



Auditor's Annual Report 2024/25

Royal Devon University Healthcare NHS Foundation Trust

—

June 2025

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This report is addressed to Royal Devon University Healthcare 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 the Royal Devon University Healthcare 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 Royal Devon University Healthcare 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:



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



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



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



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

Findings

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

Accounts	<p>We issued an unqualified opinion on the Trust’s accounts on 26 June 2025. This means that we believe the accounts give a true and fair view of the financial performance and position of the Trust.</p> <p>We have provided further details of the key risks we identified and our response on page 6.</p>
Annual report	<p>We did not identify any significant inconsistencies between the content of the annual report and our knowledge of the Trust.</p> <p>We confirmed that the annual report has been prepared in line with the NHS Group Accounting Manual (GAM) and the Foundation Trust Annual Reporting Manual (the ARM).</p>
Value for money	<p>We are required to report if we identify any matters that indicate the Trust does not have sufficient arrangements to achieve value for money.</p> <p>We have nothing to report in this regard.</p>
Other reporting	<p>We did not consider it necessary to issue any other reports in the public interest.</p>



02 Audit of the Financial Statements

Audit of the financial statements

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

- Give a true and fair view of the state of the Trust's affairs as at 31 March 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 on 26 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.

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><i>Fraudulent expenditure recognition</i> Auditing standards suggest for public sector entities a rebuttable assumption that there is a risk expenditure is recognised inappropriately. We recognised this risk over manual accruals and non-pay expenditure.</p>	<p>We have performed the following procedures in order to respond to the significant risk identified:</p> <ul style="list-style-type: none"> We evaluated the design and implementation of controls for developing manual expenditure accruals at the end of the year to verify that they have been completely and accurately recorded; We inspected a sample of transactions relating to expenditure (invoices and bank transactions), in the period after 31 March 2025, to determine whether expenditure has been recognised in the correct accounting period; We selected a sample of year end accruals and inspected evidence of the actual amount paid after year end (or investigated those unpaid) in order to assess whether the accruals have been accurately recorded. We inspected journals posted to expenditure and corresponding unusual accounts in order to critically assess whether there was an appropriate basis for posting the journal and the value can be agreed to supporting evidence; and 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. 	<ul style="list-style-type: none"> We sampled a number of invoices of expenditure and cash payments in the period following 31 March 2025, and did not identify any inappropriate entries. We did not identify any material misstatements relating to this risk.
<p><i>Management override of controls</i> We are required by auditing standards to recognise the risk that management may use their authority to override the usual control environment.</p>	<p>Our audit methodology incorporates the risk of management override as a default significant risk. We carried out the follow procedures:</p> <ul style="list-style-type: none"> Assessed accounting estimates for bias by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicated a possible bias. In line with our methodology, evaluated the design and implementation of controls over journal entries and post closing adjustments. Assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates. Assessed the business rationale and the appropriateness of the accounting for significant transactions that are outside the component's normal course of business, or are otherwise unusual. We analysed all journals through the year using data and analytics and focused our testing on those with a higher risk, such as journals impacting expenditure recognition posted during the final close down. 	<ul style="list-style-type: none"> We identified a number of journal entries and other adjustments which met our pre-determined high risk criteria. These included unusual entries to revenue; cash and borrowings; expenditure and capital. Our review and examination of supporting documents did not identify an instances of management override of controls. We did not identify any material misstatements in relation to this significant risk.

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?	■ Yes	■ No	■ No
Actual significant weakness identified?	■ No	■ No	■ No
2023-24 Findings	No significant weakness identified	No significant weakness identified	No significant weakness identified
Direction of travel	↔	↔	↔

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 £500 million 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 £604 million overspend against the agreed figures.

Each year NHS entities are delegated efficiency targets through funding allocations and contracting guidance. Across England there was a £539 million 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

Royal Devon University Healthcare NHS Foundation Trust provides a range of emergency, specialist and general medical services throughout the county of Devon. The primary hospitals are based in Exeter (Wonford and Heavitree) and Barnstaple (North Devon), with over 15,000 staff covering a large region and population of over 615,000. The Trust is a member of the NHS Devon Integrated Care System ('ICS', 'One Devon').

Financial performance

The Trust has delivered a deficit of £2.7 million in the year, which achieves plan with a £47k positive variance. This includes agreed non-recurrent deficit funding of £6.9 million. This is a significant improvement on the £26.8 million deficit in the prior year.

Delivery of the financial plan remains a key challenge for the Trust, and this is achieved through a focus cost improvement programmes ('CIP'). The Trust was able to over-deliver the identified savings in 2024/25, delivering £66.6 million of savings.

The Trust still has many challenges going forwards, including a very low cash balance for an organisation of this size and uncertainty of funding streams, particularly elective recovery funding (ERF) that helped the position in year.

System working

The Trust recognises being part of an ICS with a challenging financial position, with the system reporting a deficit of £19.8 million against a planned breakeven.

The 2024/25 Trust and ICS plan was approved by the Board on 29 April 2025. This included a breakeven position for the Trust and a CIP target of £68.8 million.

New Hospital Programme ('NHP')

During the period, the government announced delays to the NHP, which impacted capital developments at North Devon District Hospital. Work is on-going to understand short-term mitigations for the delayed work, particularly in theatres and ICU where the risk of service interruption could occur without alternatives. The delay has resulted in a £7.3 million impairment in 2024/25.

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 have **not identified a significant weaknesses** in the Trust’s arrangements in relation to financial sustainability.

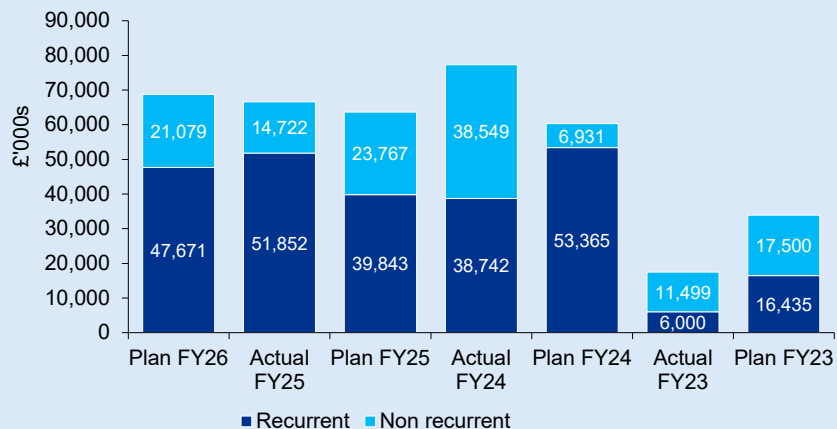
Delivery against 2024-25 financial plan

The original Trust financial plan for 2024/25 was an adjusted financial performance deficit of £9.8 million. This was revised up in the financial year to take into account non-recurrent deficit funding received. The Trust achieved an adjusted financial performance deficit of £2.7 million for 2024/25 (including receipt of deficit funding of £6.9 million) which is a £47k positive variance to plan. The budgets for 2024/25 were prepared based on appropriate local and national planning assumptions and were approved at both a Trust and ICS level prior to submission. The Trust has maintained appropriate oversight of its financial performance throughout the period, with regular papers being presented to the Finance and Operational Committee and a full finance report being presented at each Trust Board meeting.

To support achievement of the financial position, the Trust planned delivery of £63.6 million of CIPs. The Trust was able to deliver a surplus of identified savings in 2024/25, with £51.9 million recurrent savings and a further £14.7 million of savings being on a non-recurrent basis.

The graph below demonstrates how the Trust has improved delivery of CIP in the current and prior year – exceeding planned CIP – and highlights that the target delivery in 2025/26 is comparable with previous years.

CIP Delivery: Plan vs Actual / Recurrent vs Non-Recurrent



Financial Sustainability (cont.)

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, with planning initiatives, which include involvement in the System Integrated Assurance Group and the identification of key actions. In particular, the Trust has ensured all relevant stakeholders including the Board, Finance and Operational Committee ('FOC') and throughout the process, with necessary background and detail included within such updates.

The final ICS Plan is a breakeven plan, with the Trust also planning to breakeven with a CIP target of 5.6% for the Trust and 7.8% for the system as a whole. This is reliant on deficit support funding for some providers within the ICS. The Trust will require an additional £5.0 million savings compared with the total planned in 2024/25 and an increase in ERF income to £72.5 million (2024/25: £63.5 million) to achieve this.

Cash management

The Trust closely manages the operating cash position due to the low level of cash reserves. The Trust reported a closing cash balance of just £2.6 million, which compares to the organisation average daily spend of ca £3.0 million. The Trust operates a Cash Steering Group to support the cash monitoring and also produces a detailed daily/weekly/monthly cashflow in order to manage the cash position. Attendance at the Cash Steering Group includes the Chief Finance Officer, with reporting to the FOC as well as directly to the Chief Executive Officer where immediate action is necessary. The group also identifies when short term emergency measures may be required, which may include extending payment terms for suppliers. This is a key area for the Trust and should remain a focus in future periods to avoid disruption in on-going operations.

Capital Spend

As part of the 2024/25 plan, the Trust identified £65.4 million of capital spend, including finalising delivery of the new emergency department and new diagnostics wards. The delivery of plans are monitored through the Finance and Operations Committee, with the Trust spending £67.8 million in the year agreed with the regional NHSE team.

During the year, the Government announced changes to the previously announced New Hospital Programme, which included capital projects at North Devon District Hospital. However, as the New Hospital Programme has now had plans pushed back to at least 2035-39 the capital work has been delayed and the Trust incurred an impairment of £7.3 million in 2024/25. KPMG have reviewed papers taken to the Council of Governors and formerly Board that outlines the critical issues faced as a result and possible short term management of this.

Key financial and performance metrics:	2024-25	2023-24
Planned deficit (adjusted financial performance)	£2.8 million	£28.0 million
Actual deficit (adjusted financial performance)	£2.7 million	£26.8 million
Actual CIP as a % of spend	£66.6 million 5.3% (planned 5.3%)	£77.3 million 6.6% (planned 5.6%)
Actual CIP as a % of delivery		
- Recurrent	77.9% (planned 62.6%)	50.1% (planned 88.5%)
- Non-recurrent	22.1% (planned 37.4%)	49.9% (planned 11.5%)
Year-end cash position	£2.6 million	£23.6 million*

*Trust received emergency PDC revenue funding due to its cash position in year.

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 has defined processes in place to monitor and assess risk, with key documents including the Board Assurance Framework (BAF) to manage strategic risks, which is reviewed quarterly by the Audit Committee and at least bi-annually by the Board, and the Trust Risk Register, which contains key operational risks. The Trust utilise 5x5 scoring matrix to score operational risks. Current highest risks on the BAF include the risk of being unable to deliver the urgent & emergency care commitments due to unscheduled demand/capacity; non-delivery of the financial plan; non-delivery of elective demand and waiting list backlogs; and staff health and wellbeing. The risks are consistent with the entity's corporate risk register, with appropriate discussion and actions linked to both items arranged through minutes and other documentation.

Strategic Decision Making

Key strategic decisions are made via the Trust's governance process. A scheme of delegation is in place which sets out where different decisions/approvals should take place. Key decisions are made through management and escalation processes for such matters at divisional operational, executive management and Board level. The Standing Financial Instructions and Scheme of Delegation provide guidance for authorisation limits and responsibility for decision making.

	2025	2024
Control deficiencies reported in the Annual Governance Statement	None	None
Head of Internal Audit Opinion	Satisfactory ¹	Reasonable assurance
Oversight Framework segmentation	RDUH – Segment 4 (Mandated Intensive Support) Devon – Segment 4 (Mandated Intensive Support)	RDUH – Segment 4 (Mandated Intensive Support) Devon – Segment 4 (Mandated Intensive Support)
Care Quality Commission rating	Requires Improvement*	Requires Improvement

*No published inspection in 2024/25, expected 2025/26.

¹Terminology change, broadly comparable with prior year

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 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.

Partnership Working

The Trust forms part of the NHS Devon ICS ('One Devon') and members of the Board and Leadership team are integrated within the governance of the system. This includes the involvement and integration of key members of the Trust in the System Integrated Assurance Group. This ensures the Trust is involved in key system decisions and feeds back locally via the various committee structures. System working is also enhanced with the System Recovery Board, acknowledging the ICS remain in System Operating Framework 4 ('SOF4'), which mandates 'intensive support' from the centre and taking joint action to drive improvements across the region.

The Trust has also lead in the roll out of the Epic Electronic Patient Record ('EPR') system across Devon, which saw University Hospitals Plymouth NHST and Torbay and South Devon NHSFT formally signing contracts for a new EPR. The Trust already utilises the software and has used this experience to lead on the system working in this area. Other elements of joint working continue to progress, such as increased collective digitalisation and corporate shared services, but these remain in the planning rather than delivery stage.

There is increased uncertainty in the sector around the shape of future delivery, with combining Integrated Care Boards and increased independence at Trust-level being mooted as potential changes in the future, however partnership working, particularly with local government, will likely remain critical for the system and wider NHS.

Monitoring of Performance of Services

The Trust has a structured performance management framework in place. This details the format of reporting, outlining roles and responsibilities for each level. The main element of performance reporting is the integrated performance report which provides the Finance and Operational Committee, and subsequently the Board, with key operational performance indicators on a monthly basis. This report highlights performance in different domains in line with the Trust's strategy and highlights key areas for improvement within each domain. For these areas further information is provided, such as trends, to help inform the Finance and Operational Committee and provide the full context. Escalation reports for key areas are presented to the Board.

Improving economy, efficiency and effectiveness (cont.)

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 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.

Oversight of Cost Saving Efficiency Program

The Trust implemented a number of measures in the prior year to enhance the oversight of cost saving programs, which included the Delivery Best Value ('DBV') programme. Following the success in previous years, the Trust have retained these programmes, which aim to align operational and financial recovery together under a singular delivery framework and governance structure. The aims are aligned with the SOF4 exit criteria and links in with the oversight of the System Implementation Assurance Group, to ensure the Trust and the system plans are complementary. This includes individual programme leads identifying risks which can be reported through to the DBV Board.

The Trust also retains a further Financial Recovery Board, which is chaired by the CEO and includes workstreams within income, pay, non-pay and drugs. The interaction between these two governance levels is credited with Trust wide buy-in to the financial transformation and can be seen as effective given the over-achievement of the reported efficiencies for the year by £2.9 million.

The Financial Recovery Board is intended as a temporary Board to assist in the current drive for short term financial recovery and not to replace the DBV programme. The Trust expect to roll the existing workstreams into operational business as usual when regular breakeven is achieved. Due to the Trust's very challenging cash position, an additional Cash Steering Group was set up in the prior year to provide further oversight of cash and liquidity.

Maternity CQC Inspection

The Trust received a CQC inspection of the maternity services in 2023/24 that provided a 'Requires Improvement' rating, which highlighted a series of actions to be undertaken. The Trust allocated £1 million in 2024/25 to fully adopt the recommendations and to aim to close the action plan. The final Action Plan consisted of 17 actions of which only 2 are incomplete as at May 2025, one of which is due to a delay of implementation of a pilot scheme in which the Trust are participating, the National Maternity Early Warning score. The remaining action is a 'Should Do', rather than 'Must Do', although the Trust are in the process of implementing this action.

Due to being part of SOF4, RDUH were entered into the NHS English National Maternity Improvement Scheme in July 2024, which the Trust accepted. This is consistent with three other maternity services within the Devon ICB. This also provided output with findings and recommendations to assist in improvement and provide formal 'exit' from the scheme. The report notes the Trust engaged very positively and identified many areas of good and best practice. It also notes 11 points as the 'exit criteria' which the Trust are actively engaged to complete.



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