas of concern and wrote to the CQC by the end of June 2021 to confirm it had addressed the key recommendations.</p> <p>The matters identified by the CQC, specifically the breaches in legal requirements from September 2020 and the gaps in arrangements leading to the Section 29a warning notice in March 2021, are relevant to the financial year ending 31 March 2021 and, in our view, indicate a significant weakness in the Trust's arrangements under the Governance (how the body ensures that it makes informed decisions and properly manages its risks) and Improving Economy, Efficiency and Effectiveness (how the body uses information about its costs and performance to improve the way it manages and delivers its services) reporting criteria that can be reasonably expected to lead to a significant impact on the quality or effectiveness of service and the Trust's reputation.</p>		●	●	<ol style="list-style-type: none"> In order to ensure systems, processes and training are in place to manage the risks relating to the health, safety, and welfare of service users, the Trust must ensure it embeds and sustains the action plans that it has put in place Trust-wide to address the patient care issues identified by the Care Quality Commission. In particular, it needs to ensure that robust monitoring and reporting processes are maintained, and that challenge, scrutiny and escalation arrangements drive the required improvements for patients and sustain the progress made to-date in implementing the actions to address the issues raised by the CQC.

VFM arrangements - Identified significant weaknesses and our recommendations

Identified significant weakness in arrangements

Workforce - agency spend & staffing indicators

Each year, an NHS-wide staff survey takes place, covering several themes including morale, quality of care and staff engagement. The survey results, published in March 2021, show the Trust is below average in all but one area. The survey highlights low engagement and low participation scores (30% response rate) and that only 52% of staff would Recommend the Trust as a Place to Work (average is 67%) and 53% would Recommend the Trust as a Place to be Treated (Friends and Family Test) (average is 74%). In April 2021, the Trust Board and the People and Organisational Development Committee also received an update on Workforce Race Equality Standard (WRES) and Workforce Disability Equality Standard (WDES) Annual reports for 2020 which reported significant concerns regarding harassment and discrimination.

Within its own Board Assurance Framework (BAF), the Trust recognises in Risk S04 that a lack of an inclusive and open culture impacts on staff morale, staff engagement, staff recruitment, retention and patient care. At the end of 2020/21, we note the BAF included gaps in control regarding a delay to the leadership development programme.

The Trust Board and the People and Organisational Development Committee recognise the issues raised through the NHS Staff Survey, the Workforce Race Equality Standard (WRES) and Workforce Disability Equality Standard (WDES) Annual reports for 2020 and has taken a series of actions including:

- requesting each division to report to the People and Organisation Development Committee with their action plan and on progress; and
- introducing “Listening Circles”, “Cultural Heatmaps” and a multi-disciplinary Oversight Task Force to report back to the People and Organisation Development Committee for monthly assurance.

Despite the Trust’s recognition of the negative impacts on staff morale set out above, total expenditure on temporary staff, including agency (included in Note 7 of the 2020/21 audited financial statements) was £17.4m for 2020/21, an increase from £8.7m in 2018/19 and £10m in 2019/20. The average Sickness Absence rate, as recorded by NHS Digital is 5.7% over the period January 2018 – December 2020 (the most recent nationally available data), which is higher than the average of all acute Trusts (4.3%).

In our view, the accumulation of matters above, and the actions taken by the Trust to improve workforce arrangements during 2020/21 do not demonstrate sufficient traction to evidence sustained levels of improvement. NHS Staff Survey results and Race Equality and Disability Equality reports continue to show the Trust is performing poorly with long-standing issues in staff engagement, including recommending the Trust as a place to work or as a place to be treated, and inclusivity and its culture. As a result, this indicates a significant weakness in the Trust’s arrangements under the “Financial Sustainability (how the body plans and manages its resources to ensure it can continue to deliver its services)” and “Improving Economy, Efficiency and Effectiveness (how the body uses information about its costs and performance to improve the way it manages and delivers its services)” reporting criteria that exposes the Trust to a significant risk to the quality and effectiveness of service as well as a risk of increased expenditure on agency costs.

Financial
sustainability

Governance

Improving
the 3Es

Recommendation(s)

Comments on actions
taken by the Trust

1. The Trust should commence its leadership development programme, ensuring there is broad participation and a focus on inclusivity
2. The Trust should take steps to improve take-up in the NHS Staff Survey to improve the quality of feedback
3. The Trust should ensure the Culture and Leadership Programme demonstrates tangible and measurable improvements and that the People and Organisational Development Committee demonstrably challenge and scrutinise performance.
4. The Trust should work with system partners to tackle its recruitment deficit and manage agency costs.

In May 2021, the Trust commenced a ‘Pulse Survey’ open to all staff. This is a local survey run by the Trust that contained some similar or the same questions to some of those asked in the national staff survey. Based on an improved 53% response rate, 10 of the 19 questions asked showed improvement over the national staff survey results with 5 showing a deterioration. Among the results reported to the People and Organisation Development Committee:

- 55% of survey respondents would recommend the Trust as a place to work
- 57% would recommend the Trust as a place to be treated.

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[Our commentary on each reporting criteria](#)



VFM arrangements – financial sustainability summary

Financial sustainability: how the Trust plans and manages its resources to ensure it can continue to deliver its services

Background to the NHS financing regime in 2020/21

Following the onset of the Covid-19 pandemic in March 2020, the original NHS Planning Guidance 2020/21 was suspended and a new financial regime was implemented. For the first half of the year (April to September 2020) all NHS trusts and NHS foundation trusts were moved to block contract payments 'on account' and the usual Payment by Results national tariff payment process was suspended. The Financial Recovery Fund was also suspended and NHS providers were able to claim for additional costs due to Covid-19. Whilst commissioner allocations for 2020/21 had already been notified, individual commissioner financial positions were kept under review and top-up payments were issued to CCGs to cover the difference between allocations and expected costs to pass on to providers.

For the second half of the year (October 2020 to March 2021) there was a move to "system envelopes" with funding allocations covering most NHS activity made at the system level, including resources to meet the additional costs of the Covid-19 pandemic. There were no further general retrospective top-up payments and all Covid-19 costs from that point were funded through the fixed Covid-19 funding allocation with a few exceptions.

Systems were expected to achieve financial balance within this envelope and individual organisations were able to deliver surplus or deficit positions by mutual agreement within the system. However, NHS trusts were still required to meet their statutory break-even duty and CCGs required to meet their resource limits.

Overall responsibilities for financial governance

We have reviewed the Trust's overall governance framework, including Board and Committee Reports, the Annual Governance Statement, and Annual Report and Accounts to confirm the Trust Board has a responsibility to make the best use of financial resources and deliver the services people need, to standards of safety and quality which are agreed nationally.

We have reviewed reports and minutes of the Finance, Performance and Investment Committee, confirming there is oversight on all aspects of financial management and operational performance on behalf of the Board.

We reviewed a selection of Board and Audit Committee meetings where the Board Assurance Framework was presented and our review confirms the Board Assurance Framework includes a specific risk regarding the

Trust's efficient use of resources. We considered the controls, sources of assurance and plans to address the risk as presented in the Board Assurance Framework and are satisfied there is evidence of ongoing review, challenge and action by the Trust.

Our discussions with management and our review of committee reports confirms that throughout 2020/21, the Performance, Finance and Estates Committee and the Trust Board, through a Performance Report, have received regular reports on financial performance and planning. We reviewed a sample of reports presented for 2020/21, which contain evidence of a clear summary of the Trust's performance, detail any variances and provide adequate explanation of the causes.

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VFM arrangements – financial sustainability summary

Financial sustainability: how the Trust plans and manages its resources to ensure it can continue to deliver its services

Financial performance and financial standing in 2020/21

As reported in the audited financial statements, Total Operating Income for 2020/21, as recorded in the Statement of Comprehensive Income, was £348m and Total Operating Expenses were £338m. As set out in Note 6 Operating Expenses, staff costs have increased from £187m in the prior year to £218m in 2020/21. This ultimately resulted in an operating surplus for 2020/21 of £10m, consistent with 2019/20. This does not in our view indicate a risk of significant weakness in arrangements.

Note 40 of the financial statements we audited sets out the Trust's performance against the statutory break-even duty, which we have re-produced in the table below as well as showing the two major components of Taxpayer's Equity: Public Dividend Capital and the Income & Expenditure Reserve. Figures in brackets represent a deficit position. In our view, despite a cumulative breakeven deficit, two years of meeting in-year financial break-even duty does not indicate a significant weakness in arrangements for financial planning or financial control.

	2018/19 (£'000)	2019/20 (£'000)	2020/21 (£'000)
Breakeven Duty			
Breakeven duty in-year financial performance	(25,959)	1,839	1,758
Breakeven duty cumulative position	(71,592)	(69,753)	(67,995)
Taxpayer's Equity			
Public Dividend Capital	64,190	68,300	215,632
Income and expenditure reserve	(165,379)	(166,167)	(164,981)
Total Taxpayer's Equity	(85,264)	(83,035)	74,958

During 2020/21 £130m of existing Department of Health and Social Care interim revenue and capital loans as at 31 March 2020 were extinguished and replaced with the issue of Public Dividend Capital (PDC) to allow the repayment.

The Trust has complied with relevant financial planning guidance during 2020/21 and has continued to monitor progress against plan to date, which included delivering a financial outturn in line with the system envelope.

Capital

Through our review of Board reports, meetings with management and the audit of the financial statements, we noted the Trust recognised £20.5m additions in Property, Plant and Equipment (Note 14.1 of the financial statements) in 2020/21. Note 38 of the financial statements confirms the Trust's CRL as £21.1m, with a 2020/21 charge against the limit of £21.1m. Our testing of capital expenditure during our audit of the financial statements did not identify any significant concerns.

The Trust's arrangements and approach to 2021/22 financial planning

For the first half of 2021/22 the NHS will remain under the same financial arrangements as for the second half of 2020/21. The arrangements will continue to include system funding envelopes. Block payments will remain in place for relationships between CCGs and NHS providers. NHS England and improvement (NHSE/I) have nationally calculated CCG and NHS provider organisational plans as the default positions for systems and organisations to adopt. These then provide a starting point for budget management without the need to complete an extensive planning process.

VFM arrangements – financial sustainability summary

Financial sustainability: how the Trust plans and manages its resources to ensure it can continue to deliver its services

Staff Engagement: NHS Staff Survey

We obtained the NHS Staff Survey directly and also reviewed Board and Committee papers, confirming that the results were considered by the People and Organisational Development Committee and then Board in April 2021, with the overall theme scores shown in the table below.

Theme	WHT Prior Year	WHT Current Year	WHT Movement compared to the prior year	National Average Prior Year	National Average Current Year	National Average Movement compared to prior year	Benchmarked position Prior Year	Benchmarked position Current year
Equality, diversity & inclusion	8.8	8.7	-0.1	9.1	9.1	-	Below Average	Below Average
Health & well being	5.5	5.7	+0.2	5.9	6.1	+0.2	Below Average, in line with worst	Below Average
Immediate Managers	6.5	6.6	+0.1	6.9	6.8	-0.1	Below average	Below Average
Morale	5.8	5.9	+0.1	6.1	6.2	+0.1	Below Average	Below Average
Quality of Care	7.2	7.3	+0.1	7.5	7.5	-	Below Average	Below Average
Safe environment – bullying & harassment	7.6	7.6	-	8.0	8.1	+0.1	Below Average	Below Average
Safe environment – violence	9.4	9.5	+0.1	9.4	9.5	+0.1	Average	Average
Safety Culture	6.3	6.3	-	6.7	6.8	+0.1	Below Average	Below Average
Staff engagement	6.6	6.7	+0.1	7.0	7.0	-	Below Average	Below Average
Team working	6.5	6.3	-0.2	6.6	6.5	-0.1	Below Average	Below Average

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Financial sustainability: how the Trust plans and manages its resources to ensure it can continue to deliver its services

Staff Engagement: NHS Staff Survey

The Staff Survey also highlighted low engagement and low participation scores (33% response rate) and poor results when staff were asked to: Recommend as a Place to Work - 52.3% vs national average of 66.9%; and Recommend as a Place to be Treated (Friends and Family Test) 53.4% vs national average of 74.3%.

	WHT Prior Year	WHT Current Year	WHT Movement compared to the prior year	Average Prior Year	Average Current Year	NHS Average Movement compared to prior year
Recommend as a Place to Work	47.8%	52.3%	4.5%	62.9%	66.9%	4.0%
Recommend as a Place to be Treated (Friends and Family Test)	49.0%	53.4%	4.4%	70.5%	74.3%	3.8%

Our discussions with the Trust, alongside our review of committee reports show these are known issues for the Trust and the Covid-19 pandemic has hampered the Trust's plans for organisational development and staff engagement.

Trust Board and the People and Organisational Development Committee have also received an update on Workforce Race Equality Standard (WRES) and Workforce Disability Equality Standard (WDES) Annual reports for 2020. At the meeting of the People and Organisational Development Committee on 25 March 2021, members of the committee were informed that:

- “Although there are slight improvements in the indicators relating to recruitment and access to Continuing Professional Development, when comparing the WRES and WDES outcomes with the results of the 2020 national staff survey there is a clear deterioration across a number of indicators.

- The 2020 WRES national report stated that Walsall Healthcare is in the bottom of the league table in relation to harassment bullying and abuse of BAME colleagues on a national scale.”

The Board Assurance Framework (BAF) Risk S04 recognises that a lack of an inclusive and open culture impacts on staff morale, staff engagement, staff recruitment, retention and patient care and our review of board papers, as well as attendance at meetings confirms there are regular updates. At the end of 2020/21, we noted the BAF reported gaps in control regarding a delay to the leadership development programme.

Staff Engagement: Pulse Survey

In May 2021, the Trust commenced a 'Pulse Survey' open to all staff. This is a local survey run by the Trust that contained some similar or the same questions to some of those asked in the national staff survey. Based on an improved 53% response rate, 10 of the 19 questions asked showed improvement over the national staff survey results with 5 showing a deterioration. Among the results reported to the People and Organisation Development Committee:

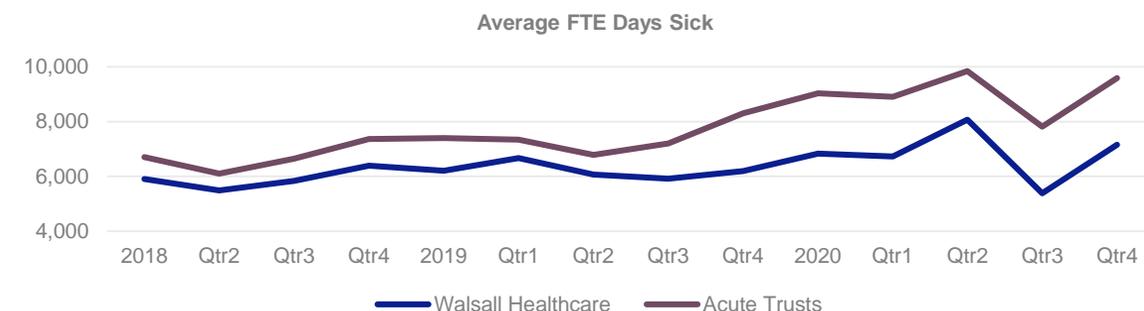
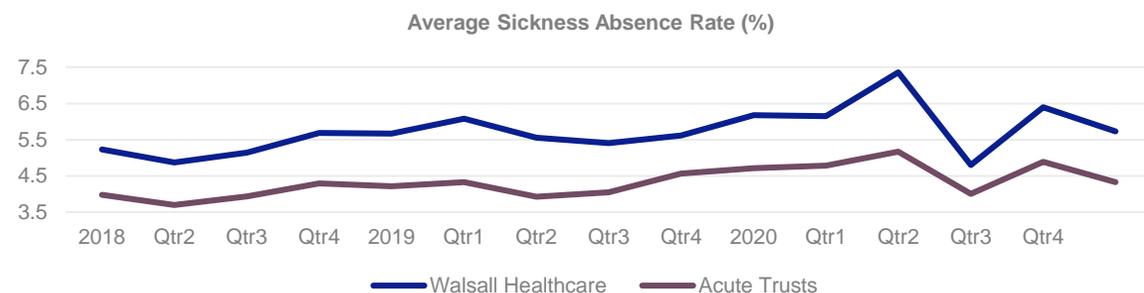
- 55% of survey respondents would recommend the Trust as a place to work, up from 52% in the national survey; and
- 57% would recommend the Trust as a place to be treated, up from 53% in the national survey.

VFM arrangements – financial sustainability summary

Financial sustainability: how the Trust plans and manages its resources to ensure it can continue to deliver its services

Staff sickness

We also obtained staff sickness data from NHS Digital and compared average sickness rates for the Trust to comparator groups from 2018 through to December 2020 (the most up-to-date data set as at date of reporting). The Trust runs at an average 5.7% sickness absence vs 4.3% for large acutes, which affects the need for agency and bank staff.



Agency costs

We reviewed the Annual Report and Board Papers to confirm that staff and agency costs are routinely considered in the Board's Performance Report and our testing of agency costs and disclosures in the remuneration report has not identified any issues. Total expenditure on temporary staff, including agency, is included in Note 7 of the financial statements being £17.4m for 2020/21.

Significant weakness in financial sustainability arrangements: workforce

We have highlighted a significant weakness in arrangements against the financial sustainability and improving economy, efficiency and effectiveness reporting criteria as a result of issues in relation to workforce (agency and staffing indicators) as explained on page 17.

VFM arrangements – Governance

Governance: how the trust ensures that it makes informed decisions and properly manages its risks

Governance structure

We have reviewed the Trust's Board and Committee Reports during the year as well as key documents in relation to how the Trust ensures that it makes informed decisions and properly manages its risks. The Trust Board is accountable for the Trust's strategies, policies and performance actions as set out in the Codes of Conduct and Accountability issued by the Secretary of State. Each Executive Director is responsible for their specific area to ensure this occurs.

The Trust has a full suite of governance arrangements in place. These are set out in the Trust's Annual Report and Annual Governance Statement. We reviewed these documents as part of our audit and confirmed they were consistent with our understanding of the Trust's arrangements in place. This includes arrangements such as registers of interests being maintained and published.

Our review of the Trust's governance framework confirms arrangements are in place, with the Trust Board being accountable for the Trust's strategies, policies and performance. The Trust has established committees with responsibility for specific areas, such as finance and performance, clinical risk and patient safety, including:

- Audit Committee;
- Quality, Patient Experience and Safety Committee;
- Performance, Finance & Investment Committee; and
- People and Organisational Development Committee.

We consider the committee structure of the Trust is sufficient to provide assurance that decision making, risk and performance management is subject to appropriate levels of oversight and challenge.

Our review of Board and Committee papers confirms that a template covering report is used for all Board Reports, ensuring the purpose, strategic context, governance issues, and recommendations are clear. Minutes are published and reviewed by the Board to evidence the matters discussed, challenge and decisions made.

Board Assurance Framework

The Trust records strategic risks in the Board Assurance Framework and our review confirms it is sufficiently detailed to manage the Trust's key risks, identify controls, gaps in controls and obtain the assurance required to work towards a targeted risk score. Our review of reports as well as attendance at Audit Committee meetings confirms the Board Assurance Framework is regularly updated and in sufficient detail to allow for adequate review including primary risk controls, gaps, plans to improve controls and any additional actions required. We reviewed a selection of reports provided to the Trust on the highest priority strategic risks currently being managed within the Trust. We also recognised the work the Trust has done to align Board reporting to strategic risks.

Audit Committee

The Trust has an established Audit Committee that is responsible for establishing and maintaining an effective system of governance in a way that supports the organisation's objectives. It achieves this by:

- Reviewing the work and findings of internal audit, external audit and the counter-fraud service;
- Reviewing the Annual Report, Annual Governance Statement and the financial statements before they are submitted to the Board; and
- Ensuring that the systems for financial reporting to the Board, including those around budgetary control, are subject to review in order to be sure that they are complete and accurate.

The Audit Committee considers the Board Assurance Framework, Annual Report and Annual Governance Statement and progress with internal and external audit plans. It also regularly receives updates on losses and compensation payments, single source tenders and waivers of Standing Financial Instructions.

We have reviewed supporting documents and confirmed the Audit Committee meets regularly and reviews its programme of work to maintain focus on key aspects of governance and internal control. In response to Covid-19, the Trust moved Board and Committee meetings on-line. Our attendance at Audit Committee has confirmed there is an appropriate level of effective challenge.

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Governance: how the trust ensures that it makes informed decisions and properly manages its risks

Board Member Conduct

The Health and Social Care Act 2008 (Regulated Activities) Regulations 2014 requires all trusts to ensure that all executive and non-executive director posts (or anyone performing similar or equivalent functions) are filled by people that meet the requirements of the Fit and Proper Persons test. During 2020/21, following receipt of an anonymous complaint, the Trust commissioned an independent investigation, with the Terms of Reference agreed in September 2020, and interviews in November 2020. This investigation led to the suspension and subsequent exit of one Non-Executive Director. The Trust has not identified any unlawful decision making and no concerns were reported on any other non-executive director of the Trust.

We met with management, reviewed the investigation reports and considered the Trust's arrangements, which include:

- An up-to-date Conflicts of Interest Policy, Fit and Proper Persons Policy and Standing Orders, with a focus on the individual to act with integrity and openness in making declarations of interests.
- Declarations of interest at each Board meeting and a register of interests that is updated periodically.
- A process for the annual appraisal of non-executive directors.

Our review confirmed that the conduct of one non-executive director fell short of the ethical standards expected of them, which included a failure to declare matters that meant they did not meet the requirements of the Fit and Proper Person test. We are, overall, satisfied that, for 2020/21, this specific matter, in isolation, does not indicate a significant weakness in the Trust's arrangements to monitor and ensure appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).

Internal Audit and Counter-Fraud

The Trust's Internal Audit and Counter-Fraud Service is provided by independent third parties who provide a plan and regular progress reports to the Audit Committee, which we have read. The Head of Internal Audit Opinion is reflected in the published Annual Governance Statement, where, in their view Internal Audit's "overall

opinion for the period 1 April 2020 to 31 March 2021, based on the scope of reviews completed, including our testing on a sample basis only, Partial assurance with improvement required can be concluded over the adequacy and effectiveness of the Trust's systems of governance, risk and control.

Whilst further progress had been made to strengthen risk management arrangements, which underpin the Board Assurance Framework, these are yet to be fully embedded consistently across the trust. The risk management improvements, until embedded, could impact on the ability of the Trust to achieve its strategic objectives as set out. This position is acknowledged in the trust's Annual Governance Statement (unaudited annual report and accounts 2020/21).

Our internal audit recommendations should continue to be implemented in full to address the gaps we have identified in either design and / or operation of internal controls, including governance and risk. In particular our recommendations reported in the individual reports on Electronic Discharge Summary Data Quality, Walsall Together, Compliance with Attendance at Work Policy, Temporary Medical Staffing and the Trust's overall Improvement Programme."

Significant weakness in arrangements to improve governance

Notwithstanding the above, as highlighted on page 16, we have identified significant weaknesses in arrangements against the Governance reporting criteria as a result of the matters arising in clinical performance.

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Improving VFM: how the Trust uses information about its costs and performance to improve the way it manages and delivers its services

Performance management

We have reviewed key reports issued by the Board and confirmed the Trust reports its performance in several different ways:

- a Performance Report to each Board meeting; and
- the publication of the Quality Report, Annual Report, and Annual Governance Statement, which are reviewed by the Audit Committee before adoption by the Board.

In March 2020, in response to the Covid-19 pandemic, the Trust enacted the Pandemic Flu plan and elements of the Major Incident Plan and put in place Command and Control systems. This response continued until August when nationally the national Emergency Response Level was reduced to Level 3. This signified the start of the Recovery Phase of the response to Covid-19 pandemic.

Operational performance for the periods from August 2020 where data is available reflects the Recovery Phase where services are being reinstated as part of this Phase 3 Recovery programme. From August, this recovery commenced with ambitions to returning to pre- Covid-19 levels of waiting lists, response times and constitutional standards, in line with expectations as set out in Sir Simon Stevens' letter of July 2020.

We considered the Trust's operational performance for the year by reviewing a selection of Performance Reports to the Board in the year. In doing so, we recognise the highly unusual circumstances caused by Covid-19 posed challenges across both non-elective and elective pathways

Our review of Board and Committee reports and minutes confirms that the Finance, Performance and Investment Committee and the Trust Board have continued to receive regular Performance Reports covering finance and operational performance. Performance is shown against target and over time. Board members are also able to triangulate information from this report with the reports from each sub-committee of the Board. Our

review confirms the reports provide sufficient detail to understand performance and published minutes demonstrate sufficient challenge from non-executive directors on the Trust's costs, performance and service delivery. Our review also confirms the Board has paid particular focus to the impact of the Covid-19 pandemic on performance.

As the demands of Wave 2 have diminished, the Trust is now moving into a period of restoration of services and is now guided by national requirements as set out in NHS England's 2021/22 Priorities and Operational Planning Guidance. This guidance which moves away from a focus on statutory access standards will have direct impact on performance.

We have read and reviewed the Trust's Annual Report and Quality Report, which set out its performance against key indicators and how it evaluates and assesses performance and improvement opportunities.

Our review confirms, overall, that the Trust's reports are adequately laid out and sufficiently detailed to monitor performance and take corrective action where required, which may include updating the Board Assurance Framework.

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Care Quality Commission (CQC)

On 16 March 2020, the CQC announced they would suspend their routine inspection schedule however, they may still inspect if they have patient safety concerns. We reviewed the CQC website and all inspection reports issued during 2020/21, including service specific reports. At the end of 2020/21, the Trust's overall quality rating by the CQC remains as 'Requires Improvement'. Ratings will not change until the next formal inspection by the Care Quality Commission.

The CQC carried out a short notice announced focused inspection of the emergency department and maternity service at Manor Hospital on the 8 and 9 September 2020, in response to concerns around safety and governance. At the time of the inspection the department was operating under COVID-19 infection, prevention and control measures. The CQC found areas for improvement including breaches of legal requirements that the Trust must put right.

In March 2021, the CQC carried out another unannounced focused inspection because it had received information of concern about the safety and quality of the services, specifically within the medicine wards at the Manor Hospital. Following the inspection, the Trust was issued with a warning notice due to concerns found around staffing and governance, and how patients were discharged. The notice gave the Trust three months to rectify the areas of concern identified and a response was sent to the CQC by the end of June 2021.

The results of these inspections are shown in the tables below and our view is that the CQC reports indicate that there is a significant weakness in the Trust's arrangements.

September 2020 Announced Inspection

Theme	Rating	Change
Urgent and emergency services		
Overall rating	Requires improvement	Worsened
Are services safe?	Requires improvement	No Change
Are services responsive?	Good	No Change
Are services well-led?	Requires improvement	Worsened
Maternity		
Overall rating	Requires improvement	Worsened
Is the service safe?	Requires improvement	No Change
Is the service effective?	Good	No Change
Is the service well-led?	Requires improvement	Worsened

March 2021 Unannounced Inspection

Theme	Rating	Change
Medical care (including older people's care)		
Overall rating	Inadequate	Worsened
Are services safe?	Inadequate	Worsened
Is the service effective?	Inspected but not rated	
Is the service caring?	Inspected but not rated	
Is the service responsive?	Inadequate	Worsened
Is the service well-led?	Inadequate	Worsened

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Single oversight framework (SOF)

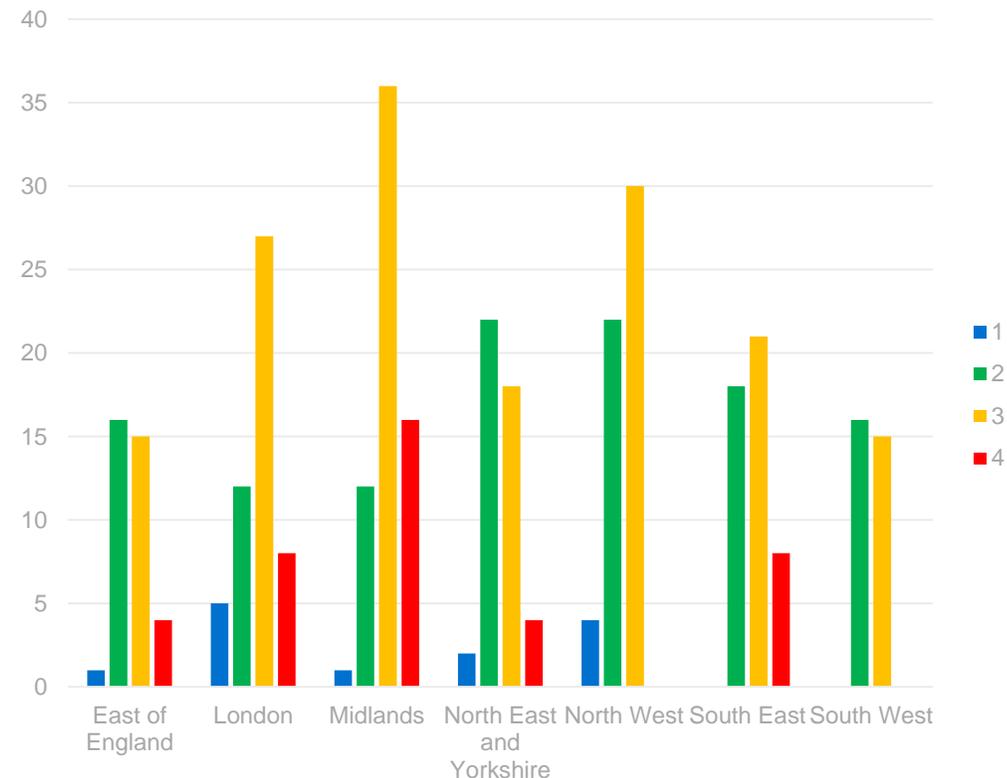
Under the SOF, which is designed to help NHS providers attain, and maintain, CQC ratings of ‘Good’ or ‘Outstanding’, NHSE/I now segment providers based on the level of support each provider needs. Each trust is segmented into one of the following four categories:

Segment	Description
1	Providers with maximum autonomy: no potential support needs identified. Lowest level of oversight; segmentation decisions taken quarterly in the absence of any significant deterioration in performance.
2	Providers offered targeted support: there are concerns in relation to one or more of the themes. We’ve identified targeted support that the provider can access to address these concerns, but which they are not obliged to take up. For some providers in segment 2, more evidence may need to be gathered to identify appropriate support.
3	Providers receiving mandated support for significant concerns: there is actual or suspected breach of licence, and a Regional Support Group has agreed to seek formal undertakings from the provider or the Provider Regulation Committee has agreed to impose regulatory requirements.
4	Providers in special measures: there is actual or suspected breach of licence with very serious and/or complex issues. The Provider Regulation Committee has agreed it meets the criteria to go into special measures.

We reviewed the Trust’s public score, which for 2020/21 is “3 – Mandated support needs identified in Quality of care, Finance & use of resources and Operational performance”. The public score is changed only once providers have been informed by their regional lead and there is a move between segments.

The chart opposite sets out the Trust’s relative position on the SOF against all acute providers in England and the Trust’s current SOF rating, in isolation, is not an indicator of inadequate arrangements.

Acute Sector SOF Segmentation



VFM arrangements – Improving Economy, Efficiency and Effectiveness

Improving VFM: how the Trust uses information about its costs and performance to improve the way it manages and delivers its services

Walsall Together

Our review of board minutes and discussions with management and Board members confirms the Trust works in close partnership with other Health and Social Care organisations in the area, but notably under Walsall Together. Due to the revised arrangements in place in 2020/21, the Trust has increasingly had to work with partner organisations across the black country to deliver a financial position within the allocated system envelope.

Strategic Collaboration with Royal Wolverhampton NHS Trust

We reviewed Board Papers and Reports, including the initial proposals for collaboration with the Royal Wolverhampton NHS Trust from December 2020 and the Memorandum of Understanding from March 2021. We also discussed the level board turnover during 2020/21 with management, Board members and NHSE/I.

Trust Board have received clear reports and had the opportunity to consider both benefits and risks to the strategic collaboration and challenge. Board members knowingly agreed to closer working and collaboration with Royal Wolverhampton Trust, which includes seeking joint board appointments and there are clear arrangements in place for decision making. The Trust has an established conflicts of interest policy and our review of board minutes confirms that declarations of interests are requested and made at each Board meeting.

Procurement

We read the Trust's Standing Financial Instructions and confirm these adequately set out the procedures, controls and the authorisation sign offs that are required for the commission or procurement of services. In 2020/21, to assist the management of the Trust's response to Covid-19, supported by the Cabinet Office's Procurement Policy Note (PPN 02/20) issued in March 2020, the Trust introduced temporary Standing Financial Instructions. Our attendance at the Audit and Risk Committee confirms it receives regular reports on any breaches of Standing Financial Instructions and Single Tender Waivers to assure the Board that the Trust is working in accordance with relevant legislation, professional standards and internal policies. Sufficient

information is provided to enable an adequate level of review and we have observed an appropriate level of challenge from Committee members through the year.

Significant weakness in arrangements to improve economy, efficiency and effectiveness

Notwithstanding the above, as highlighted on pages 16 and 17, we have identified significant weaknesses in arrangements against the Improving Economy, Efficiency and Effectiveness reporting criteria as a result of the matters arising in clinical performance and in workforce (staffing indicators).

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04

Section 04:

Other reporting responsibilities

This section of the report summarises the outcome of our other reporting responsibilities as the Trust's auditor

Other reporting responsibilities

Matters we report by exception

The NHS Act 2006 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest; and
- make a referral to the regulator.

We have not exercised any of these statutory reporting powers.

We are also required to report if, in our opinion, the governance statement does not comply with relevant guidance or is inconsistent with our knowledge and understanding of the Trust. We did not identify any matters to report in this regard.

Reporting to the National Audit Office in respect of consolidation data

The NAO, as group auditor, requires us to report to them whether consolidation data that the Trust has submitted is consistent with the audited financial statements. We have concluded and reported that the consolidation data is consistent with the audited financial statements.

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