

# Auditor's Annual Report on NHS Southport and Formby Clinical Commissioning Group

2020-21

September 2021



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We are required under Section 20(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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# Executive summary

## Value for money arrangements and key recommendation(s)

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. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the CCG's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the CCG's arrangements under specified criteria. 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	Conclusion
Financial sustainability	Risk identified because of the CCG's significant underlying deficit	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	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendation made



### Financial sustainability

We identified a risk of significant weakness in respect of the CCG's arrangements for financial sustainability. This was because the CCG had a significant underlying deficit at the end of the 2020/21 financial year. We performed further work in respect of this risk and did not find a significant weakness in arrangements. We have made an improvement recommendation. We recommended the CCG put in place plans to fully identify and fully form QIPP plans to address the efficiency target in the short term and underlying deficit in the longer term. Our findings are set out in further detail on pages 7-9.



### Governance

We did not identify any risks of significant weaknesses in the CCG's governance arrangements in our initial risk assessment. Our further work confirmed this view, with no significant weaknesses in arrangements identified. We have made one improvement recommendations relating to engaging in the development of the ICS. Our findings are set out in further detail on pages 10 to 14.



### Improving economy, efficiency and effectiveness

We did not identify any risks of significant weaknesses in the CCG's arrangements in place for improving economy, efficiency and effectiveness in our initial risk assessment. Our further work confirmed this view, with no significant weaknesses in arrangements identified. We have made one improvement recommendation relating to the development of the procurement policy. Our findings are set out in further detail on pages 15-17.

## Opinion on the financial statements

We have completed our audit of your financial statements and issued an unqualified audit opinion on 17 June 2021, following the Audit Committee meeting on 10 June 2021. Our findings are set out in further detail on page 20.

## Opinion on regularity

We are required to give a regularity opinion on whether the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them (the regularity opinion).

We did not identify any issues and issued an unqualified regularity opinion alongside the opinion on the financial statements



# Use of formal auditor's powers

We bring the following matters to your attention:

## **Statutory recommendations**

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

We did not issue any statutory recommendations.

## **Section 30 referral**

Under Section 30 of the Local Audit and Accountability Act 2014, the auditor of an NHS body has a duty to consider whether there are any issues arising during their work that indicate possible or actual unlawful expenditure or action leading to a possible or actual loss or deficiency that should be referred to the Secretary of State, and/or relevant NHS regulatory body as appropriate.

We did not issue any Section 30 referrals to the Secretary of State.

## **Public Interest Report**

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a Public Interest Report.

# Commentary on the CCG's arrangements to secure economy, efficiency and effectiveness in its use of resources

All CCGs 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.

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) 3, 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).



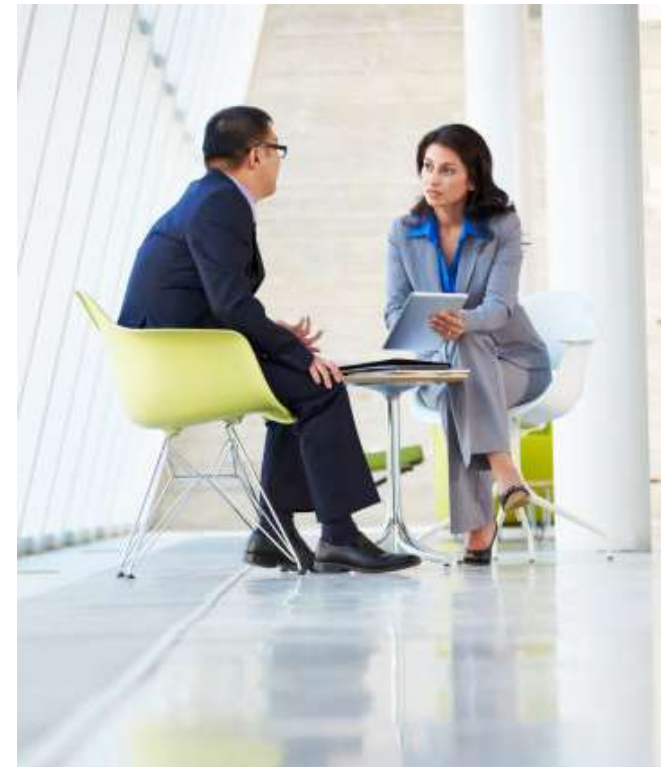
## Governance

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 each of these three areas, as well as the impact of COVID-19 on them, is set out on pages 7 to 19. 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 it is facing and builds these 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
- identifies and manages risks to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

In a risk assessment, we identified a risk of a significant weakness due to the underlying deficit position of £14.91m reported by the CCG at the end of 2020/21. However, further work we have completed concluded this was not indicative of a significant weakness in arrangements relating to financial sustainability.

## FY20/21 Outturn

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 into place. During the first six months of 2020/21, the CCG was given a budget to operate within. This was based on the 2019/20 spend with a small uplift. Any expenditure variances from this budget (COVID or non COVID related) were then funded retrospectively to ensure that for the first six months of 2020/21 to September 2020 the CCG had sufficient resources to respond to the pandemic. This regime was later extended to the full year.

The CCG reported a break even position in its financial statements for the year ended 31 March 2021. This was achieved as a result of additional funding allocations agreed as part of the 2020/21 financial framework. In our view this additional funding, rather than improved efficiency, has enabled the CCG to deliver a break even position. We acknowledge that the funding regime introduced in 2020/21 significantly minimised the opportunities for commissioners to drive value from their main areas of spend.

During 2020/21 despite the change to the monitoring regime as a consequence of COVID-19, which led to most of the CCG's QIPP plans being abandoned, the CCG's Joint QIPP Delivery Group did continue to meet on a monthly basis to discuss and approve QIPP plans, as well monitoring existing ones for the post-pandemic recovery. The QIPP savings that were delivered in 2020/21 were mostly to do with medicines management which is one of the few areas where the CCG could still influence spend.



## 2021/22

The CCG had an initial efficiency target of £4.45m for H1 of 2021/22. In April 2021, the CCG reported to the Governing Body that it had only identified Quality, Innovation, Productivity and Prevention (QIPP) schemes of £1.55m with some more still at the scoping stage. This indicated the CCG may not be able to meet the efficiency target in the short term, even before any potential in-year slippage, and address the underlying deficit in the longer term.

At the end of May 2021, a later iteration of the H1 2021/22 plan across the Cheshire and Merseyside Health and Care Partnership was produced which included a redistribution of System Funding that reduced the efficiency target for the CCG to £0.6m, meaning the CCG had QIPP plans in excess of the efficiency target.

However, a risk still remains in delivering the breakeven position in H1 of 2021/22. As mentioned earlier, the funding regime introduced in 2020/21 in response to COVID-19 and which is continuing into at least H1 of 2021/22, has significantly minimised the opportunities for commissioners to drive value from their main areas of spend. The majority of their spend has been dictated at a certain level and although there are some areas where the CCG can still influence the spend, e.g. prescribing, Continuing Health Care, these are fewer and are core requirements. These are not areas where there can be 'no spend' so the key for the CCG going forward will be efficiency of spend. This is reflected in the savings target identified for NHS Southport and Formby CCG at a system level.

We note that the funding plans for 2021/22 have only been set up to month 6 at this time, the CCG will need to revisit its plans once there is greater clarity on future funding from NHSE/I.

### Other key arrangements:

We have reviewed the CCG's reporting of risks to each Governing Body meeting through the corporate risk register and Governing Body Assurance Framework. The financial risks within them are regularly discussed at Governing Body level, as well as at the monthly Finance and Resource Committee which feeds into the Governing Body. The CCG's Governing Body are kept informed of risks to the financial position of the CCG, which feeds into the Governing Body's decision making process to address these risks.

As part of its financial planning process, the CCG completes scenarios analysis for areas of significant spend, considering for example, the impact of price increases of 1, 2 or 3 % in these areas. From these, Best, Likely and Worse Case positions are prepared for the annual budget and are reported to Finance and Resource Committee and Governing Body throughout the year. The scenario planning enables the CCG to manage the risks and better deal with unplanned changes as they occur.

The CCG's QIPP programme are mapped against the strategic drivers at a ICS, national and place level. This shows QIPP plans are aligned with the wider service improvement and development priorities. However historically the CCG has not always delivered against the QIPP targets it has set. We reported in 2019/20 that the QIPP targets set at that time were unrealistic. This was somewhat mitigated by the financial regime in 2020/21 however, as noted above still poses a risk for 2021/22.

### Conclusion

Overall, whilst we are satisfied that there is not a significant weakness in the CCG's arrangements for ensuring the CCG can continue to deliver services, continued action is needed in this area by the CCG and we have made an improvement recommendation, around the identification and development of QIPP plans. which is set out overleaf.





# Improvement recommendation



## Financial sustainability

<b>01 Recommendation</b>	We recommend the CCG put in place plans to fully identify and fully form QIPP plans to address the efficiency target in the short term and underlying deficit in the longer term.
<b>Why/impact</b>	The CCG has a significant underlying deficit. Without fully identified and formed QIPP plans the CCG will not be able to deliver a balanced financial position and support the transformation of healthcare within the Cheshire and Merseyside Health and Care partnership.
<b>Auditor judgement</b>	This breakeven position for 2020/21 was achieved as a result of additional funding allocations agreed as part of the 2020/21 financial framework. In our view this additional funding and the funding regime itself, rather than improved efficiency, has enabled the CCG to deliver a break even position.
<b>Summary findings</b>	<p>The CCG reported a breakeven position in its financial statements for the year ended 31 March 2021. We note that for 2020/21, additional funding was made available to NHS bodies to support patient care during the COVID-19 pandemic. In our view this additional funding has enabled the CCG to deliver a breakeven position in 2020/21, whereas in previous years it has incurred significant financial deficits (£12.8 million).</p> <p>As at 31 March 2021, the CCG had an underlying run rate deficit of £14.9 million. Due to the COVID-19 financial regime in place for the first half of 2021/22, some of the risk of this is mitigated due to the nature of the block contracts in place. However, as the financial regime returns to normal, unless properly addressed, the underlying deficit will remain.</p>
<b>Management Comments</b>	<p>QIPP projects are monitored at the Joint QIPP Delivery Group (JQDG) with clinical oversight in the Clinical Advisory Group (CAG) both groups meet monthly. Work is ongoing to prioritise projects for implementation in 2021/22 and the QIPP plan will be updated for presentation at the JQDG and the Finance and Resource Committee. QIPP delivery will be risk assessed for ongoing monitor at Finance and Resource Committee.</p> <p>The level of cost improvement required over the whole of the 2021/22 financial year is predicated on both access to additional system funding and also confirmation of the financial and contracting regime for the second half of the financial year.</p>

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

# 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 effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.
- monitors and ensures appropriate standards.

## Leadership and committee effectiveness

Appropriate leadership is in place. The CCG is led by its Governing Body which is supported by an appropriate committee structure. Senior officers attend the Governing Body and Committees to present reports and are open to questions during Committee meetings. The Governing Body contains a number of clinical members who regularly attend meetings. The Audit Committee demonstrates 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. These are discussed at an Executive level prior to the presentation to Governing Body/Committee. The CCG requires minuted approval of the Governing Body decisions.

## Risk management

We have reviewed the processes the CCG has in place to monitor and assess risk. The CCG's Risk Management Strategy demonstrates that risk management is integrated into its business decision making, planning, performance reporting and delivery processes. The strategy outlines the overall process for identifying risks, and is reviewed and approved annually to ensure it is kept up to date. It sits alongside the Governing Body Assurance Framework (GBAF) and corporate risk register (CRR) to capture the main strategic risks and objectives for the CCG.

The GBAF and CRR are actively managed as they are updated and refreshed between each committee. A heat map is also reported which summarises the mitigated CCG risks scored 12

and above, and draws out the top ten risk themes which supports the Governing Body in understanding the key risks facing the CCG and how they change through the year.

## Policies, procedures and controls

The CCG has a constitution in place which is regularly reviewed and updated. The constitution is shared with all staff members on joining the CCG and is openly available on the CCG's website.

The CCG's internal auditor delivers a wide programme of work and reports support the Audit Committee in assuring itself that systems, processes and controls are operating effectively. No significant weaknesses have been identified by internal audit. 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.



### Budget setting and monitoring

The budget setting process is iterative with the Governing Body becoming involved considering a draft at its late March / early April meeting before approving the final budget in May. Prior to this, the finance team have worked through the various scenarios, factoring in national and local assumptions, and engaged with budget holders within the CCG. Service activity against plan is presented and integrated into reports to the Finance Committee. The system financial budget plan highlights the inherent risks within the plan and this has been reported to the Finance Committee. There has been a lot more engagement with the Cheshire and Merseyside Health and Care Partnership as part of the process for setting the 2021/22 budget compared to previous years, as the NHS now operates on a system financial plan basis. Additionally, the CCG works with Sefton MBC through joint groups as part of the Better Care Fund to align budgeting of adult social care.

### Financial management and reporting

Financial management processes are appropriate. As noted in the previous section, financial information is reported monthly to the Finance and Resource committee and to each Governing Body meeting alongside the Integrated Performance Report. The finance reports include analysis at different levels of detail from overall CCG performance, a dashboard showing Key performance indicators, a bridge to the forecast outturn

### Monitoring and ensuring appropriate standards

The CCG has arrangements in place to monitor compliance with legislation and regulatory standards, including having a standing item section in the Audit Committee titled 'internal compliance and assurance', which includes papers from the counter fraud team and the 'freedom to speak up' champion.

The CCG's website content includes explanations on what is fraud, what is bribery, the do's and don'ts and how to report it. Details of the upcoming fraud initiative have also been included. Additionally an anti-bribery and corruption statement from the Chief Officer has been uploaded, which demonstrates the CCG's commitment to acting appropriately, both from a legal and regulatory perspective.

The CCG has a code of conduct which all staff sign up to on employment. This ensures that they are aware of their responsibilities with regards to legislation and regulation. This is clearly aligned with the NHS strategic care priorities.

Arrangements for making a declaration of interest are in place at the beginning of all Governing Body or committee meetings and a link on the CCG's website contains a compiled list of all declarations made. Members of the Governing Body, plus other staff classified as 'decision-makers', are required to complete an annual declaration. What constitutes an interest and how to declare this are easily searchable online, with the majority of decision makers having made a declaration. We would not expect this number to be 100% as many decision makers are not acting in a role which would result in them having an interest to declare. The CCG has a clear policy for declaring and recording gifts and hospitality and there is evidence that members and staff are using the system put in place.





### Cheshire and Merseyside Health and Care Partnership

In 2016, NHS organisations and local councils came together to form sustainability and transformation partnerships (STPs) with tailored proposals to improve health and social care for their residents. The Cheshire and Merseyside Health and Care Partnership (CMHCP) was the second largest of the 44 STPs established and was formally designated as the ICS (Integrated Care System) from 1 April 2021.

CMHCP brought together NHS, local authority, voluntary and other community-based organisation from across Cheshire and Merseyside with the aim to provide better and more joined-up care for patients. Within Cheshire and Merseyside work has also been happening at 'Place', where organisations within the nine local authority areas have had their own partnership of organisations. For Southport and Formby for example this includes Sefton Transformation Board which includes membership from key partners. There is also a Joint Committee established with West Lancashire CCG to work through commissioning aspects of Shaping Care Together which is a partnership which includes South Sefton CCG, West Lancashire CCG and Southport and Ormskirk Trust.

The major health reforms will see the demise of CCGs and set up of Integrated Care Systems with the need for continued closer working relationships. Within the Cheshire and Mersey area, the four Cheshire CCGs formally merged from 1 April 2020, the four north Mersey CCGs had considered a merger from 1 April 2022 and had set up a North Mersey Joint Committee of CCGs, whilst Warrington and Halton CCGs have been working closely with a single management team and shared 'committees in common'.

However, in February 2021, the Government issued their White Paper, 'Integration and Innovation: working together to improve health and social care for all.' Within the White Paper it stated that the allocative functions of CCGs should be held by a system level body responsible for integrated care called an Integrated Care System (ICS) NHS Body. The ICS NHS Body will take on the commissioning functions of the CCGs and some of those of NHS England within its boundaries, as well as the CCG's responsibilities in relation to Oversight and Scrutiny Committees. Within the ICS there will be an ICS Health and Care Partnership which would bring NHS, local authorities, and other organisations together to develop plans to help improve the health of the residents in the ICS area.

On 25 March, the planning guidance for 2021/22 was issued, which set out a timetable and development of the new structure, including the system finance plan being submitted by 6 May, whilst activity and workforce plans were required by 3 June 2021. By the end of quarter 2 the designate appointments to ICS chair and chief executive positions are required to be confirmed, along with the proposed governance arrangements for both the health and care partnership and ICS body.

It was confirmed that there would be one Cheshire and Merseyside ICS. There has been some discussion as to whether the Cheshire and Mersey area was a natural fit, with there being a diverse demographical divide, as well as it being a large geographical area. The population of 2.6million is thought to make this the 2nd largest ICS in England. A number of challenges existed including :

- Whilst the additional funding and arrangements in 2020/21 resulted in the financial balance across the area, historically there had been organisation overspends and deficits, particularly in relation to CCGs. Even before Covid-19, the HCP was facing a significant financial challenge.
- Recent media reports have suggested inconsistent leadership within the area, with the failure to appoint a permanent Chair for the ICS and suggesting that Cheshire and Merseyside have struggled over the last five years to form the structures and partnership working required by the national integration agenda.

In our work we have found that the relevant bodies within the area, are recognising the challenges and looking to work together to meet the new demands. Examples of this include:

- The Health Partnership has produced and published an ICS Framework document which sets out the key issues within the white paper and subsequent guidance
- It has also published the Improving Health and Wellbeing in Cheshire and Merseyside health strategy document, looking forward through to 2025

- Setting up the new ‘Primary Care Provider Leadership Forum’ where all primary care is represented, whilst two members of the forum will sit on the ICS Partnership Board
- Development of a ‘collegiate’ approach across health organisations, including providers, across Cheshire and Merseyside, which is demonstrated through the development of health strategy document and the setting up of the Joint CCG committee
- The relatively recent merger of the four Cheshire CCGs into one organisation has meant health organisations within the area can look within its boundary for ‘lessons learned’ from major organisational change
- The ICS has submitted a breakeven financial plan, based on a notified resource envelope of £2.7 billion for the first half of 2021/22. The achievement of this overall position involves the management of number of financial risks on a system-wide basis through the delivery of cost-efficiencies, re-profiling of planned expenditure and additional income through non-recurrent streams
- The setting up of the Joint Committee of Cheshire and Merseyside CCGs, which has been established with the purpose of allowing the CCGs to work together and make decisions on agreed service areas for the Cheshire and Merseyside population
- Weekly Chief Financial Officer meetings to discuss issues and to look to address challenges across Cheshire and Merseyside

Given the above there is evidence to suggest that the NHS organisations within Cheshire and Mersey are working towards successfully creating the ICS. Obviously, there are challenges to overcome, not least in meeting the demanding timetable. It is recognised that there is a lot to do to set up the required structures by 30 September 2021 and the ICS ‘going live’ on 1 April 2022. Key issues to consider include:

- Ensuring there is a shared culture across the organisations within Cheshire and Mersey. All the local NHS leaders we have met during our work have commented on the need for a shared culture to support the emerging governance structures and procedures
- Establishing how to balance providers being assessed on an individual basis against the need to work collaboratively. It is recognised that an open-book and collegiate board across providers would bring real advantages to the health system but there is the acknowledgement that Providers retain individual duties and are subject to individual assessments, , for example CQC inspections.
- Developing the governance structures needed to meet the requirements of the Partnership

- Closing the CCGs and setting up the financial systems for the ICS
- Developing the relationships with local authorities at both the Place and ICS levels. The relationship required has to go beyond simply commissioning care. For example, workforce planning has identified that there are real problems in recruiting and retaining the right people in the right place for reasons such as affordable housing, availability of good-quality schools and transport links. The assessment of the current workforce suggests that as many as 40% of health workers may retire over the next few years, whilst only 5% of staff are under 24. To address such issues the ICS will need to work closely with local authorities and other agencies to ensure skilled individuals are available by having affordable housing and key amenities available
- Agreeing capital budgets when there are limited resources available. For the 2021/22 financial year, capital bids within Cheshire and Merseyside outweighed the capital funding that was available.

### Conclusion

Overall, whilst we are satisfied that there is not a significant weakness in the CCG’s arrangements we have made an improvement recommendation, around continuing to engage with the ICS to further it’s development. This is set out overleaf.



# Improvement recommendations

## Governance

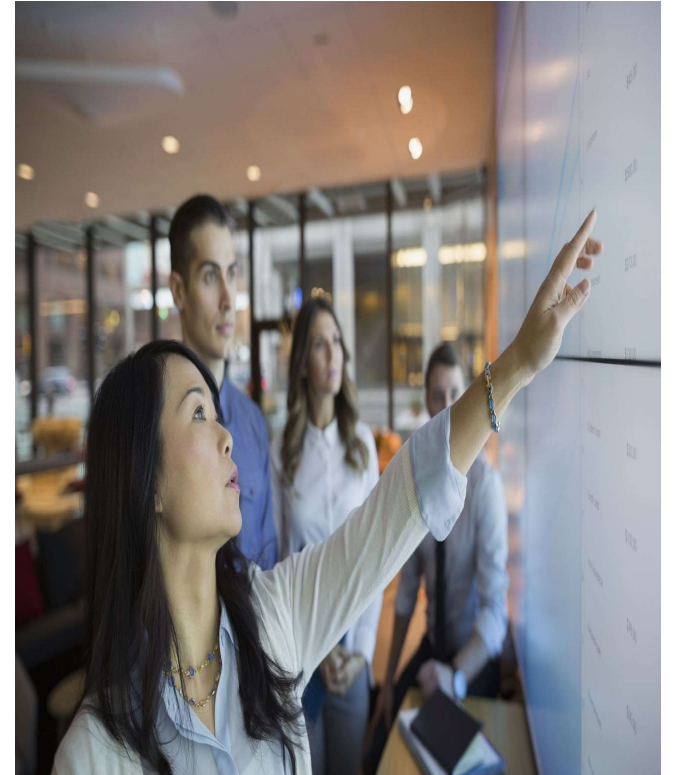
- 02 Recommendation** We recommend that the CCG continues to:
- Engage with the ICS system to secure robust decision-making arrangements to ensure health and social care services are commissioned at the appropriate system or local level.
  - Contribute to the development of ICS and local level workforce, financial plans and ensure appropriate governance arrangements are in place

**Why/impact** The creation of the Cheshire and Merseyside ICS is a major change to the health and care system in the region. Without the development of strong decision-making and governance arrangements at both a local and ICS level there is the risk that the C&M ICS will not be best placed to deliver the required reform for efficient, efficient and economic commissioning, as well as achieving better health and social care outcomes.

**Auditor judgement** Progress has been made towards setting up governance arrangements amongst the health and care bodies in Cheshire and Merseyside.

**Summary findings** There is evidence to suggest the NHS organisations within Cheshire and Mersey are working towards successfully creating the ICS. The move to a C&M ICS presents significant challenges and opportunities. The CCG needs to ensure it is best placed to fully engage with this transformational agenda.

**Management comment** The CCG is engaged with CM ICS to support its establishment from April 2022 onwards. The CCG is appropriately represented on the Joint Committee of CM CCGs which is providing oversight through the transition period. At a local level, the CCG is working closely with all partners to develop the governance arrangements required to support the decision making in the Borough (place) of Sefton. The local approach is linked into ICS plans and governance arrangements.



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

# 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, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the CCG assesses whether it is realising the expected benefits.

## Assessing performance

Integrated Performance Reports (IPR) are presented at each Governing Body meeting. This has a summary performance dashboard of various metrics, including ones relating to their main providers, ambulance service and mental health providers who are all part of the Cheshire and Merseyside HCP.

The CCG use local knowledge, benchmarking, and tools such as the NHS efficiency map and Rightcare data to identify QIPP opportunities, and have planned meetings with other CCGs to learn from them lessons in relation to their successful implementation of a number of urgent care schemes.

## Evaluation of services

The IPR does indicate several areas of underperformance in respect of national targets. These are monitored by the Governing Body and Right care in some cases the data is skewed either as a result of COVID or low activity levels meaning 1 case can cause a breach in target. We have seen evidence that these are monitored in the IPRs, and that risks related to them added to the risk register, such as for 4 hour A&E and 62 day cancer targets, and if appropriate an improvement plan put in place.

COVID-19 and the changes in the financial regime related to it and changes to service provision have meant the CCG's efficiency program for 2020/21 was suspended. As a consequence of the financial regime in place, it is difficult for the CCG to identify savings for 2021/22 as it has been directed certain levels of spend. There are limited areas (primarily prescribing and packages of care) where the CCG can still influence spend. The CCG continues to look to identify efficiencies but are also conscious of the statutory requirement to deliver those key commissioned services.

In terms of QIPP schemes there has been a focus on identifying innovation with a view to prevention i.e. reducing activity arising in the first place.

## Partnership working

The CCG is working with other Cheshire and Merseyside health economy commissioners and providers to deliver an integrated care system.

## Better Care Fund

The CCG and Sefton Council work together on the Better Care Fund (BCF). An Integrated Community Group discusses the strategic intention of the BCF, whilst various task and finish groups work on specific issues as they arise, such as the finance group working with the Council to manage the costs of discharge through the early stages of the pandemic.

## Voluntary, Community and Faith sector

A Voluntary, Community and Faith sector advisory group was established in 2019 to influence the work of the partnership. The group brings together representatives from 17 voluntary, community and faith organisations across the borough, aiming to:

- Ensure the sector is represented across the transformation programme
- Act as the forum for the sector, to enable ideas to be shared and a collective position to be formed
- Ensure the most appropriate expertise and geographical representation is sought from the sector to provide input across the different elements of the transformation programme
- Support the transformation programme to give equal emphasis to health, care and wellbeing services



### Procurement and commissioning

The CCG works with the Midlands and Lancashire Commissioning Support Unit (CSU) on procurement. CCG staff manage the main contracts with providers and the CSU assist and support the decision making process through giving advice and options and assessing risks to the commissioner.

The CCG had a procurement strategy drafted in January 2020. It was not implemented due to the arrival COVID-19 and the expected changes to procurement following the establishment of statutory Integrated Care Systems in 2022 which means the strategy will be managed at an ICS level. The absence of a procurement policy is a risk to the CCG procuring inline with the regulatory framework and its own governance policies.

The CCG monitors the performance of its providers against national standards, as well as national and local key performance indicators, and requires that providers take a proactive approach to implementing and sustaining improvement actions. The CCG does not undertake significant commercial ventures or outsourcing.

### Conclusion

Overall, whilst we are satisfied that there is not a significant weakness in the CCG's arrangements for improving the way the CCG delivers its services, continued action is needed in this area by the CCG and we have made two improvement recommendations around working with the ICS and lack of procurement policy, which are set out overleaf.



# Improvement recommendations



## Improving economy, efficiency and effectiveness

<b>03 Recommendation</b>	Ensure the CCG is fully compliant with the requirements of NHS legislation and guidance in respect of procurement by reviewing and ratifying the draft procurement policy or if the current finance regime continues, ensuring contracting is in line with relevant NHS guidance.
<b>Why/impact</b>	Without a fully approved procurement policy in place, when commissioning clinical services the CCG risks non-compliance with the regulatory framework, legislation and guidance and potentially its own Constitution, Standing Orders, Scheme of Delegation and Standing Financial Instructions.
<b>Auditor judgement</b>	The absence of a procurement policy opens the CCG up to the risk of not procuring services in the correct manner which could result in legal or regulatory challenges to procurement decisions.
<b>Summary findings</b>	A draft procurement policy was prepared for the CCG in January 2020. Because of changes to the procurement and contracting process implemented by the NHS as a result of the pandemic, it was not ratified and implemented.
<b>Management comment</b>	The CCG will continue to ensure that it remains fully compliant with appropriate policies and will seek approval from the Governing Body for any changes arising from legislation and guidance. Updates on procurement policy and schedules will be reported to the Governing Body or appropriate committees during the year.



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

# COVID-19 arrangements



Since March 2020 COVID-19 has had significant impact on the population as a whole and how NHS services are delivered.

We have considered how the CCG's arrangements have adapted to respond to the new risks they are facing.

## Financial sustainability

The impact of COVID-19 has radically altered the financial framework within the NHS. During March 2020 business as usual was suspended in relation to NHS finances. This allowed the system to respond to managing the pandemic and focus on the uncertainties created by the outbreak of COVID-19.

NHS England Improvement (NHSEI) announced the move to an expenditure based system to ensure that providers had the funding required to provide patient care. Funding arrangements were set nationally by NHSEI, removing the need for contract negotiations.

The revised financial arrangements have included the following:

- Funding from CCG's is based on block payment arrangements, with no payment by results.
- No signed contracts between CCG's and providers with the NHS Standard contract terms in place
- Health Systems expected to achieve financial balance within their Integrated Care System (ICS) / Sustainability & Transformation Programme (STP) envelope.
- System top-ups, growth funding and COVID-19 funding all distributed to systems rather than individual NHS bodies, with allocations made through Lead CCG's in the system.

This change to the funding regime during 2020/21 has been a major contributor to the improved financial outturn for the year with the CCG moving from a predicted in-year deficit to a breakeven position.

The CCG has been required to submit half year plans as part of the Cheshire and Merseyside Health and Care Partnership to NHSEI as a result of the amendment to the financial regime noted above. Our



review of the CCG's processes identified that it complied with relevant requirements in relation to its financial plans.

As a CCG, the majority of additional costs are incurred directly by providers and passed on to the CCG where appropriate. Monitoring of COVID-19 related income and expenditure was undertaken on a regular basis, with regular reporting to the Governing Body. The regular reporting of information enabled comparison month on month, and for the board to appropriately identify any trends in the data.

## Governance

While the CCG tried to maintain a business-as-usual approach to its governance arrangements during the pandemic, some adjustments were required. As a result of the lockdown restrictions announced on the 16<sup>th</sup> March 2020, the CCG adjusted some of its internal control processes to support effective governance throughout the pandemic. For instance, at the first Governing Body (GB) meeting of the year, the GB fully delegated authority to the Chief Officer and the COVID-19 Incident Management Team to take all relevant actions to respond to the COVID-19 pandemic. This included implementation of all nationally mandated guidelines, allocation of resources as necessary to support that response and to take any internal decisions and actions as may be required in the exceptional circumstances.

All office-based staff were provided with the necessary equipment to work from home, enabling a smooth transition to remote working where this was possible. Home-based working has continued throughout the pandemic, and the CCG has not seen a significant impact on productivity as a result.

Following the national Lockdown, committee meetings moved to video conferencing and have taken place remotely throughout the pandemic. Appropriate levels of scrutiny and challenge continue to be applied. The strategic risk register has been updated to ensure COVID-19 related risks are recorded appropriately, mitigated where appropriate and monitored.



## Improving economy, efficiency and effectiveness

The changes to the financial regime in place across the whole NHS as a result of its response to the COVID-19 global, meant the CCG did not need to deliver efficiency savings in 2020/21.

A similar regime remains in place for 2021/22, such that the CCG's spend is predominantly centrally directed due to the block contracting arrangements in place. The opportunities to influence spend and so identify efficiencies are limited to areas such as prescribing and packages of care. Instead, the CCG is working with partners to identify innovative schemes to identify ways to reduce activity arising in the first place.

## Conclusion

Overall, we found no evidence of any significant weaknesses in the CCG's arrangements adapted to respond to the new risks they are facing as a result of COVID-19.

# Opinion on the financial statements

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

## Audit opinion on the financial statements

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

We gave an unqualified opinion on the financial statements on 17 June 2021.

## Issues arising from the accounts:

The key issues were:

- Large number of amendments required to the auditable elements of the Remuneration Report and Staff Report
- Amendments were made to a number of areas of the accounts to ensure disclosure requirements were fully met.

## Other opinion/key findings

- Recommendations were made in relation to the approval and posting of journals

## Whole of Government Accounts

To support the audit of the Department of Health and Social Care group accounts and the Whole of Government Accounts, we are required to examine and report on the consistency of the 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.

We completed this work and did not identify any issues.



# Appendices

# Appendix A - Responsibilities of the CCG



## Role of the Accountable Officer:

- Preparation of the statement of accounts
- Ensuring that income and expenditure is in line with relevant laws and regulations
- Assessing the CCG's ability to continue to operate as a going concern.

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 conclusions

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, the conclusions we have drawn and the final outcome of our work:

Risk of significant weakness	Procedures undertaken	Conclusion	Outcome
Financial sustainability was identified as a potential significant weakness, see pages 7 to 9 for more details.	We have met with the Accountable Officer, and Chief Finance Officer to discuss the arrangements in place in relation to financial planning and sustainability. We have reviewed the CCG's 2020/21 and 2021/22 annual financial plans, its five year financial strategy, and how financial matters are reported the Governing Body and other committees throughout the year.	Detailed on page 7 to 9.	Appropriate arrangements in place, but one improvement recommendation raised.

# 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	9 14 17



