



<b>Subject:</b>	<b>Annual Report and Accounts 2017/18</b>
<b>Presented by:</b>	<b>John Webster – Accountable Officer</b>
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<b>Submitted to:</b>	<b>NHS West Norfolk CCG Governing Body 24<sup>th</sup> May 2018</b>
<b>Purpose of Paper:</b>	<b>For Approval</b>
<b>Executive Summary:</b>	
<p>CCGs have a duty to publish an Annual Report and Accounts (ARA) each year. The guidance and timescales are set out by NHS England and the Department of Health, and the ARA is reviewed by the CCG's external auditors BDO LLP. BDO then publish their report on the ARA.</p> <p>Attached to this paper is the current draft Annual Report for 2017/18, having been through audit review. This document has been presented for review and scrutiny to the Audit Committee and will be reviewed by the Council of Members.</p> <p>The process of producing the ARA has involved a number of people within the CCG and the CCG has delivered all of the requirements within the national timescales and guidance provided.</p>	
<b>KEY RISKS</b>	
<b>Clinical:</b> None	
<b>Finance and Performance:</b> The Annual Report & Accounts present the final view of the organisation's achievement in 2017/18.	
<b>Impact Assessment (environmental and equalities):</b> N/a	
<b>Reputation:</b> The Annual Report & Accounts will be public documents and so should be prepared and presented in a professional and accurate manner, otherwise the reputation of the CCG could be adversely affected.	
<b>Legal:</b> There are a number of legal duties that need to be addressed within the Annual Report & Accounts.	
<b>Patient focus:</b> The Annual Report & Accounts will be public documents and therefore need to be presented in an accessible format for patients and carers.	
<b>Reference to relevant Governing Body Assurance Framework:</b> N/a	
<b>RECOMMENDATION:</b>	
<p>The Governing Body is asked to approve the 2017/18 Annual Report &amp; Accounts.</p> <p>The Governing Body is also asked to approve the Statement of Disclosure to Auditors as shown at p.51 of the Annual Report &amp; Accounts and replicated in this report in section 7.</p>	

## 1. Progress to date

- 1.1. CCGs were required to submit their draft Annual Report and Accounts (ARA), together with a detailed consolidation schedule, to NHS England and to their external auditors by 24<sup>th</sup> April 2018. This timescale was delivered, and the draft accounts were circulated to Audit Committee members for review at a meeting on the 25<sup>th</sup> April 2018.
- 1.2. In addition, BDO had produced a detailed schedule of supporting working papers that were required. A number of these were compiled before the start of the audit, and then additional information was provided as soon as possible thereafter, utilising the BDO portal for secure information sharing. Alongside the BDO requirements the CCG provided an additional file that mapped ledger transactions to the notes in the financial statements, so as to aid the audit process.
- 1.3. In the intervening period, BDO have been undertaking their audit work, and have liaised with CCG staff around any changes needed to the document. This work has highlighted only minor presentational adjustments needed and updates based on information received after the submission of the draft accounts. Current the view of BDO prior to director sign-off is that no substantive changes are needed to the accounts.
- 1.4. The CCG has also consolidated the ARA into a single document, as required by the Department of Health (DH) Manual for Accounts, which has been converted into a publically accessible version as attached. This is required to be published on the CCG's website by 15th June 2018.
- 1.5. Enclosed with this paper is the final draft Annual Report & Accounts although at the time of meeting there may have been minor changes requested by the Auditors which will be presented to the Governing Body and relevant Committees on the day.

## 2. Overview of Contents of Annual Report & Accounts

- 2.1. The DH guidance specifies that the ARA should be a single document to include the following:

**The Performance Report**, which must include:

- An overview
- A Performance analysis.

**The Accountability Report**, which must include:

- Corporate Governance Report including
  - Members Report
  - Statement of Accounting Officer responsibilities
  - Governance Statement
- Remuneration and Staff Report
  - Remuneration Report
  - Staff Report

A Parliamentary Accountability and Audit Report.

### **The Financial Statements (Annual Accounts)**

These sections are outlined in the following paragraphs, and all comply with the requirements set out by the DH Manual for Accounts.

## 3. The Performance Report

The purpose of the performance section of the annual report is to provide information on the entity, its main objectives and strategies and the principal risks that it faces. The requirements of the performance report are based on the matters required to be dealt with in a Strategic Report as set out

in Chapter 4A of Part 15 of the Companies Act 2006. Public entities should comply with the Act as adapted: i.e. they should treat themselves as if they were quoted companies.

Auditors will review the performance report for consistency with other information in the financial statements.

The performance report shall be signed and dated by the Accountable Officer.

### 3.1. Overview

The purpose of the “Overview” is to give the user a short summary that provides them with sufficient information to understand the organisation, its purpose, the key risks to the achievement of its objectives and how it has performed during the year. The Overview should be enough for the lay user to have no need to look further into the rest of the annual report and accounts unless they were interested in further detail or had specific accountability or decision making needs to be met.

As a minimum, the Overview must include:

- A statement from the Chief Executive providing their perspective on the performance of the organisation over the period;
- A statement of the purpose and activities of the organisation;
- The key issues and risks that could affect the entity in delivering its objectives;
- An explanation of the adoption of the going concern basis;
- A performance summary.

### 3.2. Performance analysis

The purpose of the “Performance analysis” is to provide an overall explanation of how the CCG discharged its functions and sets out analysis in relation to performance measures.

As a minimum, the performance analysis must include:

- Information on how the entity measures performance i.e. what the entity sees as its key performance measures and how it checks performance against those measures
- A more detailed analysis and explanation of the development and performance of the entity during the year. This analysis is required to utilise a wide range of data including key financial information from the financial statements section of the accounts,
- Compliance with mandatory sustainability reporting requirements. Reporting entities are expected to report annually on sustainability matters. Mandatory reporting requirements can be met by following the standard reporting format for NHS bodies produced by the Sustainable Development Unit. It is envisaged that reporting entities will produce a report that will be integral, with reference throughout the annual report and accounts and not a separate standalone report
- Performance on other matters raised during the year.

As part of the analysis the following areas are also expected to be covered; sustainable development; improving quality; engaging people and communities; reducing health inequality and the health and wellbeing strategy.

## 4. The Accountability Report

The purpose of the accountability section of the annual report is to meet key accountability requirements to Parliament. The requirements of the Accountability Report are based on the matters required to be dealt with in a Directors’ Report, as set out in Chapter 5 of Part 15 of the Companies Act 2006<sup>16</sup> and Schedule 7 of SI 2008 No.410, The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008<sup>17</sup>, and in a Remuneration Report, as set out in Chapter 6

of the Companies Act 2006<sup>18</sup> and Schedule 8 of SI 2013 No 1981, The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

The requirements of the Companies Act 2006 have been adapted for the public sector context and only need to be followed by entities which are not companies to the extent that they are incorporated into the Manual for Accounts.

Auditors will review the accountability report for consistency with other information in the financial statements and will provide an opinion on the following disclosures which should clearly be identified as audited within the accountability report:

- Single total figure of remuneration for each director
- CETV disclosures for each director
- Payments to past directors, if relevant
- Payments for loss of office, if relevant
- Exit packages, if relevant, and
- Analysis of staff numbers.

The accountability report shall be signed and dated by the Accountable Officer.

The accountability report is required to have three sections:

- Corporate Governance Report
- Remuneration and Staff Report
- Parliamentary Accountability and Audit Report

#### **4.1 Corporate governance report**

The purpose of the corporate governance report is to explain the composition and organisation of the entity's governance structures and how they support the achievement of the entity's objectives.

As a minimum, the corporate governance report must include:

- The members' report
- The statement of Accounting Officer's responsibilities
- The governance statement.

#### **4.2 The members' report**

The members' report must include the following, unless disclosed elsewhere in the annual report and accounts in which case a cross-reference may be provided:

- the names of the Chair and Chief Executive, and the names of any individuals who were directors of the entity at any point in the financial year and up to the date the ARA was approved
- the composition of the management board (including advisory and non-executive members) having authority or responsibility for directing or controlling the major activities of the entity during the year
- (recommended) the names of the directors forming an audit committee or committees
- details of company directorships and other significant interests held by members of the management board which may conflict with their management responsibilities. Where a Register of Interests is available online, a web link may be provided instead of a detailed disclosure in the annual report

- information on personal data related incidents where these have been formally reported to the information commissioner's office

#### **4.3 Statement of Accounting/Accountable Officer's responsibilities**

The Accountable Officer should explain his/her responsibility for preparing the financial statements.

The Accountable Officer is required to confirm that, as far as he or she is aware, there is no relevant audit information of which the entity's auditors are unaware, and the Officer has taken all the steps that he or she ought to have taken to make himself or herself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

The Accountable Officer is required to confirm that the annual report and accounts as a whole is fair, balanced and understandable and that he or she takes personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

#### **4.4 Governance statement**

In preparing the statement, the Accountable Officer should reflect the particular circumstances in which the entity operates, and should sign and date the Statement.

#### **4.5 Remuneration and staff report**

The remuneration and staff report sets out the organisation's remuneration policy for directors and senior managers, reports on how that policy has been implemented and sets out the amounts awarded to directors and senior managers and where relevant the link between performance and remuneration.

In addition the report provides details on remuneration and staff that users of the accounts see as key to accountability.

#### **4.6 Parliamentary accountability and audit report**

The Parliamentary accountability and audit report should contain disclosure on the following:

- regularity of expenditure
- fees and charges (if applicable)
- (Public Sector Information Holders only) a statement is required if the entity has not complied with the cost allocation and charging requirements set out in HM Treasury guidance
- a brief description of the nature of each of the entity's material remote contingent liabilities (that is, those that are disclosed under Parliamentary reporting requirements and not under IAS 37) and, where practical, an estimate of its financial effect
- long-term expenditure trends, and
- audit certificate and report. Where the relevant legislation requires the auditor to report on the examination of the financial statements, the auditor will provide such a report. The form and content of the report is the responsibility of the auditor. Where the auditor has no substantive comment to make, the report will generally be in the form of a single sentence appended to the audit opinion in the form: 'I have no observations to make on these financial statements'. Where there is a substantive report, it will be referred to in the audit opinion, but will be quite separate from it
- notation of gifts made over a value of £300,000. (Note, these require prior Treasury approval)

#### **4.7 The Financial Statements**

The format and content of the remuneration report is largely specified within the Manual for Accounts and accompanying NHS England guidance. This report covers key issues relating to the terms and conditions of senior managers (defined by the CCG Chief Officer as Governing Body members and regular management attendees of Governing Body meetings), their salary and associated pension benefits. This report also includes as an Annex the Register of Declarations of Interest for Governing Body members as published on the CCG website.

#### **5. Primary Financial Statements and notes to the accounts (ie the Annual Accounts)**

The Annual Accounts are prepared in line with comprehensive guidance issued by the DH and NHS England, and using templates issued by NHS England. This includes a consolidation schedule that is submitted separately to NHS England for the purposes of producing the whole group accounts, and a more accessible version of the accounts that is included in the attached ARA.

The Primary Financial Statements are the:

- Statement of Comprehensive Net Expenditure (SOCNE) ie a summary of the CCG's expenditure (totalling £282.3m) net of income (totalling £2.9m)
- Statement of Financial Position (SOCP) i.e. the CCG's balance sheet. This comprises just current liabilities (debtors, prepayments and a small cash balance) and current liabilities (creditors and accruals) as the CCG has no fixed assets or provisions or long-term liabilities as at 31 March 2018. It should be noted that the end of year cash balance was well within the tolerances set by NHS England for CCGs (which for West Norfolk CCG was to keep the cash balance at £0.1m)
- Statement of Changes in Taxpayers' Equity (SOCITE) supports the movements in balances in 2017/18 from those reported in 2016/17
- Statement of Cash Flows (SOCP) which summaries the cash in-flows out out-flows during the year that lead to a movement in cash balance from £0.1m as at 31 March 2017 to £0.03m at 31 March 2018.

The rest of the Accounts comprise various notes that provide further details behind the primary financial statements. Key notes are:

- Note 1 states the accounting policies used in year
- Note 2 and 3 details the income received
- Note 4 Employee benefits
- Note 5 provides a breakdown of gross expenditure by category
- Note 6 Better Payment Practice Code
- Note 7 Income Generation Activities
- Note 8 and 9 Current Assets (Trade debtors and Cash)
- Notes 10 Current Liabilities (Trade Creditors)
- Note 11 Financial Instruments
- Note 12 Pooled Budgets
- Note 13 Related Party Transactions
- Note 14 Events after the period end

- Note 15 Financial Performance Targets, being the key part of the Accounts, in that it outlines performance against the CCG's statutory duties. In particular;

#### 15 Financial performance targets

NHS Clinical Commissioning Group have a number of financial duties under the NHS Act 2006 (as amended).

NHS Clinical Commissioning Group performance against those duties was as follows:

	2017-18 Target £'000	2017-18 Performance £'000	Duty Achieved?	2016-17 Target £'000	2016-17 Performance £'000	Duty Achieved?
Expenditure not to exceed income	273,340	282,323	No	241,947	238,809	Yes
Revenue resource use does not exceed the amount specified in Directions	270,396	279,380	No	240,710	237,572	Yes
Revenue administration resource use does not exceed the amount specified in Directions	3,710	4,311	No	3,701	3,701	Yes

Note: For the purposes of Section 223H(1), expenditure is defined as the aggregate of gross expenditure on revenue and capital in the financial year, and income is defined as the aggregate of the notified maximum revenue resource, notified capital resource and all other amounts accounted as received in the financial year (whether under provisions of the Act or from other sources, and included here on a gross basis).

In prior years the Revenue Resource Limit was calculated as a cumulative amount, this meant that any underspend from one year was carried forward and included in the limit for the following year. From 2017/18 NHSE amended the way in which the limit is determined such that it now excludes prior year underspends.

## 5.1 Changes between Draft and Final Accounts

Throughout the audit period there has been positive dialogue between the CCG staff and BDO, and as a result a few amendments have been made to the draft documents but with no impact on the financial position reported for the CCG. These fall broadly into the following categories:

- Minor grammatical amendments;
- Further clarification of some accounting policies (including the removal of irrelevant policies in the national template document);
- Amendments to some minor calculations for late information received within the Remuneration Report (sickness and Pension values);
- It should be noted that the volume and materiality of adjustments between the draft and final accounts has been low, which is a positive position to report, and furthermore prior to BDO direction review, there have been no journal adjustments required.

## 6. Other Issues relating to the Accounts

### 6.1 Accounting policies and practices

The CCG's accounting policies are listed at Note 1 to the Accounts. There have been no material changes in accounting policy in 2017/18.

There have been no material changes to accounting practices or estimates in 2017/18. The key sources of estimation are described in note 1.4.1 to the accounts, and relate to the areas of

- Partially completed spells for patients that have had acute care in 2017/18 but remain in a hospital bed as at 31 March 2018 so their spell is not yet chargeable. This cost estimate is provided by the acute Trusts;
- Maternity pathways where the CCG pays in advance for the ante-natal pathway and therefore effects a prepayment for the element of the pathway that is expected to be completed in the new financial year;
- Continuing Healthcare (CHC) accruals, which are informed by information on the Broadcare system to estimate liabilities not yet invoiced.
- Prescribing liabilities as cash charges are actioned around 6 weeks in arrears. The CCG's year end position is therefore informed by the forecast expenditure as reported by the Prescription Pricing Authority in their February prescribing information.

## 6.2 Support from Other parties

### North East London Clinical Support Unit (NELCSU)

A significant level of input is required from NELCSU finance teams in order to support the production of the CCG's accounts.

The work done by the Financial Administration team in co-ordinating the AoB exercise, managing the balance sheet issues, population of draft templates and accounts, and providing supporting working papers relating to the balance sheet has been exemplary. This has included a regular provision of updates relating to emerging guidance and Frequently Asked Questions from NHS England.

### Norfolk Continuing Care Partnership (NCCP)

NCCP have been responsible for reporting the Continuing Health Care (CHC) elements of the programme budget and providing supporting papers and engaging the BDO for subsequent questions.

### NHS England (NHSE)

NHS England lead on the financial reporting for the Delegated Primary Care programme budgets, and have provided supporting papers on the year-end position along with engaging with BDO on subsequent questions.

## 7. Audit Opinion & Statement as to Disclosure to Auditors

The Audit Committee on 23<sup>rd</sup> May received the external auditor's "Audit Results Report – ISA 260". This summarises the work done by BDO in reviewing the CCG's Accounts. Key conclusions from that report will be verbally reported to the Governing Body and other relevant meetings.

On p.51 of the Members' Report is a statement that needs explicit confirmation and minuting by the Governing Body. This states that:

"Each individual who is a member of the CCG at the time the Members' Report is approved confirms:

- so far as the member is aware, there is no relevant audit information of which the CCG's auditor is unaware that would be relevant for the purpose of their report;
- the member has taken all the steps that they ought to have taken to make him or herself aware of any relevant audit information and to establish that the CCG's auditors are aware of it.

**The Governing Body is asked to agree this statement.**

## 8. Next steps

It is anticipated that the attached final draft ARA represents the final document for 2017/18; however it is possible that further minor adjustments may be identified by BDO as they complete their audit work.

Formal approval of the ARA is reserved to the Governing Body under the CCG's Constitution. It is critical that this meeting is quorate.

Following Governing Body approval and review by the Council of Members, signatures of the Chair and Chief Officer will be added to the relevant pages of the document.

On receipt of a signed ARA, BDO will provide their final signed audit opinion on Friday 25<sup>th</sup> May.

The CCG will then submit electronically to NHS England before the deadline of noon on the 29<sup>th</sup> May the following documents:

- Final Consolidation template
- Final signed Annual Report & Accounts
- AoB collection form (which identifies the balances with all other NHS bodies)
- Consistency Statement signed by the Chief Officer and Chief Financial Officer (to confirm consistency between the consolidation template and ARA document)
- Signed auditor's opinion on the Consistency Statement
- Auditor's ISA260 report as presented to the Audit Committee
- Signed Statement of Accountable Officer (the same statement as included at page 51 of the ARA.

The final step is for the CCG to publish its Annual Report & Accounts on its website by 5pm on 15<sup>th</sup> June. This version should have typed names only, not original signatures.

## **9. Conclusion**

The production of the CCG's 2017/18 Annual Report & Accounts has been a positive exercise involving a number of people from within the CCG and other supporting parties. The CCG has delivered all the requirements in line with NHS England timescales and guidance and to a high standard, and has maintained a very positive and constructive relationship throughout the exercise with external audit colleagues.

The Governing Body is asked to approve the attached ARA.