

## **NHS SOMERSET INTEGRATED CARE BOARD**

**Report to the Audit Committee 27 June 2023**

### **REPORT FROM THE CHIEF FINANCE OFFICER AND DIRECTOR OF PERFORMANCE**

1. This paper provides a high level analysis of the key statements included within the NHS Somerset CCG's Accounts for the three month period 1 April to 30 June 2022.
2. Following review of the annual report and accounts, the Audit Committee members are asked to state:
  - that as far as he/she is aware there is no relevant audit information of which the external auditors are unaware
  - that he/she has taken all the steps that he/she ought to have taken as a member of the Audit Committee in order to make him/herself aware of any relevant audit information and to establish that the external auditors are aware of that information

#### **Recommendation**

The Audit Committee

- recommends the NHS Somerset CCG 1 April to 30 June 2022 annual report, including accounts, to the Board for approval
- the Audit Committee considers the above statements and either agrees with the statements or provides any further information which would be useful for the external auditors to consider as part of their audit of NHS Somerset CCG.

Alison Henly  
Chief Finance Officer and Director of Performance  
27 June 2023

# **NHS SOMERSET INTEGRATED CARE BOARD**

**Report to the Audit Committee 27 June 2023**

## **REPORT FROM THE CHIEF FINANCE OFFICER AND DIRECTOR OF PERFORMANCE**

### **REPORT ON THE NHS SOMERSET CCG FINANCIAL ACCOUNTS FOR THE THREE MONTH PERIOD 1 APRIL TO 30 JUNE 2022**

#### **1 INTRODUCTION**

- 1.1 The Chief Finance Officer 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 (FRm) which, alongside the Department of Health Group Accounting Manual 2022/23, NHS Bodies are required to follow except where a divergence has formally been agreed. For 2022/23 there are no departures from the FRm in preparing the accounts for NHS Somerset Clinical Commissioning Group (Somerset CCG).
- 1.3 Following approval of the Accounts by the Board, they will be certified by the Chief Executive, Jonathan Higman, as the Accountable Officer appointed by NHS England for NHS Somerset ICB (the successor body of NHS Somerset CCG). 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.
- 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 30 June 2023.
- 1.6 A summary of the key performance targets and disclosure notes included within the financial statements is provided below.
- 1.7 On 1 July 2022 Clinical Commissioning Groups (CCGs) were abolished and Integrated Care Boards (ICBs) were established. Statutory functions, like those exercised by CCGs, were conferred on ICBs from 1 July 2022, along with the transfer of CCG staff, assets, and liabilities (including commissioning

responsibilities and contracts). Therefore, the functions carried out by NHS Somerset CCG have consequently been conferred on NHS Somerset ICB from 1 July 2022.

1.8 The NHS financial arrangements for 2022/23 continued to support a system-based approach to planning and delivery. Integrated Care Systems were issued with one-year revenue allocations for 2022/23 and three-year capital allocations to 2024/25.

1.9 The 2022/23 financial framework signalled a change from the frameworks in operation during 2020/21 and 2021/22, with a move back towards population-based funding in the context of system collaboration. Key aspects of the 2022/23 financial framework include;

- maintaining system funding allocations and collaborative planning, with CCGs/ICBs and their partner trusts having a financial objective to deliver a breakeven position.
- reintroducing population-based funding based on fair share allocations, with funding on a glidepath from previous system revenue envelopes to a fair share of the affordable recurrent NHS settlement (known as the convergence adjustment).
- system funding envelopes now include sustainability funding previously allocated through the Financial Recovery Fund.
- returning to local ownership for payment flows under simplified rules. To restore the link between commissioning and funding flows, commissioners and trusts will have local ownership for setting payment values on simplified terms. There is an expectation that elective activity flows will have a variable component to payment mechanisms.
- funding to tackle the elective activity backlog and deliver the NHS Long Term Plan. Additional revenue and capital funding is available to support elective activity recovery, with access to further additional revenue where systems exceed target levels.
- continuation of the requirement to deliver the Mental Health Investment Standard (MHIS).
- final year of separate Covid-19 allocation, based on an assumption that Covid-19 levels return to early summer 2021 levels.

1.10 The Somerset system submitted balanced financial plans for 2022/23 and NHS Somerset CCG delivered a balanced financial position according to plan and within its allocated financial resource for the period 1 April to 30 June 2022.

## **2 PRIMARY STATEMENTS**

## Statement of Comprehensive Net Expenditure for the three month period 1 April to 30 June 2022

- 2.1 The Statement of Comprehensive Net Expenditure records the net operating costs incurred by Somerset CCG for the three month period 1 April to 30 June 2022.
- 2.2 This statement shows that for this period Somerset CCG's net expenditure was £275,096,000.
- 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 three month period 1 April to 30 June 2022.

**Table 1: Statement of Comprehensive Net Expenditure for the three month period 1 April to 30 June 2022**

	<b>2022/23 £'000</b>
Staff costs	4,221
Purchase of goods and services	271,822
Depreciation and impairment charges	129
Provision expense	8
Other Operating Expenditure	72
Finance expense	4
Operating Income	(1,160)
<b>Total Comprehensive Net Expenditure for the three month period 1 April to 30 June 2022</b>	<b>275,096</b>

## Statement of Financial Position as at 30 June 2022

- 2.4 The Statement of Financial Position (SoFP) records the assets and liabilities of Somerset CCG as at 30 June 2022, and is presented in two parts:
- total assets employed (the upper section) – the assets and liabilities of Somerset CCG, 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 30 June 2022, Somerset CCG had net liabilities employed of £40,022,000 funded through a general fund. The net liabilities value decreased by £8,653,000 from £48,675,000 shown in the annual accounts as at the 31 March 2022. This net liability is not of concern due to the agreed on-going funding received from NHS England.
- 2.6 At 30 June 2022, Somerset CCG's Statement of Financial Position included:

- Total non-current assets of £1,778,000, of which £193,000 was property, plant and equipment and £1,585,000 was right of use assets (relating to the lease of Wynford House from NHS Property Services Limited);
- trade and other receivables of £3,379,000, of which £538,000 was due from other NHS organisations, £67,000 related to NHS prepayments, £17,000 related to NHS accrued income, £735,000 was due from Non-NHS organisations, £1,544,000 related to Non-NHS prepayments, £453,000 related to Non-NHS accrued income and £25,000 related to VAT;
- inventories of £2,000;
- trade and other payables of £41,531,000 comprising of:
  - \* NHS payables at £226,000
  - \* NHS accruals at £6,328,000
  - \* Non-NHS payables – revenue at £726,000
  - \* Non-NHS accruals at £28,288,000
  - \* Non-NHS deferred income of £75,000
  - \* other payables and accruals at £5,888,000 including:
    - tax of £157,000
    - social security costs at £199,000
    - other payables at £5,532,000, which mainly includes accruals relating to delegated Primary Care and other Primary Care related costs;
- borrowings of £1,593,000, representing a technical bank overdraft;
- provisions for liabilities and charges of £359,000, which relate to redundancy costs of £208,000 and Continuing Healthcare charges of £151,000;
- current lease liabilities of £4,000 and non-current lease liabilities of £1,694,000, relating to the lease of Wynford House from NHS Property Services Limited.

### **Statement of Changes in Taxpayers' Equity for the three month period 1 April to 30 June 2022**

- 2.7 This statement includes the net operating costs and net parliamentary funding for the period.
- 2.8 The statement reports all revaluations and impairments that are not included within net operating costs. This was not applicable for Somerset CCG for the period.

## Statement of Cash Flows for the three month period 1 April to 30 June 2022

- 2.9 Somerset CCG received 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 period.
- 2.10 Somerset CCG is set a target for its financial period end cash balance not to exceed 1.25% of that month's cash 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 period ended 30 June 2022, the CCG balance of cash at the bank and in hand was a technical overdraft balance of £1,593,000.

### 3 FINANCIAL PERFORMANCE TARGETS (Accounts Note 24)

#### Revenue Resource Limit

- 3.1 Revenue expenditure covers general day to day running costs and other areas of ongoing expenditure. The CCG had a statutory duty to maintain expenditure within the revenue resource limit set by NHS England.
- 3.2 Table 2 shows that for the three month period 1 April to 30 June 2022, Somerset CCG delivered all of its financial targets against its revenue resource limit of £275,097,000.

**Table 2: Revenue Resource Limit**

	<b>Apr-Jun 2022</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
Net Operating Costs	275,096	1,137,753
Final Revenue Resource Limit for the period	275,096	1,137,753
<b>Variance against Revenue Resource Limit</b>	<b>0</b>	<b>0</b>

### 4 KEY DISCLOSURE NOTES

#### Going Concern

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

## Service Auditor Reports

4.2 A number of services were provided to the CCG by other service organisations during the reporting period. Type II ISAE 3400/3402 Service Auditor reports, which assess the state of the control environment, were received and reviewed by the CCG for the period 1 April 2021 to 31 March 2022 in relation to the following services, and the outcomes from these reviews were reported in the CCG's 2021/22 Annual Report;

- **South, Central and West Commissioning Support Unit (SCW CSU)** - The scope of the Service Auditor Report (SAR) for the SCW CSU 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.
- **NHS Business Services Authority:** provide and maintain the Electronic Staff Record system (ESR system) and the prescriptions payment process on behalf of the CCG.
- **NHS Shared Business Services Limited:** provide finance and accounting services to the CCG.
- **NHS Digital:** provides IT services to support the processing of NHS payments and deductions to providers of general practice (GP) services in England.
- **Capita Primary Care Support England (PCSE)** - provide administrative and support services as part of the delegated commissioning function for Primary Care Medical services.

4.3 Further written assurance has been provided by the SCW CSU, NHS Shared Business Services, NHS Business Services Authority and Capita PCSE, covering the period 1 April 2022 to 30 June 2022, to confirm that there have been no significant changes to the control environments of the services provided since the issue of 2021/22 SARs. These letters also provide details of updates and actions taken in relation to any exceptions raised in the 2021/22 SARs.

## Employee Benefits (Note 4.1)

4.4 Table 3 below shows the staffing costs for Somerset CCG for the three month period 1 April to 30 June 2022.

**Table 3: Employee Benefits**

CCG Employee Benefits	Total	Permanent Employees	Other
	£000	£000	£000
Salaries and wages	3,277	2,940	337
Social security costs	356	342	14
Employer Contributions to NHS Pensions scheme	577	564	13
Other pension costs	0	0	0
Apprenticeship Levy	11	11	0
<b>Total April to June 2022</b>	<b>4,221</b>	<b>3,857</b>	<b>364</b>
Total 2021/22	15,441	14,244	1,197

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

#### **Staff numbers (Note 4.2)**

4.6 The average number of CCG staff for the period is shown in table 4 below.

**Table 4: Number of Staff**

	Total	Permanently Employed	Other
<b>Total April to June 2022</b>	<b>283</b>	<b>261</b>	<b>22</b>
2021/22	257	247	10

#### **Staff sickness**

4.7 The absence FTE % for NHS Somerset CCG for the period was 1.9%.

4.8 The CCG had a clear and robust Management of Sickness Absence Policy.

#### **Running Costs**

4.9 The CCG was initially funded a total of £2.800 million for the period 1 April to 30 June 2022 to support headquarters and administration costs. This included additional funding of £0.167 million released in-year to support an increase in employers' pension contributions. Total expenditure recorded against running costs for the period was £2.778 million, delivering an under-commitment against resource of £0.022m. The CCG running cost resource allocation was subsequently adjusted to ensure a financial break-even position for the period and the surplus was consequently transferred into the ICB resource allocation for the period 1 July 2022 to 31 March 2023.

4.10 The CCG delivered against its financial duty to ensure that revenue administration resource use did not exceed the amount specified in Directions.



4.11 To facilitate the effective running of the organisation, the CCG continued to review those functions which it provided in-house and those which were provided by South, Central and West Commissioning Support Unit (SCW CSU). The services commissioned via the SCW CSU covered Business Intelligence support, Information Technology and Information Governance support, Procurement Services support, Care Navigation Services, GP IT Services, and additional consultancy and project support.

### **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 later, 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 the period.

**Table 5: Better Payment Practice Code**

<b>Measure of compliance</b>	<b>2022/23</b>	<b>2022/23</b>	2021/22	2021/22
	<b>Number</b>	<b>£'000</b>	Number	£'000
<b>Non-NHS Payables</b>				
Total Non-NHS Trade invoices paid in the Year	2,652	39,856	9,723	210,244
Total Non-NHS Trade Invoices paid within target	2,652	39,856	9,723	210,244
<b>Percentage of Non-NHS Trade invoices paid within target</b>	<b>100.00%</b>	<b>100.00%</b>	100.00%	100.00%
<b>NHS Payables</b>				
Total NHS Trade Invoices Paid in the Year	195	189,629	672	731,378
Total NHS Trade Invoices Paid within target	195	189,629	672	731,378
<b>Percentage of NHS Trade Invoices paid within target</b>	<b>100.00%</b>	<b>100.00%</b>	100.00%	100.00%

## **5 REMUNERATION REPORT**

5.1 This section of the Annual Report contains details of remuneration and pension entitlements for senior managers of the CCG in line with Chapter 5 of Part 15 of the Companies Act 2006.

5.2 In defining the scope of a 'senior manager' the CCG has included members of the decision-making groups within the CCG, which the CCG has defined as the CCG Governing Body, excluding those members with no voting rights.

5.3 Reporting bodies are required to disclose separately, for salary and allowances, and performance pay and bonuses;

- The percentage change from the previous financial year in respect of the highest paid director, and,
- The average percentage change from the previous financial year in respect of employees of the entity, taken as a whole.

5.4 This is demonstrated in Table 6 below

**Table 6: Percentage changes in remuneration of the highest paid director**

Disclosure	Increase / (Decrease) %	2021/22 Increase / (Decrease) %
The percentage change in salary and allowances from the previous financial year in respect of the highest paid director	3.0%	5.1%
The percentage change in performance pay and bonuses from the previous financial year in respect of the highest paid director	0%	0%
The average percentage change in salary and allowances from the previous financial year in respect of all employees (excluding the highest paid director)	0.5%	3.4%
The average percentage change in performance pay and bonuses from the previous financial year in respect of all employees (excluding the highest paid director)	0%	0%

The highest paid Director was awarded a 3% inflationary increase effective from 1 April 2022.

Staff remuneration increases since 2021/22 include an annual pay increase awarded to NHS Agenda for Change staff for 2022/23. This has been offset by a decrease in the average salary value due to a number of factors including;

- A decrease in the appointment of higher cost agency staff.
- A decrease in the number of higher pay banded staff..

5.5 The Integrated Care Board is also required to disclose;

- the 25th percentile, median and 75th percentile of remuneration of the CCG's staff (based on annualised, full-time equivalent remuneration of all staff (including temporary and agency staff) as at the reporting date)
- the 25th percentile, median and 75th percentile of the salary component of remuneration of the CCG's staff (based on annualised, full-time equivalent remuneration of all staff (including temporary and agency staff) as at the reporting date)
- the range of staff remuneration

- the relationship between the remuneration of the highest-paid director / member in the organisation against the 25th percentile, median and 75th percentile of remuneration of the organisation's workforce. Total remuneration is further broken down to show the relationship between the highest paid director's salary component of their total remuneration against the 25th percentile, median and 75th percentile of salary components of the organisation's workforce.

5.6 Pay ratio information is provided in Table 7 below.

**Table 7: Pay Ratio Information**

Disclosure	1 April to 30 June 2022			2021/22		
	25th percentile	Median	75th percentile	25th percentile	Median	75th percentile
'All staff' remuneration based on annualised, full-time equivalent remuneration of all staff (including temporary and agency staff)	£27,055	£40,588	£48,526	£27,780	£39,027	£47,126
Salary component of 'all staff' remuneration based on annualised, full-time equivalent remuneration of all staff (including temporary and agency staff)	£27,055	£40,588	£48,526	£27,780	£39,027	£47,126
Ratio of remuneration of all staff to the mid-point of the banded remuneration of the highest paid director	6.19 : 1	4.13 : 1	3.45 : 1	5.85 : 1	4.16 : 1	3.45 : 1
Ratio of the salary component of remuneration of all staff to the mid-point of the banded salary of the highest paid director	6.19 : 1	4.13 : 1	3.45 : 1	5.85 : 1	4.16 : 1	3.45 : 1

5.7 The banded remuneration of the highest paid director / member in NHS Somerset CCG in the reporting period 1 April to 30 June 2022 was £165,000 to £170,000 (2021/22: £160,000 to £165,000).

5.8 During the reporting period from 1 April to 30 June 2022, no employees (2021/22, one) received remuneration in excess of the highest-paid director/member. Remuneration ranged from £8,440 to £163,468 (2021/22: £8,440 to £180,400) based on annualised, full-time equivalent remuneration of all staff (including temporary and agency staff). Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind, but not severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

5.9 The CCG did not incur any consultancy expenditure in the period 1 April to 30 June 2022 (2021/22 £75,000), as per note 5 in the annual accounts.

## **6 CONCLUSION**

- 6.1 For the financial period 1 April to 30 June 2022, Somerset CCG is reporting a financial break-even position against its revenue resource limit of £275,096,000.

## **7 RECOMMENDATION**

- 7.1 The Audit Committee is asked to state:

- that as far as he/she is aware there is no relevant audit information of which the external auditors are unaware;
- that he/she has taken all the steps that he/she ought to have taken as a member of the Audit Committee in order to make himself aware of any relevant audit information and to establish that the external auditors are aware of that information.