

**NORTH EAST LINCOLNSHIRE CLINICAL COMMISSIONING GROUP
INTEGRATED GOVERNANCE & AUDIT COMMITTEE**

ACTION NOTES OF THE MEETING HELD ON 21/04/2021 AT 16:00 PM

MEMBERS PRESENT:

Tim Render – Chair and Governing Body Lay Member
Cllr Margaret Cracknell – Union Board NELC Member
Philip Bond – Governing Body Lay Member
Joe Warner - Chief Executive focus (Adult Social Care representative)

ATTENDEES PRESENT:

Laura Whitton – Chief Finance Officer
Dr Peter Melton – Chief Accountable Officer
Lynne Popplewell – Head of Finance
Rachel Brunton – Head of Finance
Simon West – Finance Manager
Claire Stocks – Governance Assurance Officer
Rob Walker - Mazars

APOLOGIES:

Dr Karin Severin – GP Member
David Walker - Community Forum Lay Member
Mark Kirkham - Mazars

1 APOLOGIES RECEIVED	Noted above
2 DECLARATIONS OF INTEREST	<i>Members to declare any individual or Practice interests that are likely to lead to a conflict or potential conflict that could impact (or have the potential to impact) on any items on the agenda. This should be repeated again at individual item(s) where it is considered a conflict is likely to or could potentially arise.</i>
	<i>There were no declarations of interest recorded.</i>
3 Draft Annual Accounts	<p>The Report was circulated to members, noting the tight deadlines for submission. Simon West led the Committee through the Draft Accounts.</p> <p>As members would expect Covid has impacted on the CCG spend this year, which has resulted in some movements year on year in between the numbers in both Health and Adult Social Care (ASC). The finance regime in place for Health has meant mandated value block payments for contracts with a value of over £0.5 million per year and no recharging of Non Contract Activity (NCA). ASC has received a number of Covid grants throughout the year in response to Covid for workforce capacity, infection control and rapid testing. Also during the year ASC activity has been unsettled due to the changes in customer behaviours and the impact of Covid on the residential services.</p> <p>As forecast, the CCG is reporting a balanced position for both Health and ASC. The Accounts are due to be submitted by the deadline of 9am on Tuesday 27th April.</p>

As in previous years, the summary statements are on the first two pages, with the detailed information held in the notes behind.

The following were drawn to the Committees attention:

Note 1 – Accounting Policies - There has been a slight change to the accounting policy at 1.33.2 - the sources of estimation uncertainty, usually we include Quality Outcome Framework (QOF) but as 75 % of the points on which the payment is calculated are income protected in this financial year the remaining 25% variable is not material. We have therefore removed that point.

The Chair raised that we may not be able to avoid this, but there are a number of accounting policy notes that relate to PFI schemes, which are just not relevant to us. So the questions is; do they still have to be in, even though we have no disclosure to make? Simon informed the committee that we have always included them in the past just in case they impact in some shape or form, however Laura Whitton and Rob Walker both agreed they could be removed in line with other CCGs as that would shrink the notes on accounting policies quite significantly. **ACTION: Simon West.**

Note 2 - The Revenue for the CCG - The main movement on here, is the other contracted income, noting that whilst there has been a year on year increase in the Partnership agreement, this has been netted down by £3.8 million in this note for ASC Covid grants which were received by the CCG acting as an agent (so it is noted as net income).

The Chair commented that ASC has been very complicated this year and was grateful for the note that Rachel Brunton did in answer to his questions sent in advance of the meeting, which he is still reflecting on as there have been so many ins and outs for different purposes. The Committee can clearly see what you have done, and there is no need to go over this again, but the Chair just wanted to ensure that the Committee fully understood all the transactions in this year, recognising it has been a really complicated year mainly because of Covid.

Dr Peter Melton raised the changes to the NHS and whether we start operating in shadow or real form, in this forward financial year 21/22. In terms of governance arrangements with the Local Authority, we have the Union Board as a Committee in Common, so the ASC budget is transferred over to the CCG. From a planning point of view, (with Covid being complicated) if we do go live within the next financial year and establish a Joint Committee, which is hosted by the Local Authority, what potential implications will that have for us, in terms of statutory financial duties and accounting policies?

Laura Whitton confirmed that it would not necessarily have a fundamental impact on our accounting policies, as clearly within our accounting policies there are some specifics which relate to the joint arrangements with the Local Authority. A key one, would be the local government pension scheme (LGPS), for example, which is specific to our arrangements. That is just something we will need to work through depending what is in shadow form within the next 12 months versus what is the real change, if it is just in shadow it will have less of an impact on the accounting policies.

The Chair informed the Committee that his understanding was that any formal changes that happen will be from April 2022 (we still have not got all the details for this) so it will not fundamentally affect the issue that Peter is raising in that he and Peter will both have to sign things off during the year, of which finance is one.

Laura confirmed that ultimately the CCG is still a statutory organisation for the next 12 months, so we will still have the same budgets to look after, so there should not be any changes in regards to that.

Note 3 - Disaggregation of Income – This is just a further analysis of the income detailed in the previous note into our specific areas.

Note 4 – Employee Benefits - the main movement on here is the 'salaries and wages' line, this has been brought about with a small increase in staff numbers over the year and also there has been a pay increase, which have both had an impact. It was noted that there have been no exit packages in the year, compared to last year. There is one small slight change on note 4.5 where there is a line which talks about the LGPS

costs, the pension rate has changed from 25.8% to 29.9% and also the date of the tri-annual evaluation which was still showing last year's so we have included that in there.

The Chair asked what the employers rate is for this year? Simon confirmed that it is 29.9% and that we also make a small block contribution over and above that. In the past that has been quite significant around £300k, but this year in 2021 it has only been a £15k contribution.

Note 5 - Operating Expenses;

Services from Foundation Trusts, as mentioned earlier the revised finance regime in place has meant that payments to NHS providers have been calculated by NHS England (NHSE) based on the 19/20 month 9 provider forecast adjusted for inflation, with no local contracts in place where the historic contract value was below £0.5 million, and then no recharging of any NCA activity has been incurred during the year.

'Purchase of Healthcare from non-NHS bodies' - there has been a number of movements within this figure, whilst we have not had a contract with St. Hugh's this year, as a result of Covid this was centrally funded. There has been a significant Covid cost which is mapped in here, as well as non-recurrent funding as part of both the mental health system development fund and digital pass through funding into the community.

The Chair raised that on this note it states there will be a disaggregation of the covid spending out of these numbers. Simon informed that we do have the analysis, which looks at the £7.38 million which Laura has asked to be added into this before it is finally submitted. We do have it broken down by each of the lines as to how much is in each. The Chair felt that the public might be interested in how Covid has impacted on our spending on other things. **ACTION: Simon West to Add to the note.**

There has been an increase in the spend on the purchase of social care which relates to a combination of the annual social care fee uplift, the transition of people from children's services, the changes in the individual package values and also variation in the activity levels in the individual service area.

Prescribing costs have also seen another large movement down to the increase in the average price per script within the financial year, which is not clear if this is covid related or not.

There has also been an increase in spend on GPMS, APMS and PCT AMS - relating to investment in the PCNs, national Covid additional staff payments and also additional digital GP funding.

'Supplies and Services General' includes health & ASC Covid costs/grants, as well as non-recurrent primary care initiative expenditure. There has also been an increase in the social prescribing costs.

The Chair queried what the social prescribing initiatives spending was related to & whether it was linked to the presentation given to the Governing Body some time ago? Laura Whitton confirmed that the presentation, with existing partners on social prescribing is now realising the benefits of that scheme. As such that scheme has not expanded or increased during the year, but there have been additional roles linked to the PCN's development within Social Prescribing, but that has only just started.

Phillip Bond queried what the grants to 'other bodies' were? There have been community digital technology capital bids, which was funding for Social Enterprises and as such had to go through the CCG as a capital grant. It was noted that we hosted this for other areas as well.

Note 6 - Better Payment Practice – The CCG is performing very well, and there has been a real push by the CCG in line with NHSE guidance to try and pay as many invoices as possible within 7 days, so that has improved the figures.

Note 17 - Trade and other receivables - the main movement on here is the bottom line 'other receivables and accruals' this has changed because of an increase in Section 75 Partnership control account. This relates to the increases in 2021 accruals and movement on debtors.

Note 23 - Trade and Payables - NHS accruals has reduced because there was no work in progress at the year end, due to the block payments we have been making. It was noted under 'Non-NHS and other WGA

payables' that the year on year increase reflects the increase in ASC accruals, the impact of the annual fee uplift and an increase in the prescribing accrual.

The Chair queried if the drug uplifts are agreed by the NHS? Whilst uplifts are agreed, supply issues means that GPs have to prescribe drugs that costs more from other suppliers, that has had an impact over the Covid period. Dr Peter Melton confirmed that there have been some supply problems during Covid, and GPs have had to prescribe more expensive drugs, it has been known that there are 50 different supply lines that you cannot get hold of and they change on a week by week basis. NHSE say it not necessarily related to Covid or Brexit, but as a dispensing practice Roxton has definitely noticed a pressure. From GP point of view, with the QOF arrangements and performance related pay, there has been a relaxation in terms of monitoring the prescribing budget and not sure how much that has impacted as Practices have not been monitoring the prescribing budgets as much as they have in the past. The CCG might want to tighten up on this area as we go into recovery. It was clarified by Finance that the CCG prescribing is monitored overall and broken down by practice.

Simon continued that there has been a movement on the 'Non NHS WGA deferred income' due to a digital technology ETF funding for which the CCG is the host on behalf of the ICS.

On the 'other payables and accruals' line members will note that there is £464k of IT accruals, again this links to the CCG being the host for the ICS. On the 'Trade and other payables' line there has been significant movement on the LGPS. This movement reflects the actuarial assumptions with covid having had an impact, our investment returns have increased quite significantly and have performed better than expected.

Members were informed that Mazars actually audit the East Riding Pension fund, so they have an inside view on this. Rob Walker confirmed that Mazars are going to do some work on assets ready to provide some assurance for this particular audit. The CCG only have 3 active members, there is a risk that if those 3 members cease to be active members liability would crystallise. The working assumption is that this will transfer back to the LA with the creation of the ICS.

Note 31 - Contingent Liabilities - still showing we have contingent liability regarding the lead provider framework, that we had with Kier business services. There is a lot of work going into this by NHS England having discussions with HRMC. Should be resolved soon.

Note 34 - Operating Segments - since sending this report out to members there has been a slight change on the 'assets and liabilities' which are just a reclassification of some. The overall net assets have remained the same.

Note 35 – Joint Arrangements - slight changes to the narrative under the first table under the NELC allocation it says £3.1 million there the actual grant was £3.8 million. There was also a change in the analysis of the £57,062 it has changed slightly between NELC allocation and other contributions, but the total remains the same.

Note 37 - Related Parties - we have added (same as last year) a list of all the member practices, of which there were 26 but there are currently 25 as Dr Chalmers and Meier actually changed on 3rd April. There are now 25 member practices at year end.

The Chair highlighted to members that the disclosure note against his name and the payments of £10.4 million, relate to the Council standard party transactions and are not a personal payment to him. It was queried how these figures compare to ASC partnership payments as that is a lot less? Lynne Popplewell explained it is due to most of the ASC payments being made by NELC systems and this figure is just the physical cash payments made by the CCG.

Joe Warner queried the figure against his name, that obviously goes into the Focus budget, saying £6.7 million does not seem to tally, he thought it was in the region of £5 million. Lynne clarified that this relates to physical cash payments the CCG have made to Focus so will not tie exactly to the Focus contract, some

	<p>may relate to previous year or any accruals not yet paid. ACTION: Lynne Popplewell agreed to check and send a reconciliation to Joe Warner</p> <p>Note 40 - Financial Performance Targets - This shows that we have met our targets and included the capital resource one in there as well.</p> <p>Note 42 - Pensions – This is more detailed information from the Pension report and shows the state of the balance sheet and the profit and loss entries.</p> <p>Note 43 - Losses and Special Payments - There were no losses of equipment during the year.</p> <p>Note 44 - Cash Flow Workings - Pension adjustment to cash flow.</p> <p>The Chair thanked the Finance Team for their hard work.</p> <p>The Committee agreed the Accounts to be submitted on Tuesday 27th April.</p>
<p>4</p>	<p>Draft Annual Report, NHSE Draft Assurance Checklist & NAO Draft Disclosure Checklist</p>
	<p>Claire Stocks presented the draft report which was taken as read by members.</p> <p>As stated at the previous meeting, the report format has been changed slightly this year and a full performance analysis is not being shared, with the report highlighting the areas of performance we need to focus on overall. There are still a few figures needed, which are highlighted yellow, but these are not yet available until first week of May and will be added in later.</p> <p>There is nothing that needs to be raised as an issue to the Committee, overall the report is very positive report. There has been a completed Conflicts of Interest audit, which has been given a satisfactory opinion. Currently the Internal Auditors on working on finalising 3 other audits; Key Financial Controls, Governance and Risk Management Arrangements and the Data Security and Protection Toolkit.</p> <p>The only other change is that we have been asked as part of the National Auditors Checklist, to report on staff deployment due the last year we have had. Following a conversation with our People and Culture team there are only 2 people that the CCG needs to report.</p> <p>The Chair queried the table on page 10, regarding progress against NHS constitution targets with the national threshold on the right-hand side and our performance. Where our year-to-date target is less than national threshold, what determines our target? Laura informed that there has been some relaxation due to Covid, but we do need explicit comments strengthened here to make that absolutely clear. ACTION: Claire Stocks.</p> <p>Members noted that whilst we will get a final Head of Internal Audit Opinion (HOIA) in due course, the Internal Auditors are only relying on work they (Audit Yorkshire) have done. Concerns were raised by the Chair as we had audits done by the previous Internal Auditors and how will the assurance from those audits be given? Kim Betts did allude to this at the last meeting, stating Audit Yorkshire are unable to give an opinion on someone else's audit, but from what they have received from Audit one, there were no concerns, but they cannot include their work. Kim will make that clearer in the final statement. ACTION: Claire Stocks to pick up with Kim to understand her position.</p> <p>Laura stated that the CCG need to think about communicating the positive picture more widely, however, the Chair thought it would be wise to remain cautious given the public expectations and press around longer waiting lists etc.</p> <p>Members noted that the Draft Report will be submitted to NHSE by Tuesday 27th April, which aligns nicely with the Annual Accounts.</p> <p>The Committee agreed the report for submission.</p>

5	2019/20 Mental Health Investment Standard
	<p>The Chair informed members that this particular piece of work has to be done given the extra money that has been put into the system.</p> <p>Lynne Popplewell explained that a qualified 'except for' audit report has been issued. The report is qualified in relation to one element Mental Health Prescribing. The CCG have followed the national guidance in collecting the prescribing spend and our approach has not changed from the prior year, however the CCG have not done any work on the splitting out of multi drug use on prescribing expenditure that could be used for other things i.e., non-mental health reasons. This issue affects most CCGs. NSHE have given guidance out to ensure we get clinical input in making an assessment on multi drug percentages. Rob Walker clarified that there is a limitation of scope in the audit as they are not permitted to look at patient records, and the only way that they could confirm whether they were correct, would be to look at the patient record. It is very unusual to give an audit opinion when you are unable to actually see the source data so therefore have to rely on information in front of them. Key messages are they have found evidence of good record keeping information supporting the claim was at a level Audit would expect and they had no difficulties in completing the audit. What happened last year was the department moved the goalposts and guidance, which effectively counteracted that. Members noted that this will be the same for every single CCG.</p>
6	Any other business
	None raised
	Date & Time of Next Meeting
	Thursday 10 th June 1:00pm – 2.30pm

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