



# Auditor's Annual Report 2023/24

London Ambulance Service NHS Trust

—

24 June 2024

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This report is addressed to London Ambulance Service NHS Trust (the Trust). We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

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

**01**

# **Executive Summary**

# Executive Summary

## Purpose of the Auditor’s Annual Report

This Auditor’s Annual Report provides a summary of the findings and key issues arising from our 2023-24 audit of London Ambulance Service NHS Trust (the ‘Trust’). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office and is required to be published by the Trust alongside the annual report and accounts.

## Our responsibilities

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



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



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



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



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

## Findings

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

<b>Accounts</b>	<p>We issued an unqualified opinion on the Trust’s accounts on 24 June 2024. This means that we believe the accounts give a true and fair view of the financial performance and position of the Trust.</p> <p>We have provided further details of the key risks we identified and our response on pages 7 and 8.</p>
<b>Annual report</b>	<p>We did not identify any significant inconsistencies between the content of the annual report and our knowledge of the Trust.</p> <p>We confirmed that the Governance Statement had been prepared in line with the Department of Health and Social Care requirements.</p>
<b>Value for money</b>	<p>We are required to report if we identify any matters that indicate the Trust does not have sufficient arrangements to achieve value for money.</p> <p>We have nothing to report in this regard.</p>
<b>Other reporting</b>	<p>We did not consider it necessary to issue any other reports in the public interest.</p>

**02**

# **Audit of the Financial Statements**

# Audit of the financial statements

## **KPMG provides an independent opinion on whether the Trust's financial statements:**

- Give a true and fair view of the state of the Trust's affairs as at 31 March 2024 and of its income and expenditure for the year then ended;
- Have been properly prepared in accordance with the accounting policies directed by the Secretary of State for Health and Social Care with the consent of HM Treasury on 23 June 2022 as being relevant to NHS Trusts in England and included in the Department of Health and Social Care Group Accounting Manual 2023/24; and
- Have been prepared in accordance with the requirements of the National Health Service Act 2006 (as amended).

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. We have fulfilled our ethical responsibilities under, and are independent of the Trust in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## **Audit opinion on the financial statements**

We have issued an unqualified opinion on the Trust's financial statements on 24 June 2024.

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

Further information on our audit of the financial statements is set out overleaf.

# Audit of the financial statements

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

Risk	Procedures undertaken	Findings
<p><b>Valuation of land and buildings</b></p> <p>Public sector accounting standards require that land and buildings are recorded at the value of their worth at year-end, as opposed to the value it originally cost the Trust to purchase. For specialised healthcare assets, this refers to the cost to rebuild a similar asset today.</p> <p>Due to the size of the Trust's portfolio, and the complexities in calculating these valuations, we have identified a risk that this valuation may be incorrectly calculated.</p>	<p>We critically assessed the independence, objectivity and expertise of the valuers used in developing the valuation of the Trust's properties at 31 March 2024.</p> <p>We challenged the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations.</p> <p>We utilised our own valuation specialists to review the valuation report prepared by the Trust's valuers and to ensure the valuer had an appropriate process to calculate the value of the Trust's assets.</p>	<p>We did not identify any misstatements relating to this risk.</p> <p>We considered the estimate to be balanced based on the procedures performed.</p>

# Audit of the financial statements

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

Risk	Procedures undertaken	Findings
<p><b>Fraudulent expenditure recognition</b></p> <p>Auditing standards suggest for public sector entities a rebuttable assumption that there is a risk expenditure is recognised inappropriately. We recognised this risk over the potential over-recording of the Trust’s non-pay, non-depreciation expenditure.</p>	<p>We inspected a sample of invoices of expenditure, in the period before 31 March 2024, to determine whether expenditure has been recognised in the correct accounting period.</p> <p>We selected a sample of year end accruals and inspected evidence of the actual amount paid after year end and other supporting information in order to assess whether the accrual existed and has been accurately recorded.</p>	<p>We did not identify any misstatements relating to this risk.</p>
<p><b>Management override of controls</b></p> <p>We are required by auditing standards to recognise the risk that management may use their authority to override the usual control environment.</p>	<p>We assessed accounting estimates for bias by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicated a possible bias.</p> <p>We analysed all journals through the year and focused our testing on those with a higher risk, such as journals impacting expenditure recognition posted during the final close down.</p>	<p>We did not identify any misstatements relating to this risk.</p>




**03**


# **Value for Money**


# Value for Money

## Introduction

We are required to consider whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or 'value for money'. We consider whether there are sufficient arrangements in place for the Trust for the following criteria, as defined by the National Audit Office (NAO) in their Code of Audit Practice:

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

 **Governance:** How the Trust ensures that it makes informed decisions and properly manages its risks.

 **Improving economy, efficiency and effectiveness:** How the Trust uses information about its costs and performance to improve the way it manages and delivers its services

## Approach










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

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

We are required to report a summary of the work undertaken and the conclusions reached against each of the aforementioned reporting criteria in this Auditor's Annual Report. We do this as part of our commentary on VFM arrangements over the following pages.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Trust.

## Summary of findings

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
<b>Commentary page reference</b>	12-13	14-15	16-17
<b>Identified risks of significant weakness?</b>	 No	 No	 No
<b>Actual significant weakness identified?</b>	 No	 No	 No
<b>2022-23 Findings</b>	No significant weakness identified	No significant weakness identified	Risk of significant weakness noted but did not materialise into significant weakness
<b>Direction of travel</b>			

# Value for Money

## National Context

### *Financial performance*

The 2023-24 financial year saw a significant increase in the level of financial pressures facing the NHS sector. This followed the end of Covid-19 related financing arrangements. The sector has faced cost pressures from a range of factors, most significantly the impacts of inflation felt during the year and the costs of industrial action.

At the end of January 2024 NHS England forecast that the NHS would record an overspend of £1.1bn against its agreed budgets. This came after additional funding had been made available earlier in the year to support with the costs of industrial action.

### *Operational performance*

In January 2023 the Government announced five pledges for 2023, including reducing NHS waiting lists and the time people wait for procedures. Waiting lists had grown significantly during the Covid-19 pandemic as elective activity was postponed in order to prioritise the treatment of Covid patients and ensure safe working.

According to the Health Foundation the NHS waiting list had grown from 6.2 million patients at the beginning of 2022 to 7.2 million in January 2023. There had also been a significant increase in the number of patients with long waits. At the end of 2023 there remained 355,000 patients that had been waiting over a year for treatment. Income arrangements for the acute sector were revised in year to reimburse providers for elective activity based on the actual number of patients treated.

### *System working*

The Health and Care Act 2022 formally established integrated care systems (ICSs), 42 partnerships within local geographies to promote closer working between the organisations responsible for healthcare delivery. Integrated Care Boards were formed on 1 July 2022, taking over commissioning responsibility from Clinical Commissioning Groups.

In their first full year of operation ICSs have continued to work to develop and embed governance arrangements both within the ICBs themselves and as systems.

## Local context

London Ambulance Service operates ambulance services (999 services and 111 services) from a variety of locations across London in order to achieve prompt response times to calls it is responsible for attending.

Like other ambulance providers, the Trust has struggled to achieve compliance with the ambulance response time targets for a variety of reasons, including handover delays at hospitals.

The Trust has been working to improve compliance with targets, including through changing how it is resourced to deliver services; and agreeing extra funding from NHS England and commissioners to achieve the response time targets.

The Trust has an ageing fleet which is, in part, not ULEZ compliant. The Trust has been in the process of replacing its fleet with newer models, which include electric paramedic response cars. New ambulances are also being bought, however the Trust experienced a small loss due to an insolvency of a supplier of ambulances in the year.

The Trust works across all of the London Integrated Care Systems (ICSs) however is hosted within the North West London ICS. This ICS is in reasonable financial health and is expected to be breakeven by year-end. The Trust was given a breakeven target for the financial year in order to support the wider ICS position, and a challenging but achievable savings target.

# Financial Sustainability

**How the Trust plans and manages its resources to ensure it can continue to deliver its services.**

We have considered the following in our work:

- How the Trust ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Trust plans to bridge its funding gaps and identifies achievable savings;
- How the Trust plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Trust ensures that 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; and
- How the Trust identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

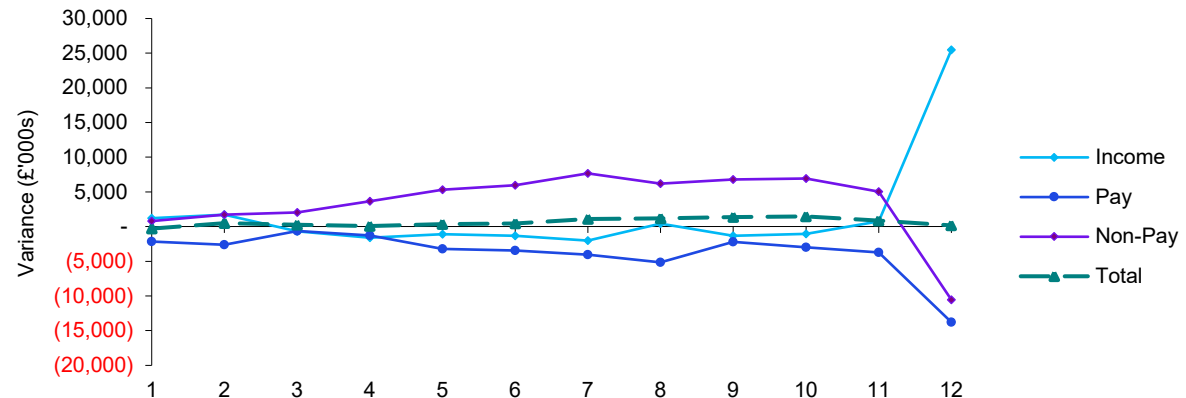
*Budget setting for 2023/24*

The Trust has an appropriate approach to setting its budget for 2023/24 and we saw evidence of wider system-working as part of the budget setting cycle. For 2023/24 a roll over budgeting process was undertaken focused on updating for known cost pressures and efficiency requirements. This followed the completion of a zero based budgeting exercise in 2022/23. This is consistent with the approach commonly adopted in the sector. The Trust continues to align its budget setting process to strategic priorities, such as around fleet. The budget was breakeven, with a 4% efficiency target, and a £27.6m capital programme.

*Financial performance*

The Trust tracked close to the budgeted breakeven position throughout the year. This was despite an adverse variance on payroll costs offset by a favourable variance on non-pay costs. Some of this unwound by year-end due to projects which were planned earlier in the year but were deferred. Additional costs incurred at year-end were offset by additional funding made available to ambulance trusts from NHS England, as well as an annual contribution by NHS England to cover the cost of pension contributions. Overall, the financial position which was close to breakeven all year suggests that the Trust has been effective at controlling costs and managing its budget.

**Plan/actual variance, cumulative position to end of month**



In respect of capital expenditure, the Trust planned to incur £29m of capital expenditure but ultimately incurred £37m.

# Financial Sustainability

## Financial risk management

The Trust's processes have adequately responded to financial risks which arose during the year. Management of financial risk is the responsibility of the Board, which has delegated this to the Finance and Investment Committee (FIC). We were satisfied that there were no financial sustainability risks which could have crystallised into a significant value for money risk in the year.

During the year, the Trust was in dispute with one commissioner regarding the level of funding the Trust should have received. The dispute was resolved during the financial year, however the dispute did increase financial risk during the year, had the Trust not received the funding it expected. The Trust adequately responded to the potential non-receipt of certain funding when monitoring its budgets.

A supplier to the Trust (building ambulances) fell insolvent during the year resulting in the loss of some partially completed ambulances. We note that the Trust was able to take mitigating action to limit financial loss, through minimising the amount of materials with the supplier; and ensuring it was able to receive completed ambulances shortly after they were finished being built. The Trust has been able to continue the project at an alternative supplier with the only adverse financial impact being a small fruitless payment for materials wasted. We note the Trust took appropriate action to respond to the insolvency.

## 2024/25 budget setting

For 2024/25 the Trust was able to perform its required budget setting actions in order to approve a financial plan in early May 2024. The budget setting process will be the subject of our 2024/25 Annual Auditor's Report, but we note that the Trust was able to set a breakeven plan, albeit one requiring efficiencies at 4.3% of total expenditure, a higher requirement than in the past. The plan contains an improvement in the Category 2 response time indicator (see p17) to 37 minutes (the target is 30 minutes) as commissioners decided not to fund compliance with the target.

Key financial and performance metrics:	2023-24	2022-23
<b>Planned surplus/(deficit)</b>	(£0.1m)	(£0.03m)
<b>Actual surplus/(deficit)</b>	(£0.7m)	(£6.7m)
<b>Planned CIP* as a % of spend</b>	3.7%	3.9%
- Recurrent	3.9%	3.9%
- Non-recurrent	0%	0%
<b>Actual CIP* as a % of spend</b>	3.6%	3.8%
- Recurrent	2.1%	2.5%
- Non-recurrent	1.5%	1.3%
<b>Breakeven duty financial performance surplus/(deficit)</b>	£0.2m	£2.7m
<b>Year-end cash position</b>	£26.4m	£27.9m

\* CIP: Cost improvement plan, i.e. a savings plan

# Governance

## How the Trust ensures that it makes informed decisions and properly manages its risks.

We have considered the following in our work:

- how the Trust monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the Trust approaches and carries out its annual budget setting process;
- how the Trust ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- how the Trust ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the Trust monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour.

## *Risk identification and management*

The Trust has an appropriate risk management framework. Risk can be identified by anyone at the Trust as well as through a horizon scanning process (such as from complaints and incidents) and are logged on the Trust's Datix system. Assigned risk managers are responsible for grading risks using a likelihood and severity matrix, as well as identifying mitigating actions. Strategic risks are placed onto the Board Assurance Framework and are linked to the relevant area of the Trust's strategy which we consider good practice. Operational risks are placed onto the Trust's operational risk register.

Strategic risks are reviewed on a regular basis by the Trust Board and operational risks, if above a 15 score, by the Risk, Compliance, and Assurance Group (RCAG). In addition, RCAG review long-standing risks, newly opened risks, and risks with changes in scores. RCAG can escalate risks up to the Board Assurance Framework if required. We consider the RCAG process to review old risks with lower scores to be good practice. We also saw evidence of divisional risk registers being reviewed by the responsible divisions.

Risks have actions with responsible owners and an audit trail of progress made to implement those actions and otherwise review the risks. The risks also have a target risk grade following the implementation of the actions. The Board has set a risk appetite tailored to each key activity of the Trust, i.e. the Trust is willing to accept minimal risk in relation to patient safety.

We noted that the Board Assurance Framework contains a date by which the target risk should be accomplished, which was the end of the financial year for all risks. The Trust informed us that the target risk sets out where the Trust wishes to be as an organisation at the end of each financial year, and it then takes action to try and bring those risks to target. In practice, some risks are outside of the control of the Trust (such as handover delays at hospitals, which are often caused by delays at Accident and Emergency departments in finding available beds). Therefore achieving those targets may not be possible however the practice of setting out a vision for the Trust's appetite for risk each year is reasonable.

Overall we identified no risks on the Board Assurance Framework which were likely to result in a significant value for money risk.

## *Data quality*

In the prior year we identified a significant risk to the Trust's arrangements to achieve good governance due to a data quality issue with the Category 1 ambulance response time indicator, suggesting poor governance over the Trust's data. In response to this issue, the Trust has implemented a Data and Digital Committee to oversee the governance of data, utilising externally commissioned reports to support their work. The Trust has also implemented an ongoing review of data processes and controls to ensure the Trust's data processing arrangements work effectively. We are satisfied the Trust has taken appropriate action.

# Governance

## Procurement

The Trust has an adequate approach to procurement. Public Contract Regulations are built into the Standing Financial Instructions and use of the Trust’s procurement team is required for spend over £50,000. We also note that the mandatory approval by NHS England for consultancy over £50,000 is built into the Trust’s financial procures. We reviewed the Single Tender Waiver register, which is presented to each Audit Committee meeting, and did not identify any waivers which were indicative of a weakness in procurement regulations.

	2023-24	2022-23
<b>Control deficiencies reported in the Annual Governance Statement</b>	No	Yes
<b>Head of Internal Audit Opinion</b>	Moderate Assurance	Moderate Assurance
<b>Oversight Framework segmentation</b>	2 “Plans that have the support of system partners in place to address areas of challenge”	2 “Plans that have the support of system partners in place to address areas of challenge”
<b>Care Quality Commission rating</b>	Good	Good

# Improving economy, efficiency and effectiveness

**How the Trust uses information about its costs and performance to improve the way it manages and delivers its services**

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Trust evaluates the services it provides to assess performance and identify areas for improvement;
- how the Trust 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; and
- where the Trust commissions or procures services, how it assesses whether it is realising the expected benefits.

*Assessing value for money*

There is a robust approach to identifying cost improvement plans (CIPs), i.e. efficiency programmes. CIPs are identified to reach the 4% target and are processed through a multi-stage process to ensure that CIPs are plausible, realistic, and achievable. The Trust achieved its CIP target for the year however it had to convert approximately £8m of recurrent savings to non-recurrent (no non-recurrent savings were planned). A non-recurrent saving means that the Trust will need to identify further savings in 24-25, because a non-recurrent saving only results in reduced costs for one year.

The 24-25 target is a wholly recurrent £30m savings programme, or 4.3% of planned spend, which is the largest figure the Trust has had to achieve in some time. The Trust informed us that it is typical that savings are not fully formed when the financial plan is submitted as it takes time for savings to progress through the identification and development process, which means there is a risk of non-delivery of savings by year-end should potential ideas be unachievable. So far, £20m of savings have been identified which are wholly recurrent.

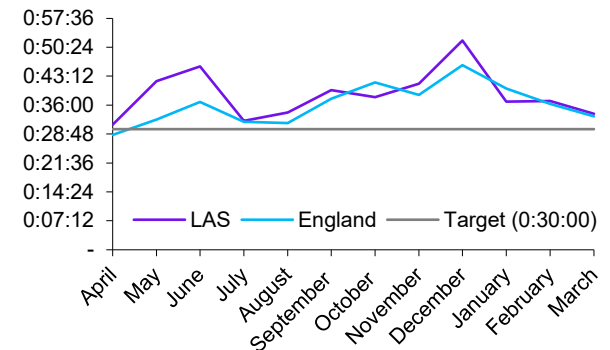
The Trust uses a corporate services benchmarking report across all of the North West London Integrated Care System (ICS) to benchmark corporate costs and identify cost savings. In addition, the Trust engaged a large consultancy firm to undertake a cost benchmarking exercise and identify opportunities to bring the Trust into compliance with the Category 2 ambulance response time target. This identified that the Trust was the most cost-efficient ambulance trust in England after accounting for London-specific factors (such as the costs from large London-specific events).

*Service performance*

The Trust has an adequate approach to monitoring service performance. Performance is captured in the Integrated Performance Report which is reviewed by the Executive Committee and Board. Individual KPIs are tracked for trends and anomalies, which helps to isolate anomalous trends for further investigation. The report covers a wealth of financial and non-financial metrics which includes the expected Ambulance Quality Indicators, as well as other factors with an impact on performance such as vacancy rates.

A key metric for the Trust in the period was performance against the category 2 ambulance response time indicator, where the Trust has been performing worse than the country as a whole and has not met the target at any point in the year. The Trust has identified no data quality issues in respect of the indicator. Furthermore we note that the Trust has been taking action to improve performance, including through increases to staffing levels funded by additional monies from NHS England. We are satisfied the Trust took an adequate response to performance.

**C2 Mean Response Time Performance: LAS vs England average**





# Improving economy, efficiency and effectiveness

During the year the Trust completed a benchmarking and productivity exercise with a major consultancy. This identified that efficiency requirements, primarily in terms of availability of dual crewed ambulances (DCAs), were needed to achieve the 30 minute category 2 target in the near-term. The exercise has identified investment required by commissioners to fund changes to meet the target, which have then fed into the Trust's 2024/25 budget setting exercise, although commissioners decided not to fund compliance with the target in practice.

## *Category 1 data quality*

The Category 1 indicator relates to the highest priority calls that the Trust may receive, such as where a patient has a heart attack. Ambulance trusts are required to attend Category 1 calls within 7 minutes on average.

In the prior year, a data quality issue was identified with the Trust's reporting of Category 1 response time. Due to a configuration error with a legacy IT system, data was incorrectly transformed in a database, causing the Trust to report that it was compliant with the target when, in fact, it was not. This information came to light when a new IT system was introduced which reported significantly different performance compared to the old system. In the prior year, the Trust suspended reporting on performance with the Category 1 indicator until it was satisfied that it was reporting an accurate metric.

In response to this issue, the Trust has introduced several enhancements to its data governance arrangements to ensure the Trust was able to properly measure its effectiveness. This was in the form of:

- A new Data Quality Policy and Digital & Data Quality Committee, which is responsible for overseeing compliance with the policy, and to receive assurances over the accuracy of data reporting;
- Internal audit reviews over arrangements in place over data quality; and
- A data quality team, which analyses data and performs spot checks to confirm that data reporting is complete and accurate.

The new governance arrangements have strengthened how the Trust manages data during 2023/24. The assurance reviews have identified some minor improvement areas for how the Trust approaches data quality, but has not identified any widespread weaknesses. We also have not identified any similar data quality issues during 2023/24.



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