

NHS SOMERSET INTEGRATED CARE BOARD

Report to the Board 27 June 2024

REPORT FROM THE CHIEF FINANCE OFFICER AND DIRECTOR OF PERFORMANCE AND CONTRACTING

1. This paper provides a high level analysis of the key statements included within NHS Somerset ICB's Accounts for the period 1 April 2023 to 31 March 2024.
2. Following review of the annual report and accounts, Board members are asked to state:
 - that as far as he/she is aware there is no relevant audit information of which the Integrated Care Board's auditors are unaware.
 - that he/she has taken all the steps that he/she ought to have taken as a member of the Board in order to make him/herself aware of any relevant audit information and to establish that the Integrated Care Board's auditors are aware of that information.

Recommendation

That the Board 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 the Integrated Care Board.

Alison Henly
Chief Finance Officer and Director of Performance and Contracting
27 June 2024

NHS SOMERSET INTEGRATED CARE BOARD

Report to the Board 27 June 2024

REPORT FROM THE CHIEF FINANCE OFFICER AND DIRECTOR OF PERFORMANCE AND CONTRACTING

REPORT ON THE ICB FINANCIAL ACCOUNTS FOR THE PERIOD 1 APRIL 2023 TO 31 MARCH 2024

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 (FReM) which, alongside the Department of Health Group Accounting Manual 2023/24, NHS Bodies are required to follow except where a divergence has formally been agreed. For 2023/24 there are no departures from the FReM in preparing the accounts for NHS Somerset Integrated Care Board (Somerset ICB).
- 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 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 within the Somerset ICB were subject to review by Internal Audit during the financial year with a substantial assurance report presented to the Audit Committee during the meeting on 5 March 2024.
- 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 28 June 2024.
- 1.6 A summary of the key performance targets and disclosure notes included within the financial statements is provided below.

- 1.7 The NHS financial arrangements for 2023/24 continued to support a system-based approach to planning and delivery. Integrated Care Systems (ICSs) were issued with two-year revenue allocations spanning 2023/24 and 2024/25. At national level, total ICB allocations (including COVID-19 and Elective Recovery Funding (ERF)) were flat in real terms with additional funding available to expand capacity. Core ICB capital allocations for 2022/23 to 2024/25 had already been published and remain the foundation of capital planning. ICBs and NHS primary and secondary care providers have been expected to work together to plan and deliver a balanced net system financial position in collaboration with other ICS partners.
- 1.8 The 2023/24 financial framework continued with population-based funding with a move back to system fair shares allocations via convergence adjustments. Systems were expected to:
- deliver a balanced net system financial position for 2023/24,
 - achieve core service recovery objectives,
 - develop robust plans and deliver specific efficiency savings and raise productivity consistent with the goals set out in national guidance to increase activity and improve outcomes within allocated resources,
 - put in place strong oversight and governance arrangements to drive delivery, supported by clear financial control and monitoring processes,
 - produce plans that included systematic approaches to understand where productivity has been lost and the actions needed to restore underlying productivity,
 - reduce agency spending, corporate running costs, procurement and supply chain costs, improve inventory management and purchase medicines at the most effective price point.
- 1.9 The Somerset health system produced an operational plan for 2023/24 which delivered a balanced net system financial position and NHS Somerset ICB has delivered a balanced financial position against its allocated revenue resource for the period 1 April 2023 to 31 March 2024.

2 PRIMARY STATEMENTS

Statement of Comprehensive Net Expenditure for the financial year ended 31 March 2024

- 2.1 The Statement of Comprehensive Net Expenditure records the net operating costs incurred by Somerset ICB for the financial year ended 31 March 2024.

- 2.2 This statement shows that for this period Somerset ICB's net expenditure was £1,314,621,000.
- 2.3 The statement also analyses the expenditure between staff costs, purchase of goods and services, depreciation and impairment charges, provision expense, other operating expenditure and operating income. Table 1 below shows a summary of this expenditure from the statement for the financial year ended 31 March 2024.

Table 1: Statement of Comprehensive Net Expenditure for the financial year ended 31 March 2024

	2023/24
	£'000
Staff costs	21,122
Purchase of goods and services	1,307,074
Depreciation and impairment charges	493
Provision expense	1,568
Other Operating Expenditure	156
Finance expense	10
Operating Income	(15,802)
Total Comprehensive Net Expenditure for the financial year ended 31 March 2024	1,314,621

Statement of Financial Position as at 31 March 2024

- 2.4 The Statement of Financial Position (SoFP) records the assets and liabilities of Somerset ICB as at 31 March 2024, and is presented in two parts:
- total assets employed (the upper section) – the assets and liabilities of Somerset ICB, 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 2024, Somerset ICB had net liabilities employed of £55,495,000 funded through a general fund. The net liabilities value has decreased by £2,902,000 from the 1 April 2023 opening net liability of £58,397,000. This net liability is not of concern due to the agreed on-going funding received from NHS England.
- 2.6 At 31 March 2024, Somerset ICB's Statement of Financial Position included:
- Total non-current assets of £1,047,000, of which £252,000 was property, plant and equipment and £795,000 was right of use assets (relating to the lease of Wynford House from NHS Property Services Limited).

- trade and other receivables of £13,701,000, of which £875,000 was due from other NHS organisations, £70,000 related to NHS prepayments, £2,206,000 related to NHS accrued income, £300,000 was due from Non-NHS organisations, £338,000 related to Non-NHS prepayments, £674,000 related to Non-NHS accrued income, £8,972,000 related to Non-NHS contract receivable income not yet invoiced (for dental contract under performance) and £266,000 related to VAT.
- cash with the Government Banking Service of £46,000.
- trade and other payables of £67,877,000 comprising of:
 - * NHS payables at £1,096,000
 - * NHS accruals at £2,869,000
 - * Non-NHS payables – revenue at £10,104,000
 - * Non-NHS accruals at £43,351,000
 - * other payables and accruals at £10,457,000 including:
 - tax of £232,000
 - social security costs at £232,000
 - other payables at £10,006,000, which mainly includes accruals relating to delegated Primary Care and other Primary Care related costs.
- provisions for liabilities and charges of £1,573,000, which relate to Redundancy costs and associated legal fees of £1,079,000 and Continuing Healthcare charges of £494,000.
- current lease liabilities of £418,000 and non-current lease liabilities of £421,000, relating to the lease of Wynford House from NHS Property Services Limited.

Statement of Changes in Taxpayers' Equity for the financial year ended 31 March 2024

- 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 ICB for the period.

Statement of Cash Flows for the financial year ended 31 March 2024

- 2.9 Somerset ICB receives a cash limit set by the Department of Health. This cash limit sets the amount of cash available for the ICB from the Department of Health to support its activities during the financial period.
- 2.10 Somerset ICB is set a target for its financial year end cash balance not to exceed 1.25% of its March 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 31 March 2024, the ICB balance of cash at the bank and in hand was £46,000, representing 0.04% of the March cash draw down.

3 FINANCIAL PERFORMANCE TARGETS (Accounts Note 21)

Revenue Resource Limit

3.1 Revenue expenditure covers general day to day running costs and other areas of ongoing expenditure. The ICB has a statutory duty to maintain expenditure within the revenue resource limit set by NHS England.

3.2 Table 2 shows that for the financial year ended 31 March 2024, Somerset ICB delivered its financial target against its revenue resource limit of £1,314,621,000.

Table 2: Revenue Resource Limit

	2023/24 £'000
Net Operating Costs	1,314,621
Final Revenue Resource Limit for the period	1,314,621
Variance against Revenue Resource Limit	0

4 KEY DISCLOSURE NOTES

Going Concern

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

Service Auditor Reports

4.2 A number of services are provided to the ICB by other service organisations. The Type II ISAE 3400/3402 Service Auditor reports, which assess the state of the control environment for the period 1 April 2023 to 31 March 2024, have been received and reviewed for the following services provided to the ICB;

- **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 ICB only commissions the Non-Clinical Procurement service through the South Central and West CSU. No

control exceptions were identified within the SAR for the Non-Clinical Procurement service for 2023/24.

- **NHS Business Services Authority:** provide and maintain the Electronic Staff Record system (ESR system) and the prescriptions and dental payment processes on behalf of the ICB.
- **NHS Shared Business Services Limited:** provide finance and accounting services to the ICB.
- **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 Separate reports have been provided to the Audit Committee detailing, by exception, any recommendations which impact on the services provided to the ICB 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 staffing costs for Somerset ICB for the financial year ended 31 March 2024.

Table 3: Employee Benefits

ICB Employee Benefits	Total	Permanent Employees	Other
	£000	£000	£000
Salaries and wages	16,218	15,155	1,063
Social security costs	1,750	1,699	51
Employer Contributions to NHS Pensions scheme	2,988	2,932	56
Other pension costs	1	1	0
Apprenticeship Levy	63	63	0
Termination Benefits	102	102	0
Total	21,122	19,952	1,170

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 ICB staff for the period is shown in table 4 below.

Table 4: Number of Staff

	Total	Permanently Employed	Other
Total	315	304	11

Staff sickness

- 4.7 The absence FTE % for NHS Somerset ICB for the period was 3.8%. This is based on data available for the period 1 January 2023 to 31 December 2023.
- 4.8 The ICB has a clear and robust Management of Sickness Absence Policy.

Running Costs

- 4.9 The ICB was funded a total of £13.513 million for the financial year ended 31 March 2024, to support headquarters and administration costs. This included:
- funds totalling £1.693m transferred from NHS England in relation to staffing and administration costs associated with the South West Collaborative Commissioning Hub. This function has been hosted by NHS Somerset ICB since 1 July 2023.
 - additional funding of £0.887 million released in-year to support an increase in employers' pension contributions.
- 4.10 Total expenditure recorded against running costs for the financial year ended 31 March 2024 was £13.466 million, ensuring that the ICB delivered against its financial duty to ensure that revenue administration resource use does not exceed the amount specified in Directions.
- 4.11 To facilitate the effective running of the organisation, the ICB continues to review those functions which it provides in-house and those which are provided by South, Central and West Commissioning Support Unit (SCW CSU). The services commissioned via the SCW CSU covers 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

Measure of compliance	2023/24	2023/24
	Number	£'000
Non-NHS Payables		
Total Non-NHS Trade invoices paid in the Year	20,757	347,770
Total Non-NHS Trade Invoices paid within target	20,750	347,458
Percentage of Non-NHS Trade invoices paid within target	99.97%	99.91%
NHS Payables		
Total NHS Trade Invoices Paid in the Year	837	893,150
Total NHS Trade Invoices Paid within target	837	893,150
Percentage of NHS Trade Invoices paid within target	100.00%	100.00%

REMUNERATION REPORT

- 5.1 This section of the Annual Report contains details of remuneration and pension entitlements for senior managers of the ICB in line with Chapter 5 of Part 15 of the Companies Act 2006.
- 5.2 In defining the scope of a 'senior manager' the ICB has included members of the decision-making groups within the ICB, which the ICB has defined as the ICB Board, excluding those members not directly employed by the ICB.
- 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	Salary and allowances	Performance pay and bonuses
	Increase / (Decrease) %	Increase / (Decrease) %
The percentage change from the previous financial year in respect of the highest paid director	5.0%	0%
The average percentage change from the previous financial year in respect of all employees taken as a whole (excluding the highest paid director)	4.8%	0%

Staff remuneration increases for the period include Agenda for Change pay uplifts awarded for 2023/24. Agenda for Change guidelines are also taken into consideration when assessing inflationary increases awarded to Directors.

There have also been changes to staffing structures during 2023/24 with NHS Somerset ICB taking responsibility for hosting the South West Collaborative Commissioning Hub and also taking initial steps in implementing a complete organisational restructure, with a view to delivering a required reduction in running costs from 2024/25.

5.5 The Integrated Care Board is also required to disclose;

- the 25th percentile, median and 75th percentile of remuneration of the ICB'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 ICB'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	2023/24		
	25th percentile	Median	75th percentile
'All staff' remuneration based on annualised, full-time equivalent remuneration of all staff (including temporary and agency staff)	£34,581	£45,996	£58,972
Salary component of 'all staff' remuneration based on annualised, full-time equivalent remuneration of all staff (including temporary and agency staff)	£34,581	£45,996	£58,972
Ratio of remuneration of all staff to the mid-point of the banded remuneration of the highest paid director	6.00 : 1	4.51 : 1	3.52 : 1
Ratio of the salary component of remuneration of all staff to the mid-point of the banded salary of the highest paid director	6.00 : 1	4.51 : 1	3.52 : 1

5.7 During the reporting period from 1 April 2023 to 31 March 2024, no employees received remuneration in excess of the highest-paid director/member (2022/23: zero during the nine months from 1 July 2022 to 31 March 2023). Remuneration ranged from £7,200 to £189,500 (2022/23: £13,000 to £180,400 during the nine month period from 1 July 2022 to 31 March 2023) based on 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.

5.8 The banded remuneration of the highest paid director / member in NHS Somerset ICB in the reporting period 1 April 2023 to 31 March 2024 was £205,000 to £210,000 (2022/23: £195,000 to £200,000 for the nine months 1 July 2022 to 31 March 2023)

5.9 The ICB consultancy expenditure in the period 1 April 2023 to 31 March 2024 was £269,053, as per note 5 in the annual accounts.

6 CONCLUSION

6.1 For the financial period 1 April 2023 to 31 March 2024, Somerset ICB is reporting an in-year financial break-even position against its revenue resource limit of £1,314,621,000.

7 RECOMMENDATION

7.1 The Board is asked to state:

- that as far as he/she is aware there is no relevant audit information of which the Integrated Care Board's auditors are unaware.

- that he/she has taken all the steps that he/she ought to have taken as a member of the Board in order to make himself/herself aware of any relevant audit information and to establish that the Integrated Care Board's auditors are aware of that information.