NHS Cambridgeshire and Peterborough CCG

Capacity, Capability and Financial Position: Follow-up review

Strictly private and confidential

15 January 2019

pwc

Yvonne Mowlds
Partner
M: +44 (0) 7715 771 381
yvonne.m.mowlds@pwc.com

Harriet Aldridge
Director
M: +44 (0) 7841 568 995
harriet.c.aldridge@pwc.com

NHS Cambridgeshire and Peterborough CCG
Lockton House
Clarendon Road
Cambridge
CB2 8FH

Dear Sir/Madam,

Subject: Capacity, Capability and Financial Position follow-up review

We have been instructed by NHS Cambridgeshire and Peterborough CCG ("the CCG") to provide an independent view of the progress that the CCG has made since we completed a review of the CCG's capacity, capability and financial position in February 2018, in accordance with our engagement letter dated 28 November 2018 (Appendix 1).

This document has been prepared only for Cambridgeshire and Peterborough CCG and solely for the purpose and on the terms agreed with Cambridgeshire and Peterborough CCG. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

In the event that, pursuant to a request which you have received under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), you are required to disclose any information contained in this report, you will consult with us prior to disclosing such report. You agree to pay due regard to any representations which we may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such report. If, following consultation with us, you disclose this report or any part of it, you shall ensure that any disclaimer which we have included or may subsequently wish to include in the report is reproduced in full in any copies disclosed.

Yours faithfully

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
7 More London Riverside, London, SE1 2RT
T: +44 (0) 20 7583 5000

Contents

Introduction

Introduction and background

The CCG is one of the largest CCGs in the country, serving a patient population of circa 960,000 people. The CCG oversees a budget of approximately £1.2bn.

The CCG's main providers are: Cambridge University Hospitals NHS Foundation Trust (CUHFT), encompassing Addenbrookes and The Rosie hospitals, North West Anglia NHS Foundation Trust (NWAFT), Cambridgeshire & Peterborough NHS Foundation Trust (CPFT), Cambridgeshire Community Services (CCS) NHS Trust and Papworth Hospital NHS Foundation Trust (PHFT).

In March 2018, PwC issued its *Capability, Capacity and Independent Financial Review* report, which was commissioned in response to a sudden deterioration in the CCG's financial performance in first nine months of 2017/18. This report concluded that the breadth and depth of the financial and governance issues that the CCG was facing were among the broadest and deepest set of issues facing any CCG that PwC had previously worked with. The report found that the scale of the challenge meant that the return to financial sustainability would take several years to achieve.

The report raised 18 high priority recommendations. The CCG's external auditors issued a statutory recommendation that the CCG should produce an Improvement Plan to address the issues and recommendations raised in the report. The Improvement Plan was agreed with NHS England and includes a 2018/19 financial plan to deliver a £(35.1)m deficit, after delivery of £35.1m QIPP.

Scope of this review

This review has been commissioned to provide an independent view of the progress that the CCG has made in the nine months since that report in addressing the issues that were raised.

We have reviewed the CCG's assessment of its progress against the Improvement Plan, the M7 Year to Date and Forecast Outturn Position, and the M7 QIPP report. We have spoken to five Governing Body members and external stakeholders from NHS England and CUHFT.

Informed by these discussions, we have reviewed the CCG's expected outturn position. Based on our interviews and document review, we have assessed the extent to which risks that we are aware of are reflected in the reporting to the CCG's Governing Body and sub-committees and to NHS England.

In line with the scope of this follow-up review, only limited financial investigation and analysis has been completed. As such, our views are based solely on the information provided to us and discussed in interviews. Significant additional work would be required for us to come to a definitive view on the CCG's likely outturn position.

We have included at Appendix One a schedule of all recommendations that were included in our March 2018 report, alongside a brief summary of progress made to date against each.

At a glance

PwC view

The CCG has taken steps to address its issues of instability in senior leadership roles. The CCG must ensure that the new executive team rapidly develops into an effective, cohesive team in order to work together to tackle the CCG's significant, ongoing challenges.

The CCG has made good progress against its Improvement Plan to date, but remains at an early stage in its organisational turnaround journey.

There continues to be risk to the CCG's outturn position which must continue to be closely managed.

❶ The CCG has made good progress against a very significant improvement agenda, but remains in the early stages of its overall organisational turnaround journey. The scale of the challenge is significant and continued focus, drive and energy is required to build on the progress made to date.

In our review in March 2018 we noted that the CCG had one of the deepest and most significant set of issues facing any CCG in the country.

Since March the CCG has laid the foundations for a successful turnaround, in particular:

- The change in leadership approach is recognised by internal and external stakeholders as bringing a range of benefits to the CCG; and
- The development of the Improvement Plan and supporting financial plans are designed to deliver the scale of change required.

The pace and scale of this change must continue if the CCG is to build on the progress made to date. Specifically:

- The scale and ambition required to deliver the 2018/19 QIPP programme is significant, and the 2019/20 plan will be similar in scale; and
- The development of the STP and relationships in the system have improved, but significant work is required to leverage the opportunities and return the system to financial balance alongside delivering quality and performance improvement.

❷ There has been significant change in the CCG's leadership. The new Chief Officer has built an experienced and largely substantive executive team in a short time. The executive directors are all committed to the CCG's medium and long-term success. There is a need to strengthen the capacity and capability of the level below the executive.

Our March 2018 review concluded that *'a significant level of instability in the CCG's leadership team over the last two years has impacted on the ability of the organisation to plan effectively and has caused a high degree of uncertainty for staff.'*

Turnover in executive leadership continued in the period after our review, but the CCG now has in place a largely substantive executive team (soon to be fully substantive), and senior leadership that is committed to the CCG's long-term success. This was recognised by all of the internal and external stakeholders that we spoke to.

Although most of the new executive team have worked with at least some of their executive colleagues in previous organisations, the team is new. Relationships and levels of trust will be tested as they work together on a significant improvement agenda. It will be important for the team to continue to invest in its collective and personal development over the coming months and to arrive at a clear consensus regarding priorities and objectives.

As part of this, the executive team should review the extent to which the structure, capacity and capability of the teams below them support the required delivery and take action to address the gaps we understand exist in some respects.

At a glance

PwC view

There are a number of risks to the CCG's delivery of its £(35.1)m deficit control total, which are understood by the Governing Body.

Our limited review of the forecast outturn suggests a deficit position in the region of (£36.0)m, but there are a number of assumptions and variables within this and more work would be required to come to a definitive view.

The CCG has limited opportunity to manage its position using its Balance Sheet, so will have difficulty mitigating additional cost pressures that crystallise after M7.

3 The CCG has made significant progress against the Improvement Plan, which addresses all of the recommendations included in our March 2018 Capability, Capacity and Independent Financial Review report. Our view of the CCG's progress aligns with the CCG's reporting.

The Improvement Plan was developed in response to the March 2018 PwC report. The plan has been ratified by NHS England and addresses all recommendations raised in the March 2018 PwC report, and in some cases aims to deliver further improvement in addition to that included within the PwC recommendations.

The CCG has made progress against all of the areas outlined in the Plan. Key elements include:

- The CCG is forecasting to deliver a £(35.1)m deficit, in line with its financial plan and agreed control total;
- Developing the capability and capacity of the Project Management Office; and
- Links to supporting strategies and plans to develop the CCG's governance and leadership.

The CCG's reporting of the progress it has made is consistent with our view. We have not identified areas where the CCG is significantly behind its improvement schedule, but the CCG must continue to closely focus on maintaining close grip and control over its 2018/19 financial position.

4 The CCG is reporting that it will deliver its £(35.1)m planned deficit. There are a number of risks to this position, which are understood by those we interviewed. We have performed a limited, desktop review of the M7 forecast outturn. Our view is that the CCG's forecast outturn, adjusted for risks on the basis of current information, could be in the region of £(36.0)m deficit. Further work is needed to come to a definitive view.

At M7, the CCG is forecasting to deliver its plan. We have discussed this position with the CCG and understand that a number of pressures reported as risks in M7 will move into the M8 FOT position.

The £35.1m QIPP programme is 3.0% of the CCG's total allocation. This is a challenging target, but management are confident that the CCG is on track to deliver. The reported gateway position of the QIPP programme at M7 shows that £18.4m remains in either Gateway 1 (Design) or Gateway 2 (Develop), but we have been told that this reflects the progress of documentation and not financial risk to QIPP delivery.

The CCG recognises that there is significant risk from S.117 expenditure, and acute activity with King's Lynn NHS FT, which is outside of the GICs.

At M7, the CCG is forecasting to release all of the contingency that was included in the 2018/19 budget, and although opportunities do exist to release Balance Sheet items to manage its position, these are limited.

At a glance

PwC view

The QIPP programme's reported progress through gateway stages does not align with forecast financial QIPP delivery. Management has told us that this reflects issues with QIPP documentation, and is not reflective of financial risk to QIPP delivery, but our scope has not included detailed testing of QIPP delivery to allow us to assess this.

The CCG's relationships with system partners are strengthening rapidly, largely due to the approach taken by the Chief Officer and Chair. The CCG must ensure it leverages these relationships to capitalise on the opportunities they present to drive improvement across the system.

Our view is that there is potential for the CCG to deliver a risk-adjusted deficit in the region of £(36.0)m, although we understand that the CCG is accelerating plans to mitigate its risks.

5 Significant improvements have been made to some areas of QIPP governance, particularly around the development of QIPP schemes and the implementation of a gateway process. There remain opportunities to improve QIPP reporting and there is scope to increase the capacity of the PMO.

A new Head of the PMO was appointed in June 2018, and the capacity of the PMO has also increased (although it remains below establishment). QIPP development and delivery has improved, and planning for delivery of 2019/20 QIPP has begun several months earlier than planning for delivery of the 2018/19 plan. The CCG has implemented a QIPP gateway process, and has made significant progress in developing QIPP plans.

There remain opportunities to improve the quality of QIPP reporting, and the capacity of the PMO:

- The dashboard showing progress of the QIPP programme through the Gateways shows £7.8m in the Design Gateway and £10.5m in the Develop Gateway, which at this stage in the year, we would expect to be at high-risk of non-delivery. We were told QIPP schemes within early stages are delivering savings despite not having been through the full PMO sign-off process, which suggests that the gateway process may be appropriately designed, but not operating effectively in practice. We recommend that QIPP reporting explicitly highlights the risks associated with QIPP included within early stage gateways.
- The PMO is currently working at full capacity with its entire focus on managing the QIPP programme. If PMO capacity is increased, this would create additional scope for the PMO to widen its focus to other priorities, for example, managing activity risks within Guaranteed Income Contracts.

6 The CCG's leadership is recognised for investing in developing strong and collaborative relationships with system partners. These must be leveraged to deliver on the opportunities available.

The CCG's leadership, particularly the Chief Officer and the Chair, are recognised by those we interviewed as being committed to the STP and to developing and delivering initiatives that focus on system recovery.

Relationships are rapidly improving after a prolonged period of frequent change in CCG leadership; the challenge for the CCG now is to leverage the strength of the relationships to deliver system improvements. For example, agreeing GICs with acute providers is only possible when relationships are sufficiently strong. We were told that GICs have focused the attention of providers on the imperative to reduce activity for the benefit of the system, but as yet this has not led to a significant impact on recorded activity.

Recommendations

The tables below set out definitions of the keys we have used against each of the recommendations we have identified in the report.

Priority

High	This is critical to the CCG's progress
Medium	This is important to the CCG's progress
Low	This may not have an immediate significant impact on the CCG's progress but should still be taken forward

Implementation risk

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

Recommendations

Ref	Recommendation	Suggested owner	Time frame	Priority	Implementation risk
Continued focus on delivery of the Improvement Plan					
1	The CCG must continue to closely monitor, assess and report on delivery against the Improvement Plan. From a financial perspective, this should focus particularly closely on: • QIPP performance and risk to delivery of the £35.1m QIPP plan, particularly the development and delivery of QIPP schemes that are in early stage gateways; • Activity at trusts that have agreed GICs with the CCG, which will largely determine the extent of risk included in the 2019/20 plan; • The outcome of ongoing negotiations with the Local Authority around the split of responsibility for funding elements of shared programme areas; and • The release of Balance Sheet accounts to manage the CCG's year-end position, where there is opportunity to do so.			**High**	**Medium**
Structure, capacity and capability of teams supporting the Executive team					
2	In order to fully leverage the capacity and capability of the new executive team, executive leadership should review the structure, capacity and capability of the teams that support them. This should be considered within the context of the Executive team's priorities and objectives.			**High**	**Medium**
Project Management Office					
3	The PMO should review the accuracy of QIPP reporting, focusing particularly on the level of reported risk within the QIPP report and the internal consistency within QIPP reporting. If it is determined that QIPP risk is greater than the £0.5m reported in the M7 QIPP, this must be reflected in the Forecast Outturn position reported in the M8 finance report and highlighted clearly for the attention of Governing Body and Finance Committee members.			**High**	**Medium**
4	The PMO should be resourced to its full establishment to enable the PMO to increase the focus of its project management beyond QIPP schemes that will deliver financial improvement.			**Medium**	**Medium**

Recommendations

Ref	Recommendation	Suggested owner	Time frame	Priority	Implementation risk
Leveraging system opportunities					
5	The CCG must leverage the strong relationships that have been cultivated within the system over the past nine months to identify and delivery on opportunities to improve the financial, quality and operational performance of the system.			**High**	**Medium**
Financial plan and Balance Sheet releases					
6	The CCG must continue to review the opportunities to release Balance Sheet accounts that are presented in the CCG's mitigations table Particularly as the forecast outturn in the M7 finance report includes the release of all contingency within its position, these should be released where possible and appropriate.			**Medium**	**Medium**

Executive report

CCG Leadership

The CCG has successfully filled most of its leadership vacancies with substantive leaders with experience of NHS commissioning.

PwC view

The new executive team has an appropriate range of skills and experience given the challenges the CCG is facing.

The increased stability at the CCG is recognised internally and externally, but the recent changes mean that the Executive Team will need to develop effective ways of working rapidly given the immediate size and scale of the issues facing the CCG.

The previous instability of the leadership team has left a legacy in terms of weaker system relationships and internal cultural issues which will take time to overcome.

Leadership and the Executive Team

There has been significant change in the CCG's leadership since the *Capability, Capacity and Independent Review of Financial Position* report was published in March 2018:

- All Governing Body Executive Directors are new in post:
  - The Chief Officer has been in post since June 2018, having previously been on secondment at the CCG as the interim Director of Strategic Commissioning since November 2017;
  - The Chief Finance Officer joined the CCG in September 2018;
  - The Chief Operating Officer joined the CCG in October 2018;
  - The Medical Director joined in November 2018; and
  - The Director of Quality, Patient Safety and Experience joined in October 2018 on a six-month secondment, and will soon become a substantive member of the executive team.

There has also significant turnover in Governing Body GP members and Lay members:

- Two of the eight GP members on the Governing Body are new: the outgoing GP members came to the end of their terms.
- Two of the four Lay Members are new. Both outgoing Lay Members came to the end of their terms. One of the two Lay Members reapplied for their position, but was not appointed.

The recent changes to the CCG's leadership, particularly within the Executive Directors, mean that it is not yet possible to draw definitive conclusions about the strength of the current leadership team. Although we have been told that the new team is working together effectively, and the foundations for an effective team are in place, the Chair and Chief Officer will need to continue to review the team's dynamics and development needs.

Increased stability in executive leadership

This level of change in senior leadership is significant. There had also been significant turnover in the period preceding the March 2018 report.

The CCG's leadership has been acutely aware of the risks associated with such significant and frequent change in leadership, and recent recruitment to Governing Body positions has had an increased focus on candidates' medium and long-term commitment to the CCG.

There are several indicators that the CCG's leadership is significantly more stable now than it was in March 2018:

- Four of the five Governing Body executive members are substantive appointments. This has not been the case among the CCG's Executive Directors for a significant period of time. At the time of our March 2018 report, six of the nine members of the Senior Management Team were either in interim or acting positions, or were working their notice period.
- Although the Executive Directors are new appointments, all have prior experience of working with health economies in Cambridgeshire and Peterborough and/or Suffolk, Essex and London, and so have an understanding of the CCG's recent history. This helps to mitigate some of the issues relating to a lack of corporate memory within the Executive team.

CCG Leadership

As a collective, the Governing Body recognises the scale of the challenge and individual members recognise their corporate responsibilities.

PwC view

There is evidence that the CCG has made progress in addressing the cultural and governance issues that were raised in our March 2018 report.

Governing Body members have a better understanding of their individual corporate responsibility for the CCG's overall performance, including financial performance.

The CCG has invested in Governing Body development, and must continue to do so to drive the behaviours and leadership required to continue to deliver the Improvement Plan.

- Most of the Executive Directors (with the exception of the Medical Director and the COO) have worked with at least one of their Executive colleagues in previous roles, and so have existing relationships which can be leveraged to develop a new, effective team.

Impact of new executive team

In interviews, the new Chief Officer was credited consistently with improving the working culture and environment at the CCG, through an improved approach to internal communication from the CCG's leadership to staff. We were told that communications are now more frequent and more transparent, and that senior decisions are more regularly communicated to staff, enabling them to better understand how their work is supporting delivery of the CCG's strategic objectives.

In September 2018, the CCG ran a Touchstone staff survey focusing only on those areas where performance had dropped in the previous staff survey from May 2018. The full results are included at Appendix Two.

The survey results largely support what we have been told in interviews: that the culture at the CCG is improving, and an increase in positivity and engagement is perceived throughout the CCG.

The results also indicate some continuing issues with a minority of staff reporting that they have experienced bullying or abuse from colleagues in the past twelve months. Understanding and responding to the issues behind these responses should be an immediate focus area for the Executive team.

Developing the structure, capacity and capability of the teams that support the executive team

As part of the new executive team's development, the structure, capacity and capability of the teams that support them should be reviewed. Issues or gaps that are identified should be addressed, if this is not already built in to the CCG's Organisational Development plan.

Recognition of Governing Body corporate responsibility for financial performance

We were told in interviews that the scale of the CCG's challenge to address the issues raised in the March 2018 report is now well-recognised and fully understood across the Governing Body.

This is particularly important as the CCG seeks to move away from a prolonged period of sustained and intense regulatory scrutiny, where the Governing Body's autonomy was inevitably constrained. In order to be able to develop and deliver the CCG's strategy, Governing Body members must have a complete understanding of both the extent and nature of the CCG's challenges, but also of their individual and collective corporate roles and responsibilities to address challenges across the breadth of the CCG's business.

The March 2018 report found that, *'the CCG should take action to strengthen the knowledge/experience on the Committee and Governing Body in relation to finances. This will improve the confidence of Committee members to ask effective questions and provide the right level of scrutiny.'*

We were told that the level of scrutiny applied by the Governing Body to the CCG's financial position is much greater than previously. This improvement is attributed to four points:

1. The messages within the March 2018 report were received clearly by some Governing Body members who had not previously recognised the extent of the CCG's financial and operational challenges;

CCG Leadership

The capability and capacity of the PMO has been strengthened, but it remains below establishment.

PwC view

In line with the recommendations from our March 2018 report, the PMO has focused exclusively on developing and delivering the CCG's QIPP programme.

This is appropriate, but the CCG should look to recruit to the PMO's full establishment, and then assess the extent to which there is capacity for the PMO to provide support on other priority areas within the CCG's Improvement Plan.

2. The CCG has invested in a GP development programme, elements of which focus on developing the financial skills and capability of GP Governing Body members. We were told of a significant increase in the level of GP engagement with financial issues and their recognition of their corporate responsibility for all areas of the CCG's financial, operational and clinical performance. The focus of this has been developed based on 360 feedback and the development of the Improvement Plan;
3. All Governing Body members have completed a 360 review and completed a technical Governing Body training programme; and
4. The strength of Lay Member challenge on the CCG's financial position, which is informed and effective. We have not observed Governing Body or any of its sub-committees to verify or assess this.

Programme Management Office (PMO)

At the time of our March 2018 report, the Head of the PMO was vacant. A new Head of the PMO was appointed and began in post in June 2018.

In addition to the Head of PMO, the PMO's establishment includes three PMO analysts. Currently, the PMO comprises:

- Head of PMO;
- Two PMO analysts (though one analyst is currently working their notice); and
- One PMO support.

The PMO's capacity has fluctuated since the March 2018 report, but at no point has it been at its full establishment.

Several interviewees raised with us that the PMO focuses almost exclusively on managing and reporting on the pace of development and delivery of QIPP schemes to meet the CCG's financial plan. We would always expect the PMO to have a central focus on this.

If the capacity of the PMO is increased, there is scope for the PMO's focus to grow to other areas of the CCG's business, particularly on managing projects that deliver operational and quality benefits as well as financial benefits.

As an example, £12.9m of the CCG's 2018/19 QIPP programme is achieved through the Guaranteed Income Contracts (GICs) that are in place with three of the CCG's largest acute providers. While the GICs nearly eliminate the financial risk of this QIPP, they do not address underlying activity risk, which remains an operational risk for the CCG irrespective of the in-year financial impact.

We were told that the CCG's focus on achieving its financial plan risks reducing the focus on underlying acute activity at providers that have signed GICs. If the PMO had additional capacity, its focus on the schemes that manage this activity could increase.

We have discussed the GICs and the underlying activity risk later in the finance section of this report.

Improvement Plan

Full delivery of the Improvement Plan would address the issues raised in our March 2018 report, but this is a long-term programme.

PwC view

The CCG has made a good start on delivering the level of ambition set out within the Improvement Plan.

Delivery of the Improvement Plan is clearly driving large parts of the CCG's business and it is receiving appropriate focus and attention from the CCG's leadership.

This is reflected in the progress made to date against the recommendations included in our March 2018 report, which are included at Appendix One.

Improvement Plan

The CCG's Improvement Plan was approved by the Governing Body in May 2018. The plan was developed in response to:

- The March 2018 PwC Capability, Capacity and Independent Review of Financial Position; and
- Statutory recommendations issued by the CCG's external auditors, that the CCG should produce an Improvement Plan in response to the issues raised in the PwC March 2018 report, and that this Plan is ratified by NHS England.

The Improvement Plan that was developed sets out:

- How the CCG will deliver a 2018/19 year-end deficit control total of £(35.1)m, which has been agreed with NHS England, which includes delivery of the £35.1m QIPP programme;
- Clarified governance and accountability for the CCG, as well as specific governance and accountability for delivery of the Improvement Plan;
- Links to the development of supporting plans and programmes, including the Organisational Development strategy and Leadership Framework and a revised Communications and Engagement Strategy;
- A detailed and granular action plan that links to the recommendations set out in the March 2018 PwC report;
- An operational risk register setting out the highest-rated operational risks to delivery of the Improvement Plan; and
- Longer-term actions designed to develop the CCG's ability and approach to working with system partners, with a view to moving towards the future creation of an Integrated Care System.

A draft version of the Improvement Plan was reviewed by PwC on 30 May 2018 and feedback was provided that the draft Improvement Plan covered all of the recommendations raised in the March 2018 PwC report, and went beyond those recommendations in some cases, but the CCG must be mindful of slippage against proposed timescales for implementation.

Improvement Plan governance

The CCG has updated its governance structures to reflect the changing priorities set out within the Improvement Plan.

The Terms of Reference of Governing Body sub-committees have been updated and amended to reflect the CCG's changing focus on delivery of the Improvement Plan. The Clinical Executive Committee (CEC) is the Governing Body committee that provides assurance to the Governing Body on progress in delivering the Improvement Plan. Members of CEC completed a confirm and challenge session with PwC in June 2018 focusing on the extent to which delivery of the Improvement Plan would address the issues and risks identified within the PwC March 2018 report.

Named Governing Body GP members and Lay Members have been assigned ownership for different areas of the Improvement Plan, and are responsible for leading Governing Body challenge, oversight and scrutiny over those areas.

Progress made to date

The Month Six update on delivery of the Improvement Plan was presented at the public session of the

Improvement Plan

Reporting of progress made against the Improvement Plan aligns with the findings of our work.

PwC view

Based on our review, the CCG is making good progress against the priorities set out in the Improvement Plan. We have discussed later in this report our views on risks within the CCG's reported forecast outturn position.

Governing Body at its meeting on 6 November 2018. The financial performance included in the update aligns with financial performance included in the Finance Report and the QIPP report.

Delivery of the non-financial priorities within the Improvement Plan are summarised on one slide, with a traffic-light RAG-rating system. At Month Six, this showed a green rating for operational delivery, and amber for financial delivery. This aligns with the narrative in the report and the reported financial position. The report also includes further detail against the specific elements of the specific actions, which are also RAG-rated.

We have reviewed the reporting against these actions with the status that we have reported against the PwC recommendations in Appendix One. The status reported in consistent and we have not identified any significant areas where our view of progress made does not align with the CCG's reported position in the Month Six update.

STP and system working

The CCG's relationships with system partners are improving rapidly. The next step for the CCG will be identifying opportunities to leverage these relationships for the benefit of the system.

PwC view

The approach taken by the Chief Officer and the Chair is recognised as key to the recent strengthening of external relationships.

The CCG must rapidly work with system partners to identify schemes and initiatives that will deliver the benefits from the relationships.

For example, although the GICs have helped to change providers' approach to managing activity, this has yet to significantly reduce activity.

STP and System Working

In our interviews (with both internal and external stakeholders), senior relationships with the CCG's system partners were described as being good, and improving rapidly. The approach taken by the Chair and new Chief Officer to building and strengthening relationships has been key to this.

Each change in CCG executive leadership brings a different leadership style, and the high turnover in CCG leadership has inevitably impacted the CCG's relationship with external partners. However, the CCG's recent attempts to bring stability to its senior team is being recognised and deeper relationships are developing rapidly.

Relationships with the Local Authority are currently more challenging, particularly as the CCG and the Local Authority are negotiating over the split of responsibility for funding different elements of programme spend. We have discussed this further in the finance section of this report.

STP

The Chief Executive of CUH was appointed the STP lead in July 2018, replacing the CCG's former Chief Officer.

The size of the challenge facing the STP is significant, and we were told of a recognition across the system that the performance of individual organisations within the system is becoming less relevant within the context of whole system financial performance.

We were told that the move to Guaranteed Income Contracts (GICs) with three of the largest acute providers has been key in focusing the attention of providers on the imperative to manage activity across the system.

As with the overall theme of our discussions around the STP, the progress made in developing and signing GICs is evidence of improving system relationships, and a recognition that system-risks must be managed as a system rather than by individual organisations. However, there is not yet evidence to show that the GICs have driven a reduction in activity. The CCG recognises this, and leveraging the system opportunities that are within GICs is a key priority.

Each STP partner has contributed to a £10.0m investment fund. We were told that the impact of the investments made by this fund have not yet been significant, but discussions around how to invest the fund for the benefit of the system has helped develop and strengthen relationships.

Systems Delivery Unit

The Systems Delivery Unit (SDU) provides analysis, project management, quality improvement and problem solving capacity for the system.

Our March 2018 report raised concerns around the clarity of the SDU's role and the system's expectations of what the SDU would deliver.

In our interviews, we were not told of any significant change to the structure, function or leadership of the SDU and it was clear that uncertainty around the role of the SDU remains.

STP and system working

The SDU continues to report to the STP Lead, and there are no proposals to change this arrangement in the near term.

PwC view

The CCG has a significant and challenging agenda delivering the Improvement Plan and achieving financial sustainability.

In this context, the CCG would be advised to avoid taking on additional complexity through managing the SDU.

The SDU reports to the Chief Executive of CUH in his role as STP Lead. Changing the reporting lines and accountability of the SDU would risk creating additional uncertainty, and we were told that there would not be a consensus among the system partners as to whether the CCG has the capability to host the SDU, and so negotiations around moving the SDU could potentially negate some of the recent improvements in system relationships.

The size and scale of the CCG's Improvement Plan and the complexity that is inherent in delivering the plan is significant. Our view is that adding additional complexity by bringing the SDU within the remit of the CCG would dilute management focus on the Improvement Plan disproportionately given the potential scale of benefit.

We recommend that the role, accountability and outputs of the SDU remain a topic of discussion at system level, but that the CCG does not push for a significant change in the SDU's position within the STP in the short-term.

Financial plan

The CCG is forecasting to deliver its plan of a £(35.1)m deficit in 2018/19.

PwC view

Achieving the forecast £(35.1)m plan deficit position will be challenging.

Based on our review, there is risk that the CCG will not deliver its control total. The potential for S.117 placements to exceed forecast in M8-M12 and the lack of contingency and Balance Sheet flexibilities to absorb additional cost pressures are key areas of risk. The CCG needs to continue to closely monitor and scrutinise the level of risk within QIPP delivery.

The winter period will present significant further risk to the CCG. Although much of this risk is limited by the GICs, the CCG must continue to closely monitor the impact of winter on its acute contracts.

Our approach to reviewing the CCG's forecast outturn position

In accordance with our scope we have completed a limited and high-level desktop review of the CCG's Forecast Outturn position. We have reviewed the M7 Finance Report, discussed the position with the finance team, and assessed the reporting in light of our interviews and document review.

The finance report is clearly presented and the summary of risks and mitigations clearly details the areas of material risk to the CCG's outturn position. We have not found any examples where the CCG is presenting a position that does not reflect material areas of risk.

On the following pages we have set out a potential view of the risk-adjusted position, and our comments against the tables of risks and mitigations that the CCG has included in the finance report.

We have included our analysis of each area of the CCG's finance position at Appendix Three. Note that this has been completed based on interviews and document review. In line with the scope of this follow-up review, only limited financial investigation and analysis has been completed. As such, our views are based solely on the information provided to us and discussed in interviews. Significant additional work would be required for us to come to a definitive view on the CCG's likely outturn position.

Financial Plan

The table below shows the CCG's Month 7 Year to Date (YTD) and Forecast Outturn (FOT) positions:

The CCG is forecasting to recover a YTD adverse variance from plan of £(0.6)m (0.08%) to deliver a year-end deficit of £(35.1)m, in line with plan.

£'000	M1 - M7 Actuals			M8 - M12 FOT			Total FY18/19		
	Plan	Actual	Variance	Plan	Forecast	Variance	Plan	Forecast	Variance
Revenue resource limit	692,606	692,606	0	495,548	495,548	0	1,188,154	1,188,154	0
Acute	352,360	356,229	(3,869)	251,586	251,615	(29)	603,946	607,844	(3,898)
Community	60,688	61,300	(612)	43,348	43,797	(449)	104,036	105,097	(1,061)
CHC	39,541	40,378	(837)	28,243	27,890	353	67,784	68,268	(484)
Mental Health	68,494	71,116	(2,622)	48,924	50,701	(1,777)	117,418	121,817	(4,399)
Primary Care	155,155	153,184	1,971	113,281	114,486	(1,205)	268,436	267,670	766
Central Budgets and Reserves	24,793	19,967	4,826	16,182	12,637	3,545	40,975	32,604	8,371
Runnings Costs	12,032	11,486	546	8,596	8,436	160	20,628	19,922	706
Total expenditure	713,063	713,660	(597)	510,160	509,562	597	1,223,223	1,223,223	0
Unmitigated surplus/(deficit)	**(20,457)**	**(21,054)**	**597**	**(14,612)**	**(14,014)**	**(597)**	**(35,069)**	**(35,069)**	**0**

Financial plan

Our potential risk-adjusted view of the CCG's outturn is a deficit of £(36.0)m, driven largely by reflecting the CCG's risks into the position, and a reduction in QIPP delivery compared to the CCG's forecast.

PwC view

Our view of the CCG's QIPP delivery is based on a high-level review of documentation and discussion with key members of the CCG's management.

This suggests that the CCG may deliver a deficit of £(36.0)m, £(0.9)m adverse to its current forecast position. The CCG must continue to focus on 2018/19 QIPP delivery to achieve its control total of £(35.1)m.

Risk to delivery of the plan

In its M7 finance report, the CCG included a schedule of risks and mitigations that could be applied to the forecast outturn.

The schedule is clearly documented and shows a £nil net risk position. Of the £(16.8)m articulated risk, £(11.3)m is included within the forecast position, and the £(5.5)m residual risk is balanced by £5.5m mitigations.

This schedule is designed to be fluid, with risks moving to the Forecast Outturn position when the CCG's view of the likelihood of the risks crystallising increases.

We have reviewed the risks and mitigations schedules on the following two pages. The CCG has told us that a number of the risks and mitigations will move into the M8 Forecast Outturn position and we have reflected that on the following page.

The CCG has not included a specific risk on QIPP non-delivery, which would be additional to the risks presented in the M7 schedule.

Potential risk-adjusted view of the outturn

The table on the right shows our consolidated view of the risk-adjusted outturn, which is that the CCG could deliver a deficit of £(36.0)m. This includes:

- The areas of risk that the CCG has told us will move into the M8 forecast outturn position. These are the DToC risk share, and the Discharge to Assess cost pressures;
- An assumption that non-elective activity at NWAFT breaches the threshold within the non-elective risk share arrangement and that the run-rate of activity at QEH King's Lynn in the YTD will continue to year-end. We have included these pressures given that the Trusts are about to begin the winter period, and QEH King's Lynn is under significant financial pressure and regulatory scrutiny, which is likely to reduce opportunities for negotiation;
- The CCG's remaining risks, other than s117 risk, which is not considered likely to materialise.
- An additional QIPP risk adjustment that we have calculated by applying the same sensitised rates of QIPP delivery to the CCG's RAG-rated QIPP delivery position as we did in the March 2018 report; and
- The CCG's remaining mitigations, excluding the £0.5m that the CCG has included for contract management relating to the agreement of a year-end position with QEH King's Lynn.

£'000	Surplus/ (deficit)	Discussed on page
M7 2018/19 FOT	(35,069)	
Additional PwC risk:		
Discharge to Assess	(500)	39
CHC risk	(715)	44
DToC risk share	(555)	37
NWAFT NEL risk share	(700)	38
LD spend risk	(772)	41
Primary care contract risk	(600)	45
Community diagnostic activity	(196)	43
QEH King's Lynn	(305)	38
QIPP adjustment	(1,606)	34
Sub-total: additional PwC risk:	**(5,949)**	
Additional PwC mitigation:		
Negotiations with the Local Authority	1,925	22
Balance sheet flexibilities and reserve releases	3,081	22
Sub-total: additional PwC mitigation:	**5,006**	
PwC risk-adjusted FOT	**(36,012)**	

Risks

The CCG's table of risks presented in the M7 finance report includes a number of risks that will be included in the M8 FOT position.

PwC view

There are £(1.1)m known cost pressures that the CCG expects to move into the FOT position in M8.

Our view is that there is likely to be additional activity risk at QEH King's Lynn and risk of QIPP non-delivery that is not shown in this table of risks. We have discussed these risks later in the report.

Risk	Risks								
	Total risk	Risk assessment %	Assessed risk	Risk reflected in the forecast position	Residual risk	Commentary	Risk that the CCG will recognise in its M8 FOT position	Residual risk	Risk included in the PwC risk-adjusted position
Discharge to Assess - demand for service exceeding budget	(4,000)	58%	(2,322)	(2,322)	0	We have discussed the D2A scheme in the section on acute performance in Appendix Three. The CCG has recognised £(2.3)m in its forecast, which assumed that the Local Authority will pay for the social care elements of this activity from 16 November. The CCG has told us that the continued high levels of activity of this scheme will drive an additional £(0.5)m cost pressure to be included in the M8 FOT position. The outcome of negotiations that are ongoing with the Local Authority are reflected in the mitigations table.	(500)	0	(500)
MH section 117 overspend	(7,000)	74%	(5,200)	(3,438)	(1,762)	The £(1.7)m risk reflected the CCG's view of likely additional activity to be invoiced from the Local Authority. Since the M7 figures, the CCG has received more complete information from the Local Authority that supports the value already included in the FOT position.	0	0	0
CHC placement costs	(6,000)	29%	(1,754)	(1,159)	(595)	The risk relating to CHC placement costs reflect the CCG's view of the outcome of its negotiations with the Local Authority on CHC funding following the implementation of the 4Qs pathway.	0	(595)	(595)
CHC running costs overspend	(1,294)	81%	(1,044)	(924)	(120)	The CHC running costs risk relates to activity risk, predominantly additional cost for agency staff.	0	(120)	(120)
Acute performance outside of Guaranteed Income Contracts	(4,500)	78%	(3,500)	(2,039)	(1,461)	This reflects the DToC risk share and High Cost Drugs spend with CUH, the Non-Elective activity risk share with NWAFT and various small PbR activity risks. We have discussed each of these in the acute performance section earlier. The CCG expects to include additional £(555)k DToC risk with CUH in its M8 position, but not the £(0.7)m non-elective risk with NWAFT.	(555)	(906)	(1,255)
Learning Disabilities spend higher than budget	(1,707)	91%	(1,558)	(786)	(772)	The Local Authority has reported an increase in activity that the CCG are investigating. We have discussed this further in the Mental Health section of this report. The CCG will not recognise this additional pressure until the activity increase in investigated.	0	(772)	(772)
Primary care increase contract costs	(1,000)	60%	(600)	0	(600)	This risk relates to an additional pressure against the improving access budget, which has been underspent in YTD. The CCG does not expect to incur additional costs to make up for the slippage in YTD.	0	(600)	(600)
Growth in community activity based contracts	(1,000)	80%	(800)	(604)	(196)	The risk relates to further increases in community diagnostic activity.	0	(196)	(196)
Total current risk assessments	**(26,501)**		**(16,778)**	**(11,272)**	**(5,506)**		**(1,055)**	**(3,189)**	**(4,038)**
Additional PwC risk 1:						Non-elective activity at QEH King's Lynn			(305)
Additional PwC risk 2:						QIPP non-achievement			(1,606)
Total risk included in PwC view:									**(5,949)**

Mitigations

The CCG's mitigations table includes contingency that has been fully utilised in M1-M7.

PwC view

The CHC backlog provision should be fully released in-year if the CHC achieves its backlog clearance trajectory agreed with NHS England.

The CCG believes that it will receive an additional £1.9m funding for services that should have been funded by the Local Authority, but this will only be released into the FOT position after negotiations are concluded.

Risk	Mitigations								
	Total mitigations	Risk assessment %	Assessed mitigation	Mitigation reflected in the forecast position	Residual mitigation	Commentary	Additional mitigation to be recognised in the M8 FOT	Residual mitigation	Mitigation included in the PwC risk-adjusted position
Contingency 0.5%	3,011	100%	3,011	3,011	0	All of the CCG's contingency has been applied in year. The CCG is continuing to search for additional contingency.	0	0	0
Balance sheet flexibilities	7,252	76%	5,479	3,012	2,467	The £2.5m residual mitigation relates to the release of the CHC provision. The CCG is on track to clear its CHC backlog by year-end, and so the full provision could be released in year, depending on the CCG reducing its backlog in line with trajectory and the level of costs incurred. At M8, the CCG is forecasting to release £4.5m of the mitigation, leaving a residual mitigation of £0.9m. Given the CCG is on track to clear its CHC backlog by 31 March 2019, we have assumed that all of this mitigation is included in the PwC risk-adjusted position.	1,488	979	2,467
Other reserves including investment plans	6,625	70%	4,618	4,004	614	The £0.6m additional mitigation relates to three potential upsides: 1) £0.2m is potential for an underspend relating to void costs with NHS PropCo. 2) £0.2m is a potential underspend in a Better Care Fund Performance Fund. 3) £0.2m is a general underspend reserve which has grown across the year. We have assumed that all of these in-year underspends will be able to be released in to the risk-adjusted year-end position.	0	614	614
Agree funding for pathways with LA	6,892	37%	2,520	595	1,925	This £1.9m mitigation is the CCG's estimate of the outcome of its negotiations with the Local Authority relating to the funding of four programme areas (CHC 4Qs pathway, Discharge to Assess, s117 placements and the Learning Disabilities pool).	0	1,925	1,925
Other budget underspends	2,282	28%	650	650	0	The £650k that is reflected in the FOT reflects the run-rate of a number of YTD budget underspends.	0	0	0
Contract management	1,250	40%	500	0	500	This mitigation reflects the potential for the CCG to negotiate a year-end position with QEH King's Lynn NHS FT.	0	500	0
Total current risk assessments	**27,312**		**16,778**	**11,272**	**5,506**		**1,488**	**4,018**	**5,006**

QIPP

The CCG is reporting that there is only £(0.5)m risk to delivery of its £35.1m QIPP programme in the forecast outturn.

PwC view

The progress of the QIPP programme through the gateway process does not reflect the actual stage of delivery of QIPP.

The CCG should review the status of schemes that are in early gateways but are believed to be delivering savings. Schemes should not be implemented without QIA sign-off.

QIPP

The CCG's QIPP plan is to deliver £35.1m in 2018/19. At M7, the CCG was reporting that it will deliver £35.4m, £0.3m greater than plan:

Workstream	Forecast delivery
Acute (GIC)	**12,900**
CHC	**7,500**
Contract Adjustments (CSI)	**4,737**
Mental Health	**300**
Prescribing	**5,782**
Primary Care	**2,000**
Corporate Affairs	**514**
Acute (PbR)	**1,687**
CSI	**-**
Total	**35,420**
Plan	35,100
Variance	**320**

The CCG has risk-assessed its forecast £35.4m to £34.9m, reflecting the forecast achievement of each scheme, as a percentage of total planned benefit.

Workstream	Risk Assessed Value			
	Red	Amber	Green	Total
Acute (GIC)	-	-	12,900	**12,900**
CHC	-	1,120	5,900	**7,020**
Contract Adjustments (CSI)	-	-	4,737	**4,737**
Mental Health	-	-	300	**300**
Prescribing	-	-	5,782	**5,782**
Primary Care	-	-	2,000	**2,000**
Corporate Affairs	-	-	514	**514**
Acute (PbR)	-	-	1,687	**1,687**
CSI	-	-	-	**-**
Totals	**-**	**1,120**	**33,820**	**34,940**

Gateway reporting

The M7 QIPP report also includes a schedule showing the status of the QIPP programme against the five delivery gateways. This shows:

	Number of schemes	Value of schemes
Gateway 1: Design	24	7,871
Gateway 2: Develop	24	10,529
Gateway 3: Deploy	4	2,332
Gateway 4: Deliver	8	14,409
Gateway 5: Closure	0	0
Total	**60**	**35,141**

The table above totals the £35.1m included within the QIPP plan, not the £35.4m forecast to be delivered.

The report shows that £7.9m remains in the first Design gateway. Given there remains only five months until year-end, we would expect to see QIPP schemes that remain in the Design stage at this time in the year to be presented as being at higher risk of non-delivery.

We were told that schemes that are presented as being in the earlier gateways are currently being delivered. However, they continue to be presented in the early Gateways because the project management documentation has not been approved and signed-off through the appropriate governance forums.

Later in the report, thirteen schemes are shown in an Impact Assessment Matrix. Of these, twelve are presented as having had QIAs submitted, but only two are shown as having QIAs approved.

This issue is raised in the *Overview* at the beginning of the report, which states that the PMO will be reviewing whether the Gateway stage is an accurate reflection of scheme status. The PMO is also working with teams to

QIPP

The CCG has developed its QIPP reporting capability during the year. The CCG is reporting that there is £(0.5)m risk to delivery of the £35.1m QIPP plan.

PwC view

There may be additional risk to QIPP delivery, based on scheme progress through the gateway process.

The CCG must ensure that QIPP reporting reflects the actual progress of QIPP schemes through the Gateway process.

ensure that project documentation is passed through the gateway process as quickly as possible.

In the PwC view of net risks on page 15, we have assessed QIPP risk to be higher than the CCG's view of £(0.5)m. We have assumed that 100% of QIPP delivered through the GICs will be achieved. We have then applied 95% to the achievement of green-rated QIPP (based on conversations with management), and 50% achievement to amber-rated QIPP (aligned with the % used in our March 2018 report).

RAG-rating	Risk Assessed Value			
	Forecast value	PwC risk-assessment %	Risk-assessed value	Adjustment
GICs	12,900	100%	12,900	0
Green	20,920	95%	19,874	(1,046)
Amber	1,120	50%	560	(560)
Red	-	20%	-	-
Total	**22,040**		**20,434**	**(1,606)**

Developing QIPP reporting

The PMO has been developing QIPP reporting, using Microsoft Project and Power BI. This will provide the PMO with more accurate and timely information on the progress of QIPP development and delivery, allowing for stronger challenge and accountability for QIPP delivery.

Alongside embedding the use of new systems, there are opportunities to strengthen the consistency of the messaging and narrative within the QIPP report. For example:

- The dashboard at the beginning of the report shows that there are six *Community/CSI* schemes, with a planned delivery of £763k QIPP that are now forecasting not to deliver any savings in year.
    - Later in the report, the *Community Services & Integration* workstream summary section refers to four active QIPP schemes (£720k) and one scheme within the pipeline. The numbers do not reconcile and the summary does not reference that these are now not forecast to deliver any savings at all.

We recommend that QIPP reporting is clarified so that:

- The extent of schemes that are being delivered without having been signed-off is clearly articulated.
- Additional narrative is provided relating to schemes that remain in Gateways 1, 2 and 3. This should support the risk-rating that has been applied to those schemes.
- The Gateway stage should reconcile to the total forecast QIPP delivery, not the QIPP annual plan delivery.

Risk within the QIPP plan

The Guaranteed Income Contracts (GICs) total £12.9m QIPP schemes that are recognised as being fully delivered. Given these contract have been signed, the risk to delivery of these schemes is close to £nil.

2019/20 QIPP planning timetable

The CCG's timetable to plan and develop 2019/20 schemes began in September 2018, which is much earlier than was the case in 2018/19. The CCG's process for developing its 2019/20 QIPP plan is:

- **October 2018:**
    - Directorates to develop work programme schemes.
    - Directorate draft plans presented at Finance Deep Dive meetings.

QIPP

Planning for the development of the 2019/20 QIPP programme began at a much earlier stage than planning for the 2018/19 QIPP programme.

PwC view

Although the CCG's financial plan has not yet been developed, it is clear that the CCG will have to deliver a challenging QIPP target. It is currently unclear if the CCG will agree GICs with providers for 2019/20, which may place significant further pressure to develop additional QIPP.

It is positive that the CCG has implemented a longer timetable for developing future QIPP schemes. There are opportunities to start this process earlier in the following year.

- **November 2018:**
  - Directorates review benchmarking, Rightcare and Menu of Opportunities.
  - Work programme cases for change (initial draft) to be completed.
- **December 2018:**
  - Directorates develop full work programme.
  - Work programme cases for change to be fully costed and presented at Finance Deep Dive meetings.
  - Cases for change to be shared with FPPG.
- **January to March 2019:**
  - Final sign-off of work programmes at Clinical Executive Committee and the Governing Body.

2019/20 QIPP planning principles

When 2019/20 planning guidance is issued, the CCG will develop its detailed financial plan, which will determine the 2019/20 QIPP target.

We were told that the CCG will be updating its approach to QIPP planning next year:

- The CCG will develop fewer schemes of larger value. We understand that the principle being applied at the moment is for all QIPP schemes to have planned delivery of a minimum of £250k.
- There will be a greater focus on benchmarking and a clear evidence base for delivery. Key sources will be Right Care and Model Hospital benchmaking data, external support received on S.117 placements, and there will be greater on the potential to deliver QIPP schemes that leverage system relationships and the STP.
- Guaranteed Income Contracts that are in place with several providers end on 31 March 2018. The CCG intends to negotiate with providers to sign 2019/20 GICs and the expectation is that these contracts will form a significant element of the 2019/20 QIPP programme, as in 2018/19.

Appendices

Appendix one: Recommendations table (1 of 8)

Reference in original report	Area	Original recommendation	Original Priority	Current status
1	Leadership and the Executive Team	A. The Governing Body must take responsibility for the leadership and governance issues identified and urgently put in place plans to address them. These plans should include, but not be limited to, the actions set out below. B. A clearly articulated leadership strategy and structure for the CCG is needed.	High	The Governing Body has signed-off the Improvement Plan, which is designed to address all of the recommendations included in the report. Progress against the Improvement Plan is reported to each Governing Body meeting. The CCG has developed a new Organisational Development strategy. This includes an action plan for Governing Body and leadership development.
2	Leadership and the Executive Team	The Executive team must be stabilised urgently, with experienced permanent appointments made wherever possible, or long term fixed appointments where substantive appointments cannot be made in the short term. *In our draft report, we set out that this should be completed by 31 March 2018. We note that this has not been achieved due to a delay in confirming the AO's role.	High	With the exception of the Director of Quality, Patient Safety and Experience, all executive positions are filled on a substantive basis. All executive directors have significant experience at NHS commissioners, and are committed to the long-term success of the CCG.

Appendix one: Recommendations table (2 of 8)

Reference in original report	Area	Original recommendation	Original Priority	Current status
3	Leadership and the Executive Team	The Executive team needs additional capability and capacity in order to address the challenges the CCG is facing: A. The CCG AO should consider whether she has capacity in the short term to continue to be the STP lead. B. A Chief Operating Officer is needed to take overall responsibility for the delivery of commissioning activities and to eliminate the current silo working. C. A Financial Recovery / Improvement Director is required to focus on the development and delivery of a multi-year financial recovery plan to return the CCG to normal business rules. The Financial Recovery / Improvement Director should be supported by appropriate delivery resource, experienced in financial recovery and improvement. D. Clinical leadership is needed within the Executive team: This should come from the appointment of a substantive Director of Nursing and the creation of a Clinical Director role. E. OD experience is needed within the Executive team, at least in the short-medium term, to develop and deliver an OD plan to enable financial recovery.	High	The STP Lead role has moved to the CUH Chief Executive. The CCG's Chief Officer (who was not the AO at the time of our previous review) no longer holds this role. An experienced CCG COO has been appointed on a substantive basis. The CCG has not appointed an external Financial Recovery/Improvement Director, and this now falls under the remit of the CFO. The CCG was provided with external support in from March to July 2018 under the NHS England National QIPP 4 programme. This support was designed to provide support to the development of the CCG's Improvement Plan, and as part of this support, Director time was focussed on the CCG's financial recovery. The CCG has appointed a substantive Medical Director and has appointed a Director of Quality, Patient Safety and Experience on secondment for six months. The CCG will aim to recruit to this position substantially in due course. OD experience is provided by the Associate Director of Corporate Affairs OD and HR).

Appendix one: Recommendations table (3 of 8)

Reference in original report	Area	Original recommendation	Original Priority	Current status
6	Leadership and the Executive Team	A. The CCG should review the effectiveness of the Governing Body and its processes for seeking and receiving assurance over the robustness of plans and ongoing monitoring of implementation. B. The effectiveness of Lay Members and Clinical Leaders should be considered on the Governing Body and its sub-committees, including clinical leadership at Clinical Executive Committee. C. Action should be taken to strengthen the financial capability of Governing Body members through additional training and the recruitment of Lay Members with NHS finance experience.	High	A 360 degree Governing Body review is currently being delivered, and will support the development and delivery of the Governing Body aspects of the OD programme. Two new Lay Members have been appointed to complement the existing skill mix. The skills of clinical leadership have been reviewed, with additional training provided, for example relating to effective scrutiny of the CCG's financial position. The Improvement Plan includes review of the CCG's governance structures. New Lay Member appointments have focused specifically on financial capability.
14	Leadership and the Executive Team	The CCG should ensure that a dashboard driven system to compare GP practices is in place and is regularly discussed and monitored with GPs and practice managers. Introduction of this approach should be supported by OD focussed on GPs in delivery of the CCG's recovery. Each GP federation should have a nominated improvement lead.	High	GP performance dashboards are produced, and have driven increased engagement with prescribing initiatives.

Appendix one: Recommendations table (4 of 8)

Reference in original report	Area	Original recommendation	Original Priority	Current status
4	Improvement Plan	A. A clearly defined Improvement Plan should be urgently developed to allow the CCG to map out how it will improve and by when; B. Set out a clearly defined multi-year Financial Recovery Plan, showing when the CCG will recover and return to NHS England business rules.	High	Improvement Plan has been produced, with clear trajectories for delivery and oversight by the Governing Body. Financial Recovery Plan has been agreed with NHS England.
5	Improvement Plan	A. A medium term organisational recovery plan should be developed, incorporating the detailed FRP, setting out the organisational development required to achieve financial recovery, including governance, leadership, structural change, culture and behaviours, training, communication and engagement. B. This should also include the consolidation of the CCG staff onto a smaller number of sites to enable the necessary increase in grip across all teams.	High	The Improvement Plan is supported by an OD plan, and an underlying FRP. The CCG is actively looking to consolidate to a small number of sites, but this will take time due to current lease arrangements.
7	STP and System Working	The recovery of the CCG is necessary in order for the Cambridgeshire and Peterborough system as a whole to progress its integration agenda: In the short term the support of the system is required in order to prioritise the urgent need to stabilise the CCG, without which the system as a whole will be adversely affected.	High	The CCG is an active part of the STP, and system relationships are improving. The Guaranteed Income Contracts (GICs) with three acute providers is evidence of this.

Appendix one: Recommendations table (5 of 8)

Reference in original report	Area	Original recommendation	Original Priority	Current status
8	STP and System Working	A. The role and remit and leadership arrangements for the SDU should be clarified: Clear objectives, outcomes and accountabilities should be defined. B. Taking into account the level of resources available within the SDU, system stakeholders should ensure that the SDU role is defined to have maximum impact on recovering the overall financial position of the health system. C. The current overlap / duplication between SDU and CCG activities must cease.	High	The role and accountabilities of the SDU continue to be discussed in system forums, but there is not currently a shared appetite across the system for a wholescale reconfiguration of the SDU.
9	Financial Plan	A. The CCG should deliver its plan to process the backlog of CHC claims in a rapid but robust way to minimise appeals. B. The CCG should re-run its model with updated assumptions prior to submission of the final plan in April 2018 to ensure the estimate included for FY18/19 reflects the most up to date information. C. There should be an investigation into the circumstances surrounding the current CHC situation to identify the lessons learned.	High	The CCG has agreed its CHC backlog trajectory with NHS England, which has now been pushed out to March 2019. CHC has been modelled into the 2018/19 financial plan, and is reviewed and scrutinised at Governing Body committees on a monthly basis. Deloitte completed a short review into the CCG's CHC position in August 2018, which concluded: *'The current plan is fit for the team as it transitions and transforms and will progress the CCG to stabilise and mature in its CHC operations. However, the focus required to achieve a resilient, sustainable service has largely not been addressed.'*

Appendix one: Recommendations table (6 of 8)

Reference in original report	Area	Original recommendation	Original Priority	Current status
10	Financial Plan	Robust contract management must be reinstated for FY18/19 to ensure that emerging risks to the financial position are contained and mitigated throughout the year. This should include: A. Clear ownership of each contract; B. Clear timetabling of the contract management and challenge process.	High	The CCG is continuing to develop its contracting function. The GICs impact the CCG's focus on managing activity through contractual levers.
11	Financial Plan	A. The FY18/19 QIPP plan development process should be further accelerated to fill the gap with fully worked up schemes. B. Further focussed development meetings should be held to shore up the QIPP list with PIDs completed by end of March 2018. C. The timetable for this should be factored into the overall CCG improvement plan. D. Test the cost pressures, line by line, with a turnaround mindset. E. Set out lead indicators on QIPP delivery – With milestones reported regularly. F. Increase the frequency of the finance sub-committee, to scrutinise the recovery. G. Instigate a joint NHSI / NHSE steering committee, which has sight of monthly financial reports. H. Assess any additional funding options. I. Re-run unpalatable options generation and assessment process. J. Consider the need to re-run the CEP / Challenged Health Economy process.	High	The 2018/19 financial plan was developed and agreed with NHS England, with a £(35.1)m deficit control total, with £35.1m QIPP delivery. The CCG is forecasting to achieve this control total.

Appendix one: Recommendations table (7 of 8)

Reference in original report	Area	Original recommendation	Original Priority	Current status
12	Financial Plan	A. The CCG should redefine the PMO's purpose, focussing it on the FY18/19 QIPP programme, and identify an Executive with responsibility for the PMO. B. A CCG Head of PMO should be appointed to provide day to day leadership. C. The PMO team should be appropriately retrained where necessary.	High	The PMO's focus has exclusively been on QIPP development and delivery during 2018/19. The PMO reports to the CFO. Head of PMO was appointed in June 2018. Capacity and capability within the PMO has been reviewed, and new appointments and new training has been provided.
13	Financial Plan	The CCG should implement Director led weekly financial recovery meetings, with PMO support. Detailed discussions of QIPP progress and implementation should be discussed at these meetings and action taken to address any emerging risks and issues.	High	The CCG has implemented stronger financial recovery and QIPP progress meetings. QIPP workstream challenge meetings happen fortnightly, with financial deep dive meetings taking place monthly to report to Governing Body committees.
15	Financial Plan	The CCG should drill further into the benchmarking findings to assist with the pathway redesign process and to aid FY19/20 QIPP plan development.	High	The CCG is using RightCare, Model Hospital and Menu of Opportunities data to aid FY2019/20 QIPP development.

Appendix one: Recommendations table (8 of 8)

Reference in original report	Area	Original recommendation	Original Priority	Current status
16	Financial Plan	A. The planning cycle for the next financial year should be brought forward. B. The CCG should look to hold a FY19/20 kick off meeting in summer/early autumn 2018 to identify a long list of QIPP ideas. C. Further meetings should be held to identify a confirmed short list and PIDs drafted by November 2018. D. The timetable for this should be factored into the overall CCG improvement plan.	High	The planning cycle for QIPP development began in September 2018, earlier than the 2018/19 planning cycle. The QIPP workplan is included as part of the overall Improvement Plan.
17	Financial Plan	A. The reserves and upside areas identified in this review should be regularly reviewed and released where appropriate and possible.	High	Balance Sheet reserves and contingency are regularly reviewed, and have been released into the YTD position in 2018/19 where possible.
18	Financial Plan	A. The CCG should review the finance, contracts and BI teams to ensure that accountability is clearly defined and that the structure and roles within these functions is appropriate, taking into account the role of the SDU and the resources within it. B. Duplication of effort between the SDU and CCG functions should be avoided. C. Vacancies within the finance function should be recruited to in order to increase capacity to support the financial information needs of the CCG.	High	The CFO began in post in September 2018, and has begun to review these functions, and will continue to do so over the course of 2018/19. The role of the SDU will continue to be discussed at a system level.

Appendix two: Staff survey results

The table shows the results of the staff survey completed in September 2018. The survey was a Touchstone survey to test the key indicators that dropped significantly in the May 2018 survey.

Question	May 2018 response	September 2018 response
I speak highly of the leadership of the CCG to people I know.	44% agree	61% agree
The CCG has a strategic plan that will effectively deliver its vision.	43% agree	67% agree
I feel able to tell people I know about the role and direction of the CCG.	44% agree	60% agree
Leaders' behaviour in general supports the delivery of the CCG's goals.	69% agree	71% agree
I would recommend working for the CCG to me friends and colleagues.	56% agree	62% agree
Does the CCG act fairly with regard to career progression?	80% yes 20% no	75% yes 25% no
Over the last 12 months, have you experience bullying or abuse from your colleagues or other staff?	New question not included in the May 2018 staff survey	14% yes 86% no

Appendix three: Financial review by programme area

On the following pages, we have reviewed the CCG's M7 finance report by programme area. This is based on our desktop review and interviews.

Acute performance

The Guaranteed Income Contracts largely limit the CCG's risk from acute expenditure in 2018/19.

PwC view

Although the GICs help to manage the CCG's position, the CCG must continue to scrutinise acute activity to plan effectively for 2019/20 and beyond.

Areas of outstanding risk with CUH relate to the DToC risk share and High Cost Drugs spend, both of which will be reflected in the CCG's M8 FOT position.

Activity over winter will be a significant risk to the CCG. Although the impact of this is partially mitigated by the GICs, the CCG must continue to closely monitor and scrutinise acute contractual performance.

Acute performance

Guaranteed Income Contracts

The CCG has Guaranteed Income Contracts with three acute providers (CUH, NWAFT and Papworth), which removes the CCG's exposure to most activity-driven cost pressures with these three trusts in 2018/19.

The financial benefit of the GICs was calculated at £12.9m, which has been recognised as fully-delivered QIPP.

Cambridge University Hospitals NHS Foundation Trust

Year to Date

Year to date expenditure with CUH is above plan by £(862)k at M7, despite the GIC with CUH limiting the vast majority of activity-related risk at the Trust.

The overspend is driven by:

1) DToC risk share

The impact on the CCG of the Delayed Transfers of Care (DToC) risk-share arrangement, through which the CCG has incurred £(444)k additional expenditure than planned.

The DToC risk share agreed with CUH limits the impact the year to date, DToC rates have consistently been above 7.5%, meaning that the DToC risk share has not limited the CCG's exposure, leading to an additional cost pressure.

In the forecast outturn, DToC rates are assumed to return to the planned trajectory. The financial impact if this is not achieved has been calculated at £(111)k per month (a total of £(555)k between M8-M12). This is recognised in the CCG's table of financial risks and mitigations.

The CCG has told us that there is low likelihood that the DToC trajectory will be achieved, and so the £(555)k risk will move into the forecast position in M8. The CCG will recognise this pressure in the M8 FOT.

2) High Cost Drugs spend

Expenditure incurred on High Cost Drugs is outside of the Guaranteed Income Contract, and is the driver of the remaining £(418)k of the Year to Date variance to plan at CUH.

The CCG recognises that there are opportunities to work more closely with CUH to better manage this area of expenditure, and this will be one area of focus in the development of the 2019/20 QIPP plan.

£'000	M1 - M7 Actuals			M8 - M12 FOT			Total FY18/19		
	Plan	Actual	Variance	Plan	Forecast	Variance	Plan	Forecast	Variance
CUH	134,594	135,456	(862)	96,139	95,836	303	230,733	231,292	(559)
NWAFT	143,313	143,313	0	102,367	102,000	367	245,680	245,313	367
King's Lynn and Wisbech	15,981	16,159	(178)	11,416	11,238	178	27,397	27,397	0
Papworth	7,642	7,642	0	5,458	5,358	100	13,100	13,000	100
Other acute contracts	34,915	34,886	29	24,916	25,286	(370)	59,831	60,172	(341)
Other acute	15,915	18,774	(2,859)	11,290	11,896	(606)	27,205	30,670	(3,465)
Total acute commissioning	**352,360**	**(356,229)**	**(3,869)**	**251,586**	**251,614**	**(28)**	**603,946**	**607,844**	**(3,898)**

Acute performance

The CCG's FOT position is improved by a national price reduction in Adalimumab. The CCG has a PbR contract with QEH King's Lynn.

PwC view

The CCG is largely protected from activity risk at NWAFT through its GIC. However, the breach of activity levels included in the non-elective risk share evidences the activity risk that exist within the system, irrespective of where the cost eventually sits.

The financial and quality regulatory concerns at QEH presents risk to the CCG's plan to agree a year-end position with QEH.

Forecast outturn

In the M7 finance report, the CCG is forecasting that its expenditure with CUH will be £(303)k less than plan during M8-M12.

This improvement is driven by the cost reduction in Adalimumab. The reduced price was implemented from mid-November, so the impact of this is not recognised in the year to date figures. This is a price reduction agreed nationally with the manufacturer, so the CCG is forecasting to see the impact of this in its expenditure with all acute providers in the final five months of the year.

The benefit from the Adalimumab price reduction nets-off against the forecast run-rate on other HCD expenditure, which is forecast to continue at the same rate above plan as during M1-M7.

North West Anglia NHS Foundation Trust (NWAFT)

Year to Date

NWAFT year to date expenditure is in line with plan and as expected given the Guaranteed Income Contract.

The CCG has a non-elective risk share arrangement in place with NWAFT. This sets out that, if non-elective activity is 2% or more above plan, the CCG will be required to fund up to £1.0m of the cost of this activity.

The latest activity data indicates that this threshold has been breached. However, the quality of this activity data is still being reviewed. The CCG has chosen not to reflect this in its M7 position while the data has not been fully verified.

Forecast outturn

The £367k favourable variance to plan in M8-M12 is driven by the Adalimumab price reduction.

The CCG has calculated its exposure to the risk that it will be liable to fund additional non-elective activity through its risk share with NWAFT as £1.0m. This is recognised in the risks and mitigations table, but not in the forecast.

Following the review of the latest non-elective activity data, the CCG expects to recognise an additional £0.7m cost pressure into its forecast outturn position. The CCG expects to recognise this in its M8 FOT position.

King's Lynn and Wisbech

Year to Date

The CCG has a Payments by Results (PbR) contract with Queen Elizabeth Hospital King's Lynn NHS Foundation Trust (QEFT). The year to date overspend is driven predominantly by increased non-elective, outpatient and daycase activity.

Forecast outturn

The CCG is forecasting for expenditure with QEFT to return to plan, through applications of contract penalties and negotiation with the Trust around a year-end settlement, effectively achieving a Guaranteed Income Contract.

QEFT is currently in quality special measures and has significant financial challenges. As such, there is risk that a year-end settlement in will not be agreed. If the overspend in M1-M7 continues at the same rate in M8-M12, there will be an additional £(305)k cost pressure in the FOT.

Acute performance

The CCG is negotiating with the Local Authority on responsibility for funding a number of initiatives, including the Discharge to Assess scheme.

PwC view

Changes in the CCG's executive leadership have led to different approaches to managing the relationship with the Local Authority.

The outcome of the negotiations with the Local Authority will have a material impact on the CCG's ability to deliver its plan deficit. This should continue to be a focus for Governing Body and Finance Committee scrutiny.

Papworth

Year to Date

The year to date position with Royal Papworth Hospital NHS Foundation Trust is on plan, driven by the Guaranteed Income Contract.

Forecast outturn

The position is forecast to improve by £100k in M8-M12, driven by the Adalimumab price reduction.

Other acute contracts

Year to Date

Other acute contracts includes activity with 16 other providers. The YTD position shows an overspend of £(30)k.

Forecast outturn

The FOT position is an overspend of £(342)k. The adverse performance in M8-M12 is driven by three providers:

- Kettering General Hospital NHS Foundation Trust (Kettering);
- University Hospitals Leicester NHS Foundation Trust (UH Leicester); and
- Nuffield Health (Nuffield).

The YTD performance at Kettering favourable to plan, but this the M8-M12 performance is forecast to be on plan. This is a prudent position and there is potential for some upside if the run-rate of activity is M7-M12 continues in M8-M12.

At UH Leicester, the Trust's RTT backlog is increasing, and the CCG has assumed that some of this backlog will be delivered in the remaining months of the year. The YTD position also shows an underspend in critical care activity at the Trust. This activity is volatile and difficult to forecast, so the CCG has assumed that this underperformance will no continue to year-end.

The CCG commissions primarily elective T&O activity from Nuffield. Daycase and elective activity has been below plan in M1-M7, but the FOT assumes that this activity will increase in the winter period. There is a possibility of an upside on this expenditure if activity continues to align with the M1-M7 run-rate.

Other acute

Year to Date

The main drivers of the £(2.8)m year to date overspend are:

- Discharge to Assess overspend of £(2.1)m;
- Activity-driven overspend of £(258)k with the Peterborough Pathology Hub; and
- Non-elective activity driving an increase in non-contracted activity with other NHS providers.

Discharge to Assess

The Discharge to Assess scheme is designed to discharge patients to social care providers at an earlier point in their pathway, and then have their needs assessed within a social care setting, rather than within an acute hospital.

The costs of delivery of this scheme are shared jointly by the CCG and Local Authorities.

The costs of the scheme have been greater than planned, and the split of this additional cost pressure is being negotiated between the CCG and the Local Authority. As

Acute performance

The CCG has not included additional risk in its risk table relating to the Discharge to Assess scheme.

Additional £(0.5)m expenditure will be recognised in the M8 FOT in relation to additional cost pressures from the Discharge to Assess scheme.

part of this, the CCG stopped funding two domiciliary care centres from 15 November, which the CCG believes should be funded from the Local Authority's social care budget.

Forecast outturn

Discharge to Assess

The forecast outturn for the Discharge to Assess scheme is £(2.3)m adverse to plan, a significant reduction in the run-rate of the overspend against the plan in the first seven months. The CCG has stopped providing funding for some of the social care provision included in the scheme, and is in negotiations with the Local Authority over the scheme's funding. These negotiations are part of wider negotiation with the Local Authority that incorporates several different programme areas.

The CCG has not included any additional risk in either its forecast outturn position or its risk table for the Discharge to Assess scheme. However, a potential upside of additional income from the Local Authority in recognition of the CCG's funding of social care up until November is included within the mitigations. This will be determined through the current negotiations.

The CCG has told us that it expects to recognise additional £(0.5)m Discharge to Assess expenditure in its M8 forecast outturn position given the continuing high levels of activity flowing through the scheme.

Mental Health

Section 117 placements have overspent against plan in the YTD and are forecast to drive a significant overspend against plan in the forecast outturn.

PwC view

The CCG has worked to address issues with the timeliness and completeness of the invoicing of S117 placements by the Local Authority, which has made it difficult for the CCG to accurately forecast its expenditure in this area.

S117 placements have been a focus area for QIPP development, and the CCG should monitor delivery of this QIPP closely given the size of the potential overspend that it is driving.

Mental Health performance

Learning Disabilities Pool

The YTD cost to the CCG of the Learning Disabilities Pool aligns with the prior-year activity run-rate. However, the 2018/19 budget was not set to reflect the prior year run-rate.

The 2018/19 budget did not reflect that the 2017/18 actual costs included an agreement with the Local Authority that the CCG would not fund the increase in activity against plan during 2017/18. This agreement did not extend to 2018/19.

The forecast outturn variance reflects the run-rate of expenditure incurred in M1-M7 2018/19.

The CCG is aware that there is further risk relating to this expenditure, as the Local Authority has reported to the CCG that activity has increased further this year. The impact of this is reflected in the CCG's risk table, but not the forecast outturn position.

The CCG has not recognised this in its forecast position as the Local Authority has reported high levels of activity growth for several years, and the CCG is requesting additional investigation of the reported activity before the cost pressure is moved into the forecast position.

Negotiations with the Local Authority relating to the funding of the additional activity are ongoing. The negotiations relating to the Learning Disabilities Pool expenditure are taking place alongside the negotiations with the Local Authority on CHC spend, the Discharge to Assess scheme and the funding of the Section 117 placement. The outcome of these negotiations is included as a mitigation in the CCG's mitigations table.

The has included £1.9m income for the outcome of this negotiation in its mitigations table.

MH individual placements (including s.117 placements)

The CCG has historically had difficulty assessing its exposure to funding additional Mental Health individual placements, including Section 117 placements, due to a lack of complete and timely receipt of invoicing and supporting information from the Local Authority.

Improving the CCG's visibility and forecasting of this expenditure has been a focus for the CCG.

Alongside issues with the accuracy and timeliness of data, there has been an increase in activity. The CCG has also convened a task group to review how to effectively care for this cohort of patients.

The Forecast Outturn position applies the M1-M7 run-

£'000	M1 - M7 Actuals			M8 - M12 FOT			Total FY18/19		
	Plan	Actual	Variance	Plan	Forecast	Variance	Plan	Forecast	Variance
Cambridgeshire & Peterborough FT	48,218	48,218	0	34,441	34,441	0	82,659	82,659	0
Other MH providers	4,688	4,847	(159)	3,349	3,366	(17)	8,037	8,213	(176)
Learning Disabilities Pool	10,831	11,289	(458)	7,736	8,064	(328)	18,567	19,353	(786)
MH individual placements (including Section 117 placements)	4,757	6,762	(2,005)	3,398	4,830	(1,432)	8,155	11,592	(3,437)
Total MH commissioning	**68,494**	**71,116**	**(2,622)**	**48,924**	**50,701**	**(1,777)**	**117,418**	**121,817**	**(4,399)**

Mental Health

Funding of s117 placements is part of the negotiations that are currently taking place with the Local Authority.

PwC view

The CCG has assumed that it will receive an additional £1.9m benefit from the Local Authority on conclusion of the negotiations.

rate of activity to the full-year. In addition to this, there is an additional £1.8m recognised in the risk table relating to MH individual placements. Subsequent to the publication of the M7 finance report, the CCG has received more complete information from the Local Authority. This supports the position included in the forecast outturn position, and so the additional risk recognised in the risk table will be removed in the M8 finance report.

The CCG is in negotiations with the Local Authority to determine how the responsibility for funding this activity is split between the two organisations.

As with the negotiations with the Local Authority relating to CHC, the Discharge to Assess scheme and the Learning Disabilities Pool, the CCG has recognised the potential upside from the negotiation within its mitigations table and this is not recognised within the Forecast Outturn position.

The CCG has included an additional £1.9m for the outcomes of this negotiation in its mitigations table.

Community

Community expenditure is £(1.1)m greater than plan, driven by non-delivery of QIPP and overactivity in acute diagnostics services.

PwC view

The CCG is forecasting not to deliver any CSI QIPP, and is assuming that the run-rate in the YTD will continue to year-end in the FOT.

Community Performance

The £(1.1)m variance from plan in the other community services forecast outturn is driven by:

- £(0.7)m QIPP underachievement. This is reported in the M7 QIPP report. Community Services & Integration (CSI) is not forecasting to deliver any QIPP this year, but the shortfall is covered by over performance in QIPP delivery in other programme areas. The CCG told us that the push to develop CSI QIPP is now focusing on developing schemes that will deliver improvements to the CCG's position in 2019/20.
- £(0.4)m over activity in community diagnostics services, with a range of providers. The run-rate of activity included in the YTD position is forecast to continue in M8-M12. There is a further £(0.2)m pressure recognised in the CCG's risk table (but not the FOT position) if activity increases greater than this.

£'000	M1 - M7 Actuals			M8 - M12 FOT			Total FY18/19		
	Plan	Actual	Variance	Plan	Forecast	Variance	Plan	Forecast	Variance
Cambridgeshire Community Services	11,027	11,027	0	7,876	7,876	0	18,903	18,903	0
Other Community Services	16,704	17,383	(679)	11,931	12,399	(468)	28,635	29,782	(1,147)
CPFT Integrated Community Services	30,954	30,954	0	22,110	22,110	0	53,064	53,064	0
CPFT Peterborough Childrens Services	2,003	1,935	68	1,431	1,413	18	3,434	3,348	86
Total Community commissioning	**60,688**	**61,299**	**(610)**	**43,348**	**43,798**	**(450)**	**104,036**	**105,097**	**(1,061)**

CHC

The implementation and impact of the 4Qs pathway is part of the ongoing negotiations with the Local Authority.

PwC view

CCG leadership has shown effective grip and control to address the significant issues with the backlog of CHC cases.

This focus must be maintained to eliminate the backlog, but also to ensure that cases continue to be processed on a timely basis.

CHC Performance

The CCG and the Local Authority have implemented a new pathway to assess whether patients eligible for CHC funding should be funded by the CCG or by the Local Authority through social care budgets (known as the 4Qs pathway).

Prior to the M7 forecast, the CCG had included £1.7m additional funding to be received retrospectively from the Local Authority for CHC cases that were funded by the CCG but should have been funded by social care under the 4Qs pathway. The receipt of this funding is part of the negotiations that are ongoing between the CCG and the Local Authority, and the funding has been taken out of the forecast position and moved to the CCG's mitigations table.

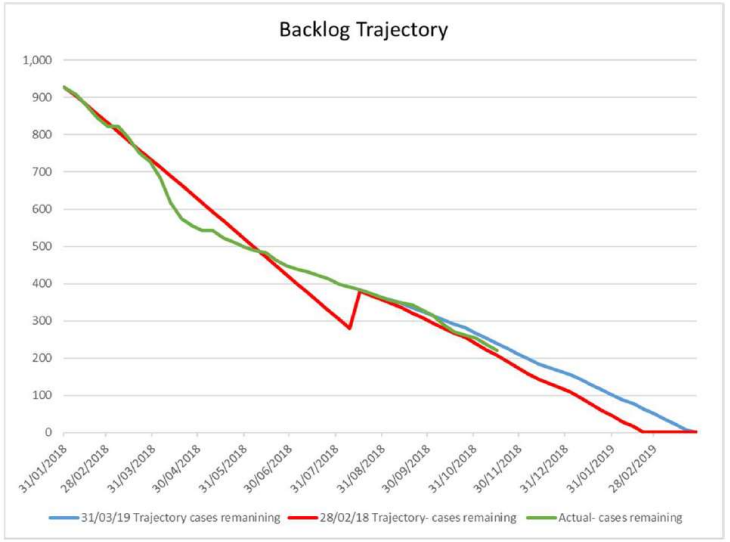
The forecast outturn position assumes that the Local Authority applies the 4Qs pathway from 1 December 2018 when determining who has responsibility for funding CHC cases. The CCG has calculated that it will receive an additional £0.6m funding during M8-M12 as a result. The risk that this is not received is recognised in the CCG's risk tables, along with a further £(0.1)m risk that CHC-related agency costs will increase due to CHC activity.

CHC backlog

The CHC backlog was identified as one of the biggest drivers to the CCG's 2017/18 deficit position in the March 2018 report. Addressing the CHC backlog has been a key priority for the CCG, and a trajectory for eliminating the backlog was agreed with NHS England.

The CCG has agreed with NHS England that the CHC backlog will be cleared by 31 March 2019. However, the CCG is striving to clear the backlog by 28 February 2019.

The graph below was presented to the Finance Committee on 27 November 2018, showing progress made against the objective to clear the backlog by 28 February 2019. This shows that the CCG is marginally behind the 28 February 2019 trajectory, but ahead of the 31 March 2019 trajectory.



£'000	M1 - M7 Actuals								
	Plan	Actual	Variance	Plan	Forecast	Variance	Plan	Forecast	Variance
Continuing Healthcare	35,586	36,336	(750)	25,419	25,203	216	61,005	61,539	(534)
Funded Nursing Care	3,954	4,042	(88)	2,825	2,687	138	6,779	6,729	50
Total Continuing Care	**39,541**	**40,378**	**(837)**	**28,244**	**27,890**	**354**	**67,784**	**68,268**	**(484)**

Primary Care

Primary Care performance is forecast to deliver above plan, largely due to national reductions in prescribing costs.

PwC view

We have not identified any additional risks to the position.

Primary Care Performance

Primary care expenditure is forecast to deliver a favourable £0.8m variance to plan at year-end.

YTD prescribing expenditure is below plan, and this run-rate is forecast to continue to year-end. The reduction in YTD spend is largely attributed to a national reduction in Cat M drugs prices.

Prescribing QIPP schemes are performing above plan at M7, but are forecast to deliver on plan by year-end.

Other Primary Care and Delegated Commissioning budgets

The 'Other Primary Care' and 'Delegated Commissioning' lines in the table below offset each other. Both lines are driven by the rebasing of PMS and GMS contracts in line with national policy.

The net performance across the two lines is a YTD underspend of £1.4m. This is driven by slippage in delivering Improving Access initiatives. These initiatives are forecast to be delivered by year-end, so the FOT shows the full cost incurred. The CCG has recognised an additional £(0.6)m pressure in its risks relating to the potential further overspend in this budget during M8-M12.

£'000	M1 - M7 Actuals			M8 - M12 FOT			Total FY18/19		
	Plan	Actual	Variance	Plan	Forecast	Variance	Plan	Forecast	Variance
GP Prescribing	67,912	67,430	482	48,087	47,863	224	115,999	115,293	706
Prescribing Support	2,195	2,076	119	1,522	1,634	(112)	3,717	3,710	7
Other Primary Care	6,910	8,632	(1,721)	4,937	10,057	(5,120)	11,847	18,689	(6,842)
Delegated Commissioning	71,245	68,153	3,092	53,811	50,008	3,803	125,056	118,161	6,894
NHS 111	6,893	6,893	0	4,924	4,924	0	11,817	11,817	0
Total Primary Care	**155,155**	**153,184**	**1,971**	**113,281**	**114,486**	**(1,205)**	**268,436**	**267,670**	**766**

Running costs

Release of the Cost of Change reserve delivers a favourable variance in running costs by year-end.

PwC view

The CCG should be aware of the risk to the 2019/20 position from the 2018/19 running costs run-rate when the Cost of Change reserve releases are removed from the position.

Running costs

Running costs are showing a favourable variance to plan in both the YTD and FOT positions. All directors have had their budgets reduced, which are expected to be achieved through by reducing their FTE establishment.

The FOT position includes overspends against most categories of running costs. The two largest adverse variances are:

- Directors and Governing Body – reflecting additional recruitment costs greater than plan, and reduced turnover;
- Complex case commissioning – driven by additional agency costs to deliver the activity driven by the CHC backlog, which has exceeded vacancy savings;

The overall favourable position is achieved through release of the Cost of Change reserve. The reserve is forecast to be almost fully released by year-end.

£'000	M1 - M7 Actuals			M8 - M12 FOT			Total FY18/19		
	Plan	Actual	Variance	Plan	Forecast	Variance	Plan	Forecast	Variance
Directors and Governing Body	752	971	(219)	537	722	(185)	1,289	1,693	(404)
Corporate Costs and Services	1,474	1,503	(29)	1,053	1,021	32	2,527	2,524	3
Community and Services Integration	748	761	(13)	535	565	(30)	1,283	1,326	(43)
Business Intelligence	265	275	(10)	190	210	(20)	455	485	(30)
Complex Case Commissioning	1,201	1,805	(604)	851	1,172	(321)	2,052	2,977	(925)
Planned and Primary Care	1,193	1,193	0	852	873	(21)	2,045	2,066	(21)
Medicine Optimisation	931	867	64	665	717	(52)	1,596	1,584	12
Communications, Membership and Engagement	238	207	31	170	180	(10)	408	387	21
Contracts	655	492	163	474	412	62	1,129	904	225
Finance	1,325	1,383	(58)	946	1,000	(54)	2,271	2,383	(112)
SDU	467	397	70	333	283	50	800	680	120
HR & OD	243	220	23	174	209	(35)	417	429	(12)
Corporate ICT and Strategic Clinical Systems	212	222	(10)	152	150	2	364	372	(8)
Nursing and Quality	486	488	(2)	347	385	(38)	833	873	(40)
Urgent and Emergency Care	454	487	(33)	324	319	5	778	806	(28)
Programme Management Office	296	190	106	212	150	62	508	340	168
Cost of Change Reserve	1,093	25	1,068	780	70	710	1,873	95	1,778
Total Running Costs	**12,032**	**11,486**	**547**	**8,595**	**8,438**	**157**	**20,628**	**19,922**	**706**

Appendix four: Engagement letter (1 of 2)

Private and confidential

NHS Cambridgeshire and Peterborough CCG
Lockton House
Clarendon Road
Cambridge
CB2 8FH

For the attention of Jan Thomas, Accountable Officer

28 November 2018

Dear Sirs

Cambridgeshire and Peterborough CCG follow-up review

Thank you for engaging us to provide you with services on terms which are described in this letter and the attached terms of business (version ToB 06/18 (Deals)). These together form the agreement between us.

Background and purpose

In February 2018 PwC undertook a review of the capacity, capability and financial position of Cambridgeshire and Peterborough CCG (the CCG). This review covered the following areas:

- The CCG's historic financial position
- 2017/18 financial performance and forecast outturn
- 2018/19 financial planning and QIPP development
- Leadership capacity and capability.

We made recommendations in relation to all areas of our work and these informed the CCG's Improvement and Delivery Plan which was finalised and submitted to NHS England in July 2018.

You have asked us to undertake a follow up review to form an independent view of the progress the CCG has made since our initial work in February 2018.

The services

You have instructed us to undertake the following:

- To form an independent view of the progress the CCG has made in relation to the recommendations set out in our earlier report. We will do this through:
  - Interviews – we expect to interview c. five members of the CCG's Governing Body, two key stakeholders from NHS England and the STP lead.
  - Document review covering a range of key documents, including Governing Body and sub-committee papers and minutes, and key management reports.

PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT
T: +44 (0) 2075 835 000, F: +44 (0) 2072 127 500, www.pwc.co.uk

- A desktop review of the 2018/19 financial position, in which we will review and comment on the reported and underlying financial performance to 31 October 2018 against the plan submitted by the Governing Body to NHS England. We will comment on the robustness and accuracy of the CCG's assessment of its 2018/19 year to date and forecast outturn and the underlying exit position.
  - Our assessment will be based on financial risks and issues identified through our interviews and document review. We will review supporting financial information and make an assessment of the extent to which risks and issues that we have identified are appropriately reflected in the forecast outturn position.

Deliverable

At the end of our review we will provide a PwC-branded report setting out our findings and recommendations. Where we identify areas of weakness and make recommendations we will suggest an order of priority for these to be addressed.

For the avoidance of doubt our work does not include a full financial baseline review or audit or other assurance procedures.

Timetable

We propose to start work on 26 November 2018 and estimate that we will submit our draft report to you for discussion by 14 December 2018. This is an estimate in advance of starting work and we will keep you informed of our progress. Should we anticipate difficulties in meeting the timetable we will inform you in advance.

Staffing

Yvonne Mowlds (Partner) is the person in charge of providing the services to you, assisted by Harriet Aldridge (Director) and such other staff as we believe are required. If we believe that it is necessary for us to change any of the named individuals we will let you know.

Client contact

You have designated Louis Kamfer to be our primary contact when delivering the services as a person with the knowledge, experience and ability to make decisions in relation to the services.

Fees

Our fees will be calculated in accordance with the following daily rates, based on an eight hour working day. We estimate that our fees will be £20,000 plus expenses and VAT.

Grade	Day Rates
Partner / Director Accountant /Auditor	£2,100
Managing Accountant /Auditor	£1,790
Principal Accountant /Auditor	£1,500
Senior Accountant/ Auditor	£1,300
Accountant/ Auditor	£1,030

2

Appendix four: Engagement letter (2 of 2)

pwc

Our fees assume that we will undertake a maximum of 10 interviews, to include members of the Governing Body and stakeholders from NHS England and Cambridgeshire and Peterborough STP.

Our fees exclude VAT and out of pocket expenses and assume information and key stakeholders will be available in order for us to meet the proposed timescale to deliver a draft report. All invoices are payable within 14 days of the invoice date.

Terms of business

Use of information

We draw your attention to clause 5.2 in the attached terms of business which permits us to use your confidential information for any lawful business as set out in the clause. For the avoidance of doubt, clause 5.2 relates to information which you (or anyone else working with or for you) provide to us in connection with the services. Clause 5.2 does not relate to information which we have obtained with your agreement from other sources. You are responsible for obtaining any consents you need in relation to this clause.

Limitation of liability

We draw your attention to clauses 8 and 12.3 in the attached terms of business which amongst other things limit (i) our total liability for all claims connected with the services or the agreement which we have agreed will be 3 times fees or £1,000,000, whichever is greater and (ii) the time for bringing any such claim.

Freedom of Information

If you receive a request under freedom of information legislation to disclose any information we provided to you, you will consult with us promptly before any disclosure. We will respond promptly to support you in meeting your obligations with regard to timescales for disclosure.

Quality of service

We aim to deliver a distinctive experience to our clients that is consistent with what they expect from us. At the end of the engagement our Client Feedback Unit may contact your team and conduct a short Client Feedback Survey over the telephone or web-based as preferred. If you raise any issues which require follow up, Yvonne Mowlds may call you to discuss these with you in more detail.

Confirmation of agreement

Please confirm your acceptance of the agreement by signing the enclosed copy and returning it to us.

pwc

Yours faithfully

Yvonne Mowlds

Yvonne Mowlds
For and on behalf of PricewaterhouseCoopers LLP

Copy letter to be returned to PricewaterhouseCoopers LLP

I accept the terms of the agreement on behalf of Cambridgeshire and Peterborough Clinical Commissioning Group

.. ..
Signed

Chief Finance Officer
Position

04 December 2018
Date

4

This page is intentionally left blank