Auditor's Annual Report 2025/26

NHS Lancashire & South Cumbria ICB

—

17June 2026

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KEY CONTACTS

Tim Cutler

Partner

Tim.Cutler@kpmg.co.uk

Josh Parkinson

Manager

Josh.Parkinson@kpmg.co.uk

Goabaone Phuthego

Assistant Manager

Goabaone.Phuthego@kpmg.co.uk

This report is addressed to NHS Lancashire & South Cumbria (the ICB), as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's annual report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the ICB, as a body, for our audit work, for this report, or for the opinions we have formed.

We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

01 Executive Summary

NHS Lancashire & South Cumbria ICB

Executive Summary

Purpose of the Auditor's Annual Report

This Auditor's Annual Report provides a summary of the findings and key issues arising from our 2025/26 audit of NHS Lancashire & South Cumbria (the ICB). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office and is required to be published by the ICB alongside the annual report and accounts.

Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014. In line with this, we provide conclusions on the following matters:

Accounts - We provide an opinion as to whether the accounts give a true and fair view of the financial position of the ICB and of its income and expenditure during the year. We confirm whether the accounts have been prepared in line with the Group Accounting Manual prepared by the Department of Health and Social Care (DHSC).

Annual report - We assess whether the annual report is consistent with our knowledge of the ICB. We perform testing of certain figures labelled in the remuneration report.

Value for money - We assess the arrangements in place for securing economy, efficiency and effectiveness (value for money) in the ICB's use of resources and provide a summary of our findings in the commentary in this report. We are required to report if we have identified any significant weaknesses as a result of this work.

Regularity - We assess whether expenditure incurred is in line with the purposes for which it was provided.

Other reporting - We may issue other reports where we determine that this is necessary in the public interest under the Local Audit and Accountability Act.

Findings

We have set out below a summary of the conclusions that we provided in respect of our responsibilities:

Accounts	We have issued an unqualified opinion on the ICB's accounts on 17 June 2026. This means that we believe the accounts give a true and fair view of the financial performance and position of the ICB. We have provided further details of the key risks we identified and our response on page 7.
Annual report	We did not identify any significant inconsistencies between the content of the annual report and our knowledge of the ICB. We confirmed that the annual report has been prepared in line with the NHS Group Accounting Manual (GAM).
Value for money	We are required to report if we identify any matters that indicate the ICB does not have sufficient arrangements to achieve value for money. We have retained 1 significant weakness and recommendation from the prior year, relating to financial sustainability, specifically the challenges in controlling All Age Continuing Care (AACC) expenditure in year. We have remediated the prior year weakness and recommendation linked to Governance. See further detail on pages 10 – 21.
Regularity	We did not identify any matters where irregular expenditure had been incurred.
Other reporting	We did not consider it necessary to issue any other reports in the public interest.

KPMG

02
Audit of the Financial Statements

Audit of the financial statements

KPMG provides an independent opinion on whether the ICB's financial statements:

- Give a true and fair view of the state of the ICB's affairs as of 31 March 2026 and of its income and expenditure for the year then ended;
- Have been properly prepared in accordance with the accounting policies directed by NHS England with the consent of the Secretary of State on 23 April 2026 as being relevant to ICBs and included in the Department of Health and Social Care Group Accounting Manual 2025/26; and
- Have been prepared in accordance with the requirements of the National Health Service Act 2006 (as amended).

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. We have fulfilled our ethical responsibilities under, and are independent of the ICB in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Audit opinion on the financial statements

We have issued an unqualified opinion on the ICB's financial statements on 17 June 2026.

The full opinion is included in the ICB's Annual Report and Accounts for 2025/26 which can be obtained from the ICB's website.

Further information on our audit of the financial statements is set out overleaf.

Audit of the financial statements

The table below summarises the key risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Risk	Procedures undertaken	Findings
Management override of controls We are required by auditing standards to recognise the risk that management may use their authority to override the usual control environment.	We have performed the following procedures in order to respond to the significant risk identified: • Assessed accounting estimates for bias by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias. • Evaluated the design and implementation of controls over journal entries and post closing adjustments. • Assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates. • Assessed the business rationale and the appropriateness of the accounting for significant transactions that are outside the component's normal course of business or are otherwise unusual. • Identified journal entries and other adjustments with characteristics that indicate that they may be inappropriate or unauthorised and therefore may have been used to manipulate the financial statements (which we refer to as 'high-risk journals and other adjustments') – for instance, journals with unusual double entries to Cash account codes and perform procedures to test the appropriateness of these entries and adjustments. • We assessed the controls in place for identification of related party transactions and test the completeness of the related parties identified. We have verified that these have been appropriately disclosed in the financial statements.	• We have identified several Related Party disclosure misstatements where the incorrect ledger value was included within the draft accounts – these have all been corrected. • We have raised a control deficiency related to inconsistencies between the Register of Interest, Declarations of Interest, and management's Related Party disclosure workings, which led to an increased number of errors in compiling the financial statements note.

03 Value for Money

Value for Money

Introduction

We are required to consider whether the ICB has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or 'value for money'. We consider whether there are sufficient arrangements in place for the ICB for the following criteria, as defined by the National Audit Office (NAO) in their Code of Audit Practice:

- Financial sustainability: How the ICB plans and manages its resources to ensure it can continue to deliver its services.
- Governance: How the ICB ensures that it makes informed decisions and properly manages its risks.
- Improving economy, efficiency and effectiveness: How the ICB uses information about its costs and performance to improve the way it manages and delivers its services

Approach

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

We are required to report a summary of the work undertaken and the conclusions reached against each of the aforementioned reporting criteria in this Auditor's Annual Report. We do this as part of our commentary on VFM arrangements over the following pages.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the ICB.

Summary of findings

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
Commentary page reference	12 - 14	15 - 17	18 - 19
Identified risks of significant weakness?	Yes	Yes	No
Actual significant weakness identified?	Yes	No	No
2024 - 25 Findings	One significant weakness in arrangements identified	One significant weakness in arrangements identified	No significant risk or weakness identified

Significant weaknesses followed up from prior year

In the prior year we identified a significant weakness around financial sustainability, which we have retained as per the table above and found that the associated prior year recommendation has not been implemented.

We also identified a significant weakness linked to governance in the prior year, for which we have said that the prior year recommendation has been implemented, and we have not re-raised in the current year.

On pages 20 - 21, we have set out commentary on the significant weaknesses and other findings identified in the prior year and whether the recommendations to address the weaknesses have been satisfactorily implemented.

Value for Money

NATIONAL CONTEXT

In early 2025 significant changes to the role of commissioning entities were announced. As part of these the role of integrated care boards is being revised, with a streamlined focus on the strategic commissioning role and a reduction in their wider responsibilities, for example for coordinating the financial performance within the integrated care system.

Alongside the revised responsibilities ICBs were set reduced running cost targets. These reflect the cost of administration that ICBs are expected to operate within to deliver their commissioning responsibilities.

In order to respond to the need for efficiencies many ICBs are pursuing mergers with other ICBs in order to form new entities with larger catchment areas. The first wave of these mergers is taking effect from 1 April 2026 with a second wave due to be implemented from 1 April 2027. Once the full planned consolidation has been completed it is anticipated that the number of commissioners will have reduced from 42 to 26.

ICBs were required to have implemented the efficiencies necessary to achieve running cost reductions during 2025-26. As a result, significant restructuring exercises have been implemented across most commissioners during the year, generally involving a mixture of voluntary severance schemes and compulsory redundancy schemes. These are leading to largescale reductions in the headcount within most commissioners.

ICBs are required to comply with Managing Public Money. When undertaking restructuring exercises any amounts paid to leaving staff members are required to be in line with their contractual entitlements under Agenda for Change. Where there is a proposal to make any additional payments, these are considered special severance packages and require approval by HM Treasury.

LOCAL CONTEXT

The ICB's arrangements have been understood in the context of the scale of the financial challenge across the NHS nationally and within the Lancashire and South Cumbria system. We have also considered the impact that the economic landscape, namely rising inflation, is having on the system's ability to achieve efficiency savings.

In this context, some elements impacting the system's financial sustainability fall outside the ICB's direct control. However, the ICB retains clear responsibility and plays a pivotal role in leading the system towards a more sustainable financial position. This includes equipping system partners with the tools required to drive efficiencies in day-to-day operations, as well as advancing transformation across health and social care pathways and wider system change.

Improvements Assurance Group (IAG) meetings remained in place in 2025/26 led by external consultants. The aim of this nationally sponsored programme is facilitating system – wide involvement and accountability, with attendance from the System Turnaround Director.

As part of the 2025/26 Planning cycle, the ICB and providers set a breakeven plan - based upon the receipt of £164m of deficit support funding - which relied upon achieving a system wide target of £394.2m of savings (£142.7m for the ICB and £251.5m for the provider ICBs).

The ICB has implemented a large Voluntary Redundancy (VR) scheme during 2025/26, with the aim of reducing cost per head of population, and this will affect the ICB operationally moving forward.

Financial Sustainability

How the ICB plans and manages its resources to ensure it can continue to deliver its services.

We have considered the following in our work:

- How the ICB ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the ICB plans to bridge its funding gaps and identifies achievable savings;
- How the ICB plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the ICB ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- How the ICB identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

2025/26 Financial Planning & Wider Context

- The draft financial plan initially projected a surplus of £13.4m for 2025/26, however, the final plan and high-level budgets approved in May 2025 agreed a forecast of a breakeven position. To achieve this position, a system wide target of £394.2m of savings was set for 2025/26 (£142.7m for the ICB, £251.5m for provider ICBs). Of the £142.7m savings requirement for the ICB, £69.8m of schemes had been fully developed at the time the Final Plan and High-Level Budgets were prepared, with £72.9m remaining either as an opportunity (£14.2m) or unidentified (£58.7m).
- The ICB has reported a £9.7m surplus position as of March 2026 and has not breached its statutory duty of meeting its RRL. We have reviewed the Month 12 Finance Report which was presented to the Finance and Contracting Committee in April 2026, which details that the ICB has achieved £106.5m of its Waste Reduction Programme (WRP) vs a year-to-date target of £142.7m, a shortfall of £36.1m. Although there is a £36.1m shortfall here, we recognise that the ICB has still delivered a significant savings programme, despite having reduced opportunity due to sizeable savings achievements of £249m in 2024/25 and £63m in 2023/24, hence we do not deem there to be any impact on the Economy, Efficiency and Effectiveness domain.
- The Providers were behind plan with only £182.4m CIPs (Cost Improvement Plan) delivered in year, against a plan of £251.5m, a shortfall of £69.1m.

All Age Continuing Care

- From an ICB perspective, we have engaged with a range of stakeholders throughout the year and reviewed operational performance updates as well as Internal Audit (MIAA) reporting, all of which consistently indicate that the ICB has faced ongoing challenges in managing AACC expenditure, comprising Continuing Healthcare (CHC) and non-CHC. This is reflected in the variance between the Month 10 & Month 12 Finance Reports, with a reported AACC Month 10 overspend of £46.2m deteriorating to a final overspend of £97.2m.
- The prior year financial performance continues to distort in-year performance, with £22.6m of invoices recognised relating to prior year accruals and a further £20.6m relating to the settlement of historic Lancashire County Council Learning Disability Pool liabilities across 2023/24 and 2024/25. There have also been underlying issues in the use of a third party for the review of care packages, which has also affected the year end position with £6m of costs.
- During 2025/26 the ICB has put significant focus on attempting to control AACC expenditure and enacted an AACC Turnaround Plan, which was presented to the July 2025 Audit Committee. Using external benchmarking and national comparators, this plan confirmed that the ICB was an outlier in terms of Continuing Healthcare expenditure, package costs and run rate trends – which remains the case at year-end.

Financial Sustainability

How the ICB plans and manages its resources to ensure it can continue to deliver its services.

We have considered the following in our work:

- How the ICB ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the ICB plans to bridge its funding gaps and identifies achievable savings;
- How the ICB plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the ICB ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- How the ICB identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

- As part of the regular financial reporting, this also now includes a detailed AACC Financial and Operational Report, which includes an Operational Data Metrics Overview and Expenditure Analysis, demonstrating management's efforts to improve grip. We have reviewed the Month 12 Report which details that CHC overdue reviews have increased to 329, representing a 19% rise since Month 11 and returning to levels last seen in February 2025. The overall conversion rate has improved by 8.1% since February 2026, to 30.4% - the highest level observed in a year – which despite ongoing month-on-month fluctuations, remains significantly above the national average of 18.9%.
- The ICB has made positive progress in reducing Fast Track Packages by 5.7% since March 2025, with overall cost down by 38.9% as compared to 2024/25, demonstrating the CHC team's efforts in reducing cost.
- Additionally, the overall number of CHC packages is down by 235 (9.5%) since March 2025, however, this has not translated into an overall cost saving, with an increase in CHC spend of 4.1%, this indicates a materially higher cost per package, attributable to increased complexity, extended duration, more intensive care requirements, as well as rising market rates and variability in provider pricing.
- The WRP in relation to AACC remains a significant challenge for the ICB, with a full year delivery of £60.2m (the largest across the ICB) against a delivery of £44.3m (an under achievement of £15.9m). We note that following the introduction of a £28.2m stretch target at Month 5, the monthly delivery expectation increased from around £3m to £6m. The overall achievement was further increased during Month 12, with WRP performance delivery of £9.3m against a plan of £6.0m, an over achievement of £3.3m, with the increase due to the counting of Transforming Care recharges to Local Authorities as WRP savings.
- MIAA conducted a rapid review of AACC during 2024/25, which highlighted several challenges impacting financial recovery. This review identified 19 high priority recommendations and resulted in a limited assurance opinion relating to AACC for 2024/25. MIAA conducted quarterly follow up reviews during 2025/26, and as of March 2026, the ICB has demonstrated progress in implementing Internal Audit recommendations with 17 actions addressed. The report highlighted two recommendations that remain open and overdue:

  - 28-day eligibility assessment, which is awaiting clinical assurance of compliance with national framework following correction of process, deferred to the 2026/27 clinical audit programme.
  - Implementing reviews of Funded Nursing Care which has seen no significant progress in reducing overdue reviews, with 1,648 still overdue, reflecting only a 1.3% reduction over the past three months

Financial Sustainability

How the ICB plans and manages its resources to ensure it can continue to deliver its services.

We have considered the following in our work:

- How the ICB ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the ICB plans to bridge its funding gaps and identifies achievable savings;
- How the ICB plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the ICB ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- How the ICB identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

2026/27 Financial Planning

- We are aware that the ICB's Operational Plan was re-submitted to National Health Service England (NHSE) on 18 March 2026 for the 2026/27 financial year. The Original Plan Submission identified £214m of expenditure reductions based on planning model/assumptions, comprising of WRP £127m, Cost of Commissioning £36m and Other Required Mitigations £51m.
- As of 2 April 2026, notable progress had been made on improving the ICB WRP plans and relative maturity, with £127.38m identified overall with £103.6m recognised as 'Fully Developed', £18.8m Plans in Progress, £5.0m regarded as opportunity and none unidentified – an improvement on the 2025/26 opening position.
- In late April 2026, NHS England wrote to the ICB confirming their acceptance of the plan but requiring the ICB to move quickly to fully identify and/or implement all of their WRP (only 77% was in this category in the submitted plan) and also to ensure signed contracts were in place with all providers which is a requirement of the NHS Plan guidance.

Conclusion

We recognise the ICB had a particular focus on AACC during 2025/26, through the AACC Turnaround Plan, MIAA reviews and the large number of WRP schemes – which have largely delivered the savings identified.

However, the £97.2m overspend in this area presented a risk of the ICB breaching its RRL in 2025/26. Given the significant overspend that had to be offset by additional mitigations identified elsewhere throughout the year as part of regular budget management, we have concluded that there was a significant weakness in arrangements to secure value for money in respect of Financial Sustainability. This significant weakness and associated recommendation is repeated from our prior year findings, as discussed on page 21.

Governance

How the ICB ensures that it makes informed decisions and properly manages its risks.

We have considered the following in our work:

- how the ICB monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the ICB ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- how the ICB ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour

Recovery Support Programme

- The ICB was issued with undertakings from NHSE in February 2025 which set out that NHSE had grounds to suspect that the ICB was failing or had failed to discharge its duties, and as part of the response to these undertakings, the system has been part of the NHSE Recovery Support Programme (RSP), of which it had to meet set criteria to exit.
- The ICB was required to evidence all reasonable steps have been taken to meet the RSP exit criteria as set out and agreed by the Improvement Assurance Group (IAG), in accordance with timescales agreed by the IAG. We have reviewed the Undertakings Dashboard, which maps the NHSE Undertakings findings and has identified measures upon which the ICB can measure its progress in addressing these findings.
- We have reviewed reporting to confirm that the dashboard is presented to the Board for regular scrutiny. Accordingly, we are satisfied that the ICB is taking steps to address these undertakings effectively, as demonstrated by achievement of certain measures, including reporting a £9.7m ICB surplus at the end of Q4 as well as an overall system breakeven position. This indicates that the ICB is taking meaningful steps to address the Undertakings findings, particularly in relation to discharging its financial governance responsibilities and oversight of the providers and the wider system, to ensure that their financial plan is delivered.
- We note that IAGs were in place during 2025/26, facilitating system-wide involvement and accountability, with attendance from the System Turnaround Director. We reviewed the outcome letter from the most recent IAG meeting held in February 2026 and identified four actions which were to be completed ahead of the next meeting, with a deadline of 20 February 2026. Our review of responses to these actions confirms the effectiveness of these meetings, evidenced by recognition of the ICB's in-year progress by NHSE leading to the provision of additional Deficit Support Funding to support the system in achieving an overall breakeven position.
- The ICB submitted evidence against the RSP exit criteria which was reviewed at the Systems Delivery Meeting in November 2025, which was then reviewed by both the Regional Support Group and the national Executive Performance, Quality and Delivery Group. Following the review and in recognition of considerable progress and improvements in governance and financial recovery NHSE approved the exit of the ICB from the national RSP on 23 December 2025. This decision is contingent on continued escalated oversight of delivery against the ICBs improvement plan and undertakings.
- We have reviewed the latest correspondence from NHSE as part of the ICB's engagement with the System Delivery Meetings, which outlined the positive progress made throughout 2025/26, and comments upon the open and constructive discussions held. It also highlights that the remaining elements of the undertakings will not be reviewed until June 2026, after the date of our Audit Opinion.

Governance

How the ICB ensures that it makes informed decisions and properly manages its risks.

We have considered the following in our work:

- how the ICB monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the ICB ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- how the ICB ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour

Leadership & Committee Review

- Partially in response to the Undertakings referenced above, the ICB Chair undertook a comprehensive Governance and Leadership Review, alongside a detailed Committee Review, which identified several proposals to strengthen governance arrangements and enhance oversight of provider performance. A full review of the committee structure was approved, resulting in the proposal of a revised set of committee memberships & terms of reference from April 2026.
- The Board composition has been reviewed in line with the Model ICB Blueprint. To facilitate this change, the ICB constitution has been reviewed & refreshed, including approval from NHSE. This was approved at the March 2026 Board meeting for enacting from April 2026.

Other

- We are aware of the NHS 10 Year Health Plan which outlines three major system shifts: a transition from hospital-based care to community-focused provision, from analogue processes to digital solutions, and from reactive treatment of illnesses to proactive prevention.
- The ICB Model Blueprint sets out the critical role ICBs will play in the future as strategic commissioners, and in realising the ambitions set out in the 10 Year Health Plan. This blueprint represents the collaborative programme designed to redefine the focus, role and core functions of ICBs. The aim is to establish a strong foundation for the successful delivery of the 10 Year Health Plan. Looking ahead, ICBs are expected to play a pivotal role as strategic commissioners – driving improvements in population health, reducing health inequalities, and ensuring consistent access to high-quality care.
- We are also aware that the ICB is undergoing significant organisational change as part of its requirement to deliver a 50% reduction in overhead and administrative costs. Central to this programme is the implementation of a wide-scale redundancy scheme which is nearly concluded with almost 180 redundancies and is expected to reshape the ICB's corporate capacity and the future design of its governance arrangements.
- The scheme is intended to support the reconfiguration of NHSE and the shift for ICBs to be Strategic Commissioning organisations as described in the model blueprint. This will support progress in delivering the 10-Year Health Plan and implementing neighbourhood health models. NHSE also provided a nationally agreed model VR scheme to support ICBs in reducing workforce as they transition to the new operating model. This reduction is intended to help ensure compliance with the requirement to limit running costs to no more than £19 per head of the ICB population from 1 April 2026.
- The NHS Oversight Framework for 2025/26 sets out the mechanisms through which NHSE will assess ICBs and providers against an agreed suite of metrics, with the dual aim of promoting continuous improvement and enabling the timely identification of organisations requiring targeted support. The framework will be reviewed and updated for 2026/27 to reflect the implementation of the ICB operating model and to ensure alignment with the priorities and long-term ambitions articulated in the 10 Year Health Plan.

Governance

Conclusion

Based on the findings above we have not identified a significant weakness in the ICB's arrangements relating to Governance. Although the ICB remains subject to NHSE undertakings, there has been significant progress made in year, such as the standing down of the RSP, continued positive feedback from NHSE as well as the achievement of a year end surplus across the wider system. As such, given the ongoing implementation of the Undertakings Dashboard and the wider positive steps already taken towards improving governance arrangements, we believe the recommendation we raised in 2024/25 has now been resolved and we do not believe there remains a significant weakness in 2025/26. See Page 20 for further details.

	2026	2025
Control deficiencies reported in the Annual Governance Statement	13	13
Head of Internal Audit Opinion	Moderate Assurance	AACC – Limited Assurance Other – Moderate Assurance
Oversight Framework segmentation	The ICB has exited the Recovery Support Programme during 2025/26.	Segment Four – Mandated intensive support

Improving , efficiency and effectiveness

How the ICB uses information about its costs and performance to improve the way it manages and delivers its services

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the ICB ensures effective processes and systems are in place in order to develop their cost saving efficiency saving programme;
- how the ICB evaluates the services it provides to assess performance and identify areas for improvement;
- how the ICB ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- where the ICB commissions or procures services, how it assesses whether it is realising the expected benefits.

Summary of Risk Assessment

- The ICB developed its Final Plan and High–Level Budgets for 2025/26 and presented it to the Board in May 2025. We saw challenge of the budget within the Board minutes from key executives. This plan included savings targets which were set at £394.2m across the system (£142.7m for the ICB, £251.5m for Provider ICBs). Of the £142.7m savings requirement for the ICB, £69.8m of schemes had been fully developed at the time the Final Plan and High-Level Budgets were prepared, with £72.9m remaining either as an opportunity (£14.2m) or unidentified (£58.7m).
- As at Month 8, the ICB has delivered £68.8m (76%) of efficiencies against a year-to-date plan of £90.6m, resulting in a shortfall of £21.8m. Although the ICB continues to forecast full delivery of its efficiency programme by year-end, it acknowledges within the regular finance reporting to the Board and the Finance & Contracting Committee that there are risks to achieving this position and has therefore developed a range of mitigation measures to support deliverability.
- Across the wider system, the ICS has delivered £166.3m (71%) of efficiency savings against the £234.3m target as at Month 8, representing a £67.9m adverse variance to plan, of which c.68% sits with the providers. The system's full year forecast indicates delivery of £367.2m compared with a planned savings figure of £394.2m, resulting in a £26.9m shortfall attributable to provider ICBs.
- The ICB has identified All Age Continuing Care (AACC) as the main risk towards the breakeven plan with a £34.7m year-to-date overspend as at Month 8.We have reviewed the All Age Continuing Care (AACC) Turnaround Plan which indicates through benchmarking against national comparators that the ICB is an outlier in terms of continuing healthcare expenditure, package costs and run rate trends. An ambitious budget of £506m has been set for 2025/26 and despite recurrent and non-recurrent adjustments being applied to improve the position, there are continued financial pressures on the AACC budget. The impact of inflation on provider costs continues to be a financial risk to the ICB, which is not provided for in the 25/26 plan. In addition, there are no growth assumptions applied in respect of the demand on CHC packages.

Commissioning Intentions & System Working

- The ICB has set out detailed and extensive plans to support decisions on how to use the £5.4bn 25/26 RRL allocation within its Commissioning Intentions 2025/26 paper. These plans are aligned to address the financial challenge as well as health and care challenges faced in the system. Commissioning intentions were developed as one of the support to these challenges and describes what the ICB will commission, as this is fundamental to delivering future services which align to strategic objectives and priorities. This details priority intentions for 2025/26 which includes national priorities which all parts of the NHS must manage within their available resource. The system aims to achieve this by working collectively to drive the reform to support delivery of these immediate priorities.

Improving economy, efficiency and effectiveness

How the ICB uses information about its costs and performance to improve the way it manages and delivers its services

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the ICB ensures effective processes and systems are in place in order to develop their cost saving efficiency saving programme;
- how the ICB evaluates the services it provides to assess performance and identify areas for improvement;
- how the ICB ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- where the ICB commissions or procures services, how it assesses whether it is realising the expected benefits.

Summary of Risk Assessment (continued)

- The ICB will work with all system partners to analyse and spread best practice and commission appropriate services to support this transformation programme. The ICB has also identified additional commissioning intentions to drive efficiencies or service improvements in 2025/26 which have been informed by what residents classify as important. Local intentions are listed by commissioning area and the ICB will support collaboration between providers to deliver the commissioning intentions and cost efficiencies within the system. The Commissioning intentions also includes Transformational intentions 2025/26 onwards, which a Lancashire and South Cumbria 2030 Roadmap will be developed and will detail what is to be done and when over the next five years to create a health and care system fit for the future.

- The ICB has multiple channels in which it engages with its ICS partners (such as the Provider Collaborative Board) as well as wider partnerships and stakeholders. The Board and other sub-committees receive regular updates on these collaborations. We have reviewed Board Reports from the Chief Executive as well as Board minutes discussing the contents of the report and are satisfied that the Board are well informed of the work performed by the wider Integrated Care Partnership.

Other

- The ICB's key decision papers are sponsored by an Executive Director. The proposals require Quality Impact Assessments being documented in its front sheets addressed to the Committee to which it is presented, which are independently reviewed. There is also engagement with external stakeholders in major developments through public forums such as the Citizen Panel on the ICB's website.

- We have reviewed a progress update for Quality Impact Assessments to the Quality Committee in September 2025 following the proposal for a more streamlined and improved process raised in July 2025. The update supported the proposed review of the existing QIA Policy and underpinning processes.

Risk Assessment Conclusion

Based on the risk assessment procedures performed we have not identified a significant risk associated with improving Economy, Efficiency and Effectiveness. Although there is a clearly a reasonable level of risk in delivering the planned QIPP and we have seen that not all of the schemes were fully identified in the financial plan, ultimately the overall ICB financial position is at a breakeven despite the current savings shortfall, so there is not a significant risk to achieving value for money. We will continue to monitor the level of savings delivery and will update in our final commentary within the Auditors Annual Report.

Prior year findings

Significant weaknesses followed up from the prior year

In our annual auditor's report for the financial year 2024-25 we reported that the ICB had a significant weakness in arrangements over financial sustainability, specifically linked to AACC. We also identified a significant weakness in arrangements linked to governance, surrounding the lack of oversight and challenge of provider financial positions. As required by the Code of Audit Practice we have revisited these issues and set out in the table below, an update regarding the arrangements in these areas.

#	Recommendation	Management Response	Current status
1	**Establishing a stronger culture of system working and accountability** We recommend that the culture of system wide working, and accountability is further embedded to build upon the IAG structure that has been enhanced during 24/25. This should ensure that providers are fully held accountable for delivery of CIPs and any deterioration of financial position, as well as scrutinising deviations from plan. Additionally, whilst the NHSE Undertakings dashboard will help ensure the ICB can comply with the undertakings, it is in its infancy and will require further revision to fully capture the actions required & stakeholders that need to be engaged.	The recommendation is acknowledged and needs to be considered in light of the national NHS reforms and the respective roles of the ICB and NHSE in relation to provider oversight. In terms of enforcement undertakings, the ICB is working closely with NHSE to agree exit criteria and NHSE oversight.	**Implemented** Based on the findings above we have not identified a continued significant weakness in the ICB's arrangements relating to Governance. Although the ICB remains subject to NHSE undertakings, there has been significant progress made in year, such as the standing down of the RSP, continued positive feedback from NHSE, reduced undertakings as well as the achievement of a year end surplus across the wider system. As such, given the ongoing implementation of the Undertakings Dashboard and the wider positive steps already taken towards improving governance arrangements, we do not have any further recommendations to make and thus have not identified a significant weakness in arrangements. As such, we have resolved this recommendation raised in the prior year.

Prior year findings

#	Recommendation	Management Response	Current status
2	**Improving AACC forecasting and performance** We recommended that the ICB continues its work to ensure that it is not a national outlier on fast-track referrals & conversion rates – this may be best achieved through a stricter screening process at the clinical level for CHC & Fast Track referrals as well as working with the acute providers to improve Discharge To Access screening to reduce inappropriate CHC referrals. The ICB should also ensure that it clarifies its statutory responsibilities re packages of care and reaches robust agreement with local authorities to ensure it can appropriately forecast cost. There is also scope to review pricing of packages across the region to ensure that the best value for money is achieved from the care providers – for instance through joint purchasing agreements.	L&SC is facing current and future pressures from an ageing population and an increasing cohort of patients with complex health needs at a younger age; combined with the challenges the ICB faces as being a provider of health services to coastal and rural communities. The ICB and the AACC service is operating in challenging circumstances, with increasing demand for CHC. As part of the wider ICB financial recovery programme, service improvements are being made across AACC and this can be seen in the improvement in fast track and CHC as well as conversion rates. The AACC Turnaround Plan includes a structured Waste Reduction Programme (WRP) across all areas of CHC and associated pathways, supported by strengthened grip and control measures such as the 'Triple Lock' panel for clinical oversight, the introduction of financial caps on high-cost packages, and updated policies and procedures to ensure consistent, value-based decision-making. Eligibility conversion rates have reduced significantly in recent months (-39.7% recent conversion rate trend - last three months vs. previous three months), reflecting a more robust screening process. As of M2 (FY25/26) the CHC Eligibility rate for the ICB is 21%. As of M12 FY24/25 the national benchmark for CHC Eligibility is 18%.	**Partially implemented** We note that the ICB has made significant progress in the reduction of fast-track cases, with overall cost down by 38.9% as compared to 2024/25. However, we do not consider that the ICB's in-year forecasting or management of the AACC run rate was sufficiently comprehensive to capture all costs during the year, as demonstrated by the significant overspend against budget and the large value of prior year costs that have arisen. As such we believe that this has only been partially implemented, and we have retained the significant weakness and associated recommendation.

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