Grant Thornton

Torbay and South Devon NHS Foundation Trust

Auditor's Annual Report
Year ending 31 March 2026

June 2026

Contents

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

01 Introduction and context

Introduction

This report brings together a summary of all the work we have undertaken for Torbay and South Devon NHS Foundation Trust (the Trust) during 2025/26 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements. The responsibilities of the NHS Foundation Trust are set out in Appendix A. The Value for Money Auditor responsibilities are set out in Appendix B.

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Trust as at 31 March 2026 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with international accounting standards as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2025/26, and
- have been prepared in accordance with the requirements of the National Health Service Act 2006.

We also consider the Annual Governance Statement and the relevant disclosures within the Annual Report including the Remuneration Report and the Staff Report.

Auditor's powers

Auditors of a Foundation Trust have a duty to consider whether there are any issues arising during their work that indicate possible or actual unlawful expenditure or action leading to a possible or actual loss or deficiency that should be referred to the relevant NHS regulatory body.

Auditors of Foundation Trusts also have the duty to consider whether to issue a report in the public interest (PIR), where it is appropriate to do so.

Value for money

Under Schedule 10 paragraph 1(d) of the National Health Service Act 2006, we are required to be satisfied whether the Foundation Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (referred to as Value for Money). The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

- financial sustainability
- governance
- improving economy, efficiency and effectiveness.

Our report is based on those matters which come to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify.

The NHS – context

Recovering performance amid high demand, workforce pressure and financial constraint.

National

Past

Historic Pressures

Long waits, rising demand and persistent backlogs in investment has created sustained pressure on hospital capacity, workforce and flow.

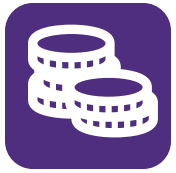
Infrastructure strain

Ongoing productivity challenges and ageing infrastructure has left acute providers struggling to keep pace with rising activity and complexity.

Present

Performance gaps

Despite record elective and emergency activity, urgent care performance remains below standards, with 12-hour waits continuing to increase.



Pressured finances

Acute Trusts must deliver 4% productivity gains and reduce cost bases by 1% amid tight budgets and rising demand.

Future

Recovery Focus

Acute Trusts will be expected to accelerate elective recovery, improve A&E and ambulance performance, and strengthen flow models such as same-day emergency care (SDEC).

Pathway Shift

National reforms will increasingly shift care closer to home, requiring acute providers to redesign pathways with community partners in a devolved system.

Local

Torbay and South Devon NHS Foundation Trust operates within the wider Devon Integrated Care System, providing a range of health and social care services. The Trust delivers acute services from Torbay Hospital and community services across five hospitals, from Dawlish to Brixham. Like many healthcare providers, it continued to face significant financial and operational challenges in 2025/26.

It is within this context that we set out our commentary on the Trust's value for money arrangements in 2025/26.

02 Executive Summary

Executive summary – our assessment of value for money arrangements

Our overall summary of our Value for Money assessment of the Trust's arrangements is set out below. Further detail can be found on the following pages.

Criteria	2024/25 Assessment of arrangements		2025/26 Risk assessment	2025/26 Assessment of arrangements	
Financial sustainability	R	Significant weakness in arrangements identified in relation to financial planning. We raised one key recommendation.	One risk of significant weakness identified regarding financial planning, specifically in relation to delivering savings, medium term financial planning and exiting NOF5 arrangements.	R	Whilst improvements shown in financial planning and savings governance arrangements during 2025/26, a significant weakness in arrangements for financial sustainability has been retained due to the extent of high risk and unidentified savings in 2026-27 plans and improvements required in delivery of recurrent savings. No improvement recommendations identified.
Governance	A	No significant weaknesses identified but we raised one improvement recommendation.	No risks of significant weakness identified.	A	Our work did not identify any areas of significant weakness. We have raised two improvement recommendations to strengthen governance of the Adult Social Care transition and to ensure compliance with Gifts and Hospitality transparency requirements.
Improving economy, efficiency and effectiveness	A	No significant weaknesses identified but we raised two improvement recommendations.	One risk of significant weakness identified regarding continued performance challenges.	A	No significant weaknesses in arrangements identified, but one improvement recommendation made to support the Trust in improving arrangements for managing contracts and procurement.

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

Executive Summary

We set out below the key findings from our commentary on the Trust's arrangements in respect of value for money.

Financial sustainability

The Trust strengthened its financial planning and savings governance arrangements during 2025/26, including approval of a compliant three-year Medium Term Financial Plan, improved oversight of savings delivery, and enhanced financial risk reporting. However, despite this progress, we identified a significant weakness in arrangements because financial sustainability remains materially dependent on recurrent savings that are not yet sufficiently secure. Recurrent savings delivery in 2025/26 was below plan, and the 2026/27 financial plan includes a substantial level of high-risk and unidentified savings. The prior year recommendation has therefore been superseded by a revised key recommendation to strengthen arrangements for identifying and delivering recurrent savings.

Governance

The Trust maintained effective governance arrangements during 2025/26, supported by an effective Board Assurance Framework and strengthened risk management. However, the planned transition of Adult Social Care creates a significant future governance and partnership challenge, and we have raised an improvement recommendation that governance and partnership arrangements for the transition should be fully developed and embedded to manage risk, maintain service continuity and secure value for money. We have also raised an improvement recommendation in relation to publication of the Gifts and Hospitality Register to support transparency and compliance.

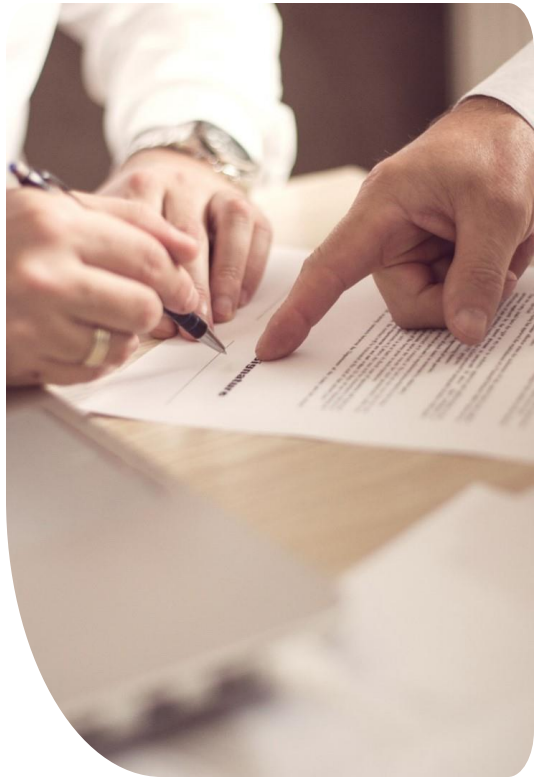
Improving economy, efficiency and effectiveness

The Trust has arrangements in place to monitor performance and oversee delivery of improvement plans, and oversight arrangements strengthened during 2025/26. However, performance remains an area to keep in view due to ongoing pressure in key metrics, and arrangements to provide assurance to the Board that contracts are managed for performance, quality and value for money remain underdeveloped. Procurement waivers approved during 2025/26 remained high, at over £12m in total. We have therefore continued to highlight performance as an area to keep in view and have raised an improvement recommendation to strengthen contract management and waiver oversight.

Executive summary – auditor's other responsibilities

This page summarises our opinion on the Trust's financial statements and sets out whether we have used any of the other powers available to us as the Trust's auditors.

Auditor's responsibility	2025/26 outcome
Opinion on the Financial Statements	We have completed our audit of your financial statements and issued an unqualified audit opinion on XX June 2026, following the Audit Committee meeting on XX June 2026. Our findings are set out in further detail on page(s) x (to x).
Use of auditor's powers	We did not make a referral under Schedule 10 paragraph 6 of the National Health Service Act 2006. We do not consider that any unlawful expenditure has been made or planned for.



03 Opinion on the financial statements and use of auditor's powers

Opinion on the financial statements

These pages set out the key findings from our audit of the Trust's financial statements, and whether we have used any of the other powers available to us as the Trust's auditors.

Audit opinion on the financial statements

We have substantially completed our audit of the Trust's financial statements subject to final queries as set out in our Audit Findings Report, presented alongside this report. We anticipate issuing an unqualified audit opinion following the resolution of these outstanding items.

Grant Thornton provides an independent opinion on whether the Trust's financial statements:

- give a true and fair view of the financial position of the Trust as at 31 March 2026 and of its expenditure and income for the year then ended,
- have been properly prepared in accordance with international accounting standards as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2025/26, and
- have been prepared in accordance with the requirements of the National Health Service Act 2006.

We conducted our audit in accordance with: International Standards on Auditing (UK), the Code of Audit Practice (2024) published by the National Audit Office, and applicable law. We are independent of the Trust in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Trust provided draft accounts in line with the national deadline.

Draft financial statements were of a reasonable standard and supported by detailed working papers.

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report was presented to the Trust's Audit & Risk Committee on 24 June 2026. Requests for this Audit Findings Report should be directed to the Trust.

Other reporting requirements and use of auditor's powers

Remuneration and Staff Report

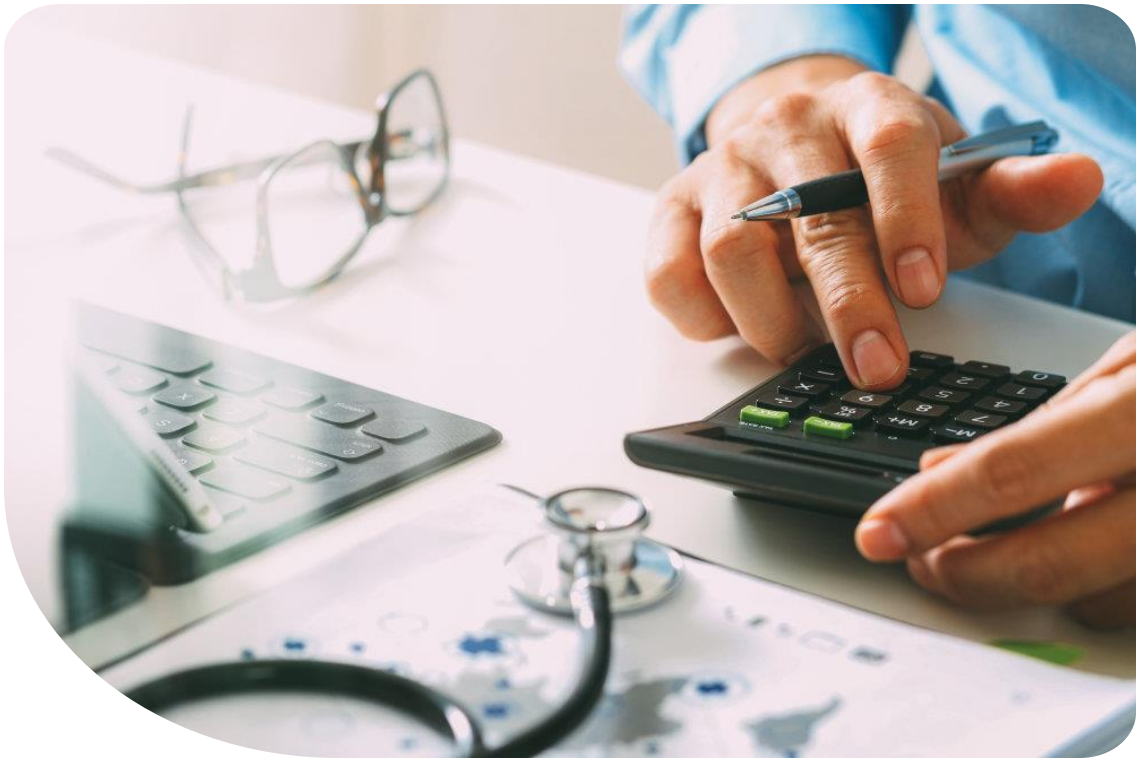
Under the Code of Audit Practice (2024) published by the National Audit Office, we are required to audit specified parts of the Remuneration Report and the Staff Report included in the Trust's Annual Report for 2025/26.

These specified parts of the Remuneration Report and the Staff Report have been properly prepared in accordance with the requirements of the NHS Foundation Trust Annual Reporting Manual 2025/26 (FT ARM).

Annual Governance Statement

Under the Code of Audit Practice (2024) published by the National Audit Office, we are required to consider whether the Annual Governance Statement included in the Trust's Annual Report for 2025/26 does not comply with the guidance issued by NHS England, or is misleading or inconsistent with the information of which we are aware from our audit.

We have nothing to report in this regard.



Use of auditor's powers

We bring the following matters to your attention:

Referrals to the Secretary of State

We did not make a referral under Schedule 10 paragraph 6 of the National Health Service Act 2006. We do not consider that any unlawful expenditure has been made or planned for.

Public Interest Report

Under Schedule 10 paragraph 3 National Health Service Act 2006, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a report in the Public Interest with regard to arrangements at Torbay and South Devon NHS Foundation Trust for 2025/26.

04 Value for Money commentary on arrangements

Value for Money – commentary on arrangements

This page explains how we undertake the value for money assessment of arrangements and provide a commentary under three specified areas.

All NHS Trusts are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. NHS Trusts report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the National Health Service Act 2006, we are required to be satisfied whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

Financial sustainability

Arrangements for ensuring the Trust can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).

Governance

Arrangements for ensuring that the Trust makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, making decisions based on appropriate information.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the Trust delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial sustainability – commentary on arrangements

We considered how the Trust:	Commentary on arrangements	Rating
identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	The Trust strengthened its short- and medium-term financial planning arrangements in 2025/26. Planning commenced earlier, the Board approved a compliant three-year breakeven Medium Term Financial Plan, and it took action to address the significant financial pressure arising from Adult Social Care. These changes represent a clear improvement from 2024/25. The Trust's reported outturn position also improved year on year. In 2024/25, it delivered a deficit of £33.5m, £19.9m worse than plan. In 2025/26, the reported deficit was £22.4m, £14.4m adverse to plan. This adverse variance was driven by the withdrawal of Deficit Support Funding in quarters 3 and 4, totalling £15.4m, due to system underperformance. Excluding this, the Trust would have delivered its planned outturn of a £7.0m deficit, against an £8.0m deficit plan. However, financial sustainability remains under pressure. The Trust ended the year with an underlying deficit of £99.5m, and its financial plans remain dependent on the delivery of significant savings and structural change. We raised a key recommendation in 2024/25 that included the Trust developing a comprehensive approach to medium-term financial planning. Due to the financial performance of the Trust and developing MTFP, the Trust can demonstrate sufficient progress against this recommendation. We have raised a revised key recommendation below relating to supporting financial plans through the development of recurrent savings, and as such have rated this criteria as amber.	A

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements

We considered how the Trust:	Commentary on arrangements	Rating
plans to bridge its funding gaps and identify achievable savings	The Trust strengthened its arrangements for delivering efficiencies during 2025/26. This included re-establishing the Project Management Office (PMO) function, introducing clearer standard operating procedures for tracking and reporting CIP assurance, establishing a Finance Delivery Group chaired by the Chief Executive, and embedding monthly reviews of CIP delivery with Care Groups. These changes supported improved savings delivery in year. The Trust delivered £41.5m of efficiencies in 2025/26, achieving its overall savings target and improving on the £27.9m delivered in 2024/25, against a planned target of £39.9m. However, recurrent savings delivery remained below plan, with £20.9m delivered against a target of £32.8m, improving to £27.4m on a full-year effect basis for schemes delivered later in the year. The 2026/27 financial plan includes a significant increase in the recurrent savings requirement, with a target of £43.4m (107%). Of the total planned efficiencies, £20.0m is fully developed, £3.4m remains unidentified, and £23.9m is assessed as high risk. The Medium-Term Financial Plan also depends on delivery of significant recurrent savings to achieve the agreed trajectory to financial sustainability. There has been an improvement in arrangements introduced in 2025/26, and the Trust has achieved the overall savings target. However, the shortfall in recurrent savings delivery in 2025/26, together with the significant increase in the recurrent target 2026/27, and the large percentage of high risk and unidentified savings continues to present a significant risk to delivery of the financial plan and future financial sustainability. We have therefore raised a revised key recommendation – see pages 20 and 21.	R

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements

We considered how the Trust:	Commentary on arrangements	Rating
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	The One Plan and the Trust's strategic objectives play a key role in shaping the Trust's financial plans. Capital plans are aligned to support key priorities, including service transformation, operational resilience and estate sustainability. In 2024/25, the Trust was categorised as National Oversight Framework Segment 4 (NOF4) and was subject to intensive oversight through the Recovery Support Programme (RSP). By Quarter 3 2025/26, the Trust had improved to NOF3. Further commentary on the Trust's NOF position is provided in the 3Es section. Although the Trust improved its overall NOF segment position, it continued to report red-rated NOF financial metrics because it remained in a deficit position and under-delivered against plan. In 2025/26, the Trust reported a deficit of £22.4m, £14.4m adverse to plan. This adverse variance was driven by the withdrawal of Deficit Support Funding in quarters 3 and 4, totalling £15.4m, due to system underperformance. Excluding this, the Trust would have reported a £7.0m deficit against an £8.0m deficit plan. In March 2026, the Board made the decision to serve notice on the Section 75 agreement for Adult Social Care. This represents a significant change to the financial landscape of Adult Social Care and is a key assumption within the Trust's Medium Term Financial Plan. Delivery of this change is important to achieving the Trust's planned savings trajectory and medium-term financial recovery. We raised a key recommendation in 2024/25 relating to sustained improvement in financial metrics, specifically the Trust's NOF position. Given the progression to NOF3, the Trust has demonstrated sufficient progress against this recommendation. However, we have raised a revised key recommendation above relating to the development of recurrent savings, and, given the link between the Adult Social Care changes and delivery of those savings, we have rated this criterion amber.	A

G No significant weaknesses or improvement recommendations.

A No significant weaknesses, improvement recommendations made.

R Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements

We considered how the Trust:	Commentary on arrangements	Rating
ensures 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	The Trust has effective and integrated arrangements in place to align financial planning with strategic and system priorities. Financial, workforce and activity plans are clearly triangulated, and capital planning is aligned to operational need. We have not identified any matters requiring a recommendation in this area.	G
identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans	The Trust has adequate arrangements in place to identify, monitor and manage risks to financial resilience during 2025/26. Monthly finance reporting to the Finance and Operations Committee and Board now provides clearer identification and quantification of key financial risks, together with defined mitigating actions and ownership, and the Trust has also demonstrated the use of scenario planning to support 2026/27 planning. We consider that the previous improvement recommendation to strengthen risk quantification and mitigation within financial forecasts has been sufficiently implemented. We have not identified any matters requiring a recommendation in this area.	G

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability (continued)

Significant weakness identified in relation to identifying and delivering recurrent savings

Findings: In 2024/25, we raised a key recommendation that the Trust take a more proactive approach to short- and medium-term financial planning, with a focus on delivering recurrent savings, developing a robust Medium Term Financial Plan (MTFP), and improving NOF financial metrics. During 2025/26, the Trust strengthened its planning and oversight arrangements, including approval of a compliant three-year MTFP, improving savings governance and closer monitoring of delivery. The Trust also improved its oversight framework position from NOF4 to NOF3.

However, despite this progress, we identified a significant weakness in arrangements, because the Trust's financial sustainability remains materially dependent on the delivery of recurrent savings that are not yet sufficiently secure. The 2026/27 financial plan and wider MTFP rely on a substantial level of recurrent savings, including a proportion that is unidentified and a large proportion (55%) assessed as a high risk. This indicates that the Trust has not yet established sufficiently robust arrangements to support delivery of a sustainable financial trajectory.

Evidence:

The Trust reported a 2025/26 outturn deficit of £22.4m, £14.4m adverse to plan. This adverse variance was driven by the withdrawal of Deficit Support Funding in quarters 3 and 4, totalling £15.4m, due to system underperformance. Excluding this, the Trust would have delivered a £7.0m deficit against an £8.0m deficit plan. The Trust ended the year with an underlying deficit of £99.5m.

The Trust delivered £41.5m of efficiencies in 2025/26, achieving its overall savings target and improving on the £27.9m delivered in 2024/25, against a planned target of £39.9m. However, recurrent savings delivery remained below plan, with £20.9m delivered against a target of £32.8m, improving to £27.4m on a full-year effect basis for schemes delivered later in the year.

The Trust has an approved, compliant three-year breakeven MTFP. However, the 2026/27 financial plan includes a significant increase in the recurrent savings requirements, with a target of £43.4m (107%). Of the total planned efficiencies, £20.0m is fully developed, £3.4m remains unidentified, and £23.9m is assessed as high risk (55%). The Medium Term Financial Plan is also predicated on the successful delivery of substantial recurrent savings and on key structural assumptions, including the planned exit from the Section 75 Adult Social Care agreement and reduced reliance on deficit support funding.

Financial sustainability (continued)

Significant weakness identified in relation to identifying and delivering recurrent savings

Impact: There is a risk that the Trust will be unable to deliver its financial plan and medium-term recovery trajectory if recurrent savings are not identified early, developed sufficiently, and delivered as planned. Continued reliance on unidentified schemes, high-risk savings, and non-recurrent measures weakens financial resilience, limits the Trust's ability to achieve sustainable improvement in its underlying position, and increases the risk that required financial metrics will not be achieved.

Key Recommendation 1

KR1: The Trust should strengthen its arrangements for short and medium-term financial planning by identifying and developing savings schemes earlier in the financial planning cycle and increasing the proportion of recurrent savings delivered in year, so that the delivery of the financial plan is less reliant on unidentified and high-risk schemes.

		CIP		
		Recurrent	Non-recurrent	**Total**
		£m	£m	£m
2024/25 **actual**	**Total**	10.2	17.7	**27.9**
2025/26 **plan**	**Total**	32.8	8.8	**41.5**
2025/26 **actual**	**Total**	20.9	20.6	**41.5**
2026/27 **plan**	**Total**	43.4	11.0	**54.4**

Governance – commentary on arrangements

We considered how the Trust:	Commentary on arrangements	Rating
monitors and assesses risk and how the Trust gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	The Trust has an effective Board Assurance Framework (BAF) in place, which supports the management of risk and the provision of assurance to the Board. The BAF is underpinned by an established risk management structure. Following the implementation of the Executive Operations Group (EOG) in January 2025, the Trust has continued to embed risk management arrangements at care group level during 2025/26, with the EOG providing increased challenge to care groups in relation to risk management and assurance. The Trust gains assurance from a range of regular reports provided throughout the year, including those covering patient safety, clinical effectiveness, and staff and patient experience. Interim Freedom to Speak Up (FTSU) arrangements operated during 2025/26 following the departure of the substantive Guardian. Staff continue to engage with these interim arrangements, and a longer-term model is being developed; therefore, we do not consider a recommendation to be required in this area. The Trust has a robust internal audit function, and adequate arrangements are in place to prevent and detect fraud and corruption. Regular updates are provided to the Audit and Risk Committee on activity undertaken and progress against annual work plans. The 2025/26 Head of Internal Audit Opinion provided Satisfactory assurance, representing an improvement from 2024/25. The Trust has also continued to clear the backlog of internal audit recommendations carried forward from the prior year. We have not identified any matters requiring a recommendation in this area.	G
approaches and carries out its annual budget setting process	The Trust has robust arrangements in place for annual budget setting, with planning commencing early, formal oversight through the Finance and Operations Committee, and iterative executive challenge as the budget is developed. We have not identified any matters requiring a recommendation in this area.	G

G No significant weaknesses or improvement recommendations.

A No significant weaknesses, improvement recommendations made.

R Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements

We considered how the Trust:	Commentary on arrangements	Rating
ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	The Trust has established arrangements for budgetary control and financial reporting. During 2025/26, the Trust strengthened these arrangements through a number of improvements, including the re-establishment of the Cash Committee and the inclusion of six-month cashflow forecasts within the monthly finance reports to provide greater forward visibility. Monthly finance reporting to the Finance and Operations Committee and the Board now provides clearer identification and quantification of key financial risks, together with defined mitigating actions and ownership. Finance reports have also been enhanced to provide clearer monitoring of CIP delivery at care group level and programme level, improving accountability and oversight. In light of these improvements, we consider our 2024/25 recommendation to strengthen finance reporting to have been implemented. Following the Board's March 2026 decision to serve notice on the Section 75 agreement, the Trust has begun to establish formal arrangements to oversee the planned transition of Adult Social Care responsibilities back to Torbay Council by April 2027, a key element to deliver the MTFP. The arrangements include a Transition Programme, reporting through the S75 Programme Board, interim leadership arrangements, a high-level delivery plan, and joint governance structures with Torbay Council, including workstream and technical oversight groups. However, these arrangements remain at an early stage of development and key risks remain. We have raised an improvement recommendation that the Trust should strengthen and accelerate the development of its governance and oversight arrangements for the Section 75 transition programme – see page 25.	A

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements (continued)

We considered how the Trust:	Commentary on arrangements	Rating
ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee	The structure of the Board, comprising non-executive directors and executive directors, and the range of skills and experiences that Board members bring, provides for effective challenge and robust decision making. Each Board meeting receives a Committee Chair's Report providing a summary of the discussions held at Board sub-committees that provide the Board with an opportunity to consider if any action needs to be taken to support areas of concern highlighted by sub-committees. We have not identified any matters requiring a recommendation in this area.	G
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour	The Trust has arrangements in place to support compliance with legislative and regulatory requirements, with reporting to the Board. The Trust has defined the roles of its Executive Directors, and its Board Sub-Committee structure enables effective oversight of operations and activities. Board and Committee members are required to identify and declare interests at key points and register of interests is published on the Trust's public website. Whilst we were provided a copy of the register of gifts and hospitality received; at the time of our review the Trust's website did not include a published register of gifts and hospitality in accordance with information publishing requirements. We have therefore raised an improvement recommendation in this area – see page 26. An annual Fit and Proper Persons review is undertaken in accordance with requirements. We also noted that Waiver of Competition reports are reviewed through the Audit and Risk Committee. A high number of waivers have been approved; we have included further narrative within the 3Es section of our report.	A

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance (continued)

Area for Improvement identified: Adult Social Care transition

Findings: The planned transition of Adult Social Care is a significant governance and partnership issue, and arrangements to oversee that transition are not yet fully embedded.

Evidence: Following the Board's March 2026 decision to serve notice on the Section 75 agreement, the Trust has begun to establish formal governance arrangements to oversee the planned transition of Adult Social Care responsibilities back to Torbay Council by April 2027. This includes a Transition Programme, reporting through the S75 Programme Board, interim leadership arrangements, a high-level delivery plan, and joint governance structures with Torbay Council, including workstream and technical oversight groups. However, these arrangements remain at an early stage of development and key risks remain.

This is also financially significant, as the transition is a key assumption within the Trust's medium-term financial planning and is intended to address a material underlying Adult Social Care deficit.

Impact: The Adult Social Care transition represents a significant area where effective governance, partnership working and accountability will be critical over the next planning period. If these arrangements are not fully embedded, there is a risk to continuity of service, clarity of decision-making and the delivery of value for money through the transition period.

Improvement Recommendation 1

IR1: The Trust should strengthen and accelerate the development of governance and oversight arrangements for the Section 75 transition programme to ensure they support effective financial control and delivery.

This should include:

- clearly defined accountabilities and joint governance arrangements with Torbay Council;
- robust financial oversight aligned to the medium-term financial plan, including risk-sharing arrangements;
- strengthened programme management and risk management, supported by clear reporting and escalation to the Board.

Given the scale and financial significance of the transition, arrangements should be embedded at pace to support delivery and ensure expected financial benefits are realised.

Governance (continued)

Area for Improvement identified: Gifts & Hospitality Register

Findings: The Trust's arrangements ensure that staff declare any offers of gifts and/or hospitality; in accordance with the Trust's Standards of Business Conduct Policy.

Evidence: Whilst we were provided a copy of the register of gifts and hospitality received; we could not see that the register had been published on the Trust's website in accordance with information publishing requirements.

The Trust maintains a yearly Register of Interests for its directors which is published on the website, but this does not include gifts and hospitality.

Impact: Following NHS England guidance (Managing conflicts of interest in the NHS), gifts and hospitality can give rise to risk of conflicts of interest and should therefore be recorded on the organisation's register of interests. As a minimum, organisations should publish the interests (including gifts and hospitality) of decision-making staff at least annually in a prominent place on their website.

Improvement Recommendation 2

IR2: The Trust should ensure that the Register of Gifts and Hospitality is published on its website in line with its policy and transparency requirements.

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Trust:	Commentary on arrangements	Rating
uses financial and performance information to assess performance to identify areas for improvement	The Trust has adequate arrangements in place to monitor and report on key areas of performance. Trust performance is reported to each meeting of the Board through the Integrated Performance Report (IPR). The report consolidates key metrics and identifies performance outliers related to safety and quality, performance and activity, finance and workforce. The Trust's IPR is scrutinised by the Executive Operations Group which has been constituted to strengthen the governance assurance process for operational management. The Trust uses benchmarking to review data and information collected via sources, such as Clinical Audit, Model Hospital, and GiRFT, and identifies learning, good practice and areas for improvement. We have not identified any matters requiring a recommendation in this area.	G

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Trust:	Commentary on arrangements	Rating
evaluates the services it provides to assess performance and identify areas for improvement	The Trust developed action plans in response to CQC inspections undertaken in 2023 relating to targeted inspections, maternity, and well led. Governance oversight is effectively maintained through the External Regulation Oversight Group (EROG), the Quality Assurance Committee, and regular reporting to the Board. In 2025/26, two CQC service reviews – Patient Transport Services and Community Health Services for Children, Young People and Families – were completed, both rated 'Good'. In 2024/25, the Trust was categorised as NOF4 and was subject to intensive oversight through the RSP. In February 2026, NHSE confirmed the Trust met the exit criteria following its self-assessment across the five performance domains. At Quarter 3, NOF data showed the Trust in Segment 3, ranked 83 out of 134 Trusts. Performance was: • Access to services – below average (score 3) • Finance and productivity – low performing (score 4) • Effectiveness and experience – high performing (score 1) • Patient safety – below average (score 3) • People and workforce – below average (score 3)	A

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Trust:	Commentary on arrangements	Rating
evaluates the services it provides to assess performance and identify areas for improvement (continued)	Given the improvement in performance measures and subsequent exit from NOF4. We consider the prior year improvement recommendation to enhance Urgent and Emergency Care and Elective Care to be implemented. However, performance and financial pressures remain. At Quarter 3, key metrics, including finance and elective care, remain red-rated. We have considered the delivery of the financial metrics within the Financial Sustainability section of our report. While this does not warrant an additional recommendation here at this stage, we have assigned an amber rating to reflect the need for continued focus and sustained improvement in these areas.	A

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Trust:	Commentary on arrangements	Rating
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	The Trust has adequate arrangements in place to engage stakeholders and partners in the development of strategic priorities and tackle common challenges and priorities, including through the One Plan and wider system partnership arrangements, for example the Peninsula Acute Provider Collaborative. We have not identified any matters requiring a recommendation in this area.	G
commissions or procures services, assessing whether it is realising the expected benefits	The Trust has continued to operate under collaborative procurement arrangements during 2025/26 through the Devon Procurement Service, hosted by University Hospitals Plymouth. In 2024/25, we reported that the Trust lacked a formal mechanism to oversee contract management and performance or to provide assurance that contracts were delivering agreed performance, cost, and quality standards. Increased transparency over contract performance is one of the requirements of the new Procurement Act 2023. We recommended that the Trust work with the Devon Procurement Service to establish appropriate assurance arrangements. This recommendation has not been progressed. Between April 2025 and March 2026, the Trust approved 187 contract waivers with a total value exceeding £12 million. While this represents a slight reduction in the number of waivers compared to 2024/25 (192), the overall value has increased from £9.2 million. The Trust has identified several drivers for waiver use, including high-value contracts, inflation-related threshold effects, year-end capital pressures, and resource constraints. However, the overall level and value of waivers remain high. This indicates that further improvement is required to strengthen contract management, secure value for money, and maintain effective procurement controls. We have therefore reissued an improvement recommendation - see page 31.	A

G No significant weaknesses or improvement recommendations.

A No significant weaknesses, improvement recommendations made.

R Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness

Area for Improvement: contract management

Findings: In 2024/25, we raised an improvement recommendation for the Trust to work with the shared Devon Procurement Service to develop arrangements that would provide assurance to the Board that contracts are being managed to deliver agreed performance, cost and quality standards.

The Trust still lacks a formal mechanism for assuring the Board that contracts are actively managed for performance, quality and cost. In addition, between April 2025 and March 2026, the Trust approved 187 contract waivers with a total value exceeding £12 million.

We have therefore updated and re-raised the 2024/25 improvement recommendation.

Evidence: Most large contracts for services such as pathology, laundry and orthopaedics are managed through the regional collaborative with Peninsula Purchasing and Supply Alliance (PPSA) with performance reported to the PPSA Board.

Locally managed contracts are overseen by budget holders, with support from the procurement team where performance issues arise. However, from discussions with officers, we understand that the Trust does not have a formal mechanism for reporting contract management and performance in a way that provides assurance to the Board that contracts are being managed to ensure they deliver agreed performance, cost and quality standards.

Between April 2025 and March 2026, the Trust approved 187 contract waivers with a total value in excess of £12m. This represents a slight reduction in the number of waivers compared with 2024/25 (192), but an increase in total value from £9.2m. While the Trust has identified a range of underlying drivers for waiver use, including a small number of high-value contracts, inflation-related threshold effects, year-end capital funding pressures, and system and resource constraints, the overall level and value of waivers remains high. This suggests that further improvement is required in the arrangements to secure value for money and maintain appropriate procurement controls.

Impact: There is a risk that value may be lost from contracts where there is insufficient capacity or oversight to manage operational, performance and commercial factors effectively. In addition, the Trust may not achieve best value where procurement waivers or other non-competitive routes are used in place of competitive tendering.

Improving economy, efficiency and effectiveness

Improvement Recommendation 3

IR3: The Trust should strengthen procurement and contract management arrangements by implementing a formal mechanism to assure the Board that contracts are actively managed for performance, quality and cost. The Trust should also enhance oversight of procurement waivers to understand the causes of high waiver usage and reduce reliance on non-competitive procurement.

05 Summary of Value for Money Recommendations raised in 2025/26

Key recommendations raised in 2025/26

	Recommendation	Relates to	Management Actions
KR1	The Trust should strengthen its arrangements for short- and medium-term financial planning by identifying and developing schemes earlier in the planning cycle and increasing the proportion of recurrent savings delivered in year, so that the delivery of the financial plan is less reliant on unidentified and high-risk schemes.	Financial sustainability (pages 20 – 21)	Actions: Agreed – Trust implementing rolling CIP development programme and planning due to start in Quarter 2. Responsible Officer: Director of Operational Finance Executive Lead: Chief Finance Officer Due Date: Quarter 2

Improvement recommendations raised in 2025/26

	Recommendation	Relates to	Management Actions
IR1	The Trust should strengthen and accelerate the development of governance and oversight arrangements for the Section 75 transition programme to ensure they support effective financial control and delivery. This should include: • clearly defined accountabilities and joint governance arrangements with Torbay Council; • robust financial oversight aligned to the medium-term financial plan, including risk-sharing arrangements; • strengthened programme management and risk management, supported by clear reporting and escalation to the Board.	Governance (page 25)	Actions: Agreed - Trust Governance and oversight arrangements in place through Project Plan delivery monitored through the ASC Workstream Oversight Group and oversight through ASC Programme Board with Torbay Council and S.75 meetings with ICB, Trust and Torbay Council. Responsible Officer: ASC Transition Programme Director Executive Lead: Chief Strategy and Planning Officer Due Date: Quarter 1
IR2	The Trust should ensure that the Register of Gifts and Hospitality is published on its website in line with its policy and transparency requirements.	Governance (page 26)	Actions: Agreed - already available on Public website Responsible Officer: Chief of Staff Executive Lead: Chief of Staff Due Date: Implemented

Improvement recommendations raised in 2025/26

	Recommendation	Relates to	Management Actions
IR3	The Trust should strengthen procurement and contract management arrangements by implementing a formal mechanism to assure the Board that contracts are actively managed for performance, quality and cost. The Trust should also enhance oversight of procurement waivers to understand the causes of high waiver usage and reduce reliance on non-competitive procurement.	Improving economy, efficiency and effectiveness (page 31-32) Remains open from 2024/25.	Actions: Agreed - to be implemented and monitored through One Devon Procurement Improvement Plan Responsible Officer: Chief Procurement Officer Executive Lead: Chief Finance Officer Due Date: Quarter 3

06 Follow up of previous Key recommendations

Follow up of 2024/25 Key recommendations

This slide summarises progress against previous Key recommendations we have raised. Progress with prior year improvement recommendations is summarised in Appendix C.

	Prior Recommendation	Raised	Progress	Current status	Further action
KR1	We recommend the Trust takes a more proactive approach to its short-medium term financial planning to help achieve financial sustainability. This includes: • Establish a rigorous in-year process for identifying savings schemes, which focuses on recurrent savings and multi year programmes to deliver realistic and achievable targets. • Develop a comprehensive approach to medium term financial planning. • Prioritise sustained improvement in financial metrics, specifically NOF4	2024/25 Remained open from 2023/24	During 2025/26, the Trust strengthened its approach to financial planning, including approving a three-year breakeven Medium Term Financial Plan, enhancing CIP governance through the PMO and Executive Operations Group, and embedding regular monitoring and challenge of savings delivery. The Trust achieved its overall savings target and improved oversight arrangements. However, recurrent savings delivery remained below plan, and the 2026/27 financial plan relies on unidentified savings and a substantial level of high-risk recurrent savings. Overall, we consider that the Trust has made progress against the prior year key recommendation, but that arrangements remain sufficiently exposed for a significant weakness to continue to exist in relation to identifying and delivering recurrent savings. The prior year recommendation has therefore been superseded by a revised key recommendation.	Partially implemented (superseded with revised key recommendation)	Revised key recommendation raised (see Key Recommendation 1)

07 Appendices

Appendix A: Responsibilities of the NHS Foundation Trust

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Foundation Trust's directors are responsible for preparing the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are required to comply with the Department of Health & Social Care Group Accounting Manual and prepare the financial statements on a going concern basis, unless the Trust is informed of the intention for dissolution without transfer of services or function to another entity. An organisation prepares accounts as a 'going concern' when it can reasonably expect to continue to function for the foreseeable future, usually regarded as at least the next 12 months.

The Foundation Trust is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Appendix B: Value for Money Auditor responsibilities

Our work is risk-based and focused on providing a commentary assessment of the Trust's Value for Money arrangements

Phase 1 – Planning and initial risk assessment

As part of our planning we assess our knowledge of the Trust's arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period.

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements we will undertake further work to understand whether there are significant weaknesses. We use auditor's professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations.

A range of different recommendations can be raised as follows:

Key recommendations – the actions which should be taken by the Trust where significant weaknesses are identified within arrangements.

Improvement recommendations – actions which are not a result of us identifying significant weaknesses in the Trust's arrangements, but which if not addressed could increase the risk of a significant weakness in the future.

Information that informs our ongoing risk assessment

Cumulative knowledge of arrangements from the prior year	Key performance and risk management information reported to the Board
Interviews and discussions with key officers	NHS Oversight Framework (NOF) rating
Progress with implementing recommendations	Care Quality Commission (CQC) reporting
Findings from our opinion audit	Annual Governance Statement including the Head of Internal Audit annual opinion

Appendix C: Follow up of 2024/25 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR1	Finance Reports to the Trust Board and the Finance & Performance Committee should be strengthened by providing: • A monthly projection of future cash balances for a 12-month period; • More detailed monitoring of CIP delivery at care group and programme level; • More detailed identification and quantification of financial risk within the budget, and how risk is mitigated.	2024/25	The Trust strengthened its arrangements for monitoring and reporting cashflow during 2025/26, including through the re-establishment of the Cash Committee. Detailed rolling cashflow forecasts are used to manage liquidity risk. Although a full 12-month forecast is not routinely reported, current arrangements provide sufficient forward visibility of cashflow. Monthly finance reporting to the Finance and Operations Committee and Board now provides clearer identification and quantification of key financial risks, with defined mitigating actions and ownership. Finance Reports have also been strengthened to provide clearer monitoring of CIP delivery at care group and programme level, improving accountability and oversight. The recommendation is therefore considered implemented.	Implemented and closed.	No.

Appendix C: Follow up of 2024/25 improvement recommendations (continued)

	Prior Recommendation	Raised	Progress	Current position	Further action
IR2	The Trust should continue enhanced oversight of UEC and Elective Care performance until sustained improvement of performance is achieved. Effectiveness of arrangements put in place should be considered on an ongoing basis, and if these are not deemed to be improving performance they should be revisited.	2024/25 Remained open from 2023/24	In 2024/25, the Trust was in NOF4 and subject to intensive oversight through the Recovery Support Programme (RSP). By Q3 2025/26, the Trust had moved to NOF3 and was no longer subject to intensive oversight. We consider this to demonstrate sustained improvement in performance, and the prior year recommendation is therefore considered implemented.	Implemented and closed.	No.
IR3	The Trust should work with the shared Devon Procurement Service to develop arrangements to provide assurance to the Board that contracts are managed to ensure they deliver agreed performance, cost and quality standards.	2024/25	The Trust still does not have a formal mechanism to assure the Board that contracts are actively managed for performance, quality and cost, and procurement waiver usage remained high during the year. The prior year recommendation is therefore not yet fully implemented and has been updated and re-raised in 2025/26.	Not implemented – recommendation updated.	The improvement recommendation we raised in 2024/25 remains open. (See improvement recommendation 3).