Advisory

Crawley CCG and Horsham & Mid Sussex CCG
Review of Governance, Capability and Capacity

Strictly Private and Confidential

1 June 2018

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Dear Sirs

Governance Review - CCG level report

We report on NHS Horsham & Mid Sussex CCG and NHS Crawley CCG in accordance with our agreement dated 5 March 2018 (see Appendix One). Save as described in the agreement or as expressly agreed by us in writing, we accept no liability (including for negligence) to anyone else or for any other purpose in connection with this report, and it may not be provided to anyone else.

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Yours sincerely

Yvonne Mowlds
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Introduction

Both CCGs have shared a management team since inception; over the last year, in response to a governance review by RSM, they have actively have moved into a shared governance structure of joint meetings and meetings in common.

Background

Crawley CCG and Horsham and Mid Sussex CCG are separate entities but have been co-located and have had a shared management team since 2013. They retain separate memberships and Governing Bodies. The constitutions of the two CCGs are aligned. A feature of these is that the membership groups have retained responsibility for agreeing proposed changes to the constitutions and for contributing to commissioning strategy.

Crawley CCG covers the town and borough of Crawley, a GP registered population of 132,000 (September 2017). Horsham and Mid Sussex CCG covers four towns (Burgess Hill, Haywards Heath, East Grinstead and Horsham) and several villages, a GP registered population of 238,700 (September 2017).

Both CCGs achieved financial surpluses until 2016/17.

NHS England required a financial governance review due to the worsening financial situation in September 2016 and this was commissioned from RSM who reported in March 2017.

In response to the RSM findings the CCGs moved into a joint governance structure of committees in common and joint committees; actions were taken to strengthen the financial governance arrangements including:

- Governing Body training;
- strengthening the finance function; and
- self imposed turnaround.

NHSE Legal Directions

In 2017/18, both Crawley CCG and Horsham and Mid Sussex CCG received legal directions from NHS England after Crawley reported a deficit of £5.26m after release of a 1% non-recurrent reserve for 2016/17 and Horsham & Mid Sussex reported a deficit of £14.8m. The legal directions came into force on 13 November 2017.

The directions focus on four key areas:

- Leadership capacity
- Developing a capacity and capability action plan
- Undertaking a governance review
- Development and implementation of a robust and credible financial recovery plan.

Context of our report

Our review was undertaken in March and April 2018. Crawley and Horsham CCGs joined the Central Sussex Commissioning Alliance on 1 January 2018 and our work took place while the CCGs' governance arrangements were evolving to reflect the transition into the Alliance.

One feature of the Alliance is a shared Executive team across the Alliance CCGs: this management team was still forming at the time of our review.

The transition into the Alliance meant that we were reviewing organisations and leadership teams at a time of change and uncertainty. Our findings and conclusions should be read in this context.

At a glance

PwC view

The CCGs have not complied with their statutory financial duties and must take urgent, robust action to regain control of their finances.

Increasing the grip and scrutiny over financial matters should be a key priority.

An investigation into the accounting and governance relating to the £12m debtor figure should be undertaken and lessons learnt should be shared across the Alliance.

Full implementation of the CCGs' Improvement and Assurance Plan is needed to address its legal directions.

1 The two CCGs have worked closely together with a single management team since inception and their experience of joint working in practice should help inform the Alliance.

The process around holding joint meetings is working well. Aside from the joint Quality & Performance committee, meetings (including Governing Body) are held in common. Finance papers show the data for both Crawley and Horsham & Mid Sussex with some combined data e.g. QIPP pipeline. Performance data is shown mainly by provider but with narrative occasionally showing differences in key measures and movements for each CCG with CCG level charts in the appendices. The experience of these two CCGs in shared governance should be helpful to the Alliance going forward.

2 Significant deteriorations in the forecast outturn even as late as Month 10 (an adverse movement of £9.5m) expose a lack of grip on the financial situation.

There has been over optimism and the Governing Bodies need to increase their grip on the financial situation. We understand there has historically been a view held by some that costs, particularly in relation to providers, are outside of the CCG's control. Budget holders must be held to account and processes should be in place to ensure budgets are being managed effectively.

Concerns about financial governance were raised at the Finance & Contracting committee on 10 April 2018, including in relation to a £12m debtor figure which has been on the balance sheet for three years. Greater scrutiny, around finance generally, is required.

Moving into 2018/19with a significant financial challenge the CCG must focus on robust discussions and progress with QIPP schemes.

3 Financial governance recommendations from 2017 have not been fully implemented and the Improvement and Assurance Plan developed has a number of overdue actions.

The CCGs have not fully implemented the recommendations reported in March 2017 RSM's review of financial governance. The CCGs are aware of shortcomings in governance, and are proactively trying to address these via the Improvement and Assurance Plan.

The Improvement and Assurance Plan has been developed to address the key aspects of the CCGs legal directions. However, at the March 2018 Audit Committee update there was a wide range of outstanding actions with no revised timescales or implementation owners. Timely implementation of this plan should be a primary focus of the Governing Body with accountability for lack of action or slippage.

4 Financial Recovery Plans do not align to the latest 2018/19 Operating Plan.

The CCGs' 2018/19 operating plan submitted to NHSE included 4% QIPP savings, which does not align to Year 1 of the FRP which included 6% QIPP savings. The CCGs must focus on ensuring their transformational plans are deliverable, and that members of the Governing Bodies are signed up to achieving the planned outcomes.

At a glance

PwC view

There is an urgent need to strength capability and capacity in PMO and other business support functions to ensure financial objectives can be met.

There is a need to translate clinical engagement into effective clinical leadership.

Both constitutions reserve a number of areas for approval to members rather than the Governing Body. We recommend that constitutions be aligned across the Alliance.

Following the resignation of the Crawley Chair and AO, swift action was taken to cover the gaps.

5 The CCGs' capacity and the skills mix is not currently sufficient to address the challenges faced.

A number of Lay Members (including the lay member for PPI at Crawley, joint lay member of Finance and joint lay member of Governance) and interims have posts coming to an end. We understand that the Lay Members terms are currently being renewed. In addition, at Crawley CCG there were changes to AO and Chair post holders in 2017/18; a number of PMO posts are interim posts due to end between April and June 2018. We have been told about capacity and capability gaps within the Finance team and the BI team.

These roles are key in both supporting and providing challenge to the CCG. The CCG and must urgently plan for succession and take steps to ensure adequate capability and capacity is in place.

6 Additional role clarity and support is needed for individuals, in particular clinicians, and sub-committees

We observed a lack of engagement of clinical members, some of whom make a limited contribution to committees they attend. The current large clinical representation on CCG committees is not translating to strong clinical leadership. There is insufficient clarity of individual roles and objectives.

In addition, at Crawley in particular, our survey results highlight that Lay Members and sub-committees stray into management activities and there is overlap between the work of various sub-committees.

Concerns were also raised in interviews that the culture needs to be improved, particularly in relation to challenge, which we were told is sometimes not well received. The CCGs should invest in Governing Body member development in relation to their roles and the roles of sub committees. This will be important in upskilling Governing Body members as they integrate into the Alliance.

We noted strong clinical engagement in relation to clinical matters but found this was lacking in relation to corporate governance, performance and finance: strong, consistent clinical leadership of the CCG is an area for development.

7 The Locality Group and Clinical Reference Group play a significant role in determining commissioning strategy for their respective CCGs which can delay decision making.

The GP practice membership of these Groups is responsible for decisions including the determination of the commissioning strategy and any changes in the constitution. Compared to other constitutions in Alliance, the CCGs' constitution reserves a larger number of areas for approval by its members.

In our view this level of reserved decisions is unusually high and there is a risk that it leads to divergent positions being taken by the two CCGs. In addition this level of reservation slows decision making and may make it difficult for the CCGs to keep pace with the Alliance.

At a glance

PwC view

The quality of committee papers should be improved – in particular the accuracy of data.

There have been some procurement and conflict of interest matters at Crawley which were outside the scope of our work.

8 The quality and impact of papers, and the use of risk management tools should be improved and embedded into "business as usual" in the CCG.

In all committee meetings we attended there were errors or gaps in the information in papers and often challenges on the data picked up by lay members. Although some reports had positive aspects in terms of their use of commentary and visual presentations, the papers were long. Alignment of report styles across the Alliance, with the input from report users, should be undertaken to improve readability and increase engagement.

We observed a lack of detailed discussion of the Governing Body Assurance Framework and the Corporate Risk Register. Some risks appeared to have been reduced in rating without sufficient evidence and we were told that risk processes do not drive action or change. The BAF and CRR could be used more effectively in meetings to scrutinise controls and gain assurance that risks are being effectively mitigated.

9 Procurement and Conflicts of Interest issues at Crawley CCG should be addressed.

Crawley CCG reported a conflict of interest in Q1 of 2017/18. NHS England commissioned an independent investigation by Verita and, at the time of our review, the results of this were not available to us. This investigation has culturally impacted CCG morale and it will be key for the CCG to actively address the findings reported.

Recommendations

Definitions of keys used in the report

Priority

The actions have been given a 'Priority' rating, from high to low. This reflects the degree of urgency with which we believe the actions should be addressed.

High	This is critical to the CCGs' progress
Medium	This is important to the CCGs' progress
Low	This may not have a significant impact on the CCGs' progress but should still be taken forward

Implementation Risk

The 'Implementation Risk' rating in the final column indicates the extent to which we believe the CCGs will be capable of achieving the recommended action in the recommended timeframe, taking into account any work the CCGs have already undertaken.

High	Significant concerns and/or the action is difficult to implement. Little progress has been made to date. The CCGs are unlikely to implement the recommendations effectively within the necessary timeframe without external support or additional resource.
Medium	Some progress has been made. The CCGs should consider seeking advice or support to ensure recommendation is implemented effectively.
Low	Low level of concern. Plans are already well advanced, or the action will be straightforward to implement.

Recommendations

Actions to be taken by the CCGs.

- We anticipate the Governing Bodies will want overall visibility of progress against the action plan, to help assure itself that the CCG is taking and measuring the achievement of the actions.
- We have not allocated owners to actions but this is an essential first task for the CCGs in order to ensure delivery of the actions.

Ref	Area	Action	Priority	By when	Implementation risk
1	Debtor balance	An investigation into the accounting and governance relating to the £12m debtor figure should be undertaken and lessons learnt should be shared across the Alliance.	High	June 2018	Medium
2	Improvement and Assurance Plan	An Improvement and Assurance Plan has been developed to address the key aspects of the CCGs' legal directions. The CCGs should review the plan and ensure for the outstanding actions there are: • Revised timescales for implementation; • Action owners; and • Accountability for achieving future milestones.	High	June 2018	High
3	CCG member engagement	Some members of the Governing Bodies were unaware of the formal links with and structure of the Alliance: this should be clarified; additionally, the CCG must increase engagement with its members in relation to future governance arrangements to ensure the transition into the Alliance is supported.	High	June 2018	Medium
4	Organisational Development	The CCG should develop (or be involved in the Alliance level development of) an Organisational Development Plan to provide clarity over individual roles of Governing Body members. This must include clinical leadership. Development support should be provided to the Governing Body as a whole exploring the effectiveness of meetings, how to scrutinise performance, identify and agree action centred challenge and use of risk management tools.	High	June 2018	Medium
5	Capability and Capacity	The CCG should take part in an Alliance-wide review of support functions (such as Commissioning and Contracting, PMO and Business Information). Future lay member appointments, given the imminent end of some tenures, should be addressed through extensions of terms and recruitment, both of which we understand are in progress.	Medium	July 2018	Medium

Recommendations

Actions to be taken by the CCGs.

Ref	Area	Action	Priority	By when	Implementation risk
6	GP engagement	The effectiveness of the Clinical Reference Group and Locality Group in encouraging genuine GP engagement should be reviewed.	High	June 2018	Medium
7	Governing body meetings	The Governing Body meeting was not action focused and discussions often failed to conclude. We recommend that the agendas be reviewed in terms of their prioritisation, clearly highlighting the decisions to be made.	Medium	July 2018	Medium
8	Financial governance and scrutiny	The Governing Body meeting we observed lacked robust discussion and challenge. The level of financial scrutiny at all levels should be increased. In particular, the Governing Body should focus on: • Budget holder accountability; and • Seeking and receiving assurance over the robustness of plans and ongoing monitoring of implementation to manage the risk of over-optimism and late deteriorations in forecast outturn. We recommend further training on NHS finances as well as coaching for Governing Body members on providing effective financial scrutiny.	High	May 2018	Medium
9	Papers	Reports are long and, in particular, we noted that the format and content of finance reports need to be improved. We recommend: • Other Alliance CCG papers be reviewed so that CHMS can see examples of better practice; • Paper formats should be reviewed to improve the granularity, clarity and impact of the narrative; • Increased review of papers for data errors and gaps in information prior to circulation to members; and • Cover sheets should be introduced across all papers as an executive summary that could serve effectively as a stand alone document. These should include the key points, conclusions and actions to be taken of each paper.	High	June 2018	Low

Recommendations

Actions to be taken by the CCGs.

Ref	Area	Action	Priority	By when	Implementation risk
10	CSU service provision	Given concerns over CSU performance, we recommend that the CCG joins an Alliance-wide effectiveness review of current CSU support. This review should include an options appraisal of alternative models for the provision of the services.	High	July 2018	Medium
11	Risk management	At the Governing Body and Audit Committee there was very limited discussion on the BAF or CRR. We recommend that the CCG increases the profile of these tools at key governance meetings, and the Governing Body sub committees invite risk owners to present on implementation progress on a regular basis. In addition, further recommended improvements to the format and content of the BAF and CRR have been identified: • Providing a brief rationale of the assessment of each risk and the current risk rating; • Documenting mitigating controls against the initial risk assessment and outlining their impact; and • Reviewing the risk rating calculation to ensure they are no errors in the current versions of each document.	Medium	July 2018	Low
12	Lay Member and Clinician effectiveness	Lay members and clinicians should meet in their peer groups more often outside of committees, e.g. before or after Governing Body meetings to compare notes, share concerns and discuss development areas. This should assist with building a strong team dynamic and facilitate stronger contributions from clinical leaders in governance meetings.	Medium	July 2018	Low
13	Committee structures	We recommend that the Delivery Programme Board reports to the Finance & Contracting Committee. This will: • Streamline the number of reports that are brought to the Governing Body; and • Reduce the current dual reporting which requires the Programme Board to seek approval from the Finance & Contracting Committee for expenditure over £100k.	Medium	July 2018	Low

Main findings

Function and role

Committees and groups need to better understand their individual roles.

PwC view

Governing Bodies and key committees have been held as meetings in common since 2013. We found these meetings were cohesive and did not operate as "two in one" style meetings. The work to achieve this should be drawn upon by the Alliance.

Overview

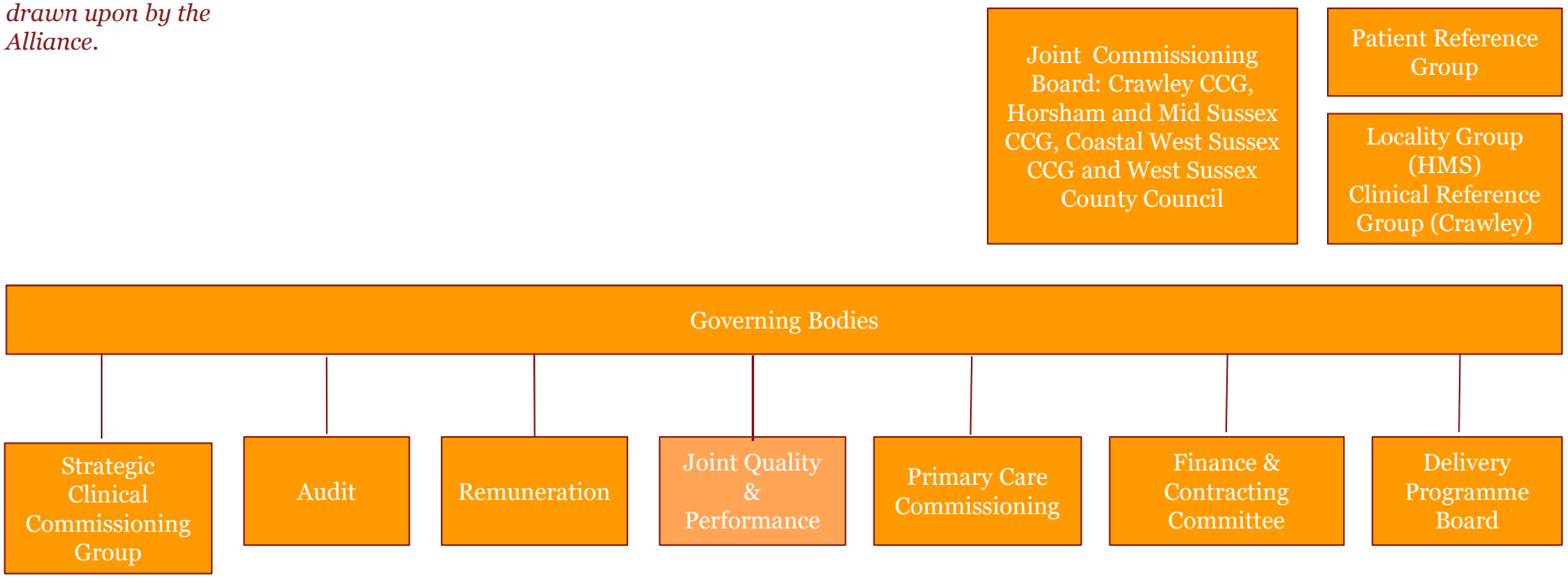
The diagram below sets out the current governance structure which is the same for each of the two CCGs, except that the member practices engagement group is called the Locality Group in Horsham and Mid Sussex and the Clinical Reference Group in Crawley.

The Governing Body and most sub-committees are held in common and the Quality & Performance Committee is a joint committee.

The law does not permit joint committees for Governing Bodies, Audit Committees or Remuneration Committees so those meetings are held as committees in common rather than joint committees.

The Strategic Clinical Commissioning Group has responsibility for identifying transformation programmes, driving delivery of strategic changes to the health and care system that will improve outcomes for local people and ensure that services are financially sustainable, monitoring outcomes data sources, conducting a programme of deep dives, confirming strategic priorities, and signing off annual plans and strategies and changes to clinical pathways.

The Locality Group and Clinical Reference Group are responsible to their respective CCGs for duties including a role in the determination of the commissioning strategy and any changes in the constitution.



Function and role

PwC view

The Governing Bodies have strong clinical representation. Lay membership has recently been strengthened with the appointment of a Lay Member for Finance, giving a better balance between clinical and non-clinical members.

We found gaps in the capability and capacity of the Governing Body and note that some lay members are approaching the end of their terms, which are currently being renewed.

A skill mix review of Governing Body members should be undertaken across the Alliance and in the context of the Alliance-wide needs.

Governing Body

Membership and Skill Mix

The Governing Body membership is comprised as follows:

Crawley CCG	**HMS CCG**
AO	
Chair	Chair
Alliance MD for North**	
Clinical Reference Group Chair	2 Locality Chairs
Clinical Director	Clinical Director
2 GPs from the Strategic Clinical Commissioning Group	3 GPs from the Strategic Clinical Commissioning Group
4 Lay Members*	4 Lay Members*
Registered Nurse	
Secondary care specialist doctor	
Strategic Director of Finance	

* Three of the four lay members are shared between the two CCGs. ** We note that neither CCG's constitution currently reflects the Alliance MD for North. The March Governing Body minutes listed the North MD as a member of Crawley but only as an attendee for HMS.

Both Governing Bodies have strong clinical representation. Governance is covered by the Lay Member for Audit at each CCG and the Head of Governance attends. The Strategic Director of Finance (across the Alliance) is a member of both and the CFO (shared across both CCGs) attends.

In response to the significant financial issues in both CCGs and the requirement by NHS England, a Lay Member for Finance has recently been added. Each CCG now has four lay members. The Lay Member for Governance, the Lay Member for Finance and Lay Member for Primary Care are common across the two CCGs.

We understand that there isn't a member with a commissioning portfolio although a Director of Joint Commissioning and Partnerships and a Programme Director of Commissioning Reform are attendees. An interim Turnaround Director and a Project Consultant are also among those invited to attend.

The lay member for PPI at Crawley has recently stepped down and tenure expires for the lay member for Finance across both CCGs on 19 August while the tenure of the lay member for Governance across both CCGs expires on 23 July. Recruitment for the PPI role is in progress and the terms for the other members are being extended.

Meetings

The Governing Body meets in public every three months and holds briefings and seminars between those - sometimes focusing on finance issues. Meetings of the two CCGs are held in common and in a variety of locations. In the meeting we observed on 15 March 2018, the two CCG Chairs chaired part of the meeting each.

Function and role

PwC view

Despite positive survey feedback on the accuracy of information received at Governing Body, we received interview feedback that there are concerns about data quality. In meetings we observed mistakes in papers and gaps in information provided.

The Governing Body meeting we observed lacked robust discussion and challenge. The meeting was not action focused and discussions often failed to conclude.

Governing Body (continued)

Effectiveness - Information

Through our survey we received positive feedback on the following statements:

- The information received is accurate (100% agreed).
- The information received allows members to effectively hold management to account (HMS 100% agreed, Crawley 75% agreed).

However, we noted a disconnect between members' responses in the survey and what we observed and heard in interviews.

In interviews, we were told that there are concerns with data, that mistakes are found when drilling down and that the quality of papers needs to be improved, particularly around purpose and focus.

We observed the Governing Body Meeting in Common of the two CCGs on 15 March 2018. Some of the papers were lengthy and lacked clarity of purpose. GB members noted that a lack of metrics in the Quality Report prevented them from having an informed discussion on the direction of travel. In the finance paper, attention should be given to the language used to make it more understandable to readers and to draw out more clearly the highlights of the data and the key concerns and risks that members should be aware of.

The action tracker contained gaps (e.g. responsible owner and target date missing).

Effectiveness - Discussions

In our survey, 100% of respondents strongly agreed that members are able to say openly what they are thinking and feeling and express doubts, uncertainty or lack of understanding.

In the meeting we observed some GB members had concerns about whether matters should be discussed in part one or part two of the meeting.

There was little challenge or discussion on some key areas, for example, the significant risk that the Control Totals for 2018/19 would not be met.

While a number of reports identified that difficult decisions would need to be made, there were no examples given and no discussion about the sort of decisions envisaged.

We observed that discussions often failed to conclude with a clear decision or action. Consequently, in our view the effectiveness of this meeting could have been improved.

Our review of past Governing Body meeting minutes indicates a variable degree of challenge and discussion.

Effectiveness - prioritisation and timing

In the meeting we observed, there was a long discussion towards the end of the part two meeting on the problems with the MSK contract which exposed a lack of a shared understanding of the key details of the contract. It was suggested by one of the GB members that this should have been earlier in the agenda in order to allow sufficient time for a full discussion.

Function and role

PwC view

There is still work to do to integrate and engage the CCGs with the Alliance.

Alignment with Alliance

There were a number of instances in the meeting which suggest that there is still some work to do to fully integrate Alliance level governance with the CCGs.

For example, in a discussion about the need for an overarching plan to address over performance and the tension between providers and commissioners, concern was raised about sovereignty of decision making in the context of the Alliance.

We were told in interview that there were some reservations about the transition into the Alliance: the CCG Chairs will have a key role in engaging members positively with the transition.

Audit Committee

Purpose

The terms of reference for the Audit Committees of the two CCGs are aligned and meetings are held in common. The committees' prime purpose is to ensure effective internal control and to provide the Governing Body with a means of independent and objective review of financial and corporate governance, assurance processes and risk management across the CCG's activities (clinical and non-clinical).

Membership

The committee of three members is made up of the Lay Member for Audit & Governance (Chair), the Lay Member for Patient & Public Involvement, and a GP member. Membership is being increased to five members comprising four lay members and a GP member.

Various other attendees would be invited to regularly attend, e.g. Chief Finance Officer, Head of Governance, representatives from the external auditors, local counter fraud service etc.

Meetings

Meetings are held in common at least four times a year. Audit Committee Reports are provided to Governing Body summarising the most recent committee meeting.

Effectiveness - Information

We observed a meeting of the committee on 5 April 2018. Similar to our observations in the Governing Body meetings, there were concerns with information quality. For example:

- The Lay Member pointed out an action missing from the minutes and some misleading wording.
- An error was noted in the scoring of one of the risks on the Corporate Risk Register ((4 x 3 = 20). However, the opportunity was not taken to discuss the risk and consider what the correct scoring should be.

Effectiveness - Prioritisation

The monthly finance report (M11) was included for discussion in the April 2018 meeting. For some members

Function and role

PwC view

Papers brought to the Audit Committee should be reviewed to ensure the papers are relevant to the group discharging it's duties effectively and to avoid unnecessary duplication with other committees.

Historically there has been a view held by some that costs, particularly in relation to providers, are outside of the CCG's control. Budget holders must be held to account and processes should be in place to ensure budgets are being managed effectively.

Effectiveness – Prioritisation (continued)

this was the third time they were looking at this paper in a committee meeting, which was in part due to the programming of papers relating to the financial year end. Although the Chair did ask for it only to be given brief consideration, the purpose of this item was not clear, especially as this would scrutinised at the Finance & Contracting Committee.

Effectiveness - Discussion

There was some good challenge and discussion, particularly around Internal Audit matters and around the draft accounts.

The issue of budget holder accountability was raised by lay members. The response of management highlighted the difficulty for budget holders due to factors that were outside of their control, linking the lack of control to the PBR contracts, as well as factors such as tariff changes and provider coding changes. There is an urgent need for a cultural shift towards true accountability, and away from the mentality where budget holders cannot be held to account due to external factors.

Finance & Contracting Committee

Purpose

The terms of reference of the Finance & Contracting Committees in Common of the two CCGs are aligned. The committees' prime purpose is responsibility for reviewing the development and implementation of the Finance and Contracting strategy and plans of the CCG, providing assurance to the Governing Body on fitness for purpose and delivery and holding budget line holders to account on performance against budget, mitigating actions and impact.

Membership

The committee was formed as "committees in common" in May 2017. According to the May 2017 Terms of Reference (which we are advised represents the current version), the membership comprises eight voting members as follows:

- Lay Member for Audit as Chair;
- two Governing Body GP members (each CCG having its own two voting member GPs);
- Accountable Officer;
- Chief Finance Officer;
- Director of System Transformation;
- Director of Joint Commissioning & Partnerships; and
- Director of Commissioning Performance.

Meetings

Meetings are held in common on a monthly basis. The committee provides reports to Governing Body meetings summarising the most recent committee meeting and provides copies of meeting minutes for information.

Effectiveness - Information

We observed a meeting of the committee on 10 April 2018. The meeting started late due to over-running of the Turnaround Board meeting immediately prior to this.

We understand that the Strategic Director of Finance is planning to make the format and content finance reports consistent across the Alliance. This provides a timely opportunity to refresh the report and include clear narrative on the data being presented.

Function and role

PwC view

An investigation into the accounting and governance in relation to the £12m debtor figure should be undertaken and lessons learnt should be shared across the Alliance.

In all the committees we observed there were challenges in relation to data quality. There is a need for a more detailed approach to data to ensure the provenance is understood and clearly explained to the members.

Clinical engagement was strong in relation to clinical matters, but must be increased on corporate governance, performance and finance: in our view strong, consistent clinical leadership is currently an area for development.

Effectiveness – Information (continued)

As in other CHMS committees we attended there was a challenge on data picked up by a lay member. In this instance there was a difference in what was included in the numbers between Crawley and Horsham & Mid Sussex for the Continuing Care QIPP. This inconsistency and lack of clarity in what the numbers mean compromises the ability of the committee to make effective decisions.

Effectiveness - Prioritisation

We noted that one agenda item was to agree the refresh of the draft financial plan to be submitted to NHSE on 5 April, but it appeared to have been submitted already (with Governing Body approval) prior to this meeting.

Effectiveness - Discussion

In the April 2018 meeting there was discussion about the requirement for a provision in relation to a £12m debtor balance on the balance sheet for the MSK contract. There was a lack of understanding about this balance despite it having been on the balance sheet for over three years. It is not clear why the matter has been allowed to remain unresolved for so long.

We noted that two members did not contribute significantly to the meeting.

Quality & Performance Committee

The Quality & Performance Committee is a joint committee of the two CCGs. The purpose of the committee is to provide oversight and monitoring of the quality of commissioned services including patient experience and safety, the effectiveness of commissioned services and performance against service delivery indicators.

According to the most recent terms of reference provided, the committee comprises ten voting members, including a lay member for each CCG and four non-voting members. The committee meets no less than six times per annum. We have not observed this committee as part of our work.

Crawley Clinical Reference Group (CRG)

We observed the bi-monthly Crawley CRG locality meeting on 28 March 2018. In addition to GP practice representatives, attendees included the CCG Chair and MD for North Place.

The Chair introduced agenda items clearly, presented well and rounded off debate when necessary. Where required the Chair responded authoritatively to move the agenda along.

We observed some vocal GP practice members while others did not speak. In our view more effort needs to made to encourage contributions from members who didn't speak and to engage a wider spectrum of the members.

Whilst the members were fully engaged on clinical matters, they were less so on corporate governance, performance and finance elements of the agenda. For example finance slides were presented with the stated intention of stimulating discussion but there was very little. GPs were asked to consider what else could be cut in terms of discretionary spend in addition to efficiencies sought through QIPP. They were also asked about what tools would help them but this did not lead to any meaningful discussion or debate. Translating clinical engagement into clinical leadership of the CCG is a key area for improvement.

Function and role

PwC view

The two clinical groups (clinical reference group and locality group) are inconsistent in their approach to agenda setting and prioritisation. The quality of papers was poorer for the HMS locality group.

Both groups had little discussion or challenge of wider governance matters. Given the level of decision making reserved for members in the CCG's constitutions, greater effort should be made to engage across a broader range of areas.

We recommend that the Delivery Programme Board report to the Finance & Contracting Committee.

Crawley Clinical Reference Group (continued)

We recommend that as part of reviewing the development of the Governing Body, consideration should be given to development session for the wider membership to support them in engaging on broader issues, in particular, financial matters.

Horsham & Mid Sussex CCG Locality Group

We observed the bi-monthly HMS CCG locality meeting on 20 March 2018. Some of the papers were only made available to us shortly before the meeting. One paper was not provided and the meeting was advised that it would subsequently be circulated.

It was noted that there were no actions from the previous meeting in the actions column of the minutes. There was little discussion on the Financial Recovery Plan and it was pointed out to us that this had been seen several times already. The Chair did not seek questions on the Operating Plan.

The AO attended and presented on the Alliance and answered some pertinent questions. We observed that the Lay Member for Patient & Public Involvement and other attendees were engaged in this presentation, asked questions and elicited answers to matters they were concerned about.

The membership was receptive to the idea of having briefing papers provided by the CCG on CCG policy which they could refer to when talking to patients.

Given the approaching new financial year, we would have expected more focus on finance and on the QIPP schemes in particular.

Delivery Programme Board

The Delivery Programme Board manages the CCG's PMO and QIPP agenda to deliver the CCG's Operational Plan. The Board considers business cases (after finance, PMO and clinical scrutiny).

Currently the Delivery Programme Board is a subcommittee of the Governing Body, however if expenditure is over £100k it requires sign off from the Finance & Contracting Committee. We recommend that the board reports directly to the Finance & Contracting Committee to streamline reporting.

Reporting

Information presented to the Governing Bodies and committees should be used to hold management and staff to account and support effective decision making.

Finance Report to Governing Body

A Finance report showing the position for each of the two CCGs is presented to Governing Body. This sets out the year to date position against plan and forecast outturn against plan. The variance is analysed into key areas, e.g. key contracts and QIPP under-delivery. A QIPP slide contains a useful summary for each CCG of the number and value (annual and forecast outturn) of projects for each delivery team, showing Medium to High Risk schemes separately.

There are also slides showing expenditure run rate, a slide for each CCG showing the position by area of spend, a Next Steps slide and various other slides with additional high level information.

Function and role

PwC view

Reports provided to the Governing Body should be improved, for example using cover sheets to more effectively highlight key concerns and risks.

The Performance, Delivery and Quality report has some good features including the use of visuals and commentary. These features should be replicated across other Governing Body reports.

Finance Report to Governing Body (continued)

While factual commentary is included along with the data, further work is required to make this more impactful in terms of highlighting and addressing the key concerns and risks.

Performance, Delivery & Quality Report to Governing Body

Following an administrative cover sheet, the report itself comprises 53 pages. This starts with a useful Executive Summary for each provider with an update on key indicators, issues and actions. This is followed by more detailed data in sections (Planned Care, Urgent Care, Mental Health, Quality and Appendices).

A good feature is that data tables and graphs are accompanied by relevant commentary. For example on referral to treatment, a table of performance for the last three months and the three month average for each of the eight CCGs in the system is followed by graphs but also helpful commentary beneath describing the performance and a related actions section. Similarly with cancer indicators. This recognises that many readers find commentary more meaningful than graphs or to help explain what the graphs show.

The Quality Assurance Highlight report is also clear, with an Issues, Actions and Current Picture format for each provider and more detailed data in Appendices.

Purpose and outcome

It is important that the CCGs understand the Alliance strategy and work together to achieve its objectives.

PwC view

There is a need to develop the Alliance strategy with input from all CCGs and to communicate this throughout each organisation.

We recommend that committee structures and reporting lines be included within an alignment review of the CCG constitutions across the Alliance.

CCG Strategy

The four Sussex CCGs in the Alliance have a shared Operating Plan for 2018/19. The focus has been on developing this shared Operating Plan, with individual CCGs then able to seek approval from each Governing Body.

The version reviewed was as at 27/02/18. The Operating Plan sets out that the CCGs will implement the national priorities and initiatives through streamlined practices and working at scale across the Alliance.

Whilst the Alliance plans to develop a shared strategy, the survey indicates that over 90% of participants do currently feel they can articulate the priorities agreed by the Governing Body.

Constitution

Crawley CCG and Horsham & Mid Sussex CCG each have their own constitutions. These constitutions are aligned with each other, which is reflective of the joint working arrangements across the two CCGs. Both were updated to version 8.3 in November 2017. The main difference in the constitutions is that the HMS CCG constitution does not have the terms of reference for the three Governing Body committees appended.

The constitutions contain the information that would be expected. The constitutions set out that the two CCGs share a joint management team and explicitly state that the CFO is shared across the two organisations. Learning from the operation of these joint arrangements in practice will be beneficial to the wider Alliance.

The CCGs have the committee structure that would be expected. However, the Constitutions are unusual in relation to the Clinical Reference Group (Crawley CCG) and Locality Group (HMS CCG). The membership of these Groups derives from representatives of practices in the localities. The Groups are responsible for determining the commissioning strategy and any changes in the constitution. Additionally the constitution states that the Locality Chair links the membership and the Governing Body - generally this is the role of the Clinical Chair.

Joint working arrangements

The two CCGs commission jointly with Coastal West Sussex CCG and West Sussex County Council. The constitution does not explicitly make any restrictions on joint arrangements and does set out that further joint arrangements may be made. Further joint arrangements would require constitutional change.

Values and behaviours

A clearer understanding of objectives, roles and responsibilities is needed in order to deliver effective corporate governance.

PwC view

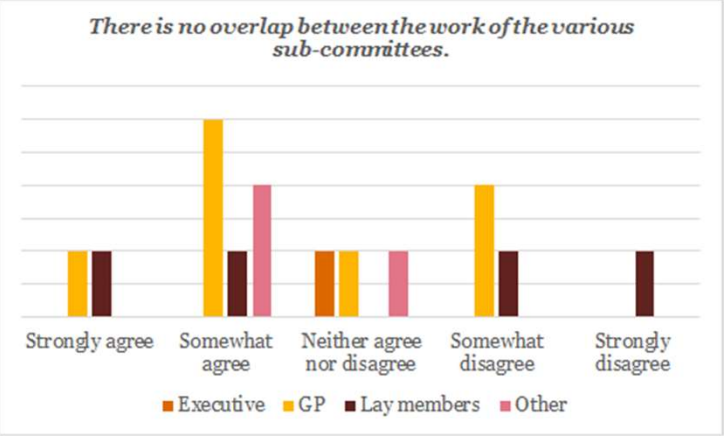
There are uncertainties around roles and responsibilities which affects, for example, clinical engagement and budget management.

There is a need for significant Organisational Development to ensure that the Governing Body is focussed and pulling together and also that lay members are fully sighted and informed of issues in a timely manner but not over-relied upon.

Clarity of leadership roles

We have heard in interviews that the Governing Bodies have been weak in their scrutiny of finance and clinical members do not see finance as their responsibility. Further issues were identified in the Finance & Contracting Committee concerning accountability of budget holders as in the past they have taken the view that control and responsibility rests with providers.

In our survey there were mixed views as to whether there is overlap between the work of the sub committees - with a full range from strongly agree to strongly disagree. There is a need for linkages between committees so decisions are not made in isolation - however we recommend both Governing Body member roles and responsibilities, and the purpose of sub committees be clarified.



Organisational development

The CCG does not have an Organisational Development Plan. We heard that there is no self-assessment or development for the Governing Body, and less than 20% of survey respondents agreed that there was formal evaluation of the effectiveness of the Governing Body and individual Governing Body members.

We were told in interviews that the culture is open, that people work well together and there is more transparency around plans than in the past. Bringing in a PMO has made a difference, but there is more to be done in terms of development.

Some Lay Members said they are not necessarily sighted on everything they would like to be. Lay members don't meet regularly as a group for example before or after GB meetings and there is a need for lay members' development to be supported.

Support for individual GB members

Individuals generally have annual appraisals and personal objectives and we were told that line manager conversations have improved. However, this does not appear to be universal as a clinical Governing Body member told us they have had no formal objectives or appraisals since joining. There has been some training on finance following the RSM review but further training would be beneficial.

Accountability and engagement

The CCGs need to be outward looking and open to wider community engagement as well fostering loyalty and commitment of staff at all levels.

PwC view

Most Governing Body members recognise the benefits of working at scale through the Alliance. However, there is a strong sense of locality/town which the membership is keen to retain. There is a risk that some matters may fall between the Alliance wide and local approaches and it is important that this risk is mitigated.

Engagement with wider membership

The CCG's 360 survey scores evidence a deterioration in the quality of engagement with its member practices over the last three years. We note that the 2018 survey reports are expected to be published in the coming months.

	2017	2016	2015
To what extent do you have been engaged by the CCG over the last 12 months? [% for a good deal / a fair amount]	C 61% H 73%	C 80% H 82%	C 83% H 81%
How satisfied or dissatisfied are you with the way in which the CCG has engaged with you over the past 12 months? [% for very / fairly satisfied]	C 52% C 66%	C 60% C 71%	C 61% C 74%
Overall, how would you rate your working relations with the CCG [% for very / fairly good]	C 48% H 76%	C 80% H 76%	C 75% H 85%

At Crawley, in particular, less than half of member practices rated their working relationship with the CCG as good. This was supported by comments in interviews that the engagement was mixed across the two CCGs.

Locality meetings are not as effective as they could be and there is a view that the wider membership consider themselves as more an outside critiquing force rather than an integrated part of the governance structure with corporate responsibilities.

Engagement outside of the CCG

Our survey indicates that respondents believe that the CCGs have influence within the wider community on health issues, although respondents felt that the Governing Body does not always seek external views prior to decision making.

The CCG has links to the STP communications team for joint working at the STP level but interviewees felt this relationship could be further developed. Working through the Alliance could be used to create a better relation at the STP level.

Working as an Alliance

The benefits of greater scale and a better negotiating position with Acute providers is well understood and was articulated to us consistently during our interviews.

However some Governing Body members were not fully of the formal links and relationship with the Alliance. Interviewees noted that the Alliance level executive team are stretched and need to develop deputies to manage work at the CCG level. As previously noted, we were told in interviews about reservations that the Alliance would impact negatively on the CCG's current locality focus.

Leadership capacity and capability

There is a heavy representation of clinicians on the Governing Body.

PwC view

The current large clinical representation on CCG committees is not translating into strong clinical leadership.

The CCG needs to support clinicians to ensure they are engaged and to develop engagement into wider clinical leadership in relation to the full spectrum of governance matters.

Leadership team overview

As of the 1 January 2018, the CCGs entered the Central Sussex Commissioning Alliance, which is a unified management structure, now across five Clinical Commissioning Groups (CCGs) of Central Sussex and East Surrey– NHS Brighton and Hove CCG, NHS High Weald Lewes Havens CCG, NHS Horsham and Mid Sussex CCG, NHS Crawley CCG and NHS East Surrey CCG. East Surrey joined on the 1 April 2018, at which point the Alliance became known as Central Sussex and East Surrey Alliance.

The Alliance is organised in two 'places' – the north 'place' covering the area of Crawley, East Surrey, Horsham and Mid Sussex CCGs, and the south 'place' covering the area of Brighton and Hove and High Weald Lewes Havens CCGs.

There is a single executive team for the Alliance, which includes a single Accountable Officer for all five CCGs, a North Managing Director and a South Managing Director.

We note that the Alliance North Managing Director was previously AO at Horsham & Mid Sussex. This gives her not only relevant local knowledge and experience but also existing relationships which will be helpful in managing change.

Clinical Leadership

There is a lot of clinical representation within the CCGs' governance structures but in our view this has not translated into strong clinical leadership. We heard in interviews that while this has a positive impact on quality, there is less engagement in other matters and particularly finance.

We were told in interview that:

- Most clinicians do not see finance as their responsibility.
- Clinicians find the financial aspects of the committees difficult to understand.
- Clinicians see their role as being to challenge rather than lead.

For the CCG's to be clinically led organisations there is a need for clinical leaders to lead consistently, as part of the Governing Body, across the CCGs' entire agenda.

GP leadership structures

- Governing Body - 12 GPs out of 22 members (6 Crawley and 6 HMS members)
- Finance Committee - 4 GPs out of 13 members (2 Crawley, 2 HMS members).
- Audit Committee - 2 GPs out of 8 members (2 Crawley, 2 HMS members).

Clinical Input through the Clinical Reference Group and Locality Groups

The meetings provide an opportunity to present the information to GPs and for policies and initiatives to be discussed. Where policies have a direct bearing on primary care, they can be promoted to the practice representatives, so this is an important channel and positive engagement is key. We observed that the Crawley group was dominated by a few GPs.

Leadership capacity and capability

It is a statutory duty of the CCGs that expenditure must not exceed the aggregate of its allocations for the financial year.

PwC view

The Governing Body needs to be much more sceptical and challenging in relation to financial planning and reporting.

There is a need for rapid action by the Governing Body to regain control of the financial positions of the CCGs.

Constitutional requirements and Governing Body accountability

One of the core functions of the Governing Body is to ensure that the CCG has made appropriate arrangements to exercise its functions effectively, efficiently and economically, as set out in the Health and Social Care Act. This includes the requirement that the CCGs expenditure must not exceed the aggregate of its allocations for the financial year.

The CCGs are forecasting a deficit for 2017/18 which will trigger a referral to the Secretary of State from the CCGs external auditors for breaching their statutory financial duties, unlawfully incurring expenditure above their agreed revenue resource limit. As at month 10 the CCGs were forecasting deficits for 2017/18 as follows:

- Crawley CCG; £11.7m deficit, £7.6m adverse to plan, with £1.0m unmitigated risk.
- H&MS CCG; £31.7m deficit, £18.6m adverse to plan.

These FOTs represented a £9.5m (Crawley CCG: £4.7m; H&MS CCG: £4.8m) adverse movement in the combined month 10 forecast outturns for the CCGs. This was the outcome of an internal deep dive into their financial position. Such a significant in-month movement late on in the financial year indicates a lack of control over the financial position at the CCGs.

Over-optimistic outlook

Significant movements in the forecast position occurring late in the financial year indicate that the CCGs have had an overly optimistic outlook. Historically, there has been insufficient challenge from the Governing Bodies and sub-committees in relation to this over-optimism.

Our discussions with the CCGs indicated that in previous years non-recurrent “fixes” were identified by the CCGs Finance Teams, but the Governing Bodies did not identify the risks associated with these short term financial accounting approaches to achieving their Control Total in future years.

The CCGs should ensure financial planning is more realistic, savings are contracted and the Governing Bodies should ensure they challenge optimistic forecasts both at the start of the year and throughout the reporting period where evidence is lacking to support them.

In our view, there is a need for rapid action by the Governing Bodies to regain control of the financial positions of the CCGs. The financial challenge for 2018/19 cannot be underestimated, with the opening baseline indicating a deficit of £44m across the two CCGs. There is a need to act urgently to ensure robust plans are in place to deliver the financial 'turnaround' required. This will likely require the CCG to make difficult commissioning decisions now and in the medium term to ensure financial sustainability.

Governing Body capacity

At the direction of NHSE the CCGs appointed a Lay Member for Finance which has boosted the level of financial scrutiny. However the lay member for PPI at Crawley has recently stepped down and tenure expires for the Lay Member for Finance across both CCGs on 19 August; the tenure of the lay member for Governance across both CCGs expires on 23 July. These skills are key going forward for the CCG and we understand the lay member appointments are being addressed through recruitment and the extension of terms.

Financial governance

The CCGs are in financial turnaround and have therefore produced a Financial Recovery Plan to achieve financial sustainability.

PwC view

The FRP is a comprehensive document that sets out a logical journey to financial sustainability by 2022/23.

However, the organisations need to improve the capabilities of the Governing Body and sub committees, as well as ensuring monitoring and reporting on the FRP is robust, to successfully deliver such a challenging plan.

Financial Recovery Plan

The CCGs' recurrent forecast outturn for 2017/18 is a combined deficit of £43.4m, with a forecast deficit in 2018/19 of £60.0m before any savings are built in. The objective of the FRP is to set out the CCGs' approach to returning to a position of recurrent financial balance. The plan covers the period from Financial Year 2018/19 onwards.

The FRP identifies the need to move care from acute to community settings by building integrated care systems. The FRP is divided into the following phases:

- Year 1 - Financial Stabilisation
- Year 2 - Prepare for Integrated Care
- Year 3 and 4 - Transition to Integrated Care
- Year 5 - Integrated Care delivery.

The FRP identifies the key areas of focus within each phase/year, as well as the recovery, commissioning, and contracting strategies required to support the implementation of the plan. There is also a significant level of detail on the QIPP opportunities to be pursued in 2018/19 to achieve the objectives of the Financial Stabilisation phase in Year 1. Key risks to achieving the objectives are noted, with broad approaches to address these.

We note that the most recent version of the 2018/19 Operating Plan is not aligned with the FRP and therefore, once the Operating Plan is finalised there will be a need to update the FRP.

Capability of the Governing Body to deliver the FRP

Our discussions with members of the Governing Bodies have identified concerns over the capability of the Governing Body to deliver the FRP, including:

- Concerns relating to transparency of reporting to the Governing Body, where in previous years members have been assured they are aware of all relevant issues, only for additional risks to crystallise late in the financial year.
- Doubts among members over the ability of the organisation to achieve sustainability over the specified timescales.
- Concerns relating to the robustness of programmes and the outcomes that can realistically be achieved. For example, a lack of belief that 6% QIPP savings is achievable.
- Members identifying gaps in their knowledge over the finances and a lack of training or development provided to them.
- Concerns over the quality of the finance papers they receive, including where reports do not clearly highlight the key points.
- An inability to hold providers to account for contract over-performance.
- Concerns that the clinicians on the Governing Body do not see the organisations financial position as their responsibility.
- An over-reliance on Lay Members to challenge and scrutinise the financial position.

Financial governance

Good financial governance is reliant on timely and accurate reporting of business intelligence and a robust project and contract management processes.

PwC view

The CCGs' 2018/19 operating plan submitted to NHSE does not align to Year 1 of the FRP. To achieve financial turnaround the Governing Body must ensure there is a single coherent plan in place.

We recommend training on NHS finances as well as coaching for Governing Body members on providing effective financial scrutiny.

The CSCA North PMO needs to ensure gaps in capacity are resolved to provide robust programme support to the CCGs.

Capability of the Governing Body to deliver the FRP (continued)

At the CCGs March 2018 Governing Body in Common the Accountable Officers Report and Finance Report identified the need for the CCGs to make difficult decisions. The meeting did not explore these decisions or the options available. We would expect that these difficult decisions would be a primary focus of the Governing Body. We understand that these options were the subject of discussion in other meetings, nevertheless, there is a need for this discussion to also take place in a public GB session in order to ensure accountability is discharged.

At the same meeting the members were informed by management that the Control Totals for 2018/19 would not be met. Despite the seriousness of the message there was minimal challenge from members or discussion of the actions that could be taken.

The CCGs must ensure that the Governing Bodies have the capabilities to deliver the statutory financial duties.

In our section on Values and Behaviours above we have recommended a programme of development for the Governing Body; this should include training on NHS finances and coaching on providing effective scrutiny of financial planning and performance reporting.

PMO and QIPP governance

The CSCA North and South PMOs were established in April 2017. This was part of an Alliance-wide approach to project management across the CCGs to deliver the FRP. A two phase approach was developed:

- Phase 1 - Turnaround - March to September 2018
- Phase 2 - Business as usual - from September 2018

The structure of the team for Phase 1 consists of a Head of PMO supported by two PMO Project Managers, PMO Analyst, and QIPP Finance Manager. The Head of PMO reports into the Turnaround Director, who in turn has a reporting line to the Alliance CFO. With the exception of the PMO analyst, the PMO is currently staffed by interim resources with contract end dates between April and June 2018.

There is a PMO monthly reporting cycle in place that includes:

- Project-level highlight reporting
- 1:1 briefings to each Senior Reporting Officer
- Monthly project assurance session with the PMO
- Reporting to the relevant Programme Board
- Reporting to the Delivery Programme Board
- PMO report within the CCGs Finance Report to the Finance Committee and Governing Body.

The CSU conducted a review of PMO governance in September 2017 which concluded that the PMO had developed quickly and was functioning well, although there were some capacity gaps identified. The report noted that the £12.9m QIPP gap needed urgent attention.

Financial governance

PwC view

Ensuring QIPP programmes are supported by detailed and realistic delivery plans will be vital to avoid slippages as occurred in 2017/18.

The impact of the divergence in QIPP savings included in the 2018/19 Operating Plan compared to the FRP must be understood, and plans to mitigate the QIPP saving shortfall developed.

We have recommended that the Alliance performs an effectiveness review of CSU support. This review should include an options appraisal of alternative models for the provision of the services.

PMO and QIPP governance (continued)

QIPP under delivery is one of the key drivers of the CCGs' adverse 2017/18 position; the month 11 Finance Report forecast QIPP savings of 69% and 60% of plan for Crawley CCG and H&MS CCG respectively. The FRP identified the QIPP under performance drivers to be:

- Significant planned care opportunities that were not underpinned by implementation plans capable of delivering in-year savings.
- Significant slippage into 2018/19 due to the complexity of developing and delivering demand management projects in-year, and the inability to secure system-wide clinical support for a number of schemes.

Ensuring QIPP programmes are supported by detailed and realistic delivery plans will be vital to avoid slippages as occurred in 2017/18.

At the meetings of the Crawley CCG Clinical Reference Group and HMS CCG Locality Group we observed that members did not discuss QIPP in detail, and queried their ability to identify savings. The CCGs need to focus on engaging the membership in the QIPP process to ensure their is a sense of ownership to achieve the required savings targets.

Business Intelligence

The structure of the Performance Team consists of Performance & BI Manager and Senior Performance Analyst roles that report into Head of Performance. The Performance & BI Manager is supported by two BI Analysts (one interim). The Senior Performance Analyst is supported by an Information Analyst and a Data Officer. The CCG also commissions support for BI from the CSU. The Head of Performance reports into the Director of Commissioning, Performance & Delivery (interim). Our survey results indicate a confidence in the information the Governing Body receives, with 100% of respondents confident that the information received is accurate and reliable. 75% of respondents agreed that the information enables them to hold management to account.

Our interviews identified concerns over the performance of the CSU, including quality of information received by the CCGs. Some individuals also highlighted that they found mistakes in data.

Contracting

The structure of the Commissioning & Contracting Team consists of Programme Director and Programme Lead for Planned Care roles that report into Head of Commissioning & Contracting. The Programme team for Planned Care is three Programme Managers, which are in turn supported by Senior Project Officers/Administrators. The Head of Commissioning & Contracting reports into the Director of Commissioning, Performance & Delivery (interim).

Again, our interviews identified concerns over the performance of the CSU in terms of the contracting support the CCGs receive. In addition, interviewees identified that the CCGs had not developed plans to improve contract oversight or enforcement.

Given the concerns over CSU performance in relation to BI and Contracting, we recommend that the Alliance performs an effectiveness review of CSU support. This review should include an options appraisal of alternative models for the provision of the services.

Managing risk and decision making

Effective risk management policies, processes and controls will facilitate the achievement of the CCGs' objectives.

PwC view

The necessary policies, strategy and reporting mechanisms are in place to allow key risks to be identified and escalated in the CCGs but these are not currently being utilised effectively.

Risk Management Policy

Crawley and HMS CCGs have a joint Risk Strategy and Management Policy which was approved by Audit Committee in July 2017. A review of the policy is scheduled for July 2018. The overall aims of the strategy are clearly set out and include to:

- Create a culture, which supports and encourages CCG employees and officers to identify, assess, report, control and monitor risks and learn from the activity and experience.
- Create a culture where risk management is an embedded and integral part of everyone's role and responsibility.
- Influence and control partnership risks through agreed management processes.

There is a clear section of accountability and roles. A risk scoring template and rating matrix is included to support officers to identify, rate and record risks in a structured manner. The policy also details risk appetite and how this will vary risk by risk.

Overall the risk policy is in line with our expectations.

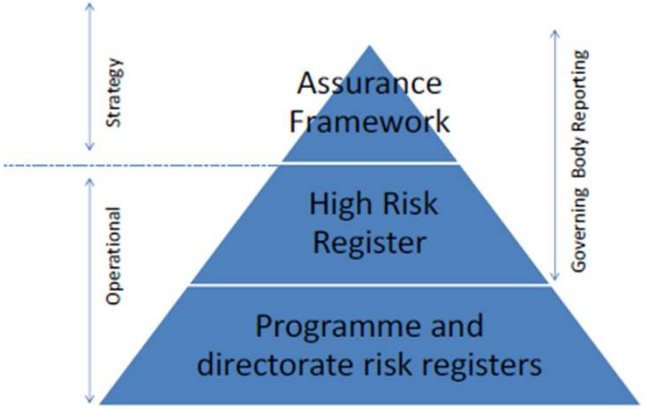
Risk Management Tools

The policy sets out how the Governing Body are accountable and responsible for ensuring that the CCG has an effective programme for managing all types of risks. There are three levels of risk register to manage risk:

Programme Risk Register - This register contains all identified risks scoring greater than 6 but less than 16. This is monitored by the relevant senior managers such as the clinical lead, programme directors/managers and at the Programme Board.

High Risk Register – This register contains risks which have an initial score of 16 or above. Reviewed at the Delivery Programme Board and also reviewed at Audit Committee and Governing Body.

Board Assurance Framework – This contains all the risks that the senior management team have identified which may compromise the achievement of the organisations' Corporate Goals. Reviewed and reported through the Strategic Clinical Commissioning Group and at Audit Committee and the Governing Body.



We reviewed the High Risk Register and the Board Assurance Framework.

Board Assurance Framework

The Board Assurance Framework for Quarter 4 2017-18 contains 13 risks. In our view, this is in line with expectations. BAFs with greater than approximately 15 risks tend to become difficult for Governing Body Members to scrutinise and seek assurance over the risks.

Managing risk and decision making

PwC view

The CCGs need to improve their use of their risk management tools, and, in particular, encourage discussions on the risks at their key governance meetings. We recommend that this forms part of the Governing Body development programme.

Board Assurance Framework (continued)

The format of the BAF is in line with our expectations, with a clear assessment of the inherent risk, current risk with controls applied and target risk rating alongside sources of assurance. In line with good practice, there is a summary of risks table, with the movement trend in the risk score and a clear visual link to the overall CCG objectives for each risk. In addition, the BAF is regularly maintained with up to date actions recorded for the risks.

Corporate Risk Register

We reviewed the Corporate Risk Register dated 6th March 2018. There are 36 risks recorded, all with an initial risk score of 12 or greater.

Again the format of the risk register is in line with expectations, with inherent risk score plus details of risk owners, controls, proposed actions with target dates and current and target risk scores.

For some risks it is difficult to understand why the current risk score is low, considering there are few controls documented. For example, R49:

'*Public Engagement: There is a risk that due to the gradual changes in the service offered at PRH over the past 2 years the public may not have been fully engaged or informed. This could impact on patient safety for high risk/ high acuity. Resulting in adverse publicity for the Trust and CCG.*'

No controls are documented yet the initial risk score of 16 has been brought down to a current score of 12. Where risk scores have been reduced, there should be a clearly documented reason.

Effectiveness of the BAF and CRR

While our survey indicated that 100% of respondents feel able to describe the top five risks to the organisation, and 75% agree that they understand how risks are escalated, our interviews highlighted different views on the use of the BAF. Some members highlighted concerns, including:

- Risk ratings have been reduced without evidence. The example was given of a reduction in the ratings for the financial risks.
- The risk processes do not drive action/change.

At the CCGs March 2018 Governing Body in Common the BAF was an agenda item. The Chair highlighted to the members that it was their responsibility to review the risks regularly and share any comments. One member identified three risks where they believed the risks had moved on, however it was agreed that the discussion would be taken outside of the meeting. Best practice would be for these discussions to occur in the meeting to ensure all members have the opportunity to contribute.

At the March 2018 Audit Committee in Common the CRR was an agenda item, however the members did not discuss any of the risks in detail. In the meeting an error was identified in the risk ratings for one of the risks (where likelihood and impact scores of 3 and 4 resulted in an overall score of 20). There was a brief discussion about whether the error had resulted from incorrect ratings or whether the calculation was wrong; the meeting moved on despite uncertainty among the members and without discussion on what the appropriate risk ratings should be.

We recommend that the Governing Body development programme incorporates the use of risk management tools.

Managing risk and decision making

PwC view

The CCGs are using Internal Audit as a mechanism for assurance to good effect, and we observed robust challenge of the Internal Auditors at governance meetings.

Only 25% of survey respondents agree that audits and external reviews consistently show that the CCGs perform highly in managing risk.

Internal Audit

The Internal Audit plan for 2017/18 is a joint one across Crawley and Horsham and Mid Sussex CCGs. The plan included a review, entitled 'Assurance Framework & Risk Management', which was not available at the time of our work.

The plan did not include a QIPP review for 2017/18, however an audit was conducted, reporting in in October 2017. This audit provided reasonable assurance over QIPP governance but only limited assurance over QIPP delivery. A number of issues were identified, resulting in one "Urgent" and three "Important" actions. The Urgent Action was:

'To prevent delays, QIPP projects be identified and discussed with providers earlier in the annual commissioning cycle, so that plans can be co-ordinated.'

At the CCGs' March 2018 Governing Body in Common it was noted that there was an ongoing Internal Audit review to "deep dive" two of the risks on the BAF, and test the associated controls that the Governing Body are relying on for assurance. The CCGs plan for this to become the new approach for Internal Audit.

At the March 2018 Audit Committee in Common we observed robust challenge of the Internal Auditors and scrutiny of their 2017/18 reports and the 2018/19 plan. There was also good challenge of management from the Lay Members on outstanding actions.

Independent reviews of governance

PMO governance review September 2017

The CSU conducted a review of PMO governance in September 2017 for Crawley and Horsham and Mid Sussex CCGs. The review concluded that the PMO is now in place and has developed quickly and is functioning well, but that it needs to embed and become the new way of working. Some capacity gaps were identified with staff in the PMO which needed to be addressed. The QIPP gap needed urgent attention and more joint working with East Surrey CCG, including sharing a PMO was identified as being beneficial.

The CSU also reported on QIPP Delivery in August 2017. This identified that urgent action was needed to address a £12.9m gap. The report does conclude that the CCGs' own assessment identified a similar gap, which they concluded provided some assurance over QIPP governance.

Financial governance review March 2017

RSM reported on its financial governance review in March 2017. This review was an NHSE requirement due to the deterioration in the CCGs' financial positions.

The report found that a changed approach to QIPP in 2016/17 along with senior leadership focus on external factors (including STP and other strategic planning forums), contributed to the erosion of historically good financial governance arrangements. In addition, due to historical achievement of the control total, the Governing Bodies were overly confident of the Executive's ability to deliver the control total and did not challenge sufficiently.

Managing risk and decision making

PwC view

The CCGs have not fully implemented the recommendations in RSM's review of financial governance.

The CCGs are aware of shortcomings in governance but have not been successful in addressing these via the Improvement and Assurance Plan. Timely implementation of this plan should be a primary focus of the Governing Body with accountability for lack of action or slippage.

Independent reviews of governance (continued)

A further contextual issue was identified in relation to joint working and whether there was confusion over different models of accountability and risk, with differing objectives and priorities which were causing practical difficulties and confusing messages for staff.

A number of recommendations were made to strengthen financial governance, including:

- Improved Governing Body reporting: more timely as Governing Body were getting information two months out of date, need to include run rates; need to increase graphical representations to help Governing Body members visualise financial performance; less aggregated financial figures e.g. more detail on QIPP schemes.
- Better scrutiny of financial performance at Governing Body.
- Training to Governing Body members on NHS finances.

Reporting recommendations have been at least partially adopted. The report does include run rate graphs and some other graphical representations. QIPP is broken down by Delivery Team (rather than individual project) but some of the narrative is disjointed and lacks impact.

Given the CCGs worsening financial position towards the end of 2017/18, and our observations that financial performance was not robustly challenged at key governance meetings, we do not consider that the recommendation on improved financial scrutiny has been fully implemented.

RSM's report also identified a lack of clear budget holders although no specific recommendation was made in relation to this. Discussions at recent meetings of the Audit Committee and Finance & Contracting Committee in Common highlighted that the issue of budget holder accountability has not been resolved.

Improvement and Assurance Plan

The CCGs have developed an Improvement and Assurance Plan to address the key aspects of the CCGs legal directions. The plan is structured as follows:

- Financial control and recovery;
- Governance;
- Leadership;
- Operational performance;
- Strengthening commissioning and transformation; and
- Improving quality and outcomes.

The Governing Bodies have delegated responsibility for overseeing the plan to the Audit Committees in Common. An Improvement and Assurance Plan Group has been established to monitor implementation of the plan, this group is being chaired by the Director of Corporate Affairs.

At the March 2018 Audit Committee in Common an update was presented which reported by exception 15 actions that were overdue, and the measures being taken to address the delays. The outstanding actions were wide ranging, covering issues relating to governance, workforce, transformation, operational issues, financial accountability, etc. The paper presented did not include revised timescales for implementation or responsible individuals, nor did the paper highlight the potential consequences of the original timescales having been missed.

Appendices

Contract

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5 March 2018

Dear Harriett,

CROWN COMMERCIAL SERVICES FRAMEWORK AGREEMENT RM3745

INVITATION TO OFFER REF 18.401 DATED 30/1/2018

PROVISION OF AN ALLIANCE WIDE GOVERNANCE REVIEW

ACCEPTANCE OF QUOTATION

The Central Sussex Commissioning Alliance comprises NHS Brighton and Hove CCG, NHS High Weald Lewes Havens CCG, NHS Horsham and Mid Sussex CCG, NHS Crawley CCG, NHS East Surrey CCG.

The contracting authority accepts your quotation submitted on 13 February 2018.

Discussions for the commencement of the service should begin immediately and I am grateful that you have made contact with Terry Willows, our Director of Corporate Affairs already in order to meet with the required timetable for delivery of the service.

This procurement activity was conducted under the Management Consultancy framework RM3745 and the framework Terms and Conditions shall apply.

Our reference for this agreement is **18.401**, please quote this number in all correspondence.

Invoices should be initially submitted to Terry Willows (terry.willows@nhs.net) for processing.

Yours sincerely

Adam Doyle
Chief Accountable Officer
Central Sussex Commisssioning Alliance
Brighton and Hove CCG
Crawley CCG
High Weald Lewes Havens CCG
Horsham and Mid Sussex CCG
East Surrey CCG (Designate)

Scope & process

Scope of the review

The scope for our review, as set out in the letter of engagement, was across the five CCGs in the Alliance. This report relates only to CHMS CCG.

The scope for our review, as set out in the letter of engagement, was as follows:

Financial challenge assessment

- Assess the way in which the financial position of the CCGs is reported, scrutinised and the extent to which effective oversight is provided.

Capability and capacity review

- Review and comment upon the capability and capacity of the CCGs' leadership to deliver its recovery plan; and
- Review and comment upon the current governance and reporting processes in place at the 5 CCGs.

For the avoidance of doubt, our financial review work is not a baseline review or an audit.

Observations conducted

During our review, we observed the following committee meetings:

Meeting	Date of meeting
HWLH CCG Governing Body	28 March 2018
HWLH Audit Committee	20 April 2018
HWLH CCG Finance & Performance Committee	21 March 2018
B&H CCG Governing Body	27 March 2018
B&H CCG Audit & Risk Committee	13 March 2018
CHMS CCGs Governing Body in Common	15 March 2018

Scope & process

Observations conducted (continued)

Meeting	Date of meeting
CHMS CCGs Finance & Contracting Committee in Common	10 April 2018
CHMS CCGs Audit Committee in Common	5 April 2018
Crawley CCG Clinical Reference Group	27 March 2018
HMS Locality Group Meeting	20 March 2018
ES CCG Governing Body	19 April 2018
ES CCG Quality, Finance & Delivery Committee	5 April 2018
ES CCG Audit & Governance Committee	29 March 2018

Interviews held

During our review, we met with the following groups and individuals:

Name	Position	Date of meeting
Alan Keys	Lay Member for PPE (HWLH CCG)	5 April 2018
Peter Douglas	Lay Member for Governance (HWLH CCG)	6 April 2018
Dr Elizabeth Gill	Clinical Chair (HWLH CCG)	28 March 2018
Dr David Roche	GP Locality Lead (HWLH CCG)	21 March 2018
Dr Sarah Richards	GP Partner (HWLH CCG)	28 March 2018

Scope & process

Interviews held

During our review, we met with the following groups and individuals:

Name	Position	Date of meeting
Jim Graham	GP Partner (B&H CCG)	4 April 2018
Jonathan Molyneux	Lay Member for Finance (B&H CCG)	20 March 2018
Malcolm Dennett	Lay Member for Governance (B&H CCG)	20 March 2018
Dr Andy Hodson	GP Partner (B&H CCG)	21 March 2018
Dr David Supple	Clinical Chair (B&H CCG)	26 March 2018
Dr Mark Lythgoe	Clinical Director of HMS CCG	4 April 2018
Dr Ketan Kansagra	Clinical Director of Crawley CCG	3 April 2018
John Steele	Lay Member (CHMS CCGs)	3 April 2018
Adrian Brown	Lay Member for Audit for HMS CCG Lay Member for Audit for ES CCG	3 April 2018
Carole Pearson	Lay Member for Audit for Crawley CCG Lay Member for Audit for ES CCG	3 April 2018
Dr Laura Hill	Clinical Chair for Crawley CCG	29 March 2018
Dr David McKenzie	GP Partner (CHMS CCGs)	29 March 2018
Dr Minesh Patel	Clinical Chair for HMS CCG	20 March 2018
Simon Chandler	Lay Member PPE for HMS CCG	6 April 2018
Dr Penny Greer	GP Partner (CHMS CCGs)	5 April 2018
Peter Nicolson	Lay Member PPI for Crawley CCG	27 March 2018

Scope & process

Interviews held (continued)

Name	Position	Date of meeting
Dr Howard Cohen	GP Partner (ES CCG)	5 April 2018
Dr David Hill	GP Partner (ES CCG)	29 March 2018
Dominic Wright	Accountable Officer (ES CCG)	29 March 2018
Dr Elango Vijaykumar	Clinical Chair (ES CCG)	26 March 2018
Adam Doyle	Chief Accountable Officer for the Alliance	16 March 2018
Mark Baker	Strategic Director for Finance for the Alliance	10 April 2018
Geraldine Hoban	Managing Director for North Place	22 March 2018
Wendy Carberry	Managing Director for South Place	22 March 2018
Terry Willows	Director of Corporate Affairs for the Alliance	22 March 2018
Glynn Dodd	Programme Director of Commissioning Reform for the Alliance	22 March 2018
Allison Cannon	Chief Nurse for the Alliance	22 March 2018
Sarah Valentine	Director of Contracting and Performance for the Alliance	23 March 2018
Antony Collins	Turnaround Director for the Alliance	23 March 2018
Pennie Ford & Felicity Cox	NHS England	23 March 2018
James Thallon	Medical Director at NHS England	14 March 2018
Rob Persey	Executive Director of Health and Adult Social Care at Brighton & Hove City Council	10 April 2018

Glossary

Our report includes a number of terms and short descriptions, which we define alongside

Term	Definition
2013/14	Financial year ending 31 March 2014
2016/17	Financial year ending 31 March 2017
2017/18	Financial year ending 31 March 2018
2018/19	Financial year ending 31 March 2019
AF	Assurance Framework
AO	Accountable Officer
B&H	Brighton & Hove
BAF	Board Assurance Framework
BI	Business Intelligence
BSUH	Brighton and Sussex University Hospitals NHS Trust
C4Y	Connecting 4 You partnership
CCG	Clinical Commissioning Group
CFO	Chief Finance Officer
CHMS	Crawley and Horsham & Mid Sussex
COM	Commissioning Operations Meeting
CRG	Clinical Reference Group
CRR	Corporate Risk Register
CSU	Commissioning Support Unit
ES	East Surrey
FOT	Forecast outturn

Term	Definition
FRP	Financial Recovery Plan
FTE	Full time equivalent
GP	General Practitioner
HMS	Horsham & Mid Sussex
HR	Human Resources
HWLH	High Weald Lewes Haven
IMT	Image & Microscope Technology
IT	Information technology
LLP	Limited Liability Partnership
MD	Managing Director
MSK	Musculoskeletal
NHSE	NHS England
PMO	Programme Management Office
PPG	Patient Participation Group
PPI	Patient Participation Involvement
QFD	Quality, Finance & Delivery Committee
QIPP	Quality Innovation Productivity & Prevention
RAG	Red / Amber / Green Rating
SRR	Strategic Risk Register
STP	Sustainability and Transformation Plan

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