

NHS Somerset Integrated Care Board

Auditor's Annual Report for the
period ended 31 March 2023

September 2023



Contents



We are required under Section 21(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Integrated Care Board 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 Integrated Care Board's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



Section	Page
Executive summary	3
Securing economy, efficiency and effectiveness in its use of resources	7
The current NHS landscape	8
Financial sustainability	10
Financial Governance	18
Improvement recommendations	20
Governance	23
Improvement recommendations	28
Improving economy, efficiency and effectiveness	30
Improvement recommendations	41
Follow-up of previous recommendations	44
Opinion on the financial statements and use of auditor's powers	45
Other reporting requirements	46
The use of auditor's powers	47
Appendices	
Appendix A – Responsibilities of the NHS Integrated Care Board	49
Appendix B – An explanatory note on recommendations	50

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Executive summary



Value for money arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Integrated Care Board has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Integrated Care Board's arrangements under specified criteria. Whilst the Code has been in place since 2020/21, Integrated Care Boards were only established on 1st July 2022 and as such, 2022/23 is the first period that we have reported our findings to these bodies. As part of our work, we considered whether there were any risks of significant weakness in the Integrated Care Board's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Integrated Care Board may set out actions to make improvements. Our conclusions are summarised in the table below.

Criteria	2022/23 Risk assessment		2022/23 Auditor judgement on arrangements	
Financial sustainability	R	We identified a risk of significant weakness regarding financial sustainability which is becoming increasingly challenging for the ICB and system partners, as well as the wider NHS.	A	No significant weaknesses in arrangements identified, but three improvement recommendations made in relation to developing medium term financial planning, managing the risks relating to the efficiency programme, and providing increased supporting narrative in Somerset ICS Finance Reports.
Governance	R	We identified a risk of significant weakness regarding governance. We need to obtain sufficient assurance that the ICB has developed appropriate and effective governance arrangements, especially around internal control and risk management.	A	No significant weaknesses in arrangements identified, but two improvement recommendations made in relation to developing and implementing the Board Assurance Framework and reviewing policies adopted from the Clinical Commissioning Group.
Improving economy, efficiency and effectiveness	R	We identified a risk of significant weakness with regard to health inequalities. We note that national planning guidance sets out that a key priority is addressing health inequalities.	A	No significant weaknesses in arrangements identified, but three improvement recommendations made in relation to developing a Data Quality Policy, providing an annual waiver report to the Audit Committee and further strengthening quality governance arrangements.

G

No significant weaknesses in arrangements identified or improvement recommendation made.

A

No significant weaknesses in arrangements identified, but improvement recommendations made.

R

Significant weaknesses in arrangements identified and key recommendations made.

Executive summary (continued)



Financial sustainability

We have not identified any areas of significant weakness in respect of the arrangements the Integrated Care Board (ICB) has in place to achieve financial sustainability. Overall, we are satisfied that revenue and capital budget setting and financial planning arrangements are adequate.

The ICB delivered a breakeven financial position in 2022/23, with other organisations within the system also reporting balanced positions at the year-end in accordance with the financial plan. Therefore, the ICB and system as a whole met their statutory duty to breakeven. The ICB submitted a balanced system and organisational financial plan for 2023/24 in May 2023, and this is based on assumptions that reflect national planning guidance.

The Somerset Financial Strategy was approved in August 2022 and sets out the long-term financial objectives for the Somerset ICS. The Strategy identifies an underlying system deficit of £70m for 2022/23, rising to £147m by 2026/27 if no action is taken. The Strategy aims to achieve recurrent underlying financial balance by 2026/27 through a 5-year phased approach. While 2022/23 (Year 1) did deliver in-year financial balance, the financial plan 2023/24 submitted to NHSE in May 2023 identifies an increased underlying deficit of £75.0m.

As part of the development of the 5-Year Joint Forward Plan that was published in June 2023 there has been a high-level review of the figures within the Financial Strategy, and the underlying financial deficit has been updated to reflect the financial plan submission 2023/24. The ICB recognises that the next step is to develop an MTFP that delivers operational recovery and financial sustainability, and work has started to develop this.

We have made an improvement recommendation that the ICB should continue to work with system partners to develop an MTFP for the Somerset health system. The MTFP should identify the financial gap and set out a plan to deliver financial sustainability underpinned by a robust savings programme.

The ICB delivered £20m of efficiencies for 2022/23, an increase of £1.7m compared to plan. Total system efficiencies, including NHS Trusts and the ICB, of £37.9m were delivered, which was £0.8m more than planned. However, at a system level only £23.4m of savings (62%) were delivered recurrently, which was £8.9m below the target recurrent efficiencies. Non-recurrent efficiency delivery creates additional pressure for savings to be delivered in future years and creates a risk to financial sustainability.

The system wide efficiency target of £49.4m for 2023/24 will be challenging to deliver and represents a financial risk to the breakeven plan. The target represents an increase of £11.5m (30%) compared to 2022/23 delivery and equates to 4.1% of ICB allocations compared to 3.1% in 2022/23. The provider element of the system target is increasing by £15.9m (89%) in comparison to the provider efficiencies delivered in 2022/23. While it is planned to deliver £36.1m (73%) of system savings recurrently, £21.6m of the total system CIP target is rated as high risk (44%).

Due to the challenging nature of the system efficiency target for 2023/24 and the risk this presents, we have identified an improvement recommendation that the ICB should continue to develop the system wide efficiency programme. There should be a strong focus on developing a multi-year system efficiency programme to support the Financial Strategy and on managing the risks associated with delivering the 2023/24 savings targets. The priority should be on identifying recurrent savings that address the underlying deficit. The ICB should ensure that the governance arrangements that are in place continue to develop and are robust and embedded in order to provide adequate ICB oversight and assurance.

The ICB have action plans in place to strengthen the support provided to budget holders and increase budget holder accountability. The ICB Board and Finance Committee receive a Somerset ICS Finance Report at each meeting which provides a high-level overview of the system's financial position, with the Finance Committee also receiving a more detailed ICB Financial Report. We have raised an improvement recommendation that the Somerset ICS Finance Reports should include additional supporting narrative, particularly for the capital programme and efficiency programme, given some of the risks identified including the system efficiencies referred above.

Executive summary (continued)



Governance

We have not identified any areas of significant weakness in respect of the governance arrangements the ICB has in place with regard to risk management, internal control, decision making and encouraging appropriate behaviours.

The ICB has adequate arrangements in place to identify, understand, report and manage risk. Work to develop the Board Assurance Framework began in 2022/23 and continues through Board development sessions with progress reported to the Audit Committee. While the Board Assurance Framework was not in place during 2022/23, we are satisfied that risk management continued and the Corporate Risk Register was presented to the Board in the year. We have raised an improvement recommendation that the Board Assurance Framework should be developed and implemented as soon as possible.

The Risk Management strategy was inherited from the former CCG, along with a number of other key policies. It was intended that a review of inherited policies would be undertaken by March 2023, however the Risk Management Strategy review has been delayed in light of process changes and ongoing work to develop a Board Assurance Framework. We have raised an improvement recommendation that the ICB should review the policies adopted from the CCG to ensure that they reflect current practice for the new organisation.

The ICB has an effective internal audit function in place and there is no evidence of significant weaknesses in the systems of internal control.

From our work we consider that adequate arrangements are in place to ensure that all relevant information is provided to decision makers to enable effective decisions to be made. The ICB has structures in place to provide information and assurance to the Board and the internal audit review of governance arrangements identified a positive direction of travel with regard to the development and effectiveness of the Board.



Improving economy, efficiency and effectiveness

We have not identified any areas of significant weakness in respect of the arrangements that the ICB has in place to secure economy, efficiency and effectiveness.

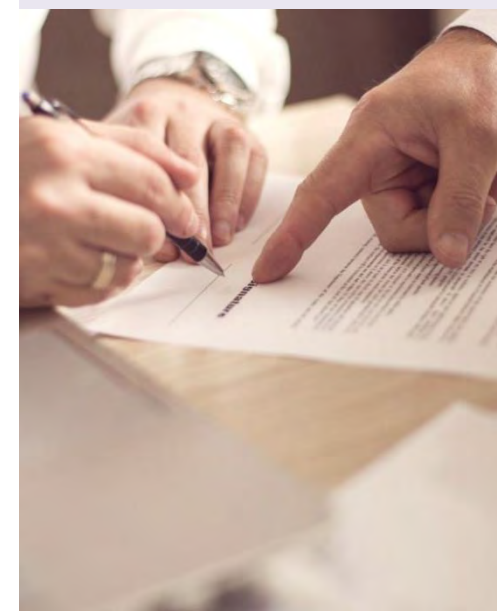
The ICB can demonstrate their commitment to tackling health inequalities through policies such as the Integrated Health and Care Strategy and the 5-Year Joint Forward Plan. The ICB can evidence cross-system collaborative working in order to identify priorities for reducing health inequalities in the population and take action to address these. This work is supported by the Population Health Board, Inequalities in Healthcare Group and Health Inequalities Data Group.

The ICB Board receives Integrated Board Assurance Reports that provides sufficient detailed performance information to allow an overall view of the position of health and social care within the system.



Financial Statements opinion

We have completed our audit of your financial statements and issued an unqualified audit opinion on 29 June 2023, following the Audit Committee meeting on 27 June 2023. Our findings are set out in further detail on pages 45 to 47.



Executive summary (continued)



Improving economy, efficiency and effectiveness (continued)

The ICB identifies mitigating actions to improve performance where it is below target. We have made an improvement recommendation that the ICB should develop a Data Quality Policy to formally document the processes for ensuring data quality.

The ICB has arrangements in place to ensure procurement activities are subject to governance and oversight, including the Procurement Strategy and regular reporting of waivers to the Audit Committee. Further governance arrangements to oversee system-wide procurement activity have been developed with the establishment of the Procurement Oversight Group. We have made an improvement recommendation that to further strengthen arrangements the ICB should produce an annual waiver report for scrutiny by the Audit Committee, to allow the identification of themes or trends.

There are adequate quality governance arrangements in place across the system. The ICB has a designated Executive clinical lead for quality, and responsibility for the quality agenda is embedded at each level of the system. There is evidence of established forums being in place to review quality arrangements across the system and evidence of good oversight and knowledge of the key areas of risk. Strong partnership working is evident through the System Quality Group.

The ICB is focused on ensuring that both performance and outcomes should be monitored to allow greater assurance. The ICB is aware further development is required to strengthen the quality dashboards with a need to continue building the ICBs relationship with primary care colleagues.

We have raised an improvement recommendation that in order to further strengthen quality assurance processes and improve quality oversight the ICB should streamline and review the data captured in the various dashboards to improve triangulation of performance and outcomes and formalise the escalation process.



Securing economy, efficiency and effectiveness in the ICB's use of resources

All NHS 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. The Integrated Care Board's responsibilities are set out in Appendix A.

Integrated Care Boards 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 Integrated Care Board has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial Sustainability

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



Improving economy, efficiency and effectiveness

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

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Board and committee reports
- Regular meetings with Senior officers
- Interviews with other Board members and management
- Attendance at Audit Committee
- Considering the work of Internal Audit
- Reviewing reports from third parties including the Care Quality Commission and correspondence with NHS England
- Consideration of other sources of external evidence such as the NHS National Staff Survey, Healthwatch reports etc
- Reviewing the Integrated Care Board's Annual Governance Statement and other publications



Our commentary on the Integrated Care Board's arrangements in each of these three areas, is set out on pages 10 to 43.

The current NHS landscape

National context

As we emerge from the worst of the COVID-19 pandemic, the health and care sector continues to face extreme challenges. The introduction of Integrated Care Systems (ICS) on 1st July 2022 has changed the NHS Landscape and encouraged greater partnership working not only with other health organisations, but also social care and Local Authority bodies. Shifting from the Commissioner / Provider model to system working will take time and relies upon the creation of strong and trusted relationships at both a senior and middle management level. ICS will provide control at a local level across a wider public sector and third sector footprint, and it is a positive move, bringing NHS and local authority resources together to tackle key challenges around health and social care which are impacting for both councils and provider trusts. This presents a fantastic opportunity to do things better, with a real focus on the patient and longer-term health outcomes.

There are 42 ICS' across England, covering populations of around 500,000 to 3 million people. An Integrated Care Board (ICB) sits within each ICS and supports decision making on NHS resources, both financially and operationally. The Health and Care Act is intentionally light touch to allow partners maximum flexibility in developing partnerships and governance. It is anticipated that each ICB will develop arrangements to tackle the health and care challenges faced by the population they serve. Whilst system working has been encouraged for many years, the formation of ICBs is a significant shift and each system will have a different level of maturity in relation to its governance and system relationships.

The role of the ICB is to allocate the NHS budget and commission services for the population, taking over the functions previously held by clinical commissioning groups (CCGs) and some of the direct commissioning functions of NHS England. The ICB is directly accountable to NHS England (NHSE) for NHS spend and performance within the system. ICBs may choose to exercise their functions through delegating them to place-based committees but the ICB remains formally accountable. This is within a challenging financial context and ICBs will need to carefully consider the best allocation approach to deliver on its objectives.

To support a local approach, GP practices will form Primary Care Networks (PCNs) covering between 30,000 to 50,000 patients, holding modest budgets to ensure that services can be shaped in their local area. However, current primary care arrangements are facing criticisms that they are channelling patients away from GPs and minor injury units to emergency departments.

A combination of capacity constraints, services not being available at required times, and the public's lack of understanding on how to access appropriate care is resulting in pressure on the acute sector. This, coupled with a growing and aging population, developments in medical treatment which come at a cost, and an almost unrealistic expectation from the public around what the role of the NHS is, means something has to change.



Integrated Care Systems – key bodies

The current NHS landscape (continued)

Local context

The Somerset ICB forms part of the Somerset ICS and serves a population of approximately 580,000 people. The Somerset ICS also includes the local authorities, NHS providers and GP Practices. From 1 April 2023 the organisational complexity of the system has reduced with the creation of a single unitary authority, Somerset Council, and the merger of the two NHS foundation trust providers into a single Somerset NHS Foundation Trust.

Since 1 July 2022 Somerset ICB has held responsibility for planning NHS services, including primary care and those previously planned by Somerset CCG, which has now been disestablished. From 1 April 2023 the ICB also became responsible for community pharmacy as part of the delegation of pharmacy, ophthalmology and dental services.

Each ICS has a purpose to:

1. improve outcomes in population health and health care;
2. tackle inequalities in outcomes, experience and access;
3. enhance productivity and value for money; and
4. help the NHS to support broader social and economic development.

The Somerset Integrated Care Partnership have published an initial Integrated Health and Care Strategy which sets out how the assessed needs of the local population will be met through partners working collaboratively within the system. The Integrated Health and Care Strategy supports the Somerset Health and Wellbeing Strategy and its underlying principles of increasing healthy life expectancy and reducing health inequality. The Integrated Health and Care Strategy will be further developed as the ICB matures.

The Somerset ICB and their local authority and social care partners will deliver the Integrated Health and Care Strategy through the 5-year Joint Forward Plan published in June 2023. There are five priorities within the initial Integrated Health and Care Strategy:

1. improve the health and wellbeing of the population;
2. provide the best care and support to children and adults;
3. strengthen care and support in local communities;
4. reduce inequalities; and
5. respond well to complex needs.



Financial sustainability



We considered how the Integrated Care Board:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them 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 which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans

National context

The latest national NHS deficit position within the 2023/24 financial planning submissions was reported to be £3 billion indicating a significant national underlying deficit position across the whole service.

The NHS planning guidance sets out that additional powers in the legislation have been used to set a financial objective for each integrated care board and its partner trusts to deliver a financially balanced system, namely a duty to break even as a system. Systems are expected to work together to find sufficient savings to deliver balanced budgets. But savings on the scale required are challenging. They require system transformation and strong partnership working with Local Government and the voluntary sector. Savings need to be recurrent and focus on patient pathways redesign. This is hampered by the annual financial planning requirements and short-term funding allocations.

In recent months, inflation has risen adding further pressure on to NHS budgets, and effectively wiping out the value of the 3.3 per cent cash increase for ICB allocations. Covid funding has been cut by more than half from the previous year and there is increased spending on agency staff due to staff shortages.

By November 2022, it was clear that many systems were struggling to deliver a balanced financial position with it being reported that two out of three were not on track to break-even with many likely to report large deficits in their first year of operation, despite them signing up to break-even plans at the start of the year.

Financial planning for 2023/24 is equally as challenged. Cost Improvement Plans (CIP) remain key to delivering financial sustainability.

Pressures on NHS finances has meant that 2022/23 is seeing attention returning to grip and control over finances. The ICB has a key role in overseeing the financial performance of local providers and facilitating the delivery of a balanced system position each year. Leading confirm and challenge meetings and making key decisions on the allocation of system resources is challenging, particularly within systems with historic underlying deficits.



Financial sustainability (continued)

Short and medium-term financial planning

2022/23 financial performance

The ICB delivered the planned breakeven position for 2022/23, with other organisations within the system also reporting a balanced position at the year end. Therefore, the ICB and system as a whole met their financial duty to breakeven. Within this net position there are cost pressures relating to demand, inflation and workforce which are impacting across service areas. These areas should continue to be monitored closely by the ICB.

Standard business planning processes returned for 2022/23 following the COVID-19 funding arrangements that were in place for the previous two years, when the government provided additional funding nationally to reflect the impact of the pandemic. From 2022/23 there is a renewed focus on the ICB, providers and the ICS achieving financial breakeven.

The ICB and system budgets for 2022/23 were set out in the integrated planning return submitted to NHSE in June 2022. This presented a breakeven financial plan for the system, and for each of the individual NHS organisations within it: the ICB, Somerset NHS Foundation Trust (SFT), and Yeovil District Hospital NHS Foundation Trust (YDH). The budget had been developed by the demised Somerset CCG and system partners, covering three months of CCG commissioning arrangements and nine months of ICB commissioning.

The ICB delivered a breakeven position at the year-end in accordance with the financial plan. The two system NHS providers, SFT and YDH also delivered breakeven outturn positions as planned. Therefore, the ICB and the system met their financial performance duties to break even.

Within the ICB net breakeven position, cost pressures were noted in the following service areas:

- acute services £0.5m, reflecting cost pressures for intermediate care beds and elective care activity with independent sector providers;
- mental health services £0.8m, with cost pressures experienced for out of area learning disability placements;

- other primary care services £2.0m, with the additional cost of No Cheaper Stock Obtainable drugs exceeding additional funding provided;
- delegated primary care commissioning £0.6m, due to cost pressures relating to resilience funding to support GP practices; and
- other commissioned services, £4.1m comprising cost pressures for pooled budgets for learning disability and increases in children's complex care costs.

Cost pressures were mitigated across other budget areas, for example a £4.0m under commitment for continuing care services as activity levels were below plan. Community health services budgets were under committed by £1.1m in relation to hospice budgets, wheelchair services and COVID-19 costs. Overcommitments were also mitigated by a £1.9m underspend against reserves and contingencies in relation to the surplus brought forward from the CCG and investment slippage.

The ICB efficiency plans include schemes to reduce costs in the areas where cost pressures are noted, including demand management with acute and mental health services, and primary care prescribing efficiencies.

The ICB and system performance against key financial metrics is set out in the following table:

	2022/23 ICB	2022/23 System
Planned surplus/(deficit)	£0m	£0m
Adjusted surplus/(deficit)	£0m	£0m
Planned capital spend	£1.1m	£77.2m
Actual capital spend	£1.0m	£68.1m
Planned CIP	£18.3m	£37.1m
Actual CIP	£20.0m	£37.9m
Year-end cash position	£43k	-

Financial sustainability (continued)

Short and medium-term financial planning (continued)

System financial pressures relating to intermediate care, health care support worker re-banding costs and industrial action were mitigated through the Elective Service Recovery Fund and uncommitted regional contingency.

Workforce is identified by the ICB as a key driver of overspends within the net financial position, with high vacancy levels resulting in the use of expensive agency staff. Agency spend is separately monitored within monthly finance reports to the ICB Board and Finance Committee. The ICS's operational plans for 2023/24 are based on growing the substantive workforce and improving recruitment and retention in order to reduce the reliance on agency staffing.

The system-wide agency cap was set at £22.7m for 2022/23. The ICS incurred actual agency expenditure of £43.4m, an overspend of £20.6m and a 36% increase on the £31.9m spent on agency staff in 2021/22. The system agency cap for 2023/24 is set at £30.0m and this will be challenging to achieve.

The ICB delivered £20.0m of efficiencies for 2022/23, exceeding the planned CIP target of £18.3m. As a system, £37.9m of CIPs were delivered against the £37.1m target. Therefore, the ICB and system delivered total CIP that was £0.8m above planned levels, although more non-recurrent savings were delivered than planned which creates additional financial pressure in future years. Savings planning and delivery are discussed in more detail in the "Identifying Savings" section of this Auditor's Annual Report.

At a system level capital spend totalled £68.1m against the £77.2m plan, equating to 88%. The under commitment relates mainly to the reprofiling of the SFT surgical centre scheme which was agreed with NHSE. Capital planning and delivery is discussed further in the "Capital Programme" section of this report.

We have not identified any risk of significant weakness from our review of the ICB's or system financial performance for 2022/23.

2023/24 financial planning

The ICB submitted a balanced system and organisational financial plan for 2023/24 in May 2023, and this is based on assumptions that reflect national planning guidance.

Budget and business planning updates are provided regularly to the ICB Board and Finance Committee to keep them informed of the impact of national planning guidance and the assumptions used for setting the budget.

The Board considered the financial plan for 2023/24 in March 2023, with the ICB submitting a plan that enabled the organisations within the system, the ICB and SFT, to breakeven. Therefore, the submitted plan was in accordance with national requirements and the duty to deliver a financially balanced system.

All NHS organisations were required to submit a further financial plan in May 2023 due to the number of deficit plans submitted nationally in March. The ICB's May plan submission confirms the system breakeven position for 2023/24. The submission of a balanced system financial plan for 2023/24 was achieved through partners working collaboratively together with a focus on the overall system financial position.



NHS Financial Framework

The NHS Oversight Framework details the overall principles, responsibilities and ways of working for oversight, including the key metrics and factors NHS England will consider when determining support needs.

The National Health Service Act 2006, as amended by the Health and Care Act 2022, sets out the statutory financial duties of NHS England, integrated care boards (ICBs), NHS foundation trusts and NHS trusts.

A joint financial objective for ICBs and their partner NHS trusts and NHS foundation trusts applies in relation to the financial year ending 31 March 2023 and each subsequent year.

NHS England sets the following financial objectives:

- ICBs and their partner NHS bodies should exercise their functions with a view to ensuring that local revenue resource use does not exceed income in each financial year
- For the purposes of assessing this financial objective, the expenditure and income for NHS trusts and NHS foundation trusts that are partners to more than one ICB should be apportioned in accordance with the apportionment directions set by NHS England
- This financial objective applies in relation to the financial year ending 31 March 2023 and each subsequent year, unless the objective is changed at a later date.

Financial sustainability (continued)

Short and medium term financial planning (continued)

The weekly System Finance Group, comprising NHS Directors of Finance, council representatives and others as required, ensures that annual financial planning uses consistent assumptions across the Somerset ICS. In addition, the Somerset Finance Assurance Group meets monthly with NHSE to review workforce, activity and finance plans.

The ICB's financial plans are based on income and expenditure assumptions that are based on national guidance, and these are set out in the budget and operational planning reports to Board and the Finance Committee. Assumptions relating to key areas of the budget include:

- total ICB allocation of £1,205.9m, with the main source of income the agreed ICB programme allocation of £1,028.6m from NHSE;
- programme funding growth of 5% and a convergence adjustment of 0.7% as the ICB's funding is in excess of the fair share allocation;
- £25.1m indicative non-recurrent elective recovery funding based on full delivery of the increased activity target;
- non-recurrent service development funding of £15.2m and emergency care capacity funding £3.4m;
- allocations of £3.8m for additional discharge and £9.6m for additional physical and virtual ward capacity;
- inclusion of the Mental Health Investment Standard at 7% growth; and
- national tariff uplift of 2.9% inflation and efficiency savings of 1.1% included in relevant contracts.

The ICB will need to continue to closely monitor risk areas within the 2023/24 budget, including inflation risk, agency expenditure, achieving elective recovery programme activity, and demand growth.

From our review of the ICB and system financial plan for 2023/24 we have not identified any risk of significant weakness. We have made an improvement recommendation elsewhere in this Auditor's Annual Report relating to the ambitious CIP programme for 2023/24.

Medium-term financial planning

The ICB has a system Financial Strategy in place and has started the process for refreshing medium-term financial planning. Now that the 5-Year Joint Forward Plan has been produced, the ICB should work with system partners to develop the medium-term financial plan (MTFP) in order to deliver financial sustainability.

The Finance Committee considered the Somerset Financial Strategy in August 2022. The Strategy sets out the long-term financial objectives for the Somerset ICS and was developed collaboratively by system Directors of Finance. The Strategy confirms the national expectation that all systems plan to deliver financial sustainability in the medium term. The Strategy identifies an underlying system deficit of £70m for 2022/23, rising to £147m by 2026/27 if no action is taken.

The target position set out in the Strategy is to achieve recurrent underlying financial balance by 2026/27. The strategic plan sets out a three-phase approach:

- **Year 1 Stabilise** – achieve in year balance with no deterioration in underlying deficit, with prompt action to quickly deliver early savings;
- **Year 2 Consolidate** – achieve in year balance with reduction in underlying deficit, with some longer-term savings delivered;
- **Years 3-5 Improve** – achieve in year balance with reduction of underlying deficit to zero, with longer-term savings delivered in full.

While 2022/23 (Year 1) did deliver in-year financial balance, the financial plan 2023/24 submitted to NHSE in May 2023 identifies an increased underlying deficit of £75.0m. The main drivers of the underlying deficit are urgent and emergency care flow and discharge impacting on capacity, inflation, and the impacts of efficiency requirements and reductions in funding.

Financial sustainability (continued)



Cost Improvement Plans

- CIPs are efficiency targets, which are reported to NHS England and aggregated up to give a national figure
- The efficiency targets are set at the beginning of the financial year based upon the expected costs set against the projected income for each body
- CIPs can be delivered from reducing costs or improving productivity
- CIPs can also be recurrent (delivered every year going forward), or non-recurrent (made in one year but incurred in the following year)
- They can also be cash releasing or non-cash releasing
- Historically, it is highly unusual for any NHS body to deliver savings over 5% of expenditure
- The danger of a national efficiency assumption historically is that it has been treated as the 'balancing item' against the overall financial allocation for the service

Short and medium term financial planning (continued)

The 5-Year Joint Forward Plan for delivering healthcare was published in June 2023. To support the development of the Forward Plan there has been a high-level review of the figures within the Financial Strategy, and the underlying financial deficit has been updated to reflect the financial plan submission 2023/24.

Now that the 5-Year Joint Forward Plan has been developed, the ICB recognises that the next step is to develop an MTFP that delivers operational recovery and financial sustainability.

Work is underway to produce a system-wide MTFP and Somerset ICB has agreed a common set of planning assumptions with neighbouring ICBs that can be updated once central guidance is issued. Systems are required by NHSE to produce an MTFP by September 2023.

We have made an improvement recommendation that the ICB should continue to work with system partners to develop an MTFP for the Somerset health system. The MTFP should identify the financial gap and set out a plan to deliver financial sustainability underpinned by a robust savings programme. The MTFP should use consistent assumptions across the system and reflect the implications of the 5-Year Joint Forward Plan.

Identifying savings

The system CIP target of £49.4m for 2023/24 will be challenging for NHS organisations within Somerset to deliver and represents a risk to achieving the financial breakeven plan. The ICB should continue to develop the system efficiency programme, with a strong focus on managing the risks associated with savings delivery and regular detailed monitoring of progress against the plan. The identification and delivery of recurrent savings that will address the underlying deficit should be a priority.

Reducing expenditure and increasing productivity is now the priority for all NHS bodies. Cost savings or productivity improvements will necessitate wholesale redesign of services to deliver savings at a scale not seen for some years. Funding has increased from 2019 levels and yet productivity has not. There is pressure on systems to deliver this at pace. However, the scale of transformation required to deliver more for less will take time to deliver.

The key metrics relating to the ICB and wider system efficiency plan for 2022/23 and 2023/24 are summarised in the table below.

	2022/23 ICB	2022/23 System		2023/24 ICB	2023/24 System
Planned CIP	£18.3m	£37.1m		£15.6m	£49.4m
Planned CIP as a % of income	1.6%	3.1%		1.3%	4.1%
Delivered CIP	£20.0m	£37.9m		-	-
Recurrent CIP planned / %	£17.8m (97%)	£32.3m (87%)		£12.1m (78%)	£36.1m (73%)
Recurrent CIP delivery / %	£17.1m (86%)	£23.4m (62%)		-	-
Planned CIP schemes rated medium/low risk	-	-		£10.6m (68%)	£27.8m (56%)

Financial sustainability (continued)

Identifying savings (continued)

The ICB delivered £20.0m of efficiencies for 2022/23 against a target of £18.3m, an over-delivery of £1.7m. Of these savings £17.1m (86%) were delivered recurrently which was £0.7m less than planned.

Total system efficiencies of £37.9m were delivered, comprising the ICB and NHS providers, which was £0.8m more than planned. However, at a system level only £23.4m of CIP (62%) were delivered recurrently, which was £8.9m below planned recurrent efficiencies. The under delivery of recurrent efficiencies related to provider CIP of £6.4m and the system stretch target £2.5m. An additional £9.7m non-recurrent savings were delivered at system level compared to plan which offset the under delivery of recurrent savings.

Therefore, while the ICB and system were able to over deliver against the planned efficiencies target (£0.8m), within this figure there are significantly more non-recurrent savings than planned (£9.7m). Non-recurrent CIP delivery creates additional pressure for savings to be delivered in future years and creates a risk to financial sustainability.

The ICB's CIP target for 2023/24 is £15.6m or 1.3% of income allocations and is less than actual efficiency delivery in 2022/23. Of the total CIP, 78% is planned to be delivered recurrently, with the target of £12.1m less than actual recurrent delivery in 2022/23. Due to these factors, and the over-delivery of CIP in 2022/23 by the ICB, we have not identified any significant weaknesses in arrangements for the ICB element of the CIP plan although the delivery of recurrent efficiencies and £5.0m ICB stretch target remain a risk.

The system wide efficiency target of £49.4m for 2023/24 will be challenging to deliver and represents a financial risk to the breakeven plan for the system. The target represents an increase of £11.5m (30%) on the actual CIP delivered in 2022/23 and equates to 4.1% of ICB allocations compared to 3.1% in 2022/23. The provider element of the system CIP target is increasing by £15.9m (89%) to £33.8m in comparison to the provider efficiencies delivered in 2022/23. While it is planned to deliver £36.1m (73%) of system savings recurrently, £21.6m of the total system CIP target is rated as high risk (44%).

The ICB CIP target for 2023/24 includes schemes relating to primary care prescribing and continuing healthcare where programmes of work are in place. The ICB plans to achieve

demand management savings through block contract arrangements with providers. A significant proportion of provider savings within the system relate to the merger of SFT and YDH on 1 April 2023. A significant risk within the system CIP plan is the stretch target of £10m split between the ICB and SFT where efficiency schemes are not yet identified.

The HFMA Financial Sustainability Checklist self-assessment that the ICB completed during 2022/23 identified the development of a system-wide process for identifying efficiencies as an area for improvement. An action was identified to ensure that there is a robust process in place for the development of CIP for 2023/24.

Governance arrangements are in place for the identification, delivery and monitoring of savings schemes across the ICB and wider system, and these continue to develop. These arrangements include:

- the system Financial Strategy sets out the strategic aim of creating a sustainable health system and achieving recurrent financial balance by 2026/27, and work to develop the MTFP has begun;
- the weekly System Finance Group provides oversight, review and monitoring of system efficiency plans and opportunities;
- a Collaboration Hub has been established to review the effectiveness of CIP schemes and monitor benefits realisation, as well as providing Project Management Office support for strategic schemes and the Trust merger savings programme;
- quality impact assessments are undertaken for relevant CIP schemes informed by a clinical and financial risk matrix;
- CIP delivery is monitored through the Finance Reports provided to Board and Finance Committee, providing high level forecasts for efficiency delivery compared to plan at ICB, NHS provider, and system level. It should be noted that we have raised an improvement recommendation in the Budget Monitoring section of this report that oversight would be strengthened by providing a supporting narrative to CIP monitoring;
- key savings programmes are monitored through separate governance forums, for example the Continuing Healthcare quarterly strategic meeting reviews savings delivery for packages of care; and

Financial sustainability (continued)

Identifying savings (continued)

- benchmarking is used to identify efficiency opportunities, including prescribing, continuing healthcare, and through the South-West efficiency and productivity opportunity matrix.

From 1 April 2023 the complexity of the Somerset health system has reduced due to the creation of a single unitary local authority and the merger of the two NHS trust providers into a single foundation trust. Therefore, aligning, managing and ensuring sufficient oversight of system wide savings plans should not be as complex as in health systems with multiple NHS providers and local councils. However, the delivery of the ambitious savings target of £49.4m for 2023/24 and securing recurrent savings to address the underlying deficit of £75.0m, represent a significant risk to breakeven plans and financial sustainability. The delivery of this scale of savings will require system partners to collaborate to work together and address the structural drivers of the deficit.

Due to the challenging nature of the system CIP target for 2023/24 and the risk this presents, we have identified an improvement recommendation that the ICB should continue to develop the system-wide efficiency programme. There should be a strong focus on developing a multi-year system efficiency programme to support the Financial Strategy and on managing the risks associated with delivering the 2023/24 savings targets. The priority should be on identifying recurrent savings that address the underlying deficit. The progress in developing and delivering the efficiency plan should be reported in detail to the ICB Board and Finance Committee. The ICB should also ensure that governance arrangements continue to develop and are robust and embedded in order to provide adequate ICB oversight and assurance regarding the system efficiency programme.

Financial planning and strategic priorities

The ICB can demonstrate that financial plans align to strategic priorities and that a system wide approach is taken to strategic, operational and financial planning. There is a coherent link between strategic priorities and the design of the budget, and this is confirmed through strategic and operational plan updates to Board and Finance Committee.

The Integrated Care Strategy 2023-28 sets out how health system partners within Somerset will work together to improve health and wellbeing with a view to more people living healthy and independent lives for longer.

The 5-Year Joint Forward Plan sets out how the Integrated Care Strategy will be delivered and reflects national planning guidance and priorities including increasing capacity, elective care recovery, reducing cancer waiting times, increased recruitment and retention, and addressing health inequalities. The Forward Plan recognises the strategic aims of the Somerset Financial Strategy to achieve recurrent underlying financial balance by 2026/27. A high-level refresh of the Somerset Financial Strategy was undertaken to support the Joint Forward Plan, including updating the underlying financial deficit.

The Operational Plan 2023/24 sets out the operational planning priorities and measures for the year and the workforce and finance plans that will achieve the ambitions within the 5-Year Joint Forward Plan.

The ICB's revenue budget for 2023/24 reflects the funding provided to deliver the requirements of national priorities and the 5-Year Joint Forward Plan. This includes specific funding for elective recovery, service development, additional discharges and physical and virtual wards.

Operational finance, activity and workforce plans for 2023/24 were developed collaboratively through the System Finance, Workforce and Activity Planning Groups which include Executive members from partners across the system. Workforce, activity and financial data is triangulated to ensure that operational plans align in terms of income, activity, productivity and staffing resources.

The ICB works with system partners to review investment decisions to ensure that they are delivering the expected benefits and outcomes, and that they will achieve the required elective care recovery trajectory. A Collaboration Hub has been established to review the effectiveness of CIP schemes and monitor benefits realisation.

We have not identified any risk of significant weakness with regard to the ICB's arrangements to ensure that financial planning aligns to strategic priorities.

Financial sustainability (continued)

Capital Programme

Capital funding within the NHS is constrained at both national and system level. Where under or overcommitments against the Somerset ICS capital plan are identified, these are agreed with NHSE and do not impact on future capital allocations. The capital programme is developed collaboratively with system partners and reflects national and system priorities.

The ICB incurred capital expenditure of £1.0m in 2022/23 against an allocation of £1.1m. The majority of the spend relates to General Practice IT grants (£0.9m). The under commitment of £0.1m relates to a grant to fund the local authority initiative “sloppy slippers” which was received as a capital allocation in error when the ICB funded the scheme from their revenue allocation.

NHS providers had a capital allocation envelope of £29.4m for 2022/23, against which expenditure of £30.9m was incurred. The £1.5m overcommitment against the system capital allocation was agreed with NHSE with capital funding transferred from another system in the South-West.

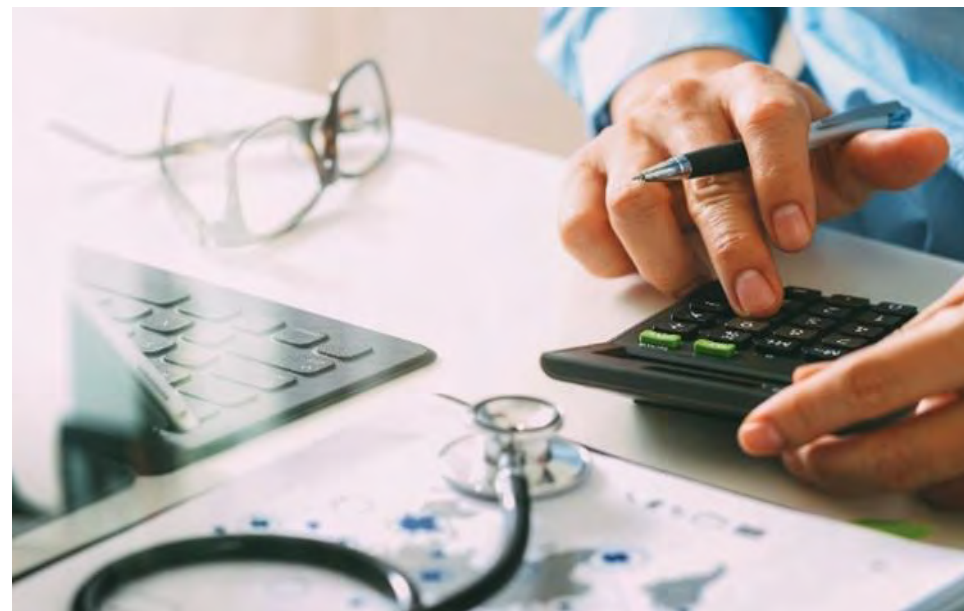
Total system capital expenditure, including national scheme allocations outside the system envelope, was £68.1m for 2022/23 compared to a total plan of £77.2m. Capital expenditure related mainly to new build programmes (£31.5m), maintenance (£13.3m), IT investment (£9.5m) and equipment (£7.9m). The under commitment against plan was agreed with NHSE and relates to the reprofiling of the SFT surgical centre scheme.

The capital programme for 2023/24 was developed collaboratively through system estates and digital groups. The ICB worked with SFT to develop the system capital plan, with the ICS Strategic Estates group coordinating planning. Prioritisation of capital schemes is relatively straight forward compared to some other systems as the single NHS provider trust is coterminous with the ICB.

The Regional System Capital Group meets monthly with NHSE to encourage collaborative working within the system, to ensure that capital expenditure is in line with the plan, and that capital plans maximise the use of national programme funding.

The capital programme 2023/24 aligns to the national and strategic priorities relating to elective recovery, investment in mental health services, maintenance, developing diagnostic services and digital investment. The total system capital programme for 2023/24 is £84.4m and includes the Musgrove Surgical Centre (£21.9m), Yeovil District Hospital Theatre and Modular Ward (£13.9m), digital and IT (£13.9m), and maintenance and equipment (£10.5m). The ICB has a £1.3m capital allocation relating to General Practice IT and improvement grants, and ICB corporate IT.

We have not identified any risk of significant weakness with regard to the arrangements in place to develop and deliver the Somerset ICS capital programme.



Financial Governance

Annual budget setting

Arrangements are in place to ensure that the annual financial planning process is based on consistent financial assumptions across the health system, with a focus on delivering an overall balanced financial position for the ICS rather than individual organisational positions. There is sufficient engagement with the Board, Finance Committee and Programme Boards during the budget process.

The ICB worked with NHS providers to develop a balanced 2023/24 ICS financial plan. The System Finance Group ensures consistent assumptions based on national guidance are agreed when partners are developing their financial plans and monitors progress in delivering a breakeven budget.

The ICB budget for 2023/24 was developed from the 2022/23 forecast, adjusted for the full year effect of recurrent savings or growth, and non-recurrent impacts were removed. This produced the baseline 2023/24 ICB budget to which was added the impact of new growth, inflation, efficiencies and changes to funding allocations. The ICB works with the NHS Trusts to agree the assumptions they will use to build up their own detailed budget and provides the Trust's income allocations. From 1 April 2023 there is only one NHS provider trust in the Somerset ICS.

Trend and activity modelling is undertaken during the ICB annual budget setting process where relevant, for example when setting continuing healthcare and prescribing budgets. Internal prescribing budget reports provide benchmarking for standardised costs per unit, analysis of the current prescribing budget, trends in cost and number of prescriptions, and consideration of the budget for the following year.

Continuing healthcare quarterly strategic meetings review trends in benchmarked cost per population, benchmark savings and referrals against peers, and analyse in-year spend.

There is adequate engagement during the budget process. The ICB Board and Finance Committee are provided with regular update reports as financial planning progresses which include the implications of national guidance and funding allocations on the budget.

The 2023/24 planning process engaged Programme Boards (for example Elective Care, Urgent and Emergency Care, Mental Health) to develop the 5-Year Joint Forward Plan and Operational Plan. Each Programme Board considered inflationary pressures, performance and workforce requirements, and investment to deliver financial benefits.

Individual budget holders agree and sign off the budgets that they are responsible for, although this process was delayed for 2022/23 due to the transition from CCG to ICB.

We have not identified any risk of significant weakness with regard to the ICB's arrangements for setting a balanced annual budget.

Budgetary control

The ICB has budget monitoring arrangements in place with the frequency of budget holder meetings and the level of financial information provided to budget holders dependent upon budget risk. The ICB have action plans in place to strengthen the support provided to budget holders and increase budget holder accountability. The ICB Board and Finance Committee receive a Somerset ICS Finance Report at each meeting which provides a high-level overview of the system's financial position, with the Finance Committee also receiving a more detailed ICB Financial Report. We have raised an improvement recommendation that the Somerset ICS Finance Reports should include additional supporting narrative, particularly for the capital programme and efficiency programme, to allow improved oversight of the system position.

Regular meetings are held between budget holders and the finance team, with the frequency depending on the financial risk associated with the budget. Internal budget reports are produced for key budget areas, for example primary care delegated budgets and prescribing, with financial information tailored to the service area.

The HFMA Financial Sustainability Checklist identified areas for development in budget monitoring relating to improving the process for reviewing budgets during the year and improving the financial management and governance training provided to staff.

The ICB has developed action plans to address the areas for improvement identified through the HFMA Checklist, including plans relating to budget monitoring and reporting.

Financial Governance (continued)

Budgetary control (continued)

and culture and training. The ICB has identified the following actions to improve the support budget managers receive and to increase budget manager skills, knowledge and accountability:

- identifying online reporting opportunities;
- risk rating budgets to determine the required frequency of budget meetings;
- including financial governance and budget management objectives within performance reviews and development plans;
- including financial governance information within the staff induction programme;
- ensuring budget manager roles and responsibilities are detailed in budget books; and
- developing budget manager training.

Discussion with senior officers confirms that resources within the finance team to support budget holders have been limited during the ICB's first year of operation, with two additional accountants recently recruited to increase capacity. A financial reporting accountant has also been recruited to improve the financial information provided to budget managers and workshops held to inform the design of the reporting tools.

As the ICB has identified that arrangements can be strengthened to increase budget manager knowledge and accountability and action plans are in place, we have not raised any further improvement recommendations. Discussions with senior officers confirm that developing the knowledge of non-finance staff is part of the development plan and that the finance team are reviewing the support that they provide to budget managers. We would encourage the ICB to implement the action plans developed from the HFMA self-assessment in a timely manner and to provide adequate assurance to the Audit Committee on progress made.

The ICB Board and Finance Committee receive a Somerset ICS Finance Report at each meeting. This provides a high-level overview of the system's financial position that includes individual organisation and system performance against the financial plan and presents

key financial indicators relating to financial performance, efficiency, agency controls and capital controls. The report also provides summary tables for capital expenditure, individual organisation expenditure, agency spend and efficiency delivery. An assessment of performance against the strategic plan objectives for the year is also provided.

While the Somerset ICS Finance Reports provide an overview of key elements of the Somerset health system's financial position, they would be strengthened by including additional supporting narrative, particularly with regard to the system capital programme and efficiency programme. The narrative should explain the reasons for significant variances to planned activity and provide the Board and Finance Committee with assurance of mitigating actions being taken where variances are noted. This is important given the challenging budgetary position for the system as previously referred.

The Finance Committee also receives an ICB Financial Position Report which provides a more detailed analysis of the ICB's resource allocations, expenditure variances with supporting narrative, key risks, efficiency programme delivery and capital.

We have not identified any risk of significant weakness in the ICB's arrangements for budget monitoring.



Improvement recommendations

Recommendation 1

The ICB should continue to work with system partners to develop an MTFP for the Somerset health system. The MTFP should identify the financial gap and set out a plan to deliver financial sustainability underpinned by a robust savings programme. The MTFP should use consistent assumptions across the system and reflect the implications of the 5-Year Joint Forward Plan.

Improvement opportunity identified

Now that the 5-Year Joint Forward Plan for delivering healthcare has been developed, the ICB should develop a medium-term financial plan that delivers operational recovery and financial sustainability.

Summary findings

The Finance Committee considered the Somerset Financial Strategy in August 2022. The Strategy identifies an underlying system deficit of £70m for 2022/23, rising to £147m by 2026/27 if no action is taken. While financial breakeven was delivered by the system for 2022/23, the financial plan 2023/24 submitted to NHSE in May 2023 identifies an increased underlying deficit of £75.0m.

Work is underway to produce a system-wide MTFP and Somerset ICB has agreed a common set of planning assumptions with neighbouring ICBs that can be updated once central guidance is issued. Systems are required by NHSE to produce an MTFP by September 2023.

Criteria impacted



Financial Sustainability



Governance



Improving economy, efficiency and effectiveness

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

The ICB is already working with system partners to develop a Medium Term Financial Plan and is therefore accepting of this recommendation.

Progressing the actions management has identified to address the recommendations made will support the Integrated Care Board in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

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



Improvement recommendations

Recommendation 2

The ICB should continue to develop the system wide efficiency programme. There should be a strong focus on:

- developing a multi-year system efficiency programme to support the Financial Strategy;
- managing the risks associated with delivering the 2023/24 savings targets;
- prioritising the delivery of recurrent savings that address the underlying deficit;
- detailed reporting to the ICB Board and Finance Committee on progress in developing and delivering the efficiency plan;
- ensuring that governance arrangements continue to develop and are robust and embedded in order to provide adequate ICB oversight and assurance regarding the system efficiency programme.

Improvement opportunity identified

The identification and delivery of recurrent savings will be key to ensuring the financial sustainability of the Somerset health system in the future.

Summary findings

The system wide efficiency target of £49.4m for 2023/24 will be challenging to deliver and represents a financial risk to the breakeven plan for the system. The target represents an increase of £11.5m (30%) on the actual CIP delivered in 2022/23 and equates to 4.1% of ICB allocations. The financial plan submission for 2023/24 identifies a structural deficit of £75.0m and the system aims to reduce this to zero by 2026/27 through the delivery of recurrent savings.

Criteria impacted



Financial Sustainability



Governance



Improving economy, efficiency and effectiveness

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

The ICB and system partners are developing a multi-year system wide efficiency programme as part of the Medium Term Financial Plan. This will include the identification and development of recurrent savings plans that address the underlying deficit position.




The NHS Somerset financial reporting to the ICB Finance Committee and Board includes regular progress updates on the delivery of its system efficiency plans.

The ICB is accepting of this recommendation.

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



Improvement recommendations

Recommendation 3	The Somerset ICS Finance Reports should include additional supporting narrative, particularly for the capital programme and efficiency programme. The narrative should explain the reasons for significant variances to planned activity and outline the mitigating actions in place.		
Improvement opportunity identified	Providing additional supporting narrative to the summary tables within the Somerset ICS Finance Reports will provide the Board and Finance Committee with assurance that mitigating actions are being taken where variances are identified against the plan and provide better oversight of financial risks.		
Summary findings	<p>The ICB Board and Finance Committee receive a Somerset ICS Finance Report at each meeting. This provides a high-level overview of the system's financial position that includes individual organisation and system performance against the financial plan and presents key financial indicators. The report provides summary tables for capital expenditure, organisation expenditure, agency spend and efficiency delivery.</p> <p>While the Somerset ICS Finance Reports provide an overview of key elements of the Somerset health system's financial position, they would be strengthened by including additional supporting narrative.</p>		
Criteria impacted	 Financial Sustainability	 Governance	 Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.		
Management comments	The ICB has developed its ICS Finance Report to include additional supporting narrative for the capital programme and efficiency programme and is therefore accepting of this recommendation.		

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



Governance



We considered how the Integrated Care Board:

- 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 effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour

National context

In 2021/22 the greatest number of significant weaknesses reported in value for money work nationally related to governance.

Common themes included:

- strategic risks not being appropriately mitigated;
- risk management arrangements not being robust and embedded throughout the organisation; and
- CQC required improvements at trusts not being progressed at an appropriate pace, particularly for emergency services and maternity.

We are seeing more higher profile cases of leadership over-ride within the press which is an indication of poor governance, and all NHS bodies should ensure that they are maintaining high standards in their arrangements.

Risk management and board assurance

The ICB has adequate arrangements in place to identify, understand, report and manage risk. Work to develop the Board Assurance Framework (BAF) began in 2022/23 and continues through Board development sessions with progress reported to the Audit Committee. While the BAF was not in place during 2022/23, we are satisfied that risk management continued and the Corporate Risk Register was presented to the Board. We have identified two improvement recommendations to strengthen arrangements: the BAF should be developed and implemented as soon as possible; and policies adopted from the CCG, such as the Risk Management Policy, should be reviewed and updated as appropriate.

The BAF has been in development throughout 2022/23 and this process will continue into 2023/24. The first Board development

session was held in April 2023 focusing on three key elements:

- strategy - agreement of strategic objectives which form the basis of the BAF;
- risks - identifying system risks to achieving ICS strategic objectives; and
- risk appetite and tolerance.

The next steps in developing the BAF were identified and include:

- agreement on ICS strategic objectives, which are fundamental to the development of the BAF;
- the risk team is to work with ICS Executive leads to develop a draft set of system risks;
- the risk team will summarise risk appetite and tolerance outputs and develop proposals; and
- risk leads will work together to consider operational aspects of system risk including alignment to organisation risk registers.

A further Board development session is planned for September 2023.

The Audit Committee were updated in March 2023 with regards to progress with changes to the ICB risk management process, the performance and status of the ICB risk register, together with an update of the current position with allocated counter fraud risks.

The Corporate Risk Register was reported to the ICB Board in January 2023 and May 2023 and provided an update on all risks scoring 15 and above. The Board were provided with the full current risk register to provide an overview of the risk profile and recent movements. Risks were reviewed in detail by risk owners and the risk team prior to reporting to Board and risks are allocated to respective assurance committees for review. As such, we deemed appropriate arrangements were in place.

Governance (continued)

Risk management and board assurance (continued)

The format of the Corporate Risk Register reported to the Board could be further strengthened through including additional elements of best practice, such as Red/Amber/Green (RAG) ratings, mapping risks to strategic objectives, assigning risks to risk owners, and providing actions to reduce risk further.

Although there has been no BAF reported to the Board during the first nine months that the ICB has operated, we note that the Board has been informed on progress of the work being undertaken in developing the BAF and has had oversight of the Corporate Risk Register. Risk management has continued to operate throughout the organisation. Whilst recognising the work undertaken during 2022/23 and ongoing in 2023/24 to develop a system wide risk management framework with partners, it is fundamental that the BAF is finalised and implemented promptly.

We have raised an improvement recommendation that in order to strengthen risk management arrangements the ICB should:

- ensure that the BAF is developed and implemented as soon as possible; and
- enhance the format of the Corporate Risk Register reported to the Board to include additional elements of best practice.

We note that the Risk Management Strategy was inherited

from the former CCG along with a number of other key policies. It was intended that a review of inherited policies would be undertaken by March 2023, however for the Risk Management Strategy this has been delayed in light of process changes and ongoing work to develop a Board Assurance Framework. We also identified other inherited policies which had not been reviewed by the ICB, for example the Whistleblowing/Freedom to Speak Up Policy.

We have raised a further improvement recommendation that the ICB should formally review the Risk Management Strategy in conjunction with the development of the BAF and the processes for providing assurance to the Board. In addition, other policies that were adopted from the CCG should be reviewed as soon as possible, with amendments made as appropriate.

We have not identified any risk of significant weakness with regard to the ICB's arrangements for managing risk..

Internal controls

The ICB has an adequate and effective internal audit function in place to monitor, assess, and provide assurance to those charged with governance on the operation of internal controls. There is no evidence of significant weaknesses in the systems of internal control at the ICB.

The internal audit function is undertaken by BDO LLP, whose work complies with Public Sector Internal Audit Standards.



The Board Assurance Framework (BAF)

The BAF brings together in one place all of the relevant information on the risks to the delivery of the ICB's strategic objectives

This will include:

- **Corporate risks** – those which directly relate to the ICB's objectives/duties
- **System risks** – those which relate to the delivery of system priorities.

Risks are classed as system risks if they require more than one system partner to manage and/or are not unique to a single system partner.

The BAF should remain a live document and drive strategic risk management across the ICB and in Board agendas

Assurances in place and gaps in controls should be mapped to each risk, drawing on many sources of information including internal audit and external regulators

Using a scoring matrix, risks can be assessed to allow greater scrutiny to those most significant

We have assessed that with too many strategic objectives or too many risks, it is difficult to maintain a meaningful BAF

Governance (continued)

Internal controls (continued)

The Audit Committee approve an annual Audit Plan which demonstrates sufficient scope, with coverage across a broad range of areas using a risk-based approach, noting that a number of review areas are mandated by NHSE which reduces choice. The 2022/23 Audit Plan includes planned work across quality and safety, finance, integration of services, and governance and sustainability.

The Audit Committee receives internal audit progress reports at each meeting. These include updates on the progress made completing the Audit Plan, executive summaries of audits completed, and the status of outstanding audit recommendations.

The Head of Internal Audit Opinion (HOIAO) for 2022/23 was that of moderate assurance with no significant internal control issues identified. The HOIAO indicates that there is a sound system of internal control designed to meet the ICB's objectives and that controls are being applied consistently. The HOIAO was based on the reports issued during 2022/23 completing the audit plan, including financial systems, cyber security, business continuity and emergency planning, conflicts of interest, financial sustainability, and primary care commissioning.

The ICB's counter fraud service is provided by BDO LLP, who provide a full range of counter fraud functions including provision of a local accredited counter fraud specialist. During 2022/23 the Audit Committee received regular reports detailing progress against the work plan, summaries of anti-fraud activity, including the bribery and corruption work plan and emerging fraud risks.

The Conflicts of Interest Arrangements Policy is included within the ICB's Standards of Business Conduct. An Anti-Fraud, Bribery and Corruption Policy and a Whistleblowing Policy are also in place, however the Whistleblowing Policy still relates to the CCG. We have made an improvement recommendation in the Risk Management section of this report that policies adopted from the CCG should be reviewed as soon as possible.

We have found no risk of significant weakness from our work in relation to the arrangements in place to ensure an effective system of internal control and to prevent and detect fraud and corruption.



Governance (continued)

Tone from the top and appropriate behaviour

The ICB provides an appropriate “tone from the top” in respect of decision making, demonstrating openness, transparency and engagement in its arrangements. This is evidenced through the internal audit review of governance arrangements, the results of the staff survey, and the codes of conduct that the ICB has in place.

The results of the latest NHS staff survey were published in March 2023, with Somerset ranking within the top four participating ICB’s, particularly in areas relating to:

- compassionate leadership;
- positive teamwork;
- improved access to training and development; and
- increased diversity and inclusion.

The survey had a response rate of 79%, higher than the median score for all NHS organisations (73%). The ICB received an overall staff engagement score of 7.31 out of 10.

A deep dive into the results of the staff survey is planned and Listen and Learn sessions with associated action plans are in place to engage with staff. There are also Colleague Forum meetings planned for 2023.

During 2022/23, the ICB had a series of national, regional and local media opportunities to share some of the work that teams across health and care were undertaking to ease pressures in the system. The ICB facilitated visits from BBC Radio 4 to a new reablement centre near Taunton, jointly funded by the NHS and Somerset County Council. The BBC team also met with the GP 999 response team who help to reduce admissions to hospital for those who can be cared for at home.

Somerset Foundation Trust also shared their innovative solutions aimed at easing pressures within the emergency department including the new Hospital@Home team and ready to go wards. In addition, the ICB has also showcased its mental health crisis hubs run by the voluntary sector on regional BBC and ITV News.

Arrangements are in place to monitor and ensure appropriate standards of behaviour. These include various codes of conduct such as the Standards for Business Conduct, Standing Financial Instructions, Conflicts of Interest Arrangements, and Gifts and Hospitality Policy. These are available within the ICB’s Governance Handbook and the website.

The procedures for declaring conflicts of interests are detailed in the ICB’s Standards of Business Conduct Policy updated in July 2022. A detailed review of conflicts of interest has recently been undertaken by internal audit, and a moderate assurance assessment provided for design and operational effectiveness.

There are two nominated Freedom to Speak Up Champions who are independent officers and can be contacted to discuss any concerns in confidence.

We have not found any risk of significant weakness with regard to the ICBs “tone from the top” and arrangements to promote appropriate standards of behaviour.

NHS Leadership

- Leadership plays a key role in shaping the culture of an NHS organisation
- NHS leaders are facing considerable challenges, including significant financial and operational pressures and high levels of regulation
- This is reflected in high vacancy rates and short tenures among senior leaders that risk undermining organisational culture and performance
- Many of the recent NHS failures have come from poor leadership. This may be a focus on one aspect of delivery at the expense of another, e.g. prioritising financial performance over clinical care
- Senior leadership should welcome honesty in their assurances, creating an environment where staff can be open and flag risks
- Boards should remain alert to the question, “could we have a problem and how do we know we don’t”?

Governance (continued)



Informed decision making

From our work we consider that adequate arrangements are in place to ensure that all relevant information is provided to decision makers to enable effective decisions to be made. The ICB has structures in place to provide information and assurance to the Board and the internal audit review of governance arrangements identified a positive direction of travel with regard to the development and effectiveness of the Board.

The Board is accountable for the decisions made by the ICB and is provided with information and assurance from the Executive, senior management and sub-committees. The Board has appointed five assurance committees who are delegated certain responsibilities and provide assurance to the Board against these responsibilities. Sub-committees comprise of the Audit Committee, Remuneration Committee, Quality Committee, Primary Care Commissioning Committee, and Finance Committee.

The Board includes 18 members, comprising key senior leadership roles, independent members, and representatives from stakeholder organisations such as NHS trusts, primary medical care, and local authorities. The Board includes representation from nursing, finance, workforce, strategy, operations, and commissioning leads.

The composition of the Board, incorporating the ICB, the wider system, clinical and non-clinical leads, and independent members, provides for a mix of knowledge, skills and experience and enables a system wide view to be considered.

Board development sessions and away days are held in-between formal bi-monthly Board meetings. Development sessions cover key topics, and developing the Board Assurance Framework and risk management will be areas of focus for 2023/24. The ICB should ensure that the BAF becomes an effective tool to provide focus for the Board and drive decision making. The development sessions increase the skills and knowledge of the Board, develop relationships, and demonstrate Board engagement.

We have not found any risk of significant weakness with regard to the ICBs arrangements for effective decision making.

Improvement recommendations

In order to strengthen risk management arrangements the ICB should:

Recommendation 4

- ensure that the Board Assurance Framework is developed and implemented as soon as possible; and
- enhance the format of the Corporate Risk Register (CRR) reported to the Board to include additional elements of best practice, including RAG ratings, mapping risks to strategic objectives, assigning risks to risk owners, and providing actions to reduce risk further.

Improvement opportunity identified

There is an opportunity to strengthen the risk management framework by ensuring that the BAF is finalised as soon as possible, to provide assurance to the Board on the management of strategic/system aligned risks and the robustness of the underpinning assurance mechanisms. Whilst the CRR is currently being utilised as an interim BAF there is opportunity to enhance the detail provided to the Board to provide additional assurance.

Summary findings

The Board has not had oversight of a formal BAF during the initial nine months that the ICB has operated. However, the Board has been informed on progress of the work being undertaken in developing the BAF and has had oversight of the CRR. The CRR is effectively being utilised as an interim BAF and would be strengthened through including additional elements of best practice.

Criteria impacted

Financial Sustainability

Governance

Improving economy, efficiency and effectiveness

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

We would support the recommendations as described and are working on plans already for the development of a strategic assurance framework (BAF), with the next update being presented to the ICB Board in the autumn. Ongoing improvements are being made to our corporate risk reporting to the Board, and we will be reviewing the Risk Management Strategy (RMS).

Progressing the actions management has identified to address the recommendations made will support the Integrated Care Board in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

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



Improvement recommendations

Recommendation 5

The ICB should formally review the Risk Management Strategy (RMS) in conjunction with the development of the BAF and the processes for providing assurance to the Board. In addition, other policies that were adopted from the CCG should be reviewed as soon as possible.

Improvement opportunity identified

As processes underpinning the mechanisms for providing assurance to the Board around risk management are further developed and embedded, the RMS should be updated to reflect current practice. There is an opportunity to review all policies transferred from the legacy CCG to assess continued relevance and ensure that current practices are reflected within.

Summary findings

The RMS was inherited from the former CCG along with several other key policies. It was intended that a review of inherited policies would be undertaken by March 2023, however for risk management this has been delayed in light of process changes and ongoing work to develop a BAF. We also identified other policies which had not been reviewed, for example the Whistleblowing/Freedom to Speak Up Policy.

Criteria impacted



Financial Sustainability



Governance



Improving economy, efficiency and effectiveness

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

We would support the recommendations as described and are working on plans already for the development of a strategic assurance framework (BAF), with the next update being presented to the ICB Board in the autumn. Ongoing improvements are being made to our corporate risk reporting to the Board, and we will be reviewing the Risk Management Strategy (RMS).

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



Improving economy, efficiency and effectiveness



We considered how the NHS Integrated Care Board:

- 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 and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits

National context

It has been recognised that improving the population's health and preventing illness and disease is key to reducing health inequalities and is at the heart of the NHS Long Term Plan. Tackling health inequalities is a core priority for NHS England because people from more deprived backgrounds are more likely to have long term health conditions and suffer poor health. ICBs have a pivotal role to play in delivering this ambition, but turning the dial to prevention from direct treatment will take time and finding sufficient money to invest in longer term solutions will remain a significant challenge.

Local overview of population health outcomes

Using our bespoke Grant Thornton ICB benchmarking tool, we have used National Audit Office data to provide a comparison for population health outcomes within your ICB, compared with other ICBs.

Indicators	Value	Rank
Inequality in life expectancy at birth (female)	5	14
Life expectancy (male)	80	12
Life expectancy (female)	84	9
Neonatal mortality and stillbirth rate (per 1,000 live births and still births)	6	7
Cancers diagnosed at stages 1 or 2 (%)	54	26
Under-75 cancer mortality rate (per 100,000 people)	118	13
Inequality in life expectancy at birth (male)	6	6
Under-75 Cardiovascular mortality rate (per 100,000 people)	22	1
Percentage of adults overweight or obese	62	14
Smoking prevalence in adults	14	18
Alcohol-specific mortality (per 100,000 people)	10	21
Deaths from drug misuse (per 100,000 people)	5	26
Musculoskeletal problems (%)	19	30
Health Deprivation Rank	24	19

Data from 42 ICBs (where submitted)
Data source: NAO ICB Tool

While the overall level of health and wellbeing in Somerset is good compared to other areas, the cost of living crisis has exposed some of the health and wider inequalities that exist within the local population. The ICB recognises that within the Somerset ICS, the areas of highest deprivation include Highbridge, Bridgewater and parts of Taunton and Yeovil.

The ICB works with partner organisations across the system to plan recovery from COVID-19 in a way that supports those in greatest need through equality, population health management and health inequalities workstreams.

Red – worst performing quartile

Amber – 3rd performing quartile

Light Green – 2nd performing quartile

Green – Top performing quartile

Improving economy, efficiency and effectiveness (continued)



Key aims of ICBs

The ICS and ICB should bring partner organisations together to:

1. improve outcomes in population health and health care
2. tackle inequalities in outcomes, experience and access
3. enhance productivity and value for money
4. help the NHS to support broader social and economic development.

Collaborating as systems will help health and care organisations tackle complex challenges, including:

- improving the health of children and young people
- supporting people to stay well and independent
- acting sooner to help those with preventable conditions
- supporting those with long-term conditions or mental health issues
- caring for those with multiple needs as populations age
- getting the best from collective resources so people get care as quickly as possible.

Improving population health and health inequalities

The ICB can demonstrate their commitment to tackling health inequalities through policies such as the Integrated Health and Care Strategy and the 5-Year Joint Forward Plan. The ICB can evidence cross-system collaborative working in order to identify priorities for reducing health inequalities in the population and take action to address these. This work is supported by the Population Health Board, Inequalities in Healthcare Group and Health Inequalities Data Group.

The ICB recognises that, while the overall level of health and wellbeing in Somerset is good, there are areas with significant deprivation within the county and this is a driver for health inequalities such as shorter life expectancy. Reducing health inequality is a key component of the Somerset Integrated Health and Care Strategy and also the 5-Year Joint Forward Plan.

The 5-Year Joint Forward Plan sets out the ICB's approach to tackling health inequalities, using population health data to identify communities experiencing health inequalities to ensure resources can be targeted accordingly.

The ICB uses the Core20Plus5 national NHS approach to addressing health inequalities. This approach identifies the most deprived 20% of the national population and also local population groups who may experience high deprivation, such as ethnic minorities or people with learning disabilities. Five clinical areas of focus to reduce health inequality within these populations are identified as maternity, severe mental illness, chronic obstructive respiratory disease, early cancer diagnosis and hypertension. Smoking cessation positively impacts on all five of these clinical areas. Whilst not within the Core20Plus5 population the ICB have also identified coastal communities as a priority for Somerset as these are within the county's 30% most deprived populations.

The risk factors that contribute to poor health outcomes in Somerset and reduce healthy life expectancy are identified in the 5-Year Joint Forward Plan. They include factors where early detection and treatment of conditions can improve outcomes such as high glucose levels, high body mass index and high blood pressure. Other risk factors relate to behaviours that impact on health such as smoking and alcohol use, where people can be encouraged to adopt healthier lifestyles.

The Integrated Board Assurance Reports include monitoring of health inequality data and the work being undertaken to identify and address health inequalities in Somerset, for example through the data programme, Inequalities in Healthcare Group and waiting list analysis.

The Inequalities in Healthcare Group was established in January 2023. The Group reports to the Population Health Board and has responsibility for setting the health inequality priorities for the Somerset Health and Care Strategy and delivering the Core20Plus5 priorities. A dashboard is being developed during 2023/24 to assess progress against the Core20Plus5 priorities for Somerset.

The Somerset ICS has established a Health Inequalities Data Group to use healthcare data to inform patient management

Improving economy, efficiency and effectiveness (continued)

Improving population health and health inequalities (continued)

processes and to join up data across health and social care to address health inequalities. The data group will inform the priorities of the Inequalities in Healthcare Group.

The ICB has undertaken work to identify and reduce health inequalities across a number of areas during 2022/23. Examples include:

- patient engagement, focusing on patients who do not attend, with 3 Tests of Change running for up to 6 months to establish if interventions reduce the number of missed appointments. Patients with health inequalities are identified as having a rate of non-attendance that is three times higher than those without a health inequality;
- detailed analysis of patients presenting with cancer, focussing on access by tumour site and stage of presentation in relation to deprivation and ethnicity factors;
- Somerset is a Wave 2 accelerator site for Core20Plus in relation to chronic obstructive pulmonary disease (COPD). The ICB secured funding for a community-based approach in collaboration with the voluntary sector to support people in Bridgewater, one of Somerset's most deprived areas. Improved self-management and better health outcomes for people with COPD are anticipated through greater community engagement;
- a prehabilitation programme, including nutrition, exercise and psychological support, is underway for patients due to undergo treatment for lung, prostate or colorectal cancer. The programme aims to improve fitness for treatment, increase recovery times and improve health outcomes, targeting the more deprived areas within Somerset;
- a pilot scheme at Somerset NHS Foundation Trust applies health inequality risk scores to prioritise patients within waiting lists. The risk scores relate to patients with learning disabilities, open mental health referrals and those living in areas with the highest levels of deprivation. Patient prioritisation in this way can significantly speed up the time it takes for appointments or treatment, and consideration is being given to extending the approach to other services and areas;

- hypertension, smoking cessation and suicide prevention have been identified as priorities for the health system and a programme of work is being developed for 2023/24; and
- the ICB have commissioned an analysis of the factors influencing differences in access to cancer diagnosis and treatment, including social deprivation, ethnicity and gender. This will further improve understanding of factors driving health inequalities and inform interventions to address these.

We have not identified any significant weaknesses in the arrangements the ICB has in place, and continues to develop, for addressing health inequalities.

Assessing performance and identifying improvement

Performance management and data quality

The ICB Board receives Integrated Board Assurance Reports that provide sufficient detailed performance information to provide an overall view of the position of health and social care in within the system. The ICB identifies mitigating actions to improve performance where it is below target. We have made an improvement recommendation that the ICB should develop a Data Quality Policy to formally document the processes for ensuring data quality.

Within each system, the backlog of postponed procedures and operations makes elective recovery a priority. Waiting lists are higher than they have been for a decade and those waiting the longest are often those with additional complexities. There are numerous workforce pressures including retention, recruitment, reducing reliance upon bank and agency staff and having staff with the right skills delivering the right services. With resources being limited, and not necessarily in the right places to address current and future patient demand, the pace of change seen over the past two years must continue, and system thinking has to develop quickly. Achieving value for money has never been so important.

The ICB Board receives Integrated Board Assurance Reports (IBAR) at every meeting. The

Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement (continued)

IBAR provides an overview of quality and performance issues for escalation to the Board in relation to quality indicators, primary care, urgent and emergency care, elective care, and mental health. Areas for escalation are supported by key data metrics and a narrative that details performance challenges and mitigating actions. The IBAR includes key performance indicators for the ICB and NHS providers within the ICS.

In addition to the performance issues escalated through the IBAR exception reports, the IBAR includes an appendix containing dashboards of key performance indicators across key service areas such as quality, urgent care, accident and emergency, diagnostics and cancer. These dashboards include monthly ICB and NHS provider performance against target and are supported by detailed narrative on performance and mitigating actions. The performance metrics reported reflect constitutional, national standards and System Oversight Framework performance targets.

The IBAR provides assurance that the ICB is monitoring and reporting key performance metrics across the system and is taking action to improve performance where required. For example, the March 2023 IBAR identifies areas of performance which are below target for escalation to the Board which include:

- physical health checks for people with severe mental illness (67% of annual target delivered) – a cross system working group has been established to increase the number, quality and consistency of physical health checks and resulted in improved performance during the year. A further physical health support worker has been recruited to further improve performance in 2023/24;
- improved access to psychological therapies (65.4% of annual target delivered) - work is focused on increasing capacity across all areas through recruitment of trainees and qualified staff. The Long-Term Condition expansion programme has been restarted to generate additional referrals to meet patient need and improve performance. A remedial action plan is in place;

- category 1 and 2 ambulance response times (waiting times in excess of the relative 7 minute and 18 minute standards) – the ICB is working with the ambulance trust to improve performance through optimal call handling, increased frontline resourcing, and improvements to infrastructure; and
- Cancer 2 week wait from urgent GP referral (64.8% against 93% target) - performance is challenged across all cancer pathways due to increases in demand and workforce issues. A 2 week wait triage clinic has been introduced at Somerset Foundation Trust to provide additional consultant capacity for the Breast Service. Additional capacity has been created within Bridgewater Community Hospital to address long waits with regard for colonoscopy.

Good quality data is required to ensure that it supports sound and informed decision making in relation to patient care, clinical governance, financial sustainability and workforce planning. Quality data is accurate, complete, reliable, relevant and timely. The ICB's performance team undertake quality assurance processes in relation to the performance data presented in the IBAR.

We note that there is no Data Quality Policy in place for the ICB. We have made an improvement recommendation that the ICB should develop a Data Quality Policy for the system that formally documents the processes for ensuring data quality. The Policy should include the following:

- definition and importance of data quality;
- formal roles and responsibilities of Boards, committees and officers within the ICB and wider system for ensuring data quality;
- the formal arrangements across the system for ensuring data quality;
- identification of key systems that hold data and the controls to ensure the quality of data; and
- requirements for data quality audit and benchmarking.

Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement (continued)

The ICB faces challenges to improve performance in areas such as cancer waiting times and elective care recovery, which are national issues and compounded by the impact of the pandemic and by workforce capacity pressures due to staff vacancies and sickness.

We are satisfied that the ICB has adequate arrangements in place to monitor performance in key areas and identify mitigating actions to improve performance where it is below target.

Benchmarking

The ICB has adequate arrangements in place to understand the cost of delivering services and identify areas for efficiency or quality improvement through benchmarking.

Benchmarking is used to identify areas for efficiencies across the Somerset health system through the NHSE South-West efficiency and productivity opportunity matrix. The matrix provides both system and organisational views of ICS efficiency opportunities to allow for benchmarking. Benchmarking utilises various data feeds such as Model Health System, Model Hospital, Right Care, and Monthly Provider Financial Returns.

The ICB benchmarks continuing healthcare activity and cost, presenting the results as deep dive reports to the Finance Committee. Benchmarking includes the delivery of savings using national benchmarking and trend analysis, benchmarking of total spend against other ICBs, and benchmarking referrals and assessments against England and the South-West.

Prescribing benchmarking reports to the Finance Committee include analysis of standardised cost comparators to other ICBs and the impact of medicine price concessions on the Somerset health system.

The Finance Committee received a Productivity Deep Dive report in December 2022, providing information on productivity levels at Somerset Foundation Trust and Yeovil District Hospital through analysis of cost weighted activity, pay productivity and workforce productivity. Productivity benchmarking was undertaken for Somerset, the two provider trusts, and the South-West region.

At a Somerset system level, it was identified that there was an overall reduction in productivity of 20.1% when compared to 2019/20. Next steps were identified as working to improve the data and identify further metrics to understand the position, and to work with Trusts to use the information to improve productivity going forward.

We have not identified any risk of significant weakness in the benchmarking arrangements that the ICB has in place.



Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement (continued)

System Oversight Framework and reports by regulators

The ICB is in System Oversight Framework (SOF) rating 2, indicating there is no risk of significant weakness with regards to performance against the SOF metrics.

The System Oversight Framework is built around five national themes that reflect the ambitions of the NHS Long Term Plan, including quality of care, people and finance. Every NHS body receives a rating between one and four. A body with a rating of one is consistently high performing, whereas a rating of four indicates very serious, complex issues manifesting as critical quality and/or finance concerns that require intensive support.

The Somerset ICB is rated as SOF2, which is the default segment, and so there are no indications of significant weaknesses in the ICB's performance. The two NHS trust providers within the Somerset system for 2022/23, Somerset NHS Foundation Trust and Yeovil District Hospital NHS Foundation Trust, were also both rated as SOF2. We also note that both NHS Trusts were rated as Good based on their latest inspections by the Care Quality Commission (CQC).

The performance of the NHS Trusts within the Somerset health system is monitored by the ICB. The IBAR reports contain key performance indicators for providers relating to national priorities and the SOF, as well as updates on Trust progress implementing the recommendations from the national Ockenden Report on maternity services. Trust performance is also scrutinised through system-wide delivery boards, such as the Accident and Emergency Delivery Board and Elective Care Delivery Board, who review key performance metrics against planned activity.

From review of the ICB's SOF rating, and provider SOF and CQC ratings, we have not identified any risk of significant weakness with regard to arrangements for securing economy efficiency and effectiveness.



Improving economy, efficiency and effectiveness (continued)

Quality governance

The ICB has a designated Executive clinical lead for quality, and responsibility for the quality agenda is embedded at each level of the system. There is evidence of established forums being in place to review quality arrangements across the system and evidence of good oversight and knowledge of the key areas of risk. Strong partnership working is evident through the System Quality Group and processes are in place to share learning of both good practice and areas for development.

The ICB is focused on ensuring that both performance and outcomes should be monitored to allow greater assurance. The ICB is aware further development is required to strengthen the quality dashboards with a need to continue building the ICBs relationship with primary care colleagues.

We have raised an improvement recommendation that in order to strengthen the processes and improve quality oversight the ICB should:

- streamline and review the data captured in the various dashboards to improve triangulation of performance and outcomes metrics and strengthen the assurance provided to the ICB; and
- formalise the escalation process to ensure that all areas of potential escalation are identified consistently.

System Quality Group

The System Quality Group (SQG) provides a strategic forum where partners from health, social care, public health and the wider ICS join up around common priorities that are linked to the Integrated Care Partnership Strategy. The SQG provides a regular forum to routinely share insight and intelligence, identify concerns or risks to

quality, and develop opportunities for the ongoing improvement in the quality of care across the ICS.

The SQG is held monthly and is chaired by the ICB's Chief Nurse who is the designated executive clinical lead for quality, including safety. The SQG provides summary reports to the ICB Quality Committee and ICB Board.

The SQG is supported by an agreed Terms of Reference and is supported by a formal cycle of business which is reviewed annually. A comprehensive action log is maintained and reviewed at each meeting, with actions assigned to nominated leads. Review of the SQG minutes confirms that there is good system-wide engagement and attendance from Group members.

The format of the SQG is split with an initial update on new risks and the mitigations that have been put in place to address risk. The second half of the meeting includes presentations relating to a focused topic or service. This further engages system partners, provides deep dives into areas of potential risk, and may be used to inform future work.

To gain additional assurance and understanding of key quality issues the ICB has introduced System Walk Through visits which are undertaken by members of the Quality Team.

Quality Strategy

A three-year draft Quality Strategy has been developed which is currently out for consultation. The Strategy has been developed in collaboration with system partners and incorporates the ICB's 13 System Quality Objectives and aligns the approach to National Quality Board guidance.

Quality Governance

"The quality of health and care matters because we should all expect care that is consistently safe, effective, and provides a personalised experience."

This care should also be delivered in a way that is well-led, sustainable and addresses inequalities. This means that it enables equality of access, experiences and outcomes across health and care services." National Guidance and System Quality Groups, National Quality Board, January 2022

Integrated Care Systems (ICSs) must ensure they have effective arrangements to support all elements of quality management including:

- quality planning
- quality assurance / control
- quality improvement functions.

Integrated Care Boards (ICB) should implement quality structures that support integration, reduce bureaucracy and improve overall quality management.

Improving economy, efficiency and effectiveness (continued)

Quality governance (continued)

The Quality Strategy objectives include areas such as :

- convene and enable high functioning system relationships;
- support the recovery of services post pandemic and into the future;
- maternity and neonatal service improvement and transformation;
- primary care quality improvement and transformation; and
- care sector quality support.

Each objective is supported by a narrative that outlines how the objective will be delivered and covers all areas of the System.

One key aim the Strategy is the development of a single system Quality Assurance Framework and this has also been developed in draft.

The Framework is set around the National Quality Board's Shared Commitment to Quality. The Framework sets out the vision for using national dashboards, gaining direct access to providers Board quality reports, and an insight visit reporting and support programme. Capturing care home and home care provider data into the dashboard allows for a whole health and care system view.

From discussions with senior officers, we understand that there are a variety of dashboards that contain large amounts of data and there has been a temptation to focus on areas highlighted as red risk rated. However, it is acknowledged that some assurance from the data collated may not be factually accurate and the process is under review.

There is further work required to streamline and review the data collated in the various dashboards to improve the triangulation of performance and outcomes metrics and strengthen the assurance provided to the ICB.

Quality Committee

The Quality Committee, which is now referred to as the Patient Safety and Quality Assurance Committee (PSQAC), meets bi-monthly and is chaired by a Non-Executive Director from the ICB.

The PSQAC is supported by a current Terms of Reference which set out the Committee's membership, remit, responsibilities and reporting arrangements in line with expected practice. The purpose of the Committee is to provide the ICB with assurance that the system is delivering its agreed functions in a way that secures continuous improvement in the quality of services as set out in the Shared Commitment to Quality and enshrined in the Health and Care Act 2022.

There is a formalised upward reporting structure into the PSQAC that allows oversight of areas such as safeguarding, medicine management and learning from death activity, which are the recognised areas of highest potential risk for organisations. In addition, a comprehensive integrated Quality Report is presented by the Chief Nurse alongside a Quality Scorecard. This allows for oversight of both current performance and the impact on service delivery.



Improving economy, efficiency and effectiveness (continued)

Quality governance (continued)

Escalation framework

The ICB has established processes in place to escalate internal concerns to the region, NHS England or the Care Quality Commission. The Quality structure outlined in the Draft Quality and Safety Framework provides guidance on the levels of support provided that are associated with the level of risk.

A review of SQG and PSQAC provides clear evidence that items for escalation are consistently highlighted and escalated. However, there is no formalised escalation tool in place, and this may result in areas of potential escalation not being identified.

Partnership working

There is evidence of significant partnership working between the ICB, other NHS bodies, independent providers, local councils, and the community and voluntary sector in order to deliver joined up health and care services in Somerset. Governance arrangements are in place to ensure partnerships contribute to health priorities within the system. Sufficient information is provided to decision makers with regard to the activities of partnerships across the system and how they are contributing to strategic objectives.

The ICB engages with a range of partners across the Somerset ICS in order to deliver the health priorities relating to improving wellbeing and reducing health inequalities that are set out in the Integrated Health and Care Strategy. Key partners within the health system include NHS providers, general practices, Healthwatch, the voluntary sector, and local authorities.



Partnerships and delivery structures

Provider collaboratives – NHS providers will work together at scale through provider collaboratives across ICSs, which may involve voluntary and independent sector providers

Health and wellbeing boards (HWBs) are formal committees of local authorities bringing together a range of local partners. They are responsible for producing a joint strategic needs assessment and a joint health and wellbeing strategy for their local population

Place-based partnerships operate on a smaller footprint within an ICS, often that of a local authority. They are where much of the heavy lifting of integration will take place through multi-agency partnerships involving the NHS, local authorities, the VCSE sector and local communities themselves.

Primary care networks (PCNs) bring together general practice and other primary care services, such as community pharmacy, to work at scale and provide a wider range of services at neighbourhood level.

Geographical footprint	Partnership and delivery structures	
	Name	Participating organisations
System Usually covers a population of 1–2 million	Provider collaboratives	NHS trusts (including acute, specialist and mental health) and as appropriate voluntary, community and social enterprise (VCSE) organisations and the independent sector; can also operate at place level
Place Usually covers a population of 250–500,000	Health and wellbeing boards	ICS, Healthwatch, local authorities, and wider membership as appropriate; can also operate at system level
	Place-based partnerships	Can include ICB members, local authorities, VCSE organisations, NHS trusts (including acute, mental health and community services), Healthwatch and primary care
Neighbourhood Usually covers a population of 30–50,000	Primary care networks	General practice, community pharmacy, dentistry, opticians

Source: King's Fund

© 2023 Grant Thornton UK LLP.

Improving economy, efficiency and effectiveness (continued)

Partnership working (continued)

The ICB is an active member of the Somerset Health and Wellbeing Board and Integrated Care Partnership. The Somerset Health and Wellbeing Board and Integrated Care Partnership have formed a Committee in Common in order to address health and social care needs together as well as transport, housing, jobs and leisure needs. This is to enable priorities to be delivered relating to economic prosperity, fairer opportunities, and improved health and wellbeing. The Committee in Common includes partners from across the system including local authorities, NHS providers and commissioners, Healthwatch, the police and the voluntary sector.

The work of the Committee in Common is underpinned by the Improving Lives Strategy which sets out how the assessed needs of the local population will be met through partners working collaboratively within the system. The Integrated Health and Care Strategy, published by the Integrated Care Partnership, supports the Somerset Health and Wellbeing Strategy and its underlying principles of increasing healthy life expectancy and reducing health inequality. The Integrated Health and Care Strategy sets out how NHS organisations, councils and other partners will work together to deliver joined up preventative care for the whole population.

There are 13 primary care networks within the Somerset ICS who make decisions around health and care on a neighbourhood level, collaborating with health and care providers, the voluntary and community sector, and local authorities.

Healthwatch Somerset is a statutory organisation which acts as a participant at ICB Board meetings. They form part of a network of local Healthwatch organisations that champion health and social care across England. Healthwatch Somerset produces reports in collaboration with NHS organisations whose findings are based on public concerns and feedback regarding healthcare. Healthwatch Somerset provides an Annual Report to the ICB Board detailing the work they have carried out in the year, for example addressing patient concerns in relation to accessing GP appointments and conditions deteriorating while patients wait for care. Healthwatch Somerset are an important partner ensuring that local patient experience influences the care provided by NHS providers and commissioners.

The ICB can demonstrate that it engages and consults with key stakeholders and partners when shaping services or identifying priorities.

The ICB and Healthwatch Somerset engaged with the public during the development of the Integrated Health and Care Strategy in order to understand the views and needs of the local population. Engagement included an online survey as well as Healthwatch Somerset volunteers holding face-to-face sessions in Street, Yeovil, Bridgwater, Frome and Taunton to listen to the public's view on health service provision. An independent company was commissioned to analyse the feedback received, including 503 questionnaires and 58,237 social media interactions, with the themes from the engagement work considered against the five aims of the Integrated Health and Care Strategy.

We have not identified any significant weaknesses with regard to partnership working arrangements within the Somerset ICS.



Improving economy, efficiency and effectiveness (continued)

Procurement

The ICB has arrangements in place to ensure procurement activities are subject to governance and oversight, including the Procurement Strategy and regular reporting of waivers to the Audit Committee. Further governance arrangements to oversee system-wide procurement activity have been developed with the establishment of the Procurement Oversight Group. We have made an improvement recommendation to further strengthen arrangements through providing an annual waiver report to the Audit Committee.

The Finance Committee considered the Procurement Policy at their meeting in September 2022. The Procurement Policy is based on the Somerset Clinical Commissioning Group's Procurement Policy and sets out how procurement decisions should be undertaken. The Policy includes roles and responsibilities, the ethical framework, procurement legislation and the procurement approach to be taken.

The ICB's Procurement Policy is expected to be updated when changes to NHS procurement rules come into force, replacing the Procurement, Patient Choice and Competitions Regulations 2013 with the Provider Selection Regime. There will also be changes to the Public Contracts Regulations 2015 that will need to be reflected in the Procurement Policy.

The ICB Standing Financial Instructions define the procedures for procurement and purchasing, including the minimum route to procurement to take for different financial thresholds. These are in line with our expectations.




The ICB has established a Procurement Oversight Group which will be responsible for developing the ICS Procurement Strategy and regularly reviewing the Procurement Policy. The Procurement Oversight Group will be responsible for the management, oversight and scrutiny of procurement and provider activity for the ICS, providing assurance to the ICB Board that conflicts of interest are managed appropriately.

In accordance with the Procurement Policy, single tender waivers above £30k are reported to each meeting of the Audit Committee. The report provides for each waiver the supplier, the contract value, description of goods or services, reason for waiver, date, and officer approval. Waiver reports provide sufficient information to provide an understanding of why a waiver was approved and allow for scrutiny and challenge by the Audit Committee.

We have raised an improvement recommendation to further strengthen arrangements through providing an annual waiver report to the Audit Committee that summarises the number, value and reason for all waivers approved in the year. This will allow for scrutiny and challenge of the overall level of waivers approved where procurements did not follow approved processes, with a view to identifying actions to reduce the number of waivers and ensure value for money is achieved through procurement activity.



Improvement recommendations

Recommendation 6	<p>The ICB should develop a Data Quality Policy for the system that formally documents the processes for ensuring data quality. The Policy should include the following:</p> <ul style="list-style-type: none"> • definition and importance of data quality; • formal roles and responsibilities of Boards, committees and officers within the ICB and wider system for ensuring data quality; • the formal arrangements across the system for ensuring data quality; • identification of the key systems that hold data and the controls to ensure the quality of data; and • requirements for data quality audit and benchmarking.
Improvement opportunity identified	Good quality data is required to support sound and informed decision making.
Summary findings	<p>The ICB's performance team undertake quality assurance processes in relation to the performance data presented in the IBAR.</p> <p>The ICB has not formalised these arrangements through a Data Quality Policy.</p>
Criteria impacted	<div> <div>  Financial Sustainability </div> <div>  Governance </div> <div>  </div> </div>
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	<p>Somerset ICB has a Data Quality Policy in place which was updated and approved in June 2023 at the Information Governance, Records Management and Caldicott Committee (IGRMCC) to ensure that we have robust data to:</p> <ul style="list-style-type: none"> • Improve patient care • Support population health management • Support commissioning decisions and policy developments • Create, support and improve patient-centric analyses • Support and improve dashboard development • Ensure the provision of high quality and accurate analysis <p>As part of the ongoing work on the Digital Strategy we will work with our Governance Team/IGRMCC to establish if the Policy requires further refinement at the appropriate point.</p>

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



Improvement recommendations

In order to strengthen quality assurance processes and improve quality oversight the ICB should:

Recommendation 7

- streamline and review the data captured in the various dashboards to improve triangulation of performance and outcomes metrics and strengthen the assurance provided to the ICB; and
- formalise the escalation process to ensure that all areas of potential escalation are identified consistently.

Improvement opportunity identified

Implementing these measures to further strengthen quality assurance arrangements will support the ICB's focus on creating a system of continuous quality improvement.

Summary findings

There is evidence of established forums being in place to review quality arrangements across the system and evidence of good oversight and knowledge of the key areas of risk.

There is further work required to streamline and review the data collated in various dashboards to improve the triangulation of performance and outcomes metrics and strengthen the assurance provided to the ICB.

A review of SQG and PSQAC provides clear evidence that items for escalation are consistently highlighted and escalated. However, there is no formalised escalation tool in place, and this may result in areas of potential escalation not being identified.

Criteria impacted



Financial Sustainability



Governance



Improving economy, efficiency and effectiveness




Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

Within the Performance Team we have various monitoring tools (daily, weekly, monthly) in place to enable us to assess performance across a wide range of health metrics; these include the CSU Insights Platform, Futures NHS tableau tools/dashboards/outputs, Foundry, HED as well as local dashboards (in the main populated with national data). Across both the Performance and BI Teams we ensure that any local data is validated against national data once available to ensure that our outputs are accurate. These tools/outputs are continually monitored and we swiftly discuss any new and emerging trends with relevant colleagues across the ICB/ICS to ensure that we have a "single version of the truth" which can then be reported into the Somerset Assurance Forum (by way of a 'deep dive'), within the IBAR or indeed any briefing notes. Where possible we triangulate the data with other sources to identify if there is common pattern or if there is potentially data quality issue that requires further investigation, and work closely with our embedded BI Team/SFT BI/Operational Performance Teams in this respect. We are looking to enhance the IBAR Exception Report and detailed Appendix during 2023/24 to include sections on workforce and finance, the inclusion of outcome metrics where possible and more immediately undertaking work to ensure that we fully align to the 2023/24 NHS (System) Oversight Framework (SOF) which has recently been shared by NHSE in draft. In terms of the escalation process, the Somerset Performance Team is working closely with the Chief Finance Officer and Director of Performance and other Board Executives to ensure that areas of exception included within the IBAR Exception Report have been discussed first at the Somerset Assurance Forum prior to inclusion in the Exception Report, and looking to refine processes in order to achieve this outcome.

Improvement recommendations

Recommendation 8	An annual review of procurement waivers approved during the year should be undertaken and an annual report provided to the Audit Committee for scrutiny and challenge. The report should include an analysis of the number, value and reasons for granting waivers, and identify where improvements to processes can be made to reduce the number of waivers approved.
Improvement opportunity identified	An annual review and report will allow for scrutiny and challenge of the overall level of waivers approved where procurements did not follow approved processes, with a view to identifying actions to reduce the number of waivers and ensure value for money is achieved through procurement activity.
Summary findings	<p>Single tender waivers above £30k are reported to each meeting of the Audit Committee. The report provides information for each waiver relating to the supplier, the contract value, description of goods or services, reason for waiver, date, and officer approval. Waiver reports provide sufficient information to provide an understanding of why a waiver was approved and allow for scrutiny and challenge by the Audit Committee.</p> <p>Processes would be further strengthened through providing an annual waiver report to the Audit Committee that summarises all waivers approved during the year.</p>
Criteria impacted	<div><div> Financial Sustainability</div><div> Governance</div><div> Improving economy, efficiency and effectiveness</div></div>
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	The ICB will address this recommendation and plans to ensure that an annual review of procurement waivers is presented to the Audit Committee for the conclusion of the 2023/24 financial year.

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



Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1 The CCG/ICB must work with its ICS partners to develop realistic and deliverable savings plans for the efficiency savings required in 2022/23.	Improvement	September 2022	<p>For 2022/23 the Somerset ICS delivered efficiencies of £37.9m against a target of £37.1m, thus exceeding the savings plan by £0.8m. Within the total savings delivered, recurrent efficiencies were £8.9m below the plan and non-recurrent efficiencies were £9.7m more than planned.</p> <p>The system CIP target of £49.4m for 2023/24 is a significant increase (30%) compared to actual delivery in 2022/23. This target will be challenging for NHS organisations within Somerset to deliver and represents a financial risk to achieving the financial breakeven plan.</p>	Ongoing	We have raised an improvement recommendation that the ICB should continue to develop the system wide efficiency programme, with a strong focus on developing a multi-year efficiency programme to support the Financial Strategy and in managing the risks associated with savings delivery. The delivery of recurrent savings that will benefit future years should be a priority.
2 To further enhance quality and performance reporting, the ICB should consider including KPI target scores to give context to the performance data and ensure it is explicitly clear where targets are or are not being achieved.	Improvement	September 2022	The Integrated Board Assurance Reports include performance dashboards which provide monthly RAG rated performance metrics against the threshold or target for key performance indicators.	Yes	None.
3 We recommend that the tender waiver report to Audit Committee includes approval information.	Improvement	September 2022	The tender waiver report includes the date of the waiver approval as well as the approving officers who include the budget holder, procurement officer, and Chief Financial Officer.	Yes	We have raised a further improvement recommendation that the Audit Committee should receive an annual waiver report.

Opinion on the financial statements



Grant Thornton provides an independent opinion on whether the ICB's financial statements:

- give a true and fair view of the financial position of the ICB as at 31 March 2023 and of its expenditure and income for the period then ended;
- have been properly prepared in accordance with international accounting standards as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2022-23; and
- have been prepared in accordance with the requirements of the National Health Service Act 2006, as amended by the Health and Care Act 2022.

We conducted our audit in accordance with:

- International Standards on Auditing (UK);
- the Code of Audit Practice (2020) published by the National Audit Office; and
- applicable law.

We are independent of the ICB in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements

We issued an unqualified opinion on the ICB's financial statements on 29 June 2023.

The full opinion is included in the ICB's Annual Report for 2022/23, which can be obtained from the ICB's website.

More detailed findings are set out in our Audit Findings Report, which was presented to the ICB's Audit Committee on 27 June 2023. Requests for this Audit Findings Report should be directed to the ICB.



Other reporting requirements



Regularity of income and expenditure

Under the Code of Audit Practice (2020) published by the National Audit Office, we are required to consider whether, in all material respects, the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions in the financial statements conform to the authorities which govern them. We have nothing to report in this regard.

Remuneration and Staff Report

Under the Code of Audit Practice (2020) published by the National Audit Office, we are required to audit specified parts of the Remuneration and Staff Report included in the ICB's Annual Report for 2022/23. These specified parts of the Remuneration and Staff Report have been properly prepared in accordance with the requirements of the Department of Health and Social Care Group Accounting Manual 2022-23.

Annual Governance Statement

Under the Code of Audit Practice (2020) published by the National Audit Office, we are required to consider whether the Annual Governance Statement included in the ICB's Annual Report for 2022/23 does not comply with the guidance issued by NHS England, or is misleading or inconsistent with the information of which we are aware from our audit. We have nothing to report in this regard.

Annual Report

Under the Code of Audit Practice (2020) published by the National Audit Office, we are required to consider whether, based on the work undertaken in the course of the audit of the ICB's financial statements for 2022/23, the other information published together with the financial statements in the ICB's Annual Report for 2022/23 is consistent with the financial statements. We have nothing to report in this regard.

Whole of Government Accounts

To support the audit of NHS England group accounts, 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 ICB'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 did not identify any issues.



The use of 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 to the ICB in 2022/23.

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 to the Secretary of State for Health and Social Care regarding the ICB's break even duty. We do not consider that any unlawful expenditure has been made or planned for.

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 report in the Public Interest with regard to arrangements at Somerset ICB for 2022/23.

Appendices

Appendix A:

Responsibilities of the Integrated Care Board

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 of the Integrated Care Board (ICB) are 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 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 ICB 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 ICB 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 Integrated Care Board's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference(s)
Statutory	Written recommendations to the Integrated Care Board 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 Integrated Care Board . We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Integrated Care Board, but are not a result of identifying significant weaknesses in the Integrated Care Board 's arrangements.	Yes	Pages 20 - 22 Pages 28 - 29 Pages 41 - 43

