

NHS Somerset Integrated Care Board

Auditor's Annual Report for the
year ended 31 March 2024

June 2024



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We are required under Section 21(2A)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Integrated Care Board has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Integrated Care Board's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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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Introduction



Purpose of the Auditor's Annual Report

This report brings together a summary of all the work we have undertaken for NHS Somerset Integrated Care Board (the ICB) during 2023/24 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements. Here we draw the reader's attention to relevant issues, recommendations arising from our work and how the ICB has responded to recommendations made in previous years. The responsibilities of the ICB are set out in Appendix A.

Responsibilities of the appointed auditor

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 Integrated Care Board as at 31 March 2024 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 2023/24, and
- have been prepared in accordance with the requirements of the National Health Service Act 2006, as amended by the Health and Care Act 2022

We also consider the Annual Governance Statement, the relevant disclosures within the Annual Report including the remuneration report and undertake work relating to the Whole of Government consolidation exercise.

Value for money

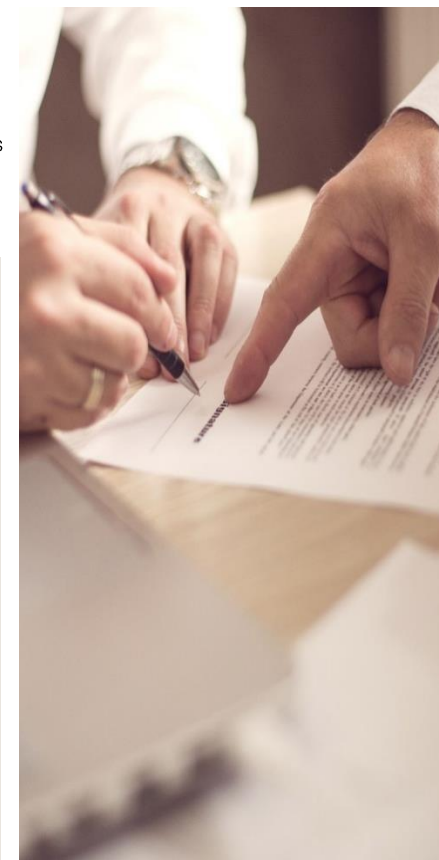
We report our judgements on whether the Integrated Care Board has proper arrangements in place regarding arrangements under the three specified criteria:

- financial sustainability
- governance
- Improving economy, efficiency and effectiveness

Other 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. They may also issue:

- A referral to the Secretary of State for Health and Social Care regarding a breach in regulations
- Statutory written recommendations to the Integrated Care Board which they must consider publicly.
- A Public Interest Report (PIR)



The Value for Money Auditor responsibilities are set out in Appendix B.

Executive summary



Executive summary

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Integrated Care Board 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 as set out below.



Financial sustainability

The ICB and the system delivered a breakeven position in 2023/24 in challenging circumstances. The ICB plans to deliver a breakeven position for 2024/25. To do this it will need to deliver an efficiency target of £35.8m, an extra £20.2m on what was delivered in 2023/24. The ICS also plans to breakeven in 2024/25, which is dependent on delivery of an efficiency target of £100.1m. We consider that efficiency savings of this scale are ambitious. We recognise the positive steps taken by the ICB in 2023/24 to produce its first Medium-Term Financial Plan (MTFP) in October 2023. However, this has not been updated since its production. The MTFP also identified funding gaps which the ICB did not yet have a strategy to address. The ICB is working to update the MTFP following the 2024/25 planning round. We have raised two improvement recommendations which have been accepted by management.



Governance

The ICB has adequate arrangements to monitor and assess risk and gain assurance over internal controls. The ICB has continued to take a system-level approach to financial planning in 2023/24. Monthly finance reports to the Finance Committee are of good quality and provide a clear understanding of the ICB's and the system's financial position.

Our work has not identified evidence of significant weaknesses within the arrangements in place. However, we have identified areas where the ICB could improve arrangements. Progress has been slow in implementing key governance arrangements in 2023/24, partly due to capacity issues. The risk management policy has not been updated in line with our prior year recommendation. Three other key governance policies have also not been updated. We have raised three improvement recommendations which have been accepted by Management.



Improving economy, efficiency and effectiveness

Performance reports are of good quality and the ICB has good oversight of key risk areas across service providers. The ICB is in NHS Oversight Framework Segment 2, demonstrating effective ICS characteristics and actively addressing areas of challenge. The ICB has implemented a data quality policy in line with our prior year recommendation. The ICB engages effectively with stakeholders to deliver its objectives. The ICB has established appropriate governance arrangements over its new delegated responsibilities for Pharmaceutical, Ophthalmic and Dentistry (POD) services. Our work has not identified any evidence which leads us to conclude that there are weaknesses present which require recommendations to be raised.



We have completed our audit of your financial statements and issued an unqualified audit opinion on 27 June 2024. Our findings are set out in further detail on pages 8 and 9.



Executive summary (continued)



Overall summary of our Value for Money assessment of the Integrated Care Board's arrangements

| Criteria | 2023/24 Risk assessment | 2023/24 Auditor judgement on arrangements | 2022/23 Auditor judgement on arrangements |
|--|---|---|---|
| Financial sustainability | No risks of significant weakness identified | A No significant weaknesses in arrangements identified, but two improvement recommendations have been made. These relate to medium-term financial planning and the efficiency programme. More detail is provided in the detailed findings section of this report on pages 12-14. | A No significant weaknesses in arrangements identified but three improvements recommendations made in relation to developing medium term financial planning, managing the risk relating to the Efficiency Programme, and providing increased supporting narrative in Somerset ICS Finance Reports |
| Governance | No risks of significant weakness identified | A No significant weaknesses in arrangements identified, but three improvement recommendations have been made. These relate to updating the risk management policy and other key governance policies, and a theme of slow progress on implementation of key governance arrangements due to capacity issues. More detail is provided in the detailed findings section of this report on pages 15-16. | A No significant weaknesses in arrangements identified, but two improvement recommendations made in relation to developing and implementing the Board Assurance Framework and reviewing policies adopted from the Clinical Commissioning Group. |
| Improving economy, efficiency and effectiveness | No risks of significant weakness identified | G Our work did not identify any areas where we considered that improvement recommendations were required. More detail is provided in the detailed findings section of this report on page 17. | A No significant weaknesses in arrangements identified, but three improvement recommendations made in relation to developing a Data Quality Policy, providing an annual waiver report to the Audit Committee and further strengthening quality governance arrangements. |

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

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



Opinion on the financial statements



Audit opinion on the financial statements

We issued an unqualified opinion on the ICB's financial statements on 27 June 2024, following the completion of our audit work.

The full opinion is included in the ICB's Annual Report for 2023/24, which can be obtained from the ICB's website.

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 2024 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 2023/24; and
- have been prepared in accordance with the requirements of the National Health Service Act 2006, as amended by the Health and Care Act 2022.

We conducted our audit in accordance with:

- International Standards on Auditing (UK);
- the Code of Audit Practice (2020) 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 reasonable standard and supported by detailed working papers.

We have experienced no issues that have impacted on the timely completion of the financial statements audit.

There were no significant findings or adjustments, that impact on the ICB's financial position, noted as part of our audit work.

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A version of our report was presented to the ICB's Audit Committee on 20 June 2024 with the final report updated and issued on 27 June 2024 to reflect the conclusion of our work. Requests for this Audit Findings Report should be directed to the ICB.



Other reporting requirements and use of auditor's powers



Remuneration and Staff Report

Under the Code of Audit Practice (2020) 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 2023/24. 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 2023-24.

Annual Governance Statement

Under the Code of Audit Practice (2020) published by the National Audit Office, we are required to consider whether the Annual Governance Statement included in the ICB's Annual Report for 2023/24 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.

Annual Report

Under the Code of Audit Practice (2020) published by the National Audit Office, we are required to consider whether, based on the work undertaken in the course of the audit of the ICB's financial statements for 2023/24, the other information published together with the financial statements in the ICB's Annual Report for 2023/24 is consistent with the financial statements. We have nothing to report in this regard.

Whole of Government Accounts

To support the audit of Consolidated NHS Provider Accounts, the Department of Health and Social Care group accounts, and the Whole of Government Accounts, we are required to examine and report on the consistency of the ICB's consolidation schedules with their audited financial statements. This work includes performing specified procedures under group audit instructions issued by the National Audit Office. Our work did not identify any significant issues.

We bring the following matters to your attention:

Referrals to the Secretary of State

In all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions in the financial statements conform to the authorities which govern them.

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.

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body.

We did not issue any statutory recommendations to the ICB in 2023/24.

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, 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 NHS Somerset ICB for 2023/24.

Value for Money Commentary on arrangements



The current NHS landscape



National context

In 2023/24, the NHS has continued to show commitment to patient care and service delivery. Advancements in digital health technologies including virtual wards have the potential to support service redesign, reduce waiting times, and improve patient outcomes. Data published by NHS England in April 2024 indicates that performance against key metrics for elective waiting times, diagnostic tests access, and A&E 4 hour waits all improved year on year, though performance is still some way from target. These achievements demonstrate the resilience and adaptability of NHS staff amidst ongoing pressures.

Integrated Care Systems (ICSs), established on 1 July 2022, remain at varying stages of maturity. Some systems have developed changes to patient pathways designed to improve outcomes, create efficiencies, tailor services to the needs of their local population and address local health inequalities. Most systems continue to face significant challenges, including workforce shortages, rising demand for healthcare services, and efficient resource management, all resulting in financial sustainability uncertainties.

Pay and productivity remain key challenges nationally. Staffing numbers have increased significantly since 2019/20 with staff costs now exceeding the funding available in many systems, exacerbated by industrial action costs. At the same time, activity growth has not kept pace, leaving a “productivity gap” that is not yet fully understood. This is further hampered by staff absences and pressures in social care staffing. NHS England has requested that all systems formally review the workforce increases seen over recent years. Many NHS bodies are already recognising an urgent need to manage down their temporary and agency staff costs, and recruit and retain the substantive staff they need to deliver services. There also needs to be a continued focus on quality and ensuring system governance is sound. Learning from public inquiry reports and maintaining high standards of behaviour is key to improving patient safety and building public trust.

These challenges are likely to make 2024/25 another challenging year for all local health services. However, the NHS is focusing on the recovery of core services through continuous improvement in access, quality, and productivity whilst transforming the way care is delivered and creating stronger foundations for the future.

Local context

The ICB’s role is to oversee how money is spent in the system and make sure that health services work well and are of high quality. It also ensures there is effective collaboration between hospital providers, primary care, local councils, hospices, voluntary community, and social enterprise (VCSE) organisations and Healthwatch partners across all areas of Somerset. As an ICS, the system has four key purposes: to improve outcomes in population health and healthcare; to tackle inequalities in outcomes; to enhance experience, access, productivity and value-for-money; and to support broader social and economic development.

Somerset ICB serves some 580,000 residents. The system in Somerset is of low complexity when compared with other ICSs. There is one Integrated Care Board, one unitary council and one NHS Foundation Trust, Somerset NHS Foundation Trust (following the merger with Yeovil District Hospital NHS Foundation Trust on 1 April 2023). This merger brings together all of Somerset’s acute, community, mental health and learning disability services, with around a fifth of primary care, into a single NHS Foundation Trust. Somerset has one of the oldest populations in the country with 25% of the population aged over 65. This places additional pressure on local NHS services. Along with many other systems, the ICS has suffered from staff shortages, the impact of Covid-19 and rising demand associated with more people living longer but often in ill-health, reducing their independence and quality of life.

It is within this context that we set out our commentary on the ICB’s value for money arrangements in 2023/24 and make recommendations where any significant weaknesses or improvement opportunities in arrangements have been identified to support management in 2024/25.

Financial sustainability – commentary on arrangements



| We considered how the ICB: | Commentary on arrangements | Assessment |
|--|---|------------|
| identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them | The ICB achieved a breakeven financial position in 2023/24, along with the other organisation in the system, Somerset Foundation NHS Trust. The ICB submitted a balanced system and organisational financial plan for 2024/25. In October 2023, the ICB produced a medium-term financial plan (MTFP) covering the period from 2024/25 to 2027/28. However, the MTFP includes a gap of £11.3m in 2024/25 and £13.8m in 2025/26 and acknowledges that plans need to be developed to bridge this gap. The MTFP also acknowledges the need to identify the key transformational opportunities which will deliver the savings required to support the MTFP. The MTFP has not been updated since its production. We have raised an improvement recommendation in respect of this. | A |
| plans to bridge its funding gaps and identify achievable savings | The ICB has a strong track record of efficiency delivery, delivering 100% of planned efficiencies for 2023/24 with recurrent and non-recurrent elements in line with plan. The wider ICS delivered 94% of planned efficiencies, although it was reliant on non-recurrent savings to meet its target. The system has effectively identified savings for 2024/25 with only 5% of planned savings unidentified as at May 2024 and £22.7m of the total system CIP target rated as high risk (23%). However, the system wide efficiency target of £100.1m for 2024/25 will be challenging to deliver and represents a financial risk to the ICB and ICS breakeven plan. The target represents an increase of £53.6m (115%) compared to 2023/24 delivery. We have raised an improvement recommendation on this. | A |
| plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities | There is a coherent link between stated corporate strategic plans and the design of the budget and longer-term financial plans (both capital and revenue) and the approach to financial sustainability. The ICB makes extensive use of benchmarking and comparative tools to understand costs and identify opportunities for improvement. | 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 plan is consistent with other plans including workforce. The ICB has ensured that key financial assumptions around factors such as income, workforce and other expenditure are aligned across the wider system. The ICB works in a mature and constructive way across the ICS, ensuring that the system works together to develop consistent and aligned financial plans. The ICB exhibits notable practice in terms of working with Somerset Council (SC) and including the Council's financial position in the ICS reporting as part of a wider system. | G |
| identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans | Financial risks are regularly reported to the Board through the Finance Committee. The weekly finance meeting with Directors of Finance from across the system supervises timely actions on financial risks and controls. There is consistent system financial reporting, including an analysis of the drivers of the Somerset Foundation NHS Trust's financial position to monitor the system's financial position. | G |

Financial sustainability – continued



2023/24 Outturn performance

ICB financial and efficiency performance

The ICB met its target to deliver a breakeven financial position in 2023/24. The ICB also delivered 100% of its planned efficiency target of £15.6m, with recurrent and non-recurrent elements delivered in line with plan.

System financial and efficiency performance

The National Health Service Act 2006, as amended by the Health and Care Act 2022, sets out the statutory financial duties of NHS England, ICBs, NHS foundation trusts and NHS trusts. ICBs have a statutory duty to contain system expenditure within the limits directed by NHS England and work with NHS partners to deliver financial balance at a system level.

The system as a whole delivered a breakeven position in 2023/24. The ICS delivered 94% of its savings target of £49.4m for 2023/24. However, delivery of the recurrent and non-recurrent elements for Somerset NHS Foundation Trust was not in line with the plan. Recurrent savings were underdelivered by £8.3m, while non-recurrent savings were overdelivered by £5.4m.

| 2023/24 Outturn position | | | | |
|--------------------------|--------------|---------------|---------------|----------------|
| | | Plan | Actual | Variance |
| Financial position | ICB | Breakeven | Breakeven | £0 |
| | Provider | Breakeven | Breakeven | £0m |
| | Total | Breakeven | Breakeven | £0m |
| Efficiency targets | ICB | £15.6m | £15.6m | £0m |
| | Provider | £33.8m | £30.9m | £2.9m |
| | Total | £49.4m | £46.5m | (£2.9m) |

2024/25 financial plan

ICB financial plan and efficiency targets

The ICB plans to deliver a breakeven financial position for 2024/25. To do this it will need to deliver an efficiency target of £35.8m, an extra £20.2m above that delivered in 2023/24. We consider that efficiency savings of this scale are ambitious.

System financial plan and efficiency targets

The wider system is also planning to deliver a breakeven position for 2024/25. To do this, Somerset NHS Foundation Trust will need to deliver efficiency savings of £64.3m, an extra £33.4m than the actual savings delivered in 2023/24 (although £19m of this increase is a technical difference in how efficiencies have been accounted for each year rather than a genuine increase in ambition). We consider that efficiency savings of this scale are deliverable but note that £15.5m of provider efficiencies are rated as high-risk.

We discuss the 2024/25 efficiency targets in more detail on the following page.

| 2024/25 financial plan | | | | |
|------------------------|--------------|------------------|---------------|------------|
| Financial plan | ICB | Breakeven | | |
| | Provider | Breakeven | | |
| | Total | Breakeven | | |
| | | Plan | High risk | High risk |
| Efficiency targets | ICB | £35.8m | £7.2m | 20% |
| | Provider | £64.3m | £15.5m | 24% |
| | Total | £100.1m | £22.7m | 23% |

Financial sustainability – continued



Areas for improvement

Medium-term financial planning

In October 2023, the ICB Board approved a medium-term financial plan (MTFP) that covers a four-year period from 2024/25 to 2027/28. However, the MTFP has not been updated since its production and many figures are now out-of-date. The ICB is working to update this following the 2024/25 planning round.

The MTFP includes a gap of 11.3m in 2024/25 and £13.8m in 2025/26 and acknowledges that plans need to be developed to bridge this gap. Plans to close the gap in 2024/25 have now been developed as part of the 2024/25 planning round but the 2025/26 gap has not yet been addressed.

The MTFP also acknowledges the need to identify the key transformational opportunities which will deliver the savings required to support the MTFP.

Improvement opportunity 1

The ICB should update the system's MTFP as planned to reflect changes to the underlying position since October 2023, when the plan was last updated. Going forward, the MTFP should be kept under regular review to ensure that recovery plans are sufficient to bridge the latest forecast funding gaps.

The updated MTFP should include a strategy to bridge any future funding gaps and the ICB should ensure that it takes a pivotal role in driving the transformational changes required. This should include working closely with the provider to support difficult decisions, and engaging outside the system to gather any learning which can be shared.

Planning efficiency savings

The ICB delivered 100% of planned efficiencies for 2023/24 with recurrent and non-recurrent elements in line with plan. The ICS delivered 94% of planned efficiencies, although recurrent and non-recurrent elements were not in line with the plan and Somerset NHS Foundation Trust was reliant on additional non-recurrent savings to meet its target.

For 2024/25, only 5% of planned savings were unidentified as at May 2024 and £22.7m of the total system CIP target was rated as high risk (23%). However, both the ICB efficiency target of £35.8m and the system-wide efficiency target of £100.1m for 2024/25 will be challenging to deliver. The ICB target represents an increase of £20.2m (129%) compared to 2023/24 delivery and the system target represents an increase of £53.6m (115%) (although £19m of the system increase is a technical difference in how provider efficiencies have been accounted for each year rather than a genuine increase in ambition). The system efficiency target is made more challenging by the reliance on non-recurrent savings to deliver the efficiency target at Somerset NHS Foundation Trust in 2023/24. We consider efficiency targets of this scale represent a financial risk to the ICB and ICS breakeven plan.

In the medium-term, the ICB's Medium-Term Financial Plan (MTFP) acknowledges that there are few plans that underpin the level of savings contained within the MTFP and there is more work to be done to work these up.

Improvement opportunity 2

The ICB should improve its approach to efficiency planning by:

- developing a clear pipeline of recurrent saving schemes so that any unexpected shortfalls in current plans can be addressed and assumed savings included in the MTFP can be delivered.
- producing multi-year plans for saving schemes that reflect efficiency savings for service redesign and establishment reviews, as a continual project management process, that feeds into the MTFP.

Governance – commentary on arrangements



We considered how the Integrated Care Board:

Commentary on arrangements

Assessment

| | | |
|--|--|----------|
| <p>monitors and assesses risk and how the Integrated Care Board gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud</p> | <p>The ICB has adequate arrangements to monitor and assess risk and gain assurance over internal controls. The ICB has a risk management policy which sets out the ICB's approach to risk, however, this was adopted from the CCG and has not been updated in 2023/24 in line with our previous recommendation. We have re-raised this recommendation. The Board Assurance Framework has been developed over 2023/24 and was approved by the Board in March 2024, alongside a risk appetite statement. Whilst it is positive that the BAF is now in place, we note that progress has been slow. Management informed us that this delay was partly caused by the state of flux in the organisation impacting capacity. We have raised an improvement recommendation. The ICB has appropriate arrangements to ensure they are alerted to breaches in internal quality issues and are responsive to the national quality agenda. We have closed our prior year recommendation (see Appendix C).</p> | <p>A</p> |
| <p>approaches and carries out its annual budget setting process</p> | <p>The ICB has continued to take a system-level approach to financial planning in 2023/24. The ICB collaborated with NHS providers to develop a balanced 2024/25 ICS financial plan. Trend and activity modelling is employed during the ICB annual budget setting process where applicable, such as in setting continuing healthcare and prescribing budgets. There is active engagement with the Board and relevant sub-committees throughout the budget process.</p> | <p>G</p> |
| <p>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</p> | <p>Monthly finance reports to the Finance Committee are of good quality and provide a clear understanding of the ICB's and the system's financial position. The report takes a whole-system view and includes a clear forecast for the year end out-turn for both the ICB and the system and provides explanations for significant variances. The Finance Committee makes regular reports to the Board, providing a clear summary of key risks to ensure appropriate escalation of significant issues. The ICB has improved the finance reports in 2023/24 by adding supporting narrative to the summary tables explaining drivers for variances in response to our prior year recommendation (see Appendix C).</p> | <p>G</p> |
| <p>ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee</p> | <p>The ICB demonstrates transparent reporting and effective decision-making processes through the publication of agenda items and minutes, active participation and questioning in board meetings, and regular reporting on internal audit progress. The Board committees provide assurance reports to the board and escalates key issues. The Board's self-effectiveness review reported limited assurance, prompting the recognition of the need for a more strategic approach, demonstrating a commitment to continuous improvement.</p> | <p>G</p> |
| <p>monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour</p> | <p>The ICB uses a Fit and Proper Persons Framework for Board members and is collecting data from Board members. The ICB also has policies for managing conflicts of interest and reports waivers for competitive tendering at Audit committees. The ICB is working on updating governance policies to ensure legislative compliance. We have raised an improvement recommendation for the ICB to conduct a timely review of key governance policies and procedures, ensuring they remain up to date.</p> | <p>A</p> |

Governance – continued



Areas for improvement

Updating the risk management policy

In 2022/23 we recommended that policies adopted from the CCG, such as the Risk Management Policy, should be reviewed and updated as appropriate.

The Risk Management Policy has not been updated in 2023/24. Management told us this was because a lot of work has been carried out in 2023/24 on the development of the BAF and risk appetite so this will now be incorporated in an updated policy in 2024/25.

Improvement opportunity 3 – The ICB should update the Risk Management Policy inherited from the CCG as soon as possible to ensure this reflects the ICB's current risk management approach. The updated policy should reflect the ICB's work to develop a risk appetite and ensure that there is clarity on what the system risk appetite is to align thinking on the assessment of risk.

Updating other key governance policies

At the time of our review, three other key governance policies had also not been updated. These are the Standards of Business Conduct policy, Conflicts of interest policy and the Whistleblowing policy. The ICB is working on updating governance policies to ensure legislative compliance and some draft policies are due to be approved in June 2024.

However, as updating governance policies is essential for legal compliance, risk reduction, and efficient operations we have raised an improvement recommendation that the ICB ensures all governance policies are updated within their set review period going forward.

Improvement opportunity 4 – The ICB should update and finalise its governance policies to ensure compliance with standards.

Managing resource and capacity for delivering key governance arrangements

Our review has identified a theme of delays in implementing key governance arrangements, such as updating the risk management policy and other key governance policies noted. Progress has also been slow on development and implementation of the Board Assurance Framework (BAF), with the BAF not approved until the end of the financial year.

Management informed us that these delays were partly caused by the state of flux in the organisation due to its new establishment in 2022/23 and the ongoing restructuring which began in 2023/24.

It is important that going forward, key governance arrangements are implemented in a timely way and do not suffer similar delays due to resourcing or capacity issues.

Improvement opportunity 5 – The ICB should take steps to ensure that ongoing restructuring in the organisation does not create issues with resourcing and capacity for delivering on key governance arrangements.

Improving economy, efficiency and effectiveness – commentary on arrangements



We considered how the Integrated Care Board:

Commentary on arrangements

Assessment

| | | |
|---|--|---|
| uses financial and performance information to assess performance to identify areas for improvement | The Integrated Board Assurance reports (IBAR) summarises financial, quality and operational performance for the ICB and its providers. Relevant assurance Committees discuss the reports before presenting them to the Board. The IBAR highlights areas of underperformance and provides action plans for improvement. With a Data Quality Policy in place, the ICB collaborates with external support units to focus on data quality and adheres to the NHS Information Governance Framework. They also receive updates on Key Performance Indicators (KPIs) and have established a seven-day Transient Ischaemic Attack (TIA) service that meets national standards. | G |
| evaluates the services it provides to assess performance and identify areas for improvement | The ICB has good oversight of key risk areas across provider services and evidence of engagement at various levels. There is evidence of significant work to improve oversight and assurance of external services. Additionally, the ICB is currently in NHS Oversight Framework Segment 2, demonstrating effective ICS characteristics and actively addressing areas of challenge. The ICB submit quarterly performance metrics to NHS England, with notable improvements in metrics such as A&E 4-hour, diagnostic 6 week wait, and cancer 62-day combined. Although, some metrics have deteriorated, plans to improve are documented as part of the IBAR reported bi-monthly to the Board. | G |
| 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 Integrated Care Board (ICB) has established an up to date Joint Forward Plan (JFP) and has also worked with stakeholders in the system on the development on the Integrated Health and Care Strategy. The JFP aims to initiate new projects like the Somerset Research Engagement Network (REN) and Somerset's Big Conversation, focusing on improving research participation and engaging with diverse communities. In September 2023 a signed Memorandum of Understanding (MoU) with leaders from the voluntary sector, NHS, and Somerset Council, formalised their commitment to collaboration for better health and wellbeing. | G |
| commissions or procures services, assessing whether it is realising the expected benefits | The ICB has established procurement procedures, including assigning an accountable officer to oversee contracts and conducting review meetings. In the 2023/24, the ICB closely monitored issues with a jointly-commissioned service provider and an improvement plan was implemented, alongside ongoing bi-weekly monitoring to ensure that the service met normal expectations. The ICB has established appropriate governance arrangements over its new delegated responsibilities for Pharmaceutical, Ophthalmic and Dentistry (POD) services. The ICB is a host for the regional collaborative commissioning hub for the seven South West ICBs. Oversight of procurement is provided by the Procurement Oversight Group, and the ICB collaborates with partners to improve services and allocation. | G |

**Value for Money
Recommendations raised in
2023/24**



Recommendations raised in 2023/24

| Recommendation | Type of recommendation * | Criteria impacted | Evidence | Impact or possible future impact | Actions agreed by Management |
|--|--------------------------|--------------------------|---|---|---|
| <p>The ICB should update the system's MTFP to reflect changes to the underlying position since October 2023, when the plan was last updated. Going forward, the MTFP should be kept under regular review to ensure that recovery plans are sufficient to bridge the latest forecast funding gaps.</p> <p>1 The updated MTFP should include a strategy to bridge any future funding gaps and the ICB should ensure that it takes a pivotal role in driving the transformational changes required. This should include working closely with the provider to support difficult decisions, and engaging outside the system to gather any learning which can be shared.</p> | Improvement | Financial sustainability | Review of the medium-term financial plan shows it has not been updated since its production. The MTFP acknowledges the need to identify the key transformational opportunities which will deliver the savings required to support the MTFP. | Up-to-date medium-term financial planning is important to ensure that the ICB's recovery plans are sufficient to bridge the latest forecast funding gaps. System transformation is required to deliver financial sustainability in the medium-term. | <p>Actions: NHS Somerset has already planned an update to the system MTFP within its work programme, which is scheduled for the Summer/Autumn of 2024.</p> <p>Responsible Officer: Scott Sealey</p> <p>Executive Lead: Alison Henly</p> <p>Due Date: September 2024</p> |

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023/24

| Recommendation | Type of recommendation | Criteria impacted | Evidence | Impact or possible future impact | Actions agreed by Management |
|--|------------------------|--------------------------|--|--|--|
| <p>The ICB should improve its approach to efficiency planning by:</p> <ul style="list-style-type: none"> developing a clear pipeline of recurrent saving schemes so that any unexpected shortfalls in current plans can be addressed and assumed savings included in the MTFP can be delivered. producing multi-year plans for saving schemes that reflect efficiency savings for service redesign and establishment reviews, as a continual project management process, that feeds into the MTFP. | Improvement | Financial sustainability | Review of the Cost Improvement Programme has identified opportunities for improvement in planning of the efficiency programme. | Unexpected shortfalls in current efficiency plans or failure to identify the savings needed to support the MTFP will impact the ICB's ability to deliver sustainable financial balance. | <p>Actions: The ICB is planning to construct a pipeline of savings schemes as part of its Joint Forward Plan.</p> <p>Responsible Officer: David McClay / Scott Sealey</p> <p>Executive Lead: Alison Henly</p> <p>Due Date: October 2024</p> |
| <p>The ICB should update the Risk Management Policy inherited from the CCG as soon as possible to ensure this reflects the ICB's current risk management approach. The updated policy should reflect the ICB's work to develop a risk appetite and ensure that there is clarity on what the system risk appetite is to align thinking on the assessment of risk.</p> | Improvement | Governance | Review of the ICB's Risk Management Policy has identified that this has not been updated in line with our prior year recommendation. | As the cornerstone of the ICB's risk management approach, it is important that the Risk Management Policy reflects the ICB's current arrangements to give clarity on the approach and ensure compliance across the organisation. | <p>Actions: The ICB accept this recommendation and will review and update the Risk Management Policy as soon as possible.</p> <p>Responsible Officer: Kevin Caldwell / Kim Haratian</p> <p>Executive Lead: Jade Renville</p> <p>Due Date: September 2024</p> |

Recommendations raised in 2023/24

| Recommendation | Type of recommendation | Criteria impacted | Evidence | Impact or possible future impact | Actions agreed by Management |
|---|------------------------|-------------------|---|--|--|
| 4 The ICB should update and finalise its governance policies to ensure compliance with standards. | Improvement | Governance | Review of the ICB's governance policies identified three policies which had not been updated in line with planned timeframes. | Regular review and updating of key policies is important to ensure compliance with the latest legislation and standards. | <p>Actions: The ICB accept this recommendation. The ICB Business Conduct, Conflicts of Interest and Gifts and Hospitality policies have now been reviewed and incorporated into a single policy. The Corporate Policy and Guidance for Joint working with the Pharmaceutical Industry are undergoing review and being finalised. The Anti-fraud, bribery and corruption policy is currently being reviewed. These policies are due to be presented for approval at the 20th June 2024 Audit Committee meeting.</p> <p>Responsible Officer: Tracey Tilsley / Kathy Palfrey</p> <p>Executive Lead: Jade Renville</p> <p>Due Date: September 2024</p> |

Recommendations raised in 2023/24

| Recommendation | Type of recommendation | Criteria impacted | Evidence | Impact or possible future impact | Actions agreed by Management |
|---|------------------------|-------------------|---|--|---|
| 5 The ICB should take steps to ensure that ongoing restructuring in the organisation does not create issues with resourcing and capacity for delivering on key governance arrangements. | Improvement | Governance | Discussions with management identified that delays in delivering on some key governance arrangements was due to the ongoing state of flux in the organisation causing resourcing and capacity issues. | Timely implementation of key governance arrangements is crucial to ensuring effective risk management and compliance with standards. | <p>Actions: In planning the changes to the ICB structures it was anticipated that some business as usual activity may be impacted. However, engagement and development of the BAF, for example, has been undertaken as part of a purposeful and gradual development and the timescales for delivery of the FPPT requirements were extended nationally rather than being delayed locally. There have been small delays in delivering on some policy updates which we will seek to rectify. The new organisation's operating model and structure ensures that there is sufficient capacity and capability to progress well with the planned changes. The Organisational Development plan will also ensure that to support governance changes the right behaviours and values are embedded.</p> <p>Responsible Officer: Jade Renville / Victoria Downing-Burn</p> <p>Executive Lead: Jade Renville / Victoria Downing-Burn</p> <p>Due Date: October 2024</p> |

Appendices

Appendix A: Responsibilities of the 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 Accountable Officer of the ICB is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Accountable Officer is 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.

Integrated Care Boards (ICBs) are responsible for allocating the NHS budget and commissioning services for the population, taking over the functions previously held by clinical commissioning groups (CCGs) and some of the direct commissioning functions of NHS England. The ICB is directly accountable to NHS England for NHS spend and performance within the system. ICBs may choose to exercise their functions through delegating them to place-based committees but the ICB remains formally accountable. This is within a challenging financial context and ICBs will need to carefully consider the best allocation approach to deliver on its objectives.

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.



Appendix B: Value for Money Auditor responsibilities



Value for Money arrangements work

All NHS 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. The Integrated Care Board's responsibilities are set out in Appendix A.

Integrated Care Boards 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 Integrated Care Board 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 Integrated Care Board 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 Integrated Care Board makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the ICB makes decisions based on appropriate information.

Improving economy, efficiency and effectiveness

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

2023/24 is the fourth year that we have reported our findings under the Code, but only the second year in which we have reported in this way for Integrated Care Boards since their creation on 1st July 2022. We undertake and report the work in three phases as set out in the Code.

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.

| Information which informs our 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 |

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:

- **Key recommendations** – the actions which should be taken by the ICB where significant weaknesses are identified within arrangements.
- **Improvement recommendations** – actions which should improve arrangements in place but are not a result of identifying significant weaknesses in the ICB's arrangements.
- **Statutory recommendations** – written recommendations to the ICB under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.

Appendix C: Follow-up of previous recommendations

| Recommendation | Type of recommendation * | Date raised | Progress to date | Addressed? | Further action? |
|---|--------------------------|-------------|--|------------|------------------------------------|
| 1 The ICB should continue to work with system partners to develop an MTFP for the Somerset health system. The MTFP should identify the financial gap and set out a plan to deliver financial sustainability underpinned by a robust savings programme. The MTFP should use consistent assumptions across the system and reflect the implications of the 5-year Joint Forward Plan. | Improvement | Sept 2023 | The ICB produced an MTFP in October 2023. This identified financial gaps in 2024/25 and 2025/26. Work to produce a strategy to deliver financial sustainability underpinned by a robust savings programme is still ongoing. | Partly | Yes – improvement recommendation 1 |
| 2 The ICB should continue to develop the system wide efficiency programme. There should be a strong focus on: <ul style="list-style-type: none"> • developing a multi-year system efficiency programme to support the Financial Strategy; • managing the risks associated with delivering the 2023/24 savings targets; • prioritising the delivery of recurrent savings that address the underlying deficit; • detailed reporting to the ICB Board and Finance Committee on progress in developing and delivering the efficiency plan; • ensuring that governance arrangements continue to develop and are robust and embedded in order to provide adequate ICB oversight and assurance regarding the system efficiency programme. | Improvement | Sept 2023 | The ICB delivered its 2023/24 savings target and the ICS delivered 94% of planned savings. Somerset Foundation Trust was reliant on non-recurrent savings to meet its target. Governance arrangements are embedded with monthly reporting on the savings programme to the Finance Committee. However, work to develop a multi-year system efficiency programme to support the financial strategy is still ongoing. | Partly | Yes – improvement recommendation 2 |

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Appendix C:

Follow-up of previous recommendations

| Recommendation | Type of recommendation | Date raised | Progress to date | Addressed? | Further action? |
|---|------------------------|-------------|---|------------|-----------------|
| 3 The Somerset ICS Finance Reports should include additional supporting narrative, particularly for the capital programme and efficiency programme. The narrative should explain the reasons for significant variances to planned activity and outline the mitigating actions in place. | Improvement | Sept. 2023 | The ICB has improved the finance reports in 2023/24 by adding supporting narrative to the summary tables explaining drivers for variances. | Yes | No |
| 4 In order to strengthen risk management arrangements the ICB should: <ul style="list-style-type: none"> • ensure that the Board Assurance Framework (BAF) is developed and implemented as soon as possible; and • enhance the format of the Corporate Risk Register (CRR) reported to the Board to include additional elements of best practice, including RAG ratings, mapping risks to strategic objectives, assigning risks to risk owners, and providing actions to reduce risk further. | Improvement | Sept. 2023 | During 2023/24, working with stakeholders, the ICB developed a system-level BAF. The first iteration was presented to the Board in March 2024 and it will be reported quarterly going forward, with the BAF informing priority areas of focus for the Board. We note that progress on this has been slow and the BAF was not in place until the end of the financial year. It is important that this becomes fully embedded in 2024/25. The ICB has updated the format of the Corporate Risk Register in 2023/24 to incorporate additional elements of best practice. | Yes | No |

Appendix C:

Follow-up of previous recommendations

| Recommendation | Type of recommendation | Date raised | Progress to date | Addressed? | Further action? |
|--|------------------------|-------------|--|------------|---------------------------------------|
| 5 The ICB should formally review the Risk Management Strategy [RMS] in conjunction with the development of the BAF and the processes for providing assurance to the Board. In addition, other policies that were adopted from the CCG should be reviewed as soon as possible. | Improvement | Sept. 2023 | The ICB has not updated the Risk Management Policy in 2023/24. The Associate Director of Corporate Affairs informed us that this was because extensive work has been carried out in the last year on the development of the BAF and risk appetite so this will now be incorporated in 2024/25. | No | Yes- see improvement recommendation 3 |
| 6 The ICB should develop a Data Quality Policy for the system that formally documents the processes for ensuring data quality. The Policy should include the following: <ul style="list-style-type: none"> • definition and importance of data quality; • formal roles and responsibilities of Boards, committees and officers within the ICB and wider system for ensuring data quality; • the formal arrangements across the system for ensuring data quality; • identification of the key systems that hold data and the controls to ensure the quality of data; and • requirements for data quality audit and benchmarking. | Improvement | Sept. 2023 | A Data Quality Policy was in place and approved in June 2023 by the Information Governance, Records Management and Caldicott Committee. The policy outlines staff roles and responsibilities to maximise and maintain data quality, sets principles for maximising data quality, includes plans for detailed procedural documents, validates data quality, and outlines data monitoring procedures. The policy is due for review in June 2026. | Yes | No |

Appendix C: Follow-up of previous recommendations

| Recommendation | Type of recommendation | Date raised | Progress to date | Addressed? | Further action? |
|--|------------------------|-------------|--|------------|-----------------|
| <p>In order to strengthen quality assurance processes and improve quality oversight the ICB should:</p> <ul style="list-style-type: none"> streamline and review the data captured in the various dashboards to improve triangulation of performance and outcomes metrics and strengthen the assurance provided to the ICB; and formalise the escalation process to ensure that all areas of potential escalation are identified consistently. | Improvement | Sept. 2023 | <p>The ICB still has a number of dashboards in place that are presented to a variety of forum and inform the Quality Committee report. When the data pack including the dashboard is presented to the Quality Committee it is accompanied by a supplementary Review Learn & Improvement document. This is reported by the Chief Nurse to have been well received by the non-executives. The ICB still have a large Maternity dashboard that it recognises is unwieldy. Work to review the data set and identify a minimum data set for reporting is due to be rolled out across the region and should allow greater benchmarking opportunities.</p> <p>The ICB's escalation processes remain aligned to the National Quality Board framework and are well embedded across the health system and a review of Review Learn & Implement reports demonstrates the escalation process from the provider to SQG and the Quality Committee. Where concerns regarding quality within care homes arise staff may have two escalation processes to follow. Work was identified by the SQG to ensure the alignment of LA and ICB escalation processes, which has recently concluded</p> | Yes | No |
| <p>An annual review of procurement waivers approved during the year should be undertaken and an annual report provided to the Audit Committee for scrutiny and challenge. The report should include an analysis of the number, value and reasons for granting waivers, and identify where improvements to processes can be made to reduce the number of waivers approved.</p> | Improvement | Sept. 2023 | <p>A report to inform the Audit Committee of all waivers raised with a value exceeding £30,000 is presented at each Audit Committee meeting.</p> <p>A summary report of all waivers raised during the 2023/24 financial year has been prepared for presentation at the Audit Committee meeting to be held in June 2024.</p> | Yes | No |

