

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 ICB's Accounts for the nine month period 1 July 2022 to 31 March 2023.
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 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 Audit Committee 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

The Audit Committee

- recommends the ICB 1 July 2022 to 31 March 2023 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 the Integrated Care Board.

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 ICB FINANCIAL ACCOUNTS FOR THE NINE MONTH PERIOD 1 JULY 2022 TO 21 MARCH 2023

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 (FRoM) 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 FRoM 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 1 March 2023.
- 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 ICB has delivered a balanced financial position according to

plan and within its allocated financial resource for the period 1 July 2022 to 31 March 2023.

2 PRIMARY STATEMENTS

Statement of Comprehensive Net Expenditure for the nine month period 1 July 2022 to 31 March 2023

- 2.1 The Statement of Comprehensive Net Expenditure records the net operating costs incurred by Somerset ICB for the nine month period 1 July 2022 to 31 March 2023.
- 2.2 This statement shows that for this period Somerset ICB's net expenditure was £942,759,000.
- 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 nine month period 1 July 2022 to 31 March 2023.

Table 1: Statement of Comprehensive Net Expenditure for the nine month period 1 July 2022 to 31 March 2023

	2022/23
	£'000
Staff costs	13,462
Purchase of goods and services	930,866
Depreciation and impairment charges	385
Provision expense	308
Other Operating Expenditure	92
Finance expense	14
Operating Income	(2,368)
Total Comprehensive Net Expenditure for the nine month period 1 July 2022 to 31 March 2023	942,759

Statement of Financial Position as at 31 March 2023

- 2.4 The Statement of Financial Position (SoFP) records the assets and liabilities of Somerset ICB as at 31 March 2023, 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 2023, Somerset ICB had net liabilities employed of £58,397,000 funded through a general fund. The net liabilities value has increased by £18,375,000 from the 1 July 2022 opening net liability of

£40,022,000. This net liability is not of concern due to the agreed on-going funding received from NHS England.

2.6 At 31 March 2023, Somerset ICB's Statement of Financial Position included:

- Total non-current assets of £1,424,000, of which £195,000 was property, plant and equipment and £1,229,000 was right of use assets (relating to the lease of Wynford House from NHS Property Services Limited);
- trade and other receivables of £3,460,000, of which £1,303,000 was due from other NHS organisations, £86,000 related to NHS prepayments, £1,008,000 related to NHS accrued income, £105,000 was due from Non-NHS organisations, £273,000 related to Non-NHS prepayments, £476,000 related to Non-NHS accrued income and £209,000 related to VAT;
- inventories of £2,000;
- cash with the Government Banking Service of £43,000;
- trade and other payables of £61,731,000 comprising of:
 - * NHS payables at £750,000
 - * NHS accruals at £5,116,000
 - * Non-NHS payables – revenue at £7,827,000
 - * Non-NHS accruals at £39,105,000
 - * other payables and accruals at £8,933,000 including:
 - tax of £148,000
 - social security costs at £175,000
 - other payables at £8,610,000, which mainly includes accruals relating to delegated Primary Care and other Primary Care related costs;
- provisions for liabilities and charges of £342,000, which relate to Redundancy costs of £39,000 and Continuing Healthcare charges of £303,000;
- current lease liabilities of £414,000 and non-current lease liabilities of £839,000, relating to the lease of Wynford House from NHS Property Services Limited.

Statement of Changes in Taxpayers' Equity for the nine month period 1 July 2022 to 31 March 2023

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 nine month period 1 July 2022 to 31 March 2023

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 2023, the ICB balance of cash at the bank and in hand was £43,000, representing 0.05% of the March cash draw down.

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 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 nine month period 1 July 2022 to 31 March 2023, Somerset ICB delivered all of its financial targets against its revenue resource limit of £942,759,000.

Table 2: Revenue Resource Limit

	2022/23 £'000
Net Operating Costs	942,759
Final Revenue Resource Limit for the period	942,759
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 2022 to 31 March 2023, have been received and reviewed for the following services used by 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. There were no exceptions identified within the SAR for the Non-Clinical Procurement service for 2022/23.
- **NHS Business Services Authority:** provide and maintain the Electronic Staff Record system (ESR system) and the prescriptions payment process on behalf of the ICB.
- **NHS Shared Business Services Limited:** provide finance and accounting services to the ICB.
- **NHS Digital (now merged with NHS England from 1 February 2023):** 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 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 nine month period 1 July 2022 to 31 March 2023.

Table 3: Employee Benefits

ICB Employee Benefits	Total	Permanent Employees	Other
	£000	£000	£000
Salaries and wages	10,309	9,334	975
Social security costs	1,165	1,107	58
Employer Contributions to NHS Pensions scheme	1,790	1,729	61
Other pension costs	1	1	0
Apprenticeship Levy	37	37	0
Termination Benefits	160	160	0
Total	13,462	12,368	1,094

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	272	256	16

Staff sickness

4.7 The absence FTE % for NHS Somerset ICB for the period was 3.09%. This is based on data available for the period 1 July to 31 December 2022.

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 £9.033 million for the period 1 July 2022 to 31 March 2023 to support headquarters and administration costs. This included additional funding of £0.531m released by NHSE in year to support an increase in employer's pension contributions and £0.022 million surplus funding transferred from the former NHS Somerset CCG.

4.10 Total expenditure recorded against running costs for the period 1 July 2022 to 31 March 2023 was £8.538 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	2022/23	2022/23
	Number	£'000
Non-NHS Payables		
Total Non-NHS Trade invoices paid in the Year	6,915	170,548
Total Non-NHS Trade Invoices paid within target	6,915	170,548
Percentage of Non-NHS Trade invoices paid within target	100.00%	100.00%
NHS Payables		
Total NHS Trade Invoices Paid in the Year	725	602,741
Total NHS Trade Invoices Paid within target	725	602,741
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 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 The ICB was established on 1 July 2022 and therefore does not have a previous year comparator. The percentage change disclosed represents the change in salaries throughout the period from 1 July 2022 to 31 March 2023.

This is demonstrated in Table 6 below

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

Disclosure	Increase / (Decrease) %
The percentage change in salary and allowances from the previous financial year in respect of the highest paid director	0%
The percentage change in performance pay and bonuses from the previous financial year in respect of the highest paid director	0%
The average percentage change in salary and allowances from the previous financial year in respect of all employees (excluding the highest paid director)	4.82%
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%

Staff remuneration increases for the period reflect the pay offer made by the Department of Health and Social Care (DHSC) during March 2023 to NHS staff on Agenda for Change pay terms and conditions.

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	1 July 2022 to 31 March 2023		
	25th percentile	Median	75th percentile
'All staff' remuneration based on annualised, full-time equivalent remuneration of all staff (including temporary and agency staff)	32,934	40,588	54,619
Salary component of 'all staff' remuneration based on annualised, full-time equivalent remuneration of all staff (including temporary and agency staff)	32,934	40,588	54,619
Ratio of remuneration of all staff to the mid-point of the banded remuneration of the highest paid director	6.00 : 1	4.87 : 1	3.62 : 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	4.87 : 1	3.62 : 1

5.7 During the reporting period from 1 July 2022 to 31 March 2023, no employees received remuneration in excess of the highest-paid director/member. Remuneration ranged from £13,000 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. 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 in NHS Somerset ICB in the reporting period 1 July 2022 to 31 March 2023 was £195,000 to £200,000.

5.9 The ICB consultancy expenditure in the period 1 July 2022 to 31 March 2023 was £270,470, as per note 5 in the annual accounts.

6 CONCLUSION

6.1 For the financial period 1 July 2022 to 31 March 2023, Somerset ICB is reporting an in-year financial break-even position against its revenue resource limit of £942,759,000.

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 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 Audit Committee in order to make himself aware of any relevant audit information and to establish that the Integrated Care Board's auditors are aware of that information