

NHS SOMERSET CLINICAL COMMISSIONING GROUP

DIRECTOR OF FINANCE, PERFORMANCE, CONTRACTING AND DIGITAL REPORT ON THE 2020/21 ANNUAL ACCOUNTS

1 INTRODUCTION

- 1.1 The Director of Finance, Performance, Contracting and Digital is statutorily obliged to comply with the determination and directions given by the Secretary of State for Health, in the preparation of the annual accounts.
- 1.2 NHS Bodies are within the remit of the Financial Reporting Advisory Board (FRAB) which provides independent accounting advice in respect of public sector bodies to HM Treasury and the equivalent bodies in Scotland and Northern Ireland. The advice of FRAB is reflected in the Government Financial Reporting Manual (FReM) which, alongside the Department of Health Group Accounting Manual 2020/21, NHS Bodies are required to follow except where a divergence has formally been agreed. For 2020/21 there are no departures from the FReM in preparing the annual accounts for NHS Somerset Clinical Commissioning Group (SCCG).
- 1.3 Following approval of the Annual Accounts by the Governing Body, they will be certified by the Chief Executive, James Rimmer, as the Accountable Officer appointed by NHS England and NHS Improvement for SCCG. The financial monitoring and accounts forms will then be submitted to the Department of Health, and will be used in the consolidation of all accounts for health organisations.
- 1.4 These accounts have been subject to external audit scrutiny and our statutory auditor has provided an opinion on the accounts, which is included within the papers being considered today. The internal systems of control in the SCCG were subject to review by Internal Audit during the financial year with the substantial assurance report reported to the Audit Committee and again a copy of this opinion is included within the papers being considered today.
- 1.5 These accounts may be subject to update should this be deemed necessary by the issue of new guidance by the Department of Health/NHS England, up until the final submission date of 15 June 2021.
- 1.6 A summary of the key performance targets and disclosure notes included within the financial statements is provided below.
- 1.7 In response to the Covid-19 pandemic a letter was issued on 17 March 2020 by Sir Simon Stevens, NHS Chief Executive, and Amanda Pritchard, NHS Chief Operating Officer which set out 'Next Steps on NHS Response

to Covid-19'. These guidelines fundamentally changed financial arrangements for NHS commissioners and providers for 2020/21 and suspended work on the annual planning process. A revised approach to the financial management was adopted by the SCCG, with the expectation that during the period 1 April to 30 September 2020 we would be expected to financially break-even. To achieve this expectation our funding allocation was non-recurrently adjusted for this period and a retrospective adjustment process was implemented to reimburse reasonable variances between actual expenditure and allocated funds. SCCG's expenditure was fully funded for this period, enabling the organisation to fulfil the achieve a financial break-even position.

- 1.8 For the second half of the financial year STPs were issued with fixed funding envelopes. The Somerset STP submitted financial plans to NHS England and Improvement demonstrating how we would achieve a financial break-even position for the remainder of the financial year. SCCG has delivered a financial position within its allocated financial resource for this period and has therefore subsequently delivered a financial break-even position for the full financial year.

2 PRIMARY STATEMENTS

Statement of Comprehensive Net Expenditure for the year ended 31 March 2021

- 2.1 The Statement of Comprehensive Net Expenditure records the net operating costs incurred by SCCG for 2020/21.
- 2.2 This statement shows that for the financial year 2020/21 SCCG's net expenditure was £993,562,000.
- 2.3 The statement also analyses the expenditure between staff costs, purchase of goods and services, depreciation and impairment charges, provision expense and other operating expenditure/income. Table 1 below shows a summary of this expenditure from the statement for the year ended 31 March 2021.

Table 1: Statement of Comprehensive Net Expenditure for the year ended 31 March 2021

	2020/21 £'000	2019/20 £'000
Staff costs	14,044	12,901
Purchase of goods and services	980,696	883,288
Depreciation and impairment charges	79	100
Provision expense	298	(831)
Other Operating Expenditure	433	320
Operating Income	(1,988)	(2,727)
Total Net Operating Costs for the Financial Year	993,562	893,051

Statement of Financial Position as at 31 March 2021

2.4 The Statement of Financial Position (SoFP) records the assets and liabilities of SCCG as at 31 March 2021, and is presented in two parts:

- total assets employed (the upper section) – the assets and liabilities of SCCG, including both short and long term commitments
- total taxpayers equity (the lower section) – the resources used to fund the total assets employed

2.5 At 31 March 2021, SCCG had net liabilities employed of £57,477,000 funded through a general fund. The net liabilities value has increased by £17,427,000 from £40,050,000 shown in the annual accounts as at 31 March 2020. This negative figure is not of concern due to the agreed on-going funding received from NHS England.

2.6 At 31 March 2021, SCCG's Statement of Financial Position included:

- trade and other receivables of £6,410,000, of which £3,621,000 was due from other NHS organisations, £67,000 related to NHS prepayments, £724,000 related to NHS accrued income, £351,000 was due from Non-NHS organisations, £1,122,000 related to Non-NHS prepayments, £327,000 related to Non-NHS accrued income and £198,000 related to VAT
- inventories of £2,000
- cash with the Government Banking Service of £44,000
- trade and other payables of £63,583,000 comprising of:
 - * NHS payables at £6,444,000
 - * NHS accruals at £263,000
 - * Non-NHS payables – revenue at £7,358,000
 - * Non-NHS accruals at £42,805,000, which includes a GP Prescribing accrual of £15,382,000
 - * other payables and accruals at £6,713,000 including:
 - capital accrual £70,000
 - tax of £131,000
 - social security costs at £167,000
 - other payables at £6,345,000, which mainly includes accruals relating to delegated Primary Care and other Primary Care related costs

- provisions for liabilities and charges of £570,000, which relate to Legal claims of £353,000 and Continuing Healthcare charges of £217,000

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2021

- 2.7 This statement includes the net operating costs and net parliamentary funding for the year.
- 2.8 The statement reports all revaluations and impairments that are not included within net operating costs. This was not applicable for SCCG in 2020/21.

Statement of Cash Flows for the year ended 31 March 2021

- 2.9 SCCG receives on an annual basis a cash limit set by the Department of Health. This cash limit sets the amount of cash available for the CCG from the Department of Health to support its activities during the financial year.
- 2.10 Whilst the cash limit is broadly similar to the resource limit, the SCCG was set a target for its cash balance not to exceed 1.25% of its February drawdown. The cash limit also incorporates adjustments agreed with the Department of Health and NHS England and cash differences relating to the timing of cash payments.
- 2.11 The Statement of Cash Flows shows that for the year ended 31 March 2021, the CCG balance of cash at the bank and in hand was £44,000 at 31 March 2021, representing 0.05% of the February draw down.

3 FINANCIAL PERFORMANCE TARGETS (Annual Accounts Note 21)

Revenue Resource Limit

- 3.1 Revenue expenditure covers general day to day running costs and other areas of ongoing expenditure. The CCG has a statutory duty to maintain expenditure within the revenue resource limit set by the NHS England.
- 3.2 Table 2 shows for the financial year 2020/21 (1 April 2020 to 31 March 2021), Somerset CCG delivered all of its financial targets against its in year revenue resource limit of £993,562,000.

Table 2: Revenue Resource Limit

	2020/21 £'000	2019/20 £'000
Net Operating Costs	993,562	893,051
Final Revenue Resource Limit for year	993,562	877,026
Overspend against Revenue Resource Limit	0	16,025

Performance against Cash Balance (Note 12)

- 3.3 The CCG was required not to exceed a year end cash balance of 1.25% (£1,080,688) of its February drawdown set by the Department of Health in the financial year. The Clinical Commissioning Group's year end cash balance was £44,000. This represented 0.004% of the 2020/21 revenue resource limit.

4 KEY DISCLOSURE NOTES

Going Concern

- 4.1 The Financial Statements confirm that there are no going concern issues associated with the CCG.

Service Auditor Reports

- 4.2 A number of services are provided to the CCG by other service organisations. The Type II ISAE 3402 Service Auditor reports, which assess the state of the control environment for the period 1 April 2020 to 31 March 2021, have been received and reviewed for the following services used by the CCG;

- **South, Central and West Commissioning Support Unit** - The scope of the Service Auditor Report (SAR) covers Payroll, Financial Ledger, Accounts Payable, Accounts Receivable, Financial reporting, Treasury and Cash Management and Non-Clinical Procurement. Of these services, Somerset CCG only commissions the Non-Clinical Procurement service through the South Central and West CSU. There were no exceptions identified within the SAR for the Non-Clinical Procurement service for 2020/21
- **NHS Business Services Authority:** provide and maintain the Electronic Staff Record system (ESR system) and the prescriptions payment process
- **NHS Shared Business Services Limited:** provide finance and accounting services
- **NHS Digital:** NHS Digital make GP Payments on behalf of the CCG. The 2020/21 Service Auditor Report for NHS Digital is not currently available
- **Capita Primary Care Support England (PCSE)** - Capita Primary Care Support England (PCSE) provide administrative and support services as part of the delegated commissioning function for Primary Care Medical services. The 2020/21 Service Auditor Report for Capita PCSE is not currently available

4.3 Separate reports have been provided to the Audit Committee detailing, by exception, any recommendations which impact on the services provided by the CCG to give assurance that mitigations have been put in place to manage any potential risks.

Employee Benefits (Note 4.1)

4.4 Table 3 below shows the 2020/21 staffing costs for SCCG.

Table 3: Employee Benefits

CCG Employee Benefits	Total	Permanent Employees	Other
2020/21	£000	£000	£000
Salaries and wages	10,954	10,470	484
Social security costs	1,109	1,109	0
Employer Contributions to NHS Pensions scheme	2,004	2,004	0
Other pension costs	2	2	0
Apprenticeship Levy	38	38	0
Total 2020/21	14,107	13,623	484
Total 2019/20	12,901	11,616	1,285

4.5 Employee benefits have risen in line with national Agenda for Change increases.

Staff numbers (Note 4.2)

4.6 The average number of CCG staff in 2020/21 is shown in table 4 below.

Table 4: Number of Staff

	Total	Permanently Employed	Other
Total 2020/21	243	236	7
Total 2019/20	227	217	10

4.7 The average number of employees has increased since 2019/20 due to the full year impact of an ongoing process to permanently recruit to posts created during a staffing restructure that took place during 2018/19.

Staff sickness

4.8 Under revised guidance from NHS England, due to the Coronavirus pandemic, the CCG were not required to provide details of sickness absence data within the Annual Report for 2020/21.

4.9 The CCG has a clear and robust Management of Sickness Absence Policy.

Running Costs

- 4.10 The CCG was funded a total of £11.142 million in 2020/21 to support headquarters and administration costs. This included additional funding of £0.602m released in year to support an increase in employer's pension contributions. To facilitate the effective running of the organisation the CCG continues to review those functions which it provides in house and those which are provided by South, Central and West Commissioning Support Unit. The value of services commissioned via the South, Central and West Commissioning Support Unit is £2.965m which covers Business Intelligence support, Information Technology and Information Governance support, Procurement Services support, Care Navigation Services, GP IT Services and additional consultancy support.
- 4.11 Expenditure recorded against running costs for 2020/21 totalled £10.927 million.

Better Payment Practice Code (note 6)

- 4.12 NHS bodies are required to pay trade payables in accordance with the Better Payment Practice Code. The target is to pay trade creditors within 30 days of receipt of goods or valid invoice, whichever is the latter, unless other payment terms have been agreed with the supplier.
- 4.13 Table 5 below shows the payment performance against these targets, demonstrating a strong focus on the prompt payment of invoices during 2020/21.

Table 5: Better Payment Practice Code

Measure of compliance	2020/21 Number	2020/21 £'000	2019/20 Number	2019/20 £'000
Non-NHS Payables				
Total Non-NHS Trade invoices paid in the Year	9,513	159,468	9,751	134,507
Total Non-NHS Trade Invoices paid within target	9,513	159,468	9,746	134,020
Percentage of Non-NHS Trade invoices paid within target	100.00%	100.00%	99.95%	99.64%
NHS Payables				
Total NHS Trade Invoices Paid in the Year	1,203	619,369	3,584	583,307
Total NHS Trade Invoices Paid within target	1,202	619,369	3,570	583,189
Percentage of NHS Trade Invoices paid within target	99.92%	100.00%	99.61%	99.98%

Property, Plant and Equipment (Note 8) and Intangible Assets (Note 9)

- 4.14 The CCG had a capital allocation of £70,000 in 2020/21. This was spent on Information Technology.

5 REMUNERATION REPORT

- 5.1 This section of the report contains details of remuneration and pension entitlements for senior managers of the organisation in line with Section 234B and Schedule 7A of the Companies Act.
- 5.2 In defining the scope of a 'senior manager' the CCG have included members of the decision making group, which the CCG defined as the Governing Body, excluding those members without voting rights.
- 5.3 Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce.
- 5.4 The banded remuneration of the highest paid director/Member of the Governing Body in SCCG in the financial year 2020/21 was £182,501 (2019/20: £182,501). This was 4.82 times (2019/20: 4.90) the median remuneration of the workforce, which was £37,890 (2019/20: £37,267).
- 5.5 In 2020/21, no employees received remuneration in excess of the highest-paid director/Member. Remuneration ranged from £7,626 to £182,501 (2019/20: £7,626 to £182,501).
- 5.6 The CCG consultancy expenditure in 2020/21 was £196,000 (2019/20 £449,000), as per note 5 in the annual accounts.

6 CONCLUSION

- 6.1 For the financial year 2020/21 (1 April 2020 to 31 March 2021), SCCG is reporting an in-year financial break-even position against its revenue resource limit of £993,562,000.

7 RECOMMENDATION

- 7.1 The Governing Body is asked to state:
- that as far as he/she is aware there is no relevant audit information of which the Clinical Commissioning Group's auditors are unaware
 - that he/she has taken all the steps that he/she ought to have taken as a member of the Governing Body in order to make himself aware of any relevant audit information and to establish that the Clinical Commissioning Group's auditors are aware of that information