



# Auditor's Annual Report 2024/25

**Norfolk and Norwich University Hospitals NHS Foundation Trust**

—

24 June 2025

# Contents

## KEY CONTACTS

**Emma Larcombe**

Director

[Emma.Larcombe@kpmg.co.uk](mailto:Emma.Larcombe@kpmg.co.uk)

**Hannah Lincoln**

Senior Manager

[Hannah.Lincoln@kpmg.co.uk](mailto:Hannah.Lincoln@kpmg.co.uk)

**James O'Donoghue**

Assistant Manager

[James.O'Donoghue@kpmg.co.uk](mailto:James.O'Donoghue@kpmg.co.uk)

	<b>Page</b>
<b>01 Executive Summary</b>	4
<b>02 Audit of the Financial Statements</b>	6
<b>03 Value of Money</b>	10
a) Financial Sustainability	
b) Governance	
c) Improving economy, efficiency and effectiveness	
d) Prior year findings	

This report is addressed to Norfolk and Norwich University Hospitals NHS Foundation Trust (the Trust), as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state, those matters we are required to state to them in an auditors' annual report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Norfolk and Norwich University Hospitals NHS Foundation Trust, as a body, for our audit work, for this report, or for the opinions we have formed.

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

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



# 01 Executive Summary

# Executive Summary

## Purpose of the Auditor’s Annual Report

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

## Our responsibilities

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



**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:

<b>Accounts</b>	<p>We will issue an unqualified opinion on the Trust’s accounts on 24 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 7.</p>
<b>Annual report</b>	<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>
<b>Value for money</b>	<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 arrangements for improving economy, efficiency and effectiveness linked to CIP identification and delivery. We have provided further detail on page 21.</p>
<b>Other reporting</b>	<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 will issue 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><b>Valuation of land and buildings</b> Land and buildings are required to be held at fair value. As hospital buildings are specialised assets and there is not an active market for them they are usually valued on the basis of the cost to replace them with a 'modern equivalent asset'. During 2024-25 the Trust has undertaken a full revaluation of its land and buildings in year. Due to the Trust undertaking a full valuation in the current financial year, the risk has been increased to a significant risk. This is due to the full valuation requiring full updates to assumptions such as obsolescence assumptions factors resulting in increased levels of estimation uncertainty.</p>	<ul style="list-style-type: none"> <li>• We have critically assessed the independence, objectivity and expertise of Montagu Evans, the valuers used in developing the valuation of the Trust's properties at 31 March 2025;</li> <li>• We inspected the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the Group Accounting Manual;</li> <li>• We have compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information, such as floor plans, and to previous valuations, challenging management where variances are identified;</li> <li>• We have evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;</li> <li>• We have challenged the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations.</li> <li>• We have challenged key assumptions within the valuation, including the use of relevant indices and assumptions of how a modern equivalent asset would be developed, as part of our judgement.</li> <li>• We have performed inquiries of the valuers in order to verify the methodology that was used in preparing the valuation and whether it was consistent with the requirements of the RICS Red Book and the GAM;</li> <li>• We have agreed the calculations performed of the movements in value of land and buildings to verify that these have been accurately accounted for in line with the requirements of the GAM;</li> <li>• We have utilised our own valuation specialists to review the valuation report prepared by the Trust's valuers to confirm the appropriateness of the methodology utilised and</li> <li>• Disclosures: We have considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.</li> </ul>	<p>We identified a misstatement relating to the valuation of 2 of the Trust's assets being based on NIA rather than GIA. This has not been corrected by management. Updating this would lead to an increase in the total asset value of £1.2m, however we did not consider this material.</p> <p>We raised a recommendation relating to managements review of the valuation report linked to the misstatement noted above.</p> <p>We considered the estimate to be balanced based on the procedures performed.</p>

# Audit of the financial statements

Risk	Procedures undertaken	Findings
<p><b><i>Fraudulent expenditure recognition</i></b>                      Auditing standards suggest for public sector entities a rebuttable assumption that there is a risk expenditure is recognised inappropriately. We recognised this risk over non-payroll, non-depreciation expenditure with a focus on year end accruals.</p>	<ul style="list-style-type: none"> <li>• We have evaluated the design and implementation of controls for developing manual expenditure accruals at the end of the year to verify that they exist and are valid;</li> <li>• We have considered the level of estimation uncertainty associated with accruals balances;</li> <li>• We have inspected a sample of invoices of expenditure, in the period before and after 31 March 2025, to determine whether expenditure has been recognised in the correct accounting period;</li> <li>• We have selected a sample of year end accruals and inspected evidence of the actual amount paid after year end and other supporting information in order to assess whether the accrual has been accurately recorded.</li> <li>• We have 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;</li> <li>• We have 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.</li> </ul>	<p>We noted that there were errors identified where period end accruals were selected and compared to actual expenditure incurred after the period end. This was an overstatement of accruals and has been raised as an audit misstatement. Updating this would lead to a decrease in the total asset value of £856k, however we do not consider this material.</p> <p>We raised a recommendation relating to the review of manual accruals.</p>

# Audit of the financial statements

Risk	Procedures undertaken	Findings
<p><b>Management override of controls</b> 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"> <li>Assessed accounting estimates for bias by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias.</li> <li>In line with our methodology, evaluated the design and implementation of controls over journal entries and post closing adjustments.</li> <li>Assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.</li> <li>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.</li> <li>We have analysed all journals through the year using data and analytics and focus our testing on those with a higher risk, such as journals impacting expenditure recognition posted during the final close down.</li> </ul>	<p>We did not identify any material misstatements relating to this risk.</p> <p>We raised a recommendation relating to the review of journal postings.</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 - 17	18 - 20	21 - 24
Identified risks of significant weakness?	<span style="color: red;">■</span> Yes	<span style="color: green;">■</span> No	<span style="color: red;">■</span> Yes
Actual significant weakness identified?	<span style="color: green;">■</span> No	<span style="color: green;">■</span> No	<span style="color: red;">■</span> Yes
2023-24 Findings	Risk to significant weakness noted but did not materialise into significant weakness	No significant weakness identified	Risk to significant weakness noted but did not materialise into significant weakness
Direction of travel	↔	↔	↑

## Significant weaknesses followed up from the prior year

We did not identify any significant weaknesses in relation to the 2023-24 financial year.

# 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 Norfolk and Norwich University Hospitals NHS Foundation Trust (NNUH) is the largest acute health provider within the Norfolk and Waveney ICS. It operates across a small number of sites, with the main hospital site being a large PFI hospital on the outskirts of Norwich.

During the year the Trust was able to achieve its breakeven position, as a result of a number of non-recurrent items. This is against a backdrop of a system deficit of £36.2m against a planned break-even position. This was largely driven by the deficit in Queen Elizabeth Hospital Kings Lynn (QEHKL). This overall system position takes into account deficit funding of £18m, which allowed the deficits in NNUH and James Paget University Hospitals (JPUH) to be offset.

The ICS, and the Trust, have been set a clear expectation from NHSE to achieve a compliant breakeven plan for 2025-26. In order to achieve this the System has been granted a receipt of £51.1m deficit funding to hit a breakeven position

When developing the financial plan, the ICS have considered a number of non-financial performance metrics which are tracked and monitored via the ICB Commissioning and Performance Committee. During the 2024-25 financial year, significant progress has been made in relation to the 65 and 78 week RTT requirements with ongoing focus around further improvements to the 52 week standard.

During the 2024-25 financial year, the case for a group model across the three core acute providers within the ICS (NNUH, JPUH & QEHKL) has been approved. This will see an overall alignment in the governance arrangements for the three Trusts with a single group CEO, CFO and Audit Committee. This move to the group model looks to respond to the ongoing financial and clinical pressures experienced by the Trusts which are further compounded by the aging and growing population in a rural location. These changes will take effect for the 2025-26 financial year

# Financial Sustainability

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

We have considered the following in our work:

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

## ***Annual budget setting process for 2024-25***

- We have reviewed the Trust's processes around budget setting and monitoring and have found that the control processes in place were able to identify and incorporate sufficient pressures into the financial plan. The initial draft budgets were constructed based on appropriate local and national planning assumptions and we saw evidence of appropriate review and sign off by the relevant budget holders and Board on 1 May 2024 following the cycle 4 planning round. This resulted in a breakeven budget being submitted following the inclusion of an additional £14.6m CIP requirement.
- Finance business partners work closely with budget holders and divisional leadership teams to identify cost pressures, this is supported by their existing and ongoing knowledge of the services they are working with. A common format for collating cost pressures including financial impact and risk assessment is used, overseen and moderated by senior finance staff, and presented as part of the formal budget setting updates to the hospital management Board, Finance, Investments and Performance committee, and Trust Board. Pressures are challenged at all stages through the requirement for divisions to seek mitigation wherever possible and requiring the business case process to be used for any discretionary investment

## ***Budgeted performance vs. actual***

- On a monthly basis, financial performance is reported to the Finance, Investments and Performance Committee and also to the Trust Board. This provides a detailed review of the Trust's financial performance against the financial plan and an update on the core strategic financial pressures. On an adjusted performance basis, the Trust delivered a surplus of £0.046m, which is marginally in excess of the breakeven plan submitted.
- When reviewed on a monthly basis, consistently for each month of the year, the Trust exceeded its planned level of spend which was offset by additional income being received. The total overspend from the initial plan to final outturn position was £163.7m offset by £136.2m of additional income. This presented an adjusted deficit of £16m to the breakeven plan by M9. In the final 3 months of the year, significant levels of additional income were received offsetting this deficit to achieve a breakeven position as shown in the graph overleaf.

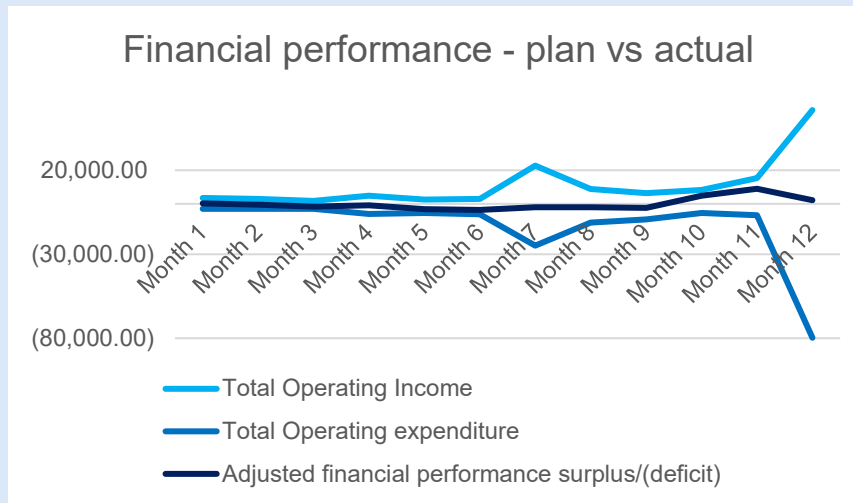
# Financial Sustainability

**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

**Budgeted performance vs. actual (continued)**



**CIP performance**

- In the prior year it was noted as part of the 2024-25 Financial Planning Return, the Trust submitted a challenging CIP target of £50.1m, which included £13.4m of productivity and efficiency improvements. For the year ended 31 March 2025, the Trust delivered CIP of £13.6m and the full £13.4m productivity improvements, compared to a target of £50.1 million for the year. The key driver for the under delivery of CIP was an insufficient number of schemes identified to deliver the full value of the Plan. As per review of the FY24-25 financial planning return, the Trust identified £17.1 million of “high risk” efficiencies and £5.4m of “medium risk” efficiencies which largely aligns to the under delivery for the current financial year.

# Financial Sustainability

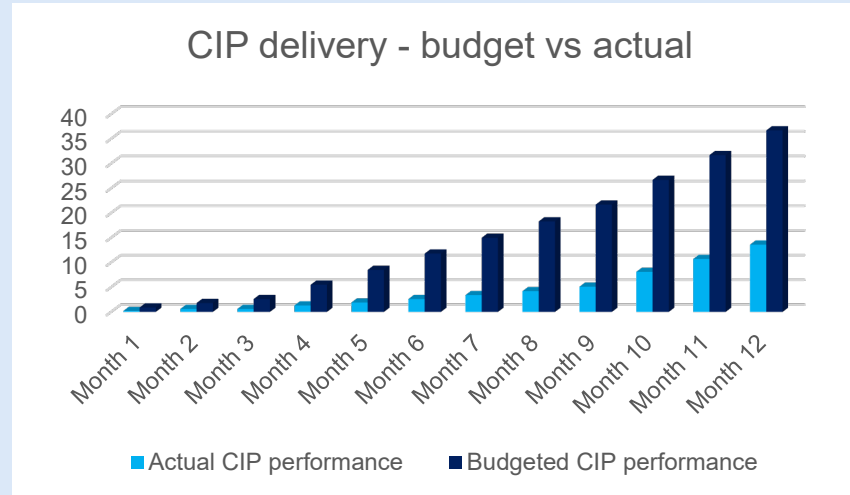
**How the Trust plans and manages its resources to ensure it can continue to deliver its services.**

We have considered the following in our work:

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

**CIP performance (Continued)**

- As noted in the graph below, throughout the year, the Trust underdelivered against the CIP target achieving 37% of the planned efficiencies.



- The Trust has recognised a risk within the Trust Financial risk register with a score of 20 linked to the failure of I&E and cash plans alongside the delivery of the financial strategy where efficiency plans are not delivered. This risk is reviewed on a monthly basis as part of the finance report, which tracks the financial impact of the under delivery. It is evident through the review of minutes of the Finance, Investments and Performance Committee, that there was sufficient scrutiny of the Trust’s CIP performance throughout the year.

# Financial Sustainability

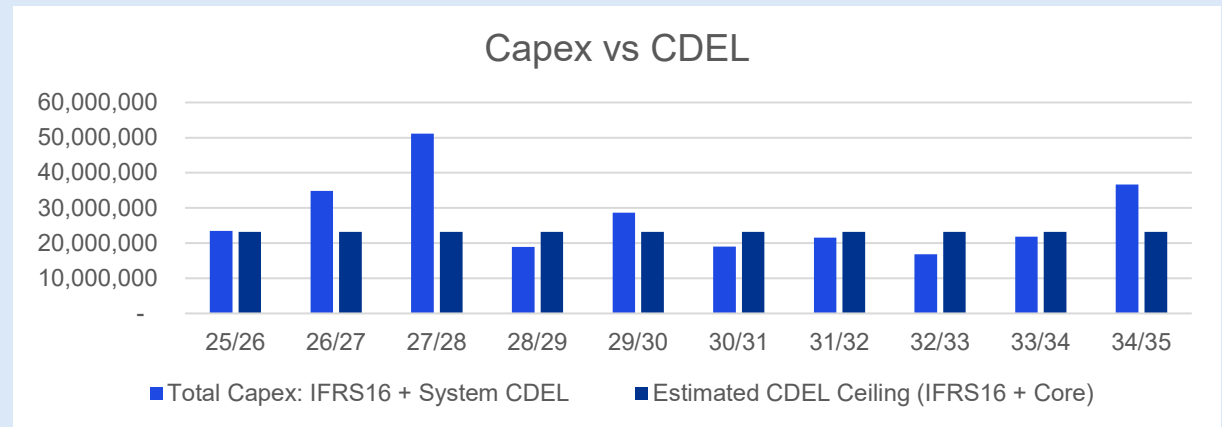
**How the Trust plans and manages its resources to ensure it can continue to deliver its services.**

We have considered the following in our work:

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

**Capital Programme**

- As per review of the capital plan, the Trust has a capital programme of £109 million. Within the capital plan there are three significant areas of capital spend to be undertaken by the Trust in the current financial year. These relate to NANOC 2, Diagnostic Assessment Centre and Electronic Patient Record (EPR) Readiness. As at 31 March 2025, the Trust underspent against its approved capital plan by £3.4m for the year. The underspend was attributed to £0.6m overspend on the core capital programme which was offset by slippage within IFRS 16 lease programme.
- The Trust has a total capital development expenditure limited (CDEL) of £70.7m for the 2024-25 financial year. During the year, there was a risk that the Trust would exceed its CDEL. As per review of the M12 reporting, the Trust delivered a capital plan in compliance with this limit. The Trust continues to recognise a risk within the Trust’s Financial risk register with a score of 20 linked to regulatory intervention if the Trust does not deliver a CDEL compliant programme.
- It is noted that for 2025-26, the Trust have developed a CDEL compliant capital programme, however there are future years where the Trust is forecasting to exceed these limits. This is largely driven by the renewal of large lease contracts such as the pathology lease in 2027-28. The Trust has escalated this risk to the Norfolk and Waveney Strategic Capital Board and NHS England.



# Financial Sustainability

## Planning to date for future periods

- KPMG have reviewed cycle 1 of the 2025/26 financial plan and note a draft deficit at £16.8m including a CIP delivery requirement of £24.2m. In the final submission made in the Financial Planning Return, this position had improved to a breakeven plan with the addition of £2.8m deficit funding on a control total basis. This improvement in the overall deficit position was largely driven by an increase in the CIP requirement from £24.2m to £43.7m. The consideration of this CIP requirement has been considered in detail at page 21.

## Financial sustainability conclusion

Based on the procedures performed we have not identified a significant weakness in relation to financial sustainability. Whilst it is acknowledged that the Trust did not achieve the planned levels of CIP, this did not prevent the Trust from delivering a breakeven position. As such whilst a significant risk has been identified in relation to the impact of CIP delivery on financial sustainability, this is not considered to have crystallised into a significant weakness.

KPMG will continue to monitor financial performance for future periods acknowledging the deficit plan for 2025-26 with the inclusion of another challenging CIP requirement.

Key financial and performance metrics:	2024-25	2023-24
Planned surplus/(deficit)	£0	£0
Actual surplus/(deficit)	£46k	£138k
Planned CIP as a % of spend	5.2%	4.9%
Actual CIP as a % of spend	4.1%	4.4%
Planned recurrent CIP as a % of total CIP	60.9%	89.3%
Actual recurrent CIP as a % of total CIP	50.3%	49.1%
Year-end cash position	£98.1m	£104.7m

# 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***

- The Trust has an appropriate risk management framework and risks are identified and managed in accordance with the Trust's Risk Management Strategy. Our review of the risk register and committee meeting minutes found reporting was sufficiently detailed and balanced to enable management to make informed decisions. The Trust utilises a 5x5 risk scoring matrix for its risks and the BAF and CRR are reviewed regularly with actions against actions to reduce the risk to the desired level.
- We observed that the Trust's budget process followed the appropriate governance process with oversight from the various sub-committees and sign off from the Board. Review of the Board minutes demonstrate robust challenge of Management, and we have observed that the progress against CIP and the delivery of the financial outturn are reported frequently and openly to the Finance, Investments and Performance Committee and through to Board. We further note that there is a process for holding regular discussions with Budget holders to ensure that variances to budget are adequately discussed and actions taken as required.

## ***Governance structures***

- We have reviewed the governance structure across the Trust and note that each sub-committees has a clear Terms of Reference, summary reports from each sub-committee are reported up to the Board to allow for Board oversight of decisions across the Trust. We note that for the majority of the year there was relatively low level of non-executive director turnover in the year with only one new member. There have been two appointments at executive director level with a new medical director appointed in October 2024 and a Chief Nurse appointed in September 2024. Combined with a new CEO and interim CFO appointed in March 2024, there is considered to have been relative high levels of turnover within the executive board of the Trust. See page 24 for the consideration of the upcoming move to a group model across the three core acute providers within the Norfolk and Waveney ICS.

# 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

## ***Procurement***

- We reviewed the entity's Standing Financial Instructions and note that the documents set out the roles and responsibilities of individuals and committees. There is a matrix within the SFIs that sets out the responsibility for each duty in consideration, from approval of the annual plan, through to losses, write-off and compensation. Our review of the matrix has not identified any thresholds or responsibilities that look unreasonable or out of line with our expectations for the Trust.
- The Trust has an adequate approach to procurement. Public Contract Regulations are built into the Standing Financial Instructions and use of the Trust's procurement team is required for spend over £50,000. We also note that the mandatory approval by NHS England for consultancy over £50,000 is built into the Trust's financial procures. We reviewed the Single Tender Waiver register, which is presented to each Audit Committee meeting, and did not identify any waivers which were indicative of a weakness in procurement regulations with the majority of waivers being requested due to there being a clear benefit to be gained from maintaining continuity with an earlier project. All waivers were reviewed and approved by the Trust's CFO

## ***Contract management***

- The Trust manages a number of ongoing contracts, most significantly the PFI contract with Octagon Healthcare. Following our review of the 2024 annual programme, we note that the estates team receives an annual schedule of works to be performed relating to the lifecycle maintenance costs allowing them to track delivery of works performed against those noted in the PFI contract.
- Management have identified a risk relating to the receipt of these maintenance works has been identified due to the challenges in creating decant ward space to allow the works to be performed. In 2023-24 The Trust prepared a Strategic Outline Case requesting £80.6 million additional funding to build a new decant facility to allow these works to be completed. This was not considered to be an affordable solution, however as part of the 2025-26 CIP programme, the Trust has identified 2 wards which could be closed in turn providing the decant space for these works to be performed.
- Whilst to date the arrangements are considered appropriate, KPMG will continue to monitor the PFI contract to ensure it continues to provide effective value for money

# Governance

## *IT Cyber Security*

In July 2024, the Trust was subject to a cyber incident infiltrating the Trust’s firewall and placing malware on some digital assets. The incident was picked up by monitoring tools. Upon first detecting the incident, a Cyber Incident team was set up to quickly investigate, contain and manage the incident. Following the containment of the incident within 3 hours, investigations were carried out for several days to allow for a full conclusion on the impact and containment to be provided. It was confirmed that the incident was successfully contained with no impact to data or financial systems. Forensic investigation of the affected assets indicates that there has been no loss of personal data and none of the financially relevant systems were impacted. Following the attack, NNUH has taken steps to prevent a reoccurrence of this incident. The response to this incident demonstrates an effective cyber security response process and appropriate actions taken.

## *Governance Conclusion*

Based on the procedures performed we have not identified a significant weakness associated with governance.

	2025	2024
Head of Internal Audit Opinion	The Organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.	The Organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.
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.

## ***Performance in delivering efficiency programme***

- As noted on page 14, for the year ended 31 March 2025, the Trust delivered CIP of £13.6m and £13.4m productivity improvements, compared to a target of £50.1 million for the year. This represents a £23.1m of under delivery in the year comprised of an adverse planning variance of £22.5m; and an adverse performance variance of £0.6m. It is noted that the key factor to this under delivery is insufficient identification and progression of schemes through the Gateways process for implementation and delivery. The most significant areas of under delivery related to the stretch target (£14.6m) and surgery (£4.4m) with CIPs being fully delivered in Women's & Children, CSS and Estates & Facilities.
- There was limited progress in identifying and approving schemes in the final quarter of the year, with the £13.5m of the £14.2m of CIPs identified by December 2024.
- The Trust governance in relation to CIP is overseen by the Programme Management Office. The Trust operates a Governance Gateway methodology for the oversight, review and appraisal of individual schemes. In 24/25 the trust has moved to a one Delivery Assurance Gateway process. As per the single delivery assurance gateway, following appraisal by the PMO the scheme is further scoped, including a detailed action plan, financial phasing and Clinical Quality Impact Assessment (CQIA). These schemes are appraised by the Combined Financial Improvement and CQIA Approval Committee for both quality and financial impacts. The Trust looks to ensure that, through liaison with the divisions and across corporate areas, the full efficiency requirement has been identified and approved ahead of the commencement of the financial year. The delivery of each scheme is monitored via the use of a live 'project workbook' which feeds an automated reporting system which refreshes on an hourly basis.
- It is considered that the Trust has a robust approach for the approval of CIP schemes however, the core challenge facing the Trust is the lack of schemes being identified. Due to demands on resources and capacity across the Trust, identification of CIP remains a challenge. For 2025-26, the Financial Planning Return contains a CIP requirement of £43.7m, of which £20.7m (47%) of CIPs which were categorised as high risk by the Trust. As per review of the April 2025 CIP report, the Trust has delivered £0.2m of CIPs against a budgeted plan of £2.1m, an adverse variance of £1.9m. This is largely the result of insufficient schemes being identified and moved through to delivery, which is consistent with the Trust's CIP challenges in FY 2024-25. It is noted that at the time of drafting this report, work is ongoing to identify and approve the remaining CIP requirement for 2025-26.
- As per review of historical CIP performance, it is noted that the for the previous two financial years, the Trust has underdelivered on CIP requirements due to insufficient scheme identification. For 2025-26 NNUH have included a CIP requirement in excess of historic CIP delivery for 2025-26 to achieve its breakeven position for the year.

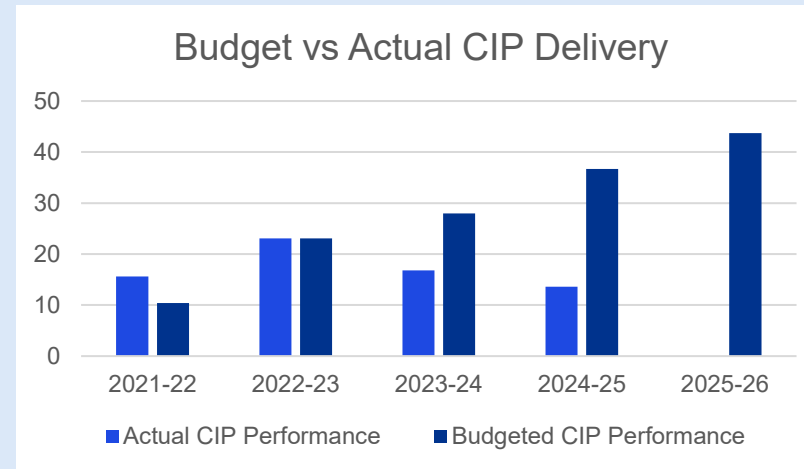
# Improving economy, efficiency and effectiveness

## 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 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.

## Performance in delivering efficiency programme (Continued)



## CQC Inspections

- The Trust received its most recent CQC inspection report in August 2024. This inspection covered the surgery, outpatients and diagnostic imaging services due to concerns around the safety and quality of the services provided and also inspected the well led domain for the Trust overall. The Trust received a rating of “requires-improvement” with no changes to the previous ratings for all areas of the inspection.
- Key areas of improvement identified by the CQC related to access to the services with patients waiting a long time for treatments of having appointments cancelled. The waiting times for referral to treatment were not in line with national standards. It was also noted that services did not always have sufficient staffing to provide safe care for patients. The areas identified within this inspection are considered as part of the review of operational performance below.

## Operational Performance

- Trust-wide Key Performance Indicators (KPIs) are agreed by the Board each year and are included in the Trust’s Integrated Performance Report (IPR). Performance against KPIs is RAG rated to determine how each area is performing against national and local standards/targets.

# 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

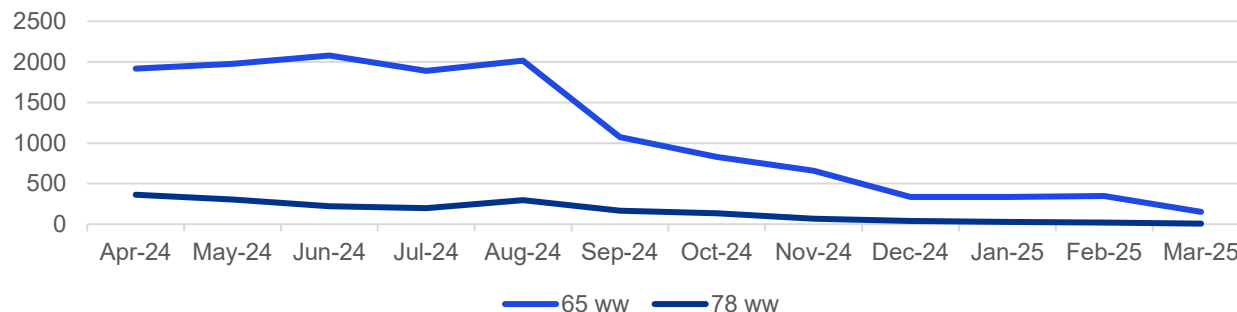
We have considered the following in our work:

- 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.

## Operational Performance (Continued)

- Performance is assessed on a monthly basis, with YTD and trend analysis performed to identify significant variations. The aggregation of these individual KPI ratings then determine a domain rating for each domain in the IPR. This in turn provides an overall performance rating for each domain and for the Trust overall.
- The IPR goes to the Finance, Investments and Performance Committee and Board on a monthly basis. The KPI performance structure is replicated at divisional level. Performance is scrutinised through Divisional management meetings and Executive-led Divisional Performance meetings (monthly). Benchmarking data is used by divisions as well as at Board level to identify areas of improvement. We have obtained the IPR presented to the Performance Committee and the Board throughout the year and note that the information is provided in an appropriate format and note that it contains many of the relevant performance measures as set out in the Oversight Framework.
- A key area of challenge for the Trust in the current year has been the backlog in elective recovery and compliance with the NHS England operational planning targets in relation to 65 and 78 week waits. At the start of the year there were a large number of breaches for both target requirements with the Trust's ambition to have zero breaches by 31 December 2024. KPMG have reviewed the progress against this requirement throughout the year and note that as at the year end there were only 159 breaches across the two KPIs.

RTT - 65 & 78 WW Trend 2024-25



# 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.

## ***Working in partnerships and with stakeholders***

- There is a clear Governance structure within the ICS which ensures fair representation within the ICS and clear reporting lines from each of the Trusts. Non-Executive Directors from the Trust Board also sit on the STP Board and the Executive Directors are part of System leaders and the STP Board. This ensures that the Board is aware of and involved in the System work. The development of the STP into an ICS has been worked upon with input from all system partners and has been reviewed at Board meetings.
- During the year, the Trust was involved in the preparation of the case for the Norfolk and Waveney Acute Hospital Collaborative (NWAHC) group model covering Norfolk and Norwich University Hospitals (NNUH), James Paget University Hospital (JPUH) and Queen Elizabeth Hospital Kings Lynn (QEHL). This has been designed to respond to the ongoing financial and clinical pressures across the Norfolk and Waveney ICS. The three acute providers involved in the group model have operated under a Committees in Common structure since 2021.
- As a result of the move to the Group model, there will be a change in the governance structure of the three acute providers including a single Audit Committee, Group Chief Executive and Group CFO. The overarching ambition of the group to enable the transformation of the acute service provision and ensure the sustainability of service delivery which support effective use of resources. These changes will be effective for the 2025-26 financial year, after which KPMG will look to assess the effectiveness of the changes made.

## ***Improving economy, efficiency and effectiveness conclusion***

Based on the procedures performed we have identified a significant weakness in relation to improving economy, efficiency and effectiveness linked to the identification and delivery of CIP requirements.

# Recommendations

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

#	Recommendation	Management Response
1	<p><b>Identification and delivery of CIPs</b></p> <p><b>Issue:</b></p> <p>We inspected the financial plan for 2024-25 and this included a breakeven plan with £50.1m of efficiencies (CIP and productivity), which is significantly higher than the levels previously delivered by the Trust. Whilst there is a robust governance process in relation to CIP, there continues to be challenges for the Trust in relation to CIP identification and delivery.</p> <p>The Trust requires significant engagement from budget holders and clinicians across the Trust to drive the efficiency and productivity programmes needed to support longer term financial sustainability.</p> <p>As a result of the work that the Trust still needs to do to drive efficiency internally we have raised a significant weakness in relation to the arrangements that the Trust has had in place during the year linked to improving economy, efficiency and effectiveness. The arrangements in place during the year to March 2025 were insufficient to ensure a fully worked up plan to address the gap was in place as at 1 April 2024 and we consider there to be a significant risk of financial loss if the Trust is unable to deliver the savings and efficiency gains required.</p> <p><b>Recommendation:</b></p> <p>The Trust will need to undertake a programme of engagement and buy-in from budget holders and clinicians across the organisation to ensure they are signed up to a realistic delivery plan and that this is in place for the 2025/26 financial year.</p> <p>Assurance will need to be provided to the Board that the plans that are being put in place are delivering and a fully worked up CIP plan should be in place ahead of the start of the next financial year</p>	<p>The Trust will need to undertake a programme of engagement and buy-in from budget holders and clinicians across the organisation to ensure they are signed up to a realistic delivery plan and that this is in place for the 2025/26 financial planning process well ahead of 1 April 2025.</p> <p>Assurance will need to be provided to the Board that the plans that are being put in place are delivering and a fully worked up CIP plan should be in place ahead of the start of the next financial year</p>



[kpmg.com/uk](https://kpmg.com/uk)

© 2025 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

**Document Classification: KPMG Public**