

# **NHS SOMERSET CLINICAL COMMISSIONING GROUP**

## **Report to the Governing Body 16 June 2022**

### **DIRECTOR OF FINANCE, PERFORMANCE, CONTRACTING AND DIGITAL REPORT ON THE 2021/22 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 (FRm) which, alongside the Department of Health Group Accounting Manual 2021/22, NHS Bodies are required to follow except where a divergence has formally been agreed. For 2021/22 there are no departures from the FRm 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 22 June 2022.
- 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 framework arrangements for 2021/22 continued to support a system-based approach to funding and planning. The Government agreed an overall financial settlement for the NHS for 2021/22 which was broadly consistent with a continuation of funding envelopes as allocated for the latter half of 2020/21. This included a continuation of system top-up and COVID-19 fixed allocation arrangements and introduced increased efficiency requirements for the second half of the 2021/22 financial year.
- 1.8 Throughout 2021/22 there was a continued focus on restoration and recovery of services, with additional funding made available to support this, and recovering finances back to a sustainable footing.
- 1.9 Some services continued to be funded outside of system funding envelopes for 2021/22, including;
- specialised high-cost drugs and devices.
  - some specific COVID-19 related services (i.e. testing, vaccination, Hospital Discharge Programme (HDP)).
  - non-clinical services contracted by NHS England and NHS Improvement
  - allocations of national system development funding (SDF).
  - elective recovery funding
- 1.10 The Somerset system submitted balanced financial plans for 2021/22 and NHS Somerset CCG has delivered a balanced year-end financial position according to plan and within its allocated financial resource.

## **2 PRIMARY STATEMENTS**

### **Statement of Comprehensive Net Expenditure for the year ended 31 March 2022**

- 2.1 The Statement of Comprehensive Net Expenditure records the net operating costs incurred by SCCG for 2021/22.
- 2.2 This statement shows that for the financial year 2021/22 SCCG's net expenditure was £1,134,671,000.
- 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 2022.

**Table 1: Statement of Comprehensive Net Expenditure for the year ended 31 March 2022**

	<b>2021/22</b>	<b>2020/21</b>
	<b>£'000</b>	<b>£'000</b>
Staff costs	15,441	14,044
Purchase of goods and services	1,121,327	980,696
Depreciation and impairment charges	76	79
Provision expense	14	298
Other Operating Expenditure	824	433
Finance expense	1	0
Operating Income	(3,012)	(1,988)
<b>Total Comprehensive Net Expenditure for the Financial Year</b>	<b>1,134,671</b>	<b>993,562</b>

**Statement of Financial Position as at 31 March 2022**

2.4 The Statement of Financial Position (SoFP) records the assets and liabilities of SCCG as at 31 March 2022, 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 2022, SCCG had net liabilities employed of £48,675,000 funded through a general fund. The net liabilities value has decreased by £8,802,000 from £57,477,000 shown in the annual accounts as at 31 March 2021. This net liability is not of concern due to the agreed on-going funding received from NHS England.

2.6 At 31 March 2022, SCCG's Statement of Financial Position included:

- trade and other receivables of £3,392,000, of which £1,796,000 was due from other NHS organisations, £75,000 related to NHS prepayments, £117,000 related to NHS accrued income, £141,000 was due from Non-NHS organisations, £456,000 related to Non-NHS prepayments, £470,000 related to Non-NHS accrued income and £337,000 related to VAT
- inventories of £2,000
- cash with the Government Banking Service of £46,000
- trade and other payables of £51,888,000 comprising of:
  - \* NHS payables at £698,000
  - \* NHS accruals at £2,152,000

- \* Non-NHS payables – revenue at £7,121,000
- \* Non-NHS accruals at £34,211,000, which includes a GP Prescribing accrual of £15,570,785
- \* Non-NHS deferred income at £23,000
- \* other payables and accruals at £7,683,000 including:
  - tax of £157,000
  - social security costs at £182,000
  - other payables at £7,344,000, which mainly includes accruals relating to delegated Primary Care and other Primary Care related costs
- provisions for liabilities and charges of £440,000, which relate to Redundancy costs of £320,000 and Continuing Healthcare charges of £120,000

### **Statement of Changes in Taxpayers' Equity for the year ended 31 March 2022**

- 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 2021/22.

### **Statement of Cash Flows for the year ended 31 March 2022**

- 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 is set a target for its cash balance not to exceed 1.25% of its March 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 2022, the CCG balance of cash at the bank and in hand was £46,000 at 31 March 2022, representing 0.05% of the March draw down.

### 3 FINANCIAL PERFORMANCE TARGETS (Annual Accounts Note 22)

#### 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 NHS England.
- 3.2 Table 2 shows for the financial year 2021/22 (1 April 2021 to 31 March 2022), Somerset CCG delivered all of its financial targets against its in year revenue resource limit of £1,134,671,000.

**Table 2: Revenue Resource Limit**

	2021/22 £'000	2020/21 £'000
Net Operating Costs	1,134,671	993,562
Final Revenue Resource Limit for year	1,134,671	993,562
<b>Overspend against Revenue Resource Limit</b>	<b>0</b>	<b>0</b>

#### Performance against Cash Balance (Note 13)

- 3.3 The CCG was required not to exceed a year end cash balance of 1.25% (£1,071,925) of its March drawdown set by the Department of Health in the financial year. The Clinical Commissioning Group's year end cash balance was £46,000. This represented 0.004% of the 2021/22 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 2021 to 31 March 2022, 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 2021/22

- **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:** provides IT services to support processing of NHS payments and deductions to providers of general practice (GP) services in England
- **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.

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 2021/22 staffing costs for SCCG.

**Table 3: Employee Benefits**

<b>CCG Employee Benefits</b>	<b>Total</b>	<b>Permanent Employees</b>	<b>Other</b>
<b>2021/22</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Salaries and wages	12,010	10,862	1,148
Social security costs	1,211	1,188	23
Employer Contributions to NHS Pensions scheme	2,175	2,149	26
Other pension costs	3	3	0
Apprenticeship Levy	42	42	0
<b>Total 2021/22</b>	<b>15,441</b>	<b>14,244</b>	<b>1,197</b>
Total 2020/21	14,044	13,416	628

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 2021/22 is shown in table 4 below.

**Table 4: Number of Staff**

	<b>Total</b>	<b>Permanently Employed</b>	<b>Other</b>
<b>Total 2021/22</b>	<b>257</b>	<b>247</b>	<b>10</b>
Total 2020/21	243	236	7

- 4.7 The average number of employees has increased since 2020/21 and this is predominantly due to an increase in employees supporting the IT/Digital development agenda where we have received additional investment throughout the financial year.

#### **Staff sickness**

- 4.8 The absence FTE % for NHS Somerset CCG during 2021/22 was 2.80%
- 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 £11.09 million in 2021/22 to support headquarters and administration costs. This included additional funding of £0.634m released by NHSEI 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 £3.62m which 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.
- 4.11 Expenditure recorded against running costs for 2021/22 totalled £11.033 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 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 2021/22.

**Table 5: Better Payment Practice Code**

<b>Measure of compliance</b>	<b>2021/22</b>	<b>2021/22</b>	2020/21	2020/21
	<b>Number</b>	<b>£'000</b>	Number	£'000
<b>Non-NHS Payables</b>				
Total Non-NHS Trade invoices paid in the Year	9,723	210,244	9,513	159,468
Total Non-NHS Trade Invoices paid within target	9,723	210,244	9,513	159,468
<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	672	731,378	1,203	619,369
Total NHS Trade Invoices Paid within target	672	731,378	1,202	619,369
<b>Percentage of NHS Trade Invoices paid within target</b>	<b>100.00%</b>	<b>100.00%</b>	99.92%	100.00%

**Property, Plant and Equipment (Note 9) and Intangible Assets (Note 10)**

4.14 The CCG had a corporate capital allocation of £70,000 in 2021/22. This was fully 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 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.

This is demonstrated in Table 6 below

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

Disclosure	Increase / (Decrease) %
Change in salary and allowances in respect of the highest paid director	5.1%
Change in performance pay and bonuses in respect of the highest paid director	0%
Average change in salary and allowances in respect of all employees (excluding the highest paid director)	3.4%
Average change in performance pay and bonuses in respect of all employees (excluding the highest paid director)	0%

5.4 The highest paid Director was appointed to the additional post of Senior Responsible Officer for the Somerset Integrated Care System from October 2020, resulting in an increase in salary part way through 2020/21. The percentage increase in remuneration in 2021/22 reflects the full year effect of this salary increase.

5.5 The Clinical Commissioning Group 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 As at 31 March 2022, remuneration ranged from £8,440 to £180,400 (2020/21: £7,626 to £157,000) 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. Values shown for 2020/21 have been restated due to a revision of the calculation methodology.

5.7 Pay ratio information is provided in Table 7 below.

**Table 7: Pay Ratio Information**

Disclosure	2021/22			2020/21		
	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)	£27,780	£39,027	£47,126	£27,416	£37,890	£45,753
Salary component of 'all staff' remuneration based on annualised, full-time equivalent remuneration of all staff (including temporary and agency staff)	£27,780	£39,027	£47,126	£27,416	£37,890	£45,753
Ratio of remuneration of all staff to the mid-point of the banded remuneration of the highest paid director	5.85 : 1	4.16 : 1	3.45 : 1	5.74 : 1	4.16 : 1	3.44 : 1
Ratio of the salary component of remuneration of all staff to the mid-point of the banded salary of the highest paid director	5.85 : 1	4.16 : 1	3.45 : 1	5.74 : 1	4.16 : 1	3.44 : 1

Staff remuneration increases since 2020/21 reflect the 3% pay increase awarded to NHS Agenda for Change staff for 2021/22.

5.8 The banded remuneration of the highest paid Director/Member of the Governing Body in SCCG in the financial year 2021/22 was £160,000 to £165,000 (2020/21: £155,000 to £160,000). Values shown for 2020/21 have been restated due to a revision of the calculation methodology.

5.9 In 2021/22, one (2020/21, zero) employee received remuneration in excess of the highest-paid Director/Member

5.10 The CCG consultancy expenditure in 2021/22 was £75,000 (2020/21 £196,000), as per note 5 in the annual accounts.

## 6 CONCLUSION

6.1 For the financial year 2021/22 (1 April 2021 to 31 March 2022), SCCG is reporting an in-year financial break-even position against its revenue resource limit of £1,134,671,000.

## **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