

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

Auditor's Annual Report for the year ended 31 March 2024

25 June 2024



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We are required under Section 21(2A)(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.



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

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# Introduction



## Purpose of the Auditor's Annual Report

This report brings together a summary of all the work we have undertaken for NHS Bath and North East Somerset, Swindon and Wiltshire Integrated Care Board (the ICB) during 2023/24 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements. Here we draw the reader's attention to relevant issues, recommendations arising from our work and how the ICB has responded to recommendations made in previous years. The responsibilities of the ICB are set out in Appendix A.

## Responsibilities of the appointed auditor

### Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Integrated Care Board as at 31 March 2024 and of its expenditure and income for the year 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 2023/24, 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 also consider the Annual Governance Statement, the relevant disclosures within the Annual Report including the remuneration report and undertake work relating to the Whole of Government consolidation exercise.

### Value for money

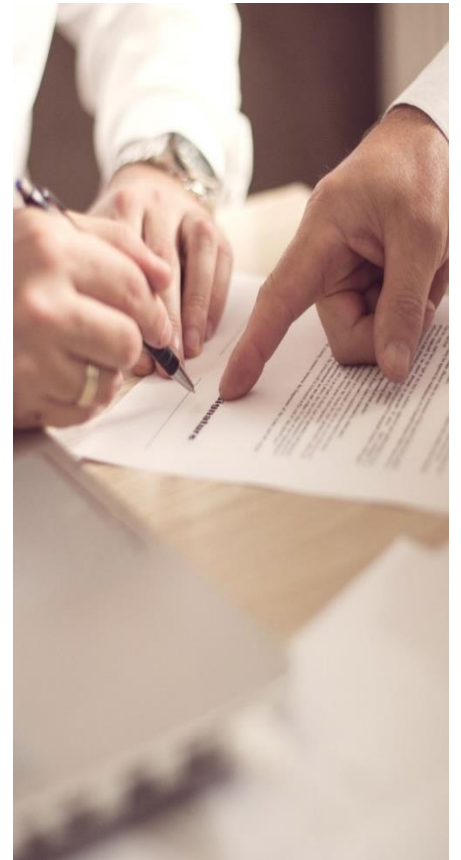
We report our judgements on whether the Integrated Care Board has proper arrangements in place regarding arrangements under the three specified criteria:

- financial sustainability
- governance
- Improving economy, efficiency and effectiveness

### Other powers

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. They may also issue:

- A referral to the Secretary of State for Health and Social Care regarding a breach in regulations
- Statutory written recommendations to the Integrated Care Board which they must consider publicly.
- A Public Interest Report (PIR)



The Value for Money Auditor responsibilities are set out in Appendix B.

# Executive summary





# Executive summary

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 (referred to as Value for Money). The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas as set out below.

## Financial sustainability

We recognise that the ICB took substantial steps to control costs in 2023/24. However, despite this, the ICB faced significant challenges in achieving financial sustainability in 2023/24, leading to delivery of a deficit outturn for the first time. The ICS delivered a deficit of £9.9m, in line with a revised deficit control total agreed with NHSE in late 2023. This sits entirely with the ICB due to risk-sharing arrangements. The ICB, on behalf of the system, has submitted a £35.7m deficit plan for 2024/25. This is based on delivering an ambitious efficiency programme, which represents 7% of income across the system and includes 17% of unidentified savings. We recognise the positive steps taken by the ICB in 2023/24 to produce its first Medium-Term Financial Plan in September 2023. However, we note that this has not been updated to reflect the worsening financial position in 2023/24. We have identified a significant weakness in the ICB's arrangements to secure financial sustainability and have raised a key recommendation. We include further detail on the following pages.

We also identified that the ICB's financial plans are not aligned with its Green Plan objectives. We have raised an improvement recommendation.

## Governance

The ICB has adequate arrangements in place to ensure that it makes informed decisions and properly manages its risks. The ICB has implemented its Board Assurance Framework in 2023/24 as planned and has made positive progress against internal audit recommendations on local risk management arrangements. The ICB has also agreed a risk appetite statement in year and has established a Risk Management Group to improve accountability for risk management. The ICB has not completed effectiveness reviews for the ICB Board or its sub-committees in 2023/24. These are planned for 2024/25.

Our work has not identified evidence of significant weaknesses within the arrangements in place. However, we have identified areas where the ICB could improve arrangements and as such, have raised three improvement recommendations.

## Improving economy, efficiency and effectiveness

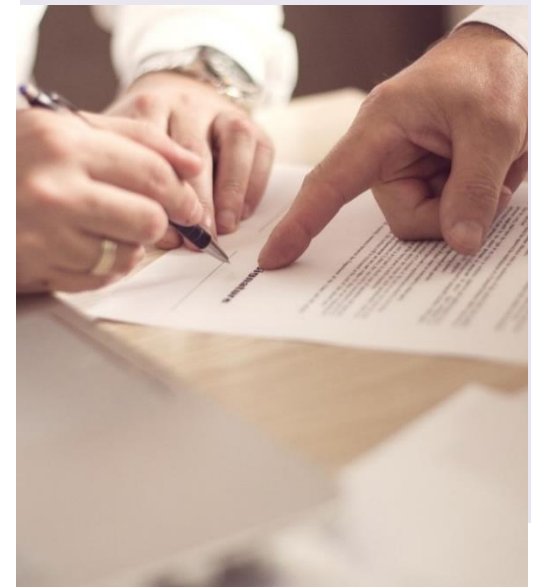
The ICB uses information about its costs and performance to improve the way it manages and delivers its services. The ICB has shown positive progress against our prior year recommendation on performance information and reporting. The ICB took on responsibility for Pharmaceutical, Ophthalmic and Dental (POD) commissioning in 2023/24. Internal Audit has provided assurance over the new arrangements in year and management is working to address actions raised.

Our work has not identified evidence of significant weaknesses within the arrangements in place. However, the ICB and two of its providers have moved from NHS Oversight Framework segment 2 in the prior year to segment 3 in 2023/24, signalling a deterioration in performance. We have raised an improvement recommendation.



We have completed our audit of your financial statements and issued an unqualified opinion on the ICB's financial statements on 25 June 2024, but a qualified regularity opinion due to the ICB reporting a deficit position in 2023/24.

Our findings are set out in further detail on pages 9 to 10.



# Executive summary (continued)



## Overall summary of our Value for Money assessment of the Integrated Care Board's arrangements

Criteria	2023/24 Risk assessment	2023/24 Auditor judgement on arrangements	2022/23 Auditor judgement on arrangements
Financial sustainability	Risk of significant weakness identified. As at January 2024, the ICB and three provider trusts were all forecasting a deficit in year. Risk-sharing discussions were ongoing.	R Significant weakness in arrangements identified and a key recommendation made relating to the deficit position and significant uncertainty over the efficiency programme. More detail is provided in the detailed findings section of this report on page 13.	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	No risks of significant weakness identified	A No significant weaknesses in arrangements identified, but two improvement recommendations have been made to support the ICB in improving arrangements for budgetary control. We have also raised an updated improvement recommendation on quality governance arrangements where issues identified in 2022/23 have not yet been addressed. More detail is provided in the detailed findings section of this report on page 17.	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	No risks of significant weakness identified	A No significant weaknesses in arrangements identified, but one improvement recommendation has been made to support the ICB in improving arrangements for driving performance improvements to delivery an exit strategy from NHS Oversight Framework segment 3. More detail is provided in the detailed findings section of this report on page 19.	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)



## Significant weakness identified in Financial Sustainability

We reviewed the ICB's arrangements to deliver financial sustainability and have concluded that there is a significant weakness in arrangements.

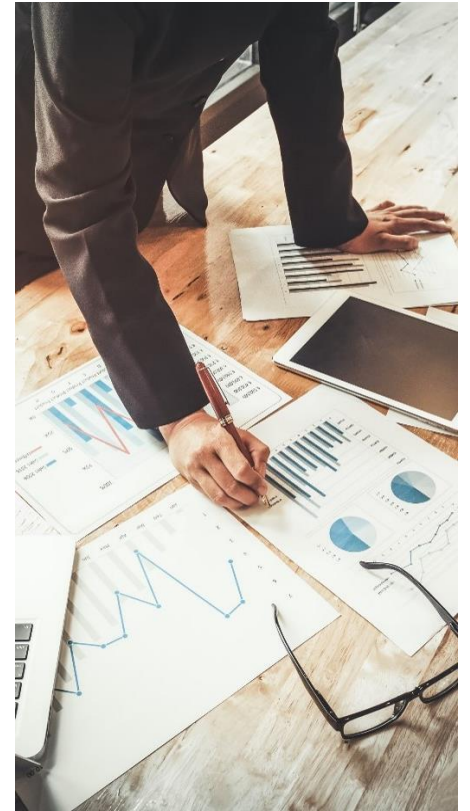
### Financial recovery in the short and medium term

- The ICB and the system delivered a deficit for the first time in 2023/24. The system is now planning for a deficit of £35.7m in 2024/25, a worsening position from the 2023/24 deficit of £9.9m.
- The £9.9m 2023/24 deficit sits entirely with the ICB due to risk-sharing arrangements. Failure to satisfy conditions of the risk-sharing agreement could mean providers have to repay £7.9m of this deficit to the ICB in 2024/25, creating further challenges for the system.
- The system financial plan for 2024/25 relies on delivery of an ambitious efficiency target of £141.9m – 7% of the overall system allocation. 25% of the ICB's planned savings are unidentified as at May 2024. The ICB plans to deliver 79% of its 2024/25 savings non-recurrently, indicating an over-reliance on non-recurrent savings to deliver required efficiencies.
- The ICB's Medium-Term Financial Plan (MTFP) aims to achieve financial balance by 2025/26, however this has not been updated to reflect the worsening financial position in 2023/24. Until it is updated, it is not clear when the system will be able to return to financial balance.
- We conclude that the trajectory in the financial position, the level of savings required and high value of unidentified savings, and the lack of an up-to-date MTFP presents a significant weakness in arrangements to deliver financial sustainability. We have raised a key recommendation.

### Key recommendation

To return to financial balance the ICB should:

- urgently identify delivery plans against the full 2024/25 efficiency target;
- develop a clear pipeline of recurrent saving schemes so that any unexpected shortfalls in current plans can be addressed and to move the ICB away from over-reliance on non-recurrent savings;
- work with partners to ensure that robust financial plans are in place to support financial recovery;
- produce a record of multi-year rolling savings for larger, transformational projects across the system;
- update the system's MTFP to reflect changes to the underlying position since September 2023, when the plan was last updated; and
- ensure the MTFP is kept under regular review to ensure that recovery programmes are sufficient to bridge the latest forecast funding gaps with reporting to Finance and Investment Committee.



# **Opinion on the financial statements and use of auditor's powers**





# Opinion on the financial statements



## Audit opinion on the financial statements

We issued an unqualified opinion on the ICB's financial statements on 25 June 2024, but a qualified regularity opinion due to the ICB reporting a deficit position in 2023/24.

The full opinion has been included in the ICB's Annual Report for 2023/24, which can be obtained from the ICB's website.

## 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 2024 and of its expenditure and income for the year 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 2023/24, 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.

## Findings from the audit of the financial statements

The ICB provided draft accounts in line with the national deadline.

Draft financial statements were of a reasonable standard and supported by detailed working papers.

One Significant matter was raised in relation to the general arrangements for Pharmacy, Ophthalmic and Dental Services, as newly delegated expenditure and income streams in 2023/24. This was a learning process for both teams in terms of gaining/providing the correct level of assurance to verify the material accuracy of these balances. Going forward we recommend that the ICB invest time in fully understanding these flows, who is monitoring each level of activity, and who is responsible for providing the evidence for in year transactions and year end balances. This matter has been discussed with management, who agree these reflections to be fair. There were no other difficulties experienced during the audit.

- The opinion on the financial statements was issued on 25 June 2024, in line with the national timetable

Further text to cover s summary from the AFR:

- We found no issues regarding the areas of significant risk identified in our Audit Plan presented to the Audit & Risk Committee on 29 February 2024.
- No significant adjustments were made from the draft to the final financial statements.
- Five control recommendations were made as a result of the financial statements audit, however none of these represent a significant deficiency in the ICB's internal control environment.

## Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A version of this report was presented to the ICB's Audit and Risk Committee on 18 June 2024 and the ICB Board on 25 June 2024. A final version of this report was shared with Management upon the issuance of the opinion. Requests for this Audit Findings Report should be directed to the ICB.



# Other reporting requirements and use of auditor's powers



## 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 2023/24. 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 2023-24.

## 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 2023/24 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 2023/24, the other information published together with the financial statements in the ICB's Annual Report for 2023/24 is consistent with the financial statements. We have nothing to report in this regard.

## Whole of Government Accounts

To support the audit of Consolidated NHS Provider 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 significant issues.

## We bring the following matters to your attention:

### Referrals to the Secretary of State

In all material respects the expenditure and income recorded in the financial statements had not been applied to the purposes intended by Parliament and the financial transactions in the financial statements conform to the authorities which govern them.

We issued a section 30 referral to the Secretary of State for Health and Social Care because the ICB had an in year deficit of £9.9 million as at 31 March 2024 which gave rise to a duty on us to report under section 30(b) of the Local Audit and Accountability Act 2014. We issued this report on 23 May 2024.

### 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 2023/24.

### 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 2023/24.

# **Value for Money Commentary on arrangements**



# The current NHS landscape



## National context

In 2023/24, the NHS has continued to show commitment to patient care and service delivery. Advancements in digital health technologies including virtual wards have the potential to support service redesign, reduce waiting times, and improve patient outcomes. Data published by NHS England in April 2024 indicates that performance against key metrics for elective waiting times, diagnostic tests access, and A&E 4 hour waits all improved year on year, though performance is still some way from target. These achievements demonstrate the resilience and adaptability of NHS staff amidst ongoing pressures.

Integrated Care Systems, established on 1<sup>st</sup> July 2022, remain at varying stages of maturity. Some systems have developed changes to patient pathways designed to improve outcomes, create efficiencies, tailor services to the needs of their local population and address local health inequalities. Most systems continue to face significant challenges, including workforce shortages, rising demand for healthcare services, and efficient resource management, all resulting in financial sustainability uncertainties.

Pay and productivity remain key challenges nationally. Staffing numbers have increased significantly since 2019/20 with staff costs now exceeding the funding available in many systems, exacerbated by industrial action costs. At the same time, activity growth has not kept pace, leaving a “productivity gap” that is not yet fully understood. This is further hampered by staff absences and pressures in social care staffing. NHS England has requested that all systems formally review the workforce increases seen over recent years. Many NHS bodies are already recognising an urgent need to manage down their temporary and agency staff costs, and recruit and retain the substantive staff they need to deliver services. There also needs to be a continued focus on quality and ensuring system governance is sound. Learning from public inquiry reports and maintaining high standards of behaviour is key to improving patient safety and building public trust.

These challenges are likely to make 2024/25 another challenging year for all local health services. However, the NHS is focusing on the recovery of core services through continuous improvement in access, quality, and productivity whilst transforming the way care is delivered and creating stronger foundations for the future.

## Local context

The ICB serves a population of approximately 940,000 people, with residents spread out across a large and varied area including Swindon, Salisbury and Bath. The collective geography of the ICB is relatively less deprived than other parts of England, however this is not the case for all communities. The three main causes of mortality in BSW are cancer, cardiovascular disease and respiratory disease, with people in the more deprived areas more likely to have a poorer outcome if diagnosed with one or more of these conditions.

The ICB is also part of the BSW Together Integrated Care System, which is one of 42 other similar systems in England. The ICB’s role is to oversee how money is spent in the system and make sure that health services work well and are of high quality. It also ensures there is effective collaboration between hospital providers, primary care, local councils, hospices, voluntary community, and social enterprise (VCSE) organisations and Healthwatch partners across all areas of BSW. As an ICS, BSW Together has four key purposes: to improve outcomes in population health and healthcare; to tackle inequalities in outcomes; to enhance experience, access, productivity and value-for-money; and to support broader social and economic development.

The ICB has faced significant challenges in 2023/24, including insufficient capacity across urgent and emergency care and hospital handover delays. It has also suffered from the challenges facing the NHS as a whole, including industrial action, workforce and resilience, and financial sustainability issues.

It is within this context that we set out our commentary on the ICB’s value for money arrangements in 2023/24 and make recommendations where any significant weaknesses or improvement opportunities in arrangements have been identified to support management in 2024/25.

# Financial sustainability - commentary on arrangements



## We considered how the ICB:

## Commentary on arrangements

## Assessment

<ul style="list-style-type: none"> <li>identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them</li> </ul>	<p>The ICB faced significant challenges in achieving financial sustainability in 2023/24, leading to delivery of a deficit outturn for the first time. The ICS delivered a deficit of £9.9m, in line with a revised deficit control total agreed with NHSE in late 2023. This sits entirely with the ICB due to risk-sharing arrangements. The ICB, on behalf of the system, has submitted a £35.7m deficit plan for 2024/25. The ICB produced its first medium-term financial plan (MTFP) in September 2023, which includes dedicated system recovery programmes for each deficit driver. However, the MTFP has not been updated since its production and the implications of the 2024/25 planning round have not yet been reflected in the system MTFP. We have identified a significant weakness in the ICB's arrangements to secure financial sustainability and have raised a key recommendation (also linked with commentary below).</p>	R
<ul style="list-style-type: none"> <li>plans to bridge its funding gaps and identify achievable savings</li> </ul>	<p>The system financial plan for 2024/25 relies on delivery of an ambitious efficiency target of £141.9m – 7% of the overall system allocation. The ICB plans to deliver £62.3m of efficiencies in 2024/25. 25% of these savings are unidentified as at May 2024. The ICB plans to deliver 79% of its 2024/25 savings non-recurrently, indicating an over-reliance on non-recurrent savings to deliver required efficiencies. We have identified a significant weakness in the ICB's arrangements to secure financial sustainability and have raised a key recommendation (also linked with commentary above).</p>	R
<ul style="list-style-type: none"> <li>plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities</li> </ul>	<p>The ICB's MTFP is aligned with the ICB's strategic ambitions set out in the Joint Forward Plan. In line with our prior year recommendation, the ICB has developed a capital prioritisation process in 2023/24 which seeks to take a system-wide approach to prioritisation, aligned with the ICS strategic priorities.</p>	G
<ul style="list-style-type: none"> <li>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</li> </ul>	<p>The ICB's annual business planning process includes a review of workforce establishment and accounts for NHSE requirements to reduce management costs. The ICB's community services transformation programme has been reflected in its MTFP. It is not clear how the ICB's commitments per its Green Plan 2022-2025 are considered in the development of its financial plans. We have raised an improvement recommendation.</p>	A
<ul style="list-style-type: none"> <li>identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans</li> </ul>	<p>The ICB has taken substantial steps to control costs in 2023/24 and voluntarily entered the national protocol early in 2023/24, having identified that its financial plan for the year was high risk. The ICB has put a triple lock in place for any new investments over £50k and has reviewed all investments since 2019/20.</p>	G

- 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.



# Financial sustainability – commentary on arrangements



## 2023/24 Outturn performance

### ICB financial and efficiency performance

The ICB did not meet its target to deliver a break-even position in 2023/24. Its outturn position was a deficit of £9.9m. £7.9m of this was transferred to the ICB from providers due to risk-sharing arrangements. Key drivers of the ICB deficit include: inflationary cost pressures, prescribing cost pressures, and continuing healthcare costs (CHC). The ICB delivered over 99% of its planned efficiency programme for 2023/24, however the ICB was heavily reliant on non-recurrent savings to meet its target.

### System financial and efficiency performance

The National Health Service Act 2006, as amended by the Health and Care Act 2022, sets out the statutory financial duties of NHS England, ICBs, NHS foundation trusts and NHS trusts. ICBs have a statutory duty to contain system expenditure within the limits directed by NHS England and work with NHS partners to deliver financial balance at a system level.

The system providers delivered a break-even position due to the risk-sharing arrangements meaning the deficit within the system was transferred to the ICB. Significant workforce and agency costs on the provider side were a key driver of the system deficit. The system delivered 98% of its planned efficiencies for 2023/24, but this was again dependent on a high proportion of non-recurrent savings.

2023/24 Outturn position				
		Plan	Actual	Variance
Financial position	ICB	£0m	(£9.9m)	(£9.9m)
	Providers	£0m	£0m	£0m
	<b>Total</b>	<b>£0m</b>	<b>(£9.9m)</b>	<b>(£9.9m)</b>
Efficiency targets	ICB	£40.8m	£40.7m	(£0.1m)
	Providers	£55.5m	£53.2m	(£2.3m)
	<b>Total</b>	<b>£96.3m</b>	<b>£93.9m</b>	<b>(£2.4m)</b>

## 2024/25 financial plan

### ICB financial plan and efficiency targets

The ICB plans to deliver a break-even position in 2024/25. In order to do this, it will need to deliver an efficiency target of £62.3m. This represents 3.1% of its revenue allocation and is a 53% increase on what was delivered in 2023/24. High risk savings make up 30% of the total planned efficiencies for the ICB. We consider that efficiency savings of this scale are ambitious and based upon our review of the arrangements in place, present a risk for the ICB's future financial performance.

### System financial plan and efficiency targets

The wider system plan is to deliver a £35.7m deficit, meaning the system is not planning to meet its statutory obligation to deliver a break-even position. To meet the planned deficit, provider Trusts will have to deliver an efficiency target of £79.6m. This represents 3.9% of the revenue allocation and brings the system total efficiency target to 7% of its allocation. High risk savings make up 43% of the planned provider efficiencies.

We have included more detail on the following pages setting out the basis for our key recommendation.

2024/25 financial plan				
Financial plan	ICB	£0m		
	Providers	(£35.7m)		
	<b>Total</b>	<b>(£35.7m)</b>		
		Plan	High risk	High risk
Efficiency targets	ICB	£62.3m	£18.7m	30%
	Providers	£79.6m	£34.4m	43%
	<b>Total</b>	<b>£141.9m</b>	<b>£53.1m</b>	<b>37%</b>

# Financial sustainability – continued



## Significant weakness identified

### Financial recovery in the short and medium term

The ICB submitted a balanced system and organisational financial plan for 2023/24 in May 2023. The ICB recognised that this was a high-risk plan and has taken substantial steps to reduce costs in 2023/24 as a result, including:

- voluntary introduction of forecast protocols in early 2023/24;
- triple lock in place for any investment > £50k. The ICB established an Investment Committee in October 2023 which is required to approve any investments over £50k;
- investment review (since 2019/20) completed. In addition to reported efficiency schemes for 2023/24, the ICB also ceased c.£25m of out of hospital investments that were made during 2022/23 which have not been reported as part of efficiency schemes;
- Recovery Board in place;
- system vacancy control panels in place;
- workforce cost and whole-time equivalent (WTE) movement review (since 2019/20) undertaken and reviewed at Finance and Investment Committee;
- safer staffing review; and
- full balance sheet review.

However, during 2023/24 the ICB gained approval from NHSE, as part of the November resubmission exercise, to revise its financial plan to a planned revenue deficit of £9.9m. This was delivered with the system deficit sitting entirely with the ICB due to risk-sharing arrangements. This is the first time the ICB or the system has delivered a deficit financial position. Key drivers of the deficit included: inflationary cost pressures, prescribing cost pressures, continuing healthcare costs (CHC), and significant workforce and agency costs on the provider side.

The ICB has taken steps to hold providers to account, including by placing conditions on WTE controls on the risk-sharing arrangement (whereby the ICB agreed to take on £7.9m of provider deficit to absorb the system deficit entirely within the ICB). These conditions were not fully met as at 31 March 2024 and the ICB has stated that it may seek repayment of the £7.9m from the providers in 2024/25 if the WTE requirements are not made good. This has led two provider trusts to recognise 'risk-sharing adjustments' to recognise the possibility that these amounts may have to be repaid to the ICB. This means that on an aggregated level, the system deficit would be £17.5m. However, as the repayments are to the ICB, the net impact of this risk being realised for the system would be zero.

The ICB submitted a final 2024/25 financial plan to NHSE on 2 May 2024. This submission reflects a planned system deficit of £35.7m. This deficit sits entirely with providers. The ICB itself is planning to break even in 2024/25.

This is dependent on delivery of an ambitious efficiency programme of £141.9m across the system. This is 7% of the revenue allocation and an increase of 51% from what was delivered in 2023/24. As at May 2024, 17% of these savings were unidentified. The plan includes £53.1m of savings identified as high risk by the ICB. Should these financial risks crystallise, the system deficit would increase by 149% to £88.8m.

Whilst the ICS did deliver 98% of its planned efficiency programme for 2023/24, only 54% of savings delivered were recurrent, placing further pressures on delivery for 2024/25. The ICB is now planning to deliver 79% of its 2024/25 savings non-recurrently, indicating an over-reliance on non-recurrent savings to deliver required efficiencies.

A system-level MTFP was produced and reported to the Board in September 2023, which covers the 3 year planning period 2023/24 - 2025/26. The MTFP identifies a cumulative underlying deficit of £109m and plans to achieve financial balance by 2025/26.

# Financial sustainability – continued



## Financial recovery in the short and medium term - continued

The MTFP is supported by recovery programmes for each key deficit driver. The ICB has established a financial recovery plan at both organisation and system level – supported by a system recovery board, system oversight framework and organisation improvement boards.

However, the MTFP has not been updated since its production. Many of the figures in the MTFP are now out-of-date as the financial position has worsened. For example, the MTFP models for breakeven in 2023/24 (actual deficit of £9.9m) and for a £29.1m deficit in 2024/25 (actual planned deficit £35.7m). As at May 2024, the ICB had begun the process of refreshing the MTFP following the 2024/25 planning round.

### Key Recommendation 1 – To return to financial balance the ICB should:

- urgently identify delivery plans against the full 2024/25 efficiency target;
- develop a clear pipeline of recurrent saving schemes so that any unexpected shortfalls in current plans can be addressed and to move the ICB away from over-reliance on non-recurrent savings;
- work with partners to ensure that robust financial plans are in place to support financial recovery;
- produce a record of multi-year rolling savings for larger, transformational projects across the system;
- update the system's MTFP to reflect changes to the underlying position since September 2023, when the plan was last updated; and
- ensure the MTFP is kept under regular review to ensure that recovery programmes are sufficient to bridge the latest forecast funding gaps with reporting to Finance and Investment Committee.

## Areas for improvement

### Alignment of financial planning with Green Plan objectives

The ICB has published a Green Plan 2022-2025. This includes a commitment for all system partners to achieve net zero over emissions they can control by 2030.

However, we could not identify any references to the ICB's green objectives in the financial planning submissions to the Board for 2024/25. The ICB's MTFP includes one reference to 'progressing net zero' in the timeline under 2025/26 but does not give any further detail. It is also not clear how the draft 2024/25 capital plan support the ICB's green objectives. The Green Plan objectives have not been referenced as a requirement for the ICB's capital prioritisation process and there is no reference to green objectives in the ICB's prioritisation framework or business case template.

It is important for green objectives to be reflected in financial planning in order to ensure appropriate budgets are allocated to enable delivery of key commitments.

**Improvement opportunity 1** – The ICB should ensure that the financial impact of commitments in its Green Plan 2022-2025 are appropriately reflected in its annual and medium-term financial plans. Green objectives should be included as part of the process for assessing and prioritising new expenditure.

# Governance – commentary on arrangements



## We considered how the Integrated Care Board:

## Commentary on arrangements

## Assessment

<ul style="list-style-type: none"> <li>monitors and assesses risk and how the Integrated Care Board gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud</li> </ul>	<p>The ICB continued to evolve its approach to risk management in 2023/24. The Board Assurance Framework was implemented as planned and management is continuing to develop this. The ICB also agreed categories of risk and a risk appetite statement in year and has established a Risk Management Group to improve accountability for risk management and provide a forum for cross-directorate discussion. The ICB has shown a positive response to our prior year improvement recommendation on local risk management (See appendix C). The ICB has appropriate arrangements in place in respect of prevention and detection of fraud and an adequate and effective internal audit function in place. The ICB has arrangements in place to alert them to breaches in quality and there is evidence that the ICB has been proactive in strengthening oversight in response to a recognised gap in oversight related to Primary Care services. However, we note that some issues identified in our prior year recommendation on quality governance arrangements have not been fully addressed (see Appendix C). We have raised an updated improvement recommendation on page 24.</p>	<p style="text-align: center;"><b>A</b></p>
<ul style="list-style-type: none"> <li>approaches and carries out its annual budget setting process</li> </ul>	<p>The ICB has continued to take a system-level approach to financial planning in 2023/24, working with system partners to develop a system-level financial and operating plan for 2024/25. There is active engagement with the Board and relevant sub-committees throughout the budget process and budget holders have also been engaged in financial planning.</p>	<p style="text-align: center;"><b>G</b></p>
<ul style="list-style-type: none"> <li>ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships</li> </ul>	<p>Monthly finance reports to the Finance and Investment Committee and the Board include both financial and relevant non-financial information and take a whole-system view. Standard reporting on the capital position only goes to the Finance and Investment Committee and not the Board. The capital position at a system level is only reported periodically throughout the year. We have raised an improvement recommendation on capital monitoring and reporting. The ICB has made progress against our prior year recommendation on engagement with budget holders - a budget holder manual is in place and budget holders receive training on the Oracle BI system and support from finance leads. We have rolled-forward and updated our improvement recommendation to focus on budget holder accountability which remains an area for improvement.</p>	<p style="text-align: center;"><b>A</b></p>
<ul style="list-style-type: none"> <li>ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee</li> </ul>	<p>The ICB Board is supported by sub-committees that conduct annual self-assessments, and reports to the Board include a CEO report and a summary report from the ICB Board committees. The Board minutes show evidence of effective discussion, and the Audit and Risk committee meets regularly, with internal audit reports discussed and actions tracked. The ICB has not completed effectiveness reviews for the ICB Board or its sub-committees in 2023/24. These reviews are planned for 2024/25.</p>	<p style="text-align: center;"><b>G</b></p>
<ul style="list-style-type: none"> <li>monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour</li> </ul>	<p>The ICB ensures compliance with legal and regulatory requirements through various measures, including reports with legal/regulatory implications, use of the Data Security and Protection Toolkit, and regular Quality and Performance reports. The corporate office maintains registers for conflicts of interest, gifts, hospitality, and corporate policies, presented to the Audit and Risk Committee for compliance assurance. The committee received a Conflicts of interest investigation report in 2023/24 and implemented actions to enhance the "declaration of interests" item at meetings.</p>	<p style="text-align: center;"><b>G</b></p>

# Governance – continued



## Areas for improvement

### Capital monitoring and reporting

The ICB produces monthly ICS finance reports which are reported to the Finance and Investment Committee and the Board. These include good coverage with regards to revenue expenditure, however they do not include capital reporting.

The ICB's capital is monitored through a separate ICB-specific monthly report. The ICB does produce a separate report on capital at a system level, however this is only periodically throughout the year, not on a regular monthly basis. Both of these reports containing monitoring information on capital are only reported to the Finance and Investment Committee and not to the Board.

Whilst the ICB does not have a significant capital programme of its own, it has an important role to play in overseeing financial delivery across the system, including delivery against its providers' capital plans.

**Improvement opportunity 2** – The ICB should improve monitoring and reporting on the capital position by including capital reporting in the standard monthly ICS finance reports. This would provide a regular update on the capital position at a system-wide level to the Board and ensure appropriate action can be taken to mitigate any risks in the capital programme.

### Budget holder accountability

In our 2022/23 AAR, we 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. The ICB has made progress against this recommendation in 2023/24 (see Appendix C).

The ICB has partly addressed this recommendation. Budget holders have received training on self-service finance reports from the Oracle BI system and the ICB is planning further training when the new instance of Oracle is rolled out. There are also assigned finance leads who engage with and support budget holders.

We have identified that whilst budget holders review planned budgets, they do not physically sign these off. The executive management team review performance looking at the overall financial position and there is evidence that the ICB has worked with budget holders to resolve adverse variances in 2023/24. However, arrangements to ensure individual budget holder accountability are limited. We have rolled-forward and updated our prior year improvement recommendation to focus on budget holder accountability which remains an area for improvement.

**Improvement opportunity 3** – The ICB should improve accountability for budget holders by:

- ensuring appropriate processes are in place for budget holders to sign up to their budgets for the year
- putting arrangements in place to ensure individual budget holder accountability. For example, through check and challenge sessions or named budget holders on monthly finance reports.



# Improving economy, efficiency and effectiveness – commentary on arrangements



## We considered how the Integrated Care Board:

## Commentary on arrangements

## Assessment

<ul style="list-style-type: none"> <li>uses financial and performance information to assess performance to identify areas for improvement</li> </ul>	<p>The ICB has shown positive progress against our prior year recommendation in this area (see Appendix C). Financial and performance information are regularly reported to the Board to assess performance and identify areas for improvement. Presentations on operations, quality, and finance are made to the Board, with performance reported against strategic objectives. The Board also receives summary reports from the ICB Board Committees and incorporates benchmarking against other NHS organisations. The ICB uses external benchmarks and has action plans in place to address data quality issues highlighted in an Internal audit review.</p>	G
<ul style="list-style-type: none"> <li>evaluates the services it provides to assess performance and identify areas for improvement</li> </ul>	<p>The ICB and two of its providers have moved from NHS Oversight Framework segment 2 in the prior year to segment 3 in 2023/24. The ICB monitors and supports providers in implementing improvements required, using oversight arrangements such as the Quality and Outcomes Committee, System Quality Group, and ICB Board. Updates on segmentation drivers are provided to the Board, including financial position, cancer position, and exit criteria. However, given the deterioration in performance across the system, we have raised an improvement recommendation. The ICB has demonstrated positive progress against our prior year recommendation and has developed a new delivery oversight governance structure. This was agreed in January 2024 and will be implemented in 2024/25 (see Appendix C). The ICB has appropriate arrangements in place to respond to issues identified either internally or by an external reviewer.</p>	A
<ul style="list-style-type: none"> <li>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</li> </ul>	<p>The ICB shows adequate partnership working through collaborations with Health and Wellbeing Boards and public health partners. It has established a Delivery Oversight Group and three key groups for reporting achievements and informing board decisions. The Board regularly discusses service improvement plans, lead provider arrangements, and receives updates on Place-based activities from the CEO. Based on our review, the ICB has effective arrangements for delivering its role within partnerships and engaging with stakeholders to assess meeting objectives.</p>	G
<ul style="list-style-type: none"> <li>commissions or procures services, assessing whether it is realising the expected benefits</li> </ul>	<p>The ICB has a procurement policy and standing financial instructions. Whilst an internal audit review found instances of non-compliance, the ICB has implemented recommendations from the audit, including updates to procurement policies and the procurement register. The ICB has established oversight groups for procurement activities and migrated to the Atamis contract management system. The Audit and Risk Committee reviews the procurement register quarterly, receives reports on Single Tender Waivers, and issued a Contract Performance Breach Notice to Wiltshire Health and Care. Collaborative work was evident in managing the contract for ambulance services, where Dorset ICB acted as the lead commissioner and collaboration with SWASFT was crucial to the BSW agenda and delivery of its Strategy. The ICB took on responsibility for Pharmaceutical, Ophthalmic and Dental (POD) commissioning in 2023/24. This is overseen by the Primary Care Executive Group. Internal Audit has provided assurance over the new arrangements in year and management is working to address actions raised.</p>	G

# Improving economy, efficiency and effectiveness – continued



## Areas for improvement

### Driving improvements in performance across the system

NHS Oversight Framework segmentations for the ICB and providers are listed in Table 1.

Key areas of concern noted for the ICB as at March 2024 were:

- Elective – diagnostics. BSW achieved 66% against a 75% target for the 28 days faster diagnosis standard for cancer.
- Mental Health - CYP Access, Talking Therapies and Dementia. BSW achieved a dementia diagnosis rate of 58.8% against a target of 66.7%.
- Finance - efficiency, stability and agency spend
- LDA – Inpatients. Complex LDA inpatient numbers (all-age) reduced in Q3 but continue above the plan trajectory.
- Virtual Wards. BSW achieved 62% against an 80% target for virtual wards average occupancy.
- Urgent community response

The ICB does have arrangements in place to monitor and support providers in implementing improvements, using oversight arrangements such as the Quality and Outcomes Committee, System Quality Group, and ICB Board. Updates on segmentation drivers are provided to the Board.

However, given the deterioration in performance across the system, we have concluded that the ICB could improve its approach.

**Improvement opportunity 5** – The ICB should review the way it works with providers to drive improvements in performance and deliver an exit strategy from segment 3 of the NHS Oversight Framework.

Table 1: Movement in NHS Oversight Framework segmentation 2022/23 – 2023/24

	NHS Oversight Framework segmentation		
	2022/23	2023/24	Movement
BSW ICB	Segment 2	Segment 3	↓
Great Western Hospital	Segment 2	Segment 2	↔
Royal United Hospital	Segment 2	Segment 3	↓
Salisbury Foundation Trust Hospital	Segment 2	Segment 3	↓
Avon and Wiltshire Mental	Segment 3	Segment 3	↔

**Value for Money  
Recommendations raised in  
2023/24**



# Recommendations raised in 2023/24

Recommendation	Type of recommendation*	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
<p>To return to financial balance the ICB should:</p> <ul style="list-style-type: none"> <li>urgently identify delivery plans against the full 2024/25 efficiency target;</li> <li>develop a clear pipeline of recurrent saving schemes so that any unexpected shortfalls in current plans can be addressed and to move the ICB away from over-reliance on non-recurrent savings;</li> <li>work with partners to ensure that robust financial plans are in place to support financial recovery;</li> <li>produce a record of multi-year rolling savings for larger, transformational projects across the system;</li> <li>update the system's MTFP to reflect changes to the underlying position since September 2023, when the plan was last updated; and</li> <li>ensure the MTFP is kept under regular review to ensure that recovery programmes are sufficient to bridge the latest forecast funding gaps with reporting to Finance and Investment Committee.</li> </ul>	Key	Financial sustainability	<p>Review of the MTFP shows it has not been updated since its production in September 2023 and many figures are now out-of-date.</p> <p>Review of the Cost Improvement Programme has identified significant gaps in delivery plans and over-reliance on non-recurrent efficiencies.</p>	<p>Robust and up-to-date medium-term financial planning is important to ensure that the ICB's recovery plans are sufficient to bridge the latest forecast funding gaps.</p> <p>The lack of adequate savings plans with sufficient identified and recurrent savings will impact the ICB's ability to deliver sustainable financial balance.</p>	<p><b>Actions:</b> The MTFP is scheduled to be updated during Q2 24/25 and work is expected during Q2 on a CIP pipeline for 25/26. System planning executive group is in place comprising workforce leads, COOs and CFOs addressing future sustainability.</p> <p><b>Responsible Officer:</b> Matthew Hawkins</p> <p><b>Executive Lead:</b> Gary Heneage</p> <p><b>Due Date:</b> September 2024</p>

# Recommendations raised in 2023/24 - continued

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
2 The ICB should ensure that the financial impact of commitments in its Green Plan 2022-2025 are appropriately reflected in its annual and medium-term financial plans. Green objectives should be included as part of the process for assessing and prioritising new expenditure.	Improvement	Financial sustainability	Review of the Green Plan 2022-2025 and financial planning documents has identified an opportunity for improvement in alignment of financial planning with the ICB's Green Plan.	It is important for green objectives to be reflected in financial planning in order to ensure appropriate budgets are allocated to enable delivery of key commitments.	<p><b>Actions:</b> The ICB does include a sustainability section on the expenditure approval form that is used to support new spend under the public tender threshold. Any tender includes sustainability by default as part of the evaluation criteria. The Green Plan will be refreshed during 24/25 and where relevant, costs will be factored into the MTFP.</p> <p><b>Responsible Officer:</b> Graham Wilson</p> <p><b>Executive Lead:</b> Gary Heneage</p> <p><b>Due Date:</b> September 2024</p>
3 The ICB should improve monitoring and reporting on the capital position by including capital reporting in the standard monthly ICS finance reports. This would provide a regular update on the capital position at a system-wide level to the Board and ensure appropriate action can be taken to mitigate any risks in the capital programme.	Improvement	Governance	Review of monthly ICB and ICS finance reports has identified an opportunity for improvement of capital monitoring and reporting	The lack of regular system-wide capital reporting to the Board will impact the Board's ability to respond to key risks in delivery of the system-wide capital programme.	<p><b>Actions:</b> Regular updates are made to the ICB F&amp;I Committee as a separate system report. The reporting has improved during 23/24 and we expect this to continue into 24/25 and become standard. The capital position is also reported monthly to NHSE for the system through the IFR submission.</p> <p><b>Responsible Officer:</b> Bina Kakad</p> <p><b>Executive Lead:</b> Gary Heneage</p> <p><b>Due Date:</b> A regular report is already in place.</p>



# Recommendations raised in 2023/24 - continued

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
<p>The ICB should improve accountability for budget holders by:</p> <ul style="list-style-type: none"> <li>ensuring appropriate processes are in place for budget holders to sign up to their budgets for the year</li> <li>putting arrangements in place to ensure individual budget holder accountability. For example, through check and challenge sessions or named budget holders on monthly finance reports.</li> </ul>	Improvement	Governance	Discussion with the Associate Director of Finance has identified an opportunity for improvement in arrangements for ensuring individual budget holder accountability	Individual accountability is an important mechanism for delivering budgets and supporting financial sustainability	<p><b>Actions:</b> Budget holders will be held to account through the Executive meeting. Meetings already take place between finance business partners and budget holders to discuss and agree forecasts, but the Executive meeting will provide additional scrutiny of both ICB and budget holder performance. A separate report will be produced on CIP delivery.</p> <p><b>Responsible Officer:</b> Barry Young</p> <p><b>Executive Lead:</b> Gary Heneage (M3 reporting) / Rachael Backler (CIP)</p> <p><b>Due Date:</b> July 2024</p>

# Recommendations raised in 2023/24 - continued

Recommendation	Type of recommendation*	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
<p>The ICB should strengthen quality assurance arrangements through the formalisation and embedding of processes. This should include:</p> <ul style="list-style-type: none"> <li>strengthening and formalising the reporting arrangements into the SQG to reduce the number of unsupported verbal updates;</li> <li>formalised escalation processes to ensure consistency and standardised approach across the system. in line with best practice at other ICB's the ICB should consistently label agenda items for escalation so this is formally discussed and clear what will be escalated and to where; and</li> <li>establishing consistent attendance and representation at the SQG from the provider trusts and system partners.</li> </ul>	Improvement	Governance	Review of progress against our prior year recommendation has identified areas for improvement which have not been fully addressed (see Appendix C)	Appropriate quality governance arrangements are essential to ensure quality issues are identified, escalated and addressed appropriately.	<p><b>Actions:</b> We will adopt the recommendations but in terms of escalation we already follow the National Quality Board (NQB) framework.</p> <p><b>Responsible Officer:</b> Sharren Pells</p> <p><b>Executive Lead:</b> Gill May</p> <p><b>Due Date:</b> September 2024</p>

# Recommendations raised in 2023/24 - continued

Recommendation	Type of recommendation*	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
6 The ICB should review the way it works with providers to drive improvements in performance and deliver an exit strategy from segment 3 of the NHS Oversight Framework.	Improvement	Improving economy, efficiency, and effectiveness	Review of the ICB's reporting on its NHS Oversight Framework segmentation has identified an opportunity for improvement in driving performance improvements across the system.	Deteriorations in performance across the system has a direct impact on patients and their quality of care. Additionally, the ICB will be subject to further intervention and controls by NHSE if performance does not improve or deteriorates further.	<p><b>Actions:</b> The ICB already has enhanced oversight arrangements in place for providers in SOF3. In addition, a system planning, and delivery oversight group has been established that will be used to carry out mutual assurance on a quarterly basis of the oversight framework.</p> <p><b>Responsible Officer:</b> TBC</p> <p><b>Executive Lead:</b> Rachael Backler</p> <p><b>Due Date:</b> Already in place.</p>

\* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

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

The Accountable Officer is 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.

Integrated Care Boards (ICBs) are responsible for allocating the NHS budget and commissioning 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 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.

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: Value for Money Auditor responsibilities



## Value for Money arrangements work

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 (NAO) Code of Audit Practice ('the Code'), 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 ICB 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.

2023/24 is the fourth year that we have reported our findings under the Code, but only the second year in which we have reported in this way for Integrated Care Boards since their creation on 1<sup>st</sup> July 2022. We undertake and report the work in three phases as set out in the Code.

## Phase 1 – Planning and initial risk assessment

As part of our planning we assess our knowledge of the ICB's arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period.

Information which informs our risk assessment	
Cumulative knowledge of arrangements from the prior year	Key performance and risk management information reported to the Board
Interviews and discussions with key officers	NHS Oversight Framework (NOF) rating
Progress with implementing recommendations	Care Quality Commission (CQC) reporting
Findings from our opinion audit	Annual Governance Statement including the Head of Internal Audit annual opinion

## Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements we will undertake further work to understand whether there are significant weaknesses. We use auditor's professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

## Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations. A range of different recommendations can be raised by the ICB's auditors as follows:

- **Key recommendations** – the actions which should be taken by the ICB where significant weaknesses are identified within arrangements.
- **Improvement recommendations** – actions which should improve arrangements in place but are not a result of identifying significant weaknesses in the ICB's arrangements.
- **Statutory recommendations** – written recommendations to the ICB under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.

# Appendix C:

## Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
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	Aug 2023	A MTFP was submitted to NHSE in September 2023. However, the MTFP has not been updated since its production. Many of the figures in the MTFP are now out-of-date as the financial position has worsened. For example, the MTFP models for breakeven in 2023/24 (actual deficit of £9.9m) and for a £29.1m deficit in 2024/25 (actual planned deficit £35.7m). As at May 2024, the ICB had begun the process of refreshing the MTFP following the 2024/25 planning round.	Partly	Yes – see key recommendation 1

# Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
<p>The ICB should continue to develop the system wide efficiency programme with its system partners. This should include:</p> <ul style="list-style-type: none"> <li>• a strong focus on managing the risks associated with savings delivery;</li> <li>• working at pace to develop the Recovery Plan including scoping and design of efficiency projects;</li> <li>• robust monitoring and reporting of the delivery of efficiencies at ICB and system level, including the financial and quality impact of schemes;</li> <li>• increasing ICB oversight of provider CIP plans to develop a true system-wide savings programme;</li> <li>• identification and delivery of recurrent savings that benefit future years;</li> <li>• ensuring governance arrangements are embedded and provide adequate oversight and challenge of efficiency plan delivery across the system.</li> </ul>	Improvement	Aug. 2023	<p>On ICB efficiencies and savings, Executives have been aligned to each efficiency programme, with project initiation documents in place to identify savings. Oversight and governance processes are in place to track achievement. This links in with the oversight via the HFMA checklist.</p> <p>On system efficiencies and savings, Executive and board level work continues to address the identified system financial deficit in 2024/25. The System Planning Executive group meets fortnightly with operational, workforce, strategy, planning and finance leads from across the system and has focussed on the delivery of savings targets. Deep dive sessions with each provider took place in the week of 15 April 2024 to further check and challenge in 4 key areas: elective recovery, balance sheet review, non-elective performance and investments to support organisation cost improvement plans and schemes.</p>	Partly	Yes – see key recommendation 1

# Appendix C:

## Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
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	Aug. 2023	System wide approach to capital planning paper was presented to the ICB's Finance and Investment Committee in February 2024. The ICB is now developing plans across the system using an agreed prioritisation matrix.	Yes	No
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	Aug. 2023	Oracle financial BI has been enabled and rolled out to budget holders. There are regular meetings between finance and budget holder representatives. A further roll out to budget managers will happen as new team structures are put in place and with the introduction of ISFE 2. However, we have identified that individual budget holder accountability remains an area for improvement.	Partly	Yes – see improvement recommendation 3
5 In order to strengthen risk management arrangements, the ICB should:  <ul style="list-style-type: none"> <li>• ensure that the BAF is implemented as planned in July;</li> <li>• address the weaknesses/actions identified by internal audit regarding local risk management.</li> </ul>	Improvement	Aug. 2023	The ICB developed and implemented the BAF as planned and this has been reviewed by the Board throughout the year. It has also addressed the weaknesses and actions identified by internal audit regarding local risk management arrangements, including establishing risk leads in each directorate and ensuring risks are escalated in line with the ICB's scoring approach.	Yes	No

# Appendix C:

## Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
<p>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:</p> <ul style="list-style-type: none"> <li>a comprehensive suite of KPIs that reflect the Integrated Care Strategy, Operational Plan Priorities and the System Oversight Framework;</li> <li>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;</li> <li>sufficient supporting narrative to explain mitigating actions where performance is off target.</li> </ul>	Improvement	Aug. 2023	<p>The ICB has published an integrated performance dashboard that is regularly in use and shared at both Quality and Outcomes Committee and the ICB Board. This incorporates the key metrics under the NHS Oversight Framework and Operational Priorities.</p> <p>The ICB is undertaking its first review of the deliverables set out in its Implementation Plan and is aiming to have a shorter number of deliverables to measure as part of the 2024 refresh. The performance report that is shared at Quality Committee and Board includes exception reporting for both Quality and Operational Performance. Finance exception reporting is captured in the monthly finance reports that are shared at the Finance and Investment Committee and the Board. Workforce reporting is made to the People committee. The ICB does not intend to integrate the exception reporting at this point, due to the responsibilities of the different committees.</p>	Yes	No
<p>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.</p>	Improvement	Aug. 2023	<p>The ICB has developed a new delivery oversight governance structure that was agreed in January 2024. Work continues on implementation. Terms of Reference for the Recovery Board, Investment Panel and Delivery Oversight Group have been reviewed and agreed. Final implementation of new groups will be completed following the operational planning round for 2024/25.</p>	Yes	No

# Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
<p>The ICB should strengthen quality assurance arrangements through the formalisation and embedding of processes. This should include:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• strengthening and formalising the reporting arrangements into the SQG to reduce the number of unsupported verbal updates;</li> <li>• developing a Quality Strategy that incorporates and addresses system quality priorities;</li> <li>• formalised escalation processes to ensure consistency and standardised approach across the system.</li> <li>• 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;</li> <li>• strengthening the processes for triangulating data to allow data to be more effectively collated;</li> <li>• agreeing and formalising the process for Equality and Quality Impact Assessments.</li> </ul>	Improvement	Aug. 2023	<p>The ICB's final draft Quality Framework (strategy) was reviewed and updated in April 2024, following consultation. Metrics have been revised and incorporated into the integrated performance and quality dashboard for ongoing monitoring via System Quality Group (SQG) and Quality and Outcomes Committee.</p> <p>SQG has formal Terms of Reference, with representation from providers, Local Authorities', Healthwatch, CQC, NHSE and Health Education England. There are defined standing agenda items, with agenda informed by quality metrics, assurance reports and risk registers.</p> <p>The escalation process is in line with National Quality Board Standards, as set out in the Quality Assurance Framework. SQG feedback is provided to ICB Quality and Outcomes Committee, ICB Board and Regional System Quality Group.</p> <p>In January 2024 the QOG approved a formal process and SOP for Equality and Quality Impact Assessments.</p> <p>However, we note that the following items remain areas for improvement:</p> <ul style="list-style-type: none"> <li>• Strengthening and formalising reporting –the ICB has continued with unsupported verbal updates to the SQG;</li> <li>• Formalised escalation processes – in line with best practice at other ICB's the ICB should consistently label agenda items for escalation so this is formally discussed and clear what will be escalated and to where; and</li> <li>• Establishing consistent attendance at SQG remains an issue.</li> </ul>	Partly	Yes – see improvement recommendation 4



