NHS
Eastern Cheshire
Clinical Commissioning Group

REF: 141106 – Mr Brooks

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Dear Mr Brooks

Thank you for your e-mail dated 3rd November 2014 related to information contained within NHS Eastern Cheshire Clinical Commissioning Group's Annual report which was published on 4 June 2014, following approval by NHS England, and which received an unqualified report by our external auditors.

As your enquiry has related to both the annual report and remuneration of executive officers, I have liaised with the Chair of the CCG's Governance & Audit and Remuneration Committees (Lay member of the CCG's Governing Body) to prepare this response.

For simplicity we have responded below to each question in the order of your enquiry.

1. **Please can you reconcile the statement on p14 of the CCG's 2013/14 annual report that the CCG recorded a small surplus for the year with the figures in the accounts, p60, that appear to show a deficit of £11m (income £211m v expenditure £222m).**

The surplus of £204,000 referred to on page 14 is reflected in the Financial Performance Targets section on page 79 of the Annual Report. The 2013/14 Maximum column containing the figure £222,271 is our income, with the 2013/14 Performance column reflecting our annual expenditure of £222,067. The difference between the two figures is a surplus of £204,000.

The Statement of Changes in Taxpayers' Equity you refer to on page 60 outlines the actual cash payments we have made to providers throughout the year, i.e. £210,940. The balance, i.e. difference between our total recorded expenditure and cash payments of £11,127, covers those services we have used but have not yet paid for, i.e. invoices not yet received. The supporting tables 11–13 (pages 73–74) provide some additional analysis.

2. **I was also interested to see that the CCG is forecasting growing revenues (p15). Are these figures in real or nominal terms and can you**

tell me the assumptions behind an expected rise in income in the current difficult conditions for the health service?

The increasing CCG allocations reflect policy and guidance set by NHS England. The income reflects two broad categories.

1. CCG Allocations Uplifts
2. Better Care Fund (BCF)

CCG Allocation Uplifts – NHS England has reviewed the formulae that calculate CCG allocations. This work was supported by an independent advisory group, the Advisory Committee on Resource Allocation (ACRA). The updated formulae identified a target allocation, or inequalities component, based on met and unmet needs. The comparison of the target allocation with the current allocation identifies a difference, which is referred to as "Distance From Target". NHS Eastern Cheshire CCG was 6.33% below target allocation, which equates to circa £14m.

As part of its review, NHS England also agreed a pace of change for CCGs depending on their distance from target. This was confirmed in the setting of two-year allocations for CCGs for 2014/15 and 2015/16 financial years. The guidance was published on 20 December 2013 on NHS England's website.

While the allocations have been confirmed for the first two years, CCGs have followed indicative guidance from NHS England in setting their uplifts for 2016/17 and 2018/19, although this is not yet formal policy. Our income growths are based on the following NHS England guidance:

2014/15	2015/16	2016/17	2017/18	2018/19
3.15%	2.85%	3.02%	2.01%	2.01%

Better Care Fund (BCF) – Both NHS England and local government have implemented policy to assist CCGs and councils in improving outcomes for residents through integration of care and support. The initiative goes live on 1 April 2015, and part of the BCF Framework includes a transfer of responsibility to CCGs for services currently commissioned by NHS England. The transfer of commissioning responsibility from NHS England to ECCCG is £3.466m and has been reflected in our 2015/16 income levels.

In relation to the question is it real or nominal, the explanation above shows it to be a mixture of the two, with the first two years being real and the subsequent three years nominal. In setting the CCG uplift, NHS England has taken account of a variety of pressures which commissioners would need to fund ranging from growth in population, pay awards and drug costs to specific pressures arising from Continuing Health Care Restitution claims. Therefore, the additional growth has a corresponding list of pressures to fund.

3. Could you please also explain why the accounts say that £600,000 of consultancy costs were met by NHS England when an FoI response I

have received says the figure is £300,000? And can you confirm whether the figure for spending on consultancy is net of this contribution (i.e. the gross spending was correspondingly higher)?

We can confirm that the £600,000 value quoted within the accounts is correct and that the value incurred for the year of £1.780m is gross. The subsequent Freedom of Information response dated 22 October was partially incorrect in that it should have quoted £600,000, and I apologise for any misinterpretation this may have caused.

4. **The remuneration of key members of the governing body seems very high. Can you please explain how the salaries for Dr Bowen (presumably a non-executive also receiving a salary from his other position at McIlvride Medical Practice), Mr Hawker and Mr Mitchell were arrived at. And can you explain the extremely high figures for pension benefits for these three, saying what the actual employer contributions were.**

We note your comment regarding remuneration, but disagree with your assertion that they are very high. The salaries are commensurate with remuneration guidance published nationally by NHS England.

Remuneration for all executive full time officers (Chief Officer and Chief Financial Officer) follow strict national guidelines published by NHS England for all clinical commissioning groups and is available on the NHS England website. NHS Eastern Cheshire CCG has a population of 204,000, and executive salaries therefore fall within the designated level 2 pay range (excluding complexity factor). Salaries established for the Chief Officer and Chief Financial Officer comply fully with the NHS England guidance and were approved by the CCG's Remuneration Committee in line with the CCG's Constitution.

Dr Bowen is the Executive Clinical Chair of NHS Eastern Cheshire, elected by the members for a four-year tenure. It should be emphasised that as he splits his working week between his surgery and the CCG, Dr Bowen does not receive a full GP salary in addition to remuneration for is role in the CCG. NHS England has published no National guidance on remuneration for clinical chairs, stating that the decision was for local CCG determination. Prior to establishment as a statutory body NHS Eastern Cheshire CCG, together with all CCGs across Cheshire & Merseyside, appointed an independent HR consulting company to review appropriate remuneration levels to be used for Clinical Chairs, taking into account their existing partnership arrangements within their practices. The independent HR consultants made a range of recommendations on salaries for Clinical Chairs, which have been adopted by all CCGs across Cheshire & Merseyside.

The recommendations made by the HR consultants were reviewed by the Remuneration Committee of NHS Eastern Cheshire and approved by the committee for Dr Bowen.

The pension benefits are a fixed calculation as detailed in the supporting notes on page 35, and comply with the NHS Accounting Manual and Greenbury report, ensuring openness and transparency of governing body remuneration. The pension-related benefits are derived from in-year changes to salaries. These changes are used to calculate what impact this has on the employee's future accumulated pension. This is funded by contributions from both the employer and employee of which the latter was 12.3% of their salary, which is in line with current NHS Pensions Scheme contribution rates.

5. Do you publish a register of interests and a log of gifts and hospitality for governing body members? If so, please may I see copies? And can you explain how the significant conflicts of interest apparent from the transactions listed on p78 are managed.

ECCCG routinely publishes a hospitality register and register of interests and gifts on its website (www.easterncheshireccg.nhs.uk). Please follow the path below to access the information you require.

- Publications
- Policies
- Policy on Standards of Business Conduct
  PDF File – ECCCG Gifts and Hospitality Register as at May 2014
  PDF File – ECCCG Register of Interests Updated as at 3 November 2014

Our Constitution outlines our approach to managing conflicts of interest. This is consistent with the approaches advocated by NHS England, and which formed part of the process the CCG followed in being authorised as a statutory body. In addition, these are supported by individual policies which identify how to manage conflicts of interest, e.g. the CCG's Procurement Policy.

The expenditure listed on page 78 relates to contracts for clinical services provided by GP practices, of which the listed Governing Body members are partners. Where any GP practice holds a contract for the provision of services, it operates under an NHS Standard Contract and is expected to meet the requirements within the service specification. These contracts are monitored in a consistent way by our officers.

It is worth noting that, in the procurement processes run by the CCG since it became a statutory body in April 2013, no contract has been awarded to any GP practice or any other business in which a Governing Body member has an interest.

At any Governing Body meeting (or other decision making forum) declarations are required in relation to any agenda item and appropriate controls are exercised in line with the CCG Constitution.

6. Finally, can you please explain what evaluation has been conducted of the work performed by McKinsey and Carnall Farrar on the Caring Together programme and explain how value for money has been assured when p47

reports "lack of transparency, rigour and overall governance in the QIPP programme".

The contract award to McKinsey Carnall Farrar for the Caring Together Programme was undertaken via a competitive procurement process. The process assessed the companies against a framework which evaluated experience, approach, skills and contract value. Therefore, the initial appointment had undergone a robust process to ensure value for money had been achieved. We would like to highlight that although the Caring Together Programme is being led by the CCG, it is a health-economy wide initiative to improve care in Eastern Cheshire partnering with the other responsible health and social care commissioners for the area (NHS England and Cheshire East Council).

The statement concerning the Quality, Innovation, Productivity and Prevention (QIPP) savings programme was a specific piece of work which was undertaken by internal audit at our request and cannot be taken out of context. Its aim was to evaluate the systems and processes in place to identify savings and monitor the delivery of the QIPP plan and is not reflective of the overall CCG assurance processes. This is reinforced by the conclusion of Significant Assurance awarded for our system of internal control as outlined on page 46.

I trust you find this information helpful in explaining you questions, and recommend that you consider comparing NHS Eastern Cheshire CCG Annual report and statement of accounts with other similar CCG reports which are widely available on the internet. This will hopefully provide further evidence of the consistency in approach across all clinical commissioning groups.

Yours sincerely

Jerry Hawker
CHIEF OFFICER

CC:
Dr Paul Bowen, Executive GP Chair
Gerry Gray, Chair of Governance & Audit and Remuneration Committees
Alex Mitchell, Chief Finance Officer