



# Auditor's Annual Report 2024/25

**Dorset County Hospital NHS Foundation Trust**

—

27 June 2025

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KEY CONTACTS

Rees Batley

Partner

Email: [rees.batley@kpmg.co.uk](mailto:rees.batley@kpmg.co.uk)

Alex Middleton

Manager

Email: [alexander.middleton@kpmg.co.uk](mailto:alexander.middleton@kpmg.co.uk)

Will Fraser

Assistant Manager

Email: [will.fraser@kpmg.co.uk](mailto:will.fraser@kpmg.co.uk)

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This report is addressed to Dorset County 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 Dorset County 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 Dorset County 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	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.  We have provided further details of the key risks we identified and our response on page 10.
Annual report	We did not identify any significant inconsistencies between the content of the annual report and our knowledge of the Trust.  We confirmed that the annual report has been prepared in line with the NHS Group Accounting Manual (GAM) and the Foundation Trust Annual Reporting Manual (the ARM).
Value for money	We are required to report if we identify any matters that indicate the Trust does not have sufficient arrangements to achieve value for money.  We have nothing to report in this regard.
Other reporting	We did not consider it necessary to issue any other reports in the public interest.

# 02 Audit of the Financial Statements

# Audit of the financial statements

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

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

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

## **Audit opinion on the financial statements**

We have issued an unqualified opinion on the Trust's financial statements on 27 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>Fraudulent expenditure recognition</b></p> <p>Auditing standards suggest for public sector entities a rebuttable assumption that there is a risk expenditure is recognised inappropriately. We recognised this risk over the Trust’s operating expenditure balance excluding costs associated with payroll and depreciation.</p>	<ul style="list-style-type: none"><li>• We evaluated the design and implementation of controls to verify if expenditure accruals have been completely recorded, including the year on year of accruals performed by management.</li><li>• We inspected a sample of expenditure transactions and cash payments, in the period after 31 March 2025, to determine whether expenditure has been recognised in the correct accounting period and whether accruals are complete;</li><li>• We inspected journals posted as part of the year end close procedures that decrease the level of expenditure (e.g. through accruals) 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; and</li><li>• We performed a retrospective review of prior year accruals to assess the completeness with which accruals had been recorded at 31 March 2024 and consider the impact on our assessment of the accruals at 31 March 2025. We also compared the items that were accrued at 31 March 2024 to those accrued at 31 March 2025 to assess whether any items of expenditure not accrued for as at 31 March 2025 have been done so appropriately and challenge management where the movement is not in line with our understanding.</li></ul>	<ul style="list-style-type: none"><li>• We sampled a number of expenditure transaction and cash payments in the period following 31 March 2025, and did not identify any inappropriate entries.</li><li>• We performed a retrospective review of accruals (both through consideration of prior year accruals and through comparison to current year accruals), and did not identify any inappropriate entries.</li><li>• We did not identify any material misstatements relating to this risk.</li></ul>

# Audit of the financial statements (cont.)

Risk	Procedures undertaken	Findings
<p><b>Management override of controls</b></p> <p>We are required by auditing standards to recognise the risk that management may use their authority to override the usual control environment.</p>	<ul style="list-style-type: none"> <li>Assessed accounting estimates for biases 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 Trust's normal course of business, or are otherwise unusual.</li> <li>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'), and performed procedures to test the appropriateness of these entries and adjustments.</li> </ul>	<ul style="list-style-type: none"> <li>We identified a number of journal entries and other adjustments which met our high risk criteria. These included unusual entries to cash and borrowings as well as journal entries which were posted to accruals in the last quarter of the year. Our review and examination of supporting documents did not identify any instances of management override of controls, with the journals being fully supported by documentation.</li> <li>We raised a control recommendation in relation to the journal's authorisation control in place at the Trust.</li> <li>We did not identify any material misstatements in relation to this significant risk.</li> </ul>




# 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	12-13	14	15
Identified risks of significant weakness?	<div></div> Yes	<div></div> No	<div></div> No
Actual significant weakness identified?	<div></div> No	<div></div> No	<div></div> No
2023-24 Findings	No significant weakness identified	No significant weakness identified	No significant weakness identified
Direction of travel	<div></div>	<div></div>	<div></div>

# Value for Money

## NATIONAL CONTEXT

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

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

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

### *Financial performance*

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

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

### *Structures*

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

## LOCAL CONTEXT

The Trust provides acute hospital services from its main site in Dorchester, serving a population of nearly 300,000 with over 3,500 staff. The Trust is a member of Dorset ICS ('Our Dorset').

During 2023/24 the Trust established a federated model with Dorset Healthcare University NHS Foundation Trust ('DHU'), which included the appointment of a Joint Chair, Chief Executive and other Executive Director and has seen a new joint strategy 'Working together, improving lives' approved in August 2024.

### *Financial performance*

The Trust has delivered an adjusted financial surplus of £13.0 million during the year. This was achieved through a focus on cost improvement programmes ('CIP'), with the Trust delivering £9.6 million of cost savings compared to a planned target of £14.3 million and receipt of £13.0 million of additional funding from the ICB and NHS England. The funding supported additional activity delivered in the year linked to the number of escalation beds open across the Trust, as well additional funding to support the structural deficit in the Trust.

Delivery of the financial plan remains a key challenge for the Trust. The Trust recognises being part of an ICS with a challenging financial position, with the system reporting a current year deficit of £12.0 million and an underlying deficit of over £172.2 million.

The 2025/26 Trust and ICS plan was approved by the Board on 30 April 2025, with the Trust forecasting to deliver a £9.8 million deficit, with the overall system forecasting a breakeven position. The plans include challenging cost improvement targets of c. 8.5% for the Trust, which is greater than the CIP delivered in the current year.

### *Maternity CQC Inspection*

The Trust have continued to implement the action plan agreed as part of the CQC inspection of Maternity Services in June 2023, with appropriate oversight by the Quality Committee. All 11 actions have now been addressed as required by the Section 29A notice.

# Financial Sustainability

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

We have considered the following in our work:

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

**Summary of arrangements**

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

**Delivery against 2024-25 financial plan**

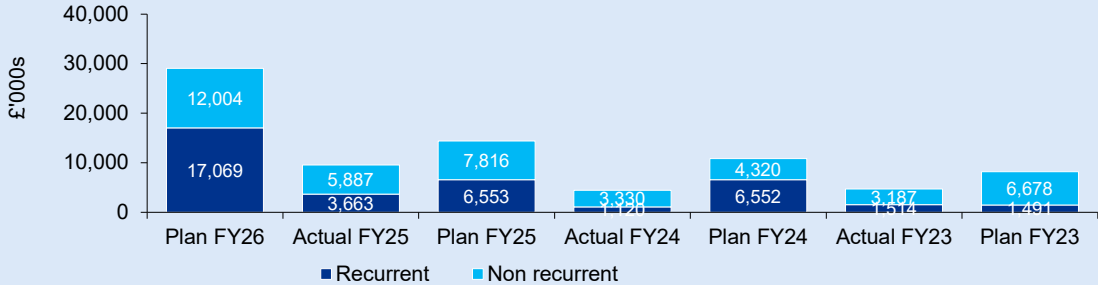
The original Trust financial plan for 2024/25 was a breakeven plan, which formed part of a wider ICS breakeven budget. The budgets were prepared based on appropriate local and national planning assumptions and were approved at both a Trust and ICS level prior to submission. However, during the period, risks within the budget crystallised, such as pressures arising due to the number of escalation beds in operation at the Trust, which had not been funded. These pressures resulted in the Trust reporting a deficit position of £11.8 million at month 9. The Trust responded to this position by working closely with partners across the system to review the level of funding in place and consider system wide initiatives, including an independent review of the deficit across the system and underlying drivers of the DCH financial position conducted by NHS England.

The Trust was able to mitigate the reported month 9 deficit and achieved a £13.0 million surplus at the year end, with the main driver for this improved performance being the partial delivery of Cost Improvement Programmes (‘CIPs’) and receipt of additional funding in relation to the structural deficit identified through the review conducted by NHS England in January 2025. This resulted in an additional £13 million of funding being received by the Trust.

To support the delivery of the financial position, the Trust planned delivery of £14.4 million of CIPs, with £6.5 million as recurrent savings and £7.8 million non-recurrent savings. The Trust failed to achieve the required savings, with £3.7 million of recurrent and £5.9 million of non-recurrent CIPs delivered in year.

The Trust have failed to achieve initial CIP plans in recent years, as noted in the below graph, however the delivery of CIPs remains a significant focus in the Trust’s financial plans. The significant level of CIP in 2025/26 will require additional focus from the Trust, with £4.5 million planned CIP unidentified in the submitted plan.

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



# Financial Sustainability

The Trust has submitted a 2025/26 plan with a total CIP delivery target of £29.1 million, split between recurrent savings of £17.1 million and non-recurrent of £12.0 million. Alongside this, the Trust continues to work with the ICB and NHS England to obtain additional funding in relation to the structural at the Trust.

**Capital Spend**

As part of the 2024/25 plan, the Trust identified £30.0 million of capital spend, largely relating to the New Hospital Programme. The delivery of plans are monitored through the Finance and Performance Committee in Common. The Trust delivered total capital spend of £22.5 million during the year, with the performance against plan being largely driven by delays in the New Hospital Programme and delays in backlog maintenance. The additional capital spend is expected to be spent in 2025/26 with the Trust having submitted a total capital plan of £52.1 million.

The Trust is in Phase One of the New Hospital Programme with construction work having already started in 2024/25. The progress and monitoring of this project is routinely reported to both the Finance and Performance Committee in Common and the Trust’s Board.

**Planning process for 2024-25**

The Trust has worked with ICS partner organisations to develop plans for 2025/26 in line with the national guidance, with planning initiatives, including but not limited to: planning workshops, recurring Director of Finance meetings, challenge and confirm sessions and system development meetings. In particular, the Trust has ensured all relevant stakeholders including the Board, Finance and Performance Committee in Common and Senior Leadership Group throughout the process, with necessary background and detail included within such updates. Prior to submission, management obtained approval from the Trust Board on 27 March 2025, with minutes evidencing sufficient challenge and scrutiny on all relevant aspects of the draft plan.

The final Trust and ICS plans were submitted on 30 April 2025 with the Trust submitted a breakeven plan and the wider ICS also forecasting an in year breakeven position.

Key financial and performance metrics:	2024-25	2023-24
Planned performance (adjusted financial performance)	Breakeven	Breakeven
Actual performance (adjusted financial performance)	£13.0 million surplus	£47k deficit
Planned CIP	Planned CIP of £14.4 million:	Planned CIP of £10.8 million:
- Recurrent	— £6.5 million recurrent	— £6.5 million recurrent
- Non-recurrent	— £7.8 million non-recurrent	— £4.3 million non-recurrent
Actual CIP	Achieved CIP of £9.5 million:	Achieved CIP of £4.4 million:
- Recurrent	— £3.7 million recurrent	— £1.1 million recurrent
- Non-recurrent	— £5.9 million non-recurrent	— £3.3 million non-recurrent
Year-end cash position	£25.2 million	£8.8 million

# Governance

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

We have considered the following in our work:

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

**Summary of arrangements**

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

**Risk Management Process**

The Trust has defined processes in place to monitor and assess risk, with key documents including the Board Assurance Framework (BAF) to manage strategic risks and the Trust Risk Register, which contains key operational risks. The Trust utilise a 5/5 scoring matrix to score operational risks, with key risks including areas such as staffing levels in certain areas of the Trust and physical health care provisions in inpatient services. Risks scoring 15+ are reported to relevant Committee's, alongside the Board Assurance Framework strategic risks that are owned by that Committee. The Committees also receive wider risk reporting, such as new risks and changes in risks, to support the discussions over the areas within their remit. This ensures the relevant risks are considered alongside the Board Assurance Framework.

**Governance framework**

The Trust has a clear governance framework, and since the approval of the federated model with Dorset County Hospital NHS Foundation Trust and appointment of joint Executive roles, has worked to align this framework. During the current year, this included establishing three 'Committees in Common' between the two Trusts; People and Culture Committee in Common, Finance and Performance Committee in Common and the Strategy, Transformation and Partnerships Committee in Common. The Trust are also working to revise the Risk Appetite statements and Risk Strategy in 2025/26 to align the documents between the two organisations.

**CQC Inspection**

The latest CQC inspection for the Trust was carried out in June 2023, resulting in a "Requires Improvement" rating in relation to maternity services and a Section 29(a) notice under the Health and Social Care Act 2006. During the year, the Trust has continued to address the concerns raised by the CQC, including providing regular updates to each meeting of the Quality Committee. The Trust addressed all elements of the action plan and are awaiting reinspection from the CQC to confirm they are closed.

	2025	2024
Control deficiencies reported in the Annual Governance Statement	None	None
Head of Internal Audit Opinion	Moderate assurance that there is a sound system of internal control.	Moderate assurance that there is a sound system of internal control.
Oversight Framework segmentation	3 – Mandated Support required to address specific issues.	3 – Mandated Support required to address specific issues.
Care Quality Commission rating	Good – November 2018	Good – November 2018

# Improving economy, efficiency and effectiveness

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

We have considered the following in our work:

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

## *Summary of arrangements*

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

### *Partnership Working*

As a member of 'Our Dorset', members of the Board and leadership team are integrated within the governance of the system. This includes Chief Financial Officer and Chief Operating Officer involvement in system decisions through the Operations and Finance Reference Group and Chief Executive Involvement in the System Leadership Team. This ensures the Trust is integrated into key system decisions and relevant Executives feed back to the Trust via Board, Committee and operational/clinical meetings.

System working is embedded as business as usual to enact the appropriate actions and change. This is underpinned by the Dorset Health System Collaborative Agreement, which in its agreement principles states that all providers agree to work within the aggregate of organisational control totals.

Overall, the ICS reported a 2024/25 performance of a £12 million deficit. All providers in the ICS broke even (or better), with the deficit being attributable to the ICB. However, given the underlying deficit of £172.2 million, there is pressure across the system for all parties to contribute to improve the position. The Trust take an active role in both 'Our Dorset Provider Collaborative' meetings and 'System Recovery Group', where parties discuss system performance, and progress against actions to recover the financial position.

We note that alongside financial planning, the Trust also has a number of roles in system wide working for clinical projects including Rheumatology and Urology.

Given the scale of the underlying deficit within the ICS, effective partnership working remains a key priority for the Trust and ICS partner organisations to deliver system wide efficiency and transformation. The Trust should continue to engage in the system working groups and collaborations to progress the system wide plans.

### *Monitoring of Performance of Services*

The Trust has a performance management framework in place to set the structure of performance management. This details the format of reporting, outlining roles and responsibilities for each level. The main element of performance reporting is the integrated performance report which provides the Finance and Performance Committee, and subsequently the Board, with key operational performance indicators on a monthly basis. This report highlights performance in different domains in line with the Trust's strategy and highlights key areas for improvement within each domain.



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