



Auditor's Annual Report 2024/25

Somerset NHS Foundation Trust

—

June 2025

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This report is addressed to Somerset 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 Somerset 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

Somerset NHS Foundation Trust

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 Somerset 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 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. We have provided further details of the key risks we identified and our response on page 6.
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 identified one significant weakness relating to the arrangements for governance. We have provided further detail on page 18. We have followed up the significant weaknesses identified in the prior year on page 19.
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 24 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>Valuation of land and buildings</p> <p>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'.</p> <p>The Trust completed a full revaluation of its land and buildings in year.</p> <p>We deem the risk in relation to land and buildings to be associated with the judgement in setting the assumptions that drive the revaluation.</p>	<ul style="list-style-type: none"> • We critically assessed the independence, objectivity and expertise Cushman and Wakefield, the valuers used in developing the valuation of the Trust's properties at 31 March 2025; • We inspected the instructions issued to Cushman and Wakefield 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; • We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used; • We 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 particularly on obsolescence and floor area reductions; • We challenged key assumptions and changes made to the Trust's Modern Equivalent Asset model during the year and the impact on the overall revaluation, including making inquiries of NTW Solutions Limited who were contracted to update the existing Modern Equivalent Asset of the Trust; • We 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 • Disclosures: We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation. 	<p>We did not identify any material misstatements relating to this risk.</p> <p>We raised a recommendation to improve the process relating to the approval of the Modern Equivalent Asset assumptions that drive the revaluation.</p> <p>We considered the estimate to be cautious based on the procedures performed due to the MEA assumptions used in driving the revaluation resulting in a reduction in asset values.</p>

Audit of the financial statements (cont.)

Risk	Procedures undertaken	Findings
<p><i>Fraudulent expenditure recognition</i></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"> • 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. • We inspected a sample of expenditure 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; • 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 • 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. 	<ul style="list-style-type: none"> • We sampled a number of expenditure transaction and cash payments in the period following 31 March 2025, and did not identify any inappropriate entries. • 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. • We did not identify any material misstatements relating to this risk.

Audit of the financial statements (cont.)

Risk	Procedures undertaken	Findings
<p>Management override of controls</p> <p>We are required by auditing standards to recognise the risk that management may use their authority to override the usual control environment.</p>	<ul style="list-style-type: none"> Assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias. In line with our methodology, evaluated the design and implementation of controls over journal entries and post closing adjustments. Assessed the appropriateness of changes, compared to the prior year, to the methods and underlying assumptions used to prepare accounting estimates. Assessed the business rationale and the appropriateness of the accounting for significant transactions that are outside the Trust's normal course of business, or are otherwise unusual. Identified journal entries and other adjustments with characteristics that indicate that they may be inappropriate or unauthorised and therefore may have been used to manipulate the financial statements (which we refer to as 'high-risk journals and other adjustments'), using KPMG Clara Journal Entry Analysis and perform procedures to test the appropriateness of these entries and adjustments. 	<ul style="list-style-type: none"> 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 an instances of management override of controls. We raised a control recommendation in relation to the journals authorisation control in place at the Trust. We did not identify any material misstatements in relation to this significant risk.




03 Value for Money

Somerset NHS Foundation Trust

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	13-14	15-17	18
Identified risks of significant weakness?	<div>No</div>	<div>Yes</div>	<div>No</div>
Actual significant weakness identified?	<div>No</div>	<div>Yes</div>	<div>No</div>
2023-24 Findings	No significant weakness identified	Significant weakness in arrangements identified	No significant weakness identified
Direction of travel	<div></div>	<div></div>	<div></div>

A significant weakness surrounding governance, in relation to the response to the Care and Quality Commission (CQC) Inspection of Maternity Services and subsequent action plan, was identified in the previous year. The Trust has significantly progressed the action plan relating to the inspection in the period, with ongoing reporting and monitoring of progress and hence no weakness has been identified in the current year. We have reported progress against the previously raised recommendation on page 19.

A separate CQC inspection of the Children and Young People's Services at the Trusts Yeovil District Hospital site has also identified a number of areas of concern. We have considered the arrangements and have raised a new significant weakness surrounding governance.

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

Somerset NHS Foundation Trust provides, acute, community and mental health services throughout the county of Somerset. The primary hospitals are based in Taunton (Musgrove Park) and Yeovil (Yeovil District Hospital), with over 13,000 staff covering a large region and population of over 570,000. The Trust is a member of the NHS Somerset Integrated Care System ('ICS').

Financial position

The Trust has delivered a surplus of £3k in the year, broadly consistent with the prior year breakeven position. The position is aligned to the original breakeven plan submitted in April 2024 and the ICS reforecast in month 9. To achieve this position, the Trust delivered £34.2 million recurrent savings and £30.1 million of savings on a non-recurrent basis.

The Trust recognises being part of an ICS with a challenging financial position, with the system reporting a current year breakeven position however with an underlying deficit of over £73.5 million.

The 2025/26 Trust and ICS plan was approved by the Board on March 2025 and subsequently updated in May 2025, with the Trust and ICS forecasting to breakeven at the end of 2025/26. The plans include challenging cost improvement targets of c.4.4% of total spend for the Trust, which is broken down into 65.9% recurrent and 34.1% non-recurrent savings.

New Hospital Programme ('NHP')

During the period, the government announced delays to the NHP, which impacted the development of the new hospital at Musgrove Park. The delay has resulted in a £9.0 million impairment in 2024/25.

CQC Inspection

Following a CQC inspection of the Children and Young Person's Services in January 2025, the Trust was issued with a Section 29A warning notice under the Health and Social Care Act 2006. The Trust are currently working alongside the CQC in order to make improvements against the concerns highlighted.

Financial Sustainability

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

We have considered the following in our work:

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

Summary of arrangements

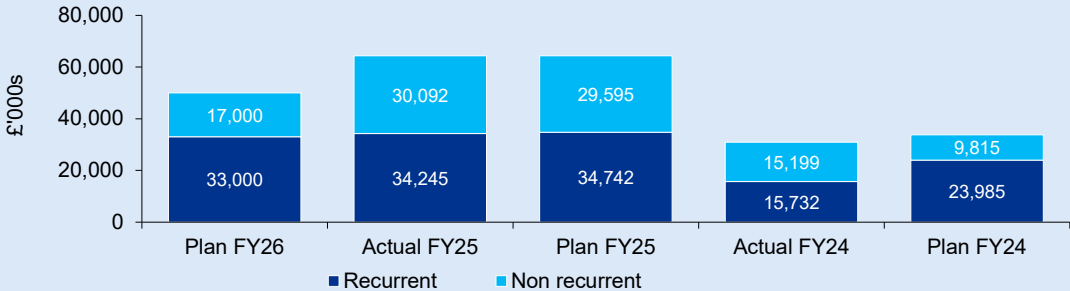
We have **not identified a significant weaknesses** in the Trust’s arrangements in relation to financial sustainability.

Delivery against 2024/25 financial plan

The original Trust financial plan for 2024/25 was 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. The Trust has maintained appropriate oversight of the financial performance throughout the period, with regular papers being presented to the Finance Committee, with a full finance report being presented at each Trust Board meeting. The Trust was able to mitigate the reported month 9 deficit and achieved a £3k surplus at the year end, with the main driver for this improved performance being delivery of CIPs .

To support achievement of the financial position, the Trust planned delivery of £64.3 million of CIPs. The Trust was able to deliver all the identified savings in 2024/25, with £34.2 million recurrent savings and a further £30.1 million of savings being on a non-recurrent basis. The overall achievement of CIP in the current and prior year is drawn out further on the graph below, highlight the significant delivery in year.

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



The Trust has continued to work closely with NHS Somerset Integrated Care Board (‘ICB’) and recognise being part of a system with a £73.5 million underlying deficit. The Trust continues to integrate the wholly owned subsidiaries of the Group into the wider Group governance and financial management disciplines and reports are presented for Simply Serve Limited and Symphony Healthcare Services Limited.

The Trust remains in a strong financial position, with a closing cash balance of £79.2 million. As part of the 2025/26 planning process the Trust has submitted a breakeven plan to NHS England, with a forecast closing cash balance of £53.1 million.

Financial Sustainability (cont.)

Planning process for 2025-26

The Trust has worked with ICS partner organisations to develop plans for 2025/26 in line with the national guidance, with planning initiatives, which include involvement in the System Wide Finance Group and the identification of key actions including the implementation of additional cost controls at both a Trust and subsidiary entity level. In particular, the Trust has ensured all relevant stakeholders including the Board, Finance Committee and throughout the process, with necessary background and detail included within such updates.

The final Trust and ICS plans were agreed in March 2025 and updated in May 2025, in line with the revised submission deadlines from NHS England, with both the Trust and System submitting a breakeven plan for 2025/26. This plan includes a challenging CIP target of £50.0 million, split between £33.0 million recurrent and £17.0 million non-recurrent savings. The Trust will need to ensure appropriate focus is maintained on the delivery of both the recurrent and non-recurrent CIP targets.

Capital Spend

As part of the 2024/25 plan, the Trust identified £93.7 million of capital spend, largely relating to sustainability and transformation works as well as the completion of the new Musgrove Park surgical centre. The delivery of plans are monitored through the Finance Committee. The Trust delivered total capital spend of £96.3 million during the year, with the performance against plan being largely driven by overspend associated with equipment purchases.

In January 2025, an announcement was made surrounding the national New Hospital Programme, which confirmed delays to the planned works on the new hospital to 2035-2039. The Trust’s new hospital at Musgrove Park has therefore been delayed, which has led to a write-off of costs incurred to date of c.£9.0 million in the 2024/25 financial statements.

Key financial and performance metrics:	2024-25	2023-24
Planned surplus	Breakeven	Breakeven
Actual surplus	£3k surplus	£23k surplus
Planned CIP as a % of spend <ul style="list-style-type: none">- Recurrent- Non-recurrent	Planned CIP of £64.3 million: <ul style="list-style-type: none">— £34.7 million recurrent— £29.6 million non-recurrent	Planned CIP of £33.8 million: <ul style="list-style-type: none">— £24.0 million recurrent— £9.8 million non-recurrent
Actual CIP as a % of spend <ul style="list-style-type: none">- Recurrent- Non-recurrent	Achieved CIP of £64.3 million: <ul style="list-style-type: none">— £34.2 million recurrent— £30.1 million non-recurrent	Achieved CIP of £31.0 million: <ul style="list-style-type: none">— £15.6 million recurrent— £15.3 million non-recurrent
Year-end cash position	£79.2 million	£76.6 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 identified **one significant weakness** in the Trust's arrangements in relation to governance.

Risk Management Process

The identification and scoring of risks is a key part of the Trust Risk Management Strategy. The Trust has defined processes in place to monitor and assess risk, with key documents including the Board Assurance Framework (BAF) being regularly reviewed by the Audit Committee and by the Trust Board. Alongside this, the Trust's Corporate Risk Register is regularly reviewed and challenged by the Audit Committee, containing the operational risks to the Trust. The Trust utilise a 5x5 matrix to score operational risks which include risks associated with the vacancy rate in the senior doctor workforce, demand and waiting times and Symphony Healthcare Services not becoming self-sustaining. Individual risks identified are marked and described within the documents, including relevant updates to the risk since the date of the last review.

CQC Inspection – Maternity Services

During 2023/24, the Trust underwent an inspection of their maternity services at both Musgrove Park Hospital ('MPH') and Yeovil District Hospital ('YDH') sites. As a result of the inspection and findings identified throughout the visit, a Section 29(A) notice under the Health and Social Care Act 2006 relating to the quality of maternity services and care being provided at both MPH and YDH. This resulted in a significant weakness being identified in the Trust's Governance arrangements in the prior year (see page 20).

The Trust developed an action plan to address the concerns highlighted by the CQC, which included 21 "must do" actions and 8 "should do" actions. The action plan has been monitored throughout the year by the Trust's Quality and Governance Assurance Committee ('QGAC'), which receives monthly reporting on the status of actions. We note that the Trust have also engaged regularly with the CQC throughout the year, including providing relevant updates and supporting evidence of implementation of actions against the areas of concern highlighted in the initial plan.

The action plan was reported to the 26 March 2025 QGAC, where it was noted that the plan was 76% complete. A further report in April 2025, provided to the Maternity and Neonatal Governance Meeting demonstrated further progress, with the plan now showing 92% completion. In addition to the ongoing work to address the CQC action plan, the Trust has also established a Maternity & Neonatal Improvement Plan across 2025-27, to bring together ongoing work to address emergent areas from the CQC, Regional Ockenden Insight visits reports and the Maternity Safety Support Programme diagnostic report.

The progress reported against the CQC inspections demonstrates the arrangements in place in relation to this process and therefore we do not consider a significant weakness to be present in relation to the CQC inspection of maternity services in the current period.

Governance (cont.)

Children and Young Person's Services at Yeovil District Hospital (YDH) Site

In December 2023, a number of emerging concerns were identified in relation to the YDH acute Paediatric service, which were reported to relevant Trust Executives. These concerns were further escalated to QGAC in June 2024, wherein the Trust noted risks across a number of domains including culture, risk management and quality. The report to the QGAC triggered a discussion with the CQC.

In response to these concerns the Trust formed the Paediatric Quality Improvement Group (PQIG) in August 2024. The PQIG, which meets monthly, is split into three individual workstreams including; Governance and Risk, Education and Training, and Workforce and Clinical Strategy in order to oversee development and implementation of actions in response to the concerns identified by the Trust, with monthly verbal updates provided to the QGAF.

CQC Inspection

In January 2025, the Trust underwent an inspection of their Children and Young People's Services. As a result of the inspection and findings identified both throughout the visit and following evidence being provided to the CQC, the Trust were issued with a Section 29(a) notice with respect to the service at the YDH site under the Health and Social Care Act 2006, which highlighted the following concerns:

- There were not suitably qualified, competent, skilled and experienced persons deployed during the busiest period of the service, out of hours and weekend to meet the requirements of the Paediatric Service at YDH;
- There was not a strong learning culture;
- Governance systems of the Paediatric Service at YDH were not operating effectively to ensure risk and performance issues were addressed with timely action.

The CQC confirmed that the Trust have until 19 May 2025 to make the significant improvements requested by the CQC as part of the inspection and as outlined in the Section 29(a) notice.

Response to Inspection Findings

Whilst the CQC inspection that resulted in the Section 29A warning notice being issued took place in January 2025, the Trust were aware of these issues internally prior to this inspection and engaged with the CQC throughout. The issues identified by the CQC have been included within the PQIG workstreams to ensure an appropriate response.

The Trust have been working alongside the local CQC team, the ICB and NHS England in order to address the concerns highlighted in the Section 29(a) warning notice. This includes regular briefings and updates and also engagement from the CQC in the monthly PQIG meetings. Individual workstreams stemming from the PQIG meet on a monthly basis, tracking actions identified to address the concerns highlighted by the CQC. Findings from these meetings and updates are then fed back into the form PQIG monthly meeting to assist with action tracking.

Maternity Update

Subsequent to the period end, the Trust have taken the decision to temporarily suspend maternity services at YDH, as part of measures to ensure the ongoing safety of the paediatric services. Whilst staff from MPH have been able to support YDH to ensure paediatric inpatient and outpatient services remain open, the Trust was unable to support the Special Care Baby Unit and temporarily closed the unit on safety grounds.

Conclusion

The Trust are in the process of implementing a number of actions in order to address the concerns identified both internally and through the CQC inspection surrounding Children and Young Person’s services in January 2025. Whilst the Trust have begun addressing the concerns, there is a significant amount of work still ongoing through the PQIG and its three workstreams in order to fully address the concerns identified.

Whilst we acknowledge the arrangements that the Trust have implemented in the period to address the identified issues, we note that these arrangements have not been sufficient to mitigate the identified issues on a timely basis. The CQC reiterated this observation within the s29A letter, noting the Trust recognised the issues with the service, but had not been able to implement the agreed actions to mitigate the risks.

The timing of the CQC inspection has also meant that the finalised inspection reports have not yet been published at the date of this report and therefore many of the remedial actions had not yet been fully implemented as at year end.

Therefore, we consider these issues to indicate a significant weakness in the governance arrangements in place at the Trust and make the following recommendation:

The Trust should review the arrangements in place to address the issues identified with the Children and Young People’s Services, both internally and through the CQC inspection. This should include:

- *Ensuring actions are in place to ensure timely mitigation of identified risk.*
- *Appropriate escalation is in place where risks are not able to be mitigated in a timely manner.*
- *Maintaining the current level of focus and ensuring sufficient resources to improve the levels of service provided by the Children and Young Person’s service at the Trust based on the Section 29A warning notice and concerns identified.*

As concerns have been identified in two consecutive years during CQC inspections, we also recommend the Trust review the overall QGAC effectiveness, including the reporting of risks to the committee, timeliness of actions to mitigate risks and how the Trust identifies and reports risks that are unable to be mitigated in the short term to ensure the appropriate alternative mitigations are considered.

	2025	2024
Control deficiencies reported in the Annual Governance Statement	None	None
Head of Internal Audit Opinion	Moderate assurance	Moderate assurance
Oversight Framework segmentation	2	2
Care Quality Commission rating	Good (Safe and Well-led)	Good (Safe and Well-led)

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 weaknesses** in the Trust's arrangements in relation to improving economy, efficiency and effectiveness.

Assessing Value for Money and Opportunities for Improvement

A monthly paper is presented to the Trust's Finance Committee in order to report on financial performance, allowing the Trust to assess the level of value for money being achieved. Management also maintain and monitor costs by reviewing the information received from the Model Hospital as well as performing detailed analysis over patient level costing. This benchmarking data is used for financial planning and contracting rounds to shape efficiency plans.

Partnership Working

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

The Trust forms part of the Somerset ICS and members of the Board and Leadership team are integrated within the governance of the system. This includes the involvement and integration of key members of the Trust in the System Finance Group. This ensures the Trust is integrated into key system decisions and feeds back to the Trust the Board and Finance Committee. Planning is performed at an ICS level as well as considering the individual entities that make up the ICS, with the aim of achieving financial sustainability at a system level, although there also remains a focus on achieving financial balance at an organisational level.

Following the merger of Yeovil District Hospital NHS Foundation Trust into Somerset NHS Foundation Trust on 1 April 2023, NHS Somerset ICS now includes one provider and one commissioner, driving a closer working partnership. During the year, the Trust received notification from NHS England regarding the Quality Governance Recommendations raised prior to merger in December 2022, confirming the recommendations had been adequately addressed.

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 Committee, and subsequently the Board, with key operational performance indicators on a monthly basis. This report highlights performance in different domains in line with the Trust's strategy and highlights key areas for improvement within each domain. For these areas further information is provided, such as trends, to help inform the Finance Committee and provide the full context. Escalation reports for key areas are presented to the Board.

Recommendations

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

#	Recommendation	Management Response
1	<p>The Trust should review the arrangements in place to address the issues identified with the Children and Young People's Services, both internally and through the CQC inspection. This should include:</p> <ul style="list-style-type: none">Ensuring actions are in place to ensure timely mitigation of identified risk.Appropriate escalation is in place where risks are not able to be mitigated in a timely manner.Maintaining the current level of focus and ensuring sufficient resources to improve the levels of service provided by the Children and Young Person's service at the Trust based on the Section 29A warning notice and concerns identified. <p>As concerns have been identified in two consecutive years during CQC inspections, we also recommend the Trust review the overall QGAF effectiveness, including the reporting of risks to the committee, timeliness of actions to mitigate risks and how the Trust identified and reports risks that are unable to be mitigated in the short term to ensure the appropriate alternative mitigations are considered.</p>	<p>In line with the ongoing governance review being undertaken across the Trust, QGAC will undertake a review of its effectiveness in terms of oversight and management of risks, commencing at its meeting in June 2025. The Board will consider the findings of this review alongside a wider committee effectiveness review.</p> <p>The PQIG will be reconfigured to hold the action plans and responses in respect of the ongoing improvement plans, the response to the CQC inspection reports and the plans for re-opening inpatient maternity and neo-natal services. Risks identified will be escalated through reports as a standing at QGAC and from there to the Trust Board.</p>

Somerset NHS Foundation Trust

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 governance surrounding the CQC inspection and subsequent report in relation to Maternity Services in Yeovil District Hospital. 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	Management Response	Current status
1	<p>The following recommendation is raised in relation to the significant weakness identified in the Trust’s governance arrangements associated with the CQC inspection:</p> <p><i>Whilst we recognise the Trust has taken action in response to the warning notice, the timing of the notification means that the Trust has not been able to demonstrate sufficient action within the period. The Trust should continue to maintain the current level of focus and direct resources to improve the level of services provided by the maternity services at the Trust based on the Section 29A warning notice and the “Must Do” actions of the full CQC report.</i></p>	<p>The Trust has established a Maternity and Neonatal Action Group (MNAG) , jointly chaired by the Chief Nurse and Chief Operating Officer, to oversee the response to the CQC inspection reports and delivery of the actions in relation to the s29A warning notice. As identified in this report, the Trust has submitted action plans in respect of the s29A notice and also in respect of the CQC inspection reports Must and Should Do recommendations and has established liaison meetings with the CQC to inform and update on the delivery of these. MNAG meets twice a month and reports monthly to the Trust’s Quality and Governance Assurance Committee which reports directly to the Board at each of its public board meetings. These arrangements will continue until the action plans are completed and/or a further CQC inspection of maternity services is undertaken.</p>	<p>Closed</p> <p>The Trust has continued to report progress against the action plan developed in response to the maternity CQC inspection. This has included the establishment of the Maternity & Neonatal Group.</p> <p>Significant progress has been made in completing the actions within the CQC inspection, as noted within the action plan status reported to the 26 March 2025 Quality and Governance Assurance Committee, where it was noted that the plan was 76% complete. A further report in April 2025, provided to the Maternity and Neonatal Governance Meeting demonstrated further progress, with the plan now showing 92% completion.</p>



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