



Auditor's Annual Report 2024/25

Countess of Chester Hospital NHS Foundation Trust

—

27 June 2025

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This report is addressed to Countess of Chester Hospital 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 Countess of Chester Hospital 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 Countess of Chester Hospital 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 27 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 pages 7 to 9.</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 identified 1 significant weakness relating to the failure to implement or achieve progress on recommendations raised, as a result of previous regulatory inspections. We have provided further detail on page 21.</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 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.

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>Liabilities and related expenditure for purchase of goods or services are not completely recorded in the correct accounting period</i></p> <p>As the Trust and system is set a financial performance target by NHS England there is a risk that non-pay expenditure, excluding depreciation, may be manipulated in order to report that the control total has been met.</p> <p>The setting of a control total can create an incentive for management to understate the level of non-pay expenditure compared to that which has been incurred.</p> <p>We consider this would be most likely to occur through omitting manual non-pay accruals to push back expenditure to 2025-26, mitigating financial pressures in the current year.</p>	<ul style="list-style-type: none"> – We evaluated the design and implementation of controls for ensuring completeness of the accruals population; – We selected a sample of cash expenditure recorded in the bank statement in the post balance sheet and reviewed associated evidence including invoices where applicable to test for unrecorded liabilities; – We inspected a sample of invoices and payments on the general ledger, in the period after 31 March 2025, to determine whether expenditure has been recognised in the correct accounting period; – We inspected journals posted as part of the year end close procedures that decrease the level of expenditure recorded in order to critically assess whether there was an appropriate basis for posting the journal and the value can be agreed to supporting evidence; – We performed a retrospective review of prior year accruals in order to assess the completeness with which accruals were recorded as at 31 March 2025. 	<p>We did not identify any material misstatements relating to this risk.</p> <p>Through our assessment of the design of controls for ensuring the completeness of manual expenditure accruals at the end of the year, we noted the Trust has high level controls in place designed to detect omission of accruals (such as review of management accounts). However, as these controls are not formally documented and designed to a minimum required level of precision, they do not meet the management review control requirements as defined by Auditing Standards. As such we deem the control ineffective. Whilst we are not raising a formal control observation in this regard, and the Trust considers its existing controls to be proportionate to address the associated risk, as the accruals balance is associated with a significant risk we are required to bring this matter to your attention.</p>

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>Additions to property, plant and equipment are recorded inappropriately when the assets do not exist</i></p> <p>We have identified a number of audit misstatements in recent years where management have inappropriately recognised an asset under construction when there was no identifiable asset at the reporting date.</p> <p>Given the Trust’s historical approach to recognition, we will need to validate that the value of the asset recognised by the trust exists.</p> <p>Whilst management are constrained by the NHS capital funding regime, recurring attempts to justify inappropriate accounting on the basis of materiality is deemed a fraud risk. We therefore consider there to be a significant risk of fraud over the existence of Assets Under Construction.</p>	<ul style="list-style-type: none"> – We evaluated the design and implementation of controls to assess the existence of additions capitalised as assets under construction – Through our testing of a sample of asset additions, we confirmed the existence and accuracy of assets capitalised on the balance sheet. 	<p>We did not identify any issues in relation to the design and implementation of the relevant controls.</p> <p>Through our testing of a sample of asset additions and review of the balance held in asset under construction, we identified that the Trust had included a payment in advance for the Emergency Department project in ‘Assets Under Construction and Payments on Account’, amounting to £2.2m. Payments in advance cannot be recognised as an asset under construction as there is no identifiable asset at the reporting date to which the payment can be attributed.</p>

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>Management override of controls</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>	<ul style="list-style-type: none"> - Assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate 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 Trust's normal course of business, or are otherwise unusual. - 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 data analytics and perform procedures to test the appropriateness of these entries and adjustments. 	<p>We did not identify any material misstatements relating to this risk.</p> <p>In light of the fact no automated controls exist that we can place reliance on to mitigate the risk of management override, we have assessed the design and implementation of manual controls. Management's journal control, whilst it does demonstrate a degree of segregation of duties, it does not meet the management review control criteria as stipulated by auditing standards. As such we deem the control ineffective. Whilst we are not raising a formal control observation in this regard, and the Trust considers its existing controls to be proportionate to address the associated risk, as journals are associated with a significant risk we are required to bring this matter to your attention.</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	13-15	16-18	19-20
Identified risks of significant weakness?	■ Yes	■ Yes	■ No
Actual significant weakness identified?	■ No	■ Yes	■ No
2023-24 Findings	Risk to significant weakness noted but did not materialise into significant weakness	Significant weakness in arrangements identified. See page 16 for further detail.	No significant weakness identified

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 Countess of Chester Hospital NHS Foundation Trust is a district general hospital which employs 5,974 staff (headcount) to provide care and treatment to a population of over 400,000 people living in Chester and West Cheshire which includes Ellesmere Port and Neston as well as the Deeside area of Flintshire.

The Trust is part of the Cheshire and Merseyside Integrated Care System (ICS).

The initial 2024/25 plan submitted to Cheshire & Merseyside Integrated Care Board (ICB) in March 2024 was a £29.5m deficit. Following subsequent review by the ICB and NHSE, the Trust were asked to revise its planned deficit to £23.6 million, which includes delivering a recurrent savings plan of £19.6 million plus a further 'stretch' target of £6.5 million.

The Trust continued to face increasing pressure from patients not meeting the criteria to reside as well as costs associated with the opening of escalation beds to support delivery of emergency activity and increased patient acuity. Pay inflation and other running costs such as utilities continue to add pressure on budgets.

The financial performance for the period ending 31st March 2025 (Month 12) was a deficit of £9.6m. This was in line with a revised deficit target following receipt of deficit recovery funding of £14m in month 6.

PWC were appointed by Cheshire & Mersey Integrated Care Board (ICB) in July 2024 to undertake a review of the opportunities for financial improvement for the Trust and the system to mitigate delivery risk in 2024/25. The recommendations focused primarily on governance and assurance; business intelligence, particularly around workforce analytics, workforce modelling and pay controls. The recommendations are designed to improve grip and control and pace of delivery.

Recommendations made by PWC have been reviewed and reconciled with the NHSE grip and control checklist, to create a single action plan, implementation of which is well progressed.

Capital resources amounting to £82.4 million were spent during 2024/25, including £67.5m on the new Women's & Children's building which is due to open in the summer 2025.

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.

Financial Plan 2024-25

The initial 2024/25 plan submitted to Cheshire & Merseyside Integrated Care Board (ICB) in March 2024 was a £29.5m deficit. Following subsequent review by the ICB and NHSE, the Trust were asked to revise its planned deficit to £23.6 million, which includes delivering a recurrent savings plan of £19.6 million plus a further 'stretch' target of £6.5 million. The plan was agreed by the Trust Board following recommendation by the Finance & Performance Committee.

The financial performance for the period ending 31st March 2025 (Month 12) was a deficit of £9.6m. This was in line with a revised deficit target following receipt of deficit recovery funding of £14m in month 6.

Overall, we found that the Trust has processes in place to allow appropriate monitoring and challenge of the in-year financial position. The Trust also started to strengthen its identification and challenge of overspends in divisions and is implementing processes to hold managers of overspending budgets to account.

We have seen regular monitoring of financial performance during the year through reporting to Board and the Finance and Performance Committee (FPC) with financial performance being challenged, risks highlighted, and mitigations identified. This enables the Board to make informed decisions.

Efficiency plans

Cost Improvement schemes have been challenging to identify and progress, whilst operational and workforce pressures remain so high. The Trust continues to be reliant on non-recurrent measures to meet the efficiency challenge in year. This remains a significant risk to the Trust and progress is reported monthly within the Board report

The Trust has a Cost Improvement Programme Recovery Group which is chaired by the Chief Executive Officer. This aims to provide formal governance arrangements to manage the Trusts cost improvement programmes and has met on a weekly basis throughout the year.

The Trust has a RAG rated system which identifies which department is at greatest risk of not delivering their CIP. These departments are then supported by the CIP Recovery Group and the wider Finance Department.

Financial Sustainability

At month 12, the Trust delivered £19.8m of CIP savings (against a target of £19.8m), however only £11.9m (60%) of this was achieved recurrently. Whilst delivery overall is positive, this does create additional pressure with £7.9m carried into the 25-26 financial plan.

PWC were appointed by Cheshire & Mersey Integrated Care Board (ICB) in July 2024 to undertake a review of the opportunities for financial improvement for the Trust and the system to mitigate delivery risk in 2024/25. The recommendations focused primarily on governance and assurance; business intelligence, particularly around workforce analytics, workforce modelling and pay controls. The recommendations are designed to improve grip and control and pace of delivery.

In addition to this, a 'grip and control' checklist has been developed by NHS England (NHSE) and allows organisations to assess compliance against basic core financial controls. This can be used to provide assurance that sound financial management exists across an organisation. Recommendations made by PWC have been reviewed and reconciled with the NHSE grip and control checklist, to create a single action plan.

Management action has been taken for all recommendations from the external review, with 52 being completed. Of the remaining 5 outstanding actions, work continues to ensure recommendations are reviewed and implemented. We are satisfied the trust has appropriate arrangements in place to monitor and challenge the implementation of these actions with regular updates to FPC.

Financial planning 25-26 and beyond

The Trust has a planned deficit of £14.4m which includes £19.6m of non-recurrent deficit support funding and a recurrent savings plan of £27.7m. Cost pressures include spend on high-cost drugs, inflation and patients with no criteria to reside continuing to impact bed capacity. Planned Care and Urgent Care are at the greatest risk of non-delivery of their CIP and are being supported by the Trust.

Nationally there is a requirement to reduce corporate/ non-patient facing cost growth by 50% during Quarter 3 2025/26. Workforce numbers are expected to decrease by 182 whole time equivalents which are reflected in Trust efficiency plans and align to national planning guidance.

The Trust is developing a medium term financial strategy with the aim of becoming financially sustainable over the next 3 years.

Key financial and performance metrics:	2024-25	2023-24
Planned surplus/(deficit)	(£9.6m)	(£25.2m)
Actual surplus/(deficit)	(£9.6m)	(£30.1m)
Planned CIP as a % of spend	5%	5%
- Recurrent	£19.8m	£20.7m
- Non-recurrent	£0m	£0m
Actual CIP as a % of spend	5%	5%
- Recurrent	£11.9m	£10.6m
- Non-recurrent	£7.9m	£10.4m
Year-end cash position	£28.2m	£12.3m

Financial Sustainability

Conclusion

We note that the financial position has been communicated transparently to FPC & Board throughout the year and whilst the Trust did not meet its deficit plan, this was agreed with the ICB. The Trust also achieved its CIP target for the year, although 40% of this was achieved on a non-recurrent basis. We note the progress during the year to strengthen arrangements around financial sustainability, including appointment of a lead manager to support monitoring and tracking of CIP and weekly meeting of the CIPDG. The Trust should continue to develop their arrangements to improve the achievement of recurrent savings 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.

Risk Management

A Risk Management Improvement Plan was developed and presented to Audit Committee in the October 2024 meeting alongside a refreshed the Risk Management Policy. The Policy has been updated so it appropriately reflects the current risk management processes at the Trust.

The central tool used in the management of risk is the Board Assurance Framework (BAF). In 24/25 the format and structure of Board Assurance Framework (BAF) was subject to executive review, both individually and collectively and changes were implemented to allow a more robust approach to the management of risk by seeing the residual scores in the context of risk tolerance.

Each department has an individual risk register which forms part of the action log in meeting agendas. Strategic risks are recorded in the departmental risk registers and consolidated into the BAF for reporting to the Trust Board.

Prevention and detection of fraud

The Trust has an overarching Anti-Fraud, Corruption and Bribery Policy and Response Plan in place. An Annual Report is presented to the Audit Committee outlining the work conducted during the year which includes key findings and a self-assessment against national standards.

The Trust has a Counter Fraud Champion who works closely with the LCFS. The Trust Code of conduct and Whistleblowing policies are available on the intranet directing staff to the appropriate place for reporting suspected fraud in a confidential manner. The Trusts also has a dedicated Freedom to Speak up Guardian.

Financial planning and monitoring

The Trust has a process in place to identify overspends in divisions and hold managers of overspending budgets to account. We have seen regular monitoring of financial performance during the year through reporting to Board and Finance and Performance Committee (FPC) with financial performance being challenged, risks highlighted and mitigations identified.

Decision Making

We have reviewed the process in place for major decisions and business cases. Decisions are taken through Directorate Boards in the first instance and subsequently submitted to the Executive Leadership

Governance

Group for agreement before submission to the Operational Management Board for approval and sign off.

Compliance with laws and regulations

Compliance with regulations and standards is reported in the Annual Report and Annual Governance Statement (presented to Board and Audit committee).

The Trust also performs a self-assessment annually against the NHS Provider Licence, which is considered by Audit Committee and Board.

The Audit Committee is responsible for monitoring the effectiveness of internal control. The Trust's internal auditors (MIAA) develop and agree an annual work plan which is approved and monitored at the Audit Committee.

The NHS Standards of Business Conduct and Behaviour Standards are available to all staff on the intranet and all policies are provided to new employees as part of the Trust induction process. The Trust also has a Conflict of Interest policy which incorporates the gifts and hospitality policy. This is monitored and approved through the Audit Committee.

CQC

On 24 to 26 February 2025 the CQC undertook an unannounced inspection of urgent and emergency services, comprising of the emergency department (ED), the clinical decisions unit (CDU) and the urgent treatment centre (UTC). The Trust has received a draft of the report and are currently in the process of gathering information to share with the CQC, as part of the factual accuracy process, prior to the finalisation of the report. The final CQC report is not expected to be published until July 2025. The service is currently rated as inadequate.

Following the inspection, the Trust were issued with a Section 29a Warning Notice which is the first stage of CQC enforcement action. The Trust will be reinspected against the warning notice within a 3-month period. Focused actions need to be taken in response to the Notice to allow the demonstration of achievement and early signs of sustainability prior to reinspection.

Specifically, in relation to governance systems operating within the service, the Warning Notice states the Trust has not embedded and sustained improvements within the service or addressed breaches of regulation identified in previous inspections. This is an area that the Trust is planning to provide further evidence on, to the CQC.

Management initially responded to the Notice by producing a briefing to provide assurance to the Board of Directors that action has been taken to address the concerns identified by the CQC and a review of the reporting mechanisms through Committees and the Board. An action plan was also developed and has been subject to a deep dive through the Quality and Safety Committee. This evidences the trust has acted quickly to act on the issues identified during the inspection.

Reporting of CQC actions

We are satisfied there has been regular reporting of the CQC improvement plan throughout the year and have reviewed the update presented at the January and May 2025 Board of Directors meeting. The updates report that progress has been made against the actions with the majority of actions reporting as being on track or complete with only one action behind schedule.

Governance

The Quality and Safety Committee receives assurance on the key risks through the Quality Governance Group Report. However, in response to the warning notice, it was acknowledged by management that some of the issues within the Urgent Care Division were reported at too high a level which meant that detail in relation to the ED was not highlighted in some areas. In response, the Trust has now implemented a weekly ED Quality and Safety Assurance Group.

Response to the warning notice

A number of immediate actions have been implemented in response to the warning notice and this will be integrated into a wider action plan in response to the formal report. The senior nursing leadership team have mapped what was known and what wasn't in relation to the findings of the Notice, considering the themes in the current CQC action plan.

The CQC raised 36 significant areas of improvement in the UEC services, particularly the emergency department. Of these, 8 have been resolved in full, 10 have strong plans in place and are on track to be resolved within the 12 week notice period and there are a further 18 that are progressing, but further work or assurance needs to be developed.

Conclusion

Although we recognise that a significant amount of work has been undertaken to respond to the findings of the Warning Notice, we note that the CQC has specifically identified that the Trust has not embedded and sustained improvements within the service or addressed breaches of regulation identified in previous inspections. We are aware that the Trust is compiling further evidence to share with the CQC, in relation to these findings, however at the time of writing this report, we have no formal report from the CQC to confirm their final conclusion.

As a result, we have identified a significant weakness related to the failure to implement or achieve progress on recommendations raised as a result of previous regulatory inspections. See recommendation on page 21.

	2025	2024
Control deficiencies reported in the Annual Governance Statement	None	None
Head of Internal Audit Opinion	Substantial Assurance	Moderate Assurance
Oversight Framework segmentation	3	3
Care Quality Commission rating	Requires Improvement	Requires Improvement

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.

Assessing VFM

The Trust takes part in the annual reference costs exercise which is shared throughout the organisation and used as a benchmarking tool to identify potential areas of in-efficiency. Model Hospital Data and Get it right first time (GIRFT) is used as part of the annual Cost improvement planning cycle.

The Trust has processes in place to allow appropriate monitoring and challenge of the in-year financial position. We have seen regular monitoring of financial performance during the year through reporting to Board and the Finance and Performance Committee (FPC) with financial performance being challenged, risks highlighted, and mitigations identified.

The Trust also has arrangements in place to monitor non-financial performance. Non-financial performance is reported to the Board of Directors and its sub-committees through the Strategic Oversight Framework (SOF) with key metrics presented using statistical process control charts split by the CQC domains (Safe, Effective, Responsive & Well Led). Performance is reported against either nationally determined targets or where these are not available locally agreed targets.

Assurance over the accuracy of non-financial performance data is controlled by the Business Intelligence team who produce the data which is incorporated into the SOF. The team performs data quality checks as part of its standard process.

Financial and performance information allows informed decision making and is used to assess performance and assess areas for improvement.

As described in the financial sustainability section, the Trust has a Cost Improvement Programme Recovery Group which is chaired by the Chief Executive Officer. This aims to provide formal governance arrangements to manage the Trusts cost improvement programmes.

The Trust has a RAG rated system which identifies which department is at greatest risk of not delivering their CIP. These departments are then supported by the CIP Recovery Group and the wider Finance Department.

Improving economy, efficiency and effectiveness

Partnership working

The Trust is a member of the NHS confederation, NHS Providers, a partner member of HFMA and uses model hospital benchmarking to improve the efficiency and effectiveness of its services. Activities of the local Integrated Care system is communicated with the Board during the Board meetings.

The trust ensures that financial plans have been reviewed to ensure that is in line with the plans and requirements being developed at an ICS level by submitting financial plans to the Cheshire & Merseyside Integrated Care System to collate at a system level. The ICS works in partnership with organisations to gain consistency in planning assumptions across the system as far as possible.

During 2024-25, there has been tangible changes and improvements made as a result of partnership working. One example is a restructure of the payroll service and migration to Mersey and West Lancashire NHS FT (MWL) on 1 April 2025. In addition, a local collaborative has been established to facilitate the delivery of an integrated community between the Trust and Cheshire and Wirral Partnership NHS FT.

Monitoring performance of sub-contractors

Whilst not a direct contractor / sub-contractor relationship, we have seen regular reporting to FPC on the Women and Children's (W&C) New Building project which receives reports from the W&C Project Management Board. We reviewed the paper that went to Project Management Board in December 2024 which includes key milestones, risks and actions addressed from the previous meeting in November 2024. One escalation area was a 4 week delay due to technical issue with medical gases and ventilation within the design of the new Neo-natal Unit. A lessons learnt workshop was held to understand the key learnings and this was presented in the Project Management Board paper.

CQC action plan

The Board receive regular updates on the progress of the CQC Improvement Plan, including Well Led. The plan is updated monthly to reflect reported progress and any changes to timescales and owners. Progress of the action plan is tracked through the Executive Director's Group.

Conclusion

Based on the risk assessment procedures performed we have not identified a significant risk associated with Improving economy, efficiency and effectiveness.

Recommendations

We raised the following recommendations in response to significant weaknesses identified in our value for money procedures.

#	Recommendation	Management Response
1	<p>Failure to implement or achieve progress on recommendations raised</p> <p>Although we recognise that a significant amount of work has been undertaken to respond to the findings of the Warning Notice, we note that the CQC has specifically identified that the Trust has not embedded and sustained improvements within the service or addressed breaches of regulation identified in previous inspections.</p> <p>Failing to implement or achieve progress on recommendations raised from a regulator or inspectorate is indicative of a significant weakness in line with NAO's Code of Audit Practice.</p> <p>Recommendation</p> <p>Depending on the outcome of the factual accuracy process with the CQC and the conclusions reached in the CQC's final report, the Board should ensure that significant improvements are made to governance arrangements in the areas of concern raised by the CQC in their final report.</p> <p>Further the Board must gain assurance over the completion of actions identified as a result of this inspection and previous inspections. Progress should be monitored and scrutinised by the appropriate project groups and the Trust's Board to ensure the actions taken to address the issues raised are embedded and sustained.</p>	<p>The Trust has made significant improvements in respect of Urgent and Emergency Care Services. We took immediate actions in response to the Warning Notice. We recognise there is more to do. Whilst we are in the process of responding to the factual accuracy of the draft CQC report, we are continuing to drive forward our UEC improvement plan. We are engaging with Partners to support us in respect of the demand and flow through our hospital.</p>



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