Grant Thornton

NHS Somerset Integrated Care Board

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.

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01 Introduction and context

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Introduction

This report brings together a summary of all the work we have undertaken for NHS Somerset ICB 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 Integrated Care Board (ICB) 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 ICB 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, the relevant disclosures within the Annual Report including the Remuneration and Staff Report.

Auditor's powers

Under Section 30 of the Local Audit and Accountability Act 2014, the auditor of an NHS body has 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 Secretary of State and notified to NHS England. They may also issue:

- Statutory recommendations to the ICB Board which they must consider publicly
- A Public Interest Report (PIR).

Value for money

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the ICB 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.

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The NHS – context

ICBs are transforming as they take on new roles and responsibilities

National

Past

Structural challenges

National reviews highlighted that ICBs inherited long-term structural pressures and management capacity issues, impacting ICBs' ability to lead system improvement effectively.

Worsening inequalities

Rising demand and worsening population health increased pressure on local services in the near-term leaving less capacity for ICBs to meaningfully progress their longer-term strategic responsibilities.

Present (see page 6)

Major transformation

ICBs are fundamentally changing, significantly reducing running costs, restructuring senior leadership teams and managing major staff reductions. Many ICBs are clustering or merging with neighbours.

Ongoing responsibility

ICBs must still maintain safe performance and deliver challenging plans ensuring statutory duties and met and risk management and governance remain robust during the transitional phase.

Future

Embedding new ways of working

Embedding new operating models with reduced headcounts, ICBs will be adopting new ways of working, with a focus on agility, matrix working, as well as digital transformation and AI.

Adapting to new responsibilities

ICBs are shifting toward a strategic commissioning role requiring system collaboration, focus on outcomes, resource allocation and market and contract management, while retaining core system financial responsibilities.

Local

The cluster of NHS Somerset ICB, NHS Dorset ICB and NHS Bath and North East Somerset, Swindon and Wiltshire (BSW) ICB was approved in June 2025. This collaboration aims to reduce running costs, through significant structural reform and rationalisation of roles, and improve integrated care delivery across the three geographical locations. A Joint Executive team was formally appointed in January 2026, and the organisations are working towards a planned merger for April 2027. NHS Somerset ICB took on commissioning of specialised activity from 1 April 2025. As the Principal Commissioner, the ICB hosts the Collaborative Commissioning Hub which manages staff and services formerly under NHS England. From 1 April 2026 ICBs will align to the Model ICB Blueprint to become leaner more focused Strategic Commissioners.

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

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Integrated Care Boards - context

2025/26 was a challenging year for ICBs as they transitioned to new operating models and organisational structures

Organisational change

ICBs are expected to align to a new “blueprint” of revised roles and functions which has evolved over the year. They are also expected to operate with reduced core funding of around £19 per head of population served. This requires significant reductions in running and programme costs, adoption of new operating models and significant reductions in staffing. Such change and uncertainty inevitably increases pressure on leadership, organisational capacity and staff morale.

Clustering and mergers

Many ICBs outside the North East, Yorkshire and North West have adopted clustering arrangements, sharing larger footprints while remaining legally separate, partly to achieve the economies of scale required to reduce management costs. Government has approved the first formal mergers and boundary changes, taking effect 1 April 2026, with further merger decisions due in 2026.

Strategic Commissioning

ICBs are transitioning to become strategic commissioners, with less focus on direct delivery functions. Their future role will centre on: Long-term population health strategy, operating as healthcare “payers”, market-shaping and intelligent purchasing, and evaluating impact and outcomes, not just activities and outputs.

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02 Executive Summary

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Executive summary – our assessment of value for money arrangements

Our overall summary of our Value for Money assessment of the ICB'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	G	No significant weaknesses identified or improvement recommendations raised.	No risk of significant weakness identified at the planning stage.	G	Our work did not identify any areas where we considered that key or improvement recommendations were required. Efficiency targets into the medium term are supported by robust plans, this demonstrates an effective multi-year savings pipeline in place to delivery savings sustainably. We note this as good practice on page 16.
Governance	A	No significant weaknesses identified; one improvement recommendation raised in relation to risk management arrangements	No risk of significant weakness identified at the planning stage.	G	Our work did not identify any areas where we considered that key or improvement recommendations were required. The ICB had appropriate arrangements in place to manage risk and support decision making. The arrangements implemented to oversee and progress the cluster transition were effective.
Improving economy, efficiency and effectiveness	A	No significant weaknesses identified; one improvement recommendation raised in relation to maternity service improvements.	No risk of significant weakness identified at the planning stage.	G	Our work did not identify any areas where we considered that key or improvement recommendations were required. No areas of concern in arrangements were identified in the ICB's readiness for the commissioning of specialised activity. The ICB implemented robust decision-making arrangements which we note as good practice on page 24.

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.

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Executive Summary

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

Financial sustainability

The ICB successfully delivered its financial plan, achieving a small surplus of £6k against its 2025/26 breakeven target. The system delivered a £4.9m surplus, compared to the planned breakeven position, due to the provider receiving an additional £4.9m of Deficit Support Funding (DSF) which was not included within the 2025/26 financial plan. The ICB over delivered its planned savings target by £0.5m, and the provider achieved their planned target. The ICB has submitted a medium-term financial plan that achieves breakeven each year to 2028/29 with no requirement for DSF.

The ICB has demonstrated effective multi-year savings pipeline in place that can delivery savings sustainably, this is good practice.

Going forward, as the ICB moves into the role of strategic commissioner, they will no longer have system financial oversight responsibilities.

Governance

The ICB had appropriate governance arrangements in place to manage risk and support decision making.

The Somerset System Board Assurance Framework (BAF) provides strategic oversight of progress toward meeting health system strategic aims and is supported by a Risk Management Strategy.

The ICB has a robust budget setting process that engages relevant stakeholders. There are strong budget monitoring arrangements supported by appropriate oversight and governance.

Key decisions at Board level are supported by sufficiently detailed papers, ensuring informed debate and challenge.

The arrangements implemented by the ICB in 2025/26 to oversee and progress the cluster transition were effective, and there has been minimal impact on operational and financial performance as a result of this.

Improving economy, efficiency and effectiveness

There are adequate arrangements in place to secure economy, efficiency and effectiveness.

Arrangements are in place for oversight of performance across the system and the Board is presented with the Integrated Board Assurance Report at each meeting. The CQC action plan for maternity services has now been closed.

The ICB took on commissioning of specialised activity from 1 April 2025, and appropriate governance arrangements are in place. The ICB established a Strategic Commissioning Committee which provides oversight and assurance to the Board. It has been a successful year for the ICB, with specialised commissioning delivered on plan and there were robust decision-making arrangements in place for 2025/26.

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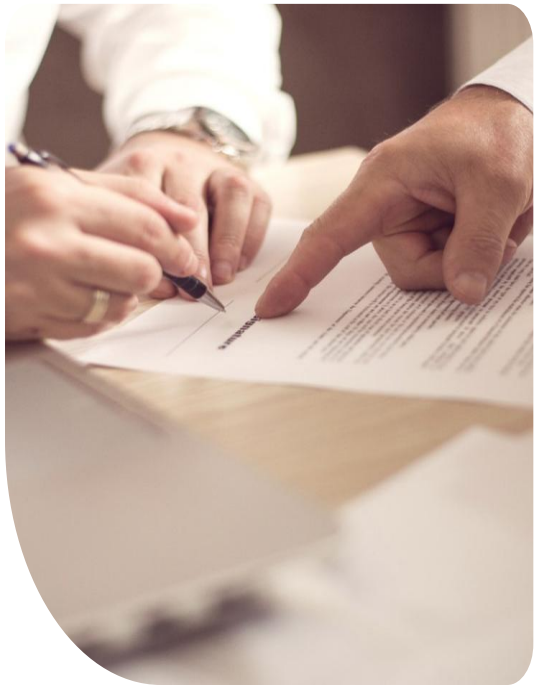
Executive summary – auditor's other responsibilities

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

Auditor's responsibility	2025/26 outcome
Opinion on the Financial Statements	We have completed the audit of your financial statements and issued an unqualified audit opinion on 16 June 2026 that includes an emphasis of matter paragraph in relation to the ICB's proposed merger. Our findings are set out in further detail on pages 12-13
Use of auditor's powers	We did not issue a section 30 referral to the Secretary of State for Health and Social Care regarding the ICB's break even duty. We do not consider that any unlawful expenditure has been made or planned for. No other issues have been identified during our work which require us to make statutory recommendations, or issue a Public Interest Report (PIR).



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

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Opinion on the financial statements

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

Audit opinion on the financial statements

We issued an unqualified opinion on the ICB's financial statements on 16 June 2026, including an emphasis of matter paragraph relating to the ICB's proposed merger.

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

- give a true and fair view of the financial position of the ICB 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 ICB in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

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

Draft financial statements were of a good 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 ICB's Audit Committee on 15 June 2026. Requests for this Audit Findings Report should be directed to the ICB.

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Other reporting requirements and use of auditor's powers

Remuneration and Staff Report

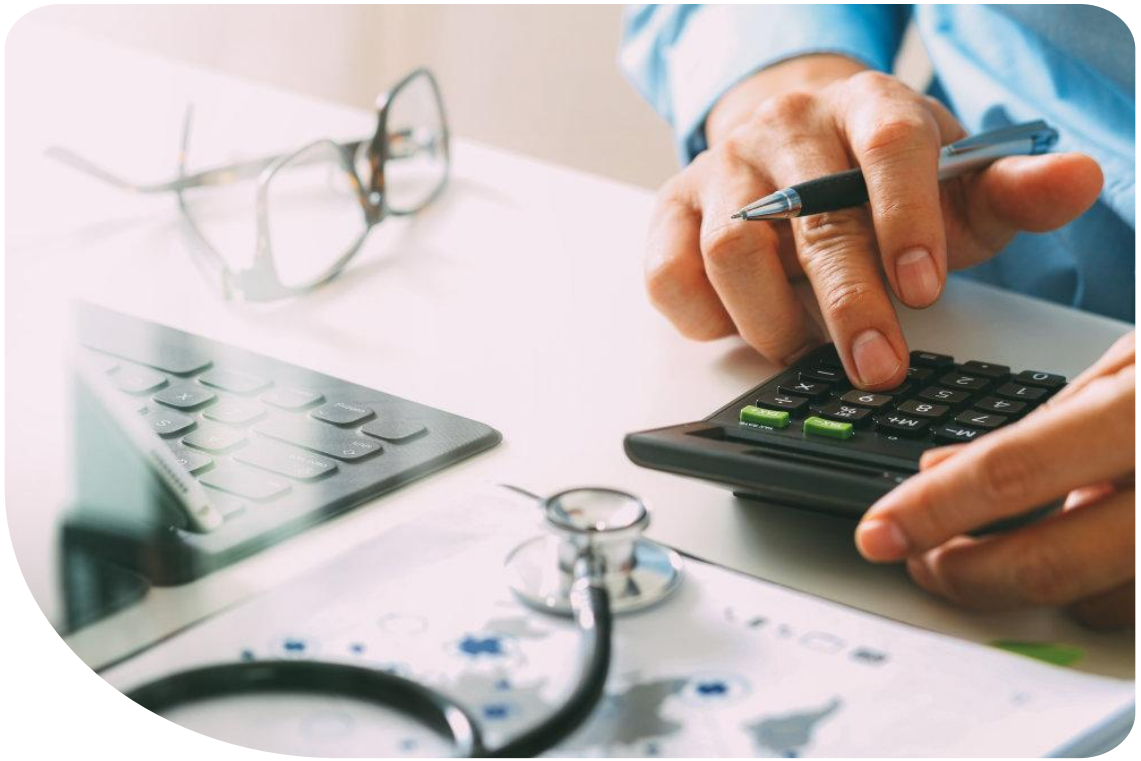
Under the Code of Audit Practice (2024) published by the National Audit Office, we are required to audit specified parts of the Remuneration and Staff Report included in the ICB's Annual Report for 2025/26.

These specified parts of the Remuneration and Staff Report have been properly prepared in accordance with the requirements of the Department of Health and Social Care Group Accounting Manual 2025/26.

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 ICB'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 had nothing to report in this regard.



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04 Value for Money commentary on arrangements

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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 ICBs 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 ICBs report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the ICB 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 ICB 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 ICB 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 ICB delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

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Financial sustainability – commentary on arrangements

We considered how the ICB:	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 ICB successfully delivered its financial plan, achieving a small surplus of £6k against its 2025/26 breakeven target. The care system delivered a £4.9m surplus for the year, compared to the breakeven plan, as the provider received an additional £4.9m DSF which was not included within the 2025/26 financial plan. This is a notable achievement. Additional DSF was awarded to the provider in recognition of the delivery of the system planned positions. The ICB were funded £21.2m for the financial year to support administration costs. The running cost allocation was subject to a 30% real terms reduction by 2025/26 and the ICB have operated within this allocation. The ICB have submitted a breakeven plan for 2026/27 that aligns with national planning requirements as well as a financially sustainable medium-term plan, with a breakeven position for each of the 3-years to 2028/29, with no reliance on DSF. The ICB's efficiency target for 2026/27 is £78.9m, which decreases to £60.3m in 2027/28 and £55.6m in 2028/29. Across the life of the medium-term financial plan, efficiency targets are supported by fully developed robust plans, this demonstrates that there is an effective multi-year savings pipeline in place that can delivery savings sustainably, this is good practice. The ICB projects an underlying deficit in 2026/27 of £12.1m, which is forecast to reverse to a £2.5m surplus from 2027/28. The ICB had a system financial oversight role in 2025/26. Going forwards, as the ICB moves into the role of strategic commissioner, they will no longer have system financial oversight responsibilities. Due to the delivery of the financial plan in 2025/26 on an ICB and system level, and the positive trajectory towards financial sustainability set out in the ICB's medium-term financial plan, we have not identified any significant weaknesses in arrangements.	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.

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Financial sustainability – commentary on arrangements (continued)

We considered how the ICB:	Commentary on arrangements	Rating
plans to bridge its funding gaps and identify achievable savings	The ICB planned to deliver efficiencies of £33.0m in 2025/26. The ICB overdelivered by £0.5m, and 46% of this target was delivered recurrently (£15.4m) which is an improvement against the plan. For 2026/27 the ICB plans to deliver £78.9m in efficiencies, and of this target only £6.5m (8%) has been categorised as 'high' risk. Plans have been fully developed for £59.6m (76%) of the efficiency target, while £12.8m (16%) have plans in progress. The financial plan submitted to NHSE does not contain any unidentified balances. Therefore, the savings plans submitted for 2026/27 are relatively well developed. Of the £78.9m target for 2026/27, £15.6m relates to the 2% tariff deflator. The deflator delivers efficiency by lowering the contract value paid by the ICB to the provider, and this percentage is nationally determined. In addition to this, £28.2m of the target is being delivered by the Specialised Commissioning team, who delivered to plan in 2025/26. Therefore, the efficiency being directly delivered by the ICB is £35.1m and is comparable to the scale of savings delivery achieved in 2025/26. Into the medium term, the ICB's efficiency targets decrease to £60.3m in 2027/28 and £55.6m in 2028/29. In both years, the ICB intends to deliver these efficiencies predominantly recurrently, with approximately 90% of efficiencies having fully developed plans in place, demonstrating relative scheme maturity in future years. At a system level, efficiency delivery for 2025/26 was £83.5m compared to £83.0m planned, indicating that the provider delivered their £50m efficiency target, although there was more reliance on non-recurrent measures than initially planned. The ICB had a system financial oversight role in 2025/26, and the delivery of total system savings does not indicate any significant weakness in oversight arrangements. Going forwards, as the ICB moves into the role of strategic commissioner, they will no longer have system financial oversight responsibilities. In 2025/26, the ICB's Finance Committee demonstrated effective oversight of the of ICS efficiencies through monthly 2025/26 savings programme reports.	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.

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Financial sustainability – commentary on arrangements (continued)

We considered how the ICB:	Commentary on arrangements	Rating
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	The 2026/27 operational plan aligns to the objectives set out within the Joint Forward Plan. Within the Operational Plan, the capital guidance and allocations for 2026/27 to 2029/30 confirms that the ICB will use the allocations to support the delivery of the NHS 10-Year Health Plan and Spending Review 2025 priorities. The ICB has adequate arrangements in place to understand the cost of delivering services across the system and uses data to identify services which require support to become more cost effective. This is evidenced through CHC and Prescribing updates presented to Finance Committee which summarise performance but also benchmarks the ICB against comparators and the national average.	G
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 ICB has appropriate arrangements in place to ensure that its financial planning is consistent with other key strategies. The ICB's Operational Plan 2026/27 is aligned with the Joint Forward Plan, incorporates national planning guidance and demonstrates interconnectivity with the Infrastructure Strategy, Green Plan and Workforce Plan.	G
identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans	The ICB had adequate arrangements in place which supported the identification and management of financial delivery risks, throughout 2025/26, on both an organisational and system level. Our work has identified the ICBs Finance Committee regularly reviewed a range of relevant financial delivery risks, and associated mitigations. Scenario analysis is undertaken and reported within the 2026/27 planning submission. Within the plan, there is a net risk of £13.9m, and the ICB are working to identify mitigating actions. The 2026/27 operational plan was approved by the Board in March 2026 and clearly details the assumptions which underpin the financial plan submission.	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.

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Governance – commentary on arrangements

We considered how the ICB:	Commentary on arrangements	Rating
monitors and assesses risk and how the ICB gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	The Somerset System Board Assurance Framework (BAF) and priority programme reporting provides strategic oversight of progress toward meeting ICS strategic aims. The ICB Management Board and Audit Committee both reviewed the Risk Management Strategy prior to presentation to the Board in July 2025. The Strategy provides a comprehensive framework to support effective management of risks to delivery of the ICB strategic aims. Theres is an effective internal audit and counter fraud function in place. Audit Committee approve an annual risk-based plan and receive regular progress reports on the delivery of the plan. Follow up of 2025/26 recommendations has been robust, with progress reporting presented at each Audit Committee meeting, and with no recommendations overdue in relation to 2025/26. We note that there four recommendations which are overdue and have not yet been implemented in relation to 2023/24. Due to the clustering of the ICBs it was not practical to progress these recommendations. These should be followed up and, where necessary, update in 2026/27. The Annual Governance Statement confirms that no significant internal control issues have been identified in year. The Head of Internal Audit Opinion was generally satisfactory with improvements required in some areas. The ICB have managed the implementation of the national ledger ISFE2 well, despite the problems encountered by many ICBs. There have been no material impacts to month end and year end reporting, and the ICB were able to produce financial statements supported by adequate working papers at the year end.	G
approaches and carries out its annual budget setting process	The ICB has a robust budget setting process and annual business planning process that engages relevant stakeholders, including directors and managers, to contribute to and develop a consistent financial plan. The ICB have a three-year revenue settlement and four-year capital settlement. The ICB have utilised the guidance released in In mid-November 2025 to inform the budget setting process. The plan reflects the change in financial rules and allocations, and since the draft submission the ICB has completed several iterations to confirm the plan is robust and deliverable.	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.

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Governance – commentary on arrangements (continued)

We considered how the ICB:	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 ICB has strong budget monitoring arrangements supported by appropriate oversight and governance. There are several mechanisms in place that allow for a thorough review of the financial position throughout the year at both ICB and System level. The Finance Committee receives detailed monthly monitoring reports that include the Specialised Commissioning Finance Report, which provides an update on the in-year financial performance, risks and issues relating to both delegated and retained specialised services. In addition, NHS Somerset Finance Reports summarise system financial performance at a high level. Savings Programme reports provide a detailed analysis of performance against the efficiency schemes identified within the savings programme. In addition to Finance Committee financial monitoring, the ICB Board received a financial update at each Board meeting as part of the Integrated Board Assurance Report. These financial updates set out a range of key financial metrics that supports effective financial oversight and governance.	G
ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee	Key decisions at Board level are supported by sufficiently detailed papers, ensuring informed debate and challenge. The Board effectively distinguishes between decision-making and informational items, reinforced by active engagement and diverse skills among Non-Executive Directors. This structure supports strategic decision-making and robust oversight. Sub-Committees provide the Board with Chair Reports that provide clarity and transparency on Committee discussions and escalate issues and risk. There have inevitably been impacts to the wider culture at the ICB due to the transition to clustered arrangements. Despite this, there is adequate evidence to confirm that there is still an appropriate tone from the top. There is an effective Audit Committee in place, whose role is centred on ensuring the adequacy and effectiveness of the organisation's internal control systems, and whose terms of reference are reviewed regularly to ensure they remain fit for purpose. The quality of discussions and challenge at Audit Committee meetings remains high, with appropriate scrutiny of reports presented.	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.

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Governance – commentary on arrangements (continued)

We considered how the ICB:	Commentary on arrangements	Rating
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour	The ICB has adequate arrangements to ensure compliance with regulatory requirements and that appropriate standards are maintained. The ICB has a Standards of Business Conduct, Managing Conflicts of Interest, and Gifts, Hospitality and Sponsorship Policy in place, that reflects the requirements of the ICB Constitution and ensures compliance with relevant legislation and guidance. This Policy sets out how the ICB will manage conflicts of interests arising from the operation of its business, and how staff should manage offers of gifts and hospitality. Breaches in regulation or legislation would be reported to the Board through the Audit Committee assurance reports presented at each meeting, and there is no indication of any breaches in 2025/26. The ICB's Standing Financial Instructions (SFIs) and Financial Policy ensures that the ICB fulfils its statutory duty to carry out its functions effectively, efficiently and economically. The SFIs are part of the ICB's control environment for managing the organisation's financial affairs. The SFIs were last updated in March 2025 to comply with Procurement Act 2023. The arrangements implemented by the ICB in 2025/26 to oversee and progress the cluster transition were reasonable, and there has been minimal impact operational and financial performance as a result of this. No significant weaknesses or recommendations have been identified. We will follow up on how clustering arrangements have been embedded as part of our 2026/27 work when the Committees in Common are established and become more embedded.	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.

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Governance focus – organisational change and residual risk

Additional context around our review of the ICB's governance arrangements in 2025/26

Governance changes in 2025/26

The 2025/26 operating context materially increased inherent governance risk across Integrated Care Boards.

National changes required ICBs to adopt revised operating models, reduce management costs and transition away from direct delivery functions.

Many ICBs, including NHS Somerset ICB, implemented clustering arrangements while remaining legally separate statutory bodies.

These changes involve material organisational restructuring and significant staff exits across both corporate and commissioning functions.

This increases risk around clarity of accountability, decision-making authority and organisational capacity during transition.

What we observed in 2025/26

During 2025/26, the ICB's governance arrangements operated effectively despite the scale and pace of change.

Board and Committee structures remained clear, active and appropriately focused on assurance, oversight and decision-making.

Decision-making and challenge were evidenced through the quality of Board papers, agendas and minutes.

Accountability and statutory responsibility remained clearly with the ICB despite operating within clustered arrangements.

Transition activity was overseen through established governance routes, with regular reporting on risks, progress and organisational capacity.

Residual risks

Heightened governance risk will remain as organisational change moves from transition into steady-state operation.

The impact of organisational change does not always crystallise at the point of design or implementation.

As the ICB's new operating model and clustering arrangements take further effect in 2026/27, governance risk will remain elevated.

There are ongoing risks from reduced management capacity, loss of institutional knowledge and increased reliance on shared functions. These could place additional pressure on control, assurance and decision-making arrangements if not actively monitored.

Our conclusions reflect the position during 2025/26, but strong Board and Committee focus will be required to manage risk as arrangements embed.

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Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the ICB:	Commentary on arrangements	Rating
uses financial and performance information to assess performance to identify areas for improvement	There are adequate arrangements in place to report on key areas of system performance and mitigating actions where performance is below target. The Board is presented with the Integrated Board Assurance Reports (IBAR) at each meeting. The IBAR is considered by the System Assurance Forum, Finance, Quality, and People Committees before being presented to the Board, therefore allowing escalation of matters after Committee scrutiny. The report utilises RAG rating and direction of travel indicators. We have not identified any metrics that have significantly underperformed in year. The latest available data at the time of reporting shows the 28-day faster diagnosis standard performance was 68.0%, the national average was 75.9%. This performance did not trigger special cause concerning variation but was included within the ICBs performance reporting due to Somerset FT moving into Tier 2 targeted support for cancer in May 2025. In year, the ICB agreed several actions with the provider to improve performance. The ICB has Data Quality Assurance Policy, which establishes the principles to uphold high data quality, outlines staff training plans, and details validation methods and data monitoring procedures. Data Security and Protection updates are provided to the Audit Committee regularly, which provides a detailed focus on matters relating to data quality, data sharing, data security and cyber security. There are adequate arrangements in place which allows for the consideration of benchmarking within the ICB.	G
evaluates the services it provides to assess performance and identify areas for improvement	The ICB has appropriate arrangements in place to allow key system quality and performance issues that are raised by external inspections to be appropriately monitored and managed. There is evidence through the Quality Reports provided to Quality Committee that the ICB has sufficient oversight of emerging and persistent performance and quality issues that is supported by effective governance arrangements. The CQC action plan for maternity services has now closed, with two actions relating to staffing incorporated into a wider developing Maternity Improvement Plan to support further embedding. The ICB have reported on the progress in addressing the action plan throughout the year and have appropriate arrangements in place to monitor and support the work by the Provider.	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.

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Improving economy, efficiency and effectiveness – commentary on arrangements (continued)

We considered how the ICB:	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 ICB has appropriate arrangements to ensure it delivers its role within significant partnerships and can demonstrate adequate stakeholder engagement. The Joint Forward Plan 2025–2030, sets out the strategic priorities that the ICB and its system partners will jointly focus on, in the context of the health system's strategic objectives. The Joint Forward Plan was informed by extensive stakeholder engagement including feedback from the Somerset's Big Conversation Road Show. This engagement sought community feedback to help shape the development of system health priorities and demonstrates the importance the ICB and system partners place on stakeholder engagement. The ICB analysed the feedback from Somerset's Big Conversation 2025, with the findings providing a strong evidence base to inform strategic planning, commissioning and service transformation in 2026, ensuring future decisions are grounded in what matters most to people across Somerset.	G
commissions or procures services, assessing whether it is realising the expected benefits	There are adequate arrangements in place for the ICB to manage contracts and ensure expected benefits are realised. The ICB Procurement Policy was approved in March 2025 and appropriately reflects the requirements of Procurement Act 2023. The ICB has a Contract Oversight Group in place. The role of the group is to oversee the actions required for all clinical and non-clinical contracts. In the prior year, we noted that the ICB were working towards being onboarded for the Atamis Procurement and Contracting system. Management dashboard training was undertaken in year, and the process of uploading contracts has commenced. The ICB took on commissioning of specialised activity from 1 April 2025. The readiness for specialised commissioning was assessed by internal audit and presented to Audit Committee in June 2025, with no areas of concern in the arrangements identified. The ICB established a Strategic Commissioning Committee from 1 April 2025 which provides oversight and assurance to the Board that the ICB is meeting the needs of its population. It has been a successful year for the ICB with specialised commissioning delivering on plan. We note that the robust decision-making arrangements implemented by the ICB in 2025/26 as good practice.	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.

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07 Appendices

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Appendix A: Responsibilities of the NHS Integrated Care Board

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 ICB's directors are responsible 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 ICB 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 ICB 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.

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Appendix B: Value for Money Auditor responsibilities

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

Phase 1 – Planning and initial risk assessment

As part of our planning we assess our knowledge of the ICB'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 by the ICB's auditors as follows:

Statutory recommendations – recommendations to the ICB under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.

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

Improvement recommendations – actions which are not a result of us identifying significant weaknesses in the ICB'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

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Appendix C: Follow up of 2024/25 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR1	We recommend the ICB strengthens it strategic risk management arrangements by ensuring: The Risk Management Strategy is adopted as planned and a suitable training and awareness programme is cascaded to support introduction. The System Board Assurance Framework is assessed by the Board quarterly as a Part A agenda item.	2024/25	The ICB Management Board and Audit Committee both reviewed the Risk Management Strategy prior to presentation to the Board in July 2025. Appropriate training was provided for staff, including induction training on the overarching principles and how the Somerset risk system works. Additionally, more informal one-to-one training, is provided by the team for new starters or new users of Datix. The Somerset System Board Assurance Framework has been reported regularly throughout the year.	Implemented and closed	None
IR2	We recommend the ICB satisfies itself that the current arrangements to drive forward improvements within the systems maternity service are sufficient to ensure timely and appropriate compliance to recommendations identified from CQC, maternity safety support programme, and local maternity and neonatal system site visits.	2024/25	The ICB placed the maternity service under the highest level of monitoring and established regular meetings with the Provider. This has allowed the ICB clear oversight on the progress in delivering the actions. This is further supported by site visits. There is a central point of oversight through the ICB's Chief Nurse. The CQC action plan for maternity services has now closed, and two actions relating to staffing have been incorporated into a wider developing Maternity Improvement Plan to support further embedding	Implemented and closed	None

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