



# Auditor's Annual Report 2024/25

**Sherwood Forest Hospitals NHS Foundation Trust**

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June 2025

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This report is addressed to Sherwood Forest Hospitals NHS Foundation Trust (the ‘Trust’), as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state, those matters we are required to state to them in an auditors’ 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 Sherwood Forest Hospitals NHS Foundation Trust, as a body, for our audit work, for this report, or for the opinions we have formed.

We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

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





# 01 Executive Summary


# Executive Summary


## Purpose of the Auditor’s Annual Report


This Auditor’s Annual Report provides a summary of the findings and key issues arising from our 2024-25 audit of Sherwood Forest Hospitals NHS Foundation Trust (the ‘Trust’). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office and is required to be published by the Trust alongside the annual report and accounts.


## Our responsibilities

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

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**Accounts** - We provide an opinion as to whether the accounts give a true and fair view of the financial position of the Trust and of its income and expenditure during the year. We confirm whether the accounts have been prepared in line with the Group Accounting Manual prepared by the Department of Health and Social Care (DHSC).
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**Annual report** - We assess whether the annual report is consistent with our knowledge of the Trust. We perform testing of certain figures labelled in the remuneration report.
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**Value for money** - We assess the arrangements in place for securing economy, efficiency and effectiveness (value for money) in the Trust’s use of resources and provide a summary of our findings in the commentary in this report. We are required to report if we have identified any significant weaknesses as a result of this work.
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**Other reporting** - We may issue other reports where we determine that this is necessary in the public interest under the Local Audit and Accountability Act.

## Findings

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

Accounts	We issued an unqualified opinion on the Trust’s accounts on25 June 2025. This means that we believe the accounts give a true and fair view of the financial performance and position of the Trust.  We have provided further details of the key risks we identified and our response on page 7.
Annual report	We did not identify any significant inconsistencies between the content of the annual report and our knowledge of the Trust.  We confirmed that the annual report has been prepared in line with the NHS Group Accounting Manual (GAM) and the Foundation Trust Annual Reporting Manual (the ARM).
Value for money	We are required to report if we identify any matters that indicate the Trust does not have sufficient arrangements to achieve value for money.  We have nothing to report in this regard.
Other reporting	We did not consider it necessary to issue any other reports in the public interest.

# 02 Audit of the Financial Statements

# Audit of the financial statements

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

- Give a true and fair view of the state of the Trust's affairs as at 31 March 2025 and of its income and expenditure for the year then ended;
- Have been properly prepared in accordance with the accounting policies directed by NHS England with the consent of the Secretary of State in February 2025 as being relevant to NHS Foundation Trusts and included in the Department of Health and Social Care Group Accounting Manual 2024/25; and
- Have been prepared in accordance with the requirements of the National Health Service Act 2006 (as amended).

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

## Audit opinion on the financial statements

We have issued an unqualified opinion on the Trust's financial statements before 30 June 2025. The full opinion is included in the Trust's Annual Report and Accounts for 2024/25 which can be obtained from the Trust's website. Consistent with other NHS audits we have not issued our audit certificate at this stage, we plan to do so on the completion of the audit of the NHS England accounts.

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

# Audit of the financial statements

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

Risk	Procedures undertaken	Findings
<p><b>Management override of controls</b></p> <p>We are required by auditing standards to recognise the risk that management may use their authority to override the usual control environment.</p>	<p>We assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias;</p> <p>In line with our methodology, we evaluated the design and implementation of controls over journal entries and post closing adjustments;</p> <p>We assessed the appropriateness of changes, compared to the prior year, to the methods and underlying assumptions used to prepare accounting estimates;</p> <p>We assessed the business rationale and the appropriateness of the accounting for significant transactions that are outside the Trust's normal course of business, or are otherwise unusual; and</p> <p>We identified journal entries and other adjustments with characteristics that indicate that they may be inappropriate or unauthorised and therefore may have been used to manipulate the financial statements (which we refer to as 'high-risk journals and other adjustments'), using KPMG Clara Journal Entry Analysis) and perform procedures to test the appropriateness of these entries and adjustments.</p>	<p>We did not identify any material misstatements relating to this risk.</p>
<p><b>Fraudulent expenditure recognition</b></p> <p>Auditing standards suggest for public sector entities a rebuttable assumption that there is a risk expenditure is recognised inappropriately.</p> <p>We recognised this risk over all of the Trust's non-pay expenditure excluding depreciation.</p>	<p>We evaluated the design and implementation of controls for reviewing manual expenditure accruals at the end of the year to verify that they exist and are valid;</p> <p>We inspected a sample of invoices and payments of expenditure, in the period after 31 March 2025, to determine whether expenditure has been recognised in the correct accounting period;</p> <p>We also selected a sample of payments from the bank statements in the period after 31 March 2025 by agreeing to underlining supporting evidences to determine that all the liabilities are completely and accurately recorded in the correct accounting period;</p> <p>We selected a sample of year end accruals and inspected evidence of the actual amount paid after year end and other supporting information, and assessed whether the accrual exists and has been accurately recorded;</p> <p>We inspected journals posted as part of the year end close procedures that decrease the level of expenditure recorded and critically assessed whether there was an appropriate basis for posting the journal and the value can be agreed to supporting evidence;</p> <p>We performed a retrospective review of prior year accruals in order to assess the existence and accuracy with which accruals had been recorded at 31 March 2024 and considered the impact on our assessment of the accruals at 31 March 2025; and</p> <p>As a risk assessment procedure, we performed a year on year comparison of a sample of the largest accruals in the prior year and current year and challenged management where the movement is not in line with our understanding of the entity.</p>	<p>We did not identify any material misstatements relating to this risk.</p>

# 03 Value for Money





# Value for Money

### Introduction

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

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

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

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

### Approach

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

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

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

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

### Summary of findings

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
Commentary page reference	11-12	13	14-15
Identified risks of significant weakness?	<div></div> Yes	<div></div> No	<div></div> No
Actual significant weakness identified?	<div></div> No	<div></div> No	<div></div> No
2023-24 Findings	Risk to significant weakness noted but did not materialise into significant weakness	No significant weakness identified	No significant weakness identified
Direction of travel	<div></div>	<div></div>	<div></div>

# Value for Money

## NATIONAL CONTEXT

Following the general election in July 2024 the Labour government commissioned reviews in order to determine the causes of challenges within the sector and where priorities were for improvement. A 10 year plan is currently being developed to set out the strategy for transforming health care services in the future.

Operational performance across the sector has continued to be significantly below constitutional standards, continuing a trend that began during the Covid-19 pandemic. In March 2025 25% of patients attending A&E waited more than the four hour target and 60% of patients awaiting planned care had a wait of more than 18 weeks. While mental health performance improved year on year in a number of areas the backlog for treatment nationally has grown by a further 11% year on year, with 1.7 million referred patients awaiting their second contact.

During the year a revised timetable was announced for the New Hospital Programme, the national capital project to build 40 new hospitals. For a number of hospitals this has meant delays to the timetable for their construction deferred to the 2030s.

### *Financial performance*

Local NHS systems continued to face challenging financial targets in 2024-25. Budgets across the 42 integrated care systems in England had a combined £500m deficit compared to the funding that was available at the beginning of 2024-25. By February 2025 (the latest national data available when this report was drafted) the forecast performance of all systems was a £604m overspend against the agreed figures.

Each year NHS entities are delegated efficiency targets through funding allocations and contracting guidance. Across England there was a £539m shortfall in the identified efficiencies compared to those required based on the agreed levels of funding delegated to systems.

### *Structures*

Significant changes to the structure of the health system have been announced, to be implemented between 2025 and 2027. ICBs have been set running cost targets, with many expected to pursue mergers or large restructurings in order to achieve these. Providers are expected to reverse 50% of their corporate cost growth since Covid-19. During 2025-26 all NHS entities will therefore need to reassess their structures, which can impact on management bandwidth, stability of controls and morale.

## LOCAL CONTEXT

The Trust delivers a range of emergency, specialist and general medical services through three main sites: King's Mill Hospital, Newark Hospital & Mansfield Community Hospital. The Trust is a member of the NHS Nottingham and Nottinghamshire Integrated Care System.

### *Financial performance*

The Trust achieved a breakeven position within 2024/25, achieving their revised planned position.

Delivery of the financial plan remains a key challenge for the Trust, and was achieved in 2024/25 through a focused Cost Improvement Programme (CIP) to identify efficiencies. In year, the Trust reported delivery of £38.52 million of cost savings against a planned total of £38.45 million, achieving 100% of their target. Within 2025/26, the Trust was also able to improve its recurrent savings position target, achieving 62% recurrent efficiencies, compared to 19% within the planned position.

### *System working*

The Nottinghamshire system as a whole was recognised as having a challenging financial position within 2023/24. This led to Enforcement undertakings being issued in May 2024, on the basis of financial governance grounds, and the ICB and its partner Trusts were required to action undertakings over the following areas: Financial governance, Financial controls, Programme Management, and Reporting. As part of this, the system underwent an NHS England Investigation and Intervention (I&I) process.

The outturn from the NHSE I&I process meant that there was strong system working within the period, in order to revise the plan and allow all members of the system to hit a breakeven position.

The 2025/26 Trust and ICS plan was approved, with all entities within the ICS forecasting a breakeven position. The plans includes a challenging cost improvement target of 8.1% for the system, which is greater than the CIPs delivered in the current year.

# Financial Sustainability

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

We have considered the following in our work:

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

## Summary of arrangements

We raised a significant risk in relation to the financial sustainability of the Trust within 2024/25, linked to the underlying deficit reported compared to the planned position and level of recurrent CIPs within the Trust's efficiency programme. We have **not identified any significant weakness** in the Trust's arrangements in relation to financial sustainability.

### Delivery against 24-25 financial plan

As part of the 2024/25 planning guidance, it was advised all Integrated Care Systems should be planning to hit a breakeven position. Due to the financial pressures within the previous financial period, both the Trust and the Nottingham and Nottinghamshire Integrated Care System (ICS) initially predicted deficit positions of c£11m and c£105.8m respectively.

Due to the large planned deficit and other challenges with the ICS, the Nottingham and Nottinghamshire ICB were issued Enforcement undertakings in May 2024. This was due to Financial governance grounds, and the ICB and its partner Trusts were required to action undertakings over the following areas: Financial governance, Financial controls, Programme Management, and Reporting. As part of this, the system underwent an NHS England Investigation and Intervention (I&I) process.

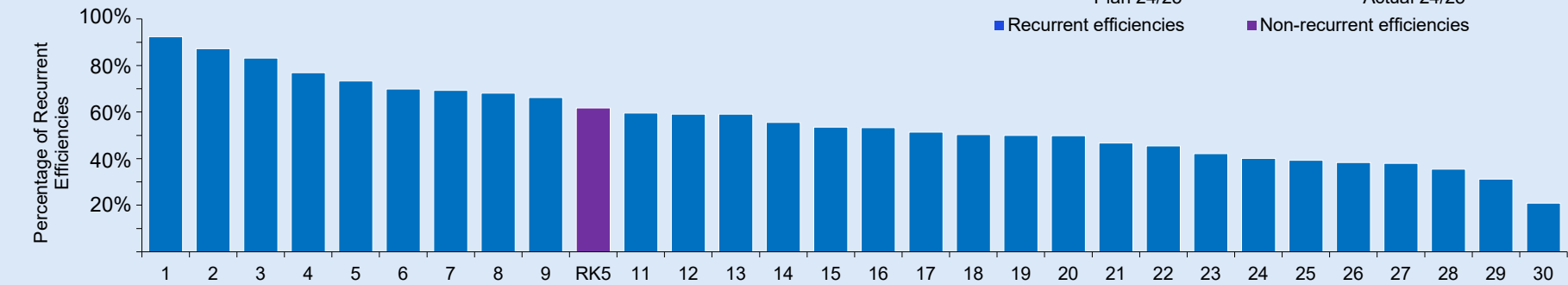
The outturn from the NHSE I&I process meant that there was strong system working within the period. The system received a non-recurrent allocation of c£100m, with the Trust receiving c£14m of this, enabling the revision of their forecast outturn to a breakeven position.

Key financial and performance metrics:	2024-25	2023-24
Planned position (adjusted financial performance)	£11.0 million deficit	Breakeven
Actual position (adjusted financial performance)	Breakeven	£14.0 million deficit
Planned CIP as a % of spend	6.8%	5.5%
- Recurrent	£7.3 million	£20.8 million
- Non-recurrent	£31.1 million	£6.6 million
Actual CIP as a % of spend	6.7%	4.9%
- Recurrent	£23.8 million	£6.5 million
- Non-recurrent	£14.7 million	£19.1 million
Year-end cash position	£26.5 million	£4.7 million

# Financial Sustainability

The Trust identified Financial Improvement Programmes (FIPs) of c£38.45m for 2024/25, with c£7.3m relating to recurrent savings as per the 2024/25 financial plan. The Trust achieved total FIPs of c£38.52m in the year, being c£23.8m recurrent and c£14.7m non-recurrent. This meant the Trust increased their overall percentage of recurrent CIP achievement to 62%, from a planned position of 19%. The increase in recurrent efficiency savings was driven by savings made to workforce, which have been carried forward into the 2025/26 plan.

Percentage of 2024/25 CIP schemes which are recurrent, compared to other providers

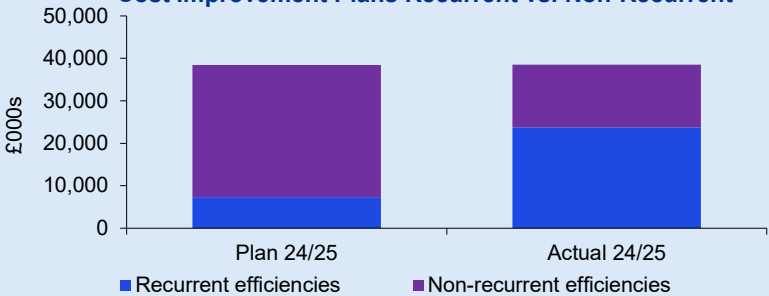


## Planning Process for 2025/26

The Trust has worked with ICS partner organisations to develop plans for 2025/26 in line with the national guidance. The Nottingham and Nottinghamshire ICS has committed to working towards a breakeven financial position for March 2026, which includes a significant efficiency targets, an increase in productivity and system transformation opportunities. As the plan is ambitious, there are a number of inherent delivery risks, for which all system partners are aware and working together to ensure strong communication so that appropriate plans and mitigations can be put in place.

The final Trust and ICS plans were submitted in April 2025 with both planning a breakeven even target position. The Trust's plan includes £45.8 million of FIPs, of which £33.4 million are recurrent. The Trust has highlighted that the Financial Recovery Cabinets will continue into 2025/26. These were introduced in 2023/24, and ensures alignment with the Financial Recovery Plan and system priorities, to ensure sufficient discussion and monitoring of the in-year Trust position, and timely identification of any potential issues or deviations from the plan.

Cost Improvement Plans Recurrent vs. Non-Recurrent



# Governance

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

We have considered the following in our work:

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

**Summary of arrangements**

We have **not identified any significant weaknesses** in the Trust's arrangements in relation to governance.

**Risk Management Process**

The Trust use a risk management framework to determine the risk approach. Risks are identified in many ways; proactively by assessing corporate objectives, work related activities, analysing adverse event trends and outcomes, and anticipating external possibilities or scenarios that may require mitigation by the Trust. All staff have the responsibility to bring to the attention of their managers potential issues identified in their areas which may impact on the Trust delivering on its objectives.

Strategic risks and associated threats are recorded and identified using the Board Assurance Framework (BAF), and any identified risks are reported to the Risk Committee on a monthly basis. The Trust have a sufficiently detailed risk register and BAF, which allows effective management of key risks. Gaps in control are highlighted, and action plans are implemented to move each risk to a tolerable level. Divisions prepare a risk report following a standard format which are reported to the Risk Committee on a rotating basis. The BAF is regularly reviewed by Audit and Assurance Committee and the Trust Board, with key risks and issues escalated accordingly.

**Financial Recovery Governance**

A monthly financial performance report is shared with Finance Committee members and provides a comprehensive overview of in-month and forecast financial performance. Key financial information is also submitted to the Board as part of the Single Oversight Framework (SOF). Each division has a governance structure to review and challenge financial performance through service line meetings. Financial performance is also discussed at Divisional Performance Review meetings on a monthly basis.

The Trust hold monthly Financial Recovery Cabinets which ensure alignment with the Financial Recovery Plan and system priorities, to ensure sufficient discussion and monitoring of the in-year Trust position, and timely identification of any potential issues or deviations from the plan.

Reporting from the Financial Recovery Cabinets are taken to Finance Committee with any key assurances or actions escalated to the Trust Board.

	2025	2024
Control deficiencies reported in the Annual Governance Statement	None	None
Head of Internal Audit Opinion	Significant assurance	Significant assurance
Oversight Framework segmentation	Trust – 2 System – 3	Trust – 2 System – 3
Care Quality Commission rating	Good	Good

# Improving economy, efficiency and effectiveness

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

We have considered the following in our work:

- How financial and performance information has been used to assess performance to identify areas for improvement;
- How the Trust ensures effective processes and systems are in place in order to develop their cost saving efficiency saving program;
- How the Trust evaluates the services it provides to assess performance and identify areas for improvement;
- How the Trust ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- Where the Trust commissions or procures services, how it assesses whether it is realising the expected benefits.

## **Summary of arrangements**

We have **not identified any significant weaknesses** in the Trust's arrangements in relation to improving economy, efficiency and effectiveness.

## **Monitoring of Performance**

The Trust uses benchmarking information from the Model Hospital, GIRFT and PLICS to help identify opportunities. Validation of the opportunities are supported by the finance team. Divisions are also encouraged to identify schemes themselves based on local knowledge, which the PMO will support in terms of scoping, developing and where appropriate delivering.

The Trust has a detailed performance management framework in place to set the structure of performance management across the Trust. This details the format of reporting and outlines roles and responsibilities at each level. The main element of performance reporting is the Single Oversight Framework (SOF) which provides the Trust Board with key operational performance indicators on a monthly basis. For each of these indicators, standards and thresholds are agreed at the start of the period to help drive identification of improvement areas. For these areas, further information is provided such as the executive lead, trends in data and benchmarking against national performance to inform the Board and provide full context. We reviewed a sample of the SOF reported to the Trust Board and concluded that, for any significant issues noted, actions were agreed and followed up by the relevant Board sub-committees, when required.

## **Development of Efficiency Saving Programme**

The Trust's 2025/26 financial plan includes £45.8 million of Financial Improvement Programmes (FIPs), of which £33.4 million are recurrent and £12.4 million are non-recurrent. This is a challenging savings plan, with recurrent efficiencies totalling 73% of all efficiencies, compared to 62% achievement within 2024/25.

The Trust have established the Financial Efficiency & Sustainability Delivery Unit to secure, accelerate, and safeguard the delivery of the Trust's £45.8m Financial Efficiency Programme for 2025/26. The unit was set up in recognition of the ongoing financial pressures across the NHS and is currently expected to operate for a minimum of 12 months, ensuring the Trust maintains financial discipline and resilience during 2025/26.

The unit is supported by operational leads across all areas of the Trust, including workforce, finance business partnering, data and performance analysts, clinical advisors and project/programme management. There is clear reporting lines through senior leads, with reporting up to the Deputy Chief Financial Officer and oversight from the Executive Team. Regular updates are also provided to the Finance and Performance Committee.

# Improving economy, efficiency and effectiveness

## *Partnership Working*

The Trust is part of the wider Nottingham and Nottinghamshire Integrated Care System (ICS). Members of the Board and leadership team are integrated within the governance of the system. Planning is performed at an ICS level as well as considering the individual entities that make up the system, with the aim of achieving financial sustainability at a system level rather than a traditional focus on individual control totals. Working in the system, the interaction between providers and other stakeholders is essential to ensure appropriate operational and clinical flow across the system and longer-term objectives.

Overall, the ICS reported a 2024/25 breakeven position and has a planned target of breakeven for 2025/26. Given this plan, there is pressure across the system for all parties to contribute in order to achieve breakeven. The Trust has engaged in both Trust and ICS planning initiatives. In particular, the Trust has engaged the Board, Finance Committee and kept the senior leadership team updated and informed throughout the process. Given the increased focus on achieving a breakeven position at a system level, increased joint working is essential and will need to continue to be a priority.



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