Grant Thornton

Bath and North-East Somerset, Swindon and Wiltshire Integrated Care Board

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

August 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.

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	G	No risks of significant weakness identified.	A	No significant weaknesses in arrangements identified, but four improvement recommendations made in relation to developing medium term financial planning, managing the risks relating to the efficiency programme, developing the system wide approach to capital planning, and strengthening budget monitoring arrangements.
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 arrangements, especially around internal control and risk management.	A	No significant weaknesses in arrangements identified, but an improvement recommendation has been raised in relation to finalising the Board Assurance Framework and addressing internal audit recommendations regarding local risk management arrangements promptly.
Improving economy, efficiency and effectiveness	G	No risks of significant weakness identified.	A	No significant weaknesses in arrangements identified, but three improvement recommendations made in relation to developing performance reporting, developing governance structures that provide adequate oversight of operational performance measures in respect of all providers, and further strengthening the quality governance arrangements in place.

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 budget setting, monitoring and financial planning arrangements are adequate.

The ICB delivered an £18k surplus in 2022/23, with other organisations within the system also reporting modest surplus positions at the year end. Therefore, the ICB and wider system met their 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.

Work has started to develop the medium-term financial plan with the ICB and NHS providers compiling their three-year financial baseline position. Work is also being undertaken to calculate the system underlying financial deficit, estimated at £79.5m in the 2023/4 financial plan. The Recovery Plan is under development and efficiency schemes are in the process of being scoped and worked up. We have raised an improvement recommendation that **the ICB and system partners should continue the work to develop and align the medium-term financial plan and the Recovery Plan as a priority.**

The ICB delivered £32.2m of efficiency savings in 2022/23 which equates to 87.5% of the annual target, while the health system delivered efficiencies of £65.6m or 90.6% of the target. Therefore, the ICB and NHS providers within the system delivered a substantial proportion of their savings target, although more non-recurrent savings were delivered than planned.

The system CIP target of £96.3m for 2023/24 is a significant increase (46.8%) compared to actual efficiency delivery in 2022/23. This target will be challenging for NHS organisations within the health system to deliver and represents a significant risk to achieving the financial breakeven plan. The ICB and its NHS partners are taking steps to mitigate the risk relating to the delivery of efficiency targets that include the development of a Recovery Plan and establishing governance arrangements to oversee and monitor the delivery of the plan.

We have raised an improvement recommendation that **the ICB should continue to develop the efficiency programme with system partners, with a strong focus on managing the risks associated with savings delivery and embedding the governance arrangements that are being implemented to mitigate these risks.** The identification and delivery of recurrent savings that will benefit future years should be a priority.

Capital funding within the NHS is constrained at both national and system level. The 2023/24 capital programme was developed at an organisational level and capital plans align to national and system health priorities. The ICB has started work to develop a single capital programme and prioritisation process, in order to align capital investment to the delivery of the Acute Hospital Alliance Clinical Strategy. We have raised an improvement recommendation that **the ICB should continue to develop the system wide approach to capital planning, ensuring that capital resources are prioritised across the system to ensure national and local health priorities are addressed.**

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 system. Budget monitoring reports to the Board and Finance and Investment Committee are adequate. We have raised an improvement recommendation that **the ICB should further strengthen budget monitoring arrangements, ensuring that budget holders have the skills, knowledge and tools to effectively manage their budgets.**

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 arrangements in place to identify, understand, report and manage risk. Work to develop the Board Assurance Framework began in 2022/23 and continues into 2023/24, with a soft launch anticipated in July 2023. While the BAF was not in place during 2022/23, we are satisfied that risk management continued and the Corporate Risk Register was regularly presented to the Audit and Risk Committee. As a fundamental source of Board assurance, we have raised an improvement recommendation that **the BAF should be implemented in July as planned and the ICB should address the weaknesses/actions identified by internal audit regarding local risk management.**

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.

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 Good Governance Institute reviews undertaken will further enhance the effectiveness of the Board going forward.

Improving economy, efficiency and effectiveness

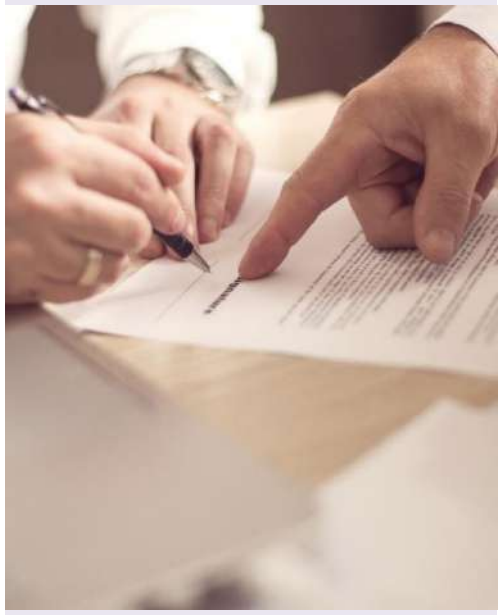
We have not identified any areas of significant weakness in respect of the arrangements that the ICB has in place to secure economy, efficiency and effectiveness.

The ICB can demonstrate their commitment to tackling health inequalities through policies such as the Integrated Care Strategy and the Inequalities Strategy. There is much evidence of collaborative working to identify priorities for reducing health inequalities in the population and taking action to address these through the work of the Population Health Board and Integrated Care Alliances at place level.

The ICB Board receives Operational Performance Reports at each meeting to provide an oversight of performance across the BSW system. Performance is also monitored through other forums and committees such as the Performance and Risk Committee and Elective Care Board. The performance reports and metrics provided to the Board continue to be revised as the ICB matures, and we have raised an improvement recommendation that **the ICB should continue to develop performance reporting to ensure that KPIs reflect the Integrated Care Strategy, Operational Plan Priorities and the System Oversight Framework.**

Financial Statements opinion

We have completed our audit of your financial statements and issued an unqualified audit opinion on 29June 2023, following the Audit Committee meeting on 13 June 2023. Our findings are set out in further detail on pages 48 to 49.



Executive summary (continued)

Improving economy, efficiency and effectiveness (continued)

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 ICB fulfils its oversight role in relation to quality improvement and the SOF and Care Quality Commission ratings of NHS providers within and outside the ICS through the work of the System Quality Group. We note that a mental health provider performance group has recently been established to monitor and evaluate the operational performance of all mental health providers within the ICB's footprint.

We have raised an improvement recommendation that **the ICB should continue to develop governance structures that provide adequate assurance and oversight of operational performance measures in respect of all providers, including where the ICB is not the lead NHS commissioner.** Governance forums should take a holistic view of financial, workforce and operational performance.

There are adequate quality governance arrangements in place across the system. There is a designated executive clinical lead for quality, and responsibility for the quality agenda has been identified across the system. Progress has been achieved in establishing the system alliances and there is evidence to demonstrate engaged partnership working among system partners. Many of the processes relating to quality assurance now require formalising and embedding. We have raised an improvement recommendation that **the ICB should strengthen quality assurance arrangements through the formalisation and embedding of processes.**

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.

Our commentary on the Integrated Care Board's arrangements in each of these three areas, is set out on pages 10 to 46.

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

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 ICSs 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 Social Care Act 2022 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 Bath and North-East Somerset, Swindon and Wiltshire Integrated Care Board (BSW ICB) serves a population of approximately 940,000 people. BSW ICB is part of the Bath and North-East Somerset, Swindon and Wiltshire Integrated Care System (BSW Together). The health system brings together Great Western Hospitals NHS Foundation Trust, Royal United Hospitals Bath NHS Foundation Trust, Salisbury NHS Foundation Trust, local authorities, mental health and ambulance trusts, private providers, GP practices and the voluntary sector.

Prior to 1 July 2022, responsibility for many health services was held by CCGs. Since 1 July 2022 the BSW ICB has held responsibility for planning NHS services, including primary care and those previously planned by Bath and North-East Somerset, Swindon and Wiltshire 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;
4. help the NHS to support broader social and economic development.

BSW ICB and the Bath and North-East Somerset, Swindon and Wiltshire Integrated Care Partnership have published the 5-year Integrated Care Strategy that sets out the health system's ambition to work collaboratively to support the local population to live happier and healthier for longer. System partners have developed three objectives for the Integrated Care Strategy: focusing on prevention and early intervention; fairer health and wellbeing outcomes; and excellent health and care services.

The area that the BSW ICB serves is large and varied, including the densely populated town of Swindon to the north, Salisbury plains to the south, and the city of Bath to the west. While this area is relatively less deprived than other parts of England, there are pockets of higher deprivation where health inequalities arise that impact on life expectancy and the occurrence of physical and mental health issues.

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 and 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. ICBs formed from the merger of several CCGs are being asked to reduce their management and other infrastructure costs. 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 an £18k surplus in 2022/23, with other NHS organisations within the system also reporting modest surplus positions at the year end. Therefore, the ICB and health system met their duty to breakeven. A risk share agreement is in place across the ICS to ensure individual organisations deliver a balanced position, with the 2022/23 outturn position reflecting a transfer of £51.1m from the ICB to providers. Within this net position there are cost pressures relating to agency staff, recurrent savings delivery, inflation and demand pressures. Expenditure in 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 as a whole achieving financial breakeven.

The Finance and Investment Committee approved the 2022/23 budget in July 2022 which presented a breakeven plan for the system. The balanced position reflected a £51.1m surplus for the ICB and a £51.1m deficit for providers. The plan was based on the risk share agreement that the ICB would distribute their surplus to providers as additional costs were incurred during the year in order to achieve the regulatory obligation to breakeven.

The ICB delivered an £18k surplus against the breakeven plan. The three system NHS providers also delivered a total £0.1m surplus. Therefore, the ICB and the system met their financial performance duties to break even. This financial position was delivered after the application of the risk share agreement as planned.

Within the ICB net surplus position of £18k, cost pressures were noted as follows:

- £5.9m overspend on planned and unscheduled care due to increased elective activity in independent sector providers and non-contracted activity with devolved authorities;
- £5.1m overspend in prescribing costs due to price pressures and No Cheaper Stock Obtainable costs;
- £6.1m continuing healthcare cost pressure due to increasing caseload and increasing cost of packages of care.

ICB cost pressures were managed through additional income allocations and reductions in spend against the plan in areas such as other programme services and programme reserves.

System financial pressures experienced during the financial year included:

- Royal United Hospital and Salisbury Hospital delivered their efficiency targets, but this was achieved through additional non-recurrent savings delivery;
- Great Western Hospital under delivered by £2.3m against planned efficiencies, also delivering additional non-recurrent savings compared to plan;
- agency and bank staff costs were double the planned level with agency costs 27% higher than in 2021/22, resulting in agency staff costs of £44.0m against the £24.2m cap.

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)	£0k	£0m
Adjusted surplus/(deficit)	£18k	£0.1m
Planned capital spend	£2.5m	£89.4m
Actual capital spend	£2.4m	£115.4m
Planned CIP	£36.8m	£72.4m
Actual CIP	£32.2m	£65.6m
Year-end cash position (overdraft)	£(2.1)m	-

Financial sustainability (continued)

Short and medium-term financial planning (continued)

System cost pressures were mitigated during the financial year through non-recurrent means which include additional income allocations, delivery of additional non-recurrent savings and the system risk share agreement.

The priorities identified as part of the development of the Recovery Plan recognise and seek to address the service cost pressures experienced across the system in relation to workforce, medicines, elective recovery and continuing healthcare.

The ICB underdelivered their planned savings target by £4.6m and Great Western Hospital by £2.3m. As a system £65.6m of cost improvement plans (CIPS) were delivered against the target of £72.4m, which represents 90.6% of the system target. Therefore, the ICB and system were able to deliver a substantial proportion of the planned savings target, although more non-recurrent savings were delivered than planned. Savings planning and delivery are discussed in more detail in the Identifying Savings section of this Auditor's Annual 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 organisational and system 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 to the ICB Board and Finance and Investment Committee throughout the financial planning process to keep them informed of the impact of national planning guidance and the assumptions used for setting the budget.

The ICB Board and Finance and Investment Committee considered the financial planning submissions for 2023/24 at their meetings during March and May 2023. The ICB was able to submit a balanced financial plan that enabled all organisations within the system to breakeven in March 2023. 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.

A balanced financial plan for 2023/24 has been achieved through partners working together with a focus on the overall system financial position and a continuation of the risk share arrangement, with £52.2m of provider risk share funded from reserves, contingencies and income allocations. The balanced plan is also reliant on £66m of non-recurrent funding and non-recurrent savings.

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 financial planning reports to Board and the Finance and Investment Committee. Assumptions relating to key areas of the budget include:

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)

- total ICB allocation of £1,770.4m, with the main source of income the agreed ICB programme allocation of £1,489.7m from NHSE;
- £37.4m indicative non-recurrent elective recovery funding based on full delivery of 106% activity target compared to 2019/20 baseline;
- non-recurrent service development funding of £28.1m and emergency care capacity funding £6.9m;
- allocations of £5.5m for additional discharge and £13.3m for additional physical and virtual ward capacity;
- inclusion of the Mental Health Investment Standard at 7.3% growth;
- national tariff uplift of 2.9% inflation with an efficiency requirement of 1.1% included in relevant contracts;
- continuing healthcare inflation 7.5% and prescribing growth 4%.

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. The ICB recognises that care packages represent a particular inflationary risk within the budget.

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 report relating to the ambitious CIP programme for 2023/24.

Medium-term financial planning

The ICB is developing a medium-term financial plan (MTFP) with system partners and is working to better understand the system underlying financial deficit. The MTFP will incorporate the implications of the Recovery Plan which is also currently under development. The development of an MTFP that identifies the size of the budget gap in future years and is backed by a detailed plan on how efficiencies will be achieved is fundamental to delivering financial sustainability across the health system. We have raised an improvement recommendation that the work to develop and align the MTFP and Recovery Plan should continue as a priority.

The process for developing a system-wide three-year MTFP has started. A medium-term financial model is being developed with the ICB and NHS providers currently compiling a three-year forecast of the base financial position using consistent templates and assumptions. Organisational models will be consolidated into a three-year system plan, with the intention to extend the financial planning horizon to five years.

The ICB and system partners are also developing a two-year Recovery Plan that will provide financial recovery through collaborative system working and form the foundations for a longer-term strategy. Currently recovery planning has identified ten areas for action, but the programme is still in the scoping stage, with the detail for individual savings schemes being worked up. Once the Recovery Plan is fully scoped and developed the timings and impact of efficiencies will be built into the MTFP. The Recovery Plan is discussed in more detail in the Identifying Savings section of this report.

The ICB and NHS partners are working to understand and calculate the system underlying financial deficit. The Finance and Investment Committee considered the Finance Strategy and Exit Run Rate report in November 2022 which highlighted the need to identify and deliver recurrent savings to improve the system's financial position. At that time, an underlying deficit of £130m was identified and the report was escalated to the ICB and NHS provider Boards.

The system underlying deficit identified in the Integrated Planning Return 2023/24 submitted in May 2023 is £79.5m. The underlying deficit is driven mainly by inflation, challenges relating to efficiency and convergence of funding, and non-recurrent funding. Providers account for £70.5m of the total underlying deficit.

The ICB and system partners are working with the NHSE to check and challenge the accuracy of the estimated underlying deficit, with the delivery of recurrent savings having a significant impact on the forecast.

We have raised an improvement recommendation that the ICB and system partners should continue the work to develop and align the MTFP and the Recovery Plan as a priority, in order to deliver financial sustainability across the BSW ICS.

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

Identifying savings

The system CIP target of £96.3m for 2023/24 will be challenging for NHS organisations within the BSW System to deliver and represents a significant risk to achieving the financial breakeven plan. We have raised an improvement recommendation that the ICB should continue to develop the efficiency programme with system partners, with a strong focus on managing the risks associated with savings delivery and embedding the governance arrangements that are being implemented to mitigate these risks. The identification and delivery of recurrent savings that will benefit future years 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.

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

In 2022/23 the ICB delivered £32.2m of efficiency savings which equates to 87.5% of the £36.8m annual target. Within this total the ICB delivered the planned level of recurrent savings of £14.9m.

Total system efficiencies of £65.6m were delivered by the ICB and NHS providers in 2022/23, which represents 90.6% of the target. However, at the system level £31.6m of savings were delivered recurrently (48.2%) against a target of £46.7m. An additional £8.2m non-recurrent savings were delivered at system level compared to plan.

The main factors for under delivery of system savings were £6m of ICB savings not achieved from aligning the accounting policies of former CCGs that merged prior to the ICB forming, and Great Western Hospital under delivery of £2.3m.

Therefore, the ICB and system were able to deliver a substantial proportion of the planned savings target, although more

	2022/23 ICB	2022/23 System		2023/24 ICB	2023/24 System
Planned CIP	£36.8m	£72.4m		£40.8m	£96.3m
Planned CIP as a % of income	2.2%	4.4%		2.3%	5.4%
Delivered CIP	£32.2m	£65.6m		-	-
Recurrent CIP planned / %	£14.9m (40.5%)	£46.7m (64.5%)		£31.7m (77.7%)	£75.8m (78.7%)
Recurrent CIP delivery / %	£14.9m (46.3%)	£31.6m (48.2%)		-	-
Planned CIP schemes rated medium/low risk	-	-		£29.9m (73.2%)	£61.8m (65.8%)*

* Based on PA consulting gap analysis April 2023

Financial sustainability (continued)

Identifying savings (continued)

non-recurrent savings were delivered than planned. 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 £40.8m or 2.3% of income allocations. Of the total CIP, 77.7% is planned to be delivered recurrently and 73.2% of ICB CIP schemes are flagged as medium or low risk. Due to these factors, and the good track record of the ICB delivering their share of the CIP target in 2022/23, we have not identified any significant weaknesses in arrangements regarding the ICB element of the CIP plan. The target will, however, be challenging to deliver and represents a 26.7% increase in the actual CIP delivered in 2022/23. The Financial Plan presented to the ICB Board in May 2023 highlighted that £2m of CIP schemes were not yet identified.

It will also be challenging to deliver the system-wide efficiency target of £96.3m for 2023/24 and this represents a significant financial risk to the system breakeven plan. The target represents an increase of £30.7m (46.8%) on the actual CIP delivered in 2022/23, and equates to 5.4% of ICB allocations compared to 4.4% in 2022/23. Increases in the CIP target compared to previous year delivery for individual providers are significant and range from 57.7% to 89.8%. The plan is to deliver 78.7% of system efficiencies on a recurrent basis.

In addition to the risk relating to the scale of the system-wide efficiency target, there is additional risk associated with how well-developed savings schemes are. An external consultant undertook a gap analysis of the efficiency target in April and identified that 34.2% of schemes are high risk with only 19% of schemes fully developed.

The ICB and system partners recognise that the efficiency target for 2023/24 represents a significant risk to the financial breakeven plan and are taking steps to mitigate this risk.

A collaborative system-wide approach to achieving financial sustainability through delivering efficiencies is being developed through the Recovery Plan. Finance summits have been held by the ICB and system partners to ensure that financial recovery is a priority, to agree the principles for the financial strategy, and to accelerate the delivery of savings.

A 10-point Recovery Plan is under development. Six priority programmes have been identified that relate to: workforce; medicines optimisation; urgent and emergency care; community transformation; productivity; and continuing healthcare. Six workstreams have been mobilised and are currently scoping and developing the priority programmes.

Recovery Plan governance arrangements are also developing. A Recovery Board has been in place since April 2023 and comprises system Chief Executives, Chief Financial Officers, as well as Recovery, Programme and Clinical leads. The Terms of Reference for the Recovery Board include providing focus and oversight to the two-year transformation programme and monitoring programme delivery, with the objective of recovering the system financial position and delivering financial sustainability.

A Recovery Director is in post to oversee the delivery of the recovery programme across the system. An external consultancy firm is supporting the development of the Recovery Plan and providing a programme management office (PMO) function with standardised programme governance. This includes development of the six priority programmes as well as identifying further opportunities through benchmarking. The ICB has also recruited to the post of Head of Strategic PMO to reorganise internal project management capacity and support system collaboration.

During 2022/23 Finance Reports to the Board and Finance and Investment Committee included information on the progress delivering both ICB and provider efficiencies. The reporting of provider efficiency delivery was based on information derived from their monthly returns submitted to NHSE and the ICB. The ICB did not provide challenge on the provider delivery of individual efficiency schemes. Similarly, when the 2023/24 efficiency plan was developed, the ICB did not undertake a detailed review or challenge of the schemes put forward by providers.

For 2023/24 additional governance arrangements will be put in place to monitor the delivery of ICB and provider efficiency schemes. It is planned to hold ICB efficiency and performance review meetings from July 2023 that bring together the Chief Finance

Financial sustainability (continued)

Identifying savings (continued)

Officer, Director of Performance and Planning and Executive budget holders to monitor progress in delivering ICB efficiencies. These meetings will feed into the BSW Performance and Risk Executive and the Recovery Board who will monitor progress, providing oversight and assurance to the Board.

The Recovery Board will monitor and provide oversight on the system-wide efficiency programme, comprising provider efficiencies, recovery priority programmes and ICB efficiency plans.

A priority during 2023/24 will be ensuring that these arrangements embed and provide appropriate and robust oversight and challenge of the delivery of efficiency schemes. The ICB should ensure that it maintains sufficient oversight over both ICB and provider efficiency plans and develops a true co-ordinated system-wide efficiency programme rather than compiling separate organisational plans.

We have not judged the efficiency targets for 2023/24 to be a risk of significant weakness in arrangements to deliver financial sustainability due to the high proportion of savings delivered in 2022/23 and the steps that the ICB and system are taking to mitigate the risk associated with efficiency delivery. The system can demonstrate that financial recovery is a priority and that partners are working collaboratively to develop a robust savings programme with appropriate governance arrangements.

Due to the challenging nature of the system CIP target for 2023/24 and the risk this presents, we have raised an improvement recommendation that the ICB should continue to develop the system wide efficiency programme with its system partners. This should include:

- a strong focus on manging the risks associated with savings delivery;
- working at pace to develop the Recovery Plan including scoping and design of efficiency projects;
- robust monitoring and reporting of the delivery of efficiencies at ICB and system level, including the financial and quality impact of schemes;
- increasing ICB oversight of provider CIP plans to develop a true system-wide savings programme;
- identification and delivery of recurrent savings that benefit future years;
- ensuring governance arrangements are embedded and provide adequate oversight and challenge of efficiency plan delivery across the system.

Financial sustainability (continued)

Financial planning and strategic priorities

The strategic health priorities of the ICB are set out in the Integrated Care Strategy which will be delivered through the Joint Forward Plan. 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 through the System Planning Group. The ICB is undertaking further work to ensure that service and operational strategies are aligned to the Integrated Care Strategy.

The Integrated Care Strategy 2023-28 was developed by the BSW Integrated Care Partnership and sets out the ambition to support the people of Bath, North-East Somerset, Swindon and Wiltshire to live happier and healthier for longer. The Integrated Care Strategy describes how partnership members are working together to meet the assessed health, care and wellbeing needs of the local population. The vision of the Strategy is to listen and work together to improve health and wellbeing and reduce inequalities. The three objectives of the Integrated Care Strategy to achieve this vision are:

- focus on prevention and early intervention;
- fairer health and wellbeing outcomes;
- excellent health and care services.

The Joint Forward Plan has been developed by the BSW Integrated Care Board and sets out how the Integrated Care Strategy will be implemented over the next five years. The Joint Forward Plan reflects national and local priorities and planning guidance.

The Operating Plan for 2023/24 reflects the national NHS priorities of recovering core services and productivity, delivering the ambitions of the Long-Term NHS Plan and transforming the NHS for the future. The focus for 2023/24 is elective recovery, urgent and emergency care, and a focus on health inequalities.

The System Planning Group is made up from representatives from the ICB and NHS partners and ensures a collaborative approach to system planning using consistent assumptions. The System Planning Group coordinates workforce, activity and finance plans to ensure that they are triangulated, and this process is expected to continue to develop in future planning rounds.

Funding within the revenue budget reflects national priorities, including physical and virtual bed capacity funding, elective recovery funding, service development funding and urgent and emergency capacity funding.

The ICB is currently undertaking a programme of work to map out how organisational and service strategies align to the Integrated Care Strategy and how transformation programmes contribute to the delivery of the Strategy. Enabling strategies that link to the Integrated Care Strategy include the Green Plan, Infrastructure Strategy and Financial Recovery Plan. The next steps for the ICB are to determine whether the right strategies are in place, to understand the independencies between them, and ensure actions are in place to deliver them.

The draft Estates Strategy sets out the vison for the BSW ICS estate and links to the Green Plan, Workforce Plan and Digital Plan. The investment plans required to meet service need are outlined and utilisation, maintenance and operational cost metrics identified. The draft Estates Strategy will now be incorporated into the Infrastructure Strategy that is currently under development and is expected to be adopted during 2023.

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

Capital programme

Capital funding within the NHS is constrained at both national and system level. The 2023/24 system capital programme was developed at an organisational level and capital plans align to national and system health priorities. The ICB has started work to develop a single capital programme and prioritisation process, in order to align capital investment to the delivery of the Acute Hospital Alliance Clinical Strategy. We have raised an improvement recommendation that the ICB should continue to develop the system wide approach, ensuring that capital resources are prioritised to address strategic objectives.

Total capital expenditure across the BSW ICS was £115.4m for 2022/23 against a capital

Financial sustainability (continued)

Capital programme (continued)

plan of £89.4m. Most of the increased expenditure over plan comprises £18.6m additional expenditure on leases which were recognised by Royal United Hospitals Bath in relation to the new accounting treatment required by IFRS16. Capital expenditure related to strategic priorities such as £41.8m provider operational spend on maintenance and equipment, £28.8m on upgrades and new build (integrated front door and cancer centre), and £10.1m spent on national programmes relating to digitisation and elective recovery.

Within the total system capital spend, the ICB spent £2.4m of the £2.5m primary care allocation.

The approach taken for the development of the 2023/24 system capital programme was that each organisation reviewed their own capital programme and submitted a capital plan that balanced to capital departmental expenditure limit allocations. An additional 5% overprogramming was included within organisational capital plans to ensure that schemes were ready to progress should additional funds become available or other capital schemes slip. Organisational capital plans were submitted to the ICB who consolidated them into a system wide capital plan.

The system capital plan for 2023/24 includes key schemes that reflect national and local health priorities for increasing capacity through elective recovery, building new hospitals, maintenance, digital transformation and diagnostics. The total system capital plan for 2023/24 is £154.9m and includes the following schemes:

- Royal United Hospital Bath cancer centre redevelopment funded through the New Hospital Programme;
- Sulis Hospital elective orthopaedic surgical hub development as part of the national elective recovery programme;
- Great Western Hospital integrated front door to increase urgent and emergency care capacity;
- Sulis Hospital community diagnostics centre to provide diagnostic tests closer to home, reduce hospital visits, and address the diagnostic test backlog.

The focus for 2023/24 planning was to develop a two-year capital plan covering 2023/24 and 2024/25. Significant increases have been identified in system capital requirements from 2026 to 2028 and this is recognised by the ICB as a risk to the system financial position, with the revenue implications of capital schemes in future years requiring further analysis. The limited capital funding available to health systems is a national issue across the NHS and is a barrier to longer term capital planning.

Work has begun to develop a more integrated system wide approach to capital planning. A review is underway of the pipeline of strategic acute capital schemes to ensure they deliver the Acute Hospital Alliance (AHA) Clinical Strategy. Five priority areas have been identified to align the capital programme to the delivery of the AHA Clinical Strategy: elective care capacity; urgent and emergency care capacity; digital standards; infrastructure; and sustainability. A governance and prioritisation approach will be developed to score schemes against agreed criteria and ensure that capital funds are allocated to projects that will deliver strategic priorities. The development of a single capital programme will be progressed through the ICS Strategic Capital Planning Group who have the responsibility for creating a focused capital strategy development framework and for maximising and prioritising capital opportunities.

Regional capital meetings are also held with the ICB, system partners and NHSE to encourage collaborative working, ensure capital expenditure is in line with the plan, and maximise national programme funding opportunities.

We have made an improvement recommendation that the ICB should continue to develop the system wide approach to capital planning, ensuring that capital resources are prioritised across the system to address national and local health priorities. Capital plans should be flexible to ensure that slippage or overspends can be managed to achieve financial breakeven without compromising funding for future years, for example by bringing schemes forward from future years or by brokering funds with other systems.

Financial Governance

Annual budget setting and monitoring

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 system rather than individual organisational positions. Financial risks are clearly set out within financial planning reports, and budget monitoring reports to the Board and Finance and Investment Committee are adequate. We have made an improvement recommendation that the ICB should further strengthen budget monitoring arrangements, ensuring that budget holders have the skills, knowledge and tools to effectively manage their budgets.

Financial Plan reports to the ICB Board and the Finance and Investment Committee clearly set out the significant risks within the annual budget. For 2023/24 these include achieving the elective recovery target required to secure the full £37m funding allocation, realisation of the significant efficiency target of £96.3m, high levels of non-recurrent funding, and demand and inflation risk. System, ICB and provider risks are identified, and the delivery of the ICS financial control total is identified as a risk on the ICB Risk Register. This risk has been managed in 2022/23 and 2023/24 through the collaborative risk share mechanism between the ICB and providers.

The System Planning Group oversees system-wide financial planning, ensuring a collaborative approach using consistent assumptions.

Demand and capacity scenarios are modelled for specific areas during the annual budget process where appropriate. Examples include mental health placement spend analysis, continuing healthcare benchmarking and prescribing benchmarking. The ICB has considered the use of a scenario planning tool to inform the annual budget setting process but is first concentrating on establishing a common data warehouse and infrastructure to ensure data quality and consistency before developing a system wide modelling tool.

The ICB Budget Holder Manual has been developed and sets out the requirement that budget holders and managers engage and meet through the budget process to ensure that budgets are in line with expectations. Budget holders should engage with their finance leads to ensure that they are reviewing the outcome of the planning process against their

Financial Governance (continued)

Annual budget setting and monitoring (continued)

budget at each stage and feeding into the planning and budget setting process. Budget holders are also accountable for delivering their budget and associated income and expenditure allocations. The Budget Holder Manual sets out the expectation that monthly budget monitoring meetings will be held with finance leads.

The Executive Team were presented with their 2023/24 ICB budgets at the June 2023 meeting. Budgets were allocated to directorates and budget holders identified to allow the Executive Team to understand the budgets that they are accountable for. It is planned to follow up the Executive Team meeting with individual meetings between Executive members and finance leads to ensure that budget allocations are agreed.

We understand that the Human Resources team are reviewing appraisal templates to ensure that financial governance is part of the appraisal process, thus increasing accountability for financial management.

One of the areas identified through the HFMA Financial Sustainability Checklist as requiring improvement relates to budget holder engagement and accountability. The ICB is in the process of strengthening the culture of accountability and should ensure that the arrangements put in place embed as the ICB matures and as further annual planning rounds are undertaken.

We understand from discussions with officers that arrangements for budget monitoring vary according to service area. Budget holders can request access to the Oracle finance system to obtain budget dashboards and reports, but this access is not provided as standard. The finance team does not produce a standard budget monitoring report that is sent to budget managers on a monthly basis. Budget monitoring arrangements depend on the requirements of different committees and the varying needs of localities.

The training and development of budget holders was identified as another area for improvement through the HFMA Sustainability Checklist. We understand from discussions with officers that budget holder skills and knowledge still requires strengthening to enable them to interpret data from the finance system, and on that basis no budget holders currently receive detailed budget packs. The finance team are developing user friendly budget monitoring reports and dashboards through PowerBI for roll out to budget holders.

We have made an improvement recommendation that the ICB should strengthen the arrangements for monitoring the budget during the year. This should include ensuring budget holders have adequate skills and knowledge to manage and monitor their budget, that the requirements of the Budget Holder Manual are consistently applied, and budget managers are supplied with standard user-friendly budget reports on a monthly basis.

We have not identified budget monitoring arrangements as a significant weakness due to the surplus position delivered in 2022/23, the creation of the Budget Holder Manual, and the development of PowerBI as a budget tool. We also judge that the monthly Finance Reports to the ICB Board and the Finance and Investment Committee are adequate and provide sufficient detail on the revenue budget, capital expenditure and efficiency delivery to give an overall picture of the financial position of the ICB and wider health system.

Improvement recommendations

Recommendation 1	The ICB and system partners should continue the work to develop and align the medium-term financial plan and the Recovery Plan as a priority. The MTFP should identify the budget gap in future years across the health system using consistent planning assumptions and should reflect an accurate analysis of the underlying deficit. The implications of efficiencies identified through the Recovery Plan should be reflected in the MTFP.
Improvement opportunity identified	The development of a medium-term financial plan that identifies the size of the budget gap in future years and is backed by a detailed plan on how efficiencies will be achieved, is fundamental to delivering financial sustainability across the health system.
Summary findings	Work has started to develop the MTFP with the ICB and providers compiling their three-year financial baseline position and work is being undertaken to calculate the system underlying financial deficit, estimated as £79.5m in the 2023/4 financial plan. The Recovery Plan is under development with efficiency schemes currently being scoped and worked up.
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	This is in progress and a draft plan is being developed that will build in system priorities and agreed actions from the financial recovery plan. Initial drafts of 3yr plans are due to be submitted to NHSE during September 2023. This will align to the financial recovery plan.

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.

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Improvement recommendations

Recommendation 2	The ICB should continue to develop the system wide efficiency programme with its system partners. This should include: • a strong focus on manging the risks associated with savings delivery; • working at pace to develop the Recovery Plan including scoping and design of efficiency projects; • robust monitoring and reporting of the delivery of efficiencies at ICB and system level, including the financial and quality impact of schemes; • increasing ICB oversight of provider CIP plans to develop a true system-wide savings programme; • identification and delivery of recurrent savings that benefit future years; • ensuring governance arrangements are embedded and provide adequate oversight and challenge of efficiency plan delivery across the system.
Improvement opportunity identified	The identification and delivery of recurrent savings will be key to ensuring the financial sustainability of the BSW health system in the future.
Summary findings	The system wide efficiency target of £96.3m 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 £30.7m (46.8%) on the actual CIP delivered in 2022/23 and equates to 5.4% of ICB allocations compared to 4.4% in 2022/23. While it is planned to deliver £75.8m (78.7%) of system savings recurrently, £34.5m of the total system CIP target is rated as high risk (34.2%).
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 oversight of the delivery of the £96m efficiency programme and delivery of key recovery workstreams is via the Recovery Board. It is attended by all CEOs and CFOs and other senior executives.

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.

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Improvement recommendations

Recommendation 3	The ICB should continue to develop the system wide approach to capital planning, ensuring that capital resources are prioritised across the system to address national and local health priorities. Capital plans should be flexible to ensure that slippage or overspends can be managed to achieve financial breakeven without compromising funding for future years.
Improvement opportunity identified	Capital funding within the NHS is constrained at both national and system level. Further developing the system wide approach to capital planning will ensure funding opportunities are maximised and that the limited funding available is directed to areas of most need or benefit in improving population health.
Summary findings	The approach taken for the development of the 2023/24 system capital programme was that each organisation reviewed their own capital programme and submitted a capital plan that balanced to capital departmental expenditure limit allocations. An additional 5% overprogramming was included to ensure that schemes were ready to progress should additional funds become available or capital schemes slip. Organisational capital plans were consolidated into a system wide capital plan. Work has begun to develop a more integrated system wide approach to capital planning, and a review is underway of the pipeline of strategic acute capital schemes to ensure they deliver the Acute Hospital Alliance Clinical Strategy.
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	This is in progress and a draft plan is being developed to align with the 3-year revenue plan that will build in system priorities and agreed actions from the financial recovery plan. Initial drafts are expected during September 2023.

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.

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Improvement recommendations

Recommendation 4	The ICB should strengthen the arrangements for monitoring the budget during the year. This should include ensuring budget holders have adequate skills and knowledge to manage and monitor their budget, that the requirements of the Budget Holder Manual are consistently applied, and that budget managers are supplied with standard user-friendly budget reports on a monthly basis.
Improvement opportunity identified	There is an opportunity to strengthen budget monitoring arrangements to ensure that effective processes are in place to identify and mitigate adverse budget variances to ensure that financial objectives are delivered.
Summary findings	We understand from discussions with officers that arrangements for budget monitoring vary according to service area. Budget holders can request access to the Oracle finance system to access budget dashboards and reports. The finance team does not produce a standard budget monitoring report that is sent to budget managers on a monthly basis. Training and development of budget holders was identified as an area for improvement through the HFMA Sustainability Checklist. We understand from discussions with officers that budget holder skills and knowledge still requires strengthening to enable them to interpret data from the finance system, and on that basis no budget holders currently receive detailed budget packs.
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	In line with plans, budget packs have been shared with budget holders for 23/24 from M2/M3. A budget holder manual is in place to provide guidance on use of system and responsibilities. On-line access to Oracle Financial BI reports is planned to be rolled out during 23/24 but manual extracts are being shared in the interim. New finance systems from 1. April 2024 mean that further developments will not come into play until 24/25 when we expect system information to be much improved and more user friendly. This will also lead to enhanced training. For most areas of spend there is already long-standing supplementary reporting that budget holders receive through attending the associated committees and contract meetings.

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 the value for money work related to governance.

Common themes seen included:

- strategic risks not being appropriately mitigated;
- risk management arrangements not being robust and embedded throughout the organisation;
- 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 arrangements in place to identify, understand, report and manage risk. Work to develop the Board Assurance Framework (BAF) began in 2022/23 and continues into 2023/24, with a soft launch anticipated in July 2023. While the BAF was not in place during 2022/23, we are satisfied that risk management continued and the Corporate Risk Register was regularly presented to the Audit and Risk Committee. As a fundamental source of Board assurance, we have raised an improvement recommendation that the BAF should be implemented in July as planned.

The Risk Management Framework was updated and formally adopted in January 2023 and sets out the ICB's approach to risk, including risk appetite, the BAF, Corporate Risk register (CRR), and Local Risk Registers (LRR) as key components of the framework.

The BAF has been in development throughout 2022/23, with the latest version aligned with strategic objectives identified in the recently launched Integrated Care Strategy. The Audit and Risk Committee and the Board have received various iterations of the BAF throughout 2022/23, with the opportunity to review and comment.

A Board development session focussed on risk and the interim BAF was held in December 2022. The latest iteration of the BAF contains the elements of best practice we would expect and at the time of writing this is due to be approved and soft launched by the Board as an evolving document in July 2023.

We recognise that the BAF will be further developed during 2023/24. As the BAF becomes embedded it will provide assurance to the Board that risks are being identified and appropriately managed, with risks aligned across the health system.

The CRR is comprised of operational risks identified by Directorates and focusses on those that score highly in terms of their likelihood of occurring and their potential impact. The Executive Management Group regularly review the CRR and recommend additions or removal of risks that may have an impact on the ICB's strategic objectives. The CRR was presented to Audit and Risk Committee regularly throughout 2022/23.

The Board also receives assurance reports from sub-committees relating to the controls and mitigation plans in place to manage significant and high rated risks.

We note that internal audit reviewed local risk management arrangements during the year and recommended improvements

Governance (continued)

Risk management and board assurance (continued)

with regards to:

- consistently applying risk escalation protocols across the organisation;
- quality of risk recording;
- consideration of including core risk management training for all risk and action owners.

We are satisfied that whilst there has not been a formal ICB BAF in place during 2022/23, 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 high quality BAF which is aligned to the Integrated Care Strategy and wider system risks, it is fundamental that the BAF is finalised promptly.

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

- ensure that the BAF is implemented as planned in July;
- address the weaknesses/actions identified by internal audit regarding local risk management.

We have not identified any risk of significant weakness with regard to the ICB's arrangements for managing risk. We have considered quality governance in more detail in the Economy, Efficiency and Effectiveness section of this report.

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 KPMG, whose work complies with Public Sector Internal Audit Standards.

The Audit and Risk Committee approve an annual Audit Plan which demonstrates sufficient scope with coverage across a broad range of areas using a risk-based approach. The 2022/23 Audit Plan includes planned work across strategic and operational areas including risk management, core financial controls, governance, and data quality.

The Audit and Risk 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 significant assurance with minor improvements required overall. The HOIAO demonstrates that where partial assurance was given on individual reviews, the organisation is implementing management actions raised to address issues identified. Robust controls over governance, financial controls, conflicts of interest and delegated commissioning were reported indicating that there is generally a sound system of internal control in place.

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 ICB has a contract with TIIA to provide a specialist counter fraud service, including training. During 2022/23 the Audit and Risk Committee received regular reports providing updates in relation to progress against the counter fraud work plan, the bribery and corruption risk assessment, fraud alerts, and the national counter-fraud initiative. Updates include current fraud cases and proactive counter fraud work undertaken.

There is a Conflicts of Interest Arrangements Policy included within the ICB's Standards of Business Conduct, with an Anti-Fraud, Bribery and Corruption Policy and a Whistleblowing Policy also in place.

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.

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 Good Governance Institute (GGI) reviews undertaken will further enhance the effectiveness of the Board going forward.

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.

To ensure governance arrangements remained appropriate for the ICB, a governance review was undertaken by the GGI during September and October 2022. This reflected on whether the structures put in place from 1 July 2022 remained aligned to the new ICB responsibilities and whether Executive and assurance functions were clearly defined.

The recommended changes to governance structures and committee membership, including standing down the Primary Care Commissioning Committee and the Commissioning Assurance Committee, were agreed by the Board and implemented from November 2022.

The Board currently has six sub-committees that provide assurance against specific delegated responsibilities. Sub-committees comprise of the Audit and Risk Committee, Remuneration Committee, Quality and Outcomes Committee, People Committee, and Public and Community Engagement Committee. Local Commissioning Groups are also in place.

The Board includes 18 members, comprising key senior leadership roles, independent members, and representatives from stakeholder organisations such as NHS trusts, primary care, and local authorities. Board membership includes key representation from nursing, medical and finance leads, with regular attendance from other services such as people, strategy and transformation, and planning and performance as required. The three Directors of Place for Bath and North-East Somerset, Swindon and Wiltshire are also regular attendees. 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.

The GGI were also commissioned by the ICB to deliver a Board development programme during 2022/23. A report summarising the outcomes, which includes observations and feedback on meetings of the Board and committees, was issued in March 2023. Areas for development were identified across the following themes: strategic focus, systems working, impact and added value, assurance, discussion and decision making. Consideration and implementation of the areas for development highlighted from the GGI review will strengthen and enhance arrangements going forward and we will review progress made as part of our 2023/24 value for money audit.

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 GGI reviews of governance structures and Board and committee observations, the results of the staff survey, and the Codes of Conduct that the ICB has in place.

The GGI Board and committee observations report acknowledges actions in progress such as proactive input from partners to shape Board agendas, addressing the role of the ICB and committees, and reviewing Board etiquette in workshops.

The results of the latest NHS staff survey were published in March 2023, with the ICB scoring above average in seven people promise elements. The survey had a response rate of 76%, higher than the median score for all NHS organisations (73%) and the ICB received an overall staff engagement score of 6.8 out of 10.

Developing the workforce across the ICS is one of the key enablers to deliver the ICB's Care Model within the Integrated Care Strategy. Areas for improvement identified via the staff survey are being developed into an action plan for the whole of the organisation. A group of system partners are working together to develop strategic workforce priorities for the future.

Arrangements are in place to monitor and ensure appropriate standards of behaviour. Arrangements include various codes of conduct such as the Standards of Business Conduct, Standing Financial Instructions, Conflicts of Interest Arrangements, and the 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 and March 2023. A detailed review of conflicts of interest has recently been undertaken by internal audit, resulting in an overall rating of significant assurance with minor improvement opportunities.

There is a nominated Freedom to Speak Up Guardian who is an independent officer and can be contacted by staff 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 the arrangements in place 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"?

Improvement recommendations

Recommendation 5	In order to strengthen risk management arrangements, the ICB should: • ensure that the BAF is implemented as planned in July; • address the weaknesses/actions identified by internal audit regarding local risk management.
Improvement opportunity identified	There is an opportunity to strengthen both strategic and local risk management processes by ensuring that the BAF is implemented as soon as possible, to provide assurance to the Board on the management of strategic/system risks and the robustness of the underpinning assurance mechanisms.
Summary findings	The BAF has been in development throughout 2022/23 with the latest version aligned with strategic objectives identified in the recently launched Integrated Care Strategy. The Audit and Risk Committee and the Board have received various iterations of the BAF throughout the period reviewed, with the opportunity to review and comment. Internal audit reviewed local risk management arrangements during the year and recommended improvements with regards to consistency in applying risk escalation protocols, quality of risk recording and training requirements.
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 BAF was approved by the Board in July. We have implemented the management actions identified by internal audit and are seeking to continue to improve our processes.

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.

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 NAO 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)	4	2
Life expectancy (male)	81	6
Life expectancy (female)	84	6
Neonatal mortality and stillbirth rate (per 1,000 live births and still births)	5	1
Cancers diagnosed at stages 1 or 2 (%)	58	7
Under-75 cancer mortality rate (per 100,000 people)	117	10
Inequality in life expectancy at birth (male)	6	3
Under-75 Cardiovascular mortality rate (per 100,000 people)	116	28
Percentage of adults overweight or obese	61	10
Smoking prevalence in adults	14	23
Alcohol-specific mortality (per 100,000 people)	9	15
Deaths from drug misuse (per 100,000 people)	5	22
Musculoskeletal problems (%)	17	16
Health Deprivation Rank	35	8

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

The overall level of health and wellbeing in Bath, North-East Somerset, Swindon and Wiltshire (BSW) is good, and the area is relatively less deprived than other parts of England. However, more deprived communities do exist within the ICB's footprint where people have reduced life expectancy and are more likely to experience physical and mental health issues. The main causes of mortality within BSW are cancer, cardiovascular disease and respiratory disease. People living in more deprived areas are more likely to have poorer outcomes if diagnosed with these conditions.

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 Care Strategy and the Inequality Strategy. There is much evidence of collaborative working to identify priorities for reducing health inequalities in the population and taking action to address these through the work of the Population Health Board and the Integrated Care Alliances at place level.

The ICB recognises that, while the overall level of health and wellbeing in Bath, North-East Somerset, Swindon and Wiltshire (BSW) is good, there are areas with significant deprivation within the county and this is a driver for health inequalities such as shorter life expectancy. Deprivation levels are highest in Swindon which is ranked as the 98th most deprived area out of 151 upper tier local authorities in England, with other smaller areas falling within the 10% most deprived in the country.

One of the three objectives within the Integrated Care Strategy is for fairer health and wellbeing outcomes, with the BSW vision defined within the Strategy as:

"We listen and work effectively together to improve health and wellbeing and reduce inequalities".

The ICB has established a Population Health Board who is responsible for the implementation of the Health Inequalities and Prevention Programmes and for providing assurance on delivery outcomes to the ICB Board and Quality and Outcomes Committee. The Population Health Board is overseeing the development of a BSW Inequality Strategy that aims to reduce inequalities through the stages of a patient's life, including pregnancy, children and young people, adults and old age. The Strategy was originally approved in March 2022 and is being revised to include the Core20Plus5 approach for children and young people and the updated Joint Strategic Needs Assessment.

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. In BSW the local population groups are defined at place level using public health data. The five clinical areas of focus to reduce health inequality within adult populations are identified as maternity, severe mental illness, chronic respiratory disease, early cancer diagnosis and hypertension. For children and young people, the five clinical focus areas are asthma, diabetes, epilepsy, oral health and mental health.

The three localities within the BSW ICB are Bath and North-East Somerset (BaNES), Swindon and Wiltshire. Each locality forms a local Integrated Care Alliance (ICA) who work in collaboration with partners, including NHS providers and commissioners, local councils and the voluntary sector, to improve the health outcomes of local people. Priorities are locally determined through place-level Strategic Needs Assessments and Health and Wellbeing Strategies, which have a strong focus on reducing inequalities.

Improving economy, efficiency and effectiveness (continued)

Improving population health and health inequalities (continued)

Updates on the work undertaken to identify and reduce health inequalities are part of the regular Chief Executive Officer Reports to the ICB Board. The work that the ICB has undertaken to address health inequalities during 2022/23 includes:

- rolling out an implementation plan for raising awareness of health inequalities, with the development of an "inequalities hub" within the BSW ICB Academy to host learning and development resources relating to identifying and reducing health inequalities;
- health inequality government funding of £2.4m was allocated to each locality who received £0.6m, with the ICB retaining £0.6m for cross system work. Each locality produced their own plans for utilising the funding with a focus on increasing capacity to drive the programme and fund local projects at ICA level. ICB priorities were agreed in relation to data and intelligence, organisational development, prevention and community engagement. Allocations were presented to ICB Board and the Population Health Board for approval;
- the approach and methodology used to allocate the health inequality programme funding was recognised as good practice by NHSE who asked the ICB to share their approach nationally;
- BaNES Community Wellbeing Hub – the Hub is an example of collaborating to deliver services at a local level to meet population needs and is a part of the BaNES health inequalities network. The Hub is funded from the health inequalities budget and includes partners from the HCRG Care Group, Bath and North-East Somerset Council, the ICB and third sector organisations. People can access a range of health and wellbeing services including finance, housing, keeping active and stopping smoking;
- the Wiltshire Alliance Joint Committee held a seminar on population health and inequalities in December 2022, led by the Wiltshire Director of Public Health, to launch the development of the Wiltshire ICA forward plan for 2023/24. Further consultation was held by the Wiltshire Health Inequalities Group to inform the allocation of health inequalities funding;
- each of the three places run their own smoking cessation programme, recognising that smoking is the largest avoidable cause of death and social inequality for life expectancy in the UK. The focus is on people admitted to hospital and on treating tobacco dependency. Plans have been developed by a BSW Partnership working group with representatives from NHS trusts, community providers and public health teams.

The ICB has made a five-year commitment to ring fence £2m per annum of health inequalities funding from 2023/24 which forms part of the recurrent system funding baseline. Funding priorities and allocations will be managed through senior NHS service leads and Directors of Public Health. The focus will be on the addressing health inequalities within the 20% most deprived population in the ICB's area, and on areas of potential health inequality that include ethnic minorities, people with learning disabilities, and those with multiple comorbidities.

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

The ICB Board receives Operational Performance Reports at each meeting to provide an oversight of performance across the BSW system. Performance is also monitored through other forums and committees such as the Performance and Risk Committee and Elective Care Board. The performance reports and metrics provided to the Board continue to be revised as the ICB matures. We have raised an improvement recommendation that the ICB should continue to develop performance reporting to ensure that KPIs reflect the Integrated Care Strategy, Operational Plan Priorities and the System Oversight Framework.

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

Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement (continued)

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 Operational Performance Reports (OPR) at every meeting which provide a summary dashboard of key operational performance indicators supported by exception reporting that highlights key risks and issues affecting performance.

The metrics reported in the OPR through the operational performance dashboard reflect key performance indicators (KPIs) that are currently defined and can be reported at system level, which are aligned to the 2023/24 Operational Plan where relevant. The KPIs cover service areas such as non-elective care, elective care, primary care, mental health and learning disability. The KPIs include current and previous period performance, target, direction of travel and a target delivery indicator . The information provided in the dashboard allows for the performance against the reported KPIs to be easily assessed.

Additional information is reported within the OPR through exception updates, which provide more detailed trend and performance analysis across providers. For example, the March 2023 OPR provides additional analysis for ambulance handovers, non-criteria to reside, discharge pathways and cancer backlogs.

During 2022/23 the presentation of the OPR provided to the Board was revised as processes developed. The May 2023 iteration of the OPR includes a supporting narrative report on an Alert, Advise, Assure format in order to escalate performance risks and issues.

The OPR will continue to develop as the ICB matures, with work underway to collate a set of system level key performance, quality and workforce metrics that reflect the NHS System Oversight Framework, 2023/24 Operational Plan priorities, and other system objectives. As the OPR develops the intention is that it will report against KPIs that reflect the range of services and responsibilities of the BSW health system. The OPR reported to the Board meeting in May 2023 confirms that quality and performance reporting will be revised to provide reporting by exception supplemented by an integrated performance report covering the key domains of quality, finance, workforce and operational performance. Outcomes reporting is also under development, in order to track progress against key system priorities.

The OPR reported to the ICB Board in March 2023 identifies key performance risks, including:

- urgent care and flow – with ambulance response times remaining a challenge across the system and performance below target for non-criteria to reside. In response the BSW system care coordination hub pilot was extended following its initial success and a business case is under development for longer term implementation;
- cancer waiting time performance against the ten national targets were not met for eight of the target areas, although the ICB was in the top performance quartile for six of these targets and better than the national average for nine targets. Diagnostic capacity is the biggest challenge for improving cancer wait performance in BSW;
- diagnostics performance and percentage of the waiting list over six weeks is below target with key drivers relating to workforce and higher cancer referrals;
- annual health checks for people with learning disabilities and autism are showing an improved position with year-end performance of 70% projected against the 75% target. Improved performance has been achieved through proactive work and the lead GP for learning disability and autism working with primary care services.

The output and activity benchmarking that we undertook comparing National Audit Office data from BSW ICB to other ICBs, identified that BSW is in the worst performing quartile for improving access to psychological therapies (IAPT) as a percentage of the population, and for physical health checks for people with severe mental illness. This benchmarking is provided in the table overleaf.

Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement (continued)

Indicators	Value	Rank
COVID-19 hospital cases (per 100,000 people)	6	7
Percentage of elective care patients waiting 52 weeks or more	4	12
Percentage of elective care patients waiting 18 weeks or less	64	25
Emergency hospital admissions (per 100,000 people)	94	16
GP appointments (per patient)	0	31
IAPT access as % of population	1	36
IAPT recovery rate for BAME	23	1
Physical health checks for people with severe mental illness	2,871	33

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

Red – worst performing quartile
Amber – 3rd performing quartile
Light Green – 2nd performing quartile
Green – Top performing quartile

The ICB is aware that performance is challenged for IAPT access and physical health checks for people with severe mental illness. The March 2023 OPR provides additional trend analysis for both IAPT access and physical health checks within the Exception Update section of the report. The March and May 2023 OPRs highlight that the ICB is modelling IAPT workforce data using the national workforce modelling tool. Modelling suggests a workforce gap of 89 staff that needs to be addressed through 2023/24 operational planning if the ICB is to achieve required access and recovery standards. An improvement plan is in place for IAPT that is reliant on increasing the workforce over a period of 2-3 years. To improve access to all areas of mental health services, a revised governance and reporting structure has been developed and agreed through the Thrive Programme Board which oversees mental health transformation programmes.

The OPR are reviewed by the Quality and Outcomes Committee and Executive Performance Meeting before consideration by the Board to provide additional performance assurance and oversight.

Performance is also monitored through other forums and assurance committees. The Performance and Risk Committee reviews the System Oversight Dashboard metrics for the ICB, providers and system, and in addition receives deep dives into specific service performance. The Elective Care Board reviews performance against elective recovery, diagnostics, out-patients and cancer.

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.

We have raised an improvement recommendation that the ICB should continue to develop performance reporting to the Board to ensure that KPIs reflect the Integrated Care Strategy, Operational Plan Priorities and the System Oversight Framework. A standard performance report should be developed that incorporates exception reporting and is supported by an integrated performance report dashboard with KPIs relating to quality, finance, workforce and operational performance, with sufficient supporting narrative where performance is off 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.

The ICB can demonstrate that it uses benchmarking to understand the cost of delivering services and identify opportunities for efficiencies. Examples include the benchmarking of prescribing expenditure, and use of the national finance and activity tool to benchmark continuing healthcare costs. As part of the development of the Recovery Plan, opportunities for cost efficiencies and productivity improvements are identified through the use of tools such as Model Hospital, Getting It Right First Time, and benchmarking the cost of estates and corporate services.

Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement (continued)

The ICB has a patient safety and quality oversight framework that seeks to improve processes and care pathways through considering multiple sources of patient safety information. Sources of information include learning from serious incidents, learning from deaths reports, patient and staff feedback and Care Quality Commission (CQC) inspections. Reporting mechanisms are in place that include the Urgent Care and Flow Board, the Quality and Performance Committee and the System Quality Group.

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

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 ICB can evidence that it fulfils its oversight role in relation to the SOF and CQC ratings of NHS providers within the system. We have raised an improvement recommendation that the ICB should continue to develop governance structures that provide adequate assurance and oversight of operational performance measures in respect of all providers, including where the BSW ICB is not the lead NHS commissioner.

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, where-as a rating of four indicates very serious, complex issues manifesting as critical quality and/or finance concerns that require intensive support.

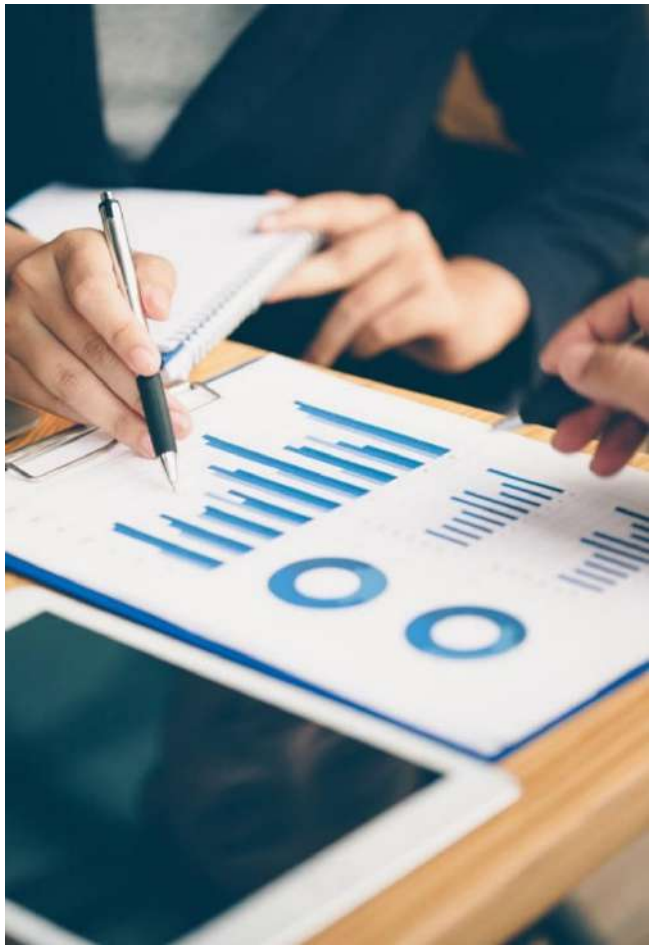
The BSW ICB is rated as SOF2, which is the default segment, and so there are no indications of significant weaknesses in the ICB's performance. The three NHS foundation trust providers within the health system are also rated at SOF2.

We note that Royal United Hospitals Bath and Salisbury NHS Foundation Trusts are both rated overall as Good by the CQC. The CQC have rated Great Western Hospitals NHS Foundation Trust as requires improvement.

The ICB monitors progress made and supports the NHS trusts within the health system in implementing the improvements required as a result of inspections from regulators such as the CQC. Monitoring of areas of concern is conducted through the ICB's oversight arrangements, including the Quality and Outcomes Committee, System Quality Group and ICB Board.

The BSW ICB's main secondary mental health provider, Avon and Wiltshire Mental Health Partnership Trust (AWP), is rated as requires improvement from the CQC. Although AWP is a significant mental health services provider within the BSW ICS, the lead NHS commissioner is Bristol, North Somerset and South Gloucestershire ICB (BNSSG).

The BSW System Quality Group is supporting AWP in taking forward quality improvement action plans as a result of the recent CQC inspections, including oversight of improvements required within acute wards for adults,



Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement (continued)

psychiatric intensive care units, and community mental health services. A Quality Improvement Group has been established, chaired by BNSSG ICB as lead commissioner, that focuses on service quality improvement.

The ICB recognises that the BSW system has cost pressures relating to out of area placements for patients requiring a psychiatric intensive care unit bed and continuing healthcare demands. AWP has a SOF 3 rating and is facing financial challenges with a significant underlying deficit. BSW ICB has therefore collaboratively established the Mental Health Finance Oversight Group which includes representatives from the ICB, AWP, Oxford Health and third sector partners to provide greater transparency for expenditure on mental health services and develop mitigating actions for cost pressures. A joint Mental Health Finance Oversight Group is also in place with BNSSG ICB.

Discussion with senior officers confirms that the focus of the System Quality Group and Quality Improvement Groups is rightly in addressing quality concerns rather than overseeing business as usual performance metrics. There is scope to develop governance structures that provide assurance and oversight of operational performance measures and mitigations in respect of providers where the BSW ICB is not the lead NHS commissioner, such as in relation to AWP and performance against IAPT access rates. Governance forums should take a holistic view of financial, workforce and operational performance.

We note that a mental health provider performance group has recently been established within BSW ICB to monitor and evaluate the operational performance of all mental health providers within the ICB's footprint. The establishment of this group provides evidence that the ICB is taking steps to ensure it has sufficient oversight over all mental health providers' operational performance.

We have raised an improvement recommendation that the ICB should continue to develop governance structures that provide adequate assurance and oversight of operational performance measures and mitigations in respect of all providers, including where the BSW ICB is not the lead NHS commissioner.

Data Quality

The ICB has a Data Quality Policy in place that sets out the process for ensuring a high level of data quality is maintained, identifies sources of assurance for data quality, defines roles and responsibilities, and sets training requirements. However, internal audit have found weaknesses in the data assurance process where data is received directly from providers and the ICB should address these through implementing the agreed action plan.

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.

Before performance reports are presented to the ICB Board they are first reviewed by the appropriate assurance committee, including the Quality and Outcomes Committee and Executive Performance Meeting, in order to provide assurance on performance. The Finance and Investment Committee provide assurance to the ICB Board regarding the System Revenue Position finance reports.

The ICB has a Data Quality Policy in place to ensure that good quality data is collected, recorded and appropriately used. The Policy sets out the process for ensuring a high level of data quality is maintained, sources of assurance for data quality, roles and responsibilities, and training requirements. All members of staff are provided with a Data Quality Training Slide Pack and are required to confirm that they understand their responsibilities.

We note that internal audit undertook an audit relating to Data Quality – Elective Care Reports and Ethnicity Data, to consider how the ICB captures elective care data from providers and how assurance is obtained that providers have validated data. Internal audit reported a partial assurance with improvements required opinion to the Audit and Risk Committee in May 2023. While processes are in place to ensure all data has been downloaded correctly from providers, limited processes are in place for assurance over data quality. The findings related primarily to data received directly from providers rather than the nationally validated data received through the Data Services for Commissioners Regional Officer.

Improving economy, efficiency and effectiveness (continued)

Data Quality (continued)

Actions to address the weaknesses identified by internal audit have been agreed by management and we would encourage the ICB to implement these in accordance with the timescales identified in the action plan.

Quality governance

There is a designated executive clinical lead for quality, and responsibility for the quality agenda has been identified across the system. Progress has been achieved in establishing the system alliances and there is evidence to demonstrate engaged partnership working among system partners. Many of the processes relating to quality assurance now require formalising and embedding.

We have raised an improvement recommendation to strengthen quality assurance arrangements through the formalisation and embedding of processes. This should include:

- formalising the work plans that support the quality forums and introduce standing agenda items for the System Quality Group (SQG) including review of matters for escalation and follow up;
- strengthening and formalising the reporting arrangements into the SQG to reduce the number of unsupported verbal updates;
- developing a Quality Strategy that incorporates and addresses system quality priorities;
- formalised escalation processes to ensure consistency and standardised approach across the system;
- establishing consistent attendance and representation at the SQG and Quality and Outcomes Committees from the provider trusts and system partners to ensure there is sufficient and equitable engagement with the quality agenda across the system;
- strengthening the processes for triangulating data to allow data to be more effectively collated;
- agreeing and formalising the process for Equality and Quality Impact Assessments.

System Quality Group (SQG)

The SQG provides a strategic forum at which system partners from across health, social care and public health services can collaborate around commonly identified priorities that are linked to the Integrated Care Partnership Strategy.

The purpose of the SQG is to allow routine and systematic sharing of insight and intelligence and to identify opportunities for improvement and risks to quality. The SQG seeks to develop system responses that enable ongoing improvement in the quality of care and services across the system.

The SQG is chaired by the Chief Nurse of the ICB who is the Executive lead for quality. The SQG is supported by a current Terms of Reference which outline the Group's membership, remit, responsibilities, and reporting arrangements.

There is a formal work plan for the SQG which is reported to be under development following the ICB's Good Governance Review.

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 SQG maintains an action log which is reviewed at the start of each meeting, in line with best practice. In addition, a forward planner is maintained to assist in following up work in a timely manner. However, we note in January 2023, that a provider was requested to provide an update at the following meeting April 2023 and there is limited evidence this happened.

The SQG has a standardised agenda which includes a review of minutes from the Quality Surveillance Group and provider updates which incorporate information from not only trusts but also primary care services, the local authority and independent care providers, providing a system overview of key issues.

We note from the agenda and minutes reviewed that many of the updates provided by system partners are verbal and it may strengthen the governance and the ability to triangulate data if there was a written summary report accompanying the updates.

The BSW ICB Functions and Decisions Map indicates the two-way flow of communication between the SQG and the Quality and Outcomes Committee (Q&OC). However, a review of minutes from the SQG meetings provides limited assurance that information from the Q&OC is cascaded to the SQG. There is no documentation to support areas for escalation to the Q&OC are routinely discussed at the SQG, as we have observed in many of the other ICB SQG meetings reviewed. Ensuring that information is cascaded and escalated in this way may assist the ICB to strengthen the effectiveness of communication across the system.

The Terms of reference state that after the SQG, the Chair of the SQG will report to the ICB Quality and Outcomes Committee (Q&OC) and to local authority assurance functions about the key points of discussion and issues raised. However, the update to the Q&OC has only been a verbal update and no formal quality update has been routinely provided.

ICS Quality Strategy

From discussions with officers, we understand that significant time has been spent building system relationships and promoting open and honest communication, and that there is much improved engagement at the SQG. The focus is now to start developing a collaborative Quality Strategy and identify quality objectives for the system. However, it is reported that this work is currently in its infancy. We noted evidence of this work being discussed at the Quality and Outcomes Committee in May 2023.

Once the Quality Strategy has been agreed, work will be undertaken to develop a formalised Quality Assurance process.

We are told escalation arrangements aligned to the National Quality Board's National Guidance on Quality Risk Response and Escalation are in place. The Rapid Review process has been implemented and Quality Improvement subgroups established to gain the required level of assurance that improvement work has been undertaken at the required pace. However, there is no formal escalation process to ensure consistency in approach across the System.

An Equality and Quality Impact Assessment process has been trialled and now the process needs to be agreed and formalised across the ICB.

The ICB has a quality dashboard which is presented to Q&OC with the Quality Report. We understand that the data for quality reports is collated manually, and that triangulation is undertaken during the ICB's quality forums (SQG & Q&OC)

Improving economy, efficiency and effectiveness (continued)

Quality governance (continued)

where quality, risk and performance is reviewed. However, there is no formalised process and the ICB is working on reviewing their metrics for the workstreams to provide greater oversight of potential risks and quality concerns. The ICB is seeking to develop their digital capacity to allow dashboards to be more intuitive and show relevant information.

Quality and Outcomes Committee (Q&OC)

The ICB has a Q&OC which meets bi-monthly and is chaired by a Non-Executive Director from the ICB. The Q&OC is underpinned by a current Terms of Reference which set out the membership, remit, responsibilities and reporting arrangements of the Committee. The purpose of the Q&OC is to provide assurance to the ICB Board that the ICB is:

- discharging its duty and its functions with a view to securing continuous improvement;
- assured that the right quality governance processes are in place;
- working effectively with the providers of health services in its area to ensure the effectiveness, safety and good user experience of services.

The membership of the Q&OC is smaller than some of the ICB Quality Committees we have reviewed, and membership is limited to ICB members. There is no representation of system partners as we have noted at other Quality Committees, and this is an area which the ICB should consider going forward. A review of the Q&OC minutes suggests that attendance is generally in line with membership.

The Q&OC and its agenda continue to evolve. There is evidence that an action tracker is maintained and that actions are reviewed within the Q&OC. This allows the progress of actions to be appropriately monitored and followed up. There is a formal work plan which is under development following the ICB's Good Governance Review.

The forum incorporates standing agenda items such as a review of the Risk Register, the presentation of a Quality and Performance Report and an Operational Performance Report, which provides an opportunity to triangulate information. However, there is limited evidence regarding SOG updates and there is no standing agenda item highlighting areas for escalation.

Partnership working

There is evidence of significant partnership working between the ICB and other NHS bodies, independent providers, local councils, and the community and voluntary sector in order to deliver joined up health and care services within the BSW ICS. 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 and how they are contributing to strategic objectives.

The Integrated Care Strategy 2023-2028 has been developed by the Integrated Care Partnership (ICP) and sets out the ambition of the ICB and partners within the NHS, local authorities, community organisations, private sector and the voluntary sector to support people in living happier and healthier lives for longer. The ICP, BSW Together, considers the complex long-term health and wellbeing challenges within the ICB's area that require a joined-up partnership approach to address them.

The ICB is an active Member of the three place-based Health and Wellbeing Boards for Bath and North-East Somerset, Swindon and Wiltshire. These are statutory bodies hosted by the respective local authority that bring together partners from the NHS, local councils, social care, education, and the voluntary sector to work collaboratively to improve the health and wellbeing of the local population. These place-based Boards develop the local Health and Wellbeing Strategies and Strategic Needs Assessments that identify the priorities for improving healthcare and inform the ICP's Integrated Care Strategy.

The Acute Hospitals Alliance includes the NHS provider trusts of Great Western Hospital, Royal United Hospital and Salisbury District Hospital and partners within the BSW ICS. The ICB works with the provider collaborative to plan and improve health services.

The Acute Hospitals Alliance is developing an ICS-wide Clinical Strategy to set out how services will be delivered and how quality and productivity will be improved. The Alliance is working to develop facilities at the Sulis Hospital to create a modern facility that will help reduce surgical waiting times and forms part of the ICB's elective recovery programme. The ICB is working with the Acute Hospital Alliance to develop a single capital programme that will deliver the priorities within the Clinical Strategy.

Improving economy, efficiency and effectiveness (continued)

Partnership working (continued)

A Local Commissioning Group has been established for each of the three localities within the ICB. These groups represent a partnership of health and social care commissioners, who work to jointly commission and develop services within their locality. Local Commissioning Groups hold delegated authority to make decisions on all matters related to pooled budgets and joint funding with the local authority.

An objective within the Integrated Care strategy is to set up multidisciplinary teams that include partners from the NHS, local councils, social care and the voluntary sector. The teams will provide joined up care and support to local neighbourhoods, ideally in people's homes, for both urgent care and continuing care for those with long term conditions and complex needs.

The ICB Board is kept informed of the work that partnerships within the health system are undertaking to improve the quality of health and care services through the Chief Executive's Reports, update reports from the three area-based Integrated Care Alliances, and through summary reports from the ICB Board Committees.

The ICB can demonstrate that it consults when developing partnership strategic objectives. Significant consultation and engagement was undertaken in developing the Integrated Care Strategy with an engagement event held in December 2022 which was attended by over 60 stakeholders including NHS organisations, local authorities, Healthwatch, and voluntary organisations. Further engagement events were held at the three place-based voluntary, community and social enterprise alliances within Bath and North-East Somerset, Wiltshire, and Swindon.

	Partnership and delivery structures	
Geographical footprint	**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

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.

Improving economy, efficiency and effectiveness (continued)

Partnership working (continued)

The ICB has a Public Involvement and Engagement Policy that sets out the approach, principles and objectives to effective community engagement. The Community Engagement Committee provides oversight and assurance to the Board that the ICB is complying with statutory duties for effective patient and public engagement and the adequacy of its engagement activities.

We have not identified any risk of significant weakness with regard to the arrangements in place for collaborative working across the health system. There is evidence of partnership working across the ICS and arrangements continue to develop and mature.

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 and Risk Committee. We note that a successful legal challenge was brought against the ICB in relation to a joint procurement exercise. This suggests that there are weaknesses in procurement arrangements, and the ICB has undertaken a lessons learnt exercise and implemented the actions identified to strengthen processes. For this reason, we have not made any further recommendations within this report.

The ICB has a Procurement Strategy in place which was updated during the year and approved by the Finance and Investment Committee in February 2023. The updated Policy reflects the transition from the CCG to the ICB and the updated ICB delegated financial limits.

The objective of the Procurement Policy is for the procurement of healthcare and non-healthcare goods and services to meet the needs of the population, improve service quality and efficiency, and comply with relevant legislation. The process for making procurement decisions is set out, including roles and responsibilities, legislation, and the required approach to procuring and tendering for services.

Improving economy, efficiency and effectiveness (continued)

Procurement (continued)

The Audit and Risk Committee is provided with individual waiver reports where competitive procurement exercises were not followed. These provide a description of the procurement, value, supplier and reason for the waiver, and include sufficient detail to enable challenge and scrutiny by the Committee.

We note that the Audit and Risk Committee does not receive an annual report summarising all waivers granted and their reasons, to enable consideration of trends and identification of improvements to processes to ensure that waivers are minimised. While waivers are currently few in number, the ICB should consider the requirement for an annual waiver report in the future should the number of waivers increase.

The ICB was part of a joint commissioning process with two other ICBs in 2022/23 for the procurement of the Advice and Guidance Service. As a result of the procurement process a successful legal challenge was brought against the three ICBs which resulted in the service being reprocured and the ICBs having to pay damages, legal fees and a civil penalty. BSW ICB was not the lead commissioner for the procurement but was a signatory to the contract.

Internal audit reviewed the processes and controls in place for the Advice and Guidance Service procurement and has presented lessons learnt reports to the Audit and Risk Committee for consideration.

Internal audit found that ownership and accountability for the process was unclear in the collaborative procurement, along with a lack of oversight by the ICB. Eight lessons learnt were identified, including reviewing the Procurement Policy to ensure it provides sufficient guidance relating to joint procurements, preparing a guidance note for using frameworks, and ensuring collaborators are held to account. An action plan was developed to implement improvements relating to training, Procurement Policy, conflicts of interest, and clarifying the procurement process.

The progress implementing the recommendations from the lessons learnt review was reported to the Audit and Risk Committee during the year, with the May 2023 report confirming that all 62 actions were complete.

The updated Procurement Policy approved in February 2023 incorporates the recommendations resulting from the lessons learnt review following the procurement legal challenge.

The Audit and Risk Committee have also approved the establishment of a BSW Procurement Oversight Group to provide oversight and scrutiny to all ICB procurements and regularly review the Procurement Policy.

In recognition that the ICB has undertaken a lessons learnt exercise as a result of the procurement legal challenge, and improvements to controls have been implemented, we have not raised any further recommendations in relation to this.

Improvement recommendations

Recommendation 6	The ICB should continue to develop performance reporting in order to provide the Board with sufficient oversight of performance against key metrics. Performance reporting should provide: • a comprehensive suite of KPIs that reflect the Integrated Care Strategy, Operational Plan Priorities and the System Oversight Framework; • standard performance reports that incorporate exception reporting and are supported by an integrated performance report dashboard with KPIs relating to quality, finance, workforce and operational performance; • sufficient supporting narrative to explain mitigating actions where performance is off target.
Improvement opportunity identified	Now that the Integrated Care Strategy is approved and operational planning for 2023/24 is complete the ICB should ensure that performance reports include key metrics to measure the achievement of national, system and local priorities.
Summary findings	The metrics reported in the OPR through the operational performance dashboard reflect KPIs that are currently defined and can be reported at system level, which are aligned to the 2023/24 Operational Plan where relevant. The OPR will continue to develop as the ICB matures and the intention is that it will report against KPIs that reflect the range of services and responsibilities of the BSW health system.
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 are in the process of producing an integrated performance dashboard as part of our suite of performance reporting. Our updated performance report will also include narratives to explain mitigation actions. We are also identifying the best way of tracking progress against our implementation plan (and therefore our strategy).

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 7	The ICB should continue to develop governance structures that provide adequate assurance and oversight of operational performance measures and mitigations in respect of all providers, including where the BSW ICB is not the lead NHS commissioner.
Improvement opportunity identified	The focus of the System Quality Group is rightly in addressing quality concerns rather than overseeing business as usual performance metrics. There is scope to develop governance structures that provide oversight of operational performance for all providers, including where the BSW ICB is not the lead NHS commissioner. Governance forums should take a holistic view of financial, workforce and operational performance.
Summary findings	The ICB's main secondary mental health provider, Avon and Wiltshire Mental Health Partnership Trust, is rated as requires improvement from the CQC. Although AWP is a significant mental health services provider within the BSW ICS, the lead NHS commissioner is Bristol, North Somerset and South Gloucestershire ICB. The BSW System Quality Group is supporting AWP in taking forward quality improvement action plans as a result of the recent CQC inspections and the ICB has established the Mental Health Finance Oversight Group. We note that a mental health provider performance group has recently been established within BSW ICB to monitor and evaluate the operational performance of all mental health providers within the ICB's footprint. The establishment of this group provides evidence that the ICB is taking steps to ensure it has sufficient oversight over all mental health providers' operational performance.
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 are in the process of developing a new delivery and oversight framework. This incorporates performance oversight and delivery of our plans. It also contains an escalation process. We are seeking to implement this framework in the coming months.

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 8	The ICB should strengthen quality assurance arrangements through the formalisation and embedding of processes. This should include: • formalising the work plans that support the quality forums and introduce standing agenda items for the SQG including review of matters for escalation and follow up; • strengthening and formalising the reporting arrangements into the SQG to reduce the number of unsupported verbal updates; • developing a Quality Strategy that incorporates and addresses system quality priorities; • formalised escalation processes to ensure consistency and standardised approach across the system; • establishing consistent attendance and representation at the SQG and Quality and Outcomes Committees from the provider trusts and system partners to ensure there is sufficient and equitable engagement with the quality agenda across the system; • strengthening the processes for triangulating data to allow data to be more effectively collated; • agreeing and formalising the process for Equality and Quality Impact Assessments.
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 a designated executive clinical lead for quality, and responsibility for the quality agenda has been identified across the system. Progress has been achieved in establishing the system alliances and there is evidence to demonstrate engaged partnership working among system partners. Many of the processes relating to quality assurance now require formalising and embedding.
Criteria impacted	Financial Sustainability; Governance; Improving economy, efficiency and effectiveness
Auditor judgement	Continued overleaf.

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 8 (continued)	The ICB should strengthen quality assurance arrangements through the formalisation and embedding of processes. This should include: • formalising the work plans that support the quality forums and introduce standing agenda items for the SQG including review of matters for escalation and follow up; • strengthening and formalising the reporting arrangements into the SQG to reduce the number of unsupported verbal updates; • developing a Quality Strategy that incorporates and addresses system quality priorities; • formalised escalation processes to ensure consistency and standardised approach across the system; • establishing consistent attendance and representation at the SQG and Quality and Outcomes Committees from the provider trusts and system partners to ensure there is sufficient and equitable engagement with the quality agenda across the system; • strengthening the processes for triangulating data to allow data to be more effectively collated; • agreeing and formalising the process for Equality and Quality Impact Assessments.
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	• October SQG meeting will set the annual workplan for remainder of 23/24; • Matters for escalation will include items from escalation from QOG; • Verbal updates from providers will remain but key reports as part of the workplan will increase; • A Quality Assurance Framework is in development - this will include a quality strategy on a page; • Quality team drafting an escalation process – due for completion November 23; • LA attendance now agreed re consistency of representation – attendance etc will be monitored; • Working with BI re triangulation including system narrative; • Revised EQIA complete, training sessions to be rolled out, working with PMO re application of EQIAs.

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.

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Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	Whilst it is recognised that the CCG is a demised body financial reporting in 2021/22 and the three months to 30 June 2022 was not considered to be sufficient. The ICB needs to ensure that there is an appropriate mechanism for financial reporting that provides members with adequate information to make sure appropriate decisions are made and that the financial position of the new organisation is in line with the overall strategy.	Improvement	September 2022	The arrangements for financial reporting to the Finance and Investment Committee and to the ICB Board are adequate. Monthly financial reporting to the Finance and Investment Committee includes both the ICB and ICS financial position and is supported by workforce, benchmarking and activity data. Reports include revenue, capital, efficiency delivery and consideration of risks. The ICB Board receive similar reports accompanied by Operational Performance Reports.	Yes	No
2	The ICB must move quickly to ensure that any shortfalls in governance arrangements are addressed and that an appropriate and effective Executive is created which has been provided with the requisite competencies and support to provide robust leadership for the organisation.	Improvement	September 2022	A governance review was undertaken during the year to reflect on whether the structures put in place from 1 July 2022 took account of the new ICB responsibilities and whether the Executive and assurance functions were clearly defined. The recommended changes to governance structures and committee membership were agreed by the ICB Board and implemented from 1 November 2022.	Yes	No
3	The ICB should ensure any lessons learned and issues identified as a result of a review of the legal ruling on the awarding of the Cinapsis contract are included within the procurement policy. This should include consideration of controls and processes required in future joint commissioning tasks and ensuring any frameworks used to procure services are appropriate and adhered to.	Improvement	September 2022	Internal audit reviewed the processes and controls in place for the procurement and presented lessons learnt reports to the Audit and Risk Committee for consideration. An action plan was developed to implement improvements relating to training, Procurement Policy, conflicts of interest, and clarifying the procurement process. The May 2023 update report to the Audit and Risk Committee confirms that all 62 actions are complete.	Yes	No

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

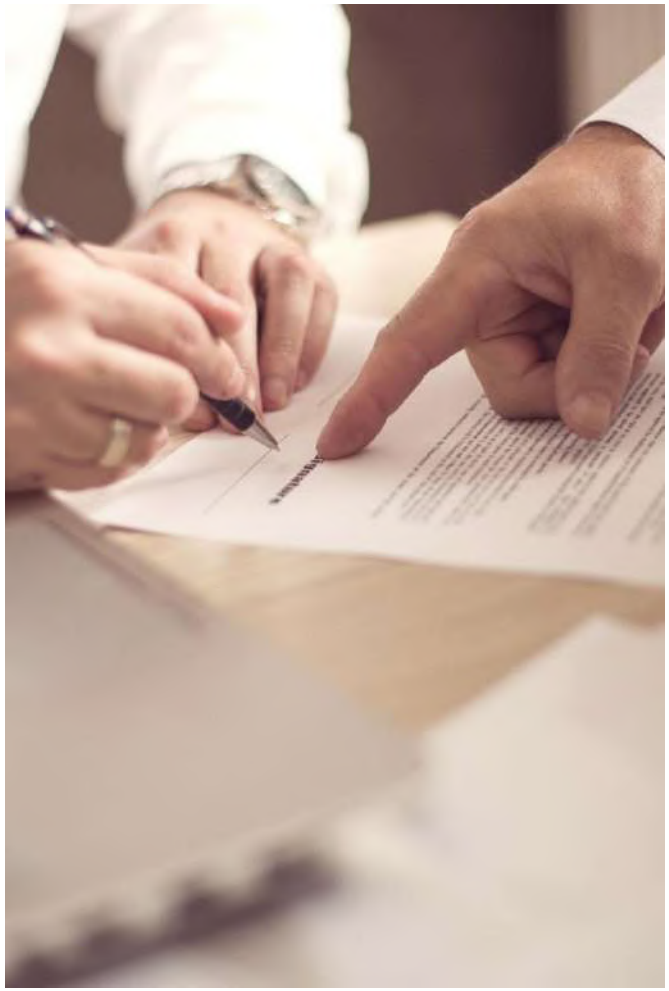
We are independent of the ICB in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

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.

Further information on our audit of the financial statements is set out overleaf.



Opinion on the financial statements

Timescale for the audit of the financial statements

- The Audit Plan was issued to the Audit Committee on 4 May 2023.
- The interim review was completed in March 2023 and the final accounts review was undertaken in May and June 2023. Both of these reviews were undertaken remotely.
- The ICB provided draft financial statements in line with the national timetable.
- No significant issues were identified within the audit and the good quality working papers were provided by management to support the audit process.
- The opinion on the financial statements was issued on 29 June 2023 in line with the national timetable.

Findings from the audit of the financial statements

- Management override of controls was reviewed through an analysis of the journal listing to select a sample based on the audit criteria for selecting high risk unusual journals. Review identified two users with admin rights who were also able to post journals.
- Review of IT controls identified a segregation of duty weakness whereby members of the finance team are also able to add and remove users to the general ledger which could lead to the manipulation of data.
- No other significant issues were identified and minor findings were identified in relation to disclosure of GP related parties and auditable elements of the remuneration report.

More detailed findings are set out in our Audit Findings Report, which was presented to the ICB's Audit Committee on 13 June 2023 and subsequently to the Board on 20 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 in regards to this area of review

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 Bath and North-East Somerset, Swindon and Wiltshire 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 21 - 24 Page 29 Pages 43 - 46

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