**This supporting information has been prepared to assist the auditor in performing the risk assessment to inform their work on the conclusion on VFM arrangements under Auditor Guidance Note 3 (AGN 03). The supporting information is intended to provide additional sector specific context only. It is NOT part of the statutory guidance and auditors are only required to have regard to the explicit requirements set out in AGN 03. This document should be read in conjunction with *Supporting Information: General Arrangements*.**

# Auditor Guidance Note 3 (AGN 03) Supporting Information:

# Clinical Commissioning Groups

**February 2019**

This document forms part of the suite of supporting information designed to assist auditors in performing their risk assessment.

The suite of supporting information comprises this document and the following:

**General arrangements**

**Local health bodies**

- NHS trusts and foundation trusts (FTs)

**Local government bodies**

- Local authorities
- Police and Fire & Rescue bodies
- Combined authorities
- Other local bodies

These documents will be updated from time-to-time to reflect new, significant sector developments, or updates to the statutory guidance. They are designed to help the auditor undertake their risk assessment.

Supporting information does not include organisation-specific information. Accordingly, the issues included are **neither prescriptive nor exhaustive,** and do not substitute for the consideration of local context.

## What's New?

The main changes to the supporting information include:

- Financial position and sustainability;
- Ransomware cyber attack;
- Long Term Plan;
- The NHS England Improvement and Assessment Framework;
- Single Oversight Framework;
- Vanguards;
- Sustainabilty and Transformation Partnerships;
- Integrated Care Systems;
- Cumulive deficits – shared planning guidance 2019-20 and the Commissioner Sustainability Fund;
- Better Care Fund;
- Delayed Transfer of Care tool; and
- CCG support arrangements.

# Background

**This section provides some general information about the sector.**

A Clinical Commissioning Group (CCG) is a clinically-led statutory NHS body responsible for the planning and commissioning of health care services for its local area. CCGs were established by the Health and Social Care Act 2012. This Act abolished strategic health authorities and primary care trusts (PCTs), transferring health commissioning to other bodies. CCGs replaced PCTs on 1 April 2013.

Each CCG is led by a governing body, the members of which include GPs and other clinicians, such as nurses and consultants. CCGs are responsible for about 60% of the NHS budget, commission most secondary care services, and play a part in the commissioning of GP services. The secondary care services commissioned by CCGs are:

- planned hospital care;
- rehabilitative care;
- urgent and emergency care (including out-of-hours and NHS 111);
- most community health services; and
- mental health services and learning disability services.

CCGs can commission any service provider that meets NHS standards and costs. These can be NHS hospitals, social enterprises, charities or private sector providers. However, they must be assured of the quality of services they commission, taking into account both National Institute for Health

and Care Excellence (NICE) guidelines and the Care Quality Commission's (CQC) data about service providers.

NHS England (NHS Commissioning Board) is an independent body, at arm's length to the government. Its main role is to set the priorities and direction of the NHS and to improve health and care outcomes for people in England. NHS England manages around £100 billion of the overall NHS budget and ensures that organisations are spending the allocated funds effectively. Resources are allocated to CCGs. NHS England maintains a register of all authorised CCGs. On 1 April 2018 there were 195 CCGs.

CQC monitors, inspects and regulates services that provide health and social care to make sure they meet fundamental standards of quality and safety. These include:

- treatment, care and support provided by hospitals, GPs, dentists, ambulances and mental health services;
- treatment, care and support services for adults in care homes and in people's own homes (both personal and nursing care); and
- services for people whose rights are restricted under the Mental Health Act.

CQC publishes its findings, including performance ratings. CQC also sets out what good and outstanding care looks like and can take action where care falls below standards.

# The legal framework

**This section sets out the legislation that governs the audited body's sector, together with any statutory guidance issued thereunder. It is included to provide auditors with information about the roles and responsibilities of the audited body as set out in law.**

## Note that as set out in AGN 03 and AGN 07, a conclusion on proper arrangements to secure VFM is to be reported by exception in respect of health bodies, including CCGs.

The National Health Service Act 2006 sets out the legal framework for healthcare commissioning in England. The Health and Social Care Act 2012 amended the bodies responsible for healthcare commissioning and thereby established and set out the legal framework for CCGs in England.

Bodies need to have proper arrangements in place for complying with relevant legislation, and be aware of new legislation that may affect their functions or responsibilities. While it is a matter for auditor judgement, non-compliance with legislation identified by the auditor (or other inspectorates or review agencies) can have implications for the conclusion on arrangements to secure VFM, depending on the nature and severity of the issue.

# The auditor's risk assessment

**This section provides some general information about the auditor's risk assessment.**

AGN 03 describes what "proper arrangements" comprise for the purposes of the work under the Code, and the sector developments and contextual information in the section below have been grouped according to sub-criteria set out in the AGN. The AGN states:

> *"Auditors are not required to consider all illustrative significant risks set out… [and] should consider the illustrative significant risks insofar as they are consistent with their understanding of the audited body."*

Similarly, the sector-level developments are only intended to be considered where the auditor deems them relevant. And as the AGN further states:

> *"Where other matters come to the auditor's attention which – in the auditor's judgement – are relevant to the discharge of their duties in respect of VFM arrangements under the Code, their impact on the risk assessment should be considered, irrespective of whether or not the issue is explicitly referenced within the scope of proper arrangements."*

Therefore the auditor is ultimately responsible for preparing and documenting a risk assessment that mitigates the engagement risk.

# Sector developments and contextual information

**This section contains contextual information that may be relevant to the body's general arrangements. It also sets out some of the current developments within the sector that may be relevant to the body's governance and decision making, financial planning and resource deployment, and partnership working arrangements. The material may be helpful to auditors when undertaking their risk assessment.**

**The examples below are neither prescriptive nor exhaustive, and should not be used as a checklist. In addition to this sector specific supporting information, auditors should also refer to *Supporting Information: General Arrangements,* which contains further contextual information applicable to all sectors. The information in this section does not cover developments at individual audited bodies and auditors are also likely to need to draw on their own local knowledge.**

# *General sector developments and contextual information*

## Financial position and sustainability

The continuing financial pressures within the NHS provider and commissioning sectors have been widely publicised, including in the NAO's report on *'Sustainability and transformation in the NHS'*, published in January 2018, which finds that additional funding, which was intended by government to help the NHS get on a financially sustainable footing, has instead been spent on coping with existing pressures. The NHS is struggling to manage increased activity and demand within its budget and has not met NHS access targets, meaning less money is available to support longer-term transformation. The report also highlights that *"Clinical commissioning groups and trusts are increasingly reliant on one-off measures to deliver savings, posing a significant risk to financial sustainability in the future. Financial sustainability relies on local bodies making recurrent savings; otherwise, they will need to make additional savings the following year to replace any non-recurrent savings made in the current year".*

The most recent NAO report *'NHS financial sustainability'*, published in January 2019, highlights "*that the growth in waiting lists and slippage in waiting times, and the existence of substantial deficits in some parts of the system, offset by surpluses elsewhere do not add up to a picture that we can describe as sustainable"*.

Auditors will be aware that in recent years, the number of local NHS bodies receiving non-standard auditor reports has increased. The NAO published its report *'Local auditor reporting in England 2018'* in January 2019, which highlights that in 2017-18, auditors qualified 168 (38%) local NHS bodies' VFM arrangements conclusions; up from 130 (29%) in 2015-16, mainly because of not meeting financial targets such as keeping spending within annual limits set by Parliament, not delivering savings to balance the body's budget, or because of inadequate plans to achieve financial balance. The increase between 2015-16 and 2017-18 is particularly steep at clinical commissioning groups, with qualifications for poor financial performance increasing from 21 (10%) in 2015-16 to 67 (32%) in 2017-18. Similarly, there have been increases in section 30 referrals (from 62 referrals in 2015-16 to 126 in 2017-18) and, at CCGs, increases in the number of qualified regularity opinions, mainly due to breaches of revenue resource limits.

It was announced in the Budget on 29 October 2018 that the government will increase NHS England's budget by an extra £20.5 billion by 2023-24. Between 2019-20 and 2023-24, this equates to an average annual real-terms increase of 3.4%. The government asked NHS England to produce a 10-year plan that aims to ensure that this additional funding is well spent. The 'NHS Long Term Plan', published on NHS England's website on 7 January 2019, sets out how the NHS intends to address the challenges regarding funding, staffing and increasing inequalities and pressure from a growing and ageing population.

## Ransomware cyber attack

In September 2017, the NAO published guidance to Audit Committees on cyber security and information risk. Cyber security is the activity required to protect an organisation's computers, networks, programmes and data from unintended or unauthorised access, change or destruction via the internet or other communications systems or technologies. Effective cyber security relies on people and management processes, as well as technical controls.

The guidance is based on previous work and detailed systems audits which have identified a high incidence of access-control weaknesses including:

- A lack of coherence between the various bodies responsible for governance, oversight and incident response.
- Considerable challenge within the public sector in recruiting and retaining staff with the right experience.
- A lack of coordination across government and law enforcement agencies in dealing with criminal cyber activity.
- Weaknesses in financial system controls including access control; system change controls, business continuity; and third party oversight.

The guidance provides links to other government standards and NAO resources, such as a checklist of questions and issues for audit committees to consider.

In October 2017, the NAO published its report which investigates the NHS's response to the cyber attack that affected it in May 2017. According to NHS England, the WannaCry ransomware affected at least 81 out of the 236 trusts across England, because they were either infected by the ransomware or turned off their devices or systems as a precaution. A further 603 primary care and other NHS organisations were also infected, including 595 GP practices.

The investigation focused on the events immediately before 12 May 2017 and up to 30 September 2017 and the ransomware attack's impact on the NHS and its patients; why some parts of the NHS were affected; and how the Department and NHS national bodies responded to the attack.

In a follow up Public Accounts Committee report, published in April 2018, the Committee Chair Meg Hillier MP stated that plans to implement lessons learned from the WannaCry attack were still to be agreed by the Department of Health & Social Care (DHSC) and its national bodies. The report includes a series of recommendations including a request that DHSC and its national bodies should set a clear timetable and agree implementation plans.

From April 2018, NHS Digital released the new Data Security and Protection Toolkit (DSP Toolkit) which replaces the Information Governance Toolkit (IG Toolkit). The DSP Toolkit is an online self-assessment tool that enables organisations to measure and publish their performance against the National Data Guardian's ten data security standards. All organisations that have access to NHS patient data and systems must use this toolkit to provide assurance that they are practising good data security and that personal information is handled correctly.

Auditors may wish to consider the following when reviewing VFM arrangements at their clients:

- the overall approach to cyber security and risk management at their clients and capability needed to manage cyber security; and
- specific aspects, such as information risk management, network security, incident management, malware protection, monitoring, and home and mobile working.

## *Informed decision making*

### Five Year Forward View

NHS England, in partnership with several other national health bodies, published the Five Year Forward View in October 2014. This report, endorsed by the government, sets out why improvements are needed in the NHS to deliver better health, better care, and better value and the various models of care which could be used to deliver these outcomes. It represents the strategic direction that government expects commissioners and providers to take in order to achieve VFM in the NHS.

The Five Year Forward View was updated in March 2017. Next Steps on the Five Year Forward View concentrates on what will be achieved over the next two years, and how the Forward View's goals will be implemented.

### Long Term Plan

The 'NHS Long Term Plan', published on NHS England's website on 7 January 2019, sets out how the NHS intends to address the challenges regarding funding, staffing and increasing inequalities and pressure from a growing and ageing population. The document is split into seven chapters and sets out:

- ways in which the NHS will move to a new service model which aims to give patients more options, better support, and properly joined-up care;
- how the NHS plans to strengthen its contribution to prevention and health inequalities;
- the NHS's priorities for care quality and outcomes improvement;
- plans for improving the NHS workforce;
- plans for a digitally enabled NHS;
- how the 3.4% five-year NHS funding settlement intends to help improve NHS financial sustainability; and
- the next steps in implementing the Long Term Plan.

It is expected that local NHS bodies plans for 2019-20 will be published by April 2019 and five-year plans will be published by Autumn 2019.

The extent to which the audited body has demonstrably aligned its strategic planning to the Five Year Forward View and Long Term Plan, and whether this indicates a significant engagement risk may be helpful to auditors when undertaking their risk assessment.

## Managing performance

NHS England is responsible for spending more than £100 billion in funds, and holding organisations to account for spending this money effectively for patients and efficiently for the taxpayer. NHS England commissions the contracts for GPs, pharmacists, and dentists (Primary Care) and supports local health services that are led by CCGs. CCGs plan and pay for local services such as hospitals and ambulance services.

As part of the management of these contracts, for the commissioning of secondary health care, a CCG will need to have processes in place to monitor the performance of the providers that it commissions services from. The following are sources which provide information on secondary care performance. Auditors may wish to consider the processes in place at a CCG to assess the performance of its providers:

- The myNHS website brings together data on a range of performance indicators. The information on this site can be used to compare NHS providers over a range of measures.

- The government collates several different datasets related to "health" under the data.gov.uk website. These cover various different measures of patient outcomes and other indicators at the local health body level.

- The Care Quality Commission (CQC) monitors, inspects and regulates health and care services to make sure they meet fundamental standards of quality and safety. Although CQC does not report directly on CCGs, it does report on services that a CCG commissions for both primary and secondary care. In order to monitor contract arrangements the CCG should have processes in place to monitor CQC findings for the services it commissions.

## Primary care co-commissioning

Primary care co-commissioning is one of a series of changes set out in the NHS Five Year Forward View. Co-commissioning aims to support the development of integrated out-of-hospital services based around the needs of local people. It is part of a wider strategy to join up care in and out of hospital and is intended to lead to a number of benefits for patients and the public.

As of 1 April 2018, all 195 CCGs have some form of co-commissioning agreement with NHS England. 178 CCGs have delegated commissioning arrangements and 10 CCGs have joint commissioning arrangements. Seven are operating under the greater involvement model. The NHS England website includes a list of participating CCGs.

All GP practices are members of their local CCG. Within each CCG, some GPs are members of their CCG's governing body. Under these arrangements there is potential for some GPs and their colleagues to make commissioning decisions about services they provide, or in which they have an interest. Where this is the case there is a risk that commissioners may put, or be perceived to put, personal interests ahead of patients' interests. In June 2017 NHS England published revised statutory guidance for CCGs to put in place systems and processes to identify and respond to potential conflicts of interest. This includes mandatory conflicts of interest training and introduces the requirement for an annual audit of conflicts of interest management within their internal audit plans.

## CCG Improvement and Assessment Framework

As part of its statutory duties, NHS England conducts a performance assessment of each CCG and issues a report at the end of the year. This is done under the Improvement and Assessment Framework (IAF), with the overall assessment derived from CCGs' performance against the IAF indicators, including an assessment of CCG leadership and financial management. NHS England has published its revised IAF for 2018-19, alongside a technical annex which comprises a set of 58 indicators across 29 areas.

The summary CCG Annual Assessment 2017-18 results for the 207 CCGs have been published by NHS England, with each CCG receiving an overall assessment that places their performance in one of four categories: outstanding, good, requires improvement, or inadequate. In summary:

- 18 CCGs were rated as 'inadequate'; and
- 69 CCGs were rates as 'requires improvement'.

Full details of an individual CCG's performance against the framework's indicators are available on the MyNHS website. The summary and full details may be useful for auditors in undertaking an initial risk assessment for their work on assessing a CCG's value for money arrangements.

The final results of the 2018-19 assessment will not be published until early July 2019, however auditors will be able to access the published interim data to inform their ongoing risk assessment. Where this indicates that there are potential significant weaknesses in a CCG's value for money arrangements, the auditor should discuss the data and expected final rating with the CCG to determine if it is likely to result in the auditor issuing a qualified VFM arrangements conclusion. In these exceptional circumstances the auditor may consider delaying issuing the VFM arrangements conclusion and certification until the final rating has been published which is in accordance with AGN 03.

## *Sustainable resource deployment*

### Vanguards

NHS England developed a blueprint of various new care models called Vanguards where, between January and September 2015, 50 vanguards were selected to take a lead on the development of new care models. The five vanguard types are:

- integrated primary and acute care systems – joining up GP, hospital, community and mental health services;
- multispecialty community providers – moving specialist care out of hospitals into the community;
- enhanced health in care homes – offering older people better, joined up health, care and rehabilitation services;
- urgent and emergency care – new approaches to improve the coordination of services and reduce pressure on A&E departments; and
- acute care collaborations – linking local hospitals together to improve their clinical and financial viability, reducing variation in care and efficiency.

The first year of the new care models programme (2015-16) focused on the development of new models and building collaborative relationships. 2016-17 involved consolidating learning to date and developing models further. 2017-18 focussed on the full delivery of the models, considering the impact and sharing lessons learnt across the health economy. The vanguard phase of the new care models programme ended in March 2018 and NHS England expect individual vanguards to be sustainable without further national funding for transformation. A number of these models are now being delivered through sustainability and transformation partnerships which involve various governance models.

The NAO published its report on *'Developing new care models through NHS vanguards'* in June 2018. This report examines whether the NHS is well placed to get value for money from its investment in developing new care models through vanguards. The report concludes that the vanguard programme is one in a series of attempts to transform the NHS to meet patients' needs and to respond to the financial pressures. The report also concludes that diversion of much of the transformation funding lead to weakening of the programme's chances of success.

Individual vanguards have made progress in implementing new models of care but the long-term impact and sustainability of vanguards is still not proven. A key objective of the programme was to design new care models that could be replicated quickly across the NHS, but the depth and scale of transformation that was planned has not yet been achieved.

The report includes recommendations for NHS England and DHSC that they should set out what they have learnt from this vanguard programme and ensure that good practices are identified from these pilots and shared across the NHS. The report adds that DHSC and NHS England should ensure adequate support and incentives to local organisations to help them to transform services.

## Sustainability and Transformation Partnerships (STPs)

In December 2015, the NHS Shared Planning Guidance 2016/17 - 2020/21 outlined a new approach with the aim of further integrating health and care services. NHS bodies and local councils have formed partnerships in 44 areas covering all of England, to improve health and care. Each area developed proposals, known as sustainability and transformation plans, built around the needs of the whole population in the area, not just those of individual organisations.

The footprints are locally defined, based on natural communities, existing working relationships, patient flows and take account of the scale needed to deliver the services, transformation and public health programmes required, along with how they best fit with other footprints. It is important to note that the partnerships are not statutory bodies, and do not replace existing local bodies, or change local accountabilities.

Each sustainability and transformation partnership (STP) was required to produce and agree a sustainability and transformation plan. NHS England has published the plans for each area on its website.

In March 2017, NHS England published Next Steps on the Five Year Forward View which reviews the progress made since the launch of the Five Year Forward View in October 2014. It also provides more detail on the priorities for the next two years. Chapter 6 provides further information on STPs.

In July 2017, NHS England released its first rankings of the 44 STPs across the country in its progress dashboard. This provides an initial baseline view of STPs' work and tracks the combined achievements of local services through 17 performance indicators across nine priority areas: emergency care; elective care; safety; general practice; mental health; cancer; prevention; finance and system leadership. Each area falls into three core themes of hospital performance, patient-focused change and transformation. This forms an overall assessment of each STP on a scale of 1 to 4: 'outstanding' (1); 'advanced' (2); 'making progress' (3); and 'needs most improvement' (4).

The results show that five STPs have been rated as 'outstanding', whilst five rated as 'needs most improvement'. Another 20 are rated as 'advanced, while the remaining 14 are 'making progress'. NHS England intends to update the dashboard annually to enable progress to be tracked. Auditors may wish to consider the results as part of their VFM arrangements risk assessments.

Single accountable officers are now being appointed to cover multiple CCGs within the STP and acting as lead for the STP footprint. This model has been adopted in Havering and Barking and Dagenham CCGs who also share a management team with Redbridge CCG; north central London with a single officer across five CCGs; south west London involving four CCGS; and the recent approval to appoint a single accountable officer for seven CCGs in north east London by January 2018. There are also plans across the county where CCGs are set to merge or share leadership arrangements.

There are a number of aspects to STPs where weaknesses in arrangements may be relevant to the auditor's VFM arrangements risk assessment. These include:

- lack of clear and measureable outcomes;
- lack of capacity within organisations to implement the plans;
- lack of a clear accountability structure for delivery;
- potential conflicts between partnerships and the strategic plans of individual organisations; and
- insufficient funding to deliver transformational change.

Potential conflicts of interest arising from new models of care and changes in commissioning arrangements are included in Annex K: Conflicts of interest and New Models of Care within NHS England's revised statutory guidance on conflicts of interest management.

HFMA, a registered charity promoting standards in financial management and governance in healthcare, has published a diagnostic tool regarding governance arrangements within STPs. This provides further background information on STPs and accountable care systems.

Over time, some STPs will become integrated care systems, in which NHS providers and commissioners choose to take on collective responsibility for resources and population health, often in partnership with local authorities.

## Integrated Care Systems

In March 2017, NHS England set out an ambition to create a system of integrated care which is now being pursued through the development of sustainability and transformation partnerships (STPs). The most advanced local partnerships have been asked to develop 'integrated care systems' (ICSs) which intend to take more control of funding and services across local areas.

Integrated care system leaders will gain greater freedoms to manage the operational and financial performance of services in their area. They will draw on the experience of the 50 'vanguard' sites, which have led the development of new care models across the country.

The following 14 areas are working towards integrated care systems:

1. South Yorkshire and Bassetlaw
2. Frimley Health and Care
3. Dorset
4. Befordshire, Luton and Milton Keynes
5. Nottinghamshire
6. Lancashire and South Cumbria
7. Berkshire West
8. Buckinghamshire
9. Greater Manchester (devolution deal)
10. Surrey Heartlands (devolution deal)

11. Gloucestershire
12. West Yorkshire and Harrogate
13. Suffolk and North East Essex
14. North Cumbria

The Kings Fund published its report *'A year of Integrated Care Systems- Reviewing the journey so far'* in September 2018 which sets out the landscape in which the ICSs operate and the progress made so far.

## Cumulative deficits

NHS England expects that the CCG will generate sufficient surplus over the medium term to repay brought forward deficits. As part of the risk assessment process auditors will need to consider the impact of cumulative brought forward deficits on the financial sustainability of the CCG, where the CCG has remained within balance in the year under review.

There are a number of CCGs reporting a cumulative deficit position. The information below sets out NHS England's guidance for CCGs in this position which auditors may find useful when performing the VFM arrangements risk assessment:

- Delivering the Forward View: NHS planning guidance 2016/17 – 2020/21 sets out on page 14 that *'commissioners are expected to deliver a cumulative surplus of 1 percent. Commissioners who are unable to meet the cumulative surplus requirement must deliver an in-year break-even position. Those with a cumulative deficit are expected to apply their increase in allocation to improving their bottom line position, other than the amount necessary to fund nationally recognised new policy requirements.'* Page 10 of the document sets out that a CCG's financial plan will need to demonstrate how it intends to reconcile finance with activity and where a deficit exists, set out clear plans to return to balance.

- The position for 2018-19 is set out in NHS operational and planning guidance 2017-2019 and can be found on page 25, stating *'The commissioner sector needs to continue to achieve a balanced position, and within this those CCGs that are currently in cumulative deficit need to recover their position as rapidly as possible. Deficit CCGs are expected to achieve at least breakeven position in-year and plan for return to cumulative underspend over the Spending Review period. Where this is not possible, they will be required as a minimum to improve their in-year position by 1% of allocation per year plus any above average allocation growth until the cumulative deficit has been eliminated and the 1% cumulative underspend business rule is achieved. Any variation from this to reflect exceptional circumstances will need to be agreed with the relevant NHS England regional team'.*

- NHS Improvement and NHS England issued joint planning guidance for 2019-20 called *'Preparing for 2019/20 Operational Planning and Contracting'* which is the first part of planning guidance and covers system planning; the financial settlement; operational plan

requirements (for primary care, workforce, data and technology); and the process and timescales around the submission of plans. It is published alongside the five-year indiciative CCG allocations.

- The Commissioner Sustainability Fund (CSF) has been established by NHS England as a targeted fund totalling up to £400 million to support those CCGs that would otherwise be unable to live within their means for 2018-19. Guidance to CSF was published by NHS England in February 2018. All CCGs will be expected to plan against fixed pre-CSF control totals communicated at the outset of the planning process. Any CCG that has been set a deficit control total will be eligible for the CSF, the value of which will be set to bring the CCG back to a position of in-year financial balance as long as the in-year control total is delivered. CSF funding will not be available for any other CCGs, including a CCG whose financial position deteriorates from plan during 2018-19.

## *Working with partners and other third parties*

Accountability for services cannot be transferred to third parties, and bodies' arrangements to monitor the performance of services and to ensure action is taken where standards fall, need to be appropriate to the method of delivery.

### STPs and ICSs

STPs and ICSs involve joint working by commissioners and providers of heath and social care including CCGs, NHS trusts and FTs, and local government bodies. In some areas, there may not be a history of working together between STP or ICS organisations which could potentially increase the risk to the successful implementation of the STP or ICS.

Potential conflicts of interest could arise from new models of care and changes in commissioning arrangements.

### Better Care Fund (BCF)

The Better Care Fund (BCF) came into being during 2015-16 and takes the form of a local, single pooled budget that aims to fund ways that the NHS and local government throughout England can work more closely together. It provides a mechanism for joint health and social care planning and commissioning, bringing together ring-fenced budgets from CCG allocations, the Disabled Facilities Grant (DFG) and funding paid directly to local government for adult social care services – the Improved Better Care Fund (IBCF).

The Spring Budget 2017 announced an additional £2 billion to support adult social care in England. This money is included in the IBCF grant to local authorities and will be included in local BCF pooled funding and plans for the period 2017-18 to 2019-2020. An additional £240 million was

announced in the Budget on 29th October 2018 for local authorities to spend on Adult and Social Care to help alleviate winter pressures on the NHS. This is also included in the IBCF grant.

DHSC, NHS England and the Department for Communities and Local Government have published a document which sets out the detailed requirements for planning based on the *2017-2019 Integration and Better Care Fund (BCF) policy framework*. In developing BCF plans for 2017-19, local partners will be required to develop and agree, through the relevant Health and Wellbeing Board, how they are going to achieve further integration by 2020. The framework encourages areas to align their approach to health and care integration with Sustainability and Transformation Plan geographies, where appropriate. The framework forms part of the NHS England Mandate for 2018-19.

The key changes to the policy framework since 2016-17 include:

- A requirement for plans to be developed for the two-year period 2017-2019, rather than a single year; and

- The number of national conditions which local areas will need to meet through the planning process in order to access the funding has been reduced from eight to four which now include: plans to be jointly agreed; NHS contribution to adult social care is maintained in line with inflation; agreement to invest in NHS commissioned out-of-hospital services, which may include 7 day services and adult social care; and managing Transfers of Care (a new condition to ensure people's care transfers smoothly between services and settings).

Beyond this, areas have flexibility in how the Fund is spent over health, care and housing schemes or services, but need to agree how this spending will improve performance in the following four metrics: Delayed transfers of care; Non-elective admissions (General and Acute); Admissions to residential and care homes; and Effectiveness of reablement.

All local partners will need to confirm mandatory and any additional funding contributions to all plans to which they are a partner. This will include confirming that individual elements of the funding have been used in accordance with their purpose as set out in the policy framework and relevant grant conditions. Plans will be approved and permission to spend the CCG minimum contribution to the BCF will be given once NHS England and the Integration Partnership Board have agreed that the conditions attached to that funding have been met. Arrangements for refreshing or updating plans for 2018-19, for instance to take account of progress against metrics, is set out in separate operating guidance.

Auditors may wish to consider the impact of BCF plans and achievements in their VFM arrangements risk assessment.

### Delayed Transfer of Care (DTOC) tool

NHS Improvement has developed a tool to enable trusts, CCGs and local authorities to understand where delayed transfers of care are in their area or system. The tool brings together data already submitted by NHS organisations and local authorities and indicates where their biggest delays are.

Auditors may find this data useful in understanding the most common reasons for delayed transfers of care and may wish to consider this as part of their VFM arrangements risk assessments.

### CCG support arrangements

CCGs have discretion to procure commissioning support. For a range of commissioning support services, each CCG can choose whether to use a Commissioning Support Unit (CSU) rather than their own internal staff. CSUs were established to support CCGs in their commissioning, initially hosted by NHS England as part of its organisational structure, but are now autonomous organisations and are self-sustaining entities in a competitive market.

CSU specialist support services include:

- Contract management and negotiation
- Service transformation and redesign
- Business Intelligence
- Information governance
- Financial management
- HR, Estates, IT
- Healthcare procurement and market management
- Non-clinical purchasing
- Communications and patient engagement
- Bespoke services such as individual funding request management, infection prevention, governance and quality

## Governance reporting

**This section sets out the Annual Governance Statement reporting requirements for the audited body mapped against the description of proper arrangements. Auditors might find this useful when considering the "subject matter" as defined in AGN 03 in order to prepare their risk assessment.**

Local bodies' own governance reporting provides helpful, although not necessarily comprehensive, information about the subject matter for auditors' work.

Existing requirements to support Annual Governance Statements are set out below. Note that some governance statement requirements could provide information relevant to more than one

sub-criterion, and are included more than once. **Auditors should not consider these categorisations as prescriptive or exhaustive, or use the framework as a "checklist"**.

The extent to which the information contained in the governance statement will inform the auditor's risk assessment will depend on the auditor's knowledge of the audited body and the quality of the evidence supporting the body's governance statement.

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| **Informed decision making** | • A statement confirming that although the CCG is not required to comply with the UK Corporate Governance Code. CCGs may wish to report on their corporate governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code they consider to be relevant to the clinical commissioning group. The approach should be agreed in discussion with the CCG auditors.<br>• Key features of the CCG constitution in relation to governance (including the split of responsibilities and decision making between the Membership Body and the Governing Body).<br>• Information about the Membership Body and Governing Body, their committees and sub-committees, including membership, attendance records and coverage of its work (terms of reference).<br>• Information about any committees, sub-committees and joint committees established by the CCG constitution, including membership, attendance records and coverage of its work (terms of reference).<br>• The Membership Body and Governing Body's performance including their assessment of their effectiveness.<br>• Membership of the CCG's Audit Committee.<br><br>• Key elements of your risk management strategy, including the way in which risk (or change in risk) is identified, evaluated, and controlled to:<br>  • Prevent risk;<br>  • Deter risks arising (e.g. fraud deterrents); and<br>  • Manage current risks.<br><br>• How the control mechanisms work and risk appetite is determined.<br><br>  • How risk management is embedded in the CCGs activity (e.g. how equality impact assessments are integrated into core business or how incident reporting is openly encouraged and handled.]<br>  • How the CCG involves public stakeholders in managing risks which impact on them.<br><br>• An explanation that the system of internal control is the set of processes and procedures in place in CCG to ensure it delivers its policies, aims and objectives and it is designed to identify and prioritise the risks, to evaluate the likelihood of those risks being realised and the impact should they be |

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| | realised, and to manage them efficiently, effectively and economically. The statement should set out that the system of internal control allows risk to be managed to a reasonable level rather than eliminating all risk; it can therefore only provide reasonable and not absolute assurance of effectiveness. Describe how the control mechanisms work.<br>• How risks to data security are being managed via the information governance management framework and information governance processes and procedures in line with the information governance toolkit.<br>• There are processes in place for data incident reporting and investigation of serious incidents.<br>• Information risk assessment and management procedures are being developed and a programme will be established to fully embed an information risk culture throughout the organisation.<br>• Describe how risk has been assessed, including the CCG's risk profile, and how it has been managed.<br>• A brief description of the CCG's major risks to governance, risk management and internal control separately identifying in-year and future risks, how they are/will be managed and mitigated and how outcomes are/will be assessed (subject to public interest test).<br>• Any risks to governance, risk management and internal control newly identified during the financial year and after the year end (subject to public interest test).<br>• A description of the principal risks to compliance with the CCG licence and actions identified to mitigate these risks, particularly in relation to, the effectiveness of governance structures, the responsibilities of Directors and committees; reporting lines and accountabilities between the Governing Body, its committees and sub-committees and the executive team, the submission of timely and accurate information to assess risks to compliance with the CCG's licence and the degree and rigour of oversight the Governing Body has over the CCG's performance.<br>• Describe the process that has been applied in maintaining and reviewing the effectiveness of the system of internal control, including some comment on the role and conclusions of the board, the audit committee, if relevant, the risk/ clinical governance/ quality committee/risk managers/risk improvement manager, internal audit and other explicit review/assurance mechanisms.<br>• An outline of the actions taken, or proposed to deal with any significant internal control issues and gaps in control, if applicable.<br>• Reference to internal audit including the head of internal audit's opinion in full and a list of audit reports which have concluded no or limited assurance. Include any revealed deficiencies as risks have materialised (significant issues).<br>• Provide information about the quality of the data used by the Membership Body and Governing Body and they find it acceptable. |

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| | • Confirm an appropriate framework and environment is in place to provide quality assurance of business critical models, in line with the recommendations in the Macpherson report.<br>• Confirm that all business critical models have been identified and that information about quality assurance processes for those models has been provided to the Analytical Oversight Committee, chaired by the Chief Analyst in the Department of Health.<br>• Comment on the level of compliance demonstrated by completion of the IG Toolkit.<br>• Provide details of any Serious Untoward Incidents relating to data security breaches, including any that were reported to the Information.<br>• Confirmation that correct arrangements are in place for the discharge of statutory functions, have been checked for any irregularities, and that they are legally compliant, in line with the recommendations in the Harris Review.<br>• Ensuring all staff undertake annual information governance training and implementing a staff information governance handbook to ensure staff are aware of their information governance roles and responsibilities. |
| **Sustainable resource deployment** | • Describe the key process that has been applied to ensure that resources are used economically, efficiently and effectively, including some comment on the role of the Governing Body, internal audit and any other review or assurance mechanisms.<br>• Describe the key ways in which leadership is given to the risk management process and staff are trained or equipped to manage risk in a way appropriate to their authority and duties (including comment on guidance provided to them and ways in which the CCG seeks to learn from good practice). |
| **Working with partners and other third parties** | • Describe the key elements of the way in which public stakeholders are involved in managing risks which impact on them.<br>• Where the CCG relies on third party providers, comment on how assurance is received, the effectiveness of these arrangements and whether any improvements are planned into the future.<br>• Describe the key process that has been applied to ensure that resources are used economically, efficiently and effectively, including some comment on the role of the Governing Body, internal audit and any other review or assurance mechanisms. |

# Sector resources

**This section sets out some of the key stakeholders and their publications that auditors might find useful when preparing their risk assessment. Where a framework or guidance suggests "best practice" this will not necessarily map onto proper arrangements for VFM, where adequate practice may suffice. Auditors might wish to add value and make the audited body aware of "best practice" guidance they identify.**

**National Audit Office**: The NAO scrutinises public spending for Parliament. It publishes various outputs relevant to the audited body's sector; in this case on health and social care. Reports that might be of particular interest to auditors of CCGs include:

- NHS financial sustainability (published January 2019)
- Local auditor reporting in England 2018 (published January 2019)
- Departmental overview : Department of Health and Social Care (published October 2018)
- Adult social care at a glance (published July 2018)
- The health and social care interface ( published July 2018)
- Developing new care models through NHS Vanguards (published June 2018)
- Investigation into NHS spending on generic medicines in primary care (published June 2018)
- NHS England's management of the primary care support services contract with Capita (published May 2018)
- Reducing emergency admissions (published March 2018)
- The adult social care workforce in England (published February 2018)
- Investigation into the clinical correspondence handling in the NHS (published February 2018)
- Sustainability and Transformation in the NHS (published January 2018)
- A short guide to the Department of Health and NHS England (published September 2017)
- Care Quality Commission regulating health and social care (published October 2017)
- Investigation: WannaCry cyber attack and the NHS (published October 2017)
- Departmental Overview 2015-16 Department of Health (published December 2016)
- NHS Ambulance Services (published January 2017)
- Health and social care integration (published February 2017)

The following organisations produce publications on their websites from time to time which auditors may find helpful:

**Nuffield Trust**: The Nuffield Trust describes itself as "an authoritative and independent source of evidence-based research and policy analysis for improving health care in the UK". It publishes a range of comments and articles on topical issues facing the NHS.

**The King's Fund:** The King's Fund is an independent charity working to improve health and health care in England.

In September 2018, the King's Fund published a review of integrated care systems (ICSs)which explains the landscape of the ICSs and progress made since their inception.

A short animated guide how the NHS operates was published in October 2017 along with a slide show on the structure of the NHS. A report examining the content of sustainability and transformation funds was published in February 2017 and in September 2017. The King's Fund and Nuffield Trust published an independent report which analyses the five sustainability and transformation plans (STPs) in London: North Central London, North East London, North West London, South East London and South West London.

**House of Commons Library:** Produces succinct and helpful briefings to support Members in their duties, and are also useful to other readers. Notes likely to be of interest to auditors of CCGs include The structure of the NHS in England.

**The Health Foundation:** An independent charity committed to bringing about better health and health care for people in the UK. It produces informative reports on issues affecting the NHS. In July 2016, the Health Foundation issued a report A Perfect Storm: an impossible climate for NHS providers finances.