Title of meeting: Governing Body			
Date of Meeting	19/7/17	**Paper Number**	2.1
Title		Accountable Officer Report	
Sponsoring Director		John Lisle	
Sponsoring Clinical / Lay Lead			
Author(s)			
Purpose		• Update on STP and CCG developments. • Note off-line agreement of Governing Body Terms of Reference and MoU with NHS England • Agree progression of merger with Members and NHSE by Chairs and Accountable Officer • Note actions taken regarding fire risk	

The Audit Committee is required to (please tick)											
Decision		**Review**			**Discuss**		**Note**		**Recommend**		

Risk and Assurance	
Legal implications/regulatory requirements	
Has an equality impact screening been undertaken? If so please attach	
Links to the NHS Constitution (relevant patient/staff rights)	
Strategic Fit	
Commercial and Financial Implications *(Identify how the proposal impacts on existing contract arrangements and have these been incorporated?* *Include date Deputy CFO has signed*	Date Deputy CFO sign off ……

off the affordability and has this been incorporated within the financial plan. Include details of funding source(s)	
Quality Focus *(Identify how this proposal impacts on the quality of services received by patients and/or the achievement of key performance targets* *Include date the Director of Nursing has signed off the quality implications)*	Date Director of Nursing sign off…….
Clinical Engagement *Outline the clinical engagement that has been undertaken*	
Consultation, public engagement & partnership working implications/impact	
NHS Outcomes *Please indicate (highlight) which Domain this paper sits within by highlighting or ticking below:* *Please note there may be more than one Domain.*	Domain 1 Preventing people from dying prematurely; Domain 2 Enhancing quality of life for people with long-term conditions; Domain 3 Helping people to recover from episodes of ill health or following injury; Domain 4 Ensuring that people have a positive experience of care; and Domain 5 Treating and caring for people in a safe environment; and protecting them from avoidable harm.
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<u>Recommendation(s)</u>	

Accountable Officer Report – July 2017

1. Sustainability and Transformation Partnership

- The STP Steering Group has agreed allocation of non-recurrent bids for the additional funding expected from NHSE. The confidential bid pack has been circulated separately and includes investments in:
    - Primary care transformation
    - Integrated hubs
    - Prevention & self-care
    - Diabetes
    - Care & support market development
    - Unwarranted variation

  Next steps work is being undertaken to refine the benefits case (and check for duplication of anticipated reduction in non-elective demand) and provide top level implementation milestones. This is being progressed through the STP programme delivery group.
- A further session was held, facilitated by Chris Ham of the King's Fund, to explore the transition pathway towards an Accountable Care System.
- The Governing Body agreed the draft Memorandum of Understanding between NHS England and the Frimley System (to be signed by Andrew Morris on behalf of the system).
- Frimley STP has been put forward as an exemplar for a House of Commons Health Select Committee review of STPs in September.

2. CCG development

- After the previous Governing Body meeting, the updated Terms of Reference were circulated and agreed.
- Terms of reference for each of the joint sub-committees are attached for agreement.
- Following the changes in 2016/17 to a single management team, Governing Body in Common and joint sub-committees across the three CCGs, discussion has been started with Members and NHS England regarding merging from April 2018. A draft case for change is included as appendix to this report. The current locality-based Member meetings are not expected to change, nor the Governing Body format. The merger will enable streamlining of some back-office functions – single set of ledgers, single audit and annual report, simplified interaction with NHSE. Governing Body support is sought for this to be progressed at a meeting between the Chairs, Accountable Officer and NHS England on 25 July.

3. People

- The feedback from the staff survey has been received and is generally very positive, particularly regarding trust, opportunities for initiative, line management and support. The weakest areas related to pay, work pressure, and access to development opportunities. The Staff Partnership Forum – which includes a cross section of staff – will bring forward recommendations to the Executive for next steps.

- Agreement has been reached for Nigel Foster to retain the statutory responsibilities for CCG finance when he transitions to his new role at Frimley Health. This is an excellent, progressive move and I would like to record my appreciation for Nigel's tremendous contribution to the CCGs, including as acting Accountable Officer for a period.

4. Fire safety

- Following the tragedy at Grenfell Tower, I have discussed system fire safety with Mark Gaskarth, Chief Fire Officer for Berkshire. Providers have completed risk-rated returns for their estate through to NHSI and the Fire Service. The CCGs have messaged all GP Practices to review their fire safety arrangements. We have also reviewed current fire safety training for staff, which is completed as part of the annual statutory and mandatory training cycle and reminded staff whose training was not up to date.

Appendix: Merger – case for change

Summary

This paper recommends a merger of the three CCGs in East Berkshire.

It considers:
- The potential benefits and risks
- Whether the merger would meet the five factors required by NHSE to be consistent with the 2006 Act and the Regulations
- Meeting the further six factors for merger, which NHS England considers are relevant to one or more of the matters set out in section 14C(2) of the NHS Act 2016.

The Executive Committee have considered this proposal and recommend to the Governing Body that merger is applied for to commence April 2017.

Conflicts of Interest

As the Governing Bodies of the three CCGs currently operate as a Governing Body in Common and no further change is expected to the format of the Governing Body through Merger, no new conflicts of interest are anticipated.

Supporting Information

Guidance from NHSE, published in October 2016:
https://www.england.nhs.uk/wp-content/uploads/2016/11/guidance-constitution-mergers-dissolution-nov16.pdf

1. Introduction

When CCGs were established in 2013, there was benefit recognised from developing a very strong locality-based and clinically-led approach, resulting in formation of three separate CCGs.

These CCGs are statutory bodies and as such they independently contract as legal entities, have separate Member Constitutions and produce separate Final accounts and Annual Reports.

There has always been a strong history of collaboration between the organisations, which were founded with a shared executive team and some shared support functions, and in May 2016 the CCGs' memberships ratified a decision to operate a fully unified management support structure. The intention was to gain benefits of a "one team" approach as much of the work was common across the three organisations: provider performance, financial management, most commissioning, etc. Single, shared sub-committees to the three Governing Bodies also operate on either a Joint or in-Common basis. In March 2017, a further step was taken – moving to a single Governing Body in Common and with sub-committees operating on a joint basis.

The recent changes have taken place against the backdrop of developing thinking regarding Sustainability and Transformation Partnerships and the drive towards system working, population health and system risk-management.

However, because the CCGs remain as three separate statutory bodies, there has to be separate reporting on finance and performance, duplicating management effort and creating higher costs in supporting services such as CSU finance services and Audit fees.

2. Benefits and Risks of Merger – The Five Legal Factors

Whilst there are provisions under section 14G of the NHS Act 2006 (as amended) allowing for mergers of CCGs, there are specific legal factors that NHS England must consider when deciding whether or not to agree the merger. Each of the five factors has been considered below:

2.1. Coterminosity with local authorities

The new CCG would cover the three unitary authorities (Borough Councils) in East Berkshire – Slough, The Royal Borough of Windsor and Maidenhead, and Bracknell Forest. Presently the CCGs are not coterminous to the Unitary boundaries, with Ascot being split across two CCGs but residing in the Royal Borough. No boundary changes are proposed and merger would not introduce any new mismatches and could provide some reduction in complexity regarding support for Heath and Wellbeing Boards for example.

A meeting is scheduled on 21 July to explore in detail with Local Authorities.

2.2. Clinically-led: the new CCG should demonstrate that it will remain a clinically-led organisation, and that members of the new CCG will participate in decision-making in the new CCG.

Following the most recent development to a single Governing Body in Common there are twelve clinical members of the Governing Body:

- 10 GPs (including the Medical Director)
- 1 Secondary Care consultant
- Director of Nursing and Quality

The non-clinical membership is 7 (Accountable Officer, 3 Lay Members, Local Authority Member, Director of Strategy and Director of Finance).
This clinical input will be maintained in a merged CCG.

The CCGs have developed strong and well-supported local Membership meetings, including all practices. It is intended to maintain these meetings in their current format.

Clinical leadership is hugely important over the next 2 years, given the levels of transformational change expected across the Frimley Health and Care system. The Frimley STP has been identified as one of the front-runner systems working towards an Accountable Care System in 2018, and developing the principles and governance for such a system. This will continue to require high levels of leadership and engagement at all levels throughout the organisations involved. Therefore it is recommended that the current Chairs become co-chairs of the new CCG to provide strong, visible links back to the local Member organisations and drive transformation within Primary and Community services.

2.3. Financial management: NHS England will consider whether the new CCG will have financial arrangements and controls for proper stewardship and accountability for public funds.

Benefits:
The federated CCGs currently have to retain three sets of financial arrangements and controls. Merger will enable us to have one finance system, enabling efficiencies in terms of:

- Accounting for one legal entity rather than three
- Reduction in invoicing, recharging and journals
- One set of management finance reports for the Governing Body, Executive and the Non IFSE returns for NHS England;
- One Agreement of Balances process to undertake at M6, M9 and M12
- One annual report and set of accounts;
- One process for cash forecast and management;
- Internal and external audit would audit one set of data rather than three;
- A more streamlined, robust process for analysing information from providers and supplying information to other stakeholders.

Further efficiencies would be gained from having only one set of operational plans.

The streamlining will principally be used to create headroom to support the STP and movement towards an Accountable Care System.

Risks:
- The setup of a single entity ledger will require significant investment in time and year-end entries will need to be transferred from existing ledgers. There is a risk of error/omission in this process, however unlike the merger of PCTs in 2006, the current three ledgers are managed by one team, so the risks are assessed as low
- Providers and other suppliers will have to realign databases to a new single CCG entity – this is assessed as low risk.
- Merging financial systems means we may create issues with comparing historical trend analysis; this is assessed as low risk
- There are risks during the transitional period of suppliers invoicing the wrong commissioner, of duplicate payment, and of fraud. This has been assessed as medium risk and procedures would be in place to manage this.
- Contracts will need to novate to the new legal entity. This will require investment in time and possibly some specialist support, but has been assessed as low risk.

2.4. Arrangements with other CCGs: the new CCG will have appropriate arrangements with others, for example lead commissioning arrangements.

None of the current arrangements would be changed as these are all working well.

2.5. Commissioning support: NHS England can take into account whether the new CCG has good arrangements for commissioning support services.

All three CCGs share their CSU support and are currently defining their future support services with a view to what will be needed system-wide to support an ACS, rather than simply as traditional commissioning support.

3. NHS England's Requirements for Merger - Six Factors

In addition to the legal requirements, NHS England will also consider whether merger proposals demonstrate the following six factors, which NHS England considers are relevant to one or more of the matters set out in section 14C(2) of the NHS Act 2016:

3.1 Strategic purpose: to provide a more logical footprint for delivery of the local STP.

Although merging the CCGs provides further clarity of a north-Frimley wide clinical commissioning group, there is likely to be little change due to the current highly collaborative working between the three existing CCGs. The merger would be supported by our STP Leaders and Partners.

Whilst a broader merger, of all Frimley CCGs (to include Surrey Heath CCG and North East Hampshire & Farnham CCG), might also have strategic merit, it is currently viewed as unfeasible owing to:

- Much greater complexity. The additional two CCGs have not to-date shared significant resources although the system is working much more closely together than previously.
- North East Hampshire & Farnham's recent federation on a Hampshire basis ("Connect Hampshire".
- The planned progressive integration of Surrey Heath budgets with social care.
- Less secure support from Local Authority partners in the south of the Frimley footprint for a merger.

3.2. Prior progress: the relevant CCGs must have already demonstrated progress in systematically implementing shared functions; and there is evidence of a willingness to work together.

The CCGs demonstrate a long history of collaborative working; a merger is a natural next step rather than a major organisational upheaval:

- A Governing Body is now operating in common.
- Condensation to form a single management team took place a year ago.
- All sub-committees of the Governing Body now operate on a joint basis.
- A risk-sharing approach to finances across the breadth of the CCGs' operations is in place.
- Clinical leads operate on a cross-CCG basis
- Patient and public involvement expertise and activities are shared across CCGs
- Member education events are shared across CCGs

3.3. Leadership support: the merger proposal enjoys the support of the STP leadership and the support of constituent CCG governing bodies

The Merger has the support of the STP leadership; details available on request. A programme of discussions has been organised with CCG Members and Local Authorities to discuss.

3.4 Future-proofed: the merger proposal provides the right footprint for oversight of likely local multispecialty community providers (MCPs) and primary and acute care systems (PACS) or Accountable Care System (ACS)

The merged organisation creates efficiencies in the finance and planning departments of the federated CCGs. This means we will have improved critical mass to work on our outcomes based contracts, devolved finances and be able to discharge the new, more strategic commissioning functions that are required for our future ACS model.

3.5. Ability to engage with local communities: we would want assurance that the move to a larger geographical footprint is not at the expense of the new CCG's ability to engage with GPs and local communities at locality level.

Our strong history and commitment to localities means we will remain committed to this being the main thrust of our ongoing Member Practice and public engagement strategies.

The existing locale-based Membership and public engagement approaches will remain in place.

3.6. Optimising use of administrative resources: the merger should show how 20% in ongoing running costs will be released to supporting local system transformation, including how the changes are commissioned.

The CCG Running Costs Allowance is based on a standard national amount per head of population and for 2017/18 amounts to £9.374m in total for the three CCGs. This amount will not change if the CCGs merge,

Due to the constraints of the Running Costs Allowance many of the straightforward efficiencies normally associated with bringing organisations together (e.g. a single Executive team with one Accountable Officer, one Director of Finance, one Director of Nursing & Quality, one Director of Strategy & Operations, and single finance and quality teams were designed into the original federated structures in 2013. Further efficiencies were realised in 2016 when the organisations moved to a single management team for all activities. More recently, movement to a single Governing Body in Common has enabled clinical time to be released for commissioning leadership both in the CCGs and STP. Therefore significant further cash releasing savings should not be anticipated.

But there will be some further efficiency through operating one ledger, one set of annual accounts, and one Annual Plan. We do not anticipate any savings in Internal Audit costs as this work has always been done in a unified way across the three CCGs. Some savings in External Audit cost should be expected, but it should be noted that during 2016 we re-procured our External Auditors and achieved a 32% saving on previous costs partly due to the streamlined internal processes. As three small legal entities we have not had to develop any form of 'locality budgeting'; we made now need to do some of this to properly understand the costs of healthcare for different communities or local authority areas.

We anticipate that our CSU costs would be reduced, as the support to a single organisation is less complex and time consuming. This is subject to negotiation, and some savings will probably be refocused on STP/ACS support.

4. When would merger be sensible?

Clearly it only makes sense to merge at the beginning of a new financial year. Given the fact that almost all of the work required to merge has already been undertaken it is reasonable to push for merger on April 1st 2018.

Whilst there are risks linked to this timescale, the Executive Committee believed that the efficiencies we will achieve will outweigh the risks, as long as the process is managed carefully.

There has been clear indication from NHS England that they will support this proposal for April 2018.

Next steps

The Governing Body is asked to support the recommendation to formally apply for merging the three organisations for 1st April 2018. This will include a Member Practice vote to agree to the Constitutional changes required.

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John Lisle
Accountable Officer
Berkshire East CCG
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6 July 2017

Dear John

CCG Improvement and Assessment – Quarter 4 2016/17

As we move into the assurance process for 2017/18 I wanted to take this opportunity to thank you for your commitment to improving the care and experience of the people of Berkshire East during 2016/17.

When we met in May, for the Quarter 4 meeting as part of the Improvement and Assessment Framework (IAF) it was useful to hear of the progress you have made in each of the four IAF component areas across all the CCGs for: Better Health, Better Care, Sustainability and Leadership. This letter provides confirmation of the ratings for each of those components, following the regional alignment process. You rated all components as *Good* apart from Leadership which you rated as Outstanding.

At local and regional moderation the Better Care, Better Health and Sustainability components were agreed. As Berkshire East CCGs remain an exemplar for the Sustainable Transformation Planning model. Leadership was rated as '*Green Star'* as the CCG demonstrated its leadership in the local health economy, leading by example with STP partners to work in collaboration to meet constitutional standards. The CCGs were also able to evidence strong levels of engagement with patients and the public. The year-end ratings are as follows:

Better Health	Better Care	Sustainability	Leadership	
GOOD	**GOOD**	**GOOD**	**GOOD**	**Q1**
GOOD	**GOOD**	**GOOD**	**GOOD**	**Q2**
GOOD	**GOOD**	**GOOD**	**GOOD**	**Q3**
GOOD	**GOOD**	**GOOD**	**GREEN STAR**	**Q4**

Congratulations to you and your team following the national moderation process, as I am pleased to confirm that all your CCGs have been assured with an overall rating of **Outstanding.** A clear recognition of the hard work and focus that has been taken throughout 2016/17 on behalf of the population of Berkshire East.

The 2016/17 annual assessments will be published on the CCG Improvement and Assessment page of the NHS England website on 19 July 2017. At the same time they will be published on the MyNHS section of the NHS Choices website. The dashboard with the data will be available through NHS England regional teams from 12 July 2017. CCGs will also receive confirmation of the national assessment in three clinical priority areas (dementia, cancer and mental health), at the same time.

In light of Q4 performance and local ratings, the assurance work on your operational and financial plans, and the national moderation outcome I can confirm we consider Berkshire East CCGs as a *low risk system*. As such I have agreed in discussions with you recently, to adopt a 'lite' touch to the Improvement and Assurance (IAF) framework process for Q1.

Once again, congratulations on your *Outstanding* assessment, and as you continue to transition to an Accountable Care System it remains important that the CCGs maintain their focus on the IAF components with system partners, to ensure a sustainable health economy across the Frimley footprint.

Yours sincerely,

Rachel Pearce
Director of Commissioning Operations
NHS England South – South Central