

Gloucestershire Hospital NHS Foundation Trust

Auditor's Annual Report 2024/25

19/06/2025

Contents

Auditor's Annual Report

Executive summary	3
Purpose of the report	5
Our financial statement audit approach	6
Financial statement audit significant risks	7
Auditor's work on Value for Money (VfM) arrangements	9
VfM commentary:	
• Financial sustainability	11
• Governance	14
• Improving economy, efficiency and effectiveness	18
Purpose of our report and responsibility statement	20

Appendices

Significant weakness recommendations	21
Follow up on prior year recommendations in respect of significant weaknesses	22
Trust's responsibilities	23
Auditor's responsibilities	24
Assurance sources for the Trust	25

Executive summary

We conduct our audit in accordance with the NAO's Code of Audit Practice, International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. We are independent of the Trust in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard. The Trust's Annual Report and Accounts, including our audit report, are available on the Trust's website.

Audit opinion on the financial statements	We anticipate to issue an unqualified opinion on the Trust and group's (which includes the Charity and Gloucestershire Managed Services) financial statements on 26 th June 2025. We did not identify any matters where, in our opinion, proper practices had not been observed in the compilation of the financial statements.
Remuneration and Staff Report	We reported 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.
Value for money ("VfM") arrangements to secure economy, efficiency and effectiveness in the use of resources	<p>We are required to report if we have not been able to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our VfM assessment covers three specified reporting criteria: financial sustainability, governance, and improving economy, efficiency and effectiveness.</p> <p>As detailed on page 4, we are reporting to the Trust a significant weakness in the Trust's arrangements in respect of financial sustainability and governance and have made recommendations to the Trust accordingly.</p>
Annual Governance Statement	We did not identify any matters where, in our opinion, the Annual Governance Statement did not meet the disclosure requirements set out in the NHS Foundation Trust Annual Reporting Manual, was misleading, or was inconsistent with information of which we are aware from our audit.
Annual Report	We reported that the information given in the Performance Report and Accountability Report for the year ended 31 March 2025 is consistent with the financial statements.
Other powers and reports	We did not exercise our additional reporting powers (to issue a report in the public interest, or a report to the Secretary of State and NHS England), in respect of the year ended 31 March 2025.
Audit Certificate	We have not yet issued our audit certificate, as we are not able to do so under the National Audit Office's Auditor Guidance Note 07, Auditor Reporting, until we are advised by the National Audit Office that the audit of the NHS Group Consolidation is complete, which is expected to be in the autumn. We will then issue a separate audit certificate.

Executive summary (continued)

The Trust's arrangements to secure Value for Money

VfM criteria	Risk assessment/ description		Auditor's judgement on arrangements	
Financial Sustainability	R	We have identified a significant weakness in arrangements in respect of financial sustainability (how the Trust plans and manages its resources to ensure it can continue to deliver its services), specifically how the Trust is able to achieve its cost improvement target for the year and the reliance on non-recurrent savings.	R	In our prior year Auditor's Annual Report, we communicated on 01/10/2024, and re-confirmed on 09/06/2025, a significant weakness in the Trust's arrangements, and recommended that the Trust accelerate its efforts to identify and realise specific opportunities to deliver its plan, and in planning for future periods, begin the identification of savings opportunities and project planning for their delivery further ahead of the start of the period. Refer page 11 for details.
Governance	R	We identified a risk of significant weakness following CQC findings, where Section 29A and Section 31 notices had been issued. The notices identified the Trust require improvement in relation to the safe, responsive and well-led domains and maternity care services provided.	R	We reported a significant weakness on 12/10/2022 and re-confirmed on 09/06/2025, a significant weakness in respect of the CQC findings, which we consider remain in the current year. We have not identified any additional recommendations this year, but have followed up on progress in implementing the recommendation previously raised, noting improvements have been made to address the significant weakness. Refer to page 14 for details.
Improving economy, efficiency and effectiveness	G	We did not identify a risk of significant weakness.	G	We have not identified any significant weaknesses in arrangements and have not made any recommendation.



Risk of significant weakness identified / Significant weakness in arrangements identified and recommendation(s) made.



No significant weakness in arrangements identified, but insights on arrangements made.



No risk of significant weakness / significant weakness in arrangements identified.

Purpose of this report

This report presents the key findings arising from our audit work at Gloucestershire Hospital NHS Foundation Trust (“the Trust”) for the year ended 31 March 2025.

The report has been prepared in accordance with the National Audit Office’s (“NAO”) 2024 Code of Audit Practice and its supporting Auditor Guidance Note (“AGN”) 03 Value for Money, and AGN 07 Auditor Reporting. These are available from the NAO website.

This report includes our commentary on the Trust’s arrangements to secure economy, efficiency and effectiveness in the use of resources (“Value for Money”, “VfM”). We assess the Trust’s VfM arrangements, based on our risk assessment. Our commentary focuses on our key observations on the Trust’s arrangements and does not consider the adequacy of every arrangement the Trust has in place, nor does it provide positive assurance that the Trust is delivering or represents value for money.

Where we identify recommendations, we indicate whether these are:



Recommendations in respect of significant weaknesses in the Trust’s VfM arrangements, which we are required to make in accordance with AGN 03 where we identify a significant weakness; or



Other recommendations, which we indicate as “Deloitte Insights” (and which are summarised in Appendix 1).

The significant weaknesses in the Trust’s VFM arrangements and related recommendations are set out from pages 11 onwards.

Our financial statement audit approach

An overview of the scope of the audit

Our audit approach is based upon obtaining an understanding of the Trust, including its systems, processes, risks, challenges and opportunities, and the size, composition and qualitative factors relating to account balances, classes of transactions and disclosures. These risk assessment procedures enable us identify risks of material misstatement in the financial statements, and then then tailor our audit procedures to address those risks.

Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team, led by the audit Director, Michelle Hopton. The audit team included integrated Deloitte specialists bringing specific skills and experience in property valuations and Information Technology systems.

Materiality

Our work is planned and performed to detect material misstatements. We determined materiality for the Group to be £17.4m and materiality of the Trust to be £16.5m, based on 2% of revenue.

Procedures for auditing the Trust's financial statements

Our audit procedures included:

- Developing an understanding of the Trust, including its systems, processes, risks, challenges and opportunities and using this understanding to focus audit procedures on areas where we consider there to be a higher risk of misstatement in the Trust's financial statements.
- Interviewing members of the Trust's management team and reviewing documentation to test the design and implementation of the Trust's internal controls in certain key areas relevant to the financial statements; and
- Performing sample tests and analytical procedures on amounts in the Trust's financial statements to test the recorded transactions, balances and disclosures.

Data analytic techniques were used as part of audit testing, to support profiling of populations to identify items of audit interest and in journal testing, using our Spotlight data analytics platform.

Approach to audit risks

We focused our work on areas where we considered to be of higher risk, which are referred to as significant risks.

Our audit plan, presented to the Trust's Audit and Assurance Committee, detailed the significant risks for the Trust audit, and our planned procedures. Our final report to the Trust's Audit and Assurance Committee reported the findings from our procedures.

We have made recommendations with Audit and Assurance Committee reporting for improvement in the Trust's policies, procedures and internal controls based on observations from our work. However, we do not consider these recommendations to reflect significant weaknesses in the Trust's VfM arrangements.

We have provided a summary of each of the significant audit risks from page 7 onwards.

Financial statement audit significant risks

Risk	Procedures undertaken	Findings
<p>Management override of controls</p> <p>In accordance with ISA (UK) 240 management override is a significant risk. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Group's controls for specific transactions.</p>	<p>Manipulation of accounting estimates</p> <ul style="list-style-type: none"> • We reviewed accounting estimates for biases that could result in material misstatements due to fraud and performed testing on key accounting estimates. <p>Manipulation of journal entries</p> <ul style="list-style-type: none"> • We tested the design and implementation of controls in relation to journals and review of financial statements. • We have made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. • We have used Spotlight data analytics tools to select journals for testing with characteristics indicative of potential manipulation of reporting. We traced the journals to supporting documentation and evaluated the accounting rationale for the posting. • We tested the year-end adjustments made outside of the accounting system between the general ledger and the financial statements and consolidation adjustments. <p>Accounting for significant or unusual transactions</p> <ul style="list-style-type: none"> • We considered whether any transactions identified in the year required specific consideration and did not identify any requiring additional procedures to address significant or unusual transactions. 	<p>We did not identify any material misstatements or significant deficiencies in internal controls relating to this risk.</p>

Financial statement audit significant risks

Risk	Procedures undertaken	Findings
<p>Accounting for capital expenditure</p> <p>As detailed in our Audit Plan, accounting for capital expenditure can involve significant judgements. Whether expenditure is capitalised, and the period it is recognised in, can significantly impact against the budgetary control totals the Trust and Group is assessed against by NHS England.</p> <p>The continuing high level of expenditure in the current year, and the annual cut -off of capital budgets increase the risk of amounts being incorrectly capitalised, or of incorrect recognition in the current period.</p> <p>This has been identified as a significant risk due to fraud considering these factors.</p>	<ul style="list-style-type: none"> • We have reviewed the Trust's capital plans and didn't identify any additional risks. • We have considered the design and implementation of controls around the capitalisation of costs. • We have tested spending on a sample basis to confirm that it complies with the relevant accounting requirements. Where there was not a related disposal of an existing asset, we evaluated management's assessment that no adjustments to the value of previously capitalised works are required. • We have tested the validity of year-end capital accruals to test cut-off of expenditure. • We have tested the transfers out of assets under construction on a sample basis to ensure depreciation is charged from the correct date. • We reviewed and challenged management's assessment as to whether any impairment arises in respect of newly capitalised expenditure on property assets and noted that properties that have transferred from assets under construction to buildings are subject to revaluation at the end of the year. • We tested a sample of vesting certificates to assess whether they were appropriately accounted for. We have also considered from a Value for Money perspective whether their use was in accordance with the principles of Managing Public Money (which requires bodies not to make payments in advance of need or solely for the purposes of managing performance against spending controls). • We have requested management to prepare a paper documenting their assessment of capitalizing the cost incurred on EPR project. We have challenged management's judgements in respect of the capitalisation of these costs. 	<p>We did not identify any material misstatements or significant deficiencies relating to this risk.</p>

Auditor's work on Value for Money (VfM) arrangements

The Accounting Officer and the Board are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money.

The Accounting Officer reports on the Trust's arrangements, and the effectiveness with which the arrangements are operating as part of their annual governance statement.

Under the National Health Service Act 2006, we are required to be satisfied whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. In accordance with the National Audit Office's Auditor Guidance Note 3, we are required to assess arrangements under three areas:

Financial Sustainability	<i>How the body plans and manages its resources to ensure it can continue to deliver its services</i>
Governance	<i>How the body ensures that it makes informed decisions and properly manages its risks</i>
Improving economy, efficiency and effectiveness	<i>How the body uses information about its costs and performance to improve the way it manages and delivers its services</i>

This report presents our findings on the Trust's VfM arrangements. Where we have found significant weaknesses in arrangements, we are required to make recommendations so that the Trust can consider them and set out how it plans to make improvements.

In planning and performing our work, we consider the arrangements that we expect bodies to have in place, and potential indicators of risks of significant weaknesses in those arrangements. Our assessment of potential indicators has been performed in the context of the overall operating environment for the NHS during 2024/25, including the impact of demand pressures, the need to recover elective activity levels following the pandemic, and financial constraints.

In addition to our financial statement audit, we performed a range of procedures to inform our VfM commentary, including:



Interviews with key stakeholders, including Director of Finance, Director of Operational Finance, Director of Integrated Governance, Deputy Director of Quality, Lead Nurse for Accreditation and Regulation, and Audit Chair.



Review of Board, Governors, Remuneration and Finance & Resources Committees and attendance at Audit and Assurance Committee meetings.



Reviewing reports from third parties including Care Quality Commission, Internal Audit and correspondence with NHS England.



Considering the findings from our audit work on the financial statements.



Review of the Trust's annual governance statement and annual report.

Auditor's work on VfM arrangements (continued)

Trust performance

The NHS Oversight Framework

The NHS Oversight Framework provides an overview of the level and nature of support required by organisations and systems during 2024/25.

It is built around five national themes:

- quality of care, access and outcomes;
- preventing ill health and reducing inequalities;
- people;
- finance and use of resources; and
- leadership and capability.

NHS England allocates trusts and ICBs to one of four 'segments'. A segmentation decision indicates the scale and general nature of support needs, from no specific support needs (segment 1) to a requirement for mandated intensive support (segment 4)

The table below summarises Trust performance across a range of measures. Where relevant, additional commentary is provided on the following pages.

	2024/25	2023/24
Surplus / (Deficit)	£(28,999)k	£(13,317)k
Adjusted Surplus/(Deficit)	£67k	£(535)k
EBITDA as % of income	4.9%	5%
Cost Improvement Programme delivery	£37,389k	£28,690k
Cash	£41,966k	£54,845k
Capital expenditure	£35,451k	£41,740k
NHS Oversight Framework segment	3	3
CQC report conclusions (last inspection: published 1 May 2024)	Inadequate: Maternity Care, Requires Improvement: Emergency Department	Requires Improvement – Safe, Responsive and Well-led domains
Annual Governance Statement - significant internal control issues	None	None
Head of Internal Audit Opinion – Limited Assurance?	No	Yes

VfM arrangements: Financial Sustainability

Approach and considerations

We have considered how the Trust plans and manages its resources to ensure it can continue to deliver its services, including:

- How the body 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 body plans to bridge its funding gaps and identifies achievable savings;
 - How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
 - How the body 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 body identifies and manages risks to financial resilience, e.g., unplanned changes in demand, including challenge of the assumptions underlying its plans.
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Commentary

- In the run up to each new financial year, the Trust develops a new financial plan and budget to support that year, informed from run rate positions. Significant financial cost pressures and intolerable risks are captured through the partnership working of its divisions with the finance business partners across the Trust. These issues are then reviewed, considered and evaluated against criteria, such as risk score, likelihood, impact etc. to determine a prioritised list, which is then assessed by the Executive team against the funding available.
- We have reviewed the Financial Plan for 2025/26, presented to the Finances and Resources Committee in February 2025. The Trust plans finances in line with relevant strategic objectives to deliver services. As seen in the meetings we have attended, the committee members demonstrate challenge to allow the steps to be challenged and facilitate the identification of any issues arising that would prevent the Trust from delivering its objectives.
- We have reviewed the Capital Plan, presented over the next 5 years on a project-by-project basis. This plan is clearly set out and aligned with other plans (workforce, financial, investment etc). The narrative is aligned with each capital project the Trust is undertaking, sets out the timeline for completion of capital projects and the rationale for proceeding with the relevant projects. We also note the impact from key stakeholders through various Board, Divisional and Committee meetings facilitating the alignment of the plans.
- We have reviewed M9 capital, procurement and financial sustainability plans, where management ensure the financial plans are consistent with other plans across the Trust. Workforce planning is conducted by the Trust aligned with financial and investment planning. We note that the current version of the Medium-Term Financial Plan runs until the period ending 2027/28, with iterations to the MTFP made and reported at appropriate stages in relevant committees.

VfM arrangements: Financial Sustainability (continued)

Commentary

- Through our knowledge of the audit and budget setting process as set out by NHSE/I, we consider that sufficient evidence has been obtained and reviewed to support our risk assessment and VfM commentary.
- The Trust recognised an adjusted financial performance surplus for the year of £67k (31 March 2024: £535k adjusted deficit), against planned breakeven position.
- At 31 March 2025, the Trust had net assets of £267m (31 March 2024: £293m), and cash of £42m (31 March 2024: £55m).
- In 2024/25, the total CIP efficiencies achieved was £37.4m (31 March 2024: £28.7m), of which £26.6m was on a non-recurrent basis (31 March 2024: £9.4m). Non-recurrent savings represent 71% of total efficiencies (31 March 2024: 33%).
- We have evidenced the Trust's annual planning and budget setting approach which is robust and detailed. The approach covers the group and the overall ICS position. The Trust has worked with its ICS partners to develop system and organisational level plans in the medium term.
- The Trust expect an adjusted breakeven for 2025/26, with planned CIP targeted at £41.8m, which is higher than the achieved £37.4m in the current year. £16.6m of the efficiencies forecasted for 2025/26 relate to non-recurrent efficiencies, which represents 40% of total planned efficiencies for 2025-26.
- Of the £41.8m CIP targeted, high risk efficiencies are £20,654k and there are £7,766k unidentified savings per the M12 submission in April 2025. The identification, implementation and monitoring of CIP is a continuous and engaged process. The Finance & Resource Committee receive a monthly update on financial sustainability on both a divisional and systemwide basis.
- Compared to other trusts we audit, the Trust has a relatively higher reliance on non-recurrent. The extent of reliance on non-recurrent efficiencies increases the level of savings required for next year.

 **We have identified a significant weakness in arrangements in respect of how the Trust is able to achieve its cost improvement target for the year and the increasing reliance on non-recurrent savings. We will report the significant weakness and our recommendation to the Trust on 25th June 2025, as detailed on page 13.**

As part of our 2023/24 audit, we reported a significant weakness in respect of financial sustainability (how the Trust plans and manages its resources to ensure it can continue to deliver its services), specifically how the Trust is able to achieve its cost improvement target for the year, together with a recommendations to address the significant weakness. We have concluded that there remains a significant weakness in the Trust's arrangements around financial sustainability and have pinpointed the weakness around the increasing reliance on non-recurrent savings.

VfM arrangements: Financial Sustainability (continued)

The details of the significant weakness identified are set out in the table below:

Significant weakness	<i>Financial Sustainability – CIP Targets and Non-Recurrent Savings</i>
Nature of the significant weakness identified	<i>We reported on 01/10/2024 and re-confirmed on 09/06/2025, a significant weakness in arrangements in respect of financial sustainability (how the Trust plans and manages its resources to ensure it can continue to deliver its services), specifically how the Trust achieves its cost improvement targets and the Trust's reliance on non-recurrent savings.</i>
Evidence on which our judgement is based	<p><i>Total CIP has been increasing year on year, from £28.7m achieved in 2023-24, £37.4m achieved in 2024-25 and planned CIP of £41.8m for 2025-26. Within this, non-recurrent savings has also increased from £9.4m in 2023-24, to £26.6m in 2024-25. In 2024-25, non-recurrent savings represent 71% of total efficiencies (31 March 2024: 33%). The Trust expect £16.6m of the efficiencies forecasted for 2025/26 to be non-recurrent efficiencies, which represents 40% of total planned efficiencies.</i></p> <p><i>Total CIP and non-recurrent savings are increasing and have historically been lower than the current year level, which increases the risk associated with achieving planned targets and identifying sustainable savings.</i></p> <p><i>Compared to other trusts we audit, the Trust has a relatively higher reliance on non-recurrent. The extent of reliance on non-recurrent efficiencies increases the level of savings required for next year. The increasing reliance on non-recurrent savings implies shorter term planning, which can lead to unsustainable financial outcomes in the medium to long term.</i></p>
Impact on the Trust	<i>The delivery of the cost improvement target is critical in ensuring the Trust reports a breakeven position and to provide agreed funding from the ICB to patient services within the Trust.</i>
Recommendation	<i>It is recommended that the Trust accelerate its efforts to identify and realise specific opportunities to deliver its plan, and in planning for future periods, begin the identification of savings opportunities and project planning for their delivery further ahead of the start of the period to identify greater recurrent saving opportunities.</i>
Management response	<i>The Trust recognises that delivery of long-term financial sustainability is predicated on the identification and delivery of recurrent savings. As part of the 25/26 planning round, the Trust has included a requirement that at least 60% of its financial sustainability schemes to be of a recurrent nature. Across the medium term, the Trust are wanting to increase the percentage of recurrent schemes, recognising that there will always be a non-recurrent element to plans.</i>

VfM arrangements: Governance

Approach and considerations

We have considered how the Trust ensures that it makes informed decisions and properly manages its risks, including:

- How the body 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 body approaches and carries out its annual budget setting process;
 - How the body 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 body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee; and
 - How the body monitors and ensures 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), and for example where it procures or commissions services.
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Commentary

- Through review of the risk register, risk management strategy, our external audit work on internal controls, review of the internal audit report and procedures surrounding fraud, we have gained further understanding of how the Trust monitors and assesses risk and gains assurance over the effective operation of internal controls.
 - Through our external audit procedures, we have reviewed the latest risk register where the risks are mapped to the controls in place to mitigate each risk. The risk register is reviewed on a regular basis through Board meetings, which includes reviews of new risks as they emerge.
 - The effectiveness of the Trust's internal control environment, including counter fraud, is overseen by the Audit and Risk Committee, through an annual internal audit and annual counter fraud plan.
 - The Trust has an internal audit function, of which the findings have been reviewed during the external audit. This has provided assurance over the operation of the internal controls. The Audit and Risk Committee review the findings of internal audit and follow up on any areas of weakness identified prior to approval of the reports. We have challenged management on instances of fraud and no such incidents have been reported via internal audit or other means, thus evidencing the effective operation of the controls.
 - The Trust Board signs off NHSE self-certifications on an annual basis. Consideration is also given to whether there are any risks and mitigating actions which need to be highlighted in the Corporate Governance Statement self-certification.
-

VfM arrangements: Governance (continued)

Commentary

- NHSE has assessed the Trust as rated 3 against the NHS Oversight Framework (NOF), which indicates ‘significant support needs against one or more of the five national oversight themes and in actual or suspected breach of the licence’.
- The annual budget setting process start point is the identification and roll-over of the recurrent position which is then adjusted for known changes and developments as well as factors such as NHS inflation etc. This helps identify the gap between funding and expenditure requirements which is to be addressed through a Cost Improvement Programme. There is an established process for engagement with budget holders and approvals which culminate with Trust Board sign-off at the start of the new year. Budget holders have accountability and are challenged on the board packs produced via various divisional and board meetings.
- We have reviewed finance reports and can see that key metrics are presented for the current year alongside the prior year and budget, the reports form a solid basis for a review to monitor budgetary control to occur. Reports are distributed to the committees ahead of the meetings to allow sufficient time for review and challenge based on the knowledge and experience of the committee members.
- The Trust has a series of policies in place to support the Standing Financial Instrument’s and to ensure legislative and regulatory requirements are met. For example, there is a Conflict-of-Interest Policy and a Gifts and Hospitality policy along with Divisional Registers which are maintained by the Corporate Governance Team. We also note that the Board must adhere to the Code of Conduct and Accountability which sets out appropriate behaviour for the NHS Boards. Decisions are taken in line with the Trust’s Scheme of Delegation with more material decisions taken at Executive or Board level, supported by relative and proportionate information.
- For the purposes of the external audit, we have reviewed all Board (Public and Private) and committee meeting minutes. Through our review of these minutes, we have seen the challenge demonstrated by the Board across a range of topics. We note that the Board papers are comprehensive and contain sufficient evidence to allow full and proper challenge.
- During all committee meetings the relevant Boards challenge the evidence presented to them. Boards therefore gain assurance through committee meetings with executive and non-executive directors. Board members who sit on several committees can triangulate and corroborate what they hear in each. Internal surveys are also considered, along with complaints. There is considerable challenge during the Board and other committee meetings. We have observed this through attendance at the Quality Board meetings. The challenge posed by the Board is dependent on their competence and experience, which we have observed and was demonstrated to be sufficient and far reaching to provide the required level of challenge.

NHS Provider Code of Governance and Annual Governance Code

- The Trust’s statement of compliance with the Code is confirmed in the Annual Report, which states that the Trust considers it has complied with the provisions of the Code throughout the year.
- The Annual Governance Statement, available as part of the Trust’s Annual Report, contains further detail in relation to the governance issues addressed and improvements made during 2024-25.

VfM arrangements: Governance (continued)

Commentary

CQC Findings

CQC have issued the Trust with 'Requires Improvement' ratings via the issuance of section 29A and section 31 notices, as follows:

- Section 29A: CQC inspection report issued in October 2022, which gave an overall rating of "Requires Improvement" in relation to the safe, responsive and well-led domains of the quality rating. There have been various CQC reviews which have been completed during the year which have continued to rate services provided by the Trust as requires improvement, with a Section 31 Notice being issued in relation to a CQC visit to maternity services, therefore these significant weakness remain in place.
- Section 31: CQC inspection report issued in May 2024, demanding urgent improvement following concerns with the provision of maternity and ED services.

Additionally, a recent CQC assessment carried out in January 2025 assessed 'Maternity' services as 'Inadequate' and 'Urgent & Emergency' services as 'Requires Improvement' within Gloucestershire Royal Hospital, including concerns over staffing, infection prevention and safe environment standards not being met.

In 2024-25, we have evidenced improvements in the response to the findings and notices issued by CQC, including action plans in place to improve on the areas identified by CQC. **However, we have concluded this remains a significant weakness in arrangements over how the Trust monitors and ensures appropriate standards, and how the Trust evaluates the services it provides to assess performance and identify areas for improvement.** See page 17 for more details.

VfM arrangements: Governance (continued)

The details of the significant weakness identified are set out in the table below:

Significant weakness	Governance – CQC Inspections
Nature of the significant weakness identified	<i>We reported on 12/10/2022 and re-confirmed on 09/06/2025, a significant weakness in the Trust's governance arrangements in how the Trust monitors and ensures appropriate standards; and weaknesses in its use of resources, in how the Trust uses information about its performance to improve the way it manages and delivers its service.</i>
Evidence on which our judgement is based	<i>These weaknesses reflect the findings of the Care Quality Commission's (CQC) inspection reports issued in October 2022 and May 2024. The reports give an overall rating of "Requires Improvement" to the safe, responsive and well-led domains of the quality rating and maternity care services. Additionally, a recent CQC assessment carried out in January 2025 assessed 'Maternity' services as 'Inadequate' and 'Urgent & Emergency' services as 'Requires Improvement' within Gloucestershire Royal Hospital, including concerns over staffing, infection prevention and safe environment standards not being met. Although we have evidenced continued improvements, including monitoring of actions against the findings being made, CQC have not formally confirmed the rating over these services has changed.</i>
Impact on the Trust	<i>Continued ratings of 'requires improvement' for various services provided by the Trust poses a risk to the safety and quality of patient care.</i>
Recommendation	<p>Prior year recommendation</p> <p><i>We recommended the Foundation Trust develop and monitor a detailed action plan to address the findings of the CQC report and to review the monitoring controls in place to identify issues in the future. The significant weaknesses have not yet been addressed.</i></p> <p>Current year position</p> <p><i>Based on the work performed, we consider that there remains a significant weakness in this area. We do not consider it necessary to make any additional recommendations in the current year. Our audit opinion noted that work is on-going to address the significant weakness.</i></p>
Management response	<i>The Trust will continue to respond to the issues raised by CQC, under the S31 enforcement notice, and are planning the next steps as it is likely that the conditions will be met over the coming months. In May 2025, we have received a final report for the Medicine and Oncology inspection and the Cheltenham Hospital site was rated "GOOD" overall.</i>

VfM arrangements: Improving economy, efficiency and effectiveness

Approach and considerations

We have considered how the body uses information about its costs and performance to improve the way it manages and delivers its services, including:

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

- The Department of Social Care and NHSE set targets against which the Trust can be challenged. The Trust has historically been independent but in 2022 became part of the Gloucestershire Integrated Care System (ICS).
 - Financial and Performance information is being utilised in various forums such as the Directors Operational Assurance Group, Finance & Resources Committee, and Quality & Performance Committee. Information on financial performance including KPIs, financial sustainability plan delivery and performance are being shared for areas of improvement to be identified.
 - We have obtained copies of minutes of the committees and groups mentioned and note that financial information, KPIs and budgets are all being reviewed, updated and scrutinised.
 - We have noted that the Trust conduct various surveys and reflections on its performance to ensure areas for improvement are identified.
 - The Trust has a series of objectives set out of a five-year period that the Trust is measured against and challenged on via committee meetings.
 - We note that the Trust have adequate arrangements in place to review financial performance and identify areas for improvement throughout the year, including through implementation of the Financial Plan and Operation Plans. The Trust remains a regular contributor to NHS Benchmarking and use this data to compare performance at both a trust-wide and divisional level as well as to identify CIP opportunities.
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VfM arrangements: Improving economy, efficiency and effectiveness (continued)

- We have reviewed the Trust prepared list for key policies and assessments in relation to procurement. These policies are available to staff on the intranet. Procurement follows strict standards, standards achieved by accreditation to NHS Standards of Procurement. We have also noted no issues through attendance of the Quality Board meetings. Lastly the Standing Financial Instructions (SFIs) cover a vast range of financial areas, including procurement. We do not deem procurement to give rise to a risk of significant weakness.
- We have reviewed the risk registers and internal audit reports during the year, noting no areas of concern from an improving economy, efficiency and effectiveness view.

Prior year recommendations:

As part of our 2023/24 audit, we reported a significant weakness in respect of the Trust's arrangements for how the Trust ensures that it makes informed decisions and properly manages its risks, and improving economy, efficiency and specifically in how the Trust manages Ambulance Handovers and in how the Trust maintains a sound control environment, given the opinion of Head of Internal Audit was 'Limited' assurance on the framework of risk and control, with findings on the weaknesses in the processes and controls in place around several areas such as shared services, payroll and consultant job planning. In 2024/25, we have evidenced substantial improvements in the Trust's control environment, including management of Ambulance Handovers improving relative to other Trusts and the overall control environment being reflected more positively by the Internal Audit Opinion. Therefore, we have removed the significant weakness for 2024-25 on both these areas.

Purpose of our report and responsibility statement

What we report

Our report fulfils our obligations under the Code of Audit Practice to issue an Auditor's Annual Report that brings together all of our work over the year, including our commentary on arrangements to secure value for money, and recommendations in respect of identified significant weaknesses in the Trust's arrangements.

What we don't report

Our audit was not designed to identify all matters that may be relevant to the Trust.

Also, there will be further information the Board of Directors and Board of Governors need to discharge their governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and work under the Code of Audit Practice in respect of Value for Money arrangements.

The scope of our work

Our observations are developed in the context of our audit of the financial statements. We described the scope of our work in our audit plan.

Use of this report



This report is made solely to the Board of Governors and Board of Directors ("the Boards") of Gloucestershire Hospital NHS Foundation Trust, as a body, in accordance with the National Health Service Act 2006. Our audit work has been undertaken so that we might state to the Boards those matters we are required to state to them in our Audit Report and Auditor's Annual Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Boards as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte LLP

Bristol | 19 June 2025



Appendix 1: Significant weakness recommendations

This appendix summarises the recommendations we have made in respect of the significant weaknesses identified in 2024-25

Page	Recommendation	Management Response
1 13 	<p><i>It is recommended that the Trust accelerate its efforts to identify and realise specific opportunities to deliver its plan, and in planning for future periods, begin the identification of savings opportunities and project planning for their delivery further ahead of the start of the period to identify greater recurrent saving opportunities.</i></p>	<p><i>The Trust recognises that delivery of long-term financial sustainability is predicated on the identification and delivery of recurrent savings. As part of the 25/26 planning round, the Trust has included a requirement that at least 60% of its financial sustainability schemes to be of a recurrent nature. Across the medium term, the Trust are wanting to increase the percentage of recurrent schemes, recognising that there will always be a non-recurrent element to plans.</i></p>
2 17 	<p>Prior year recommendation</p> <p><i>We recommended the Foundation Trust develop and monitor a detailed action plan to address the findings of the CQC report and to review the monitoring controls in place to identify issues in the future. The significant weaknesses have not yet been addressed.</i></p> <p>Current year position</p> <p><i>Based on the work performed, we consider that there remains a significant weakness in this area. We do not consider it necessary to make any additional recommendations in the current year. Our audit opinion noted that work is on-going to address the significant weakness.</i></p>	<p><i>The Trust will continue to respond to the issues raised by CQC, under the S31 enforcement notice, and are planning the next steps as it is likely that the conditions will be met over the coming months. In May 2025, we have received a final report for the Medicine and Oncology inspection and the Cheltenham Hospital site was rated "GOOD" overall.</i></p>

Appendix 2: Follow up on recommendations in respect of significant weaknesses

This appendix provides an update on the Trust's progress in addressing the recommendations we made in respect of the significant weaknesses identified in the 2023/24 audit.

Recommendation	Current status
 <p>1 Ambulance Handovers:</p> <p>In 2023/24, we have identified a significant weakness in arrangements in respect of governance (how the Trust ensures that it makes informed decisions and properly manages its risks) and improving economy, efficiency and specifically in how the Trust manages Ambulance Handovers.</p> <p>We recommended that the Trust continue to develop the urgent care strategy to ensure sustainable urgent care services are delivered while maintaining patient quality.</p>	<p>In the current year, we have evidenced improvements in the ability of the Trust to maintain patient quality through appropriate management of ambulance handovers.</p> <p>Following review of relevant reports and interviews with key personnel at the Trust, we do not consider there to be a risk of significant weakness in relation to this area for 2024/25.</p>
 <p>2 Internal Audit Opinion:</p> <p>In 2023/24, we have identified a significant weakness in arrangements in respect of governance (how the Trust ensures that it makes informed decisions and properly manages its risks), specifically in how the Trust maintains a sound control environment, supported by only a 'limited' assurance opinion from Head of Internal Audit on the framework of governance risk and control.</p> <p>We recommended that the Trust implement the agreed actions to address the issues noted within the internal audit reports.</p>	<p>In the current year, we have evidenced improvements in how the Trust make informed decisions and manage its risks, including maintaining a sound control environment and framework of governance risk and control. BDO issued a 'Moderate' assurance that there is a sound system of internal controls designed to meet the Trust's objectives, which is an improvement on the limited assurance opinion received in 2023-24.</p> <p>Following review of relevant reports and interviews with key personnel at the Trust, we do not consider there to be a risk of significant weakness in relation to this area for 2024/25.</p>

Appendix 3: Trust's responsibilities

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

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

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

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

The Accounting Officer is required to comply with the Accounts Direction issued by NHS England, which requires the Trust to comply with the Department of Health & Social Care Group Accounting Manual and prepare the financial statements on a going concern basis, unless the Trust is informed of the intention for dissolution without transfer of services or function to another entity. In applying the going concern basis of accounting, the Accounting Officer has applied the 'continuing provision of services' approach set out in the Group Accounting Manual, as it is anticipated that the services the Trust provides will continue into the future.

The Accounting Officer is required to confirm that the Annual Report and Accounts, taken as a whole, is fair, balanced, and understandable, and provides the information necessary for patients, regulators and stakeholders to assess the Trust's performance, business model and strategy.

The Accounting Officer is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of the Trust's resources, for ensuring that the use of public funds complies with the relevant legislation, delegated authorities and guidance, for safeguarding the assets of the Trust, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Accounting Officer and the Board are responsible for ensuring proper stewardship and governance, and reviewing regularly the adequacy and effectiveness of these arrangements.

Appendix 4: Auditor's responsibilities

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Auditor's responsibilities relating to the Trust's arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under the Code of Audit Practice and the National Health Service Act 2006 to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the foundation trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our work in accordance with the Code of Audit Practice, having regard to the guidance, published by the Comptroller & Auditor General, as to whether the Trust has proper arrangements for securing economy, efficiency and effectiveness in the use of resources against the specified criteria of financial sustainability, governance, and improving economy, efficiency and effectiveness.

The Comptroller & Auditor General has determined that under the Code of Audit Practice, we discharge this responsibility by reporting by exception if we have reported to the Trust a significant weakness in arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025. Other findings from our work, including our commentary on the Trust's arrangements, are reported in our Auditor's Annual Report.

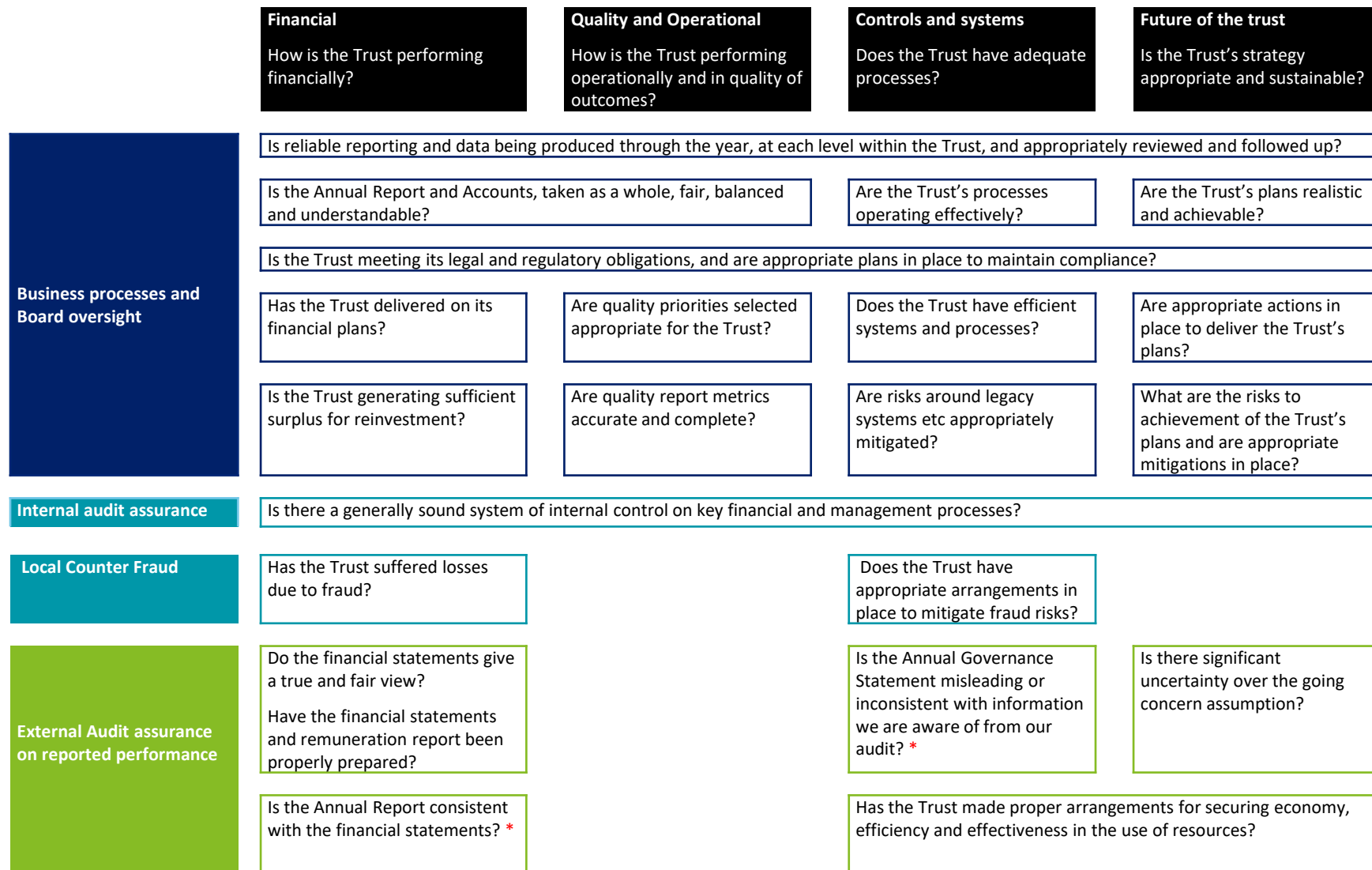
Auditor's other responsibilities

We are also required to report to you if we exercise any of our additional reporting powers under the National Health Service Act 2006 to:

- Make a referral to NHS England if we believe that the Trust or an officer of the Trust is:
 - about to make, or has made, a decision which involves or would involve the Trust incurring unlawful expenditure;
 - about to take, or has begun to take a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency
- Consider whether to issue a report in the public interest.

Appendix 5: Assurance sources for the Trust

The diagram below illustrates how the assurances provided by external audit around finance, quality, controls and systems and the future of the Trust and how this fits with some of the other assurances available over the Trust's position and performance.



* The scope of external audit in this area is "negative assurance" of reporting by exception of issues identified. © 2025 Deloitte LLP. All rights reserved



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