

Auditor's Annual Report on NHS Somerset Clinical Commissioning Group

2020/21

15 September 2021



Contents



We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the CCG has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the CCG's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



Section	Page
Executive Summary	3
Use of formal auditor's powers	4
Commentary on the CCG's arrangements to secure economy, efficiency and effectiveness in its use of resources	5
Financial sustainability	6
Governance	11
Improving economy, efficiency and effectiveness	14
Covid-19 arrangements	16
Opinion on the financial statements	18
 Appendices	
A – Responsibilities of the CCG	20
B – An explanatory note on recommendations	21
C – Benchmarking scorecard	22

Executive summary



Value for money arrangements and recommendations

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the CCG has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the CCG's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the CCG's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the CCG's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Criteria	Risk assessment	Conclusion
Financial sustainability	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendation made
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified



Financial sustainability

We did not identify any risks of significant weaknesses in the CCG's arrangements for financial sustainability in our initial risk assessment. Our further work confirmed this view, with no significant weaknesses in arrangements identified. We have made improvement recommendations to the CCG. Our findings are set out in further detail on pages 6 to 10.



Governance

We did not identify any risks of significant weaknesses in the CCG's governance arrangements in our initial risk assessment. Our further work confirmed this view, with no significant weaknesses in arrangements identified, or improvement recommendations needing to be made. Our findings are set out in further detail on pages 11 to 13.



Improving economy, efficiency and effectiveness

We did not identify any risks of significant weaknesses in the CCG's arrangements for improving economy, efficiency and effectiveness in our initial risk assessment. Our further work confirmed this view, with no significant weaknesses in arrangements identified, or improvement recommendations needing to be made. Our findings are set out in further detail on pages 14 to 15.



We have completed our audit of your financial statements and issued an unqualified audit opinion on 14 June 2021. Our findings are set out in further detail on page 19.

Use of formal auditor's powers

We bring the following matters to your attention:

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body.

We did not issue any statutory recommendations.

Section 30 referral

Under Section 30 of the Local Audit and Accountability Act 2014, the auditor of an NHS body has a duty to consider whether there are any issues arising during their work that indicate possible or actual unlawful expenditure or action leading to a possible or actual loss or deficiency that should be referred to the Secretary of State, and/or relevant NHS regulatory body as appropriate.

We did not issue a Section 30 referral.

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a Public Interest Report.

Commentary on the CCG's arrangements to secure economy, efficiency and effectiveness in its use of resources

All CCGs are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money.

CCGs report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the CCG has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 3, requires us to assess arrangements under three areas:



Financial Sustainability

Arrangements for ensuring the CCG can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the CCG makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the CCG makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the CCG delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on each of these three areas, as well as the impact of Covid-19 on them, is set out on pages 6 to 17.



Financial sustainability



We considered how the CCG:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risks to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

2020/21 outturn

The CCG has a underlying deficit position of £19.6m and in 2019/20 the CCG incurred a deficit of £16m, highlighting the financial challenges within the Somerset system. Due to the Covid-19 pandemic, the normal regime of financial planning used in 2019/20 and prior years was paused in March 2020 and a temporary financial framework was put in place. During the first six months of 2020/21, the CCG was funded to breakeven, with allocation based on Q3 2019/20 run rate spend with a small uplift. Any expenditure variances from this budget (Covid or non-Covid related) were then funded retrospectively to ensure that for the first six months of 2020/21 the CCG had sufficient resources to respond to the pandemic. For the second half of the year, allocations were set at a system level, with a continuation of the retrospective funding for Covid related expenditure, Hospital Discharge arrangements and the costs of the mass vaccination programme. The CCG reported a break-even position in its financial statements for the year ended 31 March 2021, in line with the expectations of all NHS bodies in 2020/21 following the change to the funding regime.

The funding arrangements in place in 2020/21 largely insulated the CCG from immediate financial risk to ensure the focus of the system was on managing service through a pandemic. This meant that the focus was taken away from delivery of significant savings to address the underlying deficit during the year. It also meant that the usual monitoring of demand, whilst still undertaken, had less direct impact on the CCG's finances than in previous years.

The CCG had an efficiency savings target of £939k in the second half of 2020/21, following the normal regime being paused. These savings requirements were built in as a reduction to the budgets allocated for Continuing Healthcare, GP Prescribing and CCG running costs. Where costs associated with these service areas were delivered within budget for the financial year then these efficiency savings were considered to be delivered. Primary Care prescribing costs were not delivered within budget for 2020/21, with an over commitment of £147k reported, however it was recognised that this cost pressure was the result of increases in Category M drug prices in the final quarter of the financial year and therefore not associated with non-delivery of efficiency requirements, with these price increases being outside of any CCG/GP practice control. The Somerset system has historically had mixed results in delivering savings, with an element of the deficit that the CCG reported in 2019/20 relating to underdelivered savings across the NHS partners in the Somerset system. It is not our view that this was a systemic issue, with savings being delivered in that and previous financial years, and the shortfall not being a significant value of the total expenditure of the CCG or the wider system.

In our view, the change to the funding regime across the country in 2020/21, rather than improved efficiency, has enabled the CCG to deliver break-even position in 2020/21 and as such the challenge for the CCG and the wider system will be to reduce the underlying system deficit in future financial years. We recognise that planning for this currently is challenging as the CCG and other NHS bodies around the country await planning guidance for the second half of 2021/22 and also guidance on the impact of the Health and Care Bill which will see the CCG as a statutory body demise. The CCG responded appropriately to the changing national guidance and implemented appropriate arrangements for 2020/21.

Financial sustainability

Financial planning for 2021/22 and savings plans

Detailed financial planning in the short and medium term remains a challenge for all NHS bodies as the funding regime in 2021/22 remains short term in its focus. Normally, financial planning would take place in the Autumn but nationally this was paused until April 2021, with funding arrangements only confirmed in March 2021, being an extension of the H2 arrangements from 2020/21. Whilst there remains uncertainty about the exact nature of future funding within the NHS, it seems likely that local funding arrangements will move to being the norm and funding and accountability will be provided to local systems at an ICS level. The CCG has already demonstrated its beginnings of working as a system, evidenced by the 2019/20 outturn where a Memorandum of Understanding was in place that resulted in the CCG taking on the system deficit whilst funding the providers. As a statutory Integrated Care System and the provisions in the Health and Care Bill, which is currently running through the Parliamentary processes, this system working appears to remain a likely requirement.

For the 2021/22 financial year there was a national requirement to submit a plan for only the first half of 2021/22. The CCG had forecast expenditure for the first six months of £549.7m in comparison to an income allocation of £549.7m, predicting a break-even position as was expected centrally. The CCG's assumed efficiency savings target for 2021/22 is currently £2.019 million, although the guidance for the second half of the year has yet to be confirmed.

Given national funding plans have only been set for the first six months of 2021/22, clearly the CCG will need to revisit its financial plan for 2021/22 once there is greater clarity on future funding from NHSE/I. This lack of clarity for all NHS organisations has made financial planning more challenging, however we have not seen evidence that the CCG's arrangements within this situation have not been appropriate.

Medium term financial planning

The Somerset healthcare system, of which the CCG is a part, had an underlying deficit position of £66.8 million as at 31 March 2020. The updated underlying deficit for the Somerset system following the suspension of financial planning due to the pandemic is still being assessed. As noted, the current uncertainty over future funding of the NHS and the likely change from the current structure makes longer term planning much more complex. Medium-term plans have not been refreshed as part of the most recent planning round, which given the short-term focus of these exercises and the focus on Covid-19 was understandable and is in accordance with other NHS organisations. There is an expectation that refreshed medium term financial plans will be required to be submitted in early 2022. Once more detail about funding arrangements and the structure of the NHS is known it will be important returns to a medium-term financial planning focus to allow it to work toward the delivery of a break-even position for Somerset.

Financial sustainability

Summary of the CCG's financial arrangements

The CCG has processes in place which detail the responsibilities of Governing Body members and senior management for planning and managing the CCG's finances. These are set out in the CCG's standing financial instructions. We have not identified any evidence of the CCG failing to comply with these processes and we consider that they are relevant and appropriate.

The CCG identifies future cost pressures as part of its initial budget setting process, which involves meetings between budget holders and members of the finance team, and on an ongoing basis throughout the year, usually through budget monitoring meetings. The Chief Finance Officer maintains an overview of the CCG's financial position and prepares a monthly report to the Finance and Performance Committee, which in turn is taken to each meeting of the Governing Body. These reports set out key financial information, such as actual and forecast performance against budget, progress on delivery of efficiency savings and wider developments within the healthcare sector which impact on the CCG's finances, both in the short and medium term. These reports are sent out in advance of the meetings, which enables questions to be formulated for discussion, and scrutiny and challenge to take place. The reports are easy to follow and allow the reader to clearly understand the financial position of the CCG.

The CCG's medium term financial plans are developed in conjunction with its partners in the Somerset healthcare system which enable the strategic priorities for this system to be taken into account, as well as ensuring key assumptions around demand and funding are consistent across the partners. This alignment ensures that financial planning is undertaken on a consistent and appropriate basis throughout the system. The Chief Finance Officer takes the lead on ensuring that the CCG's financial plans are consistent with its workforce and operational plans, liaising with other senior management colleagues as appropriate. Where issues need to be addressed, these are escalated first to the Finance and Performance Committee, and then to the Governing Body as appropriate.

Improvement recommendations

Financial sustainability

Recommendation	The CCG should reconsider its medium term financial plans in light of the Covid-19 pandemic and emerging guidance from the Health and Care Bill, and update its financial plan as necessary to deliver a balanced financial position.
Why/impact	Medium term financial planning are a key part of the CCG's arrangements for setting and monitoring performance objectives. It also allows the CCG and it's partners to plan their financial sustainability.
Auditor judgement	There remains considerable uncertainty over funding arrangements for the second half of 2021/22 and beyond, and Parliament continue to consider the Health and Care Bill which looks likely to alter the NHS bodies. This unprecedented environment has negated the need for longer term planning whilst also impairing the CCG's ability to do so. It will be important to refresh these plans whilst the structural and financial architecture are known.
Summary findings	Understandably the CCG did not update medium term financial plans during the Covid-19 pandemic. With short-term central focus on finance and a sector wide objective of responding to the impact of the pandemic, medium term financial planning to the level previously undertaken was not practical. This process is key to the CCG's normal planning cycle, and hence once this short-term focus begins to cede, longer term planning should be seen as a priority.
Management comment	The CCG, alongside system partners, have developed a set of assumptions for medium term planning purposes in the absence of any central ones. This has enabled the system to continue to review and update its long term plan, whilst extending the original long term plan period by one financial year to 2024/25. A draft long term plan will be taken to a system finance meeting in September for Director of Finance sign off, which will help assess the scale of the system savings programme required to get the system back into financial balance by 2024/25. The next round of national planning guidance is not expected until January 2022 so this will aid a further update in the New Year.

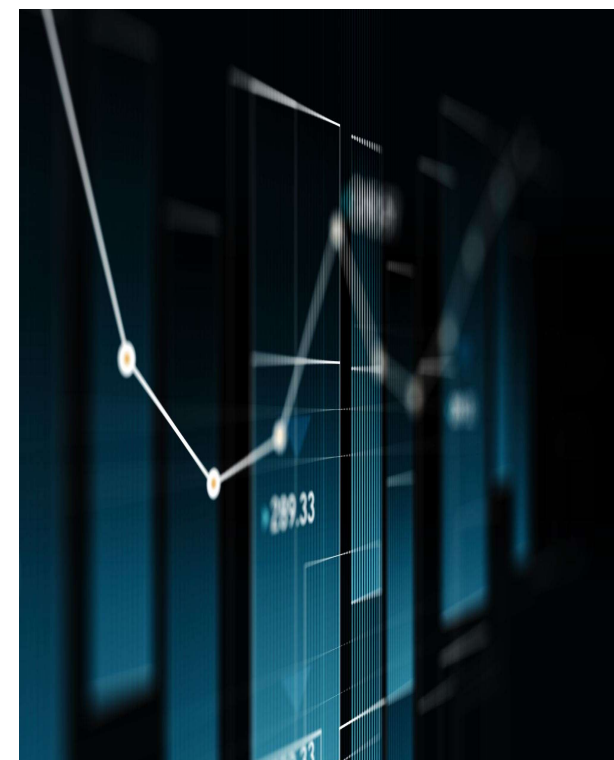


The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Financial sustainability

Recommendation	The CCG must work with its ICS partners to ensure that system savings are underpinned with realistic and deliverable plans at an early stage.
Why/impact	The CCG and wider Somerset system have a significant underlying deficit. Without the introduction of revised savings plans the CCG will not be able to deliver a balanced financial position and support the transformation of healthcare within the Somerset healthcare system.
Auditor judgement	The short-term focus of financial planning over 2020/21 and the first half of 2021/22 has largely insulated NHS bodies from immediate financial risk and has allowed them to focus on the impact of the pandemic. It is important that the CCG and its partners considers the wider system savings required, and the deliverability of these, to address its underlying deficit and allow the system to move toward financial balance.
Summary findings	<p>The CCG reported a break-even position in its financial statements for the year ended 31 March 2021. We note that for 2020/21, additional funding was made available to NHS bodies to support patient care during the Covid-19 pandemic and in our view this additional funding enabled the CCG to deliver this position, rather than significant improved efficiencies.</p> <p>In 2019/20 the CCG incurred a significant unplanned financial deficit of £16m, primarily due to the CCG supporting the Somerset providers with cost pressures which included system savings of £6m that were not developed into savings plans.</p>
Management comment	The CCG is working with system partners to develop a Somerset savings programme for the period of the long term plan. An initial workshop, supported by senior leads from across the system, was held in July and will be followed up with further sessions in the autumn to develop a system savings plan for the period 2022/23 – 2024/25, that will see the system return to financial balance in this timescale.



The range of recommendations that external auditors can make is explained in Appendix B.

Governance



We considered how the CCG:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.
- monitors and ensures appropriate standards.

Leadership and committee effectiveness

We consider that appropriate leadership is in place. The CCG is led by its Governing Body which is supported by an appropriate committee structure. Senior officers attend the Governing Body and Committees to present reports and are open to questions during Committee meetings. The Governing Body contains a number of clinical members who regularly attend meetings. Our attendance at the Audit Committee demonstrates appropriate challenge of financial and non-financial items, with the Committee membership possessing sufficient and relevant knowledge to provide appropriate challenge on these items.

Major decisions are made at the Governing Body. These are discussed at an Executive level prior to the presentation to Governing Body/Committee and sufficient, appropriate information is provided as part of the Board papers to enable informed decision making, with minuted approval of the Governing Body decisions. An example is the Fit for my Future (FFMF) public consultation, during which the CCG engaged and consulted with staff, patients, carers, the voluntary sector and people with an interest in mental health over the proposal to relocate adult mental health beds from Wells to Yeovil. Following the consultation the proposal was agreed by the Governing Body in September 2020 with the decision supported by appropriate information, including the consultation results. We considered that the decision making progress was appropriate and that this supported an effective governance process.

We consider that the CCG responds appropriately to external regulators. Having been placed in reformed special measures in July 2017, the CCG responded to the issues raised and worked with NHS England/Improvement (NHSE/I) and other partners to improve arrangements, with NHSE/I confirming to the CCG in December 2020 that the improvements required had been delivered and that the CCG was no longer considered to be in special measures. As part of this confirmation, NHSE/I commented on the hard work of the CCG and the wider Somerset system to arrive at this position.

Governance

Risk management

The CCG's risk management strategy demonstrates that risk management is integrated into its business decision making, planning, performance reporting and delivery processes. The Governing Body Assurance Framework demonstrates that there is a review and management process for risks at the CCG. From our review, we are satisfied that risks identified are presented appropriately to the Governing Body and that there is sufficient challenge and monitoring of risk owners.



Policies, procedures and controls

The CCG has a constitution in place which is regularly reviewed and updated. The constitution is shared with all staff members on joining the CCG and is openly available on the CCG's website. The CCG aim that the constitution will allow GP practices to influence the local healthcare services available to their patients. All 64 GP practices across the Somerset healthcare system have signed up to the Constitution. The CCG also complies with all the values of the NHS Constitution.

The CCG's internal auditor delivers a wide programme of work and their reports support the Audit Committee in assuring itself that systems, processes and controls are operating effectively. No significant weaknesses have been identified by internal audit. Similarly, the Counter Fraud Specialists undertake a programme of work to support the Audit Committee, including a mix of proactive and investigatory work. Findings are reported appropriately and arrangements are considered to be appropriate.

Budget setting and monitoring

The CCG has demonstrated that they have an appropriate annual budget setting process in place, which we have also commented on in the financial sustainability section of this report. Key stakeholders are involved with the process, including in approvals, and budget reviews occur in a timely manner. To enable them to understand financial performance against budget, operational budget holders are provided with monthly monitoring reports. Discussions between the finance team and budget holders facilitate appropriate challenge and responses to adverse variances. Service activity against plan is presented and integrated into reports to the Finance and Performance Committee, noting that the link between activity and finance was much less profound in 2020/21 due to the nationally imposed finance regime as a result of the Covid-19 pandemic.

Impact of budget setting, management and reporting

We note that the appropriate policies and procedures are in place with regard to budget setting, financial management, and reporting. Despite this the CCG, up until 2020/21, has operated with a significant underlying deficit. As commented on under the financial sustainability section of this report, the CCG needs to work with its health economy partners to manage the underlying service delivery issues that have led to this overspend.

Governance

Financial management and reporting

We consider that financial management processes are appropriate. Budget reviews are undertaken monthly and are reported to the Finance and Performance Committee. Variances against budgets are investigated to identify reasons for variances and the actions required as we would expect. Where there is a significant underspend, discussions are undertaken to identify whether the service is being delivered to the expected level. For a significant overspend, mitigating actions for the future months are identified where applicable and a plan is put in place to bring the forecast outturn closer to budget. If this is due to new factors, the budget adjustment process can be initiated to take this into account. Where there are significant changes to the environment which warrant a change in budget, this can be initiated by the Director of Finance. Any change is subject to Governing Body and Finance and Performance Committee approval in accordance with appropriate governance policies. Financial monitoring reports are sent to each Governing Body meeting, and we consider that the reporting is sufficiently detailed, with budget reports outlining the headlines for the period accompanied by appendices which give further detail on certain elements.

Financial performance is a key objective for senior managers in terms of the reporting, identification of risks and responses to these risks. There is no evidence of a lack of capacity in the finance department, with budget monitoring and submissions being made on time and to an overall high standard.

There is no evidence of serious or pervasive weaknesses in the CCG's processes for preparing its financial statements. The current and prior year audits did not identify any material errors. This is detailed further in the 'Opinion on the financial statements' section of this report. The standard of draft accounts has been good in previous years and there is no history of failure to meet statutory reporting deadlines. Unmodified audit opinions have been issued on the 2020/21 and previous financial statements.

Monitoring and ensuring appropriate standards

The CCG has arrangements in place to monitor compliance with legislation and regulatory standards.

An anti-bribery and corruption statement from the Chief Executive has been uploaded to the CCG's website, which demonstrates the CCG's commitment to acting appropriately, both from a legal and regulatory perspective. This ensures an appropriate "tone from the top".

The CCG has a code of conduct which all staff sign up to on employment. This ensures that they are aware of their responsibilities with regards to legislation and regulation and this covers all of the areas which we would expect it to.

Arrangements for making a declaration of interest are in place at the beginning of all board or committee meetings and a link on the CCG's website contains a compiled list of all declarations made. Members of the Governing Body, plus other staff classified as 'decision-makers', are required to complete an annual declaration. The CCG has a clear policy for declaring and recording gifts and hospitality and there is evidence that members and staff are using the system put in place to ensure that it is effective.

Improving economy, efficiency and effectiveness



We considered how the CCG:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the CCG assesses whether it is realising the expected benefits.

CCG assessment – NHSE/I

We note that in NHS England's 2019/20 CCG annual assessment, the CCG was rated as requires improvement., which was an improvement on the 2018/19 inadequate rating. This improvement was primarily due to the Quality of Leadership rating, which improved from red to amber, reflecting the strengthening of the CCG's leadership role in the wider system. The finance ratings remained at red, reflecting the challenge the CCG and the wider system faced as reflected in the financial sustainability section of this report.

No rating has been given for 2020/21 as the process has been simplified by NHSE/I with an assessment given based on the CCGs' contributions to delivery of the system plan for recovery, with emphasis on the effectiveness of working relationships in the local system. The assessment received in July 2021 highlights key initiatives during the year and a number of areas of good practice, particularly noting the strength and maturity of the Somerset system and the active leadership role that the CCG plays in this.

Benchmarking

The CCG has arrangements in place to benchmark costs and performance, with recent examples being for Continuing Health Care, Prescribing and Covid-19 expenditure. This allows the CCG to identify potential areas for improvement and is evidence of the CCG's pro-active approach.

The CCG's future plans will continue to focus on managing demand and reducing cost across the system. This includes a focus on clinical variation (using Rightcare, Getting It Right First Time, Model Hospital, Reference Costs), and looking at elective and non-elective pathways, medication, continuing health care and optimisation in both the short term and longer term through changes to the models of care.

In their annual assessment, NHSE/I noted the work undertaken by the CCG and it's partners to restore services to pre-Covid levels. The pandemic has allowed a pace and scale of change across the NHS not necessarily seen before, and the move to restore services will allow the CCG and it's partners to consider how the system should work moving forwards rather than simply returning to the old ways of working.

We considered our own benchmarking of the CCG using a RAG rating system against other CCGs and have included this as an Appendix to this report. It is clear from our review that the CCG is taking action in all of the red-rated areas and that these link to the highest rated risks on the GBAF. Note that this is based on latest available data which in some cases may relate to financial years prior to 2020/21.

Improving economy, efficiency and effectiveness

Performance monitoring and management – Acute providers

Quality and Performance reports are presented to the Governing Body and the Finance and Performance Committee at each meeting. These reports identify areas which are currently a challenge for the Somerset healthcare system. During 2020/21 the focus has been on supporting the providers in their response to the Covid-19 pandemic, as we would have expected.

The CCG's arrangements demonstrate that they monitor the performance of their providers closely and work with them to take any necessary mitigating actions. Arrangements and relationships in the system continue to evolve, and as noted previously were commented on by NHSE/I in their confirmation that special measures was to be lifted from the CCG in 2020/21.

Partnership working

The CCG is working with the Somerset health economy commissioners and providers as part of the ICS, including the Health and Care Strategy for Somerset – “Fit for my future” (FFMF). The Strategy works on the underlying principle that care is delivered as close to home as possible. While much of the workstream of FFMF has been paused due to the pandemic, the project to relocate adult mental health beds from Wells to Yeovil has progressed through a public consultation and has now been approved by the Governing Body.

As previously noted, NHSE/I commented on the system leadership role that the CCG demonstrated throughout the 2020/21 year and in the Covid-19 response stage, and latterly in seeking return to pre-Covid levels of activity.

Integrated Care System (ICS)

A shadow ICS Board was established in 2020 to facilitate a greater degree of shared responsibility across the Somerset health system. In December 2020 NHSE/I confirmed that the Somerset system had been successful in its application for ICS designation which was a significant achievement.

The Somerset health system is relatively simple compared to many others as it has a single CCG which is coterminous with the local authority boundaries in the county. There are two acute providers in the county, Yeovil District Hospital NHS Foundation Trust and Somerset NHS Foundation Trust, with the latter being formed following the merger of Somerset Partnership NHS Foundation Trust and Taunton and Somerset NHS Foundation Trust on 1 April 2020. The two acute providers are currently working towards a merger which would further simplify the Somerset health system. Whilst this means that the system has fewer partners than others which could make decision-making and change simpler, the progress made by the CCG and its partners in year provides strong evidence of the appropriate arrangements being put in place in respect of partnership working.

Procurement and commissioning

The CCG works with the South, Central and West Commissioning Support Unit on procurement. The CSU has a joint procurement strategy covering CCGs across 13 Sustainability and Transformation Partnerships, which includes NHS Somerset CCG.

The CCG has contracts in place with its most significant provider Trusts, noting that the change to the financial architecture in 2020/21 meant that the process in year was not that normally followed as central block agreements were implemented. The CCG's providers are mainly determined by the geography and speciality of the partners.

The CCG monitors the performance of all its key providers and requires that providers take a proactive approach to implementing and sustaining improvement actions. CCG visits to clinical areas demonstrate proactive management of a mixture of scheduled and unannounced visits with clear outcomes. The CCG does not undertake significant commercial ventures or outsourcing.

Covid-19 arrangements



Since March 2020 Covid-19 has had a significant impact on the population as a whole and how NHS services are delivered.

We have considered how the CCG's arrangements have adapted to respond to the new risks they are facing.

Financial sustainability

As noted earlier in the report, the impact of Covid-19 has radically altered the financial framework within the NHS. During March 2020 business as usual was suspended in relation to NHS finances in order to allow NHS bodies to respond to managing the pandemic and focus on the uncertainties created by the outbreak of Covid-19.

The CCG delivered a break-even position in year under the updated financing arrangements, and maintain transparent reporting throughout the year with monthly reporting to Finance and Performance Committee and to the Governing Body. The regular reporting of information enabled comparison month on month, and for the Governing Body to appropriately identify any trends in the data.

The CCG had appropriate arrangements in place to identify and monitor additional costs arising from the need to respond to the pandemic, and also benchmarked these costs with other organisations. These arrangements allowed the CCG to compile the required NHSE/I returns and to ensure that spend was appropriate.

The CCG has been required to submit half year plans to NHSEI as a result of the amendment to the financial regime noted above. Our review of the CCG's processes identified that it complied with relevant requirements in relation to its financial plans.

Governance

In March 2020, the CCG undertook a review of the financial governance to ensure that arrangements under Covid-19 were robust. Delegated authority arrangements were amended to reflect changes to authorisation limits for approval of spend to ensure the CCG could maintain payments to suppliers and providers in a timely manner.

Revised Standard Operating Procedures were introduced to ensure that decisions could be made in a timely manner while formal meetings had been temporarily suspended.

The CCG acted promptly and appropriately to the significant changes in the external environment and supplemented its existing governance processes and structures.

Following the national lockdown, committee meetings moved to video conferencing and have taken place remotely throughout the pandemic. Appropriate levels of scrutiny and challenge continue to be applied in the updated "Governance-light" response from the CCG. The corporate risk register has been updated to ensure Covid-19 related risks are recorded appropriately, mitigated where appropriate and monitored. It is our view that appropriate governance processes were maintained throughout the year despite the impact of Covid-19 and resultant changes.



Covid-19 arrangements

Improving economy, efficiency and effectiveness

Patient case activity and performance against statutory targets has not yet returned to pre-pandemic levels, and this remains the case nationally, and will be an area of significant focus for the CCG in 2021/22. Throughout the pandemic the CCG continued to monitor performance.

All CCG staff were provided with the necessary equipment to work from home, enabling a smooth transition to remote working. Home-based working has continued throughout the pandemic, and the CCG has not seen a significant impact on productivity as a result. The CCG has been mindful of the impact on the pandemic on its staff. Actions have been put in place to support staff wellbeing and supporting staff remains a key priority for the CCG.

The CCG maintained appropriate focus on performance and procurement throughout the year despite the challenges the Covid-19 pandemic presented.

Opinion on the financial statements



Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation

Audit opinion on the financial statements

The CCG provided draft accounts in line with the national deadline and provided a good set of working papers to support it.

We gave an unqualified opinion the financial statements on 14 June 2021.

Issues arising from the accounts

We did not identify any adjustments that resulted in a change to the CCG's breakeven position.

More detailed findings can be found in our Audit Findings Report, which was reported to the CCG's Audit Committee on 9 June 2021.

Preparation of the accounts

The CCG provided draft accounts in line with the national deadline and provided a good set of working papers to support it.

Whole of Government Accounts

To support the audit of the Department of Health and Social Care group accounts and the Whole of Government Accounts, we are required to examine and report on the consistency of the CCG's consolidation schedules with their audited financial statements. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

Our work found no issues.



Appendices

Appendix A - Responsibilities of the CCG



Role of the Accountable Officer:

- Preparation of the statement of accounts
- Ensuring that income and expenditure is in line with relevant laws and regulations
- Assessing the CCG's ability to continue to operate as a going concern.

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Accountable Officer is also responsible for ensuring the regularity of expenditure and income.

The Accountable Officer is required to comply with the Department of Health & Social Care Group Accounting Manual and prepare the financial statements on a going concern basis, unless the CCG is informed of the intention for dissolution without transfer of services or function to another entity. An organisation prepares accounts as a 'going concern' when it can reasonably expect to continue to function for the foreseeable future, usually regarded as at least the next 12 months.

The CCG is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B – An explanatory note on recommendations

A range of different recommendations can be raised by the CCG’s auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the CCG under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the CCG. We have defined these recommendations as ‘key recommendations’.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the CCG, but are not a result of identifying significant weaknesses in the CCG’s arrangements.	Yes	9, 10

Appendix C – Benchmarking scorecard

Key performance indicator scorecard

NHS SOMERSET CCG

CCG

	Indicator*	Average	Current period	RAG	Previous
Financial	In-year financial performance*	2.14	1.00	●	—
	Expenditure in areas with identified scope for improvement*	2.05	3.00	●	—
	Delivery of the mental health investment standard*	1.96	2.00	●	—
	Optimising prescribing: reducing the rate of low priority prescribing*	2.65	4.00	✓	↑
Operational	Patients waiting 18 weeks or less from referral to treatment	87.00%	82.32%	●	↓
	Patients waiting over 52 weeks for treatment	14.49	50.00	●	↑
	Percentage of patients admitted, transferred or discharged from A&E within 4 ho...	86.00%	92.48%	●	↓
	Percentage of patients waiting 6+ weeks for diagnostic tests	4.00%	9.61%	●	↑
	Urgent GP referrals having first treatment for cancer within 62 days	78.00%	82.89%	●	↑
	DTOC: delayed transfers of care per 100,000 population	12.19	9.48	●	↑
	Staff sickness absence rate	2.00%	2.34%	●	↑
	Staff turnover stability index	52.00%	91.00%	●	↑
	Mental health out of area placements	0.00%	0.02%	●	↓
	Percentage of people with severe mental illness receiving physical health checks	36.00%	33.78%	●	—
	Estimated diagnosis rate for people with dementia	67.00%	58.20%	●	↓
	Diabetes patients that have achieved all the NICE recommended treatment targe...	39.00%	31.83%	●	↓
Clinical	Patient experience of GP services	83.00%	85.36%	●	↓
	Provision of high quality care: hospital	60.82	62.00	●	↓
	Provision of high quality care: primary medical services	66.08	65.00	●	↓
	Injuries from falls in people aged 65 and over	2.00%	2.23%	●	↓

Legend

- Poorest performing 25% of organisations
- Middle performing 50% of organisations
- Best performing 25% of organisations
- ↓ Performance deteriorated (higher better)
- ↑ Performance deteriorated (lower better)
- ↑ Performance improved (higher better)
- ↓ Performance improved (lower better)
- Performance stayed the same

*These indicators are published as RAG ratings by definition. For these indicators the RAG rating relates to the published indicator, rather than how the indicator performance compares to other organisations. RAG ratings for these indicators are:

- Red rated organisations
- Amber rated organisations
- Green rated organisations
- ✓ Green star rated organisations

