

University Hospitals of North Midlands NHS Trust

Auditor's Annual Report
Year ending 31 March 2025

June 2025



Contents

01	Introduction and context	3
02	Executive summary	6
03	Opinion on the financial statements and use of auditor's powers	10
04	Value for Money commentary on arrangements	14
	Financial sustainability	16
	Governance	20
	Improving economy, efficiency and effectiveness	24
05	Summary of Value for Money Recommendations raised in 2024/25	28
06	Follow up of previous recommendations	31
	Appendices	35
A	Responsibilities of the NHS Trust	36
B	Value for Money Auditor responsibilities	37

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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01 Introduction and context

Introduction

This report brings together a summary of all the work we have undertaken for University Hospitals of North Midlands (the Trust) during 2024/25 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements. The responsibilities of the NHS Trust are set out in Appendix A. The Value for Money Auditor responsibilities are set out in Appendix B.

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Trust as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with international accounting standards as interpreted and adapted by 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.

We also consider the Annual Governance Statement, the relevant disclosures within the Annual Report including the Remuneration and Staff Report.

Auditor's powers

Under Section 30 of the Local Audit and Accountability Act 2014, the auditor of an NHS body has 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 notified to NHS England. They may also issue:

- Statutory recommendations to the Trust Board which they must consider publicly
- A Public Interest Report (PIR).

Value for money

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (referred to as Value for Money). The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

- financial sustainability
- governance
- improving economy, efficiency and effectiveness.

Our report is based on those matters which come to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify.

The NHS – context

The NHS has remained under significant pressure in 2024/25

National



Past

Long-Term Underinvestment

Lord Darzi's independent report highlighted that the NHS has suffered from prolonged revenue and capital funding underinvestment, negatively impacting quality, productivity, and workforce sustainability.



Workforce Challenges and Costs

The NHS has struggled to have the right staff in the right places, relying heavily on bank and agency workers, driving up costs and compounding inflationary financial pressures.

Present



Public Health System Complexity

Public health is shared by local government and the NHS, requiring system-wide collaboration, but integration remains challenging.



Seasonal Pressures

Winter 2024/25 saw a 'quad-demic' of viruses strain A&E services, causing long waits, worse illnesses, and disrupted elective care, impacting the ability to deliver operational plans.

Future



Structural uncertainty

The planned abolition of NHS England, uncertainty over longer-term funding arrangements and structural re-organisation affects systems' ability to plan for the long term.



Digital Transformation and Productivity

The government has signaled a major shift from "analogue to digital" that is crucial to improving NHS productivity, but implementation remains complex and resource-intensive.

Local

The Trust is hosted within the Staffordshire and Stoke on Trent integrated care system, which covers some of England's most deprived areas, with significant challenges from ill health, health inequalities and infant mortality. The system inherited a difficult financial position with an initial underlying deficit of around £150m and has faced significant challenges delivering a balanced position every year since 2022

We have previously reported that the Trust has developed strong governance and system working arrangements but lacked a medium-term plan showing how it would reach a sustainable financial position, and needed to improve its identification delivery of recurrent savings.

It is within is context that we set out our commentary on the Trust's value for money arrangements in 2024/25.

02 Executive Summary

Executive summary – our assessment of value for money arrangements

Our overall summary of our Value for Money assessment of the Trust's arrangements is set out below. Further detail can be found on the following pages.

Criteria	2023/24 Assessment of arrangements	2024/25 Risk assessment	2024/25 Assessment of arrangements
Financial sustainability	R Significant weakness in arrangements identified in relation to short- and medium-term financial planning and improvement recommendations also raised.	One risk of significant weakness identified in relation to: short- and medium-term financial planning.	R Significant weakness in arrangements continues to be identified and an updated key recommendation made. We also raise an improvement recommendation.
Governance	A No significant weaknesses identified; improvement recommendations raised in relation to budget setting.	No risks of significant weakness identified.	A No significant weaknesses in arrangements identified, but one improvement recommendation maintained from 2023/24 in relation to the Trust's financial planning.
Improving economy, efficiency and effectiveness	A No significant weaknesses identified; improvement recommendations raised in relation to data quality and contract management.	No risks of significant weakness identified.	A No significant weaknesses in arrangements identified, but one improvement recommendation maintained in relation to improving contract management arrangements.

G No significant weaknesses or improvement recommendations.
A No significant weaknesses, improvement recommendations made.
R Significant weaknesses in arrangements identified and key recommendation(s) made.

Executive Summary

We set out below the key findings from our commentary on the Trust's arrangements in respect of value for money.



Financial sustainability

The Trust ended the year with a financial deficit of £18.1 million, missing its planned breakeven target. This shortfall stemmed from underperformance in its Cost Improvement Plans (CIPs), with oversight arrangements for divisional savings remaining and area for development. External healthcare purchases, and unmet elective recovery targets also contributed to the final result. The underlying deficit also remains a concern.

The Trust's 2025/26 financial plan initially showed a £37.2 million deficit, later revised to breakeven after negotiations with the Integrated Care Board (ICB).

We continue to identify a significant weakness in the Trust's arrangements financial sustainability in 2024/45 and set out Key recommendation and linked improvement recommendation in this area.



Governance

The Trust maintains appropriate risk management processes supported by key committees that help the Board address major risks. The Board Assurance Framework (BAF) is regularly reviewed and appropriate internal audit arrangements are in place.

The Trust collaborates with the ICB to ensure clear budget-setting principles and address potential deficits. However, as we reported last year, it would be preferable to reach agreement sooner with the ICB on key principles to avoid late changes to the financial plan.

We continue to raise an improvement recommendation in this area.



Improving economy, efficiency and effectiveness

The Trust has well-established effective performance reporting arrangements to identify improvement areas. The inclusion of statistical process control and an assurance grid enhances report effectiveness.

Despite operational challenges, the Trust has made progress addressing CQC concerns. County Hospital improved its overall rating to "Good" in 2024. Following CQC's review of maternity services at Royal Stoke, the Trust met all requirements, achieving a "Good" rating.

The Trust engages stakeholders in setting strategic objectives and has approved a new strategy focused on people, patients, and population.

We continue to raise an improvement recommendation related to contract management arrangements.

Executive summary – auditor’s other responsibilities

This page summarises our opinion on the Trust’s financial statements and sets out whether we have used any of the other powers available to us as the Trust’s auditors.

Auditor’s responsibility	2024/25 outcome	
Opinion on the Financial Statements	The audit of your financial statements is complete, and an unqualified audit opinion was issued on 26 June 2025, following the Audit Committee meeting on 20 June 2025. Our findings are set out in further detail on pages 11 to 13.	
Use of auditor’s powers	We made a referral under Section 30 of the Local Audit and Accountability Act 2014 on 12 June 2024, regarding the Trust breaching its breakeven duty for the three-year period ending 31 March 2024. The Trust subsequently reported a £15.614m deficit in its draft financial statements for 2024/25, resulting in a cumulative deficit position of £202.939m at 31 March 2025. The Trust has set a breakeven budget for the year ended 31 March 2026, which will require £37.2m of deficit funding. The Trust does not have a formal plan to return to in-year financial balance in the foreseeable future. The Trust therefore continues to take a course of action that is unlawful and has caused a loss which gives rise to a duty on us to report to you under section 30(a) and (b) of the Local Audit and Accountability Act 2014 in respect of the three-year period ending 31 March 2025 and beyond. This referral was made on 28 May 2025. No other issues have been identified during our work which require us to make statutory recommendations, or issue a Public Interest Report (PIR).	



03 Opinion on the financial statements and use of auditor's powers

Opinion on the financial statements

These pages set out the key findings from our audit of the Trust's financial statements, and whether we have used any of the other powers available to us as the Trust's auditors.

Audit opinion on the financial statements

An unqualified opinion on the Trust's financial statements was issued on 26 June 2025.

The full opinion is included in the Trust's Annual Report for 2024/25, which can be obtained from the Trust's website.

Grant Thornton provides an independent opinion on whether the Trust's financial statements:

- give a true and fair view of the financial position of the Trust as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with international accounting standards as interpreted and adapted by 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.

We conducted our audit in accordance with: International Standards on Auditing (UK), the Code of Audit Practice (2024) published by the National Audit Office, and applicable law. We are independent of the Trust in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Trust provided draft accounts in line with the national deadline, there were however delays in the provision of the Annual Report.

Draft financial statements were of a reasonable standard and supported by detailed working papers.

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report was presented to the Trust's Audit Committee on 20 June 2025. Requests for this Audit Findings Report should be directed to the Trust.

Other reporting requirements and use of auditor's powers

Remuneration and Staff Report

Under the Code of Audit Practice (2024) published by the National Audit Office, we are required to audit specified parts of the Remuneration and Staff Report included in the Trust's Annual Report for 2024/25.

Our work in this area is complete. A number of small amendments have been identified which the Trust have updated.

Annual Governance Statement

Under the Code of Audit Practice (2024) published by the National Audit Office, we are required to consider whether the Annual Governance Statement included in the Trust's Annual Report for 2024/25 does not comply with the guidance issued by NHS England, or is misleading or inconsistent with the information of which we are aware from our audit.

Our work in this area is complete. A number of small amendments have been identified which the Trust have updated.



Use of auditor's powers

We bring the following matters to your attention:

Referrals to the Secretary of State

On 28 May 2025 we referred a matter to the Secretary of State under section 30 (b) of the Local Audit and Accountability Act 2014 in relation to the Trust's ongoing breach of its break-even duty for the year ending 31 March 2025. In addition, we referred a matter under section 30 (a) as the Trust does not have a formal plan to return to financial balance in the foreseeable future. Details of this referral can be seen in the Audit Findings Report which is presented alongside this report to 20 June 2025 Audit Committee

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body.

We did not issue any statutory recommendations to the Trust in 2024/25.

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of 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 a report in the Public Interest with regard to arrangements at University Hospitals of North Midlands Trust for 2024/25.

04 Value for Money commentary on arrangements

Value for Money – commentary on arrangements

This page explains how we undertake the value for money assessment of arrangements and provide a commentary under three specified areas.

All NHS Trusts 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. NHS Trusts report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:



Financial sustainability

Arrangements for ensuring the Trust can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Trust makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, making decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Trust delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial sustainability – commentary on arrangements

We considered how the Trust:	Commentary on arrangements	Rating
identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	The Trust delivered a year-end financial deficit of £18.1m against a planned breakeven position; this adverse variance of £18.1m was driven by underperformance against the Trust's in year CIP (particularly recurrent, divisional CIP), the purchase of healthcare from external bodies and under delivery of its elective recovery Fund (ERF) target. The Trust's underlying deficit of £78.7m remains a key concern. The system financial plan for 2025/26 was initially agreed on 27 March 2025 at a £37.2m deficit but this has been revised to breakeven after a late agreement with the ICB over the allocation of the system's deficit support funding. The Trust's breakeven position is therefore dependent on an assumed share of £37.2m of deficit support.	R
plans to bridge its funding gaps and identify achievable savings	The Trust has faced challenges in developing effective arrangements to deliver recurrent Cost Improvement Plans (CIPs) from its front-line divisions in recent years. This continued in 2024/25. The Trust had a shortfall of £7.9m (32%) of its recurrent target in 2024/25 and is targeting £49.8 recurrent savings in 2025/26 – nearly three times what it actually delivered in 2024/25. The programme is still developing, and the Trust's analysis suggests delivery will be extremely challenging with approximately £45.9 million (61%) of the programme assessed as high risk. CIP delivery is clearly driving the Trust's overall financial under-performance. We include CIP delivery in our assessment of significant weakness in arrangements in 2024/25 and raise an improvement recommendation.	R
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	We have previously reported that the Trust and system recognise the pressing need for realistic medium terms plan but were in a cycle of single -year planning. A detailed system MTFP is still under development, though a model has now been developed setting the elements of a strategic financial framework to underpin an operational plan.	R
G	No significant weaknesses or improvement recommendations.	
A	No significant weaknesses, improvement recommendations made.	
R	Significant weaknesses in arrangements identified and key recommendation(s) made.	

Financial sustainability – commentary on arrangements (continued)

We considered how the Trust:	Commentary on arrangements	Rating
ensures 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	The Trust's annual planning process makes clear the links between its financial plans and those related to operational areas, including workforce, and to its capital programme. In 2025/26 this includes difficult decisions around the staffing establishment, indicating that the Trust is committed to improving vacancy control in line with the external I&I review. Annual financial planning continues to be undertaken in an integrated system framework with links are drawn to the ICB's objectives and system funding decisions.	G
identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans	The Trust has arrangement to assess financial risks and has a structured financial plan for the future, though obvious strategic challenges remain, particularly in addressing the underlying system deficit and achieving medium-term financial sustainability. The Trust regularly informs the Board about the revenue and capital position, including risks to delivery of plans and their sources. It also makes use of techniques such as risk-weighting and scenario analysis to communicate the key financial risks associated with its financial assumptions and delivery forecasts. There are, clearly, significant concerns about underperformance in the revenue position due to factors such as under-delivery of Cost Improvement Program (CIP). We cover these under our Key recommendation. We do not have any recommendations to make, however, in terms of the way the Trust has identified and communicated these risks, or reported on progress on risks during 2024/25.	G

G

No significant weaknesses or improvement recommendations.

A

No significant weaknesses, improvement recommendations made.

R

Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability (continued)

Significant weakness identified in relation to financial sustainability

Key finding: Based on the evidence reviewed, we have concluded that there remains a significant weakness in the Trust's arrangements to deliver financial sustainability. This is because the Trust did not deliver its 2024/25 financial plan and, although it set a breakeven plan for 2025/26, it is reliant on a significantly higher amount of efficiency savings than delivered in 2024/25. The system medium-term plan, under development for the last two years, remains work in progress.

Evidence: The Trust delivered a deficit of £18.1m in 2024/25 against a planned breakeven position. The adverse variance of £18.1m was driven by underperformance against the Trust's CIP programme (particularly the recurrent, divisional CIP) the purchase of healthcare from external bodies and under-delivery of ERF.

The Trust's underlying deficit is increasing. In 2024/25 the Trust reported an underlying deficit £58.7m. By October 2024, however, the Trust recognised that its inability to meet its challenging recurrent CIP target, pay costs and other inflationary pressures to meet demand growth had worsened its underlying deficit position which was reported at £78.7m in its 2025/26 planning submission.

The Trust's 2025/26 financial plan is breakeven, after a late agreement with the ICB to share the system deficit support funding. We cover the financial planning process in more detail in the governance section of this report. To deliver its plan, the Trust will be required to deliver a £75m CIP programme which is four times more than delivered in 2024/25 and its recent track record - and its own scenario planning - indicates that it is not possible at this stage to have a high degree of confidence that this will be delivered.

Over the longer term, a fully worked-up system medium term plan is vital to supporting the Trust toward a more sustainable position but remains a work in progress.

Impact: If the Trust is not able to identify and deliver sufficient recurrent savings and make progress with the medium-term plan, its financial position will likely become even more challenging in the future.

Key recommendation 1 (KR1)

The Trust needs to ensure it is using all the levers it reasonably can to sustainably reduce its costs. Key to this is increase its recurrent CIP delivery, and identifying realistic and achievable longer-term measures to manage down demand and acuity, as part of a fully worked-up system medium-term plan.

Financial sustainability (continued)

Area for improvement: the Trust’s divisional CIP arrangements

Finding: the Trust still needs to improve CIP governance, linked to our Key recommendation on page 18.

Evidence: CIP delivery for 2024/25 was £43.3M, £13.3M less than the planned £56.6M. Under-delivery was attributed to £7.6M from divisional targets and £6.6M from the stretch target agreed late in the 2024/25 planning cycle.

Based on the CIP plans for 2025/26, the Trust has worked hard to identify more recurrent schemes with a total of £49.8m of recurrent opportunities of the £74 million total. In addition, the Trust has included an indicative 2026/27 efficiency programme, which is positive.

However, the programme is not mature. The Trust's analysis indicated at April 2025 that its most-likely delivery scenario is a £14.8m shortfall on delivery, with some £45.9m (61%) of the programme rated high risk.

Board reporting of CIP delivery is adequate and a programme management office (PMO) is in place, but an external review of the Trust’s arrangements commission through NHS England questioned whether the PMO and the Trust's regular meetings with the care groups were providing the necessary focus on financial improvement. In line with the review's findings, the Trust is establishing a Financial Recovery Board to oversee CIP delivery.

Impact: If the Trust is not able to improve its arrangements in this area, it will not be able to manage the significant step-change in recurrent CIP delivery required in 2025/26.

Improvement Recommendation 1

IR1: The Trust needs to maintain a consistent and strong focus on financial recovery and efficiency within its Care Groups, and continuously evaluate whether its improvements to governance and oversight of CIP delivery are providing the required results.

Chart 1: The Trust’s CIP programme			
	Recurrent	Non-recurrent	Total
	£m	£m	£m
2024/25 plan	24.9	31.7	56.6
2024/25 actual	17.0	26.3	43.3
2024/25 variance	(7.9)	(5.4)	(13.3)
2025/26 plan	49.8	25.0	74.8
	High risk	Medium risk	Low risk
2025/26 risk	45.9	9.4	19.5

Governance – commentary on arrangements

We considered how the Trust:	Commentary on arrangements	Rating
monitors and assesses risk and how the Trust gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	The Trust has risk management processes in place, with key committees supporting the Board in managing key risks. The Board Assurance Framework (BAF) is thoroughly developed and allows the Board to focus on central risk domains. Throughout the 2024/25 financial year, the Trust regularly reviewed the BAF, with the top three risks identified as Sustainable Workforce, Quality and Responsive Patient Care, and Sustainable Finances. Risk domains are linked to the Trust's Strategic Priorities and subject to thorough oversight. The Trust's Risk Management Policy was last refreshed in February 2024, and is in alignment with the three-year policy revision cycle. The Policy provides comprehensive guidance on risk management processes. RSM serves as the Trust's internal auditor and counter-fraud service. A risk-based internal audit work plan and a counter-fraud work plan is developed annually, with regular reporting to Audit Committee. The Board regularly receives assurance reports from the Board Committees detailing the work done by each Committee. Additionally, the Board reviews an integrated performance report (IPR) at each meeting to address areas of underperformance and to monitor the Trust's actions in those areas. A 'Speaking Up' Report for Q1 and Q2 of 2024/25 was presented in January 2025, detailing the Trust's processes for handling complaints and whistleblowing, as well as benchmarking the Trust against other NHS Trusts or Foundation Trusts. Priorities and actions for the upcoming quarter were also outlined. We did not find evidence that the Board receives an annual Complaints or Learning from Deaths report. The IPR indicates that the Trust has had some going challenges related to compliance with the timely completion of complaints reviews. More regular reporting on complaints completion and annual mortality lessons learned reporting could improve the Board's assurance and oversight.	G

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Grant Thornton insights – learning from others

The Trust has the arrangements we would expect to see in respect of triangulating performance and quality information, but could challenge itself to go further, based on the best arrangements we see across the sector



What the Trust is already doing

- Adequate arrangements are in place to provide the Board with assurance that it is receiving appropriate information to triangulate operational and performance information to quality issues.
- Several mechanisms are in place, including a detailed integrated performance report, with some aspects of complaints performance contained in the IPR. Freedom to Speak Up reports are also provided. Mortality reporting is undertaken through the Quality Governance Committee.



What others do well

- Trust Boards with strengthened arrangements receive assurance that reviews into the root causes of key quality issues are addressed in a timely manner, and that key themes and lessons have been understood.



The Trust could consider

- Annual assurance reports to the Board, such as an annual mortality report or Learning from Death report, and an annual report on Complaints performance and lessons learned could provide the Board with more insight and oversight of any areas of concern.

Governance – commentary on arrangements (continued)

We considered how the Trust:	Commentary on arrangements	Rating
approaches and carries out its annual budget setting process	The Trust has adequate budget-setting arrangements. A clear budget-setting timetable was established, which included the approval of budget-setting principles in January 2025 and submission of financial plans by the end of March 2025. We raised an improvement recommendation in our 2023/24 AAR for the Trust to “work with the ICB to ensure a clear understanding of how any potential deficit will be allocated is reached in time to minimise the risk of late and significant changes to its financial plans.” The system plan was submitted on 27 March 2025 at which point the Trust’s plan was a £37.2m deficit. The Trust maintained robust discussions with the ICB around its contract and deficit position and in May 2025 a revised allocation of the system deficit support funding was agreed. We therefore consider this recommendation is still live from 2023/24 (see page 30 and Appendix C). It is important that the Trust and ICB continue to collaborate to agree clear principles for annual budgeting in advance of the 2026/27 planning round.	A
ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	The Trust regularly presents detailed Integrated Performance Reports (IPRs) to the Board, which include comprehensive financial information under the 'Resources' theme. Reporting is transparent about risks to delivery of the financial plan and outlined the forecasted deficit transparently. While the IPR mentioned system-wide recovery actions, it could potentially be improved further by giving specific details on mitigations to control the deficit and variance, or cross referencing to other sources of the same information, such as the BAF.	G

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements (continued)

We considered how the Trust:	Commentary on arrangements	Rating
ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee	The Trust Board has arrangements in place to make properly-informed decisions, and is supported by key assurance Committees in overseeing performance. Relevant papers are received by the Board at each meeting in line with the agenda, and there is a clear distinction between decisions and information. Key assurance Committees report regularly to the Board, providing updates that summarize concerns, key risks, major actions, positive assurances, and decisions made, with relevant mapping to BAF risk domains.	G
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour	The Trust did not report breaches of legislation or regulatory standards and there is consistent corporate governance reporting, with regular updates to Audit Committee on Declarations of Interest, Gifts, Hospitality and Sponsorship. The Trust reports that it is working closely with Staffordshire Police on its on-going investigation, ‘Operation Anzu’. The police are looking into concerns about the appropriateness of care provided by an individual who worked in the NHS and previously worked at Royal Stoke University Hospital. This individual no-longer works at the Royal Stoke University Hospital. Because this is an ongoing investigation, no further comment has been made at this time.	G

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Trust:	Commentary on arrangements	Rating
uses financial and performance information to assess performance to identify areas for improvement	Overall, the Trust has effective arrangements in place to assess performance and identify areas for improvement. The Board receives regular Integrated Performance Reports (IPRs) covering the Trust's performance across six core themes. These reports assess a variety of metrics and key performance indicators to provide a high-level overview of service and Trust performance, including indicator performance, rationale, mitigating actions, future expectations, and a performance dashboard with links to the Board Assurance Framework (BAF) where applicable. The use of statistical process control and an assurance grid within the IPR enhances the effectiveness of the reports in conveying the key trends with impact. The Trust has responded to our previous improvement recommendation around providing assurance for data quality, with more use of data quality markers in the IPR and a programme of assurance over data quality evidence including internal audit review.	G
evaluates the services it provides to assess performance and identify areas for improvement	The Trust still has significant operational challenges, including in relation to Urgent and Emergency Care, but efforts made more widely to address CQC concerns indicate adequate arrangements to drive improvement in service quality. Following warning notices from the CQC in 2021, particularly relating to urgent and emergency care and the management of mental health patients, County Hospital received positive feedback in 2024, resulting in an improved overall "Good" rating, though urgent and emergency care remains as "requires improvement". Further, CQC revisited Royal Stoke Hospital in November 2024 to review a previous Section 29a Warning Notice in respect of maternity services, In April 2025, CQC reported that the Trust had met its Section 29a Warning Notice requirements, with all inspection and the overall service assessment now rated "good".	G

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness – commentary on arrangements (continued)

We considered how the Trust:	Commentary on arrangements	Rating
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	We have previously reported that the Trust has appropriate arrangements in place to ensure it delivers its role within significant partnerships and engages with stakeholders, and this remains the case. The Trust consults partners when setting strategic objectives, and reports on progress through a clear framework aligned to its overall Board and Committee Governance model. The Trust's strategic priority "Systems & Partners" reflects its commitment to stakeholder engagement and partnership working. At each Board meeting where an Integrated Performance Report (IPR) is received, there is a highlight report for metrics tracked under this theme. This is operationalised through key strategies including the Population Health and Wellbeing Strategy, on which detailed reports are provided to the Strategy and Transformation Committee. We understand that the Board has, as of March 2025, approved a new Trust strategy which will have three strategic priorities (people, patients and population) which will each be supported by a single clear metric. The strategy will be supported by five programmes that will bring together change, transformation and investment required to deliver. One of the new progammes is "collaboration and partnerships". Measures have not yet been defined against these programmes and demonstrating and it is important that, when this is done, consideration is given to measuring the 'return on investment' of partnership working, and whether the partnership is providing the expected benefits, as well as whether the Trust is fulfilling its obligations. We do not make this a recommendation as we have not identified a weakness in arrangements; this is an area for the Trust to consider as it embeds reporting arrangements on the new strategy.	G

- G

 No significant weaknesses or improvement recommendations.
- A

 No significant weaknesses, improvement recommendations made.
- R

 Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness – commentary on arrangements (continued)

We considered how the Trust:	Commentary on arrangements	Rating
commissions or procures services, assessing whether it is realising the expected benefits	The Trust overall has adequate arrangements for contract management when commissioning, or contracting for, services through 3rd party suppliers. The Trust maintains a contracts register which has moved to a more automated system, though spreadsheet records are still used for historic information. Minor amendments were made to the Trust's Standing Financial Instructions in August 2024, and the Performance and Finance Committee continues to approve new contract awards, extensions, and non-purchase order expenditures above £500,000. The Trust has also implemented a system for review and approval of divisional investment business cases, contingent on 6-monthly post-implementation reviews, which should provide an opportunity for additional assurance on the performance of capital and revenue investments. The Trust remains engaged with the North Midlands and Black Country Procurement Group and, through these arrangements, it is aware of the new 2023 Procurement Act and associated regulations and has prepared accordingly. We maintain the recommendation made in the prior year around contract management capacity, noting that, in common with many other Trusts, arrangements in this area could be improved.	A

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness – (continued)

Area for Improvement: contract management

Findings: Work to strengthen contract management oversight remains an aspiration but has not yet been implemented.

Evidence:

We previously raised an improvement recommendation in our 2023/24 that “The Trust should work with system partners and through its collaborative procurement structures to: develop its central contract management capacity, to ensure all contracts are delivering the results intended from an operational, performance and commercial perspective; and report on SFI breaches, contract awards and contract performance to key assurance committees in a joined up format that allows it to draw out lessons from assurance activity through the commercial lifecycle.”

Our discussions with the Group Director and Deputy Director of Procurement indicate that though this remains an aspiration, it has not been progressed in the Staffordshire and Stoke on Trent system during 2024/25. We note that similar arrangements to those recommended have been introduced in a neighbouring system.

Impact: implementing this recommendation could help deliver the Trust’s objectives in this area. We therefore update and retain this recommendation.

Improvement Recommendation 3

IR2: The Trust should continue to explore the opportunity to development of central contract management capacity, to ensure all contracts are delivering the results intended from an operational, performance and commercial perspective



Grant Thornton insight

Strengthening Contract Management and Procurement

At bodies with stronger contract management, we see clear governance and regular central oversight, providing assurance on whether contracts deliver value. Devolving contract responsibility to divisions can work well but, in our experience, risks arise when roles aren’t clear or commercial knowledge isn’t maintained. Limited oversight makes it harder to spot trends and manage risks early.

Arrangements reflecting notable practice include developing and maintaining an up-to-date contract register, ‘tiering’ contracts based on risk and strategic value, and risk-based oversight of value for money and performance throughout the contract lifecycle to support timely, robust decision-making and ensure the re-tendering pipeline is informed.

05 Summary of Value for Money Recommendations raised in 2024/25

Key recommendations raised in 2024/25

Recommendation		Relates to	Management Actions
KR1	The Trust needs to ensure it is using all the levers it reasonably can to sustainably reduce its costs. Key to this is increase its recurrent CIP delivery, and identifying realistic and achievable longer-term measures to manage down demand and acuity, as part of a fully worked-up system medium-term plan.	Financial sustainability	Actions: Through the alignment of the Trusts new 10 Year Plan and the ICS Medium Plan. The Trust will work with NHS and Local Authority partners, through the vehicle of the Provider Collaborative to develop a more sustainable model of care for the population and patients that we serve. Responsible Officer: N/A Executive Lead: Helen Ashley Due Date: 31/03/26

Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR1	The Trust needs to maintain a consistent and strong focus on financial recovery and efficiency within its Care Groups, and continuously evaluate whether its improvements to governance and oversight of CIP delivery are providing the required results.	Financial sustainability	Actions: This will be undertaken through the Executive Recovery Oversight Group now established. Escalations will be through to the board via Finance and performance Committee. Responsible Officer: Chris Bird Executive Lead: Helen Ashley Due Date: Complete
IR2	[Retained from 2023/24] The Trust should work with the ICB to ensure a clear understanding of how any potential deficit will be allocated is reached in time to minimise the risk of late and significant changes to its financial plans.	Governance	Actions: Agreed contract timetable to be drawn up to inform 26/27 contract round. To include all elements of the contract Responsible Officer: Sally Proffitt Executive Lead: Mark Oldham Due Date: 31/12/2025
IR3	The Trust should continue to explore the opportunity to development of central contract management capacity, to ensure all contracts are delivering the results intended from an operational, performance and commercial perspective	Improving economy, efficiency and effectiveness	Actions: Agreed. Business case to be prepared to identify financial savings and associated costs Responsible Officer: Nathan Joy-Johnson Executive Lead: Mark Oldham Due Date: 30/09/2025

06 Follow up of previous recommendations

Follow up of 2023/24 Key recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
KR1	The Trust should finalise as soon as possible a robust, medium-term plan that sets a realistic trajectory to a sustainable position, without undue reliance on non-recurrent measures. It also need to improve its delivery of recurrent savings.	2023/24	Based on the evidence reviewed, we have concluded that there remains a significant weakness in the Trust’s arrangements to deliver financial sustainability. This is because the Trust did not deliver its 2024/25 financial plan, and its plan for 2025/26 is also a deficit, and is reliant on a significantly higher amount of efficiency savings than delivered in 2024/25. The system medium-term plan, under development for the last two years, remains a work in progress.	In progress - recommendation retained	Yes - key recommendations (re)raised

Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR1	The Trust should ensure a structured process for the identification and monitoring of divisional recurrent CIP schemes is fully embedded, conduct regular reviews of the divisional recurrent CIP schemes and enhance the reporting of CIP progress by including clear risk ratings for the savings plans and forecasts to year-end.	2023/24	Based on the CIP plans for 2025/26, the Trust has worked hard to identify more recurrent schemes with a total of £64.8m of recurrent opportunities of the £74 million total. In addition, the Trust has included an indicative 2026/27 efficiency programme, which is positive. However, the programme is not mature. The Trust's analysis indicated at April 2025 that its most-likely delivery scenario is a £14.8m shortfall on delivery, with some £49.2m (65%) of the programme rated high risk.	In progress	Yes - recommendation re-raised or updated
IR2	The Trust should work with the ICB to ensure a clear understanding of how any potential deficit will be allocated is reached in time to minimise the risk of late and significant changes to its financial plans.	2023/24	The system plan was submitted on 27 March and we understand it has not changed since, but the Trust has maintained discussions with the ICB around its deficit position.	In progress	Yes – we consider this recommendation is still live.

Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR3	Identify cost-effective ways to increase the level of assurance provided to the Board over the quality of data underpinning key performance indicators.	2023/24	The Trust has expanded the use of DQAs within the integrated performance report.	Implemented and closed.	No.
IR4	The Trust should work with system partners and through its collaborative procurement structures to: - develop its central contract management capacity, to ensure all contracts are delivering the results intended from an operational, performance and commercial perspective; and - report on SFI breaches, contract awards and contract performance to key assurance committees in a joined up format that allows it to draw out lessons from assurance activity through the commercial lifecycle.	2023/24	Our discussions with the Group Director and Deputy Director of Procurement indicate that though this remains an aspiration, it has not been progressed in the Staffordshire and Stoke on Trent system during 2024/25. We note that similar arrangements to those recommended have been introduced in a neighbouring system.	In progress	Yes – recommendation retained.

07 Appendices

Appendix A: Responsibilities of the NHS Trust

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 Trust's directors are responsible preparing the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are required 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. An organisation prepares accounts as a 'going concern' when it can reasonably expect to continue to function for the foreseeable future, usually regarded as at least the next 12 months.

The Trust is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B: Value for Money Auditor responsibilities

Our work is risk-based and focused on providing a commentary assessment of the Trust’s Value for Money arrangements

Phase 1 – Planning and initial risk assessment

As part of our planning we assess our knowledge of the Trust’s arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period.

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements we will undertake further work to understand whether there are significant weaknesses. We use auditor’s professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations.

 A range of different recommendations can be raised by the Trust’s auditors as follows:

Statutory recommendations – recommendations to the Trust under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.

Key recommendations – the actions which should be taken by the Trust where significant weaknesses are identified within arrangements.

Improvement recommendations – actions which are not a result of us identifying significant weaknesses in the Trust’s arrangements, but which if not addressed could increase the risk of a significant weakness in the future.

Information that informs our ongoing risk assessment

Cumulative knowledge of arrangements from the prior year	Key performance and risk management information reported to the Board
Interviews and discussions with key officers	NHS Oversight Framework (NOF) rating
Progress with implementing recommendations	Care Quality Commission (CQC) reporting
Findings from our opinion audit	Annual Governance Statement including the Head of Internal Audit annual opinion



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