

Auditor's Annual Report on NHS Gloucestershire Commissioning Group

15 June 2022



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We are required under Section 21(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the CCG has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

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



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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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Executive summary



Value for money arrangements and key recommendation(s)

In 2020/21, our review identified no significant weaknesses in arrangements. We raised one improvement recommendation linked to financial sustainability and understanding the underlying financial position for the CCG and the wider system. This remains in progress as the system works towards submitting a breakeven financial plan for 2022/23.

Our review in 2021/22 has not identified any significant weaknesses in arrangements. A key focus of our work this year was the transitional arrangements towards the Integrated Care Board from 1 July 2022 and plans in place to address workforce capacity issues. Workforce capacity is a sector wide issue that impacts on all elements of our VFM work and therefore this was identified within our Audit plan as a significant risk. Our work has concluded that the CCG and transitional arrangements are adequate in relation to Financial Sustainability, Governance and Improving economy, efficiency and effectiveness.

We noted as part of our work that a workforce strategy has been put in place and that an action plan to address the current workforce constraints is in progress. We have recommended that this action plan is progressed at pace as this is pivotal to the ICS achieving financial sustainability and delivering quality services.

We have further recommended that the CCG and partners continue to focus on identifying recurrent measures to close the financial gap for 2022/23, and over the medium term. Progress against this needs to be monitored at a system level to ensure there are no detrimental impacts in other parts of the system from decisions made.

Criteria	Risk assessment	2021/22 Auditor Judgment
Financial sustainability	No risks of significant weakness identified.	No significant weaknesses in arrangements identified, but improvement recommendation made
Governance	No risks of significant weakness identified.	No significant weaknesses in arrangements identified, but improvement recommendation made
Improving economy, efficiency and effectiveness	Risk identified because of workforce constraints are impacting on the CCG's and ICS's ability to deliver results and sustainable systems change.	No significant weaknesses in arrangements identified, but improvement recommendations made

	No significant weaknesses in arrangements identified or improvement recommendation made.
	No significant weaknesses in arrangements identified, but improvement recommendations made.
	Significant weaknesses in arrangements identified and key recommendations made.

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

We bring the following matters to your attention:

Opinion on the financial statements

Auditors are required by section 21 of the Local Audit and Accountability Act 2014 to express an opinion on the accounts that includes the auditor's view on whether the accounts: (i) present a true and fair view and comply with statutory requirements (ii) have been prepared in accordance with proper practices

Our anticipated audit report opinion will be unqualified and will include an Emphasis of Matter paragraph highlighting note 16 (events after the end of the reporting period), which highlights the demise of the CCG on the 30 June 2022, following the Health and Care Act being granted Royal assent.

Opinion on regularity

Auditors are required by section 21 of the Local Audit and Accountability Act 2014 to include in the opinion their view on the regularity of the CCG's income and expenditure, that is to say, that money provided by Parliament has been expended for the purposes intended by Parliament; resources authorised by Parliament to be used have been used for the purposes in relation to which the use was authorised; and that the financial transactions of the group are in accordance with any authority which is relevant to the transactions

We have received notification from the CCG of a payment in lieu of notice of £8,193.46 awarded in 2021. Whilst this has followed appropriate governance procedures and approvals within the CCG, necessary approvals had not been sought from NHS England and HM Treasury prior to payment and the CCG is currently seeking retrospective approval for this payment.

We have considered the impact of this payment and have concluded that it has no impact on our regularity opinion. This is on the basis that in line with Practice Note 10 guidance the payment is deemed immaterial in all regards.

We therefore propose to issue an unqualified opinion in this regard.

Statutory recommendations

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

Our audit work has not identified any issues that would require us to make statutory recommendations to the CCG.

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 highlight above a potential matter in relation to a payment in lieu of notice where retrospective approval is being sought from NHS England and HM Treasury.

If this approval is not granted then a section 30 letter will be required.

This matter does not impact on our ability to issue our audit opinion and certify the 2021-22 audit as closed, as we are satisfied that this does not materially affect the financial statements, either quantitatively or qualitatively.

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.

Our audit work has not identified any issues that would require us to issue a report in the public interest.

Key recommendations



The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the CCG. We have defined these recommendations as 'key recommendations'.

Our work has not identified any significant weaknesses in arrangements and therefore we have not made any key recommendations.

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



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

All Clinical Commissioning Groups 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 CCG's responsibilities are set out in Appendix A.

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

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

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



Financial Sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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



Our commentary on the CCG's arrangements in each of these three areas, is set out on pages 7 to 17. Further detail on how we approached our work is included in Appendix B.

Financial sustainability



We considered how the CCG:

- 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.

Financial Planning

The CCG has submitted all required financial plans in line with NHSE/i deadlines relevant to the 2021/22 and 2022/23 financial years.

The CCG's draft financial statements and outturn report to the Governing Body reported a surplus of £2.214m for 2021/22. This is ahead of the original planned surplus of £0.004m.

This movement in the financial plan has been reported transparently throughout the year to the Governing Body. The key areas that have impacted on the CCG's financial performance are:

- The 2021/22 financial budget contained £3.6m of savings. These savings were largely focused on the two key areas of the CCG's budget that they can control, Continuing Healthcare Placements and Prescribing Budgets. The May 2022 board report set out that this target has been achieved;
- The System received substantial funding in addition to the main allocation. In terms of costs against these schemes there has been slippage due to a number of factors, including workforce availability and capacity of services; and
- The plan for H2 did not include any additional Elective Recovery Funding (ERF) as plans did not predict that any would be achieved; however, some ERF was received in H2.

Work is currently ongoing to assess the underlying recurrent position for the system and to identify areas of efficiency or to improve productivity

The CCG submitted a draft plan to NHS England/Improvement as part of a wider system plan on the 17th March 2022, and a revised submission was made on the 28th April 2022. The plan submitted on the 28th April showed a deficit position for the system and the CCG. Nationally, plans submitted show a significant deficit position and have not been accepted, final plans are now due to be submitted to NHSE on the 20th June 2022.

NHSEI are requiring systems to undertake a series of measures to test plans and additional funding is being made available to fund an element of excess inflation; this additional funding comes with conditions including achievement of a breakeven financial plan. Non delivery of a balanced plan has consequences for System oversight metrics and also access to additional capital allocations.

On 26th May the latest version of the interim annual budget went to the Governing Body.

The Gloucestershire NHS System has worked jointly to develop a budget focusing on the overall position rather than at an individual organisational positions within this; thus enabling the focus to be on improving the bottom line position for the system as a whole.

The draft system budget shows a deficit position of £22.2m, an improvement of c£7m from the March position. Within the overall system position, the CCG share of the deficit is £9.6m. The latest submission to NHSEI at 8 June 2022 reduced the deficit position to c£7m. The CCG and partners have recently submitted a return to NHSEI that shows a breakeven position. The formal plan will be submitted by 20 June 2022.

Financial sustainability (continued)

Discussion with Officers has confirmed that the system is committed to achieving a breakeven plan for 2022/23. Additional allocation had been received with brings the £22m gap down to £11m. The system has identified some additional measures that reduces this gap further to £7m. Whilst officers believe this is achievable (given the gap in comparison to the overall joint budget) there is an intent that plans to close this remaining gap must be credible and deliverable. Partners will use a range of measures to close this gap, and this will not just be reliant upon savings, and could involve the reduction of some service provision.

The System is currently developing a Financial Improvement Plan, this is focused on:

1. Ensuring it delivers the current position recurrently
2. Looking at whether it can improve this position
3. Measures to improve the underlying financial position and develop plans for 2023/24 onwards to bring the system back to a financially sustainable position.

The System budget and CCG budget are based on current operational plans. Plans are predicated on the delivery of elective recovery of 104% of the 19/20 elective activity baseline (on a weighted value basis). If this is achieved then the system would receive the full amount of elective recovery funding allocated to Gloucestershire, the plan includes a contribution of £15m to the system financial position.

The CCG and the Gloucestershire System had a significant underlying deficit position at the end of 2019/20, plans for 2020/21 included measures to address some of this plus two non-recurrent allocations of £10m, however plans to improve financial sustainability were stopped due to the Covid pandemic. As a result, the underlying deficit remains.

Each organisation has included plans to deliver better value from spend within their organisations and the system plans to deliver these efficiencies are in varying stages of development.

The main risks to achievement within the interim budget are:

- Non delivery of the elective recovery position and associated elective recovery funding; the system position includes benefit of £15m linked to this achievement;
- Non achievement of delivering value plans included in each organisation's interim budgets, efficiencies total £33m within System Plans;
- Risk of increased costs throughout the year within the system, including utilities, salary inflation;
- Prescribing costs higher than that planned, either due to the introduction of new drugs, increased growth or price increases;
- Primary care expenditure exceeding the budget set; and
- Increases relating to demand, including urgent care pressures.

Other key assumptions were set out in the May 2022 Governing Body paper. We have undertaken a high level review of these and they appear reasonable and in line with guidance.

We noted as part of our review financial planning information is reported at both a CCG and an ICS level through the integrated performance reports. This ensures transparency at and organisational and system level, where partners are working on one collective goal.

Financial sustainability (continued)

Bridging the gap

There is currently no meaningful MTFP in place, due to the interim financial arrangements that have been in place over the past two financial years. In 2021/22 the CCG delivered a £2.2m surplus due to additional funding. This included delivery of £3.6m of efficiencies (in line with plan). The CCG has a good history of delivering savings in line with plan. Despite delivery of savings plans being suspended in 2020/21, to allow the response to the Pandemic to be the sole focus, we reviewed the CCG's arrangements for identifying and monitoring savings schemes and concluded that they were robust. Our review in 2021/22 has not identified any issues that change this assessment. We are however, mindful that going forward arrangements will need to adapt and flex as ownership and responsibility for the delivery of some efficiencies could be attributable to more than one organisation.

The system are currently working on a plan to close the £22m system budget gap for 22/23 - the CCG element of this is £9.6m. As set out on page 8 of this report there has been subsequent movement on this position, however, this has not been reviewed as part of our 2021/22 work.

Each Gloucestershire NHS organisation has an interim deficit budget which recognises that:

- It is a system deficit which is due to a number of factors; and
- The plan requires the splitting of the deficit however it is clear that this remains a collective responsibility, so that changes made in one part of the system do not negatively impact on another part.

The CCG's interim budget includes an efficiency programme as follows;

- £2.79m medicines management programme
- £1.32m CHC & placements
- £0.924m 1.1% efficiencies within other contracts
- £2.6m other measures – already identified through budget reductions.

The system remains (formally) £22m adrift from a 22/23 breakeven plan. Whilst the CCG and partners understand the position this represents a significant challenge going forward.

We have therefore made an improvement recommendation that the CCG and partners continue to focus on identifying recurrent measures to close the gap for 2022/23, and over the medium term. Progress against this needs to be monitored at a system level to ensure there are no detrimental impacts in other parts of the system from decisions made.

In addition, going forward, arrangements will need to adapt and flex as ownership and responsibility for the delivery of some efficiencies could be attributable to more than one organisation.

Sustainable delivery of services

The CCG and the ICS are clear where spending priorities are in that they are the purchase of healthcare for Gloucestershire residents. The Fit for the Future programme is aimed at delivering better services for patients. Also the ICS's key focus is redesigning clinical pathways so that residents access service more easily and ensure the system flow is improved, which in time will support delivering further cost savings. The CCG has a cumulative surplus and have delivered breakeven in year. The ICS's vision is to 'Improve health and wellbeing of our population, with the believe that by all working better together - in a more joined up way, and using the strengths of individuals, carers and local communities – there will be a transformation in the quality of support and care provided to all local people'.

The CCG and partner organisations have in place a System Development Plan – this was submitted 31st March 2022. The plan is interactive in nature and is regularly update to reflect national guidelines, local and national decisions and emerging challenges.

The CCG has started early work on considering the approach they will take to the development of the ICB Strategy (to be in place for March 2023). This will be informed by the priorities set by the Integrated Care Partnership and Health and Wellbeing Strategy. The CCG fully expect that the ICB strategy will focus on the delivery of health and care services to patients/service users in line with the role of the ICB.

Financial sustainability (continued)

The strategy will therefore focus on priorities both for prevention but also for existing delivery of services to those within Gloucestershire. Developing a clear understanding of how they currently spend their resources across the system and therefore how and where they want to utilise this in the future will be a key part of this work.

The CCG has already undertaken work with the Integrated Care Board in March 2022 to begin to shape future priorities – this will form the basis of the 5 year ICB strategy.

The CCG recognise that further work is needed on the purpose and scope of the 5 year strategy to confirm what this will include.

Integrated planning

In 2020/21 we identified no issues in relation to the integration of planning. Our work in 2022/23 has not identified any issues that change our prior year assessment.

With the move towards the Integrated Care Boards integration of all functions is pivotal (see workforce considerations with our 3Es section). Workforce considerations fundamentally underpin system wide financial planning. For example the 2022/23 is predicated on the receipt of £15m ERF. This is based on the achievement of 104% delivery. If this is not achieved then income will be reduced, impacting on the CCG and ICS's financial sustainability. It is clear from our review that this is understood and transparently reported by partners. It is also clear that action plans are in place to create a sustainable workforce.

Identifying and assessing financial risks

The CCG is currently emerging from an environment which is very prescribed and was covered by the interim financial arrangements put in place by NHSE during the pandemic. This took away the uncertainty from the operating environment. Despite this the CCG and ICS partners are progressing with reconfiguration plans which aim to build capacity within the system. Board reporting clearly sets out the assumptions within the plan that are most at risk. This supports informed decision making at a senior level. Reporting to the ICS executive and ICS board also contains narrative on uncertainties and challenges that the system face. Risks are also consolidated at an ICS level for each organisation.

This includes financial risks and ensures that these are considered at a system wide level. Risks are also consolidated at an ICS level for each organisation. This includes financial risks and ensures that these are considered at a system wide level.

Summary

Our work has not identified any significant weaknesses in arrangements in relation to the CCG's ability to deliver financial sustainability. Going forward this will be delivered at an ICS level through the ICB. Whilst there is significant challenge ahead for the partners with the ICS over the medium term, the arrangements in place to date appear adequate. These arrangements will continue to evolve over time as the ICS itself does, however, we have concluded that the base line arrangements are adequate.

Governance



We considered how the CCG:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures 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. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

Monitor and assess risk

We concluded in 2020/21 that the CCG has adequate arrangements in place to monitor and assess risk. In addition we raised no improvement recommendations. Following our 2021/22 review we have concluded that these arrangements remain adequate.

The CCG continue to use the 4Risk system. Staff and members have been trained in the use of this system. Each directorate has its own risk register which is discussed at the directorate / team meeting. Risks that are included in the system are signed off by the relevant director before being accepted onto the register. Feedback from the committees including Quality and Governance and Audit and Risk is given to the risk leads so that improvements can be made to how risks are identified, reported, assessed and managed. The Risk Register is reported to each Governing Body.

At an ICS level, joint risk management arrangements are in place. A risk report went to the ICS executive in March 2022. This brings together organisational risks and focusses on the risks for the system.

The CCG has an effective Internal Audit Function that provides assurance over the effective operation of internal controls.

Internal Audit have completed the majority of their planned work for the 2021/22 financial year as set out in their Audit Plan. Internal Audit have given the Annual Head of Internal opinion which gave overall moderate assurance.

Internal Audit attend each Audit and Risk Committee and provided members with an update on work completed to date, any significant issues and work to be completed to inform the overall opinion. From attendance at the Audit and Risk Committee we have observed action being taken by members to ensure progress is made against recommendations raised. This level of challenge and reporting helps to ensure that there are no gaps in the assurances gained by the Committee.

Policies and procedures remain in place and appropriate as do arrangements around Counter Fraud.

Budget Setting and budgetary control

This has been a largely prescribed area for a number of years now due to the pandemic. As set out in the financial sustainability section of this report, progress is being made with ICS partners to submit a breakeven plan by 20th June 2022.

Budgetary control arrangements at both the CCG and ICS level remain adequate with reporting setting out the CCG and the system wide position.

Governance (continued)

Informed decision making

Budgets are reported by the finance team, with achievement of savings plans are reported through the project management office and business informatics team. Each month they look at data within themes e.g. planned care, or urgent care. The executive groups also meet once a week and conduct a deep dive on themes – this is for challenge and to help resolve blockages.

A high level summary is then reported to Governing Body each month with the ICS position being reported at the ICS executive.

Members of the Finance Team have responsibility for named budgets and it is part of their remit to work with managers on an ongoing basis (meeting at least monthly) to report performance and to identify any issues/mitigations to inform the CCG's overall forecast position. Monthly reporting is provided within both the standard Oracle format or bespoke Excel reports. In some high-profile areas where it is perceived that the risk may be higher (e.g. CHC, IT) wider meetings have been actioned which may include Directors.

This area was strengthened for 2021/22 with further clarity on budget support arrangements and improved reporting (the CCG has just purchased PowerBI).

These reporting arrangements ensure that the right level of detail is available at the right time to inform decision making.

We have reviewed progress with governance arrangements at the ICS level and are able to conclude that these are progressing well.

The CCG and partner organisations have in place a System Development Plan. This was submitted on 31st March 2022. The plan is interactive in nature and is regularly update to reflect national guidelines, local and national decisions and emerging challenges.

A quarterly report is produced for Governing Body. This gives an update on transitional arrangements.

The latest report sets out that the CCG has broadly followed the ICS Design Framework in the structure of their System Development Plan and their anticipated operating arrangements from July 2022.

The report further includes a detailed section entitled 'Managing the Transition'. This includes the due diligence work being undertaken to ensure a safe and secure closure of the CCG and establishment of the ICB.

The latest report sets out that the system development plan is based around an Integrated Care Partnership (One Gloucestershire Health and Wellbeing Partnership) that will have strategic oversight for delivery of health and wellbeing outcomes. The Integrated Care Board will have responsibility for ensuring delivery against local health and care priorities and will have oversight of activity focused on improving services and delivering outcomes. It will use the Committee structure to ensure this is effective. Both groups will have responsibility for population health and tackling health inequalities.

The ICB will be supported by the following committees:

- Resource;
- People;
- Audit;
- Remuneration;
- Quality, and
- Primary care direct commissioning.

The ICB has now appointed all required executive and non executive directors to their roles. The ICB will meet 6 times per year.

Decision making within the Integrated Care Board will be at the three levels of governance within Gloucestershire.

L1 - At a strategic level the ICB will have accountability for strategic oversight for the delivery of health and care across the system (supported by the committees set out above);

L2 & 3 - The Executive structure will focus on delivery – at a strategic level (L2) and more operational level (L3).

Governance (continued)

Governance arrangements at the ICS level continue to evolve. Key appointments have been made and structures and lines of reporting have been established. Based on the work we have undertaken we are able to conclude that arrangements at the ICS and CCG level for making informed decisions are adequate.

Monitoring standards

The CCG operates in an environment where there is significant legislative and regulatory demands and where it is important that members of staff behave in appropriate manner. It is therefore crucial that there are adequate governance arrangements in place to ensure that appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour.

In 2020/21 we concluded that arrangements in place were adequate. Following our 21/22 review we have concluded that these arrangements remain adequate.

We have received notification from the CCG of a payment in lieu of notice of £8,193.46 awarded in 2021. Whilst this has followed appropriate governance procedures and approvals within the CCG, necessary approvals had not been sought from NHS England and HM Treasury prior to payment and the CCG is currently seeking retrospective approval for this payment. We have considered the impact of this payment and have concluded that it has no impact on our regularity opinion. This is on the basis that in line with Practice Note 10 guidance, the payment is deemed immaterial in all regards. We have also considered the impact on our VFM reporting and have concluded that this does not highlight a significant weakness in arrangements. We have however raised an improvement recommendation for the CCG's future consideration.

Summary

Our work on governance arrangements within the CCG and transitional ICB arrangements has not identified any significant weaknesses in arrangements.

Improving economy, efficiency and effectiveness



We considered how the CCG:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships 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.

Evaluating and assessing financial and performance information

We concluded in our prior year work that the CCG's arrangements were adequate in relation to assessing financial and performance risk. This assessment was informed by comparing areas where the CCG were performing below their peer group (using Grant Thornton's benchmarking tool) with the CCGs reporting to the Governing Body. All areas where the benchmarking flagged the CCG as an outlier were included in the Governing Body reports along with remedial plans to address them. This gave assurance that the CCG was aware of areas of underperformance and had plans in place to improve.

Reporting arrangements remain unchanged. The areas of performance focus for the CCG have changed and as such our work focused on these.

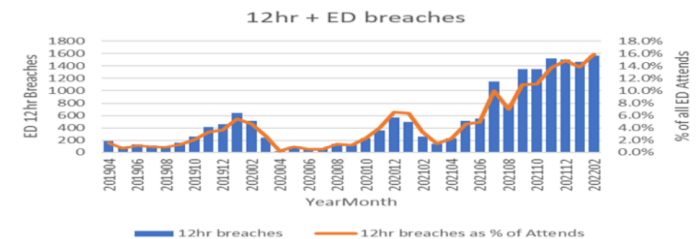
Comparing to the prior year's report there has been an improvement in the 52 weeks wait for treatments, with the target being met in year.

The CCG's latest performance reports show a number of areas where improvement is needed. The key areas are:

- Unscheduled care (A&E 4 hr and 12 hr breaches and Ambulance handover delays both cat 1 and cat 2)
- Long stay >21 days
- Cancer > 62 day

- Mental Health perinatal (access)
- Mental Health eating disorders (treatment within 1 week of referral and 4 weeks of referral)

The CCG's 4-hour and 12-hour performance has deteriorated throughout the year. Patients waiting longer than 12 hours in A&E are at the highest levels we have seen. In February, almost 1600 patients had a wait of over 12 hours, which is approx. 6% of all attendances in that month.



Source: ICS performance report March 2022

Continuing workforce pressures are impacting on the ability to meet these performance targets. However, system improvement initiatives funded by Winter pressures and H1/H2 funding did help to reduce the pressure. This remains an area of continued focus, and there are a number of system wide initiatives in discussion to addressing performance levels in this key area.

Improving economy, efficiency and effectiveness (continued)

Ambulance response times is another area impacting on urgent care performance targets. Performance has been reported throughout the year as being below target for both Category 1 and Category 2 responses.

Category	Target performance	Average performance
1	7 minutes	12.3 minutes
2	18 minutes	85.6 minutes

The key area underpinning this level of performance is workforce capacity. We are aware that Southwest Ambulance Services NHS Trust has been working in partnership with other organisations to improve this situation, for example working in partnership with Fire Authorities to increase driver numbers.

Handover delays is also below target, which is due to the current pressure upon acute and community bed capacity. A number of measures have been put in place to help alleviate handover delays, one such measure is pit stop (express triage).

Performance in reducing long stays had improved during the pandemic, however, the number of patients remaining in hospital over 21 days has steadily increased since then and is now at its highest point for the past two years.

Other areas of challenge are Cancer 62-week, access to perinatal services and treatment for eating disorder referrals.

Reporting to the Governing Body, the ICS Executive and ICS Board clearly show these as areas of challenge and set out a clear understanding of the key drivers of the performance level. These are all National issues and benchmarking undertaken by the CCG shows that they are not significant outliers in these areas. The key drivers are closely linked to workforce capacity and systems reconfiguration to address flow.

Benchmarking is routinely undertaken as part of board reporting, so that the CCG can understand how their performance compares to other areas. This allows them to understand whether it is a local or National issue. The ICS utilise Regional benchmarking data which provides comparative workforce information both at provider and at system level.

Recent examples of this are the:

- Annual Workforce planning comparative data relating to growth in workforce numbers and productivity;
- Annual staff survey results – with comparisons at both Regional and national level; and
- Workforce, Race and Equality Standards outcomes.

Other Regional data sets have been recently set up, which provide some additional benchmarking information and partners also utilise The model health system / hospital which provides the only national benchmarking data via a fixed set of comparisons.

A number of regional forums provide an opportunity for shared learning and understanding of best practice. These include the South West People Board attended by the ICB Designate CEO and now the People Director. This forum has multiple sub-groups and representation from Gloucestershire County Council.

We noted examples of where the CCG and partners had considered lower cost options for the provision of services. These were not just based on the lower cost but also on achieving a tailored service for the patient by using their wider network and partners.

Improving economy, efficiency and effectiveness (continued)

An example of this was a recent case with a patient receiving palliative care.

The patient wanted to move to another area to be closer to their family. The ICS reached out to the relevant contacts via LGA links and facilitated the move. This led to a reduction in their care package from £2,400 to £1,350.

This demonstrates a tailored service delivered through established networks at a reduced costs.

Working in partnership

Good partnership working is crucial to achieving systems reconfiguration and addressing workforce capacity as the main issue that could prevent the ICS achieving financial sustainability, and delivery of quality, cost effective services.

Recruitment and retention is a key challenge across the ICS. It is an issue that is faced by individual partners and now collectively under the ICB umbrella (in partnership). In response to this challenge, the ICS has put in place a workforce strategy that was approved by the ICS executive in April 2022.

Workforce challenges are not something that Gloucestershire faces alone. This is a national issue with a challenging and more volatile labour market and increasing competition, changing candidate expectations and emphasis on flexible, more dynamic psychological contracts between employers and employees. The Care market is also heavily constrained by available workforce resources and capacity.

The strategy and its associated programme of work to deliver it, relates to the workforce that makes up the One Gloucestershire Integrated Care System and its partner members. The ambition is for the whole health and care system to have the workforce needed to deliver high-quality care and support every day. This includes statutory and non-statutory parts of the system, spanning a wide range of professional and support roles. This is through paid or voluntary roles.

Going forward the ICB is pivotal to the successful implementation of the strategy and is responsible for:

- Transforming system relationships and collaboration,
- Fostering the leadership behaviors needed for delivering system strategy,
- Building sufficient trust to do things once and align decisions,
- Empowering greater innovation and agility, and
- Putting in place people and workforce solutions that support the whole health and care system.

There will be one 'System Programme People Team', which will cover 10 related domains, with a 'people system lead' (PSL) for each domain. The concept of designating PSLs for each domain of the ICS people function is to embed and distribute leadership model for the people agenda which harnesses the subject matter expertise across the entire system, supports shared ownership of the programme and provides professional development opportunities for people professionals.

There is clearly a strategy in place aimed at addressing the system and national issue of workforce capacity.

- At the recent ICB away day workforce was discussed in detail and a number of key actions agreed to help create a sustainable workforce:
- Strengthening the existing workforce group,
- Creation of an ICS wide workforce plan which identifies the specific workforce gaps and the joint actions which can be taken to tackle them,
- Consider where the opportunities are to align T's and C's, create joint training and portfolio careers,
- Explore opportunities for joint workforce without organisational change, and
- Create a strategic approach to workforce planning for the system removing wasteful duplication and competition.

Improving economy, efficiency and effectiveness (continued)

The ICS has undertaken work at an organisational and system level to fully understand the root cause of workforce capacity issues. This includes analysis from both the national staff survey results and feedback from exits interviews. These provide an understanding of issues leading to staff turnover. A key issue relates to work/life balance and staff seeking flexibility in their employment.

The biggest workforce risk has been identified as being the supply of registered nurses and the level of vacancies held across the system. The ICB is therefore focusing initially on this area.

There are a number of detailed actions that have been identified to address recruitment and retention.

There are also plans to recruit a Resources Lead who will be responsible for leading a range of collaborative projects across the ICS. These are likely to include ensuring rigorous adoption of retention initiatives in line with best practice.

ICS partners also continue to work closely with the University of Gloucestershire on building and maintenance of a long-term sustainable degree supply line for Registered General Nurses, Registered Mental Health Nurses and Registered Learning Disability Nurses. Similarly, partners are working with the University of Worcestershire on the creation of the new Three Counties Medical School to provide a local medical pipeline.

On creation of the ICB creating a sustainable workforce has to be the primary focus as this underpins performance, finances and system flow.

Elective Recovery is a crucial area of performance as this links into the achievement of the CCG's financial plan. The 2022/23 budget includes £15m of ERF funding for achieving elective recovery targets. The CCG is currently performing well in terms of increasing advice and guidance in primary care but is currently below target on overall elective recovery. The CCGs performance reports is currently showing this as amber rated.

Procurement

The CCG has a procurement strategy in place this was originally approved for the period 2018-20. At the March 2021 Governing Body meeting, the CCG made a short extension to its existing 'Procurement And Market Management Strategy' until 30th June 2021. This 2018/20 procurement strategy has been further extended to 30 June 2022. This was agreed by the Governing Body in May 2022. This represents a risk that the CCG could be open to legal challenge as part of its procurement processes where the strategy is not updated to take account of updated legislation.

This risk is included on the CCG's Board Assurance Framework.

Between 1 July 2022 and the end of the financial year, work on a ICB specific procurement strategy will be undertaken. This will be focused on the provision of clinical healthcare services but also one that aligns with the ICS wide procurement strategy.

Whilst the CCG are aware of this risk, the procurement strategy should be updated as soon as possible and ensure that this aligns with the overall ICS's strategic objectives.

Summary

Whilst arrangements in place are adequate and progressing, workforce constraints could prevent the CCG and partners realising the full benefit of the ICS and a more joined up approach across the health and care system. This underpins performance, finances and system flow and therefore needs to be progressed at pace. We have therefore raised this as an improvement recommendation.

In addition, the CCG's procurement strategy requires updating and reapproval. This represents a risk that the CCG could be open to legal challenge as part of its procurement processes where the strategy is not updated to take account of up-to-date legislation. We have therefore raised this as an improvement recommendation.

Improvement recommendations



Financial sustainability

Recommendation 1

We recommend that the CCG and partners continue to focus on identifying recurrent measures to close the gap for 2022/23, and over the medium term. Progress against this needs to be monitored at a system level to ensure there are no detrimental impacts in other parts of the system from decisions made.

In addition going forward arrangements will need to adapt and flex as ownership and responsibility for the delivery of some efficiencies could be attributable to more than one organisation.

Why/impact

The system is working towards a breakeven plan for 2022/23. For the ICS to achieve financial sustainability there needs to be a focus on identifying recurrent measures to close budget gaps.

Management Comments

The system continue to develop measures to enable a system breakeven plan. The gap has closed significantly since the last plan and measures are being, and have been, identified to close the gap to enable the system to submit a balanced plan on 20th June 2022.



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

Improvement recommendations



Governance

Recommendation 2

The CCG should ensure that where payments in lieu of notice are made external approvals are obtained in advance. Furthermore all members of the team should be made aware of, and kept up to with, all relevant guidance.

Why/impact

We have received notification from the CCG of a payment in lieu of notice of £8,193.46 awarded in 2021. Whilst this has followed appropriate governance procedures and approvals within the CCG, necessary approvals had not been sought from NHS England and HM Treasury prior to payment and the CCG is currently seeking retrospective approval for this payment. We have considered the impact of this payment and have concluded that it has no impact on our regularity opinion. This is on the basis that in line with Practice Note 10 guidance, the payment is deemed immaterial in all regards. We have also considered the impact on our VFM reporting and have concluded that this does not highlight a significant weakness in arrangements, however it is clear that improvement is required in ensuring that guidance is adhered to.

Management Comments

Directors have been reminded of the guidance which has also been circulated to ensure there is visibility of the requirements. In addition, the CSU, who provide HR services have been requested to confirm that staff within the unit are also aware of the guidance.



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

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 3

We recommend that the CCG, ICS and partners progress the workforce strategy and action plan at pace.

Why/impact

Workforce constraints could prevent the CCG and partners realising the full benefit of the ICS and a more joined up approach across the health and care system. Having the right people in the right place at the right time underpins performance, finances and system flow and therefore needs to be progressed at pace.

Management Comments

The CCG, ICS and partners recognise the importance of progressing the workforce strategy and plans. This is in progress and will be a key area of focus over the next 12 months and beyond

Recommendation 4

Whilst the CCG are aware of this risk the procurement strategy should be updated as soon as possible and ensure that this aligns with the overall ICS's strategic objectives.

Why/impact

The CCG's procurement strategy requires updating and reapproval. This represents a risk that the CCG could be open to legal challenge as part of its procurement processes where the strategy is not updated to take account of up-to-date legislation.

Management Comments

The current procurement strategy was extended to 31 March 2023 by the CCG's Governing Body at their meeting of 26 May 2022. An extension was sought as the legislative changes to public sector procurement have not yet been fully enacted.

In respect of procurement of clinical health care services, further guidance is awaited from Government following Royal Assent of the Health and Care Bill on 26 April 2022. We anticipate that new and clearly defined guidance will be issued in the Autumn this year.

On 12 May 2022, the Procurement Bill was published in the House of Lords and is currently being debated. The intention is for the Bill to make its way through the legislative process and obtain Royal Assent sometime in 2023, with a minimum period of six months' notice before 'going-live'. These broader changes to public sector procurement, excluding the procurement of clinical healthcare services, will replace the 2015 Public Sector Regulations.

Extending the existing strategy should not put the CCG / ICB at risk of challenge and any procurement processes conducted will of course be constructed based on the procurement regulations that prevail at the time of contract opportunity publication.

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

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	We recommend that as part on the 2021/22 annual planning process the CCG fully understand the underlying position of not delivering recurrent savings in 2020/21.	Improvement	July 2021	The CCG and partners have made progress towards fully understanding the financial position. This is made more difficult with the current financial regime as it works on very short time frames, and does not allow for detailed planning over the medium term. The CCG and partners are currently working on a revised 2022/23 financial plan that is due to be submitted to NHSE/I by the 20 th June 2022. This will require significant savings by all partners over the 22/23 financial year (and beyond), and it is therefore critical that closing the budget gap remains a key area of focus.	In progress	The CCG need to continue to monitor the system wide financial position and work with partners to close the savings gap.

Opinion on the financial statements



Audit opinion on the financial statements

Our anticipated audit report opinion will be unqualified and will include an Emphasis of Matter paragraph highlighting note 16 (events after the end of the reporting period), which highlights the demise of the CCG on the 30 June 2022, following the Health and Care Act being granted Royal assent.

Opinion on regularity

We have received notification from the CCG of a payment in lieu of notice of £8,193.46 awarded in 2021. Whilst this has followed appropriate governance procedures and approvals within the CCG, necessary approvals had not been sought from NHS England and HM Treasury prior to payment and the CCG is currently seeking retrospective approval for this payment. We have considered the impact of this payment and have concluded that it does not impact on our regularity opinion, either qualitatively or quantitatively. This is on the basis that in line with Practice Note 10 guidance, the payment is deemed immaterial in all regards.

We therefore propose to issue an unqualified opinion in this regard.

Other opinion/key findings

We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies were identified.

We are also required to give an opinion on whether the parts of the Remuneration Report and Staff Report subject to audit have been prepared properly in accordance with the requirements of the Act, directed by the Secretary of State with the consent of the Treasury.

We have audited the elements of the Remuneration Report and Staff Report, as required by the Code.

We issued an unmodified opinion in this regard on 14 June 2021.

We also reported no significant issues in relation to the CCG's:

- Annual Governance Statement; and
- Annual Report.

Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the CCG's Audit Committee on 14 June 2022.

Whole of Government Accounts

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

Our work found no issues and we plan to submit our assurance statement to the NAO by the deadline.

Preparation of the accounts

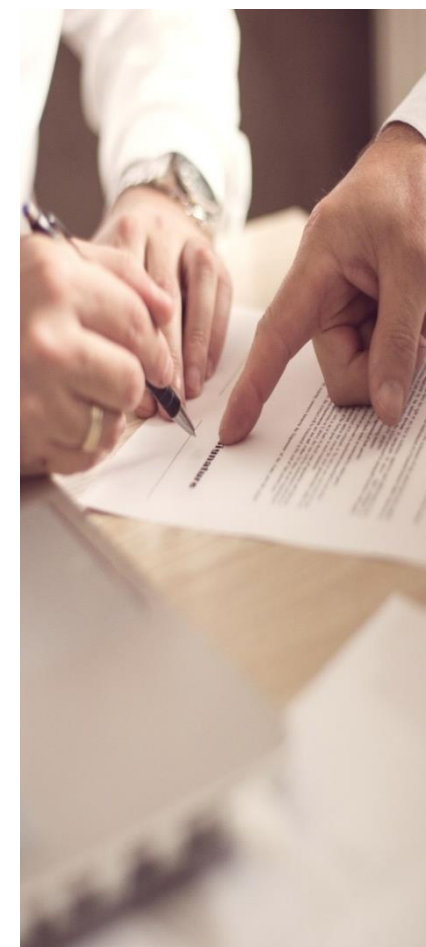
The CCG provided draft accounts in line with the national deadline and provided a good set of working papers to support it.

Issues arising from the accounts:

There were no significant issues reported as part of our financial statements audit, and only one recommendations for improvement raised.

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

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



Appendices

Appendix A – Responsibilities of the CCG

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

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

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

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

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

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



Appendix B – Risks of significant weaknesses, our procedures and findings

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the CCG's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Risk of significant weakness	Procedures undertaken	Findings/outcome
<p>The transitional arrangements to the ICB were identified as a risk of significant weakness in arrangements within our Audit Plan. In particular we set out that the CCG and wider partners are making good progress putting in place arrangements for transitioning to the ICB and addressing system wide challenges and deliver on its clinical targets and outcomes. Whilst good progress is being made with overarching arrangements, delivery of results is being constrained by workforce and capacity issues.</p> <p>More detail can be found with the body of this report.</p>	<p>In response to this risk we reviewed the CCG's (and ICS partners) plans and arrangements to address these constraints.</p>	<p>Our work has not identified a significant weakness in arrangements.</p> <p>Our work has highlighted that good progress continues to be made with the transition to the Integrated Care Board. The CCG and partner organisations have in place a System Development Plan. This was submitted 31st March 2022. The plan is interactive in nature and is regularly updated to reflect national guidelines, local and national decisions, and emerging challenges.</p> <p>The ICB have appointed to all required posts and governance structures are in place; although these continue to evolve.</p> <p>We also noted as part of our work that a workforce strategy has been put in place at an ICS level. Work is ongoing in relation to addressing capacity. This strategy and its associated programme of work to deliver it, relates to the workforce that makes up the One Gloucestershire Integrated Care System and its partner members. The ambition is for the whole health and care system to have the workforce needed to deliver high-quality care and support every day. This includes statutory and non-statutory parts of the system, spanning a wide range of professional and support roles. This is through paid or voluntary roles.</p> <p>Additional capacity has also been created at a leadership level with the appointment of a new Director of People, Culture and Engagement to the ICB Executive structure. This is a new role which will provide Executive strategic leadership and oversight to the system wide People Programme. In addition there is agreement across system partners that leadership support to the new ICB People structure and work programme will be provided from ICB partners, for example People Directors from provider organisations will lead the sub-committees of the People Board.</p>

Appendix C – An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the CCG under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the CCG. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the CCG, but are not a result of identifying significant weaknesses in the CCG's arrangements.	Yes	Pages 18-20

Appendix D - Key acronyms and abbreviations

The following acronyms and abbreviations have been used within this report

ICS – integrated care system

ICB – integrated care board

A&E – Accident and emergency services

