Auditor's Annual Report 2024/25

University Hospitals of Leicester NHS Trust

—

June 2025

Contents

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This report is addressed to University Hospitals of Leicester NHS 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 University Hospitals of Leicester NHS 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 University Hospitals of Leicester NHS 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 27/06/2025. 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 from page 5.
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).
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 identified no new significant weaknesses relating to the arrangements across the relevant domains. We have however re-iterated previously identified significant weaknesses.
Other reporting	Due to the breach of the five year break even duty reported in the financial statements, we have made a referral to the Secretary of State under s30 of the Local Audit and Accountability Act 2014.

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 the Secretary of State for Health and Social Care with the consent of HM Treasury on 23 June 2022 as being relevant to NHS Trusts in England 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
Expenditure recognition – completeness Auditing standards suggest for public sector entities a rebuttable assumption that there is a risk expenditure is recognised inappropriately. We consider this would be most likely to occur through understating accruals, for example to push back expenditure to 2025/26 to mitigate financial pressures	– We evaluated the design and implementation of controls to review the year end accruals balance to support our significant risk; – We inspected a sample of invoices and cash payments, in the period after 31 March 2025, to determine whether expenditure has been recognised in the correct accounting period; – We considered journals posted as part of the year end close procedures that decrease the level of expenditure (e.g. through accruals); – We performed a retrospective review of accruals recorded at 31 March 2024 and consider the impact on our assessment of the accruals at 31 March 2025; and – We performed a year-on-year comparison of a sample of the largest accruals in the prior year and current year and challenge management where the movement is not in line with our understanding of the entity.	We did not identify any material misstatements relating to this risk.
Management override of controls We are required by auditing standards to recognise the risk that management may use their authority to override the usual control environment.	– We assessed accounting estimates for bias by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias. – We evaluated the design and implementation of controls over journal entries and post closing adjustments. – We assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates. – We assessed the business rationale and the appropriateness of the accounting for significant transactions that are outside the component’s normal course of business or are otherwise unusual. – We analysed all journals through the year using data and analytics and focussed our testing on those with a higher risk, such as journals impacting expenditure recognition posted during the final close down.	We did not identify any material misstatements relating to this risk.

Note: Following the 2023/24 audit (and the issuance of an unmodified auditor's report), we note that the Trust has continued to make significant progress in regard to carrying out a substantial asset verification exercise. Due to the progress achieved by management, we have not identified a significant risk related to the existence of plant and equipment (inc. AUC).

03
Value for Money

Value for Money

Introduction

We are required to consider whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or 'value for money'. We consider whether there are sufficient arrangements in place for the Trust for the following criteria, as defined by the National Audit Office (NAO) in their Code of Audit Practice:

- Financial sustainability: How the Trust plans and manages its resources to ensure it can continue to deliver its services.
- Governance: How the Trust ensures that it makes informed decisions and properly manages its risks.
- Improving economy, efficiency and effectiveness: How the Trust uses information about its costs and performance to improve the way it manages and delivers its services

Approach

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

We are required to report a summary of the work undertaken and the conclusions reached against each of the aforementioned reporting criteria in this Auditor's Annual Report. We do this as part of our commentary on VFM arrangements over the following pages.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Trust.

Summary of findings

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
Commentary page reference	11-14	15-16	17
Identified risks of significant weakness?	Yes	No	No
Actual significant weakness identified?	No new weaknesses, however old ones remain.	No	No
2023-24 Findings	Significant weaknesses identified, both new and re-iterated.	No significant weakness identified	No significant weakness identified
Direction of travel	⟺	⟺	⟺

Significant weaknesses followed up from the prior year

Significant weaknesses surrounding financial sustainability were identified in the previous years and remain in the current year. In line with guidance, we have not raised a new recommendation this year but have followed up the progress in implementing the recommendation previously raised, see page 18-19.

On page 18-19 we have set out commentary on the significant weaknesses and other findings identified in the prior year and whether the recommendations to address the weaknesses have been satisfactorily implemented.

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

UHL is one of the largest and busiest NHS Trusts in the country with over 17,000 staff. It is committed to working with partners across the Leicester, Leicestershire, and Rutland (LLR) Integrated Care System (ICS) and is split across three main sites, including Leicester General, Glenfield and Leicester Royal Infirmary.

Financial Performance

During 24/25, the Trust received £65m Non-recurrent Revenue Deficit (NRD) Funding funding from NHSE (NHS England), resulting in a revision to the Trust plan of breakeven.

Delivery of the financial plan has continued to represent a challenge for the Trust operationally (when excluding NRD support funding), achieving adjusted financial performance of a £37m deficit in the year ended 31 March 25 (inclusive of NRD support funding), as compared to the above breakeven position.

The Trust failed to achieve its target cost improvement programme (CIPs), achieving total savings of £69m as compared to planned savings of £92m.

Operational Performance

The Trust has seen improvement across a number of their performance indicators.

Financial Planning

The 2025/26 Trust plan was approved by the Trust Board prior to submission, with planned adjusted financial performance of breakeven when considering expected 2025/26 NRD, and an underlying adjusted financial performance of £65m deficit when excluding such funding. The ICS is also forecasting an overall position of breakeven. The plans include challenging cost improvement targets, with the Trust expected to deliver greater CIP savings greater than those delivered in the current year (£92m).

New Hospital Programme

The planned progression of the New Hospitals Programme at the Trust has effectively been ‘paused’ for 3 years, as part of the national re-profiling by the of the Programme into 3 waves.

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 **identified a risk of significant weaknesses** in the Trust's arrangements in relation to financial sustainability, as a result of previously identified weaknesses. We have reviewed progress against our recommendations and have confirmed previously **identified significant weaknesses remain**. Due to both weaknesses relating to similar areas of financial sustainability, this has been reported formally under one weakness within our audit report.

Delivery against 2024-25 financial plan

The Trust submitted a plan with forecast deficit of £64.8m (as approved by Board). In September 2024, the Trust received Non-Recurrent Deficit (NRD) Funding from NHSE (NHSE England) of £65m. This led to a revised breakeven plan for 24/25 (for both Trust and LLR ICS (Leicester, Leicestershire and Rutland Integrated Care System)).

As at M12, the Trust achieved a deficit of £34.8m (adjusted financial performance) (later updated to £37.2m) against the above revised plan position of breakeven. This performance was driven by CIPs (Cost Improvement Programmes) non delivery (£22m) and UEC and pay costs pressure (£13m). When excluding NRD funding, the underlying adjusted financial performance totals £99.6m for 2024/25.

The Trust identified ambitious CIPs of £91.6m for 2024/25, with £70.0m relating to recurrent savings. The Trust failed to achieve its target, achieving total CIPs of £69.4m, being £27.8m recurrent and £41.5m non-recurrent (and therefore more heavily weighted to non-recurrent savings than initially planned). Further detail on CIPs is available as part of our follow up of previously identified significant weaknesses, as per page 19. Ultimately, **the previously reported significant weakness is re-iterated.**

Overall, the LLR ICS reported a draft M12 outturn of a £37.2m deficit, against the revised plan of breakeven, with the Trust contributing all of such deficit.

Financial reporting

As part of our procedures performed in 2023/24 (and for context of the reporting environment), we noted that when devising the initial 2024/25 plan, the Board were notified and briefed of the risks included within this position, particularly the level of unprecedented level of CIP included (c£92m).

Continued …

Financial Sustainability (cont'd)

… Continued

During 2025/26 (and at each key point during the year), the Trust have taken reports to FIC, Audit Committee and Board explaining the current position, as well as identifying ongoing risks (which they were briefed on at time of submission as detailed above) to achieving both the original outturn and revised position. This includes the receipt of NRD Funding which led to a revision of the planned position, which was formally reported to TLT (Trust Leadership Team), FIC and Board.

Cashflow reporting and monitoring

The Trust received £32m in cashflow support (PDC) from NHSE (in addition to the £65m received in NRD Funding) during 2024/25, which has been identified through daily cash forecasting. Where required, the Trust has proactively requested revenue cash support and has provided both numerical and narrative analysis to DHSC in support of this.

Planning process for 2025-26

Both the Trust and LLR ICS have submitted their financial plans for 2025/26, in line with national guidance.

The Trust has engaged in both Trust and ICS planning initiatives, including but not limited to: planning workshops, recurring DOF meetings, challenge and confirm sessions, and system development meetings. As part of the Trusts approach, they have engaged Clinical Management Groups (CMGs) throughout the process, adopting a worked up process. In regard to reporting, the Trust has engaged the Board, FIC (Finance and Investment Committee) and TLT (Hospital Leadership Team), keeping them updated and informed throughout the process, with necessary background and detail included within such updates.

Prior to submission, management obtained approval from the Trust Board on 26 March 2025, with minutes evidencing sufficient challenge and scrutiny on all relevant aspects of the draft plan. The minutes from such approval note that Trust Board had received an in-depth briefing on the plan immediately prior to the meeting, citing the ambitious CIP target included.

The Trust are forecasting to achieve breakeven (adjusted financial performance) in 2025/26, an adverse movement of c£35m compared to 2024/25 actuals. Such forecast assumes NRD Funding of £64.8m in 2025/26 (in line with 2024/25). This also forms part of the overall LLR ICS breakeven forecast position for 2024/25. We note that without the receipt of NRD Funding during 24/25, the ICS would have been in a large underlying deficit position, and as such the 2025/26 plan represents a significant challenge for the system to achieve.

The Trust has again identified ambitious CIPs of £91.9m for 2025/26, within their planned adjusted financial performance of breakeven. As per the Trusts submitted FPR (Financial Planning Return) to NHSE, 100% of the identified CIPs were marked as 'high-risk'. As at June 2025, the current level of identified CIPs totals £49m, meaning opportunity (aka the gap to the overall target of £92m) of £43m.

Continued …

Financial Sustainability (cont'd)

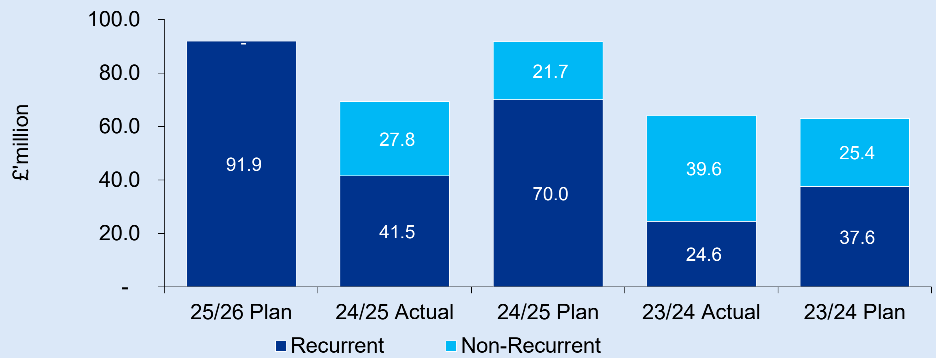
… Continued

The Trust are currently performing a number of activities in order to identify the remaining schemes, including:

- The establishment of workstreams across both Clinical Management Groups (CMGs) and six CIP specific Executive-led workstreams: Workforce (£50m), Non-Pay (£21.5m), Commercial (£1.9m), Clinical Coding (£3.5m), Operational Productivity (£15m), and Digital (enabling). Each workstream has been assigned a clear financial target aligned to its scope and is led by an Executive SRO with oversight responsibilities.
- In partnership with the Trusts delivery advisors (Bain), they have established a cross-functional Results Delivery Office (RDO) to drive accountability and pace. The RDO brings together colleagues from Finance, Workforce, Strategy, and wider corporate functions to ensure coordinated delivery and issue resolution. An Executive RDO meets weekly to monitor progress, interrogate delivery data, and agree key decisions.
- In parallel, monthly joint CFO/Chief People Officer meetings are held with each CMG to track CIP delivery at a local level. Additional oversight has been instigated for CMGs where delivery is off track, including tailored support from the central team.
- A structured pipeline of high-impact schemes and potential 'difficult decisions' is also being developed for Executive consideration during Q1. This is intended to close the residual gap and ensure full programme delivery remains within reach.

Further detail on CIPs is available as part of our follow up of previously identified significant weaknesses, as per page 19. Ultimately, **the previously reported significant weakness is re-iterated.**

CIP Actual vs Planned



Continued …

Financial Sustainability (cont'd)

… Continued

Medium term financial planning

It is noted that a significant weakness was raised in relation to medium term financial planning during the 2021/22 audit, with progress being made during 2022/23 and 2023/24.

During 2024/25, the Trust has continued to further develop their Long-Term Financial Plan (LTFP, formally MTFP), updating to reflect actual performance and the 2025/26 financial plan. The Trust is due to take part in a national medium term financial planning exercise, commencing in July 2025. The output of such exercise will form the basis to a longer-term financial model which will ultimately be agreed at Board and by NHSE.

Therefore, **the previously reported significant weakness is re-iterated**. However, due to the progress demonstrated during the period it is clear that the arrangements in place to deliver the ongoing improvements required in this respect are having an impact and therefore there is no additional weakness to report.

Other

In addition to the above procedures, we note the Trust continues to be classified by NHS England as being in segment 4 within the NHS oversight framework segmentation, with LLR ICS as a whole being in segment 3. Such classification in segment 4 effectively means the Trust is subject to mandated intensive support regarding their financial position, with the ICS subject to lesser mandated support.

Key financial and performance metrics:	2024-25	2023-24
Planned performance (inclusive of NRD funding support) – adjusted financial performance	Breakeven	Breakeven
Actual deficit (inclusive of NRD funding support) – adjusted financial performance	£37.2m deficit	£52.8m
Planned CIP - Recurrent - Non-recurrent	Planned CIP of £91.7m: — £70.0m recurrent — £21.7m non-recurrent	Planned CIP of £63.0m: — £37.6m recurrent — £25.4m non-recurrent
Actual CIP - Recurrent - Non-recurrent	Achieved CIP of £69.4m: — £41.5m recurrent — £27.8m non-recurrent	Achieved CIP of £64.2m: — £24.6m recurrent — £39.6m non-recurrent
Year-end cash position	£40.7m	£39.8m

Governance

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

We have considered the following in our work:

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

Summary of arrangements

We have **not identified any potential risks of significant weaknesses** in the Trust's arrangements in relation to governance.

Risk Management Process

The Trust has a robust risk management framework in place, which allows the Trust to identify and monitor risks, governed by the risk management policy. All identified risks are subject to scrutiny and challenge to ensure an appropriate risk score and mitigations in place.

Risks are identified at a CMG level, where thorough assessments and discussions take place to determine an appropriate risk score, in line with the Trust's risk scoring matrix. Risks are then taken to and discussed at Risk Committee before being escalated to all relevant committees. Both the full Board Assurance Framework (BAF) and BAF summary are presented to each sub committee at every meeting and to the Trust Board quarterly.

Framework of control and audit arrangements

During the 2024/25, the Trust had in place Standing Financial Instructions (SFIs) and a Scheme of Delegation, which align to best practice and show clear delegated responsibilities. There are Terms of References for each sub-committee which are reviewed on an annual basis to ensure they remain fit for purpose.

The Trust have a dedicated Internal Audit and local counter fraud service (LCFS) provided by 360 Assurance. Both the Internal Audit and LCFS have an agreed annual work plan and report progress to each Audit Committee, with an annual report taken at the end of the year.

Board composition and oversight

We note a new Chief Financial Officer has been appointed during 2024/25, who has extensive NHS and finance experience. The reminder of the finance team remain unchanged. This highlights strong continuity in the structure and membership of the Trust Board and Executive Team. This has supported the delivery of Trust wide improvement programmes and ensured sufficient oversight of arrangements.

Continued …

Governance (cont'd)

… Continued

There are a number of sub-committees under the Trust Board, outlined as part of the SFIs, which were implemented in order to focus on key areas and issues identified by the Trust.

New Hospital Programme

The planned progression of the New Hospitals Programme at the Trust has effectively been 'paused' for 3 years, as part of the national re-profiling by the of the Programme into 3 waves. As a result of the delay, the Trust has reduced its planning capability in line with available funding. Despite the delay, the Trusts 'Our Future Hospitals and Transformation Committee' (which oversees the programme), scope and Terms of Reference remain unchanged. The group continue to meet regularly, to discuss all key aspects of the programme.

	2025	2024
Control deficiencies reported in the Annual Governance Statement	2	2
Head of Internal Audit Opinion	Significant assurance	Moderate assurance
Oversight Framework segmentation	UHL - Segment 4 (Mandated Intensive Support) LLR ICS – Segment 3 (Mandated Support)	UHL - Segment 4 (Mandated Intensive Support) LLR ICS – Segment 3 (Mandated Support)
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.

Summary of arrangements

We have **not identified any potential risks of significant weaknesses** in the Trust's arrangements in relation to improving economy, efficiency and effectiveness.

CQC

The Care Quality Commission (CQC) published a report in November 2022 relating to an inspection which took place in April, June and September that year. The outcome of this inspection was a reduction in the overall rating for the Trust, including the rating for well-led, to 'requires improvement'. The report included actions that the trust 'should' take in order to improve and one 'must do' action relating to equipment maintenance for surgical services at Glenfield hospital.

For each matter the Trust were required to prepare an action plan, report this to NHSE and establish arrangements to enable the Trust Board to have sufficient oversight of the progress against this plan. Our review of these arrangements has previously not found evidence of a significant weakness in arrangements being present. This is due to action plans being in place to respond to each matter and sufficient oversight of these being in place via the CQC Steering Group on CQC matters.

The Trust received CQC inspections for its three maternity sites in February and March 2023. The reports' ratings have not resulted in a change of the Trust's overall rating of 'Requires Improvement'.

Ongoing progress against the previously raised CQC actions is monitored through the Head of Quality Assurance (Corporate Nursing) and the 'Requires Improvement to Good Steering Group' ('RI2G' - formerly the CQC Steering Group), with quarterly updates to Patient Safety Committee and on to Quality Committee. A Board development session was held in March 2025 to discuss the action and progress to minimise the areas of risk identified within the 360 Assurance report and the committee is assured that all actions will be completed with in the timeframe of September 2025.

System Working

The leadership team at the Trust actively participate in the System Executive meetings and teams within the organisation are active members of planning forums (such as the LLR Collaboratives). In addition, the Trust have consistently had a high-ranking board member at the board meetings of LLR, since the ICS' inception.

An example of partnership working throughout the period was the Trusts involvement in the new CDC (Community Diagnostic Centre) based in Hinckley, bringing local people the best in modern and fit for purpose facilities for health checks, scans and tests, so that they can be diagnosed closer to home, without having to travel to a large hospital elsewhere.

Prior year findings

Significant weaknesses followed up from the prior year

In our annual auditor's report for the financial year 2023-24 we reported that the Trust had a significant weakness in arrangements over financial sustainability surrounding both the lack of an approved Medium Term Financial Plan and the level of unidentified schemes within the Trusts agreed 2024/25 Cost Improvement Plan. As required by the Code of Audit Practice we have revisited this issue and set out in the table below an update in regards to the arrangements in this area.

#	Recommendation (31 March 2022)	31 March 2024 position	Current status (31 March 2025)
1	**Medium Term Financial Planning (Financial Resilience)** During the 2021/22 financial year the Trust prepared a draft Medium Term Financial Plan (MTFP) in order to inform its financial planning and wider Trust strategy. As at the end of March 2022 the version of the plan prepared by the Trust had a lack of detail in relation to key areas of the plan. These included the nature of the underlying deficit, the type and quantum of future cost savings achievable during each annual period within the plan and an agreed set of actions to be taken with or by system partners. Until these areas are clarified the Trust does not have a robust platform on which to make informed decisions and will not be able to exit the financial special measures currently in place. **Recommendation** We recommend that the Trust should continue to expand the detail contained within the MTFP and agree a common understanding of its Medium Term Financial Strategy with system partners.	Progress has been made by the Trust in relation to the MTFP within the 23/24 financial period. The Trust are working closely with the Leicester, Leicestershire and Rutland Integrated Care System (LLR ICS) to ensure that the MTFP is in line with the system. This has included ensuring that the assumptions used for developing the plan align with the system. A model MTFP has been developed and was submitted to NHSE via the LLR ICB in September 2023. Before submitting, the plan was reviewed by the Trust Leadership Team and taken to Finance & Investment Committee for discussion in August 2023. The MTFP outlines the Trust's plan to reach a breakeven position by 2027/28. Discussions have also been held with NHSE, to revise the model from 5 years to 4 years in order to develop further traction and fully implement and embed the MTFP. It has been noted from our initial conversations, that there is more confidence in the MTFP across the Trust as information for decision making. However despite the above progress, it is noted as at time of writing, the MTFP is yet to be approved, and therefore is not fully implemented at the Trust. Due to internal delays, a Financial Sustainability / Recovery Plan is due to be taken to FIC on 28 June 2024. This will describe how the Trust intends to deliver the current year plan as well as future plans to return to a breakeven position. Therefore, the recommendation remains **partially completed, and significant weakness remains.**	As per our planning and risk assessment, the Trust has continued to further develop their Long-Term Financial Plan (LTFP, formally MTFP), updating to reflect actual 2024/25 performance and the 2025/26 financial plan. The Trust is due to take part in a national medium term financial planning exercise, commencing in July 2025. The output of such exercise will form the basis to a longer-term financial model which will ultimately be agreed at Board and by NHSE. As a MTFP/LTFP has not yet been approved by Board and agreed by NHSE, **the recommendation remains partially completed, and significant weakness remains.**

Prior year findings (cont'd)

#	Recommendation (31 March 2024)	Current status (31 March 2025)
2	**Financial Sustainability – CIP & savings delivery** The final financial plan for the Trust for 24/25 includes a £64.8 million deficit for the year to 31 March 2025. This plan is reliant on the delivery of an ambitious Cost Improvement Programme (CIP) of £91.6 million, which is greater than the CIP delivered in the current year. The Trust is at risk of not meeting the CIP plan, given the historic delivery performance on CIP, and the need for further work in order to fully develop the CIP schemes for 24/25. **Recommendation** We recommend that the trust establish arrangements to identify robust CIP schemes, spanning more than one year, which will lead to recurrent reductions in costs, as well as arrangements to track delivery of such plans, resulting in a greater proportion of plans 'fully developed' before signing off the 2025/26 operational plan.	The Trust identified ambitious CIPs (Cost Improvement Programmes) of £91.6m for 2024/25, with £70.0m relating to recurrent savings. The Trust failed to achieve its target, achieving total CIPs of £69.4m, being £27.8m recurrent and £41.5m non-recurrent (and therefore more heavily weighted to non-recurrent savings than initially planned). Looking forward, the Trust has again identified ambitious CIPs of £91.9m for 2025/26, within their planned adjusted financial performance of breakeven. As per the Trusts submitted FPR (Financial Planning Return) to NHSE, 100% of the identified CIPs were marked as 'high-risk'. As at June 2025, the current level of identified CIPs totals £49m, meaning opportunity (aka the gap to the overall target of £92m) of £43m. We note the Trust are currently performing a number of activities in order to identify the remaining schemes, including but not limited to; identifying both CMG and Executive-led work streams, establishing a cross-functional Results Delivery Office (RDO) with weekly meetings to monitor progress / interrogate delivery data / and agree key decisions, monthly CFO/COO meetings with each CMG specifically on CIPs, and the development of a framework for identifying a structured pipeline of high impact schemes. While we note the work being undertaken by the Trust, considering the non-achievement of the identified 2024/25 CIPs, as well as the current level of 'unidentified' 2025/26 CIPs, the Trust is again at risk of not meeting the agreed CIP plan. Therefore, **the recommendation surrounding the arrangements to identify robust CIP schemes remains, and significant weakness remains.**

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