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:

NHS Trusts and Foundation Trusts

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

- Clinical commissioning groups (CCGs)

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;
- The NHS Long Term Plan;
- NHS Improvement's Use of Resources assessment;
- Single Oversight Framework;
- Vanguards;
- Sustainabilty and Transformation Partnerships;
- Integrated Care Systems;
- Care Quality Commission;
- Better Care Fund; and
- Delayed Transfer of Care tool.

Background

This section provides some general information about the sector.

NHS trusts and NHS foundation trusts (FTs) are organised either by geographical area, or by their function (such as ambulance trusts, or mental health trusts). They provide health and care to patients who use their services.

NHS Improvement is responsible for overseeing NHS foundation trusts and NHS trusts, as well as independent providers that provide NHS-funded care. NHS Improvement is the operational name for an organisation that brings together:

- Monitor
- NHS Trust Development Authority
- Patient Safety, including the National Reporting and Learning System
- Advancing Change Team
- Intensive Support Teams

The Care Quality Commission (CQC) monitors, inspects and regulates services to make sure they meet fundamental standards of quality and safety. CQC publishes their 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 / NHS trusts and FTs.

NHS trusts were first established by the National Health Service and Community Care Act 1990.

The Health and Social Care (Community Health and Standards) Act 2003 established the concept of FTs. FTs are designated as public benefit corporations authorised to provide goods and services for the purposes of the health service in England. They have greater financial and operational freedom from government than other NHS trusts, including the ability to borrow commercially and to operate a budget surplus to reinvest in future periods. The National Health Service Act 2006 (as amended by the Health and Social Care Act 2012) sets out the legal framework for NHS trusts and FTs in England.

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. When considering data security as part of the well-led element of their inspections, the Care Quality Commission (CQC) will look at how organisations are assuring themselves that the steps set out in this toolkit are being taken.

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

The following sources of information on secondary care performance may be useful to auditors in informing their VFM arrangements risk assessment:

- 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.

Quality Account/Report

Providers must include quality reports or accounts in their annual report. This describes the quality of care the trusts provide to patients, and auditors undertake a limited assurance engagement testing selected indicators against the six dimensions of data quality. The findings of auditors' work may help to inform the VFM risk assessment.

NHS Improvement's Use of Resources assessment

NHS Improvement has introduced for all non-specialist acute trusts a Use of Resources (UoR) assessment framework alongside the Care Quality Commission's (CQC's) well-led framework and inspection regime. NHS Improvement commenced the UoR assessments in October 2017 and will be covering all the non-specialist acute provider trusts during each calendar year. The assessments are designed to improve understanding of how effectively and efficiently trusts are using their resources – including their finances, workforce, estates and facilities, technology and procurement – to provide high quality, efficient and sustainable care for patients. They are also intended to help NHS Improvement identify support needs for trusts and good practice.

CQC has updated its guidance to trusts to reflect this approach and in particular explains:

- how CQC will turn NHS Improvement's UoR rating into a final CQC rating; and
- how CQC's trust-level quality ratings will be combined with the UoR rating to produce an overall trust-level rating.

The assessment is based on a number of Key Lines of Enquiry (KLOEs) in the following areas:

Use of Resources Area	**KLOE**
Clinical services	How well is the trust using its resources to provide clinical services that are productive and offer maximum patient benefit?
People	How effectively does the trust use its workforce to maximise patient benefit?
Clinical support services	How effectively does the trust use the clinical support services to deliver high quality and sustainable service to the patients?
Corporate services, procurement, estates, facilities	How effective is the trust in managing its corporate services, procurement, estates and facilities to maximise productivity?
Finance	How effective is the trust in managing its financial resources?

UoR assessments will be considered as a sixth key question alongside CQC's own quality ratings (for safe, caring, effective, responsive and well-led). Like CQC's five quality questions, UoR will be given a rating of outstanding, good, requires improvement or inadequate. The ratings on the five key questions on quality will continue to be combined to generate a single rating on quality for NHS trusts and FTs .

CQC will issue a Provider Information Request (PIR) to providers at least 33 weeks before the inspection commences. Some of the documents collated for this inspection along with the outcome of the inspection may also be relevant to the auditor as part of their VFM arrangements risk assessment. The final UoR reports are published here on CQC's website.

Single Oversight Framework

Under the Single Oversight Framework, updated in November 2017, which is designed to help NHS providers attain and maintain Care Quality Commission ratings of 'Good' or 'Outstanding', NHS Improvement classifies providers into segments, based on the level of support each organisation needs. NHS Improvement use the oversight framework to identify where providers need support in any of five areas (which are referred to as themes):

- **Quality of care:** NHS Improvement uses CQC's most recent assessments of whether a provider's care is safe, caring, effective and responsive, in combination with in-year information where available. It also includes delivery of the four priority standards for 7-day hospital services.

- **Finance and use of resources:** NHS Improvement oversees a provider's financial efficiency and progress in meeting its financial control total. This approach was co-developed with CQC.

- **Operational performance:** Supporting providers in improving and sustaining performance against NHS Constitution and other standards. These include A&E waiting times, referral to treatment times, cancer treatment times, ambulance response times, and access to mental health services.

- **Strategic change:** Working with system partners to consider how well providers are delivering the strategic changes set out in the Five Year Forward View, with a particular focus on their contribution to Sustainability and Transformation Partnerships (STPs), new care models, and, where relevant, implementation of devolution.

- **Leadership and improvement capability:** Building on the joint CQC and NHS Improvement Well Led Framework, NHS Improvement developed a shared system view with CQC on what good governance and leadership looks like, including organisations' ability to learn and improve.

The segmentation list is updated as and when individual providers' classifications change. NHS providers are assessed using a segment rating of 1 to 4. A description of each segment is set out below:

1. ***Providers with maximum autonomy***: no potential support needs identified. Lowest level of oversight; segmentation decisions taken quarterly in the absence of any significant

deterioration in performance.

2. ***Providers offered targeted support***: there are concerns in relation to one or more of the themes. Targeted support has been identified that the provider can access to address these concerns, but which they are not obliged to take up. For some providers in segment 2, more evidence may need to be gathered to identify appropriate support.

3. ***Providers receiving mandated support for significant concerns***: there is actual or suspected breach of licence, and a Regional Support Group has agreed to seek formal undertakings from the provider or the Provider Regulation Committee has agreed to impose regulatory requirements.

4. ***Providers in special measures***: there is actual or suspected breach of licence with very serious and/or complex issues. The Provider Regulation Committee has agreed it meets the criteria to go into special measures.

NHS Improvement and the Care Quality Commission published a report that summarises the key findings and common themes observed by organisations facilitating the external developmental reviews of leadership and governance under the well-led framework. The report *'Learning from developmental reviews of leadership and governance using the well-led framework'* is structured according to the well-led framework's eight key lines of enquiry. Auditors may wish to consider the findings within the report to understand whether there are any elements or themes that could inform their VFM arrangements risk assessment.

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.

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.

Care Quality Commission

The Care Quality Commission (CQC) inspection regime is set out in this document and aims to inspect each trust at least once between June 2017 and summer 2019, and approximately annually thereafter.

CQC undertakes inspections at provider sites and these findings are a key area for auditors' to consider for their value for money risk assessments. Where the results of a CQC inspection are expected to be published after the audit opinion deadline, auditors should discuss the findings with the trust in the first instance to determine if the results are likely to result in a qualified VFM arrangements conclusion. If so, auditors should consider whether or not to delay the issue of their VFM conclusion until the CQC report is published.

CQC and NHS Improvement have issued *'Special measures for quality reasons: guidance for trusts'* which describes how special measures work for NHS trusts and foundation trusts. The guidance explains:

- why trusts are placed in special measures for quality reasons;
- the process for entering special measures;
- what will happen to trusts during special measures and how long the special measures are intended to last;
- the roles and responsibilities of key organisations involved;
- when and how trusts will exit special measures, including the relationship between quality and financial performance; and
- if and how a trust can re-enter special measures.

Auditors may find the guidance useful to inform their understanding of the process of trusts being placed into special measures.

NHS efficiency map

HFMA and NHS Improvement have worked in partnership to update and revise the NHS efficiency map. The map is a tool that promotes best practice in identifying, delivering and monitoring cost improvement programmes (CIPs) in the NHS.

NHS organisations continue to work hard delivering savings through improving efficiency and reducing waste. The 'NHS Long Term Plan', published in January 2019, includes a clear aim of achieving the greatest possible value out of every pound of taxpayer's investment. Building on the foundations of NHS England's Five Year Forward View, productivity growth and reducing unjustified variation in performance remain key components of how the NHS intends to improve care for patients over the next 10 years.

Alongside this, Lord Carter's productivity review found savings could be made through addressing unwarranted variation in the cost of providing clinical and back-office services, through improved staff engagement, better management of services and performance data and using digital technology more often. Implementing Carter's recommendations is a priority that NHS England and NHS Improvement set out in their July 2016 paper Strengthening financial performance and accountability in 2016/17.

The national focus on improving efficiency and productivity will mean taking local action to deliver savings remains a priority for all NHS organisations. Aimed at NHS finance directors and their teams and other NHS staff with an interest in the delivery of CIPs, the purpose of the NHS efficiency map is to highlight existing resources on eliminating waste, increasing efficiency and at the same time improving quality and safety.

The map is split into three sections: enablers for efficiency, provider efficiency and system efficiency. The map highlights the successes some NHS providers have had in delivering specific efficiency schemes and provides sign-posts to existing tools and reference materials. It also includes updated definitions for different types of efficiency. This map will be updated as new tools and case studies are produced.

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 2019-20. 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 2017-2019, 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.

NHS trusts and FTs may be involved as provider organisations in local BCF arrangements. 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.

Mergers

The legal framework for NHS trusts allows for the merger of two or more local health bodies. Mergers may be proactive to secure better efficiencies or outcomes, or reactive to a developing situation such as provider failure. NHS Improvement maintains guidance on the procedure to agree a merger, that also has regard to the Competition and Markets Authority as the authority responsible for ensuring that competition and markets work well for consumers.

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.

	NHS trusts	NHS foundation trusts
Informed decision making	• Describe the Accountable Officer responsibilities including, responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives, whilst safeguarding quality standards and public funds. • Acknowledge the Accountable Officer's responsibilities as set out in the Accountable Officer Memorandum demonstrating an understanding of propriety and accountability issues. • Information about the board's committee structure, its attendance records and the coverage of its work. • The board's performance including its assessment of its own effectiveness.	• Describe the key ways in which: leadership is given to the risk management process. • Describe the key elements of the risk management strategy, including the way in which risk (or change in risk) is identified, evaluated, and controlled. Include mention of how risk appetites are determined. • Explicitly describe the key elements of the quality governance arrangements, including how the quality of performance information is assessed and how assurance is obtained routinely on compliance with Care Quality Commission registration requirements. • The foundation trust is fully /is not fully compliant with the

	• Highlights of board committee reports, notably by the audit committees. • An account of corporate governance, including the board's assessment of its own corporate governance. • A summary of quality governance, including arrangements for assurance on the content and publication of the Quality Account, clinical audit, "never events", serious untoward incidents (SUIs) and explanations of follow-up action. • Confirmation that arrangements in place for the discharge of statutory functions have been checked for any irregularities, and that they are legally compliant. • Describe how risk is assessed, including the organisation's risk profile, and how it has been managed: include a brief description of the organisation's major risks, including clinical risk, any newly identified in-year risks and future risks and a summary of any data security breaches or lapses including the advice of the Caldicott Guardian and any issues that were reported to the Information Commissioner. • An assessment of the evidence about the effectiveness in practice of the risk management processes in place. Including an outline of the actions taken, or proposed to deal with any significant internal control issues or gaps in control. This should include reference to any improvement notices, risk assessments or reports published about the organisation of internal audit and executive managers.	registration requirements of the Care Quality Commission. • Explicitly include how risks to data security are being managed and controlled as part of this process. • Describe key ways in which risk management is embedded in the activity of the organisation. • Brief description of steps which have been put in place to assure the Board that the Quality Report presents a balanced view and that there are appropriate controls in place to ensure the accuracy of data. • 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, clinical audit, internal audit and other explicit review/assurance mechanisms. • Describe any serious incidents relating to information governance including data loss or confidentiality breach. As a minimum this should include details of any incidents classed as Level 2 in the Information Governance Incident Reporting Toll and disclose whether these cases have been reported to the Information Commissioner's Office (ICO) and detail any action taken by the ICO. • Description of the principal risks to compliance with the NHS foundation trust condition 4 (FT governance) and actions identified

	Disclose any revealed deficiencies as risks have materialised.	to mitigate these risks, particularly in relation to the effectiveness of governance structures, the responsibilities of directors and sub-committees, reporting lines and accountabilities between the board, its sub-committees and the executive team, the submission of timely and accurate information to assess risks to compliance with the trust's licence and the degree and rigour of oversight the board has over the trust's performance. • Describe the key ways that the trust is able to assure itself of the validity of its Corporate Governance Statement, required under NHS foundation trust condition 4(8)(b).
Sustainable resource deployment	• Describe the Accountable Officer responsibilities including, responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives, whilst safeguarding quality standards and public funds. • Describe how the risk and control mechanism works including the leadership given to the process and how staff are trained and equipped to manage risk. • The board's performance including its assessment of its own effectiveness.	• As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments into the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations. • Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with. • The FT has undertaken risk assessments and Carbon Reduction Delivery Plans are in place in accordance with emergency preparedness and civil

		contingency requirements, as based on UKCIP 2009 weather projects, to ensure that this organisation's obligations under the Climate Change Act and the Adaptation Reporting requirements are complied with. • 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 board, internal audit and any other review or assurance mechanisms. • Describe the key ways in which: staff are trained or equipped to manage risk in a way appropriate to their authority and duties. Include comment on guidance provided to them and ways in which you seek to learn from good practice.
Working with partners and other third parties	• Confirmation that arrangements in place for the discharge of statutory functions have been checked for any irregularities, and that they are legally compliant. • Information about the board's committee structure, its attendance records and the coverage of its work.	• Describe the key elements of the way in which public stakeholders are involved in managing risks which impact on them. • 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 board, 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 NHS trusts and FTs 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)
- 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 Social Care 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.

In August 2017, the King's Fund published a briefing Understanding the NHS Deficit. This briefing assesses the financial health of those providers by unpicking the headline figures presented in the official accounts to reveal the true underlying state of the NHS's finances today, and to outline prospects for the next three to four years.

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

CQC: Monitors, inspects and regulates services to make sure they meet fundamental standards of quality and safety. CQC publishes their findings, including performance ratings. CQC also sets out what good and outstanding care looks like and can take action where care falls below standards.