

**A CIPFA INTRODUCTORY GUIDE FOR CLINICAL COMMISSIONING GROUPS
ESTABLISHING CLINICAL COMMISSIONING GROUPS –
A SET UP CHECKLIST
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Foreword

This is one of a series of CIPFA guides to the fundamental responsibilities of the Accountable Officer in a Clinical Commissioning Group.

The guides are intended as introductions to key aspects of these responsibilities. They are intended to help and support Accountable Officers, and the wider leadership and decision-making structures in the Consortia. They will also enable key staff members to recognise the requirements placed upon them, and enable them to act as critical friends to the Accountable Officers.

The guides will assist Accountable Officers in developing their non-clinical skills and abilities, enabling them to challenge effectively, and to hold to account their specialist staff and advisers.

The subjects to be covered in the first set of guides include:

- An Introduction to the NHS Reforms and Financial Challenge
- An Introduction to establishing a Clinical Commissioning Consortia
- An Introduction - Preparing and Evaluating Business cases – Option Appraisal
- An Introduction - Pooling budgets and the benefits of integrated care provision

CIPFA is keen to support the effective leadership and management of Commissioning Consortia and encourages users of these guides to raise questions and make suggestions for future guides and more in depth support

Please contact Steve Strutt – Health Policy at CIPFA
stephen.strutt@cipfa.org

CIPFA is one of the leading professional accountancy bodies in the UK and the only one which specialises in the public services. It is responsible for the education and training of professional accountants and for their regulation through the setting and monitoring of professional standards. Uniquely among the professional accountancy bodies in the UK, CIPFA has responsibility for setting accounting standards for a significant part of the economy, namely local government. CIPFA's members work (often at the most senior level) in public service bodies, in the national audit agencies and major accountancy firms. They are respected throughout for their high technical and ethical standards, and professional integrity. CIPFA also provides a range of high quality advisory, information, and training and consultancy services to public service organisations. As such, CIPFA is the leading independent commentator on managing and accounting for public money.

Introduction

Establishing a Clinical Commissioning Group can be a complex process and there are a number of steps to be completed to set up an organisation that is staffed to commission high quality care for its resident population and monitor and report on outcomes achieved and expenditure incurred against its financial allocation

It can be expected that Clinical Commissioning Groups will move from a position where it is performing well to a position where it is transforming health care with improved outcomes within its available resources.

Good governance is important to managing Clinical Commissioning Groups

This guide is set out in three sections

- 1 The principles of good governance for the provision of public services
- 2 Establishing a Clinical Commissioning Group – a checklist of initial actions
- 3 Moving to a high performance organisation – a checklist

The Principles of Good Corporate Governance

All Public Sector organizations require good governance as part of their risk management arrangements, the principles of good governance are detailed below

Good Governance Standard for Public Services

1	<p>Good governance means focusing on the organisation’s purpose and on outcomes for citizens and service users</p> <p>1.1 Being clear about the organisation’s purpose and its intended outcomes for citizens and service users</p> <p>1.2 Making sure that users receive a high quality service</p> <p>1.3 Making sure that taxpayers receive value for money</p>
2	<p>Good governance means performing effectively in clearly defined functions and roles</p> <p>2.1 Being clear about the functions of the governing body (The Board)</p> <p>2.2 Being clear about the responsibilities of non-executives and the executive and making sure that those responsibilities are carried out</p> <p>2.3 Being clear about relationships between governors and the public</p>
3	<p>Good governance means promoting values for the whole organisation and demonstrating the values of good governance through behaviour</p> <p>3.1 Putting organisational values into practice</p> <p>3.2 Individual governors behaving in ways that uphold and exemplify effective governance</p>
4	<p>Good governance means taking informed, transparent decisions and managing risk</p> <p>4.1 Being rigorous and transparent about how decisions are taken</p> <p>4.2 Having and using good quality information, advice and support</p> <p>4.3 Making sure that an effective risk management system is in operation</p>
5	<p>Good governance means developing the capacity and capability of the governing body to be effective</p>

	<p>5.1 Making sure that appointed and elected governors have the skills, Knowledge and experience they need to perform well</p> <p>5.2 Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group</p> <p>5.3 Striking a balance, in the membership of the governing body, between continuity and renewal</p>
6	<p>Good governance means engaging stakeholders and making accountability real</p> <p>6.1 Understanding formal and informal accountability relationships</p> <p>6.2 Taking an active and planned approach to dialogue with and accountability To the public</p> <p>6.3 Taking an active and planned approach to responsibility to staff management</p> <p>6.4 Engaging effectively with stakeholders</p>

As part of minimising risk NHS Clinical Consortia will have to embrace arrangements to manage their organization and the financial allocation for commissioning healthcare for their population

The following is a checklist for Consortia. A number of these actions will depend on whether support services are to be provided in house or from other providers and in addition, further national guidance that can be expected on the set up of organizations within the Authorisation process

New organisations in their infancy need to develop an understanding of their health spend and outcomes against budget

<ul style="list-style-type: none"> • It can take a period of time before newly formed organizations become fully effective. Clinical Commissioning groups in their infancy have to <ul style="list-style-type: none"> ○ discharge statutory responsibilities. ○ develop an organisational structure with responsibilities commensurate with the organisations purpose and objectives. ○ develop job descriptions, person specifications, grades and recruit to affordable establishments ○ house staff taking into account remote or home working opportunities for staff. ○ ensure accurate, timely, relevant and comprehensive management information systems are in place ○ develop escalation processes for targets & objectives that may not be performing on line ○ develop systems of internal control. ○ develop control processes around health & safety, data protection and quality and diversity. ○ prepare to complete returns required for the NHS CB ○ Operate within a management cost envelope
<ul style="list-style-type: none"> • Clinical Commissioning Groups will require an accurate and clear understanding of their <ul style="list-style-type: none"> ○ Resources available

<ul style="list-style-type: none"> o current health spend o current health outcomes o commitments agreed by predecessor Primary Care Trusts
<ul style="list-style-type: none"> • Groups have the option of their support services being provided by <ul style="list-style-type: none"> o Primary Care Trusts possibly re-established as Social Enterprises o A Local Authority o The Private or Voluntary Sector. • In deciding how Clinical Commissioning Groups are to be supported it will be necessary to <ul style="list-style-type: none"> o undertake a service and financial appraisal into the cost of that support o assess the quality of that support o ensure that the provider has sufficient expertise, experience and financial standing o account for the cost of change and transition o review carefully and implement procedures to ensure that the expertise and corporate memory is not lost in moving provision from current providers
<ul style="list-style-type: none"> • Each Clinical Commissioning Group will need to appoint an Accountable Officer, and other professionals. These appointments may cover several consortia
<ul style="list-style-type: none"> • The Accountable Officer has to ensure that the consortium <ul style="list-style-type: none"> o operates economically, effectively and with probity o keeps comprehensive accounts o makes good use of resources. o has and retains comprehensive financial records o develops and maintains a comprehensive system of internal control. o takes decisions with reference to their financial implications o leads the organization to improved health performance within guidelines issued by the NHS Commissioning Board and within financial allocations o has developed board assurance, induction and organizational development procedures o has a media, press office facility o can address communications from the public o has business continuity procedures o has agreed reporting lines o has established a risk register that identifies risks and mitigating actions if these risks occur.
<ul style="list-style-type: none"> • CIPFA recommends that each group has a Chief Financial Officer (CFO). The role of the CFO can be varied and complex from <ul style="list-style-type: none"> o Statutory duties relating to accountability, probity and governance o Day to day operational management o Strategic planning o Making payments and collecting receipts o Maintaining the integrity of Financial systems o Being an expert on national payment systems (Pbr)

<ul style="list-style-type: none"> ○ Treasury management ○ Counter Fraud ○ Providing comprehensive financial reports for the Board ○ Preparing the annual report and accounts and statement on internal controls ○ Leading on standing orders, standing financial instructions and a scheme of reservation and delegation referred to below ○ Having a comprehensive understanding of the NHS Finance regime and mechanisms such as how Commissioners make payments to Providers under the Payment by Results Tariff. ○ Establishing Bank Accounts ○ Ensuring support services are specified and evaluated ○ Internal & External Audit arrangements in place
<ul style="list-style-type: none"> ● The Group requires access to professional legal services advice to cover complaints, claims, legal matters, appeals against funding decisions, estate and property matters
<ul style="list-style-type: none"> ● The Group requires access to professional Human Resources advice for all aspects of personnel management
<ul style="list-style-type: none"> ● The Group requires access to professional clinical advice. Structures should be in place to manage clinical risk and clinical performance management and that serious untoward incident (SUI) reporting is in place
<ul style="list-style-type: none"> ● Standing Orders should be developed– these provide <ul style="list-style-type: none"> ○ practical organizational rules on roles and responsibilities of the Board Committees and Individuals to protect the interests of the consortium and staff and provide adherence to statutory powers
<ul style="list-style-type: none"> ● Standing Financial Instructions should be developed – these set out <ul style="list-style-type: none"> ○ the consortia's financial procedures ○ How the organization accounts fully and with transparency for everything they do.
<ul style="list-style-type: none"> ● A Scheme of reservation that and delegation is required that <ul style="list-style-type: none"> ○ Details those decisions reserved only for the Board itself and those decisions that can be taken on behalf of the Board, by whom and the financial limits of that authority ● The Group should have an effective framework of financial accountability <ul style="list-style-type: none"> ○ this is understood and applied throughout the organisation, from the Board through executive and non-executive directors to front line Managers and staff. ● The Group requires adequate IT systems management to support <ul style="list-style-type: none"> ○ its day to day functions ○ Its operational and strategic planning ○ the provision of management information ○ the interpretation and implementation of national IM&T policies. ● IT Systems need to provide quality data that is secure, disaster planning & recovery processes should be in place and secure data can be shared across agencies.

- Financial plans should be developed and approved by the Group Board that
 - remain within both resource and cash limits
 - are prepared within guidance issued by the NHS Commissioning Board.

- Financial plans are developed from an accurate assessment of health need and activity, capacity requirements and expenditure required to meet the current and expected improvement in health outcomes

- Finance staff analyse financial issues and contribute interpretation, insight, advice, options, expertise and solutions to support decision makers

- During the year the Consortia board receive timely and accurate information on performance against operational and financial targets

- Annual accounts are planned and prepared taking account of International Financial Accounting Standards (IFRS) and are supported by working papers to a standard acceptable to External Auditors

- The organisation's financial accounting and reporting meet professional and regulatory standards

- Arrangements are put in place to pay invoices in line with prompt payment codes and collect income due

- The Group has integrated commissioning and financial planning so that it aligns resources to meet current and future objectives and priorities.

- Agreed contracts are performance managed as required to deliver outcomes

- The Group can analyze and report on current and forecast contract and financial performance, payments made and payments due and financial returns.

- Systems of patient engagement are established;
 - To inform the future shape of services.
 - Surveys, polls and web-enabled feedback are used to collate views from service users, carers and the public including those in ethnic minority and difficult to reach groups

- Comprehensive agreements are in place for each of the organisation's delivery partnerships and collaborative arrangements (including any pooled budgets) that covers
 - aims and objectives
 - risk management arrangements
 - arrangements for reviewing, revising and agreeing the audit arrangements
 - ending and dissolving the agreement as required
 - ownership of and responsibility for any assets and liabilities;
 - governance arrangements; funding arrangements; accounting and financial reporting arrangements;
 - financial and performance monitoring arrangements;
 - procurement arrangements

- Financial literacy is diffused throughout the organisation so that decision takers understand and manage the financial implications of their decisions.
- The organisation identifies and manages its significant business risks. The organisation is risk aware rather than risk averse
- Allocations to Groups are understood throughout the organisation

With specific reference to internal budgets

- Financial and managerial responsibilities are aligned, with revenue and capital budgets assigned to and owned by individual Managers within a formal scheme of budget delegation?
- All budgets are notified to Managers before the start of the financial year
- Managers know the organisation's overall in-year financial position against budget
- Managers monitor budgets at least monthly and act promptly and effectively to respond to variances?
- Finance Staff produce reports to the Board and the Leadership Team (at least quarterly unless circumstances require closer focus) and Managers (monthly) that are relevant, accurate, timely, well presented and understandable?
- Monitoring is predictive rather than backward looking and focused on large, high risk or volatile budgets
- Monitoring is related to operational activity indicators that are lead indicators of spend
- The organisation assess the progress of its capital projects (as required) and their impact on cash flow, capital financing, revenue accounts and balance sheet, at least quarterly
- Budget variances are analysed and used as a basis for taking corrective action
- Reports link capital and revenue financial and operational information to give an overall picture of performance
- The organisation provide clear documentation, support and guidance, so that Managers who are budget holders understand their responsibilities and own their budgets
- Forecast or actual budget variances and trends are reflected in budget preparation
- Managers are fully involved in setting their budgets, working with Finance staff, so that they take ownership
- The organisation actively manages budgets, with monitoring and forecasting that is insightful, ensures 'no surprises' and leads to responsive action.
- The organisation systematically pursues opportunities to reduce costs and improve value for money in its operations via

- its procurement and commissioning
- active management of its own fixed assets
- The organisation have a clear policy on carry forward of year end variances, designed to help resources to be used to best effect in line with national guidelines
- Managers understand they are responsible for delivering services cost effectively and are held accountable for doing so
- Spending trends and budgets are projected over a rolling 12 month period ahead spanning financial years to identify emerging cost pressures and inform future planning
- The organisation maintains processes to ensure that information about key assets and liabilities in its balance sheet are a sound and current platform for management action.
- Collaborative arrangements to deliver services are accountable for their funding and service performance
- The organisation reviews its financial processes regularly to ensure these are effective.
- An Audit Committee meets to take reports and actions on Consortium performance and risks.
- A Remuneration committee is established for matters of pay and performance
- The NHS Commissioning Board Licensing / assurance process is completed leading to approval
- The organisation operates and maintains accurate, timely and efficient transactional financial services (e.g. creditor payments, income collection, payroll, and pensions' administration
- The Group completes the NHS Commissioning Board Licensing / assurance process.

The Group will move to a position of maturity when it can be shown to be influential and seen to be actively improving health services

- The Group has a comprehensive understanding of
 - how its financial allocation has been prepared
 - of local demographics in terms of expected population and age profile change within the local population
 - population projections are consistent with those from statutory partners to provide for a consistent planning base
 - variances between GP registered populations and Office of National statistics population estimated for their local population
 - how this may change its allocation through modelled scenarios over the next 5 year period
 - Its health priorities
 - Supply side strategies

- Experienced, respected and innovative Clinical Champions and networks input into pathway analysis and improvement; review referral management; admissions avoidance and potential for care provided closer to home.
- Clear responsibilities are allocated for the reform agenda.
 - Service specifications are developed
 - market development strategies are developed
 - transition strategies are developed.
 - Internal and external expertise is available to the consortia to develop services that can be agreed by clinicians and service users
 - Workforce strategies aligned to service developments are worked through
- Health needs assessment, predictive modelling and service specification is embedded into Health service reform
- The organisation has access to sufficient financial skills to meet its operational and strategic needs including the development of business cases for the improvement of health services in line with national guidance
- The organisation's leadership integrates financial management into its strategies to meet future business needs. Its financial management approach supports the change agenda and a culture of customer focus, innovation, improvement and development.
- The organisation uses financial management expertise and a robust evidence base in its strategic decision-making.
 - The local population has confidence that changes to healthcare provide will provide a higher quality service
 - The change are evidenced based
 - Strategies such as extending elective admission waiting times are seen as a last resort to managing within resource and cash limits.
- The organisation develops and sustains its financial management capacity to help shape and support its transformational programme
- The Group produces a medium-term Financial Plan and a longer term financial strategy covering the base year 5 future years
- The Medium-term Financial Plan is consistent with the organisation's aims and objectives and takes account of local and national priorities, changing legal requirements, demographic trends, demand levels and national standards?
- The organisation prepares its subsequent budget that is consistent with
 - corporate objectives
 - NHS Commissioning Boards guidelines and directives
 - strategies
 - an agreed medium-term Financial and commissioning Plan
- The consortium develops and implements standard procedures for contract negotiation, using national templates and guidelines where available.

- The Consortium undertakes a comprehensive risk assessment to inform budget setting, and reporting to the Board with financial implications, mitigating actions and contingency provisions
- The organisation works with other bodies to deliver services that better meet the needs of users and customers, balancing quality and cost.
- The organisation systematically pursues opportunities to reduce costs and improve value for money in its operations via
 - its procurement and commissioning
 - active management of its own fixed assets
- The organisation's financial management processes support organisational change.
- The organisation works with other bodies to deliver services that better meet the needs of service users, carers and the public balancing quality and cost.
- There are appropriate linkages between predictive modelling analysis, risk stratification and patient management strategies that review services, initially to manage services to say high cost patients.
- External stakeholders have confidence in the integrity of the organisation's financial conduct
- External Stakeholders have confidence that the organisation commissions the best possible health care for its population and can demonstrate this against peer performance
- Customers and stakeholders can bring influence to bear on key financial management policies, including resource allocation