Auditor's Annual Report

Leeds Community Healthcare NHS Trust

Year ended 31 March 2026

June 2026

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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 Leeds Community Healthcare NHS Trust ('the Trust') for the year ended 31 March 2026. 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 24 June 2026. Our opinion on the financial statements was unqualified.

Value for Money arrangements

We did not identify any significant weaknesses in the Trust's arrangements to secure economy, efficiency and effectiveness in its use of resources. Section 3 provides our commentary on the Trust's arrangements.

Reporting to the group auditor

In line with group audit instructions issued by the NAO, on 24 June 2026 we reported that the Trust's consolidation schedules were consistent with the audited financial statements.

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Audit of the financial statements

Audit of the financial statements

Our audit of the financial statements

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 2026 and of its financial performance for the year then ended. Our audit report, issued on 24 June 2026 gave an unqualified opinion on the financial statements for the year ended 31 March 2026.

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix A. In this appendix we also outline the uncorrected misstatements we identified and any internal control recommendations we made.

Qualitative aspects of the Trust's accounting practices

We have reviewed the Trust's accounting policies and disclosures and concluded that they comply with Department of Health and Social Care Group Accounting Manual 2025/26, appropriately tailored to the Trust's circumstances.

With respect to the audit of the 2025/26 financial statements, we noted:

- The Trust met the draft submission deadline of 27 April 2026. Draft accounts were received from the Trust on 27 April 2025 and were of a good quality.
- During the audit, we did not encounter any significant difficulties, and we had the full cooperation of management.

Reporting responsibility	Outcome
Annual Report	We did not identify any material misstatements or significant inconsistencies between the content of the annual report, the financial statements and our knowledge of the Trust.
Annual Governance Statement	We did not identify any matters where, in our opinion, the Governance Statement did not comply with the guidance issued by NHS England. We also did not identify any matters where, in our opinion, the Governance Statement is misleading or is not consistent with our knowledge of the Trust and other information of which we are aware from our audit of the financial statements.
Remuneration and Staff Report	We report that the parts of the Remuneration and Staff Report subject to audit have been properly prepared in accordance with the National Health Service Act 2006.

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Our work on Value for Money arrangements

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 - 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.

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

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.

We obtain our understanding or arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with staff and directors

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.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We identified no risk of significant weaknesses in the Trust's arrangements in 2025/26.

VFM arrangements – Overall summary

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Trust. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements -** We make these recommendations for improvement where we have identified a significant weakness in the Trust arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations -** We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but which still require action to be taken.

The table on the following page summarises the outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

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VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
Financial sustainability	13	No	No	No
Governance	18	No	No	No
Improving economy, efficiency and effectiveness	23	No	No	No

VFM arrangements

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services

VFM arrangements – Financial Sustainability

Risks of significant weaknesses in arrangements in relation to Financial Sustainability

We have identified no risks of significant weaknesses in arrangements in relation to the Trust's financial sustainability arrangements.

Overall commentary on Financial Sustainability

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 for 2025/26. These confirm the Trust Board has a responsibility to define the strategic aims and objectives, approve budgets and monitor financial performance against budgets and plans to best meet the needs of the Trusts service users.

The Business Committee oversees all aspects of financial management and operational performance on behalf of the Board. This includes:

- providing assurance that the finance and performance reporting systems of the organisation are robust through detailed review of the performance brief and domain reports at each meeting;
- keeping the content of the performance brief and domain reports under review ensuring that it provides appropriate performance metrics to provide assurance to the Board on all aspects of organisational performance in line with strategic goals and corporate objectives;
- reviewing financial and operational performance through the receipt of reports in a form determined by the Committee;
- seeking assurance from the executive that any appropriate management action has been taken to return the Trust's performance to plan and that any such actions or recovery plans are in place are adequately resourced, implemented and monitored;
- providing assurance to the Board that cost improvement plans to support organisational change are being achieved; and
- reviewing the Trust's financial plans to test assumptions and provide assurance that reports and returns represent a true and fair view of the financial period under review.

Our review of supporting papers confirmed that these arrangements were in place throughout 2025/26.

Background to the NHS financing regime in 2025/26

For 2025/26 funding continued to be based on local contracting and commissioning as set out in the 'Revenue finance and contracting guidance for 2025/26'. ICB allocations were set for 2025/26 which were supported by the NHS financial framework which sets out the ICB and system finance business rules from 1 April 2023.

The amount payable for NHS-funded secondary healthcare (acute, ambulance, community, mental health) is based on rules set out in the NHS Payment Scheme (NHSPS) which originally came into effect on 1 April 2023 replacing the National Tariff Payment System. Some further amendments have been made to the NHSPS since it was first implemented and the 2023/25 NHSPS (amended) came into effect on 1 April 2024.

Signed written contracts between commissioners and all providers (NHS and non-NHS) are expected to be in place. The elective recovery fund (ERF) is separately identified in ICB allocations. ERF forms the variable element of the API payment to trusts. NHS England will set the target elective activity that each commissioner is expected to deliver within the totality of funding made available. NHS England has set a ceiling on elective over-performance payments in 2025/26. Where the final 2025/26 performance is lower than the final 2025/26 allocation the system will have this amount deducted from 2026/27 allocations.

The 2024 Autumn Spending Review provided the NHS with a 1-year capital settlement covering 2025/26. The 2025/26 NHS capita allocation has been split into three categories:

- A system-level allocation to fund day-to-day operational investments – The have been traditionally self-funded by organisations within Integrated Care Systems (ICSs) or supported by the Department of Health and Social Care (DHSC) through normal course of business loans or system capital support via Public Dividend Capital (PDC).

VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability (continued)

- Previously committed funds – These are to support previously committed and announced schemes from the previous Spending Review period.
- Other national capital programme investments – These encompass key national priorities, including enhancing performance in elective recovery, diagnostics, urgent and emergency care (UEC), estates safety, advancing technology initiatives, supporting primary care, and driving progress towards net zero commitments.

The Trust's capital programme amounted to £10.4m for 2025/26.

Integrated Care Boards (ICBs), trusts, and primary care providers are expected to work together to plan and deliver a balanced net system financial position in collaboration with other integrated care system (ICS) partners, despite the financial pressure many organisations are facing.

Budget monitoring and control

At the start of the financial year, the Trust prepares its revenue and capital expenditure budgets for approval by the Board and Business Committee. Where necessary, funding gaps are bridged by efficiency savings following recommendations by the Trust's Leadership Team (TLT) and the Business Committee. Financial pressures are collated throughout the year and form part of the budget planning process for the following year. Rolled forward budgets are prepared following review of current outturn, known workforce changes and identified cost pressures. Funding or cost pressures the Trust considers are driven by policy or demand are progressed through contract negotiations with commissioners. Where commissioners are unwilling or unable to fund the associated financial impact, the Trust makes a spending decision alongside consideration of its own internal financial pressures. Cost pressures arising from the Trust's internal planning process are collated and reviewed by the Senior Management Team, which makes recommendations to the Board based on the Trust's priorities, the anticipated service benefits, value for money, and the affordability of each proposal. Approved cost pressures are incorporated into the following year's budgets and included within the NHS England (NHSE) plan.

To help identify efficiency savings, the Trust has a multi-year Quality and Value Programme, designed to bridge funding gaps through efficiency savings programmes. The TLT and Business Committee identify potential efficiency savings programmes and make recommendations to the Trust Board who review the final cost improvement programme savings. The Trust have a Quality and Value Board, which is primarily designed to discuss the current status of the Quality and Value savings target. This was chaired by the Director of Operations in 2025/26. An action tracker is routinely updated, with each programme RAG rated, assigned Senior Responsible Officers, individual savings targets and an assessment of key risks and mitigations. Monitoring of the Quality and Value Programme is also reported to the Business Committee and Board within the Integrated Performance Report.

Clear responsibilities are defined for budget holders, and the Trust's Standing Orders and Standing Financial Instructions set out specific requirements for the preparation and approval of the financial plan and budget.

The Standing Orders and Standing Financial Instructions also appropriately address budgetary delegation, budgetary control and reporting, and the approval of capital expenditure. In addition, Senior Finance Managers provide dedicated support to budget holders to promote effective financial management at business unit level, which in turn informs monitoring of the Trust's overall financial position.

Financial Planning and Monitoring

In January 2025, the Trust approved a financial plan for 2025/26 to deliver a breakeven position. The submitted plan included Cost Improvement Programme (CIP) savings of £14m (6.35% of expenditure), consisting fully of recurrent savings.

We reviewed the submitted financial plan and the Board paper recommending approval of the plan by the Trust Board. Expenditure within the financial plans was underpinned by assumptions around pay, cost pressures, inflation and service development areas. Where the Trust had contracts outside of the NHS these continued to be negotiated with the commissioning body to reflect current year demand/changes.

In 2025/26 the Trust delivered a surplus of £951k, £0.9m above their planned breakeven position due to effective control measures. This performance is consistent with the Trust's strong financial track record, having met its financial targets in every year of its existence since 2011/12.

VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability (continued)

The Trust's CIP target of £14m was delivered in full as planned, with the largest savings identified through establishment reviews, clinical service re-design, corporate services transformation and procurement. Of the £14m delivered, £11.9m was recurrent, £2.1m less than planned. This underachievement of recurrent efficiencies will result in additional financial pressure in 2026/27.

During the year the Trust reported its financial position to the Business Committee and then subsequently to the Board. We reviewed a sample of reports presented for 2025/26, which contain evidence of a clear summary of the Trust's performance, detail any variances and provide adequate explanation of the causes. The reports also provide an updated forecast to the end of the financial year.

Financial Planning 2026/27

NHS England published the Medium Term Planning Framework – delivering change together 2026/27 – 2028/29 in October 2025, designed to begin a new way or working in the NHS. The 3-year revenue and 4-year capital Spending Review 2025 promotes the move away from annual financial and delivery planning cycles and a real terms increase in funding. Revenue funding will increase by 3% in real-terms over this period up to £226 billion in 2028/29, and capital spending will increase from £13.6 billion in 2025/26 to £14.6 billion in 2029/30.

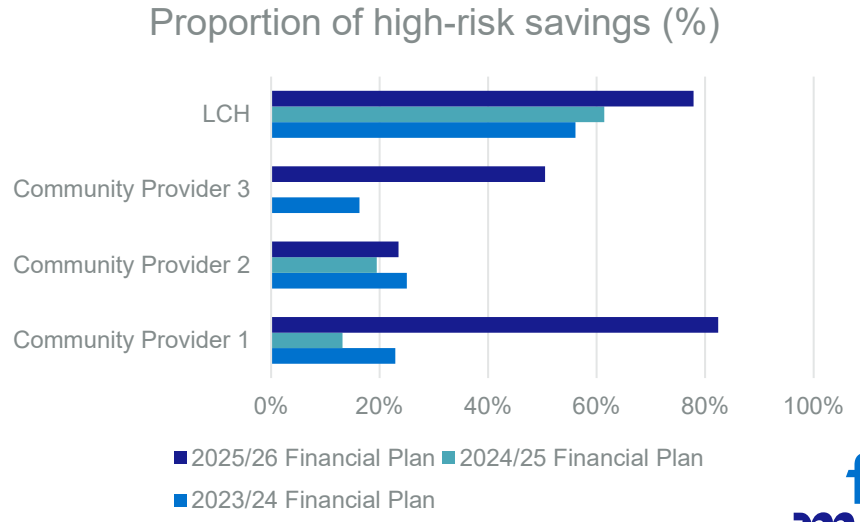
Provider and system finance directors and CEOs have been working with the national finance team to develop a new approach that enables better alignment of incentives to enable more robust delivery, a move to fairer distribution of funding across the NHS, longer-term planning and a new approach to capital. NHS England also plan to dismantle block contracts and introduce a new Urgent Emergency Care (UEC) payment model in 2026/27.

We reviewed the Trust's financial plan for 2026/27, which was submitted to NHSE and approved by the Business Committee in January 2026, which includes income of £184m as part of the new contracting arrangements. The financial plan submitted showed a break-even position and included efficiency savings of £6.1m in relation to 2026/27 to achieve this.

Of the efficiencies in the plan, the Trust has classified £2.95m (48%) as 'opportunity', indicating plans are not yet in place, and £4.75m (78%) is reported as high risk due to them being service transformation schemes, which NHSE mandates as high-risk schemes. However, the Trust's internal assessment concludes that these savings plans do not present a high level of risk. The Trust's focus for 2026/27 will be the delivery of recurrent efficiency schemes as these are essential to the overall sustainability of the organisation.

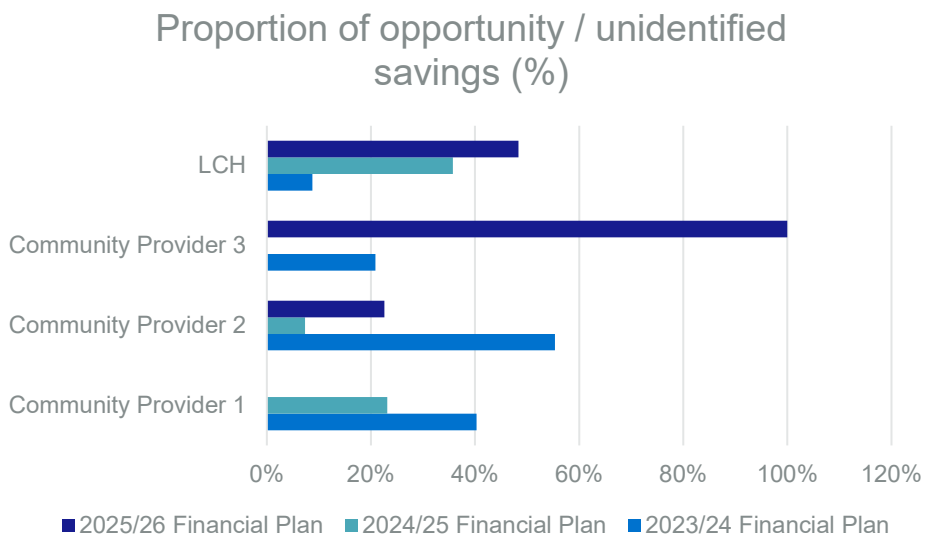
The Trust's plan also includes a further target of £3m efficiency savings relating to 2025/26 non-recurrent target gap. The Trust therefore has a total efficiency savings target of £9.1m.

We performed some benchmarking on the Trust's 2026/27 efficiency target against other Community Health Trusts. The Trust has a higher proportion of efficiencies classified as high risk, and a comparable proportion of efficiencies in their submitted plan which are either unidentified or at opportunity stage. The benchmarking also shows that the proportion of high-risk and unidentified/opportunity savings which make up the Trust's savings plans are increasing year-on-year. As mentioned previously, while the Trust consistently achieves their overall savings target, it often falls short of delivering these savings on a fully recurrent basis as planned. Moving forward, the Trust therefore needs to ensure their savings plans are strengthened by identifying savings which can be fully developed from the outset, improving the likelihood of delivering the full target via recurrent savings.



VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability (continued)



The Trust has an indicative capital budget over 2025/26 – 2027/28 of £30.6m. This is made up of £10.7m for 2025/26, £8.9m in 2026/27 and £11m in 2027/28. The 2026/27 budget will be financed with £6.9m from internal sources, with the remaining £2m provided through Public Dividend Capital (PDC) funding.

Review of the month 1 monitoring for 2026/27 reported to the Business Committee shows a year-to-date surplus of £73k against a planned breakeven position. The Quality and Value Programme achieved £74k in savings during month 1, all of which were recurrent savings. This is however against a planned year-to-date position of £760k, showing the Trust is £686k behind plan albeit at the start of the financial year.

The Trust demonstrates close monitoring of performance against their plan, with a clear understanding of the key risks, uncertainties, and financial pressures extending beyond the current financial planning period. From review of the Trust's monitoring report, the Trust is behind plan on the Quality and Value Programme because of timing differences in the recognition and transacting of savings.

The Trust has a good track record of delivering its financial targets. The expectation is that if needed the mitigations including service transformation and identification of further efficiencies will enable the Trust to deliver the plan.

We are satisfied there is not a significant weakness in the Trust's arrangements in relation to the financial sustainability reporting criteria.

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VFM arrangements

Governance

How the body ensures that it makes informed decisions and properly manages its risks

VFM arrangements – Governance

Risks of significant weaknesses in arrangements in relation to Governance

We have identified no risks of significant weaknesses in arrangements in relation to the Trust's governance arrangements.

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Overall commentary on Governance

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. Through this review we note that the Trust's governance arrangements are consistent with prior years. As a result, our commentary on those arrangements is also consistent with our commentary as reported in our prior year Auditor's Annual Report. The Trust Board is accountable for the Trust's strategies, policies and performance as set out in the Codes of Conduct and Accountability issued by the Secretary of State. The key role of the Board is to consider the key strategic and managerial issues facing the Trust in carrying out its statutory and other functions.

Our review of the Trust's governance framework confirms appropriate arrangements are in place. The Trust has established committees with responsibility for specific areas, such as finance and performance, and the quality of care, including:

- Audit Committee.
- Nominations and Renumeration Committee.
- Charitable Funds Committee.
- Business Committee.
- Quality Committee.
- People and Culture Committee

The terms of reference and work plans of these various committees ensures that the Board is provided with adequate assurance. 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.

The Trust has arrangements in place to review the performance and effectiveness of the governance framework in place. The Audit Committee terms of reference set out that the committee will be the custodian of the Board and sub-committee annual effectiveness process. The Audit Committee completes an annual report on its own effectiveness and submits this to the Board. Review of the Audit Committee papers for the April 2026 meeting show that the Audit Committee Annual Report for 2025/26 was approved for submission to the Board, as well as the committee Terms of Reference review.

Our review of Board and Committee paper confirms that a template covering report is used for all Board Reports ensuring the purpose, key points, committee reporting history, recommendations and responsible director are clear. Minutes are reviewed and published to evidence the matters discussed, appropriate challenge and decisions made.

Audit Committee

The Trust has an established Audit Committee that is responsible for reviewing the establishment and maintenance of an effective system of integrated governance, risk management and internal control across the organisation's activities that supports the achievement of the organisation's objectives.

It achieves this by reviewing the adequacy and effectiveness of:

- the Trust's general risk management structures, processes and responsibilities, together with any accompanying Head of Internal Audit statement, external audit opinion or other appropriate independent assurances, prior to endorsement by the Board;
- the underlying assurance processes that indicate the degree of achievement of corporate objectives and the effectiveness of the management of strategic risks;
- the policies for ensuring compliance with the relevant regulatory, legal and code of conduct requirements and related reporting and self-certification; and

VFM arrangements – Governance

Overall commentary on Governance

- the policies and procedures for all work related to fraud and corruption as required by the NHS Counter Fraud Authority

The Audit Committee is also responsible for:

- providing and maintaining an effective system of financial risk identification and associated controls, reporting and governance;
- reviewing the Board Assurance Framework's sources of assurance for appropriateness, independence, and frequency. Evaluating whether these can effectively evidence that the controls are working and that the assurance process is being effectively applied; and
- ensuring that appropriate governance is in place to ensure that the Trust can comply with its statutory duties relating to information governance.

Our review found the Audit Committee considers the Board Assurance Framework, Annual Report, Annual Governance Statement and progress of internal audit, counter fraud and external audit plans. It also regularly receives updates on losses and special payments, waivers of standing orders and reviews on behalf of the Board, the operation of and proposed changes to the standing orders, standing financial instructions and scheme of delegation.

We have reviewed supporting documents and confirmed the Audit Committee has agreed terms of reference, meets regularly and reviews its programme of work to maintain focus on key aspects of governance and internal control. Our attendance at Audit Committee has confirmed there is an appropriate level of effective challenge.

Board Assurance Framework

The Trust has a well-established Board Assurance Framework (BAF) and risk management system which is regularly reviewed at Committee and Board level. All risks, including financial and non-financial, are recorded and monitored through the Trust's risk management software programme, Datix. The Trust have also established a Risk management Group who has responsibility of overseeing this process. In 2025/26, Internal Audit carried out a review of the Trust's Board Assurance Framework and Risk Management Framework and reported a significant assurance opinion. While the review noted two minor recommendations, Internal Audit noted that both frameworks were well-developed and robust.

The Quality Committee scrutinise management of risks with a risk score of 8 or above and with a specific focus on clinical risks. The Business Committee scrutinise non-clinical risks with a risk score of 8 or above and where relevant, propose further risk reduction treatment. Both Committees provide evidence of effective risk management and assurance to the Board. Risks assigned a score of 15 or above (extreme) after the application of controls and mitigating measures are reported to the Board. A description of any movement of risks scoring 12 (high risks) since the last report was received is also provided. All risks include a description of the risk, risk owner, controls currently in place, actions to be completed and the initial, current and target risk scores. The 2025/26 Board Assurance Framework highlighted 8 strategic risks. Of these 8, 2 risks had a current score over 15 and were therefore classified as extreme. These were 'failure to deliver high-quality, equitable care and continuous improvement' and 'failure to comply with legislative and regulatory requirements'. After identifying controls and mitigating actions, the risks had a reduced target score of 12 and 6 respectively.

We have reviewed minutes of the Business Committee and Quality Committee and are content that the above arrangements have been in place throughout 2025/26.

Internal Audit and Counter Fraud

To provide assurance over the effective operation of internal controls, including arrangements to protect and detect fraud, the Trust has appointed Audit Yorkshire as internal auditors and local counter fraud specialists (LCFS). Work plans are agreed with management at the start of the financial year and reviewed by the Audit Committee prior to approval.

We have reviewed the Internal Audit Plans for 2025/26 and 2026/27 and confirmed planned work is informed by a risk assessment and is focused on the key audit risks and to ensure a robust Head of Internal Audit Opinion can be provided. Progress reports are presented to each Audit Committee

VFM arrangements – Governance

Overall commentary on Governance

meeting. A report is also presented following up the implementation of agreed audit recommendations. This allows the Committee to effectively hold management to account on behalf of the Board. Members of the committee engage in robust challenge of management when discussing findings from internal audit reviews.

Review of the latest internal audit report setting out overdue recommendations, reported to Audit Committee in April 2026, shows the number of recommendations to have decreased from 36 in January 2026 to 29. Of this 29, 3 remain overdue (decreased from 12 in January 2026). Despite 3 recommendations remaining overdue, these are monitored regularly and robust discussions are held at Audit Committee regarding these. The report notes that significant progress has been made to address these recommendations and there are no significant risks the Trust faces as a result of these recommendations being overdue.

Internal Audit carried out a review of Financial Sustainability in 2025/26, with their final report being issued in November 2025. The internal audit provided significant assurance over the Trust's ability to deliver sustainable services and manage its financial resources.

In June 2026, the Head of Internal Audit provided a rating of 'significant assurance' that there was a good system of governance, risk management and internal control to meet the organisation's objectives and that controls are generally being applied consistently. This assessment is in line with the progress reports Internal Audit have presented and we have reviewed throughout the audit. This final opinion will be presented to the Board in June 2026.

The Trust has an effective counter fraud service provided by Audit Yorkshire and overseen by the Executive Director of Finance. The Audit Committee received regular updated on Counter Fraud and an Annual Report.

Performance Management

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

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

The Performance Brief is structured in line with the CQC domains of safe, caring, effective, responsive and well led, with the addition of finance. Performance in each area is summarised in an assurance summary dashboard, which shows performance against target and over time. Performance is rated using a traffic light system and prior year data is included for comparative purposes. Key themes and actions taken are summarised in the narrative commentary supporting each of the key areas. Cross-membership to ensure all committees have members who are on more than one committee, ensures information can be triangulated with more in-depth reporting to committees.

The Business Committee oversees and gains assurance on all aspects of financial management and operational performance, including data quality, finance and performance reporting, cost improvement plans, non-clinical risks, review of operational plan and budget, tender evaluation, oversight of workforce, estates and statutory health and safety obligations and treasury management. The Committee also monitors the strategic risks assigned to it as part of the Board Assurance Framework. Our review confirms, overall, that the Trust's reports are clearly laid out and sufficiently detailed to monitor performance and corrective action is taken where required.

Conduct

We have reviewed key policies and procedures in place to maintain compliance with legislative/regulatory requirements and standards in behaviour, including conflicts of interest. These policies and procedures are subject to regular review by the Trust.

The Trust has a Conflicts of Interest Policy, and all Board members are required to declare any interest on an annual basis. Before each Board/Committee meeting, the Chair reviews the papers and considers any potential conflicts of interest. At each meeting there is a standing item on the agenda for members and attendees to declare any additional interests. A gifts and hospitality register are maintained by the Company Secretary.

VFM arrangements – Governance

Overall commentary on Governance (continued)

We reviewed the declarations of interest during the financial statements audit. We have confirmed that all executive and non-executive declared interests and gifts and hospitality are published on the Trust's website. Declarations of interest are now completed through the Declare System, and we have observed the system as part of our financial statements audit.

Board members annually declare that they meet the requirements of the Fit and Proper Persons Test and additional checks are undertaken to confirm this each year.

Proposed merger with Leeds and York Partnership NHS Foundation Trust (LYPFT)

In November 2025, the Boards of Leeds Community Healthcare NHS Trust and Leeds and York Partnership NHS Foundation Trust (LYPFT) announced their intention to develop their partnership working, with a formal merger. A Strategic Outline Case (SOC) has been developed recommending the full merger by way of acquisition of the Trust by LYPFT on 1 April 2027. The SOC was submitted to NHS England for review in February 2026. A formal response has not yet been received. The SOC sets out the vision for the new Trust, strategic benefits, the financial case and further detail on transition planning.

To manage the proposed merger with LYPFT, a joint committee has been established. The committee will serve as the formal governance mechanism, bringing statutory providers together to make key decisions. The committee's initial role is to facilitate strategic alignment and ensure transparency among partners.

The SOC also sets out twelve emerging risks from the merger with identified mitigations. A Transaction Risk Register was developed in April 2026 which will formally documents and monitor the risks associated with the merger. This will be managed by the Transition Committe. We have reviewed the terms of reference for the Transition Committee and confirmed that risk management is one of the Committee's key responsibilities and any significant risks would be escalated to the Audit Committee.

In order to manage the risks associated with the merger and smooth the overall transition, the Trust has also established a Transition Steering Group, who will be responsible for the day-to-day decisions about programme delivery and actions to mitigate any risks to delivery of the merger. A formal Trust Integration Programme has also been established to run alongside this.

We are satisfied there is not a significant weakness in the Trust's arrangements in relation to the governance reporting criteria.

VFM arrangements

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

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Risks of significant weaknesses in arrangements in relation to Improving Economy, Efficiency and Effectiveness

We have identified no risks of significant weaknesses in arrangements in relation to the Trust's arrangements to secure improvements in economy, efficiency and effectiveness.

Overall commentary on Improving Economy, Efficiency and Effectiveness

Performance Management

The Trust has demonstrated how they use financial and performance data to deliver their value for money objectives, specifically in identifying and driving improvements in efficiency and service delivery. While the costing of community services is still developing across the NHS, there is evidence of structured approach to service delivery and analysing financial performance.

- Patient-Level Information and Costing Systems (PLICS): The Trust prepares and analyses PLICS data regularly and reported them to the Business Committee to understand efficiency and aid in meeting the CIP targets set out in the Quality and Value Programme. This information is regularly reported to the business committee, where it is used to assess relative service efficiency. We reviewed reports which evidenced that the Trust is actively using patient level costing data to understand the relative efficiency of services and support the identification and targeting of cost improvement plans.
- Patient Information Portal (PIP): Internally, the Trust uses its own internal Patient Information Portal (PIP) to provide managers with timely granular service level data. PIP allows managers to focus on individual business units and service lines, track corners, measure improvements and ensure progress is being made to meet targets consistently. Output and dashboards from PIP feed into reports to Committees and Board and are used at business unit level performance panels to hold operational managers to account.
- External benchmarking and peer comparison: The Trust is an active member of the NHS Benchmarking Club and participates in the annual corporate benchmarking exercise. We reviewed the benchmarking report presented to Business Committee which provides both quantitative and qualitative assessments of performance against peer organisations. Our review confirmed that these outputs are discussed internally and used to flag potential areas of underperformance or inefficiencies. This reflects a structured approach to using external comparative data to inform improvement opportunities. The outcome of the 2024/25 Corporate Benchmarking exercise completed during July 2025 and submitted to Business Committee dated 29 October 2025. There has been an 89% (£8.2m) increase in corporate service costs overall since this exercise was undertaken in 2018/19. When compared with other community Trusts the organisation spends more on most of its corporate functions than those in the median and lowest spend quartiles. The Quality and Value programme will seek to address this, as well as the Corporate Services Transformation Programme which is currently being established by the Trust to enhance operational efficiency. Furthermore, the Trust has undertaken a self-assessment using the PwC efficiency checklist to evaluate its operations and highlight efficiency opportunities.
- Integrated Performance Reports (IPR): The Trust triangulates financial and performance information in key services via regular Integrated Performance Reports (previously 'Performance Briefs') covering performance against the NHS Oversight Framework domains. The KPIs monitored in these reports are reviewed and approved by the Board annually and managed via a change control process. 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.
- Business Change and Improvement Service (BCIS): The Trust has a Business Change and Improvement Service (BCIS) aimed at bringing together project and business managers across the Trust for improvement projects. The improvement projects focussed on in 2025/26 are those agreed by TLT to address the Trust's aims and priorities for the year. The BCIS team supports services in the redesign methodology and delivery of the Quality & Value Programme.

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on Improving Economy, Efficiency and Effectiveness (continued)

In 2025/26, Audit Yorkshire were commissioned by the Trust to carry out a review of performance reporting and governance. This review established the need for:

- A new Integrated Performance Report (IPR) – The new format of the Performance Brief was launched in January 2026. Responsible owners have been identified for each KPI and are required to provide a data quality assessment ahead of each monthly IPR. Further detail on this is set out above.
- Master KPI library – All KPI have been established with each requiring a clear definition and clearly set out data collection and collection processes. These KPI will be integrated into the PIP from 2026/27.
- New Performance and Accountability Framework (PAF) – A new PAF has been designed to embed clear lines of responsibility, accountability and decision making to provide assurance to the Board that performance and risks are identified and managed. This was approved by Audit Committee in April 2026 for adoption in 2026/27.

We have read and reviewed the Trust's Annual Report which sets out its performance against key financial indicators, how it evaluates and reports performance and how it ensures the quality of data which is reported.

We also reviewed the Care Quality Commission's latest reports. These confirmed that the Trust has used findings from successive CQC inspections to implement service improvements. This has contributed to a trajectory from a 'requires improvement' rating to a 'good' rating, which has since been maintained. The CQC's most recent inspection report from October 2019 stated 'there were systems to identify performance issues and to manage these. The Trust produced a range of dashboards at all levels of the organisation to monitor performance in the full range of Trust functions. There was a system of assurance meetings where managers were held to account for performance. The Trust was assured of the quality of its data'.

Furthermore, in April 2022, the Healthcare Financial Management Association (HFMA) produced a briefing designed to improve NHS financial sustainability. The briefing included a detailed checklist for organisations to use as a self-assessment tool to aid organisations to evaluate their financial governance and maturity. The Trust's assessment in March 2024 concluded that 19 of the arrangements were rated 3 or below, meaning the Trust only had those arrangements in place for half of the time or less. A reassessment was performed by the Trust in January 2026 noting significant improvements, where only 2 areas were rated 3 or below.

The HFMA also published its Well led Toolkit in August 2025, to support organisations assess and improve their finance function against the 2025/26 CQC Well-Led Quality Statements and Finance Key Lines of Enquiry. Whilst introduced to assist organisations in deficit positions, the Trust completed this as best practice and achieved a 'good' rating.

Partnership Working

The Trust has established a structured and considered approach to partnership working, aligned with its strategic vision of delivering high-quality care with communities. This is evident through its engagement in multiple significant partnerships, including sexual health services with Leeds Teaching Hospital NHS Trust and Children and Young People's Mental Health Services with various NHS Trusts across West Yorkshire.

The presence of an internally developed Partnership Governance Framework demonstrated a systematic process to assess risks, roles and responsibilities prior to and during partnership engagement. The Trust also has formal Partnership Boards established, designed to ensure that services delivered in collaboration with partners are tied to its broader objectives and are subject to oversight through formal governance structures. Effectiveness is supported by the alignment between the Trust's partnership work and its strategic priorities with evidence suggesting that partnership arrangements are designed to enhance service coverage and outcomes. Internal audit coverage of the board assurance framework provides assurance over the governance of these arrangements. The partnerships have separate management boards with representatives from all partners; these meet routinely throughout the year to discuss and agree operational and strategic matters.

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on Improving Economy, Efficiency and Effectiveness (continued)

A recent example where the Trust has worked in partnership to deliver improved health outcomes is through the NHS-Led Provider Collaborative arrangement 'Children and Young People People's Mental Health Services'. This is a collaboration led by Leeds and York Partnership NHS Foundation Trust in partnership with Bradford District Care NHS Foundation Trust, South West Yorkshire Partnership NHS Foundation Trust and Leeds Community Healthcare NHS Trust, aimed at improving mental health care for children and young people. We have reviewed evidence of financial performance monitoring through the respective partnership board, demonstrating active oversight of service delivery.

The NHS finance regime means that financial performance is measured at an ICS level and the organisations of the West Yorkshire ICS have collective performance targets. This shared responsibility is discharged through timely and transparent sharing of data, regular Director of Finance Forum meetings and joint meetings to develop a consensus on approach and risk mitigation across the ICS. This is an example of how the Leeds organisations are working together at an ICS level.

The Trust is also a founding partner of the Leeds Academic Health Partnership, comprising all of the city's NHS organisations, three universities and Leeds City Council, as well as regional and third sector members. The partnership works to solve some of the city's hardest health and care challenges, by uniting academic strengths with those of the health and care system and industry partners to accelerate the adoption of innovation.

As mentioned in our commentary on the Trust's governance arrangements, in November 2025, the Boards of Leeds Community Healthcare NHS Trust and Leeds and York Partnership NHS Foundation Trust (LYPFT) announced their intention to take their partnership further through a formal merger. This merger is not driven by performance concerns or financial recovery but instead an opportunity for the Trust's to benefit from and deliver improved care across the community via synergies and economies of scale. Our review of LYPFT's latest Board papers and our knowledge of LCH supports both Trust's having stable financial positions.

NHS Oversight Framework and Capability Ratings

NHS England's NHS Oversight Framework (NOF) is used to consider provider capability and performance against national expectations.

The NOF provides an overview of how Trusts are performing in key services including urgent and emergency care, elective services, mental health and more. The NOF places Trusts in a segment from one to four, based on average metric score and taking into consideration the financial deficit override. Segment one indicates the strongest performance and capability, while segment four indicates the greatest need for support and oversight.

The results for quarter 3 of 2025/26 were published on the 18th March 2026 and are set out below, demonstrating that there are improvements to be made.

Performance Domain	Score
Access to services	4 – low performing
Finance and productivity	3 – below average
Effectiveness and experience	1 – high performing
Patient safety	1 – high performing
People and workforce	4 – low performing

The Trust is ranked 43 out of 61 mental health and community trusts with an average score of 2.58 out of 4, with 4 being low performing. This puts the Trust in segment three, which is an improvement from quarter two when they were in segment four.

While there are areas of improvement identified, particularly around staff sickness absences and the NHS staff survey engagement, the Trust actively monitor progress against the NOF domains every month as part of their Integrated Performance Report (IPR). This report is then scrutinised by both the Quality and Business Committee, identifying and monitoring actions aimed to improve performance.

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on Improving Economy, Efficiency and Effectiveness (continued)

Procurement

The Trust's processes for procurement of goods and services are governed by standing orders, standing financial instructions, the scheme of delegation and relevant policies and procedures. A bi-annual report on procurement is presented to the Business Committee, with the latest being issued January 2026. This review runs alongside the Trust's Procurement Strategic Plan which is jointly established with Leeds and York Partnership NHS Foundation Trust. The Procurement Strategic Plan notes annual savings of £0.5m each year to 2028.

The Trust is also a member of the North of England Commercial Procurement (NoECPC) and has a service level agreement with Leeds and York Partnership NHS Foundation Trust to support the Trust's access to specialist advice and compliant procurement routes.

Our attendance at the Audit Committee confirms it receives regular reports on any breaches of Standing Orders/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.

The Trust also has contract monitoring meetings in place for each contract, in which discussions are held around costs, variations and performance.

We are satisfied there is not a significant weakness in the Trust's arrangements in relation to the economy, efficiency and effectiveness reporting criteria.

04

Other reporting responsibilities

Other reporting responsibilities

Wider reporting responsibilities

Statutory recommendations and public interest reports

Under section 7 of the Local Audit and Accountability Act 2014, auditors of an NHS body can make written recommendation to the audited bodies. Auditors also have the power to make a report if they consider a matter is sufficiently important to be brought to 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 any statutory recommendations or exercised our power to make a report in the public interest during 2025/26.

Section 30 referrals

Under Section 30 of the Local Audit and Accountability Act 2014, auditors of an NHS body have a duty to consider whether there are any issues arising during their work that indicate possible or actual unlawful expenditure or action leading to a possible or actual loss or deficiency that should be referred to the Secretary of State, and/or relevant NHS regulatory body as appropriate.

We have not issued a Section 30 referral to the Secretary of State in 2025/26.

Reporting to the group auditor

Whole of Government Accounts (WGA)

The Trust is consolidated into Consolidated NHS Provider Account which is then consolidated into the Department of Health and Social Care (DHSC) group. The National Audit Office (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. In addition, the NAO may review our audit files in detail. For the 2025/26 year the NAO did not include the Trust in its sample of component bodies for review for the purpose of its audit of the DHSC group.

We reported to the NAO that consolidation data was consistent with the audited financial statements. We also reported to the NAO in line with its group audit instructions.

We cannot formally conclude the audit and issue an audit certificate until we have received confirmation from the NAO that the group audit of the Department of Health and Social Care has been completed and that no further work is required to be completed by us.

Materiality for the Trust under WGA is distinct from the materiality thresholds set by us for reporting to Audit Committee. Component materiality is determined by the NAO and is used by us for the purposes of reporting to the group auditor. For 2025/26, the component reporting threshold was £1m for financial statements and £300k threshold for parliamentary accountability disclosures and regularity requirements. These are also used as the maximum thresholds we can apply for our reporting to Audit Committee.

Appendices

A - Further information on our audit of the financial statements

Appendix A: Further information on our audit of the financial statements

Significant risks and audit findings

As part of our audit, we identified significant risks to our audit opinion during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
Management override of controls Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we are required by auditing standards to identify a significant risk of management override of controls on our audit.	The audit work has provided the planned assurance and we have no matters to report in respect of the risk of management override of controls.
Risk of fraud in revenue recognition The risk of fraud in revenue recognition is presumed to be a significant risk on all audits due to the potential to inappropriately shift the timing and basis of revenue recognition as well as the potential to record fictitious revenues or fail to record actual revenues. For the Trust we deem the risk to relate specifically to: • Revenue income cut-off and • Valuation and existence of receivables around the year end	The audit work has provided the planned assurance and we have no matters to report in respect of the risk of fraud in revenue recognition.
Risk of fraud in expenditure recognition For public sector organisations, we also consider the risk of fraud in expenditure recognition. The pressure to manage expenditure increases the risk surrounding fraudulent financial reporting of expenditure. For the Trust we deem the risk to relate specifically to: • Expenditure cut off and • Completeness and valuation of year end accruals.	We identified two immaterial unadjusted misstatements as part of our testing on accruals. These are set out in further detail on page 32. These errors were not indicative of fraudulent expenditure recognition. The audit work has provided the planned assurance and we have no further matters to report in respect of the risk of fraud in expenditure recognition.

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Appendix A: Further information on our audit of the financial statements

Significant risks and audit findings

As part of our audit, we identified significant risks to our audit opinion during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
Valuation of land and buildings Land and buildings are the Trust's highest value assets accounting for £30.7m of the Trust's £35.9m Property, Plant and Equipment balance at 31 March 2025. Management engages the Valuation Office as an expert to assist in determining the current value of land and buildings to be included in the financial statements. Changes in the value of land and buildings, including the use of modern equivalent valuation, may impact on the Statement of Comprehensive Income depending on the circumstances and the specific accounting requirements of the Group Accounting Manual. We consider there to be a significant risk of material misstatement in relation to the valuation of the Trust's land and buildings as a result of the: • High degree of estimation uncertainty associated with the valuations; • Level of judgement applied by management and the valuer in estimating current values; and • Extent to which the valuations are reliant on complete and accurate source data on individual assets being provided to the valuer.	The audit work has provided the planned assurance and we have no matters to report in respect of the valuation risk of land and buildings.

Appendix A: Further information on our audit of the financial statements

Summary of unadjusted misstatements

Unadjusted misstatements		SOCI		SOFP	
Description	**Nature**	**Dr (£ '000)**	**Cr (£ '000)**	**Dr (£ '000)**	**Cr (£ '000)**
Dr: Trade and other payables (current) Cr: Expenditure As part of our testing on accruals, one sample tested, totalling £34k, related to 2026/27 and was incorrectly accrued for in 2025/26. In line with our audit approach, we extrapolated this error across the rest of our population to estimate the likely impact over the untested population.	Extrapolated		208	208	
Dr: Trade and other payables Cr: Expenditure As part of our testing on accruals, we identified a further two samples, totalling £490k which should not have been recognised as accruals. In line with our audit approach, we extrapolated this error across the rest of our population to estimate the likely impact over the untested population and to confirm whether the matters could be material. The extrapolation is immaterial, indicating there are no further reporting impacts for us, and no further work required to provide audit assurance.	Extrapolated		2,992	2,992	
Aggregate effect of unadjusted misstatements		**0**	**3,200**	**3,200**	**0**

Appendix A: Further information on our audit of the financial statements

Internal control observations

We did not identify any control weaknesses in 2025/26.

Follow up on previous years recommendations

We followed up on one control recommendation which had been raised in 2024/25. This control recommendation had been addressed in 2025/26.

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