Grant Thornton

# Auditor's Annual Report on NHS Bedfordshire, Luton and Milton Keynes Clinical Commissioning Group

## 2021-22

**August 2022**

# Contents

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.



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.

# Executive summary

## Value for money arrangements and recommendation

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

Auditors are required to report their commentary on the CCG's arrangements under specified criteria and 2021/22 is the second year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the CCG's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

| Criteria | Risk assessment | 2020/21 Auditor Judgment | 2021/22 Auditor Judgment | Direction of travel |
|---|---|---|---|---|
| Financial sustainability | Risk identified because of the CCG's significant cumulative deficit. | No significant weaknesses in arrangements identified, but 6 improvement recommendation made | No significant weaknesses in arrangements identified. Good progress has been made against recommendations in the prior year but we have raised 2 improvement recommendations for 2021-22. See pages 16 and 17 for a summary. | ⟷ |
| Governance | No risks of significant weakness identified | No significant weaknesses in arrangements identified, but 4 improvement recommendation made | No significant weaknesses in arrangements identified. Good progress has been made against recommendations in the prior year and we have not raised any improvement recommendations for 2021-22. | ↑ |
| Improving economy, efficiency and effectiveness | Risk identified because of the inadequate rating of the CCG's main provider of healthcare | No significant weaknesses in arrangements identified, but 4 improvement recommendation made | No significant weaknesses in arrangements identified. Progress has been made against recommendations in the prior year but we have raised 9 improvement recommendations for 2021-22. See pages 27 to 35 for a summary. | ⟷ |

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.

# Executive summary

## Move to Integrated Care Boards

On 06 July 2021, the Health and Care Bill was introduced and was give Royal Assent on 28 April 2022. The Health and Care Act is aimed at removing barriers to integration, with NHS and local authorities having a duty to collaborate on the Health and Care agenda. From 01 July 2022, the Integrated Care Boards (ICBs) took on the commissioning functions and the assets and liabilities from the demising CCGs in their area.

In terms of readiness for transition, the arrangements within the Bedfordshire, Luton and Milton Keynes (BLMK) ICB were given a substantial rating by the CCG's internal auditors. The view from NHSE was that the arrangements for transition in BLMK were best practice. Key governance structures were established, a readiness to operate statement was prepared and the critical transition path was adequately risk assessed.

The transition to ICB isn't something that stops on the 01 July, and more work is needed to fully embed and establish governance arrangements to enable the ICB to achieve its vision. The ICB must remain agile and fleet of foot to create/adjust/stop certain governance arrangements depending on the circumstances and need of the organisation.

## Financial sustainability

Proper arrangements are in place to deliver value for money and secure financial stability. We did not identify any risks of significant weakness relating to financial stability arrangements at the CCG.

The BLMK healthcare system has a comparatively small cumulative historic deficit and has achieved breakeven or a small surplus in recent years. Under the NHS System Oversight Framework (SOF), the BLMK healthcare system has been placed into SOF 2: this is categorised as "On a development journey, but demonstrate many of the characteristics of an effective ICB Plans that have the support of system partners are in place to address areas of challenge".

The operational plan for 2022/23 submitted to NHS England on 20 June 2022 shows that the CCG and successor ICB plans to break even for the year as well as the system as a whole. In order to deliver the plan, the CCG/ICB needs to achieve savings and efficiencies of £15.4m. Total system wide savings required is £55.6m which is circa 4% of total spend.

At the time of writing, the organisation has assessed £8,750k of their £15.4m savings requirement as being at risk. Having had regard for the risks and uncertainties within the plan, the CCGs track record of savings and the general financial health of the system, we are satisfied that there is no risk of significant weakness in arrangements. We did however identified 2 improvement recommendations and these are summarised on pages 16 and 17.

We have completed our audit of your financial statements and issued an unqualified audit opinion on 16 June 2022, following the Audit Committee meeting on 14 June 2022. Our findings are set out in further detail on page 36.

# Executive summary

## Governance

Adequate governance arrangements are in place to deliver value for money. We did not identify any risks of significant weakness relating to governance arrangements at the CCG.

## Improving economy, efficiency and effectiveness

Proper arrangements are in place to improve economy, efficiency and effectiveness. We did not identify any risks of significant weakness relating to improving economy, efficiency and effectiveness arrangements at the CCG.

We did identify 1 high priority improvement recommendation in relation to the contracting arrangements for Section 256 payments. Section 256 of the National Health Act allows CCGs to enter into agreements with Local Authorities to carry out activities with health benefits. These payments are separate to the pooled budgeting arrangements under Section 75.

In 2021/22 the CCG entered into S256 agreements with the four Councils in its locality for an aggregated £17.5m. Whilst our review found these payments to be lawful, they were contracted in such a way to ensure all the expenditure could be recognised in the 2021/22.

Whilst the CCG had a reasonable expectation at the time cash was paid that the Local Authorities intended to use the money for the intended purposes, the CCG relinquished all contractual control over this money by not inserting conditions in how the money was actually spent. The CCG, and the successor ICB is therefore unable to contractually claw back unspent money or money not spent for the intended purpose.

Whilst the agreements do set out arrangements for the Local Authorities to submit annual returns in how they spent the money, this is not a contractual condition. When commissioning services, the CCG and the successor ICB should ensure contracts contain sufficient legal cover to regain control over monies not spent or not spent for the purposes intended.

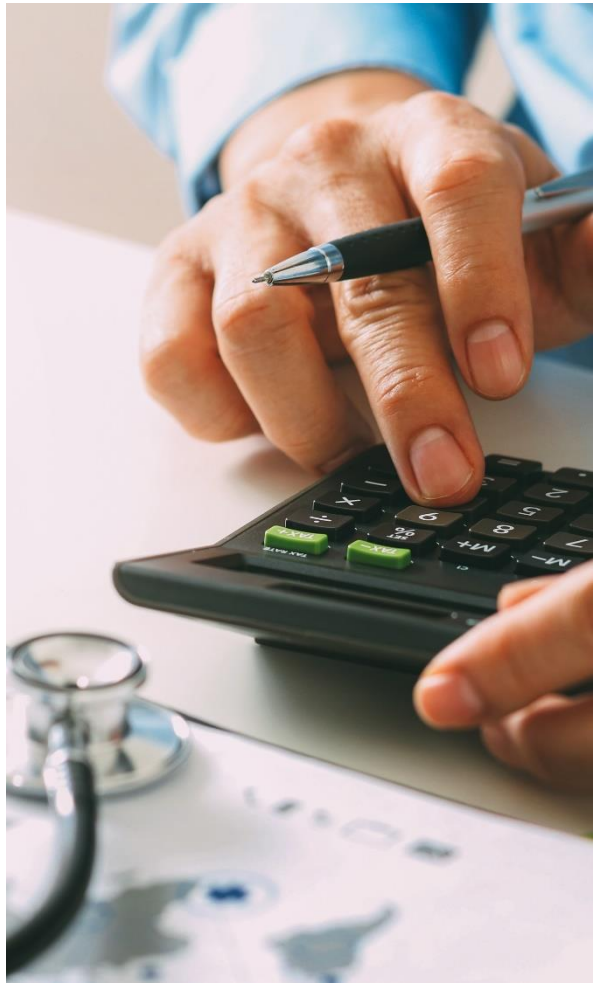
We recognise that the CCG made the best decision it could under the circumstances and the 'do nothing' option would have meant that the £17.5m would not be made available for the people of BLMK going forward. Our improvement recommendation focuses on the contractual arrangement independent from the circumstances in which the decision was taken.

In addition to the improvement recommendation above, we did identify 8 additional lower priority improvement recommendations.

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

We bring the following matters to your attention:

| | |
|---|---|
| **Opinion on the financial statements**<br>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 | We have completed our audit of your financial statements and issued an unqualified audit opinion on 16 June 2022, following the Audit Committee meeting on 14 June 2022. Our findings are set out in further detail on page 36. |
| **Opinion on regularity**<br>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 completed our regularity work and we did not identify any issues or findings that require reporting.<br>Our regularity opinion was issued on 16 June 2022, following the Audit Committee meeting on 14 June 2022. |
| **Statutory recommendations**<br>Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body | We have not issued any statutory recommendations. |
| **Section 30 referral**<br>Under Section 30 of the Local Audit and Accountability Act 2014, the auditor of an NHS body has a duty to consider whether there are any issues arising during their work that indicate possible or actual unlawful expenditure or action leading to a possible or actual loss or deficiency that should be referred to the Secretary of State, and/or relevant NHS regulatory body as appropriate | We did not issue a section 30 referral. |
| **Public Interest Report**<br>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 have not issued a public interest report. |



# 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).

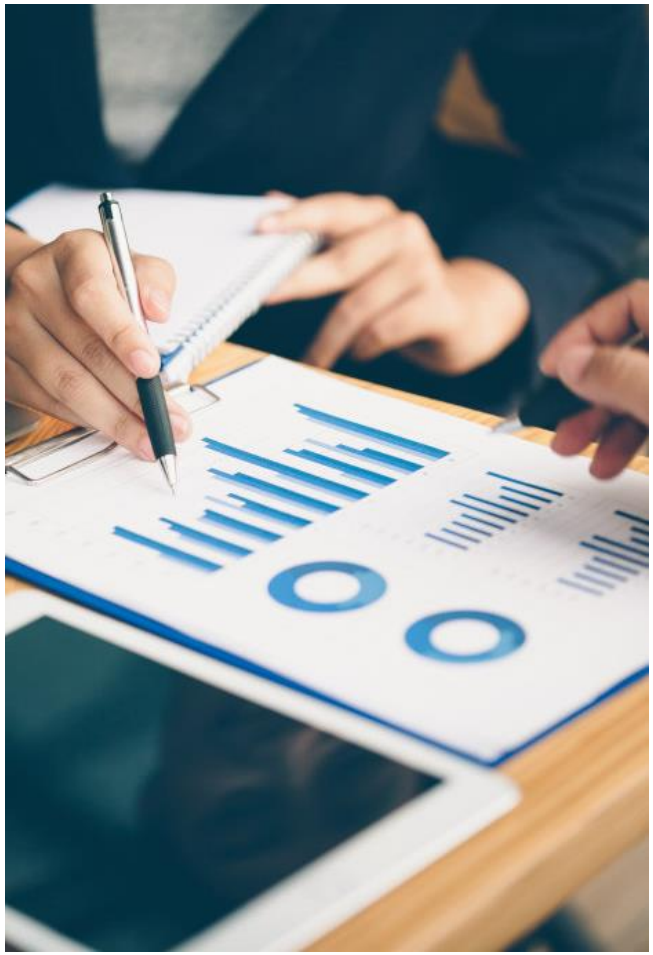
### Governance

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 9 to 35.



# Improvement recommendations

| VfM Criteria and reference | Recommendation |
|---|---|
| **Financial sustainability**<br>Improvement recommendation 1 – page 16 | The ICB needs to establish arrangements to identify, monitor and deliver transformational savings at the system level. Such transformational arrangements are in addition to those already present at each individual organisation. It would need sufficient governance to bring key partners together and hold them to account for delivery. These arrangements would need to balance system wide priorities and benefits, against individual organisational needs. |
| **Financial sustainability**<br>Improvement recommendation 2 – page 17 | The ICB should put in place arrangements for Medium Term Financial Planning to ensure financial sustainability |
| **Improving economy, efficiency and effectiveness**<br>Improvement recommendation 3 – page 27 | The ICB Board should consider whether locally agreed targets and national benchmarking data in relation to quality performance would be beneficial in them discharging their duties. |
| **Improving economy, efficiency and effectiveness**<br>Improvement recommendation 4 – page 28 | The ICB should deliver on its timetable to procure MSK services across the system by April 2024. In addition, the ICB should also deliver on its timetable to complete and put in place arrangements to assess Value for Money in MSK services. |
| **Improving economy, efficiency and effectiveness**<br>Improvement recommendation 5 – page 29 | BLMK CCG and its successor ICB should consider strengthening arrangements around the monitoring and scrutiny of the Primary Care Estates Strategy by mandating management produce and present a summary of progress against all of the projects set out in the road map to the Primary Care Commissioning Committee. |
| **Improving economy, efficiency and effectiveness**<br>Improvement recommendation 6 – page 30 | The CCG and successor ICB should put in place arrangements to reassess and reassure itself that the primary care capital strategy remains fit for purpose. The results of this review may suggest that the strategy needs to be refreshed or at least reprioritised. |
| **Improving economy, efficiency and effectiveness**<br>Improvement recommendation 7 – page 31 | The CCG should also assure itself that the projects in the primary care estates strategy, if delivered, will achieve the vision. |
| **Improving economy, efficiency and effectiveness**<br>Improvement recommendation 8 – page 32 | The ICB should put in place arrangements to monitor and report on access to primary care disaggregated between the types of appointments available. |
| **Improving economy, efficiency and effectiveness**<br>Improvement recommendation 9 – page 33 | The ICB needs to establish targets around the different types of appointments it offers to the people of BLMK to improve access as part of a longer term strategy in primary care. |
| **Improving economy, efficiency and effectiveness**<br>Improvement recommendation 10 – page 34 | Management will need to carry out a detailed review of the IPSOS Mori survey results, cutting the data in various ways to pinpoint the sources of issues. Having pinpointed the sources of issues, management should establish a clear action plan to mitigate and resolve these issues. Delivery of the action plan will require investment as well as the 'buy-in' of individual GPs and PCNs. |
| **Improving economy, efficiency and effectiveness**<br>Improvement recommendation 11 – page 35 | When entering into S256 agreements or other similar grant commissioning activities, the ICB should consider including conditions within the contract such that there is a contractual right to recover unspent monies or monies not spent on the intended purpose. |

# 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.

## System Oversight Framework

Integrated care systems (ICSs) are partnerships of health and care organisations that together plan and deliver joined up services to improve the health of people who live and work in their area. Following several years of locally-led development, the Health and Care Act 2022 has now put ICSs on a statutory footing.

In line with the NHS Long Term Plan, it has become clear that the best way to manage NHS resources to deliver high quality, sustainable care is to focus on organising health at both system and organisation level. The System Oversight Framework (SOF), sets out NHS England's approach to oversight to ensure effective system-led deliver of integrated care.

The Framework looks at five key themes:

- Quality of care
- Finance and use of resources
- Operational performance
- Strategic change
- Leadership and improvement capability (well-led)

Based on information from these themes, organisations are rated from SOF 1 to 4, where '4' reflects organisations receiving the most support, and '1' reflects organisations with the greatest autonomy.

The Bedfordshire, Luton and Milton Keynes healthcare system has a small cumulative deficit and a recent history of breaking even. In the most recent assessment (July 2022), the healthcare system was placed in SOF2. SOF 2 is categorised as:

*"On a development journey, but demonstrate many of the characteristics of an effective ICB Plans that have the support of system partners are in place to address areas of challenge".*

As context, there are 42 healthcare systems and only the Frimley healthcare system is rated as 1. The BLMK system is a well regarded system and ranks in the upper quartile nationally.

## 2021/22 Financial arrangements and outturn

The Covid-19 pandemic resulted in a total transformation of the NHS financial regime in order to ensure that all providers continued to be financially stable. Core services were put on hold (e.g. non-urgent elective operations were placed on hold for instance) or substantially changed in their delivery while providers adapted to and coped with the impact of the influx of Covid-19 patients. Due to the Covid-19 pandemic, the normal regime of financial planning used in 2019/20 was paused in April 2020 and a temporary financial framework was put in place.

# Financial sustainability

During 2021/22 interim financial arrangements continued due to the impact of the pandemic. CCG allocations continue to be re-calculated non-recurrently based on prior year expenditure and also adjusted for the following changes:

• For NHS providers nationally calculated block payments were made based on provider billing as at month 9 2020.

• Inter NHS charges for low value Non-Contracted Activity (NCA) were suspended.

Once again in 2021-22, the CCG operated within the 'command and control' system introduced at the start of 2021-22 due to the Covid 19 pandemic. The BLMK system received a 'system envelope' and was required to submit a balanced plan. The CCG submitted a breakeven financial plan, reflecting national planning assumptions, for both six months periods of 2021-22 with a small efficiency requirement of £5.7m. The plans reflected allocations received at a system level plus additional national allocations for Mental Health Spending Review and System Development Funding.

The CCG initially set a breakeven plan for 2021/22. By November, it became clear that the CCG was going to underperform against allocation. The reason for this was because of the new Omicron wave slowing down planned elective care as well as outperformance on efficiencies/savings. The CCG forecasted a revised budget with a £15m surplus. This budget included additional spend in relation to S256 payments – an area we look at more detail in page 26.

Against the revised budget of a £15m surplus, the CCG achieved a surplus of £11.6m. The CCG reported that they delivered all £5.7m of planned efficiencies. The CCG also reported that they achieved the Mental Health Investment Standard although this is still subject to audit. The BLMK system made a surplus of £12.4m with the two acutes achieving close to breakeven. To put into context, £12.4m is less than 1% of total turnover in the system.

In order to achieve this outturn position, arrangements across the healthcare system were agile to the ever-changing NHS guidance, additional unplanned streams of funding as well as outbreaks of new Covid-19 variants. In spite of these challenges, the CCG and its system partners continued to maintain a sustainable financial position.

Whilst the system reported a small year end surplus, this was only achieved because of several non-recurrent streams of funding. The underlying position of the system, like most other NHS systems, is in a deficit. This is recognised by the CCG and system partners and is reflected in the plans for 2022/23.

## Outturn for 2021/22 across the BLMK system (pre-audit)

**REVENUE**

| | | I&E YTD M12 (£000) | | |
|---|---|---|---|---|
| | | Planned | Actual | Variance |
| Y03 | NHS Bedfordshire, Luton & Milton Keynes CCG | 566 | 11,597 | 11,031 |
| RC9 | Bedfordshire Hospitals NHS Trust | 567 | 1,538 | 971 |
| RD8 | Milton Keynes University Hospital NHS Foundation Trust | (1,133) | (721) | 412 |
| | **System Position** | **0** | **12,414** | **12,414** |

# Financial sustainability

## 2022/23 Financial plan

Looking further ahead, block funding or aligned incentive contracts are likely to replace "commissioning" in its current form. As funding will largely be fixed, the focus will be on productivity and cost efficiencies alongside the recovery of elective service levels.

BLMK CCG and the wider system submitted a draft financial plan in March, which was balanced at both organisational and system level. The CCG draft budget was presented to the F&P committee in March - it included a number of risks, not least the level of unidentified efficiency savings.

System Chief Executives met ahead of the final plan submission on 28th April and took the joint decision that the financial position could no longer be considered balanced as a number of pressures have emerged since the planning guidance / system allocations was issued. The most significant pressure was inflation which was a factor exogenous to the healthcare system.

As a result of these pressures, the system submitted a £40m deficit plan. The CCG was not alone in submitting a deficit plan, in fact the vast majority of systems were proposing deficit budgets particularly in response to growing inflation. An extra £1.5bn was then cascaded by the NHSE that brought the total deficit for 22-23 from £3bn to £1.5bn. The CCG received £22m of which £18m was recurrent.

With the additional funding, the CCG also softened some of its planning assumptions that reduced the £40m deficit to a breakeven position. The final 2020/23 plan is therefore a breakeven plan which also meets NHSE targets around MHIS and elective activity.

We are satisfied that the CCG's arrangements for setting a realistic financial plan are sound – no risks of significant weakness identified.

## Final CCG and ICB Breakeven Budget for 2022/23

| Budgets | Annual Plan | Plan Phasing | |
|---|---|---|---|
| | | CCG Q1 | ICB Q2 - Q4 |
| | £000s | £000s | £000s |
| **Allocation** | **1,765,524** | **426,391** | **1,339,134** |
| **Expenditure** | | | |
| Acute Services | 968,217 | 234,584 | 733,633 |
| Mental Health Services | 190,649 | 47,662 | 142,987 |
| Community Health Services | 130,935 | 32,734 | 98,201 |
| Continuing Care Services | 74,579 | 18,645 | 55,934 |
| Prescribing | 139,354 | 34,839 | 104,516 |
| Primary Care Services | 36,976 | 9,244 | 27,732 |
| Other Programme Services | 48,712 | 4,658 | 44,054 |
| Primary Medical Servicess | 157,628 | 39,407 | 118,221 |
| **Total ICB Commissioning Service Expenditure** | **1,747,050** | **421,772** | **1,325,278** |
| Running Costs | 18,474 | 4,619 | 13,856 |
| **Total ICB Expenditure** | **1,765,524** | **426,391** | **1,339,134** |
| **Surplus / (Deficit)** | **-** | **-** | **-** |

# Financial sustainability

## Savings and efficiencies in the 2022/23 financial plan

The system finance plan is underpinned by full delivery of a £55.6m efficiency plan, split £15.4m with the ICB and the rest with the 2 Acute Trusts. £55.6m represents circa 4% of total gross expenditure which we consider as being at the upper limit of a realistic and reasonable target. The system also have adequate arrangements to identify whether efficiencies are one-off or recurrent. The split between recurrent and non-recurrent efficiencies does not identify risks around sustainability.

The CCG has a decent track record of delivering against its own efficiency targets. As a the date of writing, there remains some risk in terms of the delivery of the £15.4m savings but this is limited to just circa £8m. The bigger risk for the ICB is in relation to the non-delivery of system partners efficiency requirements.

As an ICB, the system is also responsible for the system position, of which, over 70% of the efficiencies will be delivered in the Trusts which are separate legal entities from the ICB. The ICB will therefore need ensure its arrangements for 2022/23 enable it to get timely information regarding the delivery of efficiencies from key partners. Much of this will rely on the strength of key relationships with partners.

Historically and for 2022-23, the system savings and efficiency plan were the sum of the individual saving plans from the Trusts and the CCG. Saving plans created in this way will only be able to generate savings at a particular organisation rather than transformational change at the system or place level.

Going forward, to achieve financial sustainability as well as the vision of the ICB, the system needs to mature its arrangements to identify, monitor and deliver transformational change at system level. System wide transformation plans and arrangements should not replace those at an individual organisation level, rather, these arrangements need to be additive.

**Recommendation (1):** The ICB needs to establish arrangements to identify, monitor and deliver transformational savings at the system level. Such transformational arrangements are in addition to those already present at each individual organisation. It would need sufficient governance to bring key partners together and hold them to account for delivery. These arrangements would need to balance system wide priorities and benefits, against individual organisational needs.

### BLMK system efficiency plan as at July 2022

| Metric | Currency | Annual Plan | BLMK Organisation | | |
|---|---|---|---|---|---|
| | | | CCG / ICB | BHFT | MKFT |
| | | £000s | £000s | £000s | £000s |
| Surplus / (Deficit) | £000s | - | - | - | - |
| Efficiency Plans | £000s | 55,641 | 15,441 | 28,151 | 12,049 |
| Efficiency as a % of OpEx * | % | | 4.3% | 3.9% | 3.6% |
| Efficiency Recurrent | % | 74% | 53% | 85% | 75% |
| Efficiency Phasing H1 vs H2 | Ratio | 44:56 | 47:53 | 50:50 | 28:72 |
| Risks | £000s | 24,050 | 8,750 | 6,100 | 9,200 |
| Mitigations | £000s | (24,050) | (8,750) | (6,100) | (9,200) |

# Financial sustainability

## Medium Term Financial Planning

Due to the lack of available information and long-term planning guidance on funding further ahead the CCG does not have a up to date medium-term financial plan (MTFP) agreed. It is expected that a revised MTFP will be agreed with the ICB in Autumn 2022. Future funding uncertainties are likely to be a feature of the NHS and the wider public sector for some time to come and therefore ought not be a justification for not having an MTFP. Quite the opposite, an MTFP becomes an even more important arrangements where there is uncertainty. Having a clear system wide understanding of the future cost base will enable to system to better prioritise and make informed decisions.

**Improvement recommendation (2):** The ICB should put in place arrangements for medium term financial planning to ensure financial sustainability. Management already have plans to put an MTFP in place and so we are satisfied that this is not a risk of significant weakness.

# Financial sustainability

## Capital – the national picture

From a financial sustainability perspective, the focus in the NHS over the last 10 years has centred on the achievement of the revenue position, including the introduction of strict control totals for each NHS organisation.

Alongside these measures, the sustainability and transformation fund (STF) was introduced, later renamed the provider sustainability fund (PSF), to incentivise and support providers to eliminate deficits. The consequence of a prolonged prioritisation of the revenue position has been an underinvestment of capital nationally across the NHS and the BLMK system is not immune from this effect.

In June 2022, the NHS Confederation conducted a survey covering health leaders across NHS acute, mental health, community & ambulance service trusts, primary care, and integrated care systems, on capital funding. The results were clear, NHS leaders disagree that capital funding is sufficient to meet needs. The results of that survey is shown besides.

The NHS has operated in an environment in which the availability of capital has not matched the need for investment. This has resulted in providers continuing to use outdated/obsolete equipment, major capital remedial works being delayed and providers being unable to fund the modernisation of digital systems. This experience is mirrored across primary care.

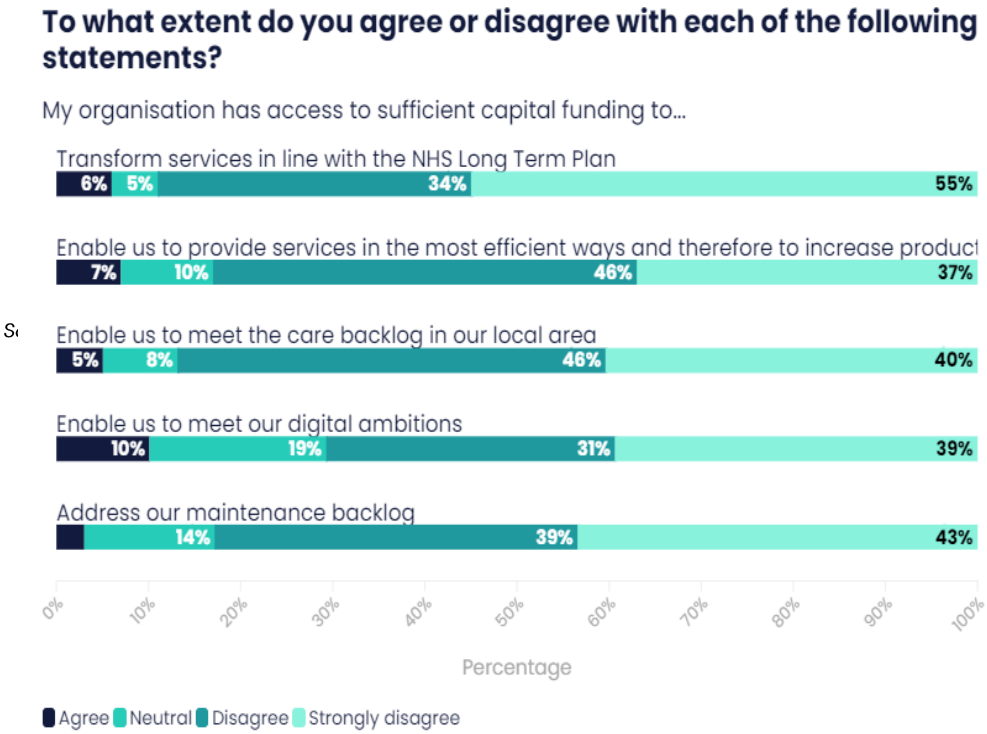
Funding for NHS capital has recovered in the past couple of years. The Spending Review 2021 provided the NHS with a three-year capital settlement covering 2022/23 to 2024/25. The 2021 Spending Review confirmed:

- £4.2bn over the SR21 period to make progress on building and upgrading hospitals
- £2.3bn over the SR21 period to transform diagnostic services
- £2.1bn over the SR21 period for innovative use of digital technology
- £1.5bn over the SR21 period to support elective recovery

The funding is welcome but only serves to partially mitigate the challenge as it does not address the high levels of backlog capital works nor does higher funding at the centre always translate to higher levels of funding at individual organisations/systems.

One of the features of capital in recent years is that a lot of the funding is awarded based on successful applications to a central funds or pots. These pots are announced and a bid is often required to be submitted in weeks. Capital funding is therefore not always distributed according to need but rather, the ability of an organisation to 'make the case' and submit a polished bid in a short space of time.

Given the national context, we have reviewed the effectiveness of arrangements the CCG/ICB has in place to prioritise, utilise and bid for capital.



# Financial sustainability

## Capital – the local picture

Systems are responsible for managing their in-year operational capital expenditure within a CDEL (Capital Departmental Expenditure Limit) envelope. The allocation in 2022/23 is £43.3m (excluding IFRS16 impact). CDEL allocation is highly constrained and predominantly covers operational business-as-usual capital needs. The BLMK CDEL allocation and plan is shown in the table besides.

To put into context, £45m is circa 2% of total expenditure spend across the system. One measure to assess the sufficiency of capital funding is to compare the CDEL allocation to annual depreciation. At £27m and £16m, the CDELs exceed the annual depreciation charge at both of the Acute Hospital Trusts accounts. Therefore, whilst the CDEL is low, it is sufficient to cover BAU spend to at least keep the asset base stable.

Whilst there is backlog maintenance at BHFT and MKFT, the levels are not as high as many other Trusts across England. The Acute estate is relatively new and whilst challenges exist, there is no immediate burning platform.

An area of improvement in the arrangements for capital has been establishment of The Capital & Estates Oversight Group (CEOG). The CEOG has a broad remit which includes:

- responsible for ensuring the estates strategy and capital programme pipeline is up to date;
- support the coordination and submission in line with ad-hoc bidding opportunities'
- ensuring key policies and procedures in relation to capital are updated across the ICB;
- engagement with key stakeholders;
- performance monitoring and ensuring key risks are identified and mitigated

One aspect worth drawing out is the role the CEOG has in ensuring the system has the arrangements in place to submit bids for capital funding when those opportunities arise.

Management identified this was an area for improvement in arrangements because there was a substantial opportunity risk to the system of not being able to submit quality capital bids for funding within the very short deadlines. The CEOG's work involves having a pipeline of planned work from which capital bids can be easily produced against opportunities when they arise rather than being on the backfoot and starting from scratch.

### System capital budget for 2022/23

| Capital | Annual Plan | ICB | BHFT | MKFT |
|---|---|---|---|---|
| | £000s | £000s | £000s | £000s |
| CDEL | 43,341 | - | 27,436 | 15,905 |
| Primary Care | 1,661 | 1,661 | - | - |
| **Totals** | **45,002** | **1,661** | **27,436** | **15,905** |

# Improvement recommendations

## Financial sustainability

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|---|---|
| **Recommendation 1** | The ICB needs to establish arrangements to identify, monitor and deliver transformational savings at the system level. Such transformational arrangements are in addition to those already present at each individual organisation. It would need sufficient governance to bring key partners together and hold them to account for delivery. These arrangements would need to balance system wide priorities and benefits, against individual organisational needs. |
| **Why/impact** | In the advent of ICBs and the NHS Long Term Plan, there is a mandate for system wide transformation to improve healthcare outcomes and secure long term financial sustainability. Current arrangements for change are localised around the separate legal entities within the system. |
| **Auditor judgement** | N/A |
| **Summary findings** | The arrangements for system wide transformation are not well developed |
| **Management Comments** | |

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

# Improvement recommendations

## Financial sustainability

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|---|---|
| **Recommendation 2** | The ICB should put in place arrangements for Medium Term Financial Planning to ensure financial sustainability |
| **Why/impact** | A Medium Term Financial Plan (MTFP) is an essential arrangements for an organisation to achieve financial sustainability. Without an up-to-date MTFP and arrangements to review and monitor it, there is a risk that the organisation makes uninformed decisions and becomes unsustainable. |
| **Auditor judgement** | Management already have plans to put an MTFP in place and so we are satisfied that this is not a risk of significant weakness. |
| **Summary findings** | The ICB does not have an up to date MTFP |
| **Management Comments** | |

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

# Governance

## We considered how the CCG:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures 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.

## ICB transition

On 06 July 2021, the Health and Care Bill was introduced and was give Royal Assent on 28 April 2022. The Health and Care Act is aimed at removing barriers to integration, with NHS and local authorities having a duty to collaborate on the Health and Care agenda. From 01 July 2022, the Integrated Care Boards (ICBs) took on the commissioning functions and the assets and liabilities from the demising CCGs in their area.

In terms of readiness for transition, the arrangements within the Bedfordshire, Luton and Milton Keynes (BLMK) ICB were given a substantial rating by the CCG's internal auditors. The view from NHSE was that the arrangements for transition in BLMK were best practice. Key governance structures were established, a readiness to operate statement was prepared and the critical transition path was adequately risk assessed.

The transition to ICB isn't something that stops on the 01 July, and more work is needed to fully embed and establish governance arrangements to enable the ICB to achieve its vision. The ICB must remain agile and fleet of foot to create/adjust/stop certain governance arrangements depending on the circumstances and need of the organisation.

There are regular meetings between the CFOs of key partners within the system. These are not however formal meetings and do not come under the ICB constitution. The ICB should continue with its plans to formalise its governance structures to incorporate the regular meetings between system finance partners. In doing so, it will formalise the relationships as well as roles and responsibilities.

## Leadership and committee effectiveness

Appropriate leadership is in place. The CCG was led by its Governing Body, which was supported by an appropriate committee structure. Senior officers attended the Governing Body and Committees to present reports and provide opportunities for questions during meetings.

The Governing Body consisted of a number of clinical members who regularly attended meetings. The Audit Committee demonstrated appropriate challenge of financial and non-financial items. The Committee contains members with financial knowledge to provide appropriate challenge on these items.

Major decisions are made at the Governing Body level. Sub-committees, where appropriate would recommend decisions to the Governing Body. Final approval of decisions are minuted in the Governing Body minutes.

Reports to the Governing Body and Committees are in a standard format with concise summaries, links to corporate objectives, recommendations and appropriate level of detail. Governing Body and Committee minutes are clear and concise and demonstrate discussion and challenge.

## Policies, Procedures and Controls

The CCG had an up to date constitution in place which was openly available on the CCG's website. The CCG's constitution allowed GP practice representatives to represent practice views. The CCG also complied will all the values of the NHS Constitution.

Policies and procedures are in place to ensure these values and statutory standards are maintained

# Governance

## Internal audit

The CCG's Internal Auditors, BDO, deliver a wide programme of work and reports its findings on a regular basis supporting the Audit Committee and providing assurance that systems, processes and controls are operating effectively. The Head of Internal Audit Opinion for 2021/22 was positive:

*"Overall, we are able to provide moderate assurance that there is a sound system of internal control designed to meet the CCG's objectives and that controls are being applied consistently. However, SUMMARY OF 2021/22 WORK 4 some weakness in the design and/or inconsistent application of controls, put the achievement of particular objectives at risk."*

With the exception of the Section 117 audit, all audits during the year received moderate or substantial assurance. The Section 117 audit was a limited assurance audit for the design of controls and moderate for the operational effectiveness of controls. The findings of the report were discussed at the Audit Committee and management are committed to implementing the recommendations. We are therefore satisfied that there is no risk of significant weakness in arrangements.

Similarly, the Counter Fraud Specialists undertake a programme of work to support the Audit Committee, including a mix of proactive and investigatory work. Findings are reported appropriately and no significant issues were noted in 2021-22

# 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.

## Performance and performance monitoring

At each meeting, the Governing Body receives both Quality and Performance reports, and Finance reports. Quality and Performance reports identify areas that are currently a challenge for the CCG and its providers.

Although there is some evidence of benchmarking performance against the East of England, there is no benchmarking against national performance nor indeed locally agreed targets.

Finance reports set out the CCG's performance to data against its financial plan, and incorporate explanations for any variances along with pertinent information about the national picture.

Overall, we have not identified any risks of significant weakness in relation to performance and performance monitoring at the CCG.

**Improvement recommendation (3):** The ICB Board should consider whether locally agreed targets and national benchmarking data in relation to quality performance would be beneficial in them discharging their duties.

## CQC inspection

There were no new inspections during the year that hasn't already been commented on in our previous Auditor's Annual Report. No significant weakness in arrangements has been identified in relation to CQC inspections.

Going forward, the CQC will review healthcare and adult social care in each ICB, with reviews covering how partners work together in the integrated care system. Priorities for reviews will be set by the Secretary of State and include leadership, integration, quality and safety. Reviews will assess "the provision of the NHS, public health and adult social care, the activities of the ICB, local authorities and provider in relation to the care and the function of the whole system including the ICP". It is worth noting that despite the changes in regulations, providers still remain 'sovereign' organisations responsible for assuring the quality of their own services and have robust governance structures in place.

## Follow up on Bedfordshire CCG's contracting arrangements: Musculoskeletal (MSK) services:

In our 2020-21 AAR we provided commentary around the arrangements the CCG had in place in respect of commissioned service by the private sector for MSK. This review centred around Bedfordshire CCG and the supplier 'Circle'. Work was carried out following a risk assessment which identified the following:

- After 8 years of contracting with the same supplier, the CCG's governing body approved the recommendation to direct award a new 2-year contract to the same supplier without a competitive procurement exercise.
- The value of the contract is financially material, both to Bedfordshire CCG but also to the newly merged BLMK CCG

# Improving economy, efficiency and effectiveness

- The original contract was complex and subject to passthrough levy payments
- Unadjusted misstatements were identified in the financial statements audit of 2019/20 in relation to prepayments accounted for by the CCG which could not be substantiated by third party evidence from the supplier.

Based on the work we performed in 2020-21, we concluded that there was no risk of significant weakness. Our work did identify an improvement recommendation which is set out below:

**Prior year improvement recommendation:** As a merged organisation, the new BLMK CCG will need to begin planning for March 2023 when most of the MSK contracts expire. The CCG should, where possible, look to align contract end dates across BLMK, enabling the option of a single procurement solution across BLMK to deliver economies of scale.

### 2021-22 follow

As part of our work this year, we have updated our understanding about the arrangements as well as follow up on the prior year recommendation. BLMK commissions community / integrated MSK from four private providers. Following approval by Governing Body on 16th March 2021, all four contract end dates were aligned to 31st March 2023 to enable a comprehensive review of MSK services, whilst engaging with the two Care Alliances as they define their work programme.

Progress was made in a number of areas with the original ambition of seeking approval to commence procurement in March 2023, however the timeline was impacted by two things:

(1) The need to engage the two Care Alliances

(2) The Omicron variant

As a result, the CCG took the decision to extend all four contracts for an additional year by way of a direct award. The CCG has put in place a timetable to go out to the market to procure new contracts from April 2024. This timetable is shown to the right.

Although the CCG now receives better data from suppliers in order to assess value for money, more work needs to be done to ensure the CCG has fully understands what it intends to procure and is able to manage the contract effectively. We are satisfied that the CCG has put plans in place to do this work but there is a risk that it will be subject to further delays and pushbacks.

Overall, whilst some progress has been made, our recommendation from 2020/21 still stands. We are satisfied that this is not a risk of significant weakness as the value of the four contracts are not material.

**Improvement recommendation (4):** The ICB should deliver on its timetable to procure MSK services across the system by April 2024. In addition, the ICB should also deliver on its timetable to complete and put in place arrangements to assess Value for Money in MSK services. Going ahead with a procurement exercise without having completed this VfM assessment would expose the ICB to significant financial risk.

| Priority | Approach | Target Date |
|---|---|---|
| Securing one year (plus one) extension to MSK services | Providers notified of extension proposal.<br><br>New contracts issued to reflect March 2024 end date with a further one year extension option.<br><br>Market notice to be published. | 30/06/22<br><br>31/01/23<br><br>31/03/23 |
| Defining the service model for Bedfordshire and Milton Keynes | Draft model developed by MSK Collaborative.<br><br>Care Alliance focussed discussions to fine tune based on B and MK pathways / acute service configuration | Completed<br><br>April 22 onwards |
| Assessing value in current MSK providers | Baseline finance and activity modelling of the four MSK providers, aligning costs to enable comparison of vfm.<br><br>Value framework to be defined recognising key themes from proposed procurement legislation changes.<br><br>Current providers to be assessed against set framework to determine CCG>ICB approach.<br><br>Benchmarking of costs against other CCG per head of population – marker to determine opportunities for efficiencies in BLMK | 31/05/22<br><br>31/08/22<br><br>30/09/22<br><br>30/06/22 |

# Improving economy, efficiency and effectiveness

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**Prior year improvement recommendation:** As a merged organisation, the new BLMK CCG will need to begin planning for March 2023 when most of the MSK contracts expire. The CCG should, where possible, look to align contract end dates across BLMK, enabling the option of a single procurement solution across BLMK to deliver economies of scale.

### 2021-22 follow

As part of our work this year, we have updated our understanding about the arrangements as well as follow up on the prior year recommendations.

## Primary Care

The Primary Care Commissioning Committee (PCCC) brings together a wide range of stakeholders from across the system to oversee, scrutinise and make decisions regarding primary care delivery in BLMK. Our review of the arrangements have not identified any risks of significant weakness. On the contrary, our review of the minutes demonstrates that the Committee is well attended and there is robust dialogue and challenge around key issues.

In addition to setting and monitoring medium term goals and objectives, management at the ICB have also had to resolve short term issues within Primary Care such as stepping in to manage a couple of GP practices that were struggling financially.

Capacity within Primary Care is constrained. The number of FTE GPs in BLMK has been on the steady decline for several years. This, coupled with higher demand and underinvestment in estates/IT, creates a challenging environment to meet the needs an expectations of patients.

# Improving economy, efficiency and effectiveness

## Primary Care Estates Strategy

In October 2020, the Primary Care Commissioning Committee approved the Primary Care Estates Strategy 2020-2024. The vision of the strategy is that by 2024, primary care in BLMK meets the following criteria:

- Consistent high quality access to primary care services via on the day services and 24/7 single point of access
- Mature Primary Care Networks working in partnership with Integrated Care Providers to improve population health
- New workforce embedded into primary care, 400+ across 23 Primary Care Networks enabling more sustainable, resilient services
- Population health approach addressing health needs and inequalities across populations, in partnership with local communities
- Greater focus on proactive, anticipatory care, and personalisation in place with those who will benefit
- Integrated Urgent Care and rapid community response services
- Optimised digital access in place for patients, and shared health and care record in place, supporting integrated delivery of care
- Estates solutions (such as integrated health and social care hubs) in place where needed
- High confidence in primary care services from the local population

In order to achieve this vision, the estates strategy sets out a range of projects in each of the 4 places within the BLMK system. In the strategy, the CCG established a road map which sets out the phasing of the projects over the life of the strategy.

Having reviewed all of the Primary Care Commissioning Committee minutes in 2021/22, whilst the committee received updates on specific estates projects or issues, there was no overall update providing a helicopter assessment of progress against the road map set out in the Strategy itself.

Moreover, it is our view that the strategy itself suffers from optimism bias and is outdated. The strategy needs to be prioritised or refreshed in light of the significant changes in circumstances and planning assumptions from 2020.

**Improvement recommendation (5):** BLMK CCG and its successor ICB should consider strengthening arrangements around the monitoring and scrutiny of the Primary Care Estates Strategy by mandating management produce and present a summary of progress against all of the projects set out in the road map to the Primary Care Commissioning Committee.

**Improvement recommendation (6):** The CCG and successor ICB should put in place arrangements to reassess and reassure itself that the primary care capital strategy remains fit for purpose. The results of this review may suggest that the strategy needs to be refreshed or at least reprioritised.

**Improvement recommendation (7):** The CCG should also assure itself that the projects in the primary care estates strategy, if delivered, will achieve the vision.

## Primary Care Access

In the prior year Auditor's Annual Report, we reported to you that:

*"In terms of monitoring access, the data the CCG receives is rudimentary insofar as it does not distil digital appointments between video/telephone/web. In order for the CCG to adequately monitor access and make investment decisions in primary care, it must ensure it puts in place arrangements to obtain sufficiently detailed activity data".*

During 2021/22, the reporting to the Primary Care Commissioning Committee did not change, access is still monitored and reported on at the global level i.e. total number of GP appointments. Having said that, we understand that the ICB is now starting to get information broken down by type of appointment. Going forward then, the ICB needs to put in place arrangements to regularly report on this to ensure there is sufficient monitoring and scrutiny. Linked to this, in the advent of the pandemic and the new ways of working, the ICB needs to establish a new target operating model within primary care including a vision as to how people in BLMK access primary care.

**Improvement recommendation (8):** The ICB should put in place arrangements to monitor and report on access to primary care disaggregated between the types of appointments available.

**Improvement recommendation (9):** The ICB needs to establish targets around the different types of appointments it offers to the people of BLMK to improve access as part of a longer term strategy in primary care.

# Improving economy, efficiency and effectiveness

Although access to primary care does not form part of the NHS Constitutional quality standards, it is an important KPI for CCGs to monitor. Access to primary care was reported to both your Primary Care Commissioning Committee (PCCC) and also the Quality Committee.

Each year a national survey is undertaken by Ipsos MORI on behalf of NHS England. The latest survey was published in July 2022. The results (summarised below) are based on 10,881 responses. In the last 3 years you have consistently scored lower than the national average but this year, your scores are extremely disappointing – the CCG has scored significantly below the average and in all categories, deteriorated from 2021.

| | Overall, how would you describe your experience of your GP practice? | Ease of getting through to your GP on the phone | Overall, how would you describe your experience of making an appropriate | How satsified are you with the GP appointment times that are available to you? |
|---|---|---|---|---|
| | % Good (total) | % Easy (total) | % Good (total) | % Satisfied (total) |
| **ICS 2022** | 64% | 38% | 46% | 46% |
| National average 2022 | 72% | 53% | 56% | 55% |
| ICS 2021 | 78% | 57% | 63% | 60% |

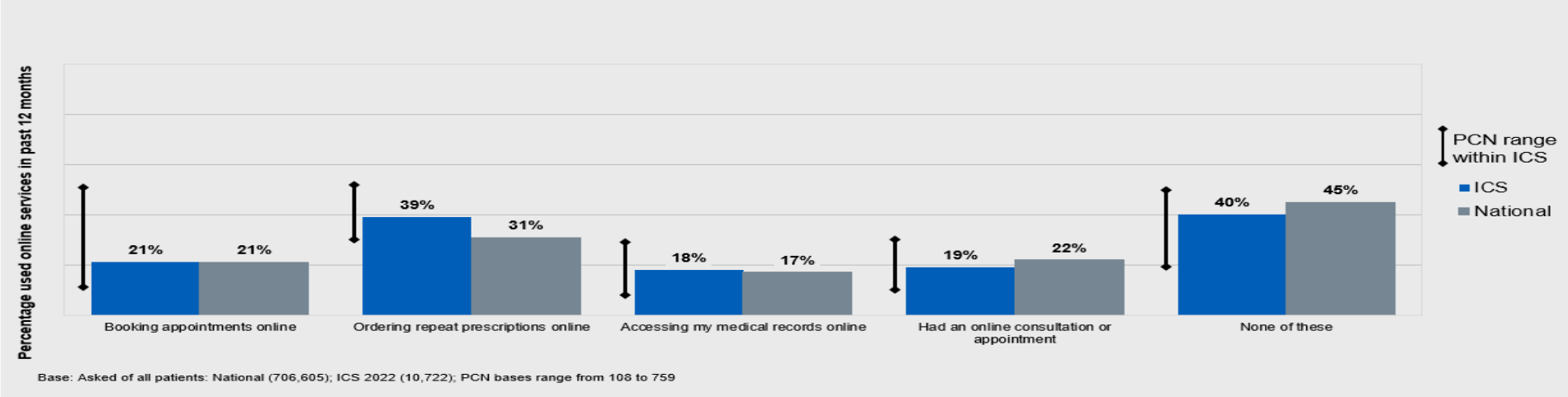
According to the survey, access to primary care within the BLMK area continues to be below the national average and in some areas deteriorated compared to both the prior year results and the national average. Where you did perform well, however, was in relation to access to online services. The survey also asks patients questions regarding access to online services (results displayed overleaf). Responses in this area were at or above the national average; patients were aware of and had used online services more than in many parts of the country.

We recognise that there are some limitations in using survey results as the sole indicator for performance. However, given this is a national survey with consistent themes of results since 2018, the results indicate some issues, at least in the patient experience of primary care, that require management's attention. Improving access to primary care is a key enabler to de-risk the system, reduce the elective backlog and constrain longer term costs.

**Improvement recommendation (10):** Based on the IPSOS Mori survey, access to, and the experience of primary care has deteriorated and is significantly below the national average in several key areas. Management will need to carry out a detailed review of the IPSOS Mori survey results, cutting the data in various ways to pinpoint the sources of issues. Having pinpointed the sources of issues, management should establish a clear action plan to mitigate and resolve these issues. Delivery of the action plan will require investment as well as the 'buy-in' of individual GPs and PCNs.

# Improving economy, efficiency and effectiveness

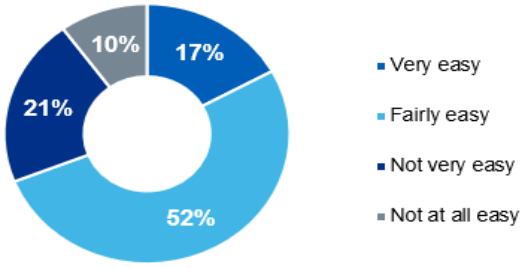
## Q3. Which of the following general practice online services have you used in the past 12 months?



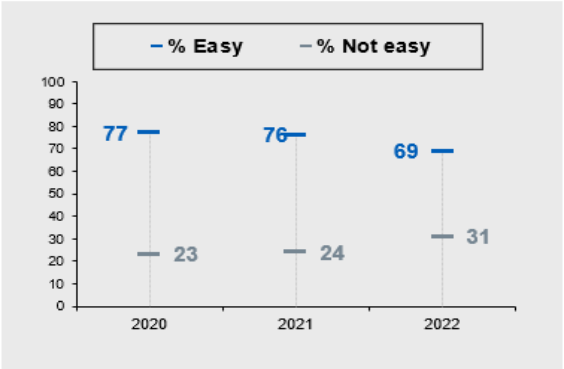

Base: Asked of all patients: National (706,605); ICS 2022 (10,722); PCN bases range from 108 to 759

## Q4. How easy is it to use your GP practice's website to look for information or access services?[1]

### ICS result




### ICS result over time




### Comparison of results

| ICS | | National | |
|---|---|---|---|
| Easy | Not easy | Easy | Not easy |
| 69% | 31% | 67% | 33% |

# Improving economy, efficiency and effectiveness

## Section 256 payments

In 2021/22 the CCG entered into Section 256 (S256) agreements with the four Councils in its locality for an aggregated £17.5m. Whilst our review found these payments to be lawful, they were contracted in such a way to ensure all the expenditure could be recognised in the 2021/22.

Whilst the CCG had a reasonable expectation at the time cash was paid that the Local Authorities intended to use the money for the intended purposes, the CCG relinquished all contractual control over this money by not inserting conditions in how the money was actually spent. The CCG, and the successor ICB is therefore unable to contractually claw back unspent money or money not spent for the intended purpose.

Whilst the agreements do set out arrangements for the Local Authorities to submit annual returns in how they spent the money, this is not a contractual condition. When commissioning services, the CCG and the successor ICB should ensure contracts contain sufficient legal cover to regain control over monies not spent or not spent for the purposes intended.

We recognise that the CCG made the best decision it could under the circumstances and the 'do nothing' option would have meant that the £17.5m would not be made available for the people of BLMK going forward. Our improvement recommendation focuses on the contractual arrangement independent from the circumstances in which the decision was taken.

Whilst we have identified an improvement recommendation, the overall arrangements for setting up the S256 payment had many positive aspects. These are set out below:

- Prior to payment, the proposal was shared and discussed with the Audit Committee
- The Governing Body was fully signed on the S256 payments and approved them based on all relevant information
- Management sought legal advice prior to payments being made to ensure the agreements and the process compiled with laws and regulations
- Management raised the issue with external audit early in the process. This enabled us to flag risks both in terms of how it is accounted for in the accounts but also potential issue in terms of VfM
- The fact the CCG was able to get the S256 payments signed by all of the Local Authorities bodes well in terms of the relationship the ICB has with its key partners. Joint working of this type will be more and more common as the ICB develops.

**Improvement recommendation (11):** When entering into S256 agreements or other similar grant commissioning activities, the ICB should consider including conditions within the contract such that there is a contractual right to recover unspent monies or monies not spent on the intended purpose.

## Quality performance

Like the rest of the NHS, the global covid-19 pandemic negatively impacted BLMK's clinical performance e.g. A&E waits, Cancer waits and elective waits. Clinical performance is regularly reported to the Governing Body and where performance is poor, there are arrangements to put forward mitigations and actions to address it. There is evidence that these mitigations and actions are having an impact as the number of people waiting over 104 weeks for treatment feel from circa 180 to just 20 by the end of March 2022.

# Improvement recommendations

## Improving economy, efficiency and effectiveness

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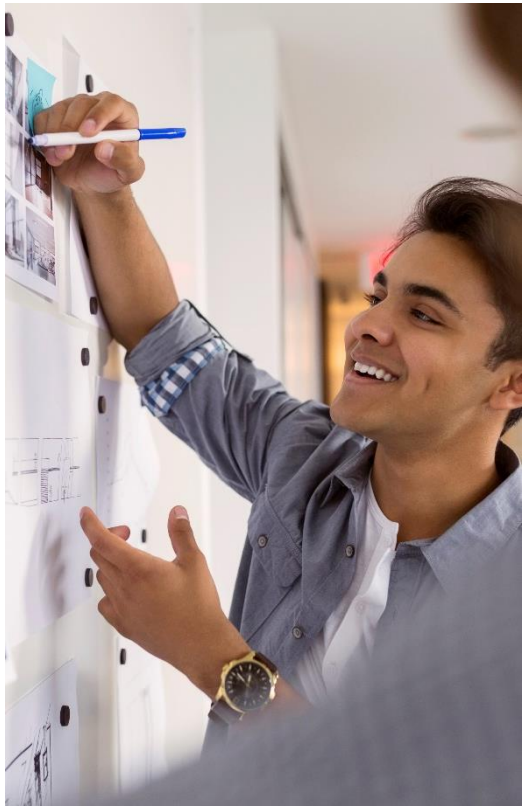
|---|---|
| **Recommendation 3** | The ICB Board should consider whether locally agreed targets and national benchmarking data in relation to quality performance would be beneficial in them discharging their duties. |
| **Why/impact** | Benchmarking against the East of England is useful but it depending on the performance of the East of England, there is a risk that poor performance is masked by a significant underperformance across the East of England.<br>Benchmarking also against the national performance can provide greater context. |
| **Auditor judgement** | N/A |
| **Summary findings** | See above |
| **Management Comments** | |

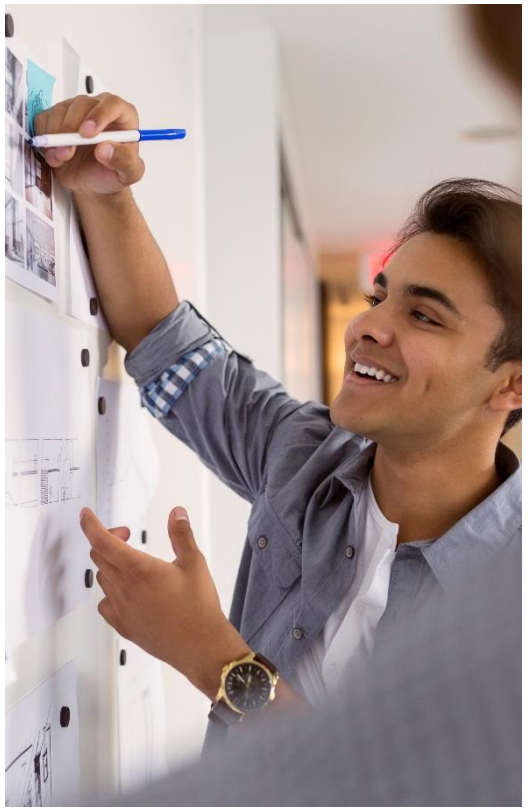


**The range of recommendations that external auditors can make is explained in Appendix B.**

# Improvement recommendations

## Improving economy, efficiency and effectiveness

| | |
|---|---|
| **Recommendation 4** | The ICB should deliver on its timetable to procure MSK services across the system by April 2024. In addition, the ICB should also deliver on its timetable to complete and put in place arrangements to assess Value for Money in MSK services. |
| **Why/impact** | Going ahead with a procurement exercise without having completed this VfM assessment would expose the ICB to significant financial risk.<br><br>Equally, continuing to extend contracts procured over 9 years ago by direct award does not provide sufficient evidence that the services commissioned are Value for Money in a competitive market. |
| **Auditor judgement** | N/A |
| **Summary findings** | See above |
| **Management Comments** | |



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

# Improvement recommendations

## Improving economy, efficiency and effectiveness

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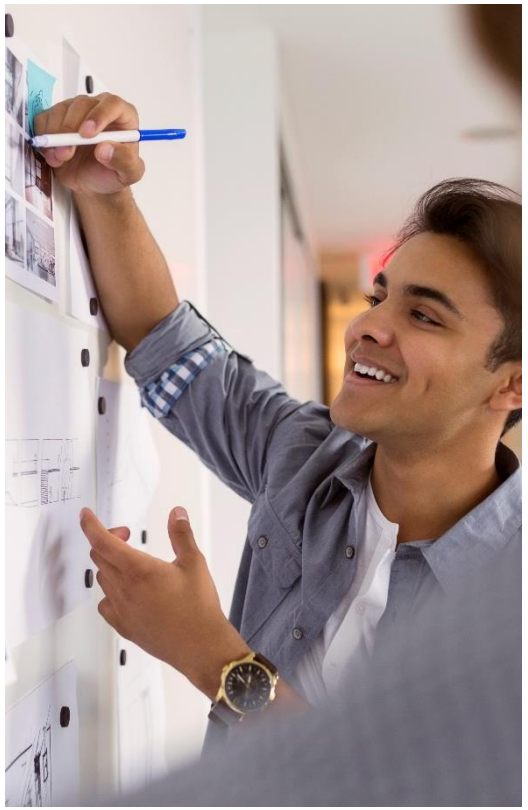
|---|---|
| **Recommendation 5** | BLMK CCG and its successor ICB should consider strengthening arrangements around the monitoring and scrutiny of the Primary Care Estates Strategy by mandating management produce and present a summary of progress against all of the projects set out in the road map to the Primary Care Commissioning Committee. |
| **Why/impact** | Failure to deliver against the Primary Care Estate Strategy which is a key enabler for the overall strategy of the ICB |
| **Auditor judgement** | Regular reporting, monitoring and scrutiny of the entire strategy by the Primary Care Committee Commissioning is considered to be a key component of the arrangements to ensure the strategy is delivered. |
| **Summary findings** | There is no regular reporting and scrutiny at a summary level of the entire Primary Care Capital Strategy. |
| **Management Comments** | |



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

# Improvement recommendations

## Improving economy, efficiency and effectiveness

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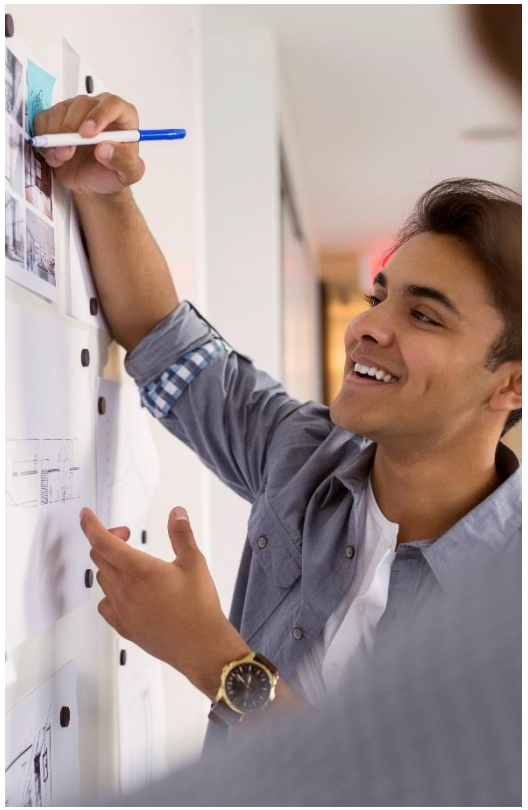
|---|---|
| **Recommendation 6** | The CCG and successor ICB should put in place arrangements to reassess and reassure itself that the primary care capital strategy remains fit for purpose. The results of this review may suggest that the strategy needs to be refreshed or at least reprioritised. |
| **Why/impact** | There is a risk that the strategy is not realistic in terms of feasibility/deliverability. There is also a risk that circumstances have changed significantly since the strategy was approved. Significant changes to the planning assumptions could render the strategy obsolete. |
| **Auditor judgement** | The current strategy is outdated and suffers from optimism bias. |
| **Summary findings** | The primary care estates strategy appears to be optimistic. |
| **Management Comments** | |



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

# Improvement recommendations

## Improving economy, efficiency and effectiveness

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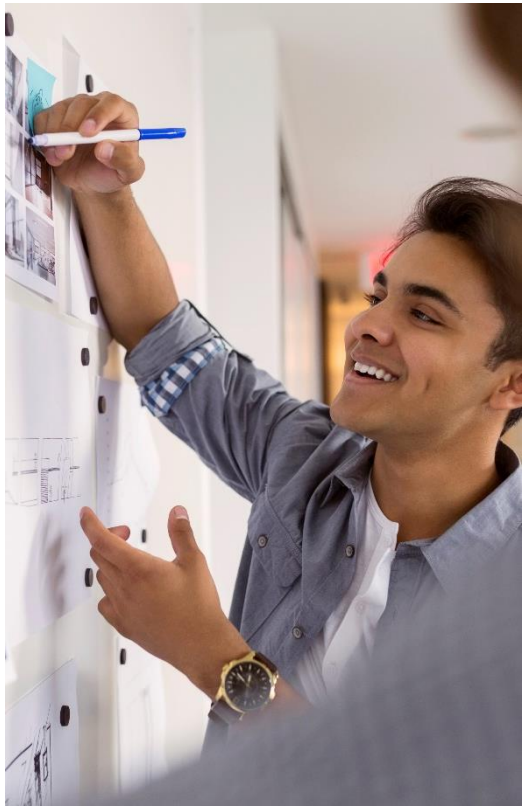
|---|---|
| Recommendation 7 | The CCG should also assure itself that the projects in the primary care estates strategy, if delivered, will achieve the vision. |
| Why/impact | There is a risk that the projects of the strategy are not fully aligned to the vision. |
| Auditor judgement | N/A |
| Summary findings | See above |
| Management Comments | |



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

# Improvement recommendations

## Improving economy, efficiency and effectiveness

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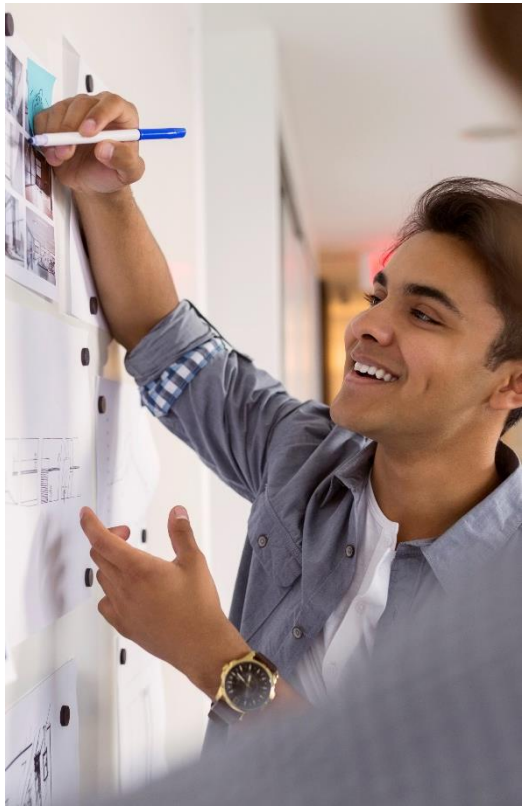
|---|---|
| **Recommendation 8** | The ICB should put in place arrangements to monitor and report on access to primary care disaggregated between the types of appointments available. |
| **Why/impact** | Access to primary care is a key enabler to improve general health and wellbeing. As an ICB, how people access primary care is therefore central to any long term strategy. In the advent of the global covid pandemic and the digitalisation of access to healthcare, the ICB needs to ensure its arrangements properly monitors and scrutinises all aspects of healthcare access and delivery. |
| **Auditor judgement** | N/A |
| **Summary findings** | See above |
| **Management Comments** | |



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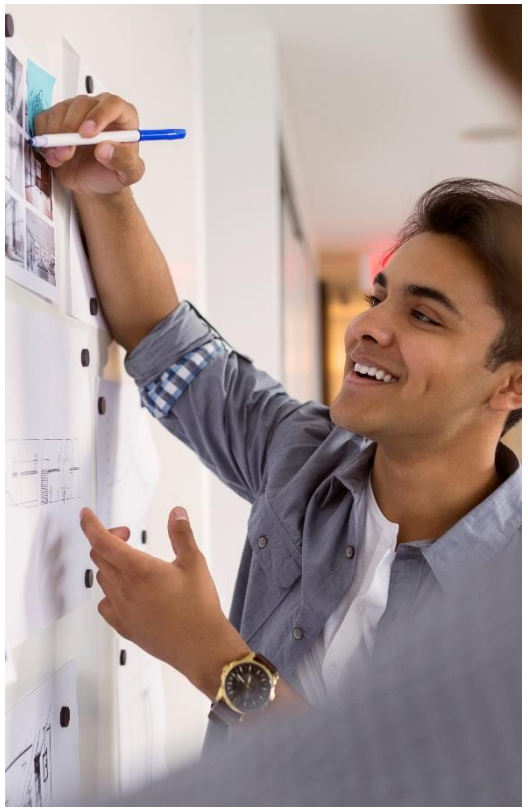
# Improvement recommendations

## Improving economy, efficiency and effectiveness

| | |
|---|---|
| **Recommendation 9** | The ICB needs to establish targets around the different types of appointments it offers to the people of BLMK to improve access as part of a longer term strategy in primary care. |
| **Why/impact** | Access to primary care is a key enabler to improve general health and wellbeing. As an ICB, how people access primary care is therefore central to any long term strategy. In the advent of the global covid pandemic and the digitalisation of access to healthcare, the ICB needs to ensure its arrangements properly monitors and scrutinises all aspects of healthcare access and delivery. |
| **Auditor judgement** | N/A |
| **Summary findings** | See above |
| **Management Comments** | |



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

# Improvement recommendations

## Improving economy, efficiency and effectiveness

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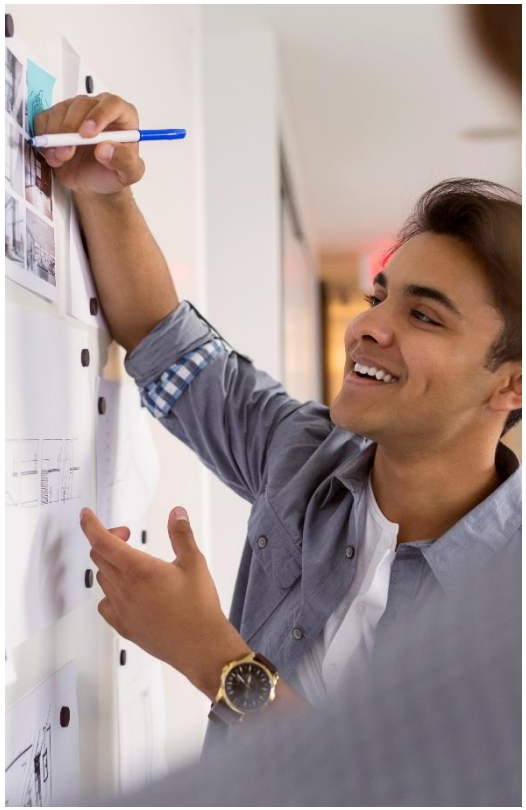
|---|---|
| **Recommendation 10** | Management will need to carry out a detailed review of the IPSOS Mori survey results, cutting the data in various ways to pinpoint the sources of issues. Having pinpointed the sources of issues, management should establish a clear action plan to mitigate and resolve these issues. Delivery of the action plan will require investment as well as the 'buy-in' of individual GPs and PCNs. |
| **Why/impact** | Based on the IPSOS Mori survey, access to, and the experience of primary care has deteriorated and is significantly below the national average in several key areas. |
| **Auditor judgement** | N/A |
| **Summary findings** | See above |
| **Management Comments** | |



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

# Improvement recommendations

## Improving economy, efficiency and effectiveness

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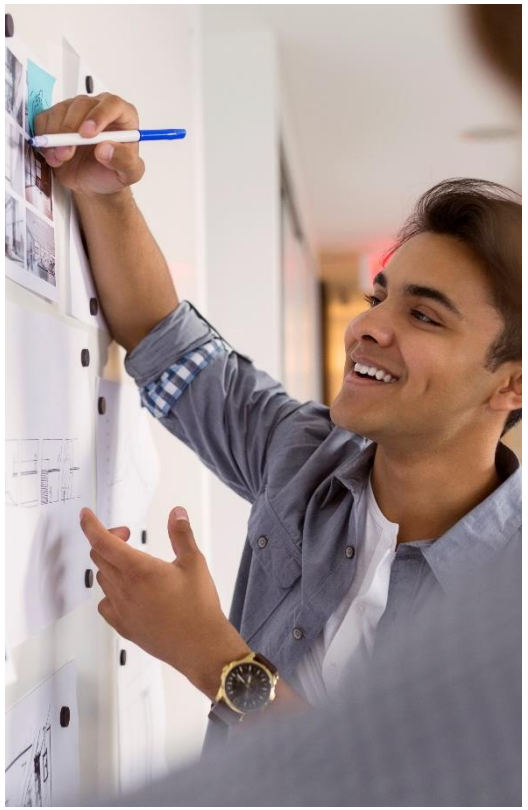
|---|---|
| **Recommendation 11** | When entering into S256 agreements or other similar grant commissioning activities, the ICB should consider including conditions within the contract such that there is a contractual right to recover unspent monies or monies not spent on the intended purpose. |
| **Why/impact** | There is a risk that the ICB will not be able to recover control over grant monies that are unspent or not spent on its intended purpose. |
| **Auditor judgement** | N/A |
| **Summary findings** | See above |
| **Management Comments** | |



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

# Opinion on the financial statements

## Audit opinion on the financial statements

We gave an unqualified opinion or we qualified the opinion on the CCG's financial statements on 16 June 2022.

## Opinion on regularity

We issued our regularity opinion on 16 June 2022. Our regularity work did not identify any issues.

## 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 did not identify any issues.

## Preparation of the accounts

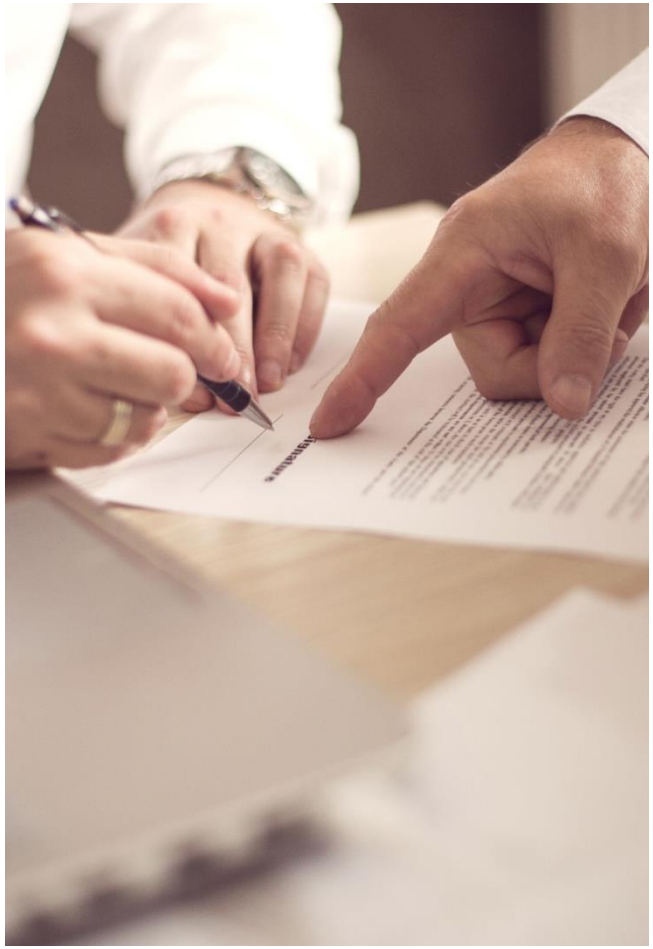
The CCG provided draft accounts in line with the national deadline and provided a good set of working papers to support it. There was good engagement with the finance team and the big issues e.g. S256 grants were raised and discussed early.

## Key findings arising from the accounts:

- Our audit did not identify any adjusted or unadjusted misstatements
- We did identify several disclosure misstatements which management adjusted for in the final accounts
- Three control findings were communicated in relation to the Journals Control environment

## 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 – 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 | See page 8 |

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