Agenda

Inner North East London (INEL) Joint Health Overview and Scrutiny Committee (JHOSC)

Date Wednesday 19 June 2019

Time 7.00pm – 9.00pm

Venue Council Chamber, Old Town Hall, Broadway, Stratford E15 4BQ

Rokhsana Fiaz OBE
Mayor of Newham

Althea Loderick
Chief Executive

London Borough of Newham I Newham Dockside I 1000 Dockside Road I London I E16 2QU

MEMBERSHIP

City of London Corporation
Common Councilman Christopher Boden
Common Councilman Michael Hudson (substitute)

London Borough of Hackney
Councillor Ben Hayhurst (vice-Chair)
Councillor Patrick Spence
Councillor Yvonne Maxwell

London Borough of Newham
Councillor Anthony McAlmont
Councillor Ayesha Choudhury
Councillor Winston Vaughan (Chair)

London Borough of Tower Hamlets
Councillor Denise Jones
Councillor Gabriela Salva-Macallan
Councillor Kadar Choudhury

In attendance:

London Borough of Waltham Forest
Councillor Nick Halebi
Councillor Richard Sweden
Councillor Umar Ali

OFFICERS

Robert Brown - Senior Scrutiny Policy Officer: robert.brown@newham.gov.uk

AGENDA

1. WELCOME AND INTRODUCTIONS

2. APOLOGIES FOR ABSENCE

3. DECLARATIONS OF INTEREST (Pages 1 - 4)

This is the time for Member to DECLARE any interest they may have in any matter being considered at this meeting. The Code of Conduct is set out in Part 5.1 of Newham Council's Constitution.

4. VOTE ON REQUEST FOR LONDON BOROUGH OF WALTHAM FOREST TO JOIN INEL JHOSC (Pages 5 - 10)

Following the decision at Audit Committee and Full Council (London Borough of Waltham Forest) to join INEL JHOSC, Members are asked to vote on formally accepting the London Borough of Waltham Forest into INEL JHOSC.

5. VOTE FOR VICE-CHAIR OF INEL JHOSC (Pages 11 - 12)

Following Council AGMs there have been changes to the membership of INEL JHOSC, therefore a new vice-Chair position will need to be resolved.

6. VOTE ON REQUEST FROM LONDON BOROUGH OF REDBRIDGE TO OBTAIN OBSERVER STATUS AT INEL JHOSC (Pages 13 - 14)

The London Borough of Redbridge is represented at the ONEL (Outer North East London) JHOSC (Joint Overview and Scrutiny Committee). As WEL CCGs and Barts Health NHS Trust become more aligned, as a neighbouring borough with residents who use services, they have requested 'Observer' (non voting) status at INEL JHOSC.

7. INEL JHOSC TERMS OF REFERENCE (Pages 15 - 22)

With the proposal for the London Borough of Waltham Forest to move from ONEL to INEL JHOSC, this is for Members to formally accept the updated Terms of Reference, taking into account additional Members.

8. INEL JHOSC PROTOCOLS (Pages 23 - 34)

With the proposal for the London Borough of Waltham Forest to move from ONEL to INEL JHOSC, this is for Members to formally accept the updated Protocols previously agreed at the previous meeting, taking into account additional Members.

9. MINUTES OF PREVIOUS MEETING (Pages 35 - 46)

The Committee are asked to agree the accuracy of the minutes of the previous meeting held on Wednesday 3 April 2019.

10. WORKPLAN (Pages 47 - 48)

11. EARLY DIAGNOSTIC CENTRE FOR CANCER

To note the proposals to re-align Early Diagnostic Cancer services across INEL.

Paper to follow.

12. INEL SYSTEM TRANSFORMATION BOARD (Pages 49 - 58)

Members are asked to note the report in preparation for an in-depth discussion at the September 2019 meetings by East London Health and Care Partnership.

13. MOORFIELDS EYE HOSPITAL RELOCATION (Pages 59 - 74)

To note the consultation on moving Moorfields Eye Hospital from its current site in City Road and comment on proposals.

14. DATE OF NEXT MEETING

The next meeting of INEL JHOSC is scheduled for Wednesday 18 September 2019 at Old Town Hall, Stratford commencing at 1600hrs. This meeting will be a joint INEL / ONEL JHOSC meeting.

15. FOR INFORMATION: CONSULTATIONS, REPORTS AND STUDIES (Pages 75 - 230)

Health Service Journal, Centre for Public Scrutiny, National Audit Office and other reports, studies and articles of interest to Members.

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INNER NORTH EAST LONDON (INEL)
JOINT HEALTH and OVERVIEW SCRUTINY COMMITTEE (JHOSC)

Report title	**Declarations of Interest**
Date of Meeting	Wednesday 19 June 2019
Lead Officer and contact details	**Robert Brown** Senior Scrutiny Policy Officer DDI: 020 337 37142 robert.brown@newham.gov.uk
Report Author	**Robert Brown** Senior Scrutiny Policy Officer DDI: 020 337 37142 robert.brown@newham.gov.uk
Witnesses	n/a
Boroughs affected	• City of London Corporation • Hackney • Newham • Tower Hamlets

Recommendations:

This is the time for Member to **DECLARE** any interest they may have in any matter being considered at this meeting. The Code of Conduct is set out in Part 5.1 of Newham Council's Constitution.

Background

The Code of Conduct is set out in Part 5.1 of Newham Council's Constitution with regards to the Declaration of Interests.

Key Improvements for Patients

- n/a

Implications

Financial Implications

n/a

Legal Implications

n/a

Equalities Implications

n/a

Background Information used in the preparation of this report

- n/a

Members' Declarations of Interest

Matters for Consideration
Revised Guidance – February 2016

The following is offered as a guide to Members. Further details are set out in the Members' Code of Conduct, attached as Part 5.1 of the Council's Constitution.

1. Disclosable Pecuniary Interests

Disclosable Pecuniary Interests (DPI) are covered in detail in the Localism Act 2011. Breaches of the law relating to these may be a criminal offence.

1.1 If you have a DPI in any matter on the agenda you must not participate in any discussion or vote on that matter. If you do so without a prior Dispensation (see below) you may be committing a criminal offence, as well as a Breach of the Code of Conduct. The Council's Constitution requires any Member declaring a DPI to leave the meeting (including any public seating area) during consideration of the matter.

1.2 Members will be asked at the start of the meeting if they have any declarations of interest. The Council's Code of Conduct requires you to make a verbal declaration of the fact and nature of any DPI. You are also required to declare any DPIs before the consideration of the matter, or as soon as the interest becomes apparent, if you were not aware of it at the start of the meeting.

2. Non-Disclosable Pecuniary Interest or Non-Pecuniary Interest

2.1 The Council's Code of Conduct requires you to make a verbal declaration of the existence and nature of any "Non-Disclosable Pecuniary Interest or Non-Pecuniary Interest". Any Member who does not declare these interests in any matter when they apply may be in breach of the Code of Conduct.

2.2 You may have a "Non-Disclosable Pecuniary Interest or Non-Pecuniary Interest" in an item of business where:

2.2.1 A decision in relation to that business might reasonably be regarded as affecting your well-being or financial standing, or a member of your family, or a person with whom you have a close association with to a greater extent than it would affect the majority of the Council taxpayers, ratepayers or inhabitants of the ward or electoral area for which you have been elected or otherwise of the authority's administrative area, or

2.2.2 It relates to interests which would be a DPI, but in relation to a member of your family or a person with whom you have a close association and that interest is not a DPI. If the matter concerns your spouse, your civil partner or someone you live with in a similar capacity, it is covered by the provisions relating to DPIs.

2.2.3 It could also cover membership of organisations which you have listed on your Register of Interests (including appointments to outside bodies), where there is no well-being or financial benefit accruing to you but where your membership might be said to be relevant to your view of the public interest.

2.3 A person with whom you have a close association is someone who is more than an acquaintance, and is someone you are in contact with over a period of time, whether regularly or not. It is someone that a reasonable member of the public might think you would be prepared to favour or disadvantage when discussing a matter which affects them and so covers friends, colleagues, business associates, or someone you know through social contact.

2.4 Family should be given a wide meaning. In relation to the family of both you and your partner, it would include the parents, parents-in-law, children and step children, brothers and sisters, grandparents, grandchildren, uncles and aunts, nephews or nieces, together with the partners of any of these persons.

2.5 You should make a verbal declaration of any such interest in a matter to be considered at the meeting at the start of the meeting, or before the consideration of the item of business, or as soon as the interest becomes apparent if you are not aware at the start of the meeting of the interest.

3. Register of Members interests

Members are required to complete the Register of Interests and to keep this register up to date by informing the Monitoring Officer in writing within 28 days of becoming aware of any change in respect of their DPIs.

4. Dispensations

In certain circumstances the Monitoring Officer is able to grant a dispensation to you which will enable you either to participate in the discussion on a matter, to vote on the matter, or both. Dispensations can only be granted in limited circumstances. If you believe that you are able to claim a dispensation you must seek advice as soon as possible from the Monitoring Officer, who will consider your request.

The Monitoring Officer, under Section 33(2) of the Localism Act, has granted the following general dispensations to all Members until the Annual Council meeting in 2018, on the grounds that the dispensation is in the interests of the inhabitants of Newham and/or it is appropriate to grant the dispensation to maintain a similar position as applied under the previous code of conduct. This means Members do not need to leave the meeting if their Disclosable Pecuniary Interest arises and is:

- An interest common to the majority of inhabitants in their ward.
- An interest so remote that it is not likely to prejudice their judgement of the public interest.
- Council housing unless related to their own particular tenancy.
- School meals and/or transport unless relating to their own child's school.
- Statutory sick pay for members.
- Members allowances.
- Setting Council Tax or precept.
- Agreeing any Local Council Tax Benefit Scheme.
- Interests arising from membership of an outside body to which the authority has appointed or proposes to appoint them.
- The Local Government Pension Scheme unless relating specifically to their own circumstances.

5. Bias and Predetermination

If in relation to any decision, your outside connections may make it appear to a reasonable person that there is a real danger of bias, or predetermination you should seek advice as to whether it is appropriate for you to participate in any discussion about the matter and in the decision, regardless of whether or not you consider that you should declare an interest as defined above.

For further advice about these matters please contact the Monitoring Officer, Daniel Fenwick on 01708 432714

INNER NORTH EAST LONDON (INEL)
JOINT HEALTH and OVERVIEW SCRUTINY COMMITTEE (JHOSC)

Report title	**Vote on Inclusion of London Borough of Waltham Forest into INEL JHOSC**
Date of Meeting	Wednesday 19 June 2019
Lead Officer and contact details	**Robert Brown** Senior Scrutiny Policy Officer DDI: 020 337 37142 robert.brown@newham.gov.uk
Report Author	**Robert Brown** Senior Scrutiny Policy Officer DDI: 020 337 37142 robert.brown@newham.gov.uk
Witnesses	n/a
Boroughs affected	• City of London Corporation • Hackney • Newham • Tower Hamlets

Recommendations:

- That current INEL JHOS members **APPROVE** the inclusion of the London Borough of Waltham Forest to INEL JHOSC.

Background

The NHS Clinical Commissioning Groups of Waltham Forest, Newham and Tower Hamlets are now led by one Managing Director; whilst the City & Hackney Clinical Commissioning Group continues to be led by another Managing Director.

The above areas, minus the London Borough of Waltham Forest, are included within INEL JHOSC.

Barts Health NHS Trust and Homerton University Hospital NHS Foundation Trust cover the areas within INEL JHOSC. In addition, Barts Health NHS Trust are located within the London Borough of Waltham Forest.

It is recommended that the London Borough of Waltham Forest join INEL JHOSC, whilst continuing to have one Councillor within ONEL JHOSC, to improve communication across the INEL JHOSC footprint and ensure residents' health and care issues are discussed in the most appropriate forums.

Key Improvements for Patients

- Less time spent by NHS and Local Authority colleagues, ensuring more time dedicated to residents and patient care.

Implications

Financial Implications

n/a

Legal Implications

n/a

Equalities Implications

n/a

Background Information used in the preparation of this report

- n/a

LONDON BOROUGH OF WALTHAM FOREST

Committee/Date:	Council 25 April 2019
Report Title:	Joint Health Overview and Scrutiny Committee Membership
Directorate:	Governance and Law
Contact Details	Andrew Spragg, Scrutiny Officer andrew.spragg@walthamforest.gov.uk
Wards affected:	None specifically
Public Access	Open
Appendices	None.

1. SUMMARY

1.1. This report asks the Council to agree a change to the current Joint Health Overview and Scrutiny Committee (JHOSC) membership arrangements, following consideration of the proposal at Audit and Governance Committee on 28 March 2019.

2. RECOMMENDATION

2.1. The Audit and Governance Committee recommends Council to:

2.1.1 Agree Council's current membership of the Outer North East London Joint Health Overview and Scrutiny Committee reduces to one;

2.1.2 Agree to appoint three members to the Inner North East London Joint Health Overview and Scrutiny Committee at its Annual General Meeting on 23 May 2019;

2.1.3 Agree that appointment arrangements be politically balanced as is currently the case; and

2.1.4 Review these arrangements after one year.

3. BACKGROUND

3.1. The Local Authority (Public Health, Health and Wellbeing Boards and Health Scrutiny) Regulations 2013 set out powers and duties of local authorities in respect to health scrutiny. This includes the power to set up joint health scrutiny committees with other local authorities. These joint committees can be delegated all or specified health scrutiny functions. Most commonly JHOSCs are used to scrutinise issues that cross local authority boundaries.

3.2. In the case of a substantial development proposal that would affect more than one local authority, a JHOSC is a requirement.

3.3. The Council currently has three places on the Outer North East London (ONEL) JHOSC. The membership of this committee is:

- London Borough of Barking and Dagenham (3 members)
- London Borough of Havering (3 members)
- London Borough of Redbridge (3 members)
- London Borough of Waltham Forest (3 members)
- Essex County Council (1 member)
- Co-opted Healthwatch representatives (3 members)
- Epping Forest District Council (1 observer member)

3.4. This arrangement was established in 11 June 2007 and reflected the health landscape at the time.

3.5. The Inner North East London (INEL) JHOSC is presently comprised of the following local authorities:

- City of London Corporation
- London Borough of Hackney
- London Borough of Newham
- London Borough of Tower Hamlets

3.6. It has been common practice for a member of the Health Scrutiny Committee to attend these meetings of INEL as an observer.

3.7. In the past few years, the work of the ONEL JHOSC has become increasingly focused on the health services in boroughs other than Waltham Forest. In the past year, this has included the Barking, Havering and Redbridge Clinical Commissioning Groups (CCGs), and services provided by the Barking, Havering and Redbridge University Hospitals NHS Trust, including King George Hospital. This has meant limited benefit to the Council's JHOSC members, and few opportunities to influence the health services at cross-borough boundary level.

3.8. A JHOSC to consider any proposed substantial variations at Whipps Cross would likely require the establishment of a separate joint committee, comprised of the local authorities who cover its present patient inflow (Waltham Forest, Redbridge and Essex). However, at this time, there is no such variation being considered.

4. PROPOSAL

4.1. Officers proposed that the three places on ONEL JHOSC be transferred to the INEL JHOSC. A single Managing Director for Newham, Tower Hamlets and Waltham Forest CCGs was appointed in December 2018. This appointment across these CCGs geographical areas support the rationale to transfer JHOSC membership to INEL JHOSC and reflects how the local health landscape is changing.

4.2. This transfer would benefit the Council as a number of key cross-boundary issues, particularly those related to Barts NHS Health Trust, are being discussed in this forum. The Chair and Vice Chair of Health Scrutiny Committee recently attended a briefing on changes to the

criteria for the Patient Transport Service, and one on East London Health and Care Partnership Estate Strategy is planned.

4.3. Following review of the proposal at Audit and Governance Committee on 28 March 2019 and consultation with the current JHOSC members, it was recommended that the Council retain one member place on ONEL JHOSC. ONEL JHOSC and INEL JHOSC intend to hold one joint meeting a year to discuss shared issues.

5. OTHER OPTIONS CONSIDERED

5.1. **Do nothing:** Committee members would continue to attend meetings that are not relevant to the business of the Council. Discussions at INEL JHOSC would not take account of the views of Waltham Forest, and this may prove detrimental to future planning and delivery of health services in the borough.

5.2. **Retain full membership on ONEL JHOSC and join INEL JHOSC:** This would place a significant demand on elected members' time (both committees meet regularly throughout the year). It also creates an additional demand on resources as the Council contributes towards the committee support for ONEL JHOSC, which is provided by oneSource and charged at an hourly rate. 12 months of invoices (up to 30 September 2018) total a charge of £424 for Waltham Forest. It is expected that this cost will reduce proportionate to any reduction in membership.

5.3. Officers will be required to provide support to the INEL JHOSC on a rotational basis, as per the committee's terms of reference. This is rotated every two years, and is currently supported by the London Borough of Newham. This will be managed within existing resources.

5.4. **Withdraw membership from JHOSC arrangements:** This would significantly limit the Council's opportunities to influence health scrutiny at a cross-boundary level.

6. CONSULTATION

6.1. Officers have consulted with the current Waltham Forest members of the ONEL JHOSC, the group whips and the Chair of Audit and Governance. There is broad support for the transfer of membership to INEL JHOSC.

6.2. Following consideration of the report at Audit and Governance Committee on 28 March 2019, the proposal was amended to better reflect the views of current JHOSC members, in particular the extent to which ONEL JHOSC is concerned with Whipps Cross and the interests of Essex residents in its catchment area, and it exactly matches the area covered by NELFT, responsible for mental health services throughout the borough. ONEL JHOSC and INEL JHOSC Chairs and supporting officers have also been consulted and are aware of the proposals.

6. IMPLICATIONS

6.1 Finance, Value for Money and Risk

6.1.1 There is no significant financial impact as a result of the proposed change in membership. The contribution to ONEL JHOSC would cease to be paid, though the Council would be committed to hosting INEL JHOSC for two years on a rotational basis. The operational costs of doing so are judged to be minimal, and would be offset against any saving made in terms of contributions to ONEL JHOSC.

6.2 Legal

6.2.1 Section 13 of Local Authority (Public Health, Health and Wellbeing Boards and Health Scrutiny) Regulations 2013 enable the Council to make arrangements for any or all of its health scrutiny functions to be exercisable by a joint committee of two or more local authorities, as it may consider appropriate.

6.2.2 The proposed transfer to INEL JHOSC would be consistent with the Council's statutory responsibilities with respect to health scrutiny, in particular the scrutiny of any matter relating to the planning, provision and operation of the health services in its area, where those services are not co-terminus with the local authority area. The proposed appointment to INEL JHOSC has no impact on the ability of the Health Scrutiny Committee to exercise its powers in respect to scrutiny of local health services.

6.3 Equalities and Diversity

6.3.1 The proposal has no impact on equalities and diversity, as it does not relate to an operational or policy change that would affect the relevant groups.

6.4 Sustainability (including climate change, health, crime and disorder

6.4.1 The proposal has no impact on sustainability, however a transfer to INEL JHOSC could give the Council a greater influence in respect to these issues as they relate to local health services.

6.5 Council Infrastructure (e.g. human resources, accommodation or IT issues

6.5.1 The proposal has no impact on council infrastructure, as it is a transfer of committee membership and as such does not directly affect services.

BACKGROUND INFORMATION (as defined by Local Government (Access to Information) Act 1985)

None.

INNER NORTH EAST LONDON (INEL)
JOINT HEALTH and OVERVIEW SCRUTINY COMMITTEE (JHOSC)

Report title	**Election of vice Chair**
Date of Meeting	Wednesday 19 June 2019
Lead Officer and contact details	**Robert Brown** Senior Scrutiny Policy Officer DDI: 020 337 37142 robert.brown@newham.gov.uk
Report Author	**Robert Brown** Senior Scrutiny Policy Officer DDI: 020 337 37142 robert.brown@newham.gov.uk
Witnesses	n/a
Boroughs affected	• City of London Corporation • Hackney • Newham • Tower Hamlets

Recommendations:

The Committee Members are asked to **PROPOSE** and **SECOND** nominations for vice Chair of INEL JHOSC. Members are then asked to **VOTE** for nominations.

Background

Following many AGMs, elected Councillors on various Scrutiny Commissions across the INEL JHOSC footprint have changed; thus changing many of the INEL JHOSC Members. As such, a new vice Chair needs to be proposed, seconded and voted for.

Key Improvements for Patients

- n/a

Implications

Financial Implications

n/a

Legal Implications

n/a

Equalities Implications

n/a

Background Information used in the preparation of this report

- n/a

INNER NORTH EAST LONDON (INEL)
JOINT HEALTH and OVERVIEW SCRUTINY COMMITTEE (JHOSC)

Report title	**Vote on Inclusion of London Borough of Redbridge into INEL JHOSC as an observer**
Date of Meeting	Wednesday 19 June 2019
Lead Officer and contact details	**Robert Brown** Senior Scrutiny Policy Officer DDI: 020 337 37142 robert.brown@newham.gov.uk
Report Author	**Robert Brown** Senior Scrutiny Policy Officer DDI: 020 337 37142 robert.brown@newham.gov.uk
Witnesses	n/a
Boroughs affected	• City of London Corporation • Hackney • Newham • Tower Hamlets

Recommendations:

- That current INEL JHOS members **APPROVE** the inclusion of the London Borough of Redbridge to INEL JHOSC with observer member status.

Background

The NHS Clinical Commissioning Groups of Waltham Forest, Newham and Tower Hamlets are now led by one Managing Director; whilst the City & Hackney Clinical Commissioning Group continues to be led by another Managing Director.

The above areas, minus the London Borough of Waltham Forest, are included within INEL JHOSC, with the London Borough of Redbridge a key neighbour of INEL JHOSC.

Barts Health NHS Trust and Homerton University Hospital NHS Foundation Trust cover the areas within INEL JHOSC. In addition, Barts Health NHS Trust are located within the London Borough of Waltham Forest.

It is recommended that the London Borough of Redbridge join INEL JHOSC with observer member status, to improve communication across East London and ensure neighbouring residents – through locally elected Members – are kept informed of any issues brought to INEL JHOSC.

Key Improvements for Patients

- Less time spent by NHS and Local Authority colleagues, ensuring more time dedicated to residents and patient care.

Implications

Financial Implications

n/a

Legal Implications

n/a

Equalities Implications

n/a

Background Information used in the preparation of this report

- n/a

INNER NORTH EAST LONDON (INEL)
JOINT HEALTH and OVERVIEW SCRUTINY COMMITTEE (JHOSC)

Report title	**INEL JHOSC Terms of Reference**
Date of Meeting	Wednesday 19 June 2019
Lead Officer and contact details	**Robert Brown** Senior Scrutiny Policy Officer DDI: 020 337 37142 robert.brown@newham.gov.uk
Report Author	**Robert Brown** Senior Scrutiny Policy Officer DDI: 020 337 37142 robert.brown@newham.gov.uk
Witnesses	n/a
Boroughs affected	• City of London Corporation • Hackney • Newham • Tower Hamlets

Recommendations:

That INEL JHOSC:

- ENDORSE the updated Terms of Reference to acknowledge the inclusion of Waltham Forest and the London Borough of Redbridge.

Background

With the agreement that the London Borough of Waltham Forest becomes a Member and the London Borough of Redbridge an Observer, INEL JHOSC needs to ensure updated Terms of Reference are endorsed by INEL JHOSC Members.

Key Improvements for Patients

- Clearer understanding of issues by Cllrs to enable them to make informed decisions.

Implications

Financial Implications

none

Legal Implications

none

Equalities Implications

none

Background Information used in the preparation of this report

- Approved London Borough of Waltham Forest report dated 25 April 2019.

INNER NORTH EAST LONDON (INEL)
JOINT HEALTH and OVERVIEW SCRUTINY COMMITTEE (JHOSC)

TERMS OF REFERENCE

(draft as at 04 June 2019)

INTRODUCTION

1. Regulation 30 of the Local Authority (Public Health, Health and Wellbeing Boards and Health Scrutiny) Regulations 2013 (Reg 30) ensure that there are sufficient scrutiny procedures and policies in place to cover the cross-Borough wide NHS Sustainability and Transformation Plan (STP).

ROLE

2. Consider and respond to any health matter which:
   2.1. Impacts on two or more participating local authorities or on the sub region as a whole, and for which a response has been requested by NHS organisations under Section 244 of the NHS Act 2006; and
   2.2. All participating local authorities agree to consider as an INEL JHOSC

3. To collectively review and scrutinise any proposals within the STP that are a substantial development / variation of the NHS or the substantial development / variation of such service where more than one local authority is consulted by the relevant NHS body pursuant to Reg 30;

4. To collectively consider whether a specific proposal within the STP that's is not a substantial development or variation is only relevant for one authority and therefore should be referred to that local authority's Health Scrutiny Committee for scrutiny;

5. In the event that a participating local authority considers that it may wish to consider a discretionary matter itself rather than have it dealt with by the joint committee it shall give notice to the other participating councils and the joint committee shall then not take any decision on the discretionary matter (*other than a decision which would not affect the council giving notice*) until after the next full Council meeting of the council giving notice in order that the council giving notice may have the opportunity to withdraw delegation of powers in respect of that discretionary matter;

6. To require the relevant local NHS body to provide information about the proposals under consideration and where appropriate to require the attendance of a representative of the NHS body to answer such questions as appear to it to be necessary for the discharge of its function;

7. Make reports or recommendations to the relevant health bodies as appropriate and/or the constituent authorities' respective Overview and Scrutiny Committees (OSC) or equivalent;

8. Each Council to retain the power of referral to the Secretary of State of any proposed "substantial variation" of service, so this power is not *solely* delegated to INEL JHOSC.

9. To review the procedural outcome of consultations referred to in any substantial development / variation, particularly the rationale behind contested proposals;

10. To undertake in-depth thematic studies in respect of services to which the NHS Trusts contribute and where a study is done on a Trust wide and cross borough basis;

11. To take account of relevant information available and in particular any relevant information provided by Healthwatch under their power of referral;

12. To maintain effective links with Healthwatch and other patient representative groups and give consideration to their input throughout the Scrutiny process;

MEMBERSHIP

13. The INEL JHOSC will be a committee serviced by the participating local authorities on a two-yearly cycle – *the current local authority hosting the INEL JHOSC is the London Borough of Newham* in accordance with section 101(5) of the Local Government 1972;

14. The membership shall be made up of three members from each of the larger participating local authorities and one from the City of London Corporation; making a total of 13 members, with each council's membership being politically proportionate and with non-executive councillors making up the membership.

15. The membership to include one observer from the London Borough of Redbridge and other neighbouring local authorities with the agreement of the majority of INEL JHOSC members, put to a vote at meetings where necessary.

16. Substitutions will be accepted if a councillor is not able to attend a meeting of the INEL JHOSC and that councillor has informed the Chair and Scrutiny Officer at least five working days in advance of the meeting.

17. Guidance suggests that co-opting people is one method of ensuring involvement of key stakeholders with an interest in, or knowledge of, the issue being scrutinised. This is already a power of overview and scrutiny committees by virtue of the Local Government Act 2000. However, the Guidance also recommends other ways of involving stakeholders by, for example, giving evidence or by acting as advisers to the committee.

18. A Chair (from the host authority) will be appointed by INEL JHOSC at the first meeting.

19. A vice-Chair (from non host local authorities) will be appointment by INEL JHOSC at the first meeting. Where agreed, a second vice-Chair may also be nominated to ensure parity across the Membership.

QUORUM

20. The quorum for meetings will be one member from four of the five authorities represented. During any meeting if the Chair counts the number of councillors present and declares there is not a quorum present, then the meeting will adjourn immediately. Remaining business will be considered at a time and date fixed by the Chair. If a date is not fixed, the remaining business will be considered at the next meeting.

DECISION MAKING PROCESS

21. Decisions will be taken by consensus. Where it is not possible to reach a consensus, a decision will be reached by a simple majority of those members present at the meeting. Where there are equal votes the Chair will have the casting vote.

REPORTING ARRANGE MENTS

22. Prior to the agenda for each meeting of INEL JHOSC being finalised officers will convene a planning / pre-meeting with the Chairs of the individual HOSC's or their nominee, along with key individuals presenting papers from the NHS and other informal briefings as considered appropriate;

23. In terms of the INEL JHOSC's conclusions and recommendations the Guidance says that one report has to be produced on behalf of INEL JHOSC if a report is required and sufficient information gathered to ensure a report. The final report shall reflect the views of all local authority committees involved in INEL JHOSC. it will aim to be a consensual report.

24. In the event there is a failure to agree a consensual report the report will record any minority report recommendations. At least nine members of INEL JHOSC must support the inclusion of any separate minority report in the committee's final report.

25. Any report produced by INEL JHOSC will be submitted to respective local authority's council meetings for information.

26. The NHS body or bodies receiving the report must respond in writing to any requests for responses to the report or recommendations, within 28 days (*calendar, not working*) of receipt of the request.

27. In the event that any local authority exercises its right to refer a substantial variation to the Secretary of State, it shall notify the other local authorities of the action it has taken and any subsequent responses.

FREQUENCY AND ADMINISTRATION

28. INEL JHOSC to meet quarterly, with at least one meeting within a 12 month period aligned with ONEL JHOSC to consider issues that cover the STP footprint;

29. To constitute and meet as a Committee as and when participant boroughs agree to do so subject to the statutory public meeting notice period;

30. Meetings will usually be led by each authority rotating on a two-yearly basis with the Chair being a councillor from the current lead local authority;

31. The lead administrative and research support will be provided by the a Scrutiny Officer from the borough which holds the Chair with the assistance, as required, from the officers of the participating boroughs;

32. Meetings of INEL JHOSC will be rotated between participating authorities as agreed by INEL JHOSC. The host authority for each meeting of the INEL JHOSC will be responsible for arranging appropriate meeting rooms; ensuring that refreshments are available, providing spare copies of agenda papers on the day of the meeting; and producing minutes of the meeting within 10 working days;

33. Each authority will identify a key point of contact for all arrangements and Statutory Scrutiny Officers are at all times to be kept abreast of arrangements for INEL JHOSC;

34. If there is a specific reason, for example, if the issue to be discussed relates to a proposal specific to the locality of one Local Authority area the meeting venue can change to a more appropriate venue. The lead Local Authority would remain the same, even if the venue changes;

35. Any changes to the host authority must be agreed by the Committee;

36. Agenda and supporting papers to be circulated and made publicly available at least five working days before the meeting;

37. Actions to be circulated to those with actions as soon as possible after the meeting – no later than three working days following the meeting;

38. Meetings to be held in public, with specific time allocated for pre-submitted public questions;

PETITIONS, STATEMENTS AND QUESTIONS

39. Members of the public and members of council, provided they give notice in writing or by electronic mail to the proper officer of the host authority (and include their name and address and details of the wording of the petition, and in the case of a statement or question a copy of the submission), by no later than 12 noon ***ONE WORKING DAY BEFORE*** the meeting, may present a petition, submit a statement or ask a question at meetings of INEL JHOSC.

40. The petition, statement or question must relate to the terms of reference and role and responsibility of the committee;

41. The total time allowed for dealing with petitions, statements and questions at each meeting is fifteen minutes;

42. Statements and written questions, provided they are of reasonable length, will be copied and circulated to all members and will be made available to the public at the meeting;

43. There will be no debate in relation to any petitions, statements and questions raised at the meeting but the committee will resolve;

    43.1. "that the petition / statement be noted"; or
    43.2. if the content relates to a matter on the agenda for the meeting: "that the contents of the petition / statement be considered when the item is debated";

RESPONSE TO QUESTIONS

44. Questions will be directed to the appropriate Director or organisation to provide a written response directly to the questioner. Appropriately redacted copies of responses will be published on the host authority's website within 28 days.

45. Details of the questions and answers will be included on the following meeting's agenda.

46. Any questions submitted by INEL JHOSC to the presenting body must respond in writing within 28 days (*calendar, not working*) of receipt of the request.

PRINCIPLES OF EFFECTIVE SCRUTINY

47. Scrutiny undertaken through INEL JHOSC will be focused on improving the health and health services for residents in areas served by INEL JHOSC through the provision and commissioning of NHS services for those residents;

48. Improving health and health services through scrutiny will be open and transparent to Members of the Local Authority, health organisations and members of the public.

49. All Members, officers, members of the public and patient representatives involved in improving health and health services through scrutiny will be treated with courtesy and respect at all times.

50. Improving health and health services through scrutiny is most likely to be achieved through co-operation and collaboration between representatives of the various Local Councils, NHS Trusts, representatives of Healthwatch and the Clinical Commissioning Groups commissioning hospital services;

51. Co-operation and joint working will be developed over time through mutual trust and respect with the objective of improving health and health services for local people through effective scrutiny.

52. All agencies will be committed to working together in mutual co-operation to share knowledge and deal with requests for information and reports for INEL JHOSC within the time scales set down.

53. INEL JHOSC will give reasonable notice of requests for information, reports and attendance at meetings.

54. INEL JHOSC, whilst working within a framework of collaboration, mutual trust and co-operation, will always operate independently of the NHS and have the authority to hold views independent of other Members of representative Councils and their Executives;

55. The independence of INEL JHOSC must not be compromised by its Members, by other Members of the Council or any of the Councils' Executives, or by any other organisation it works with;

56. Those involved in improving health and health services through scrutiny will always declare any particular interest that they may have in particular pieces of work or investigation being undertaken by INEL JHOSC and thus may withdraw from the meeting as they consider appropriate;

57. INEL JHOSC will not take up and scrutinise any individual concerns or individual complaints;

58. Where a wider principle has been highlighted through such a complaint or concern, INEL JHOSC should consider if further scrutiny is required. In such circumstances it is the principle and not the individual concern that will be subject to scrutiny.

INNER NORTH EAST LONDON (INEL)
JOINT HEALTH and OVERVIEW SCRUTINY COMMITTEE (JHOSC)

Report title	**INEL JHOSC Protocols**
Date of Meeting	Wednesday 19 June 2019
Lead Officer and contact details	**Robert Brown** Senior Scrutiny Policy Officer DDI: 020 337 37142 robert.brown@newham.gov.uk
Report Author	**Robert Brown** Senior Scrutiny Policy Officer DDI: 020 337 37142 robert.brown@newham.gov.uk
Witnesses	n/a
Boroughs affected	• City of London Corporation • Hackney • Newham • Tower Hamlets • Waltham Forest

Recommendations:

The Committee is asked to **APPROVE** the updated INEL JHOSC protocols.

Background

With the agreement that the London Borough of Waltham Forest becomes a Member and the London Borough of Redbridge an Observer, INEL JHOSC needs to ensure updated Protocols are endorsed by INEL JHOSC Members.

Key Improvements for Patients

- n/a

Implications

Financial Implications

n/a

Legal Implications

n/a

Equalities Implications

n/a

Background Information used in the preparation of this report

- n/a

INNER NORTH EAST LONDON (INEL)
JOINT HEALTH and OVERVIEW SCRUTINY COMMITTEE (JHOSC)

Substantial Variation Protocol

Background

The Inner North East London (INEL) Joint Health and Overview Scrutiny Committee (the "JHOSC") is responsible for undertaking the joint health scrutiny function across local authority boundaries, as set out in:

- National Health Service Act 2006;
- Health and Social Care Act 2012;
- Local Authority (Public Health, Health and Wellbeing Boards and Health Scrutiny) Regulations 2013;
- Local Authority Health Scrutiny: Guidance to support Local Authorities and their partners to deliver effective health scrutiny.

There is also statutory guidance for NHS commissioners that is relevant to health scrutiny and public consultation:

- Patient and Public Participation in commissioning health and care: Statutory guidance for Clinical Commissioning Groups (CCG) and NHS England (NHSE).

The INEL JHOSC is responsible for reviewing and scrutinising any matter relating to the planning, provision and operation of the health services in joint areas and across boroughs.

The 2013 Regulations require that where there are proposed substantial developments / variations to health services in an area, the responsible organisations must consult with INEL JHOSC.

The health scrutiny guidance is clear that the commissioner is responsible for undertaking the consultation (4.3.1):

> *"In the case of substantial developments or variation to services which are the commissioning responsibility of CCGs or NHS England, consultation is to be done by NHS commissioners rather than providers i.e. by the relevant CCG(s) or NHS England. When these providers have a development or variation "under consideration" they will need to inform commissioners at a very early stage so that commissioners can comply with the requirement to consult as soon as proposals are under consideration."*

INEL JHOSC must invite the views of interested parties and take into account any relevant information made available to it; including Healthwatch in particular.

INEL JHOSC has the power to make reports and recommendations, and there is a duty on the local health services and providers to consider and respond formally.

Regulations

Regulations state that where a recommendation is not agreed by the commissioner, it must:

- Notify the committee of the disagreement;
- Work with the committee to take reasonable steps.

The regulations do not define what qualifies a substantial development / variation, however, the guidance suggests that a locally agreed protocol is in place between the health scrutiny function and commissioners.

Principles

This protocol and the guidance on when to submit items to INEL JHOSC is provided to support the following:

- Give a clear understanding of roles and responsibilities for elected officials, commissioners, providers and health scrutiny members;
- Ensure effective delivery of health scrutiny's primary aim:
    - to strengthen the voice of local people;
    - ensure needs and experiences are considered as an integral part of the commissioning and delivery of health services; and
    - that those services are effective and safe."[1]
- Strengthen and enhance the role of public involvement in respect to commissioning health services;
- Ensure compliance with statutory powers and duties related to substantial developments / variations, as well as modelling best practice in respect to the role of joint health scrutiny.

The guidance encourages early engagement with joint health scrutiny in order to establish how best to consult on any proposals.

It is important to note that any agreement with the joint health scrutiny committee does not alter the wider duty to consult service users placed on NHS organisations. In particular, any decision regarding whether a proposed change does not constitute a "substantial reconfiguration" will not impact on the wider duty to consult as set out under sections 14Z2 and 242 of the NHS Act 2006.

This is important as it will ensure there is a clear record of health scrutiny being involved in early planning discussions, and a clear audit trail in case a decision is challenged in the process. Compliance with the process reduces the risk of decisions being delayed, put on hold or subject to judicial review.

What are the other Boards?

Health Scrutiny Board
what is it?

The primary aim of health scrutiny is to strengthen the voice of local people, ensuring that their needs and experiences are considered as an integral part of the commissioning and delivery of health services and that those services are effective and safe.

Health Scrutiny is part of the accountability of the whole system and needs the involvement of all parts of the system. Engagement of relevant NHS bodies and relevant health service providers with health scrutiny is a continuous process.

Health Scrutiny should be outcome focused, looking at cross-cutting issues, including general health improvement, wellbeing and how well health inequalities are being addressed, as well as specific treatment services.

Local Authority Health Scrutiny, June 2014

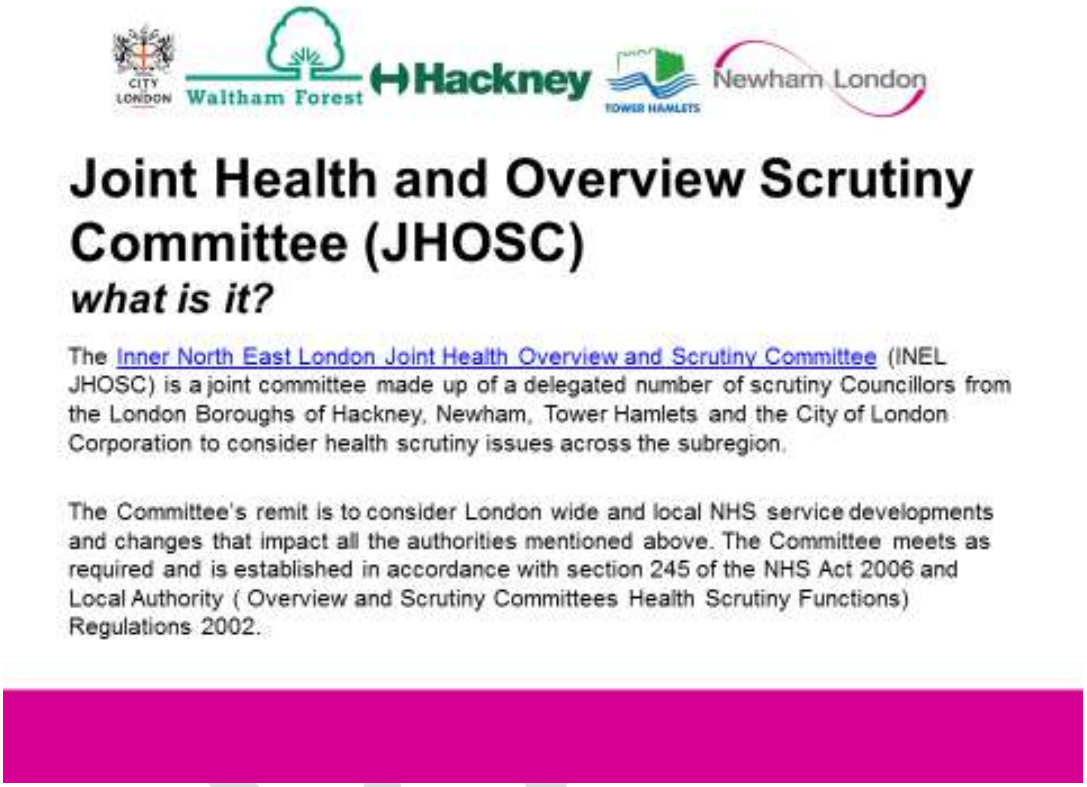
Health and Wellbeing Board
what is it?

The Health and Wellbeing Board is separate from Health Scrutiny and is responsible for producing a Joint Strategic Needs Assessment (JSNA) and a Joint Health and Wellbeing Strategy (JHWS) in each borough. It also has a role in promoting integration between Health and Social care.

Membership of the Health and Wellbeing Board is set out in the Health and Social Care Act 2012 and comprises:

- Relevant Cabinet Members and Chief Officers from the Council;
- Senior Representatives from the local NHS Bodies including the CCG;
- Representatives of Healthwatch and local Voluntary Sector representative body;
- Representatives of other key stakeholders (RBLs, police etc)

What is the JHOSC?

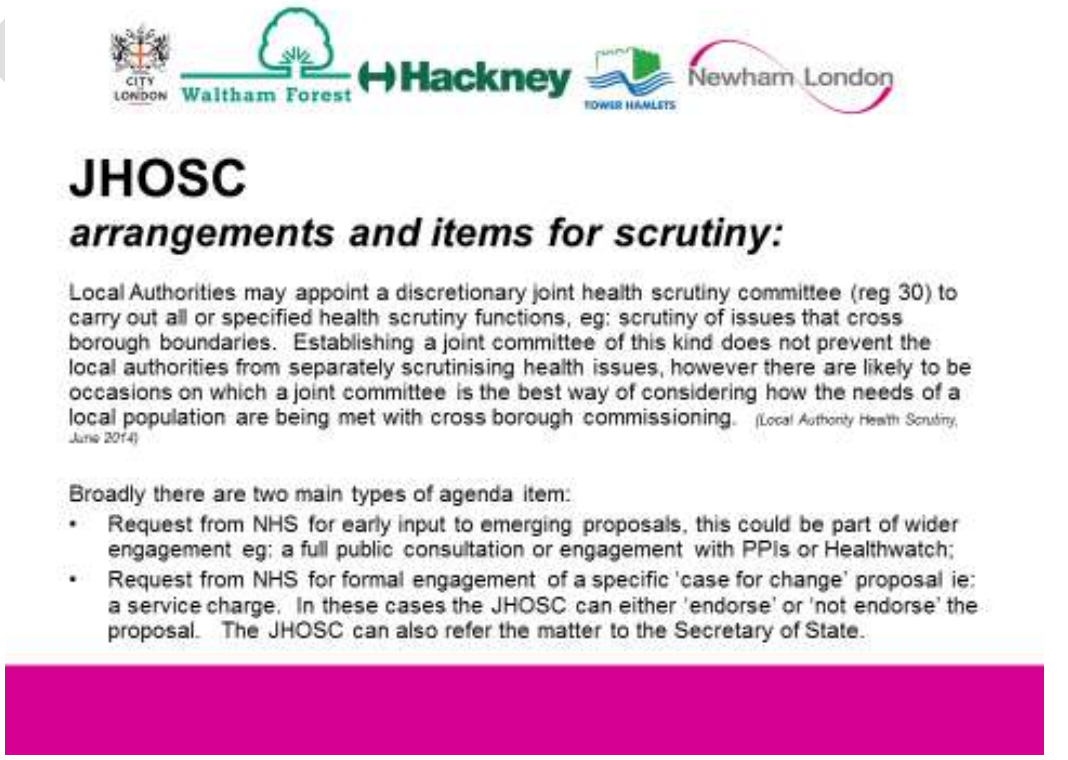


Joint Health and Overview Scrutiny Committee (JHOSC)

what is it?

The Inner North East London Joint Health Overview and Scrutiny Committee (INEL JHOSC) is a joint committee made up of a delegated number of scrutiny Councillors from the London Boroughs of Hackney, Newham, Tower Hamlets and the City of London Corporation to consider health scrutiny issues across the subregion.

The Committee's remit is to consider London wide and local NHS service developments and changes that impact all the authorities mentioned above. The Committee meets as required and is established in accordance with section 245 of the NHS Act 2006 and Local Authority (Overview and Scrutiny Committees Health Scrutiny Functions) Regulations 2002.



JHOSC

arrangements and items for scrutiny:

Local Authorities may appoint a discretionary joint health scrutiny committee (reg 30) to carry out all or specified health scrutiny functions, eg: scrutiny of issues that cross borough boundaries. Establishing a joint committee of this kind does not prevent the local authorities from separately scrutinising health issues, however there are likely to be occasions on which a joint committee is the best way of considering how the needs of a local population are being met with cross borough commissioning. *(Local Authority Health Scrutiny, June 2014)*

Broadly there are two main types of agenda item:

- Request from NHS for early input to emerging proposals, this could be part of wider engagement eg: a full public consultation or engagement with PPIs or Healthwatch;
- Request from NHS for formal engagement of a specific 'case for change' proposal ie: a service charge. In these cases the JHOSC can either 'endorse' or 'not endorse' the proposal. The JHOSC can also refer the matter to the Secretary of State.

Process for deciding what constitutes a substantial variation and items for consideration:

INEL JHOSC

items for consideration:

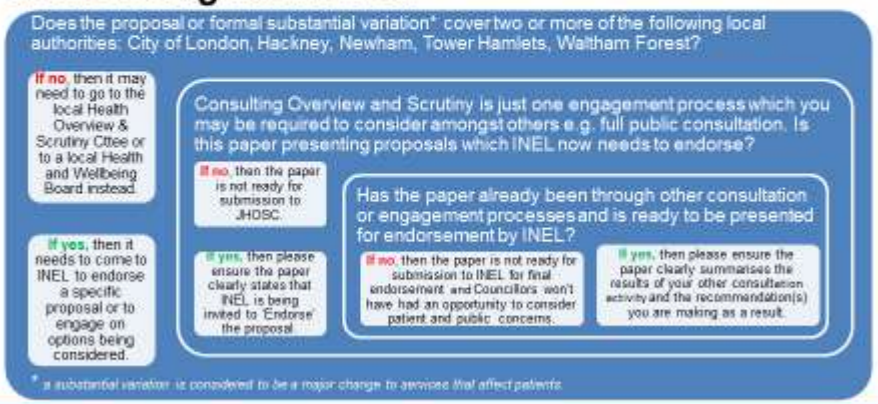
Regulation 30 also requires local authorities to appoint joint committees where a relevant NHS body or health service provider consults more than one local authority's health scrutiny function about substantial reconfiguration proposals. In such circumstances, Reg 30 sets out the following requirements:

- ONLY the JHOSC may respond to the consultation and not the individual local authorities;
- ONLY the JHOSC may exercise the power to require the provision of information by the relevant NHS body or health service provider about the proposal;
- ONLY the JHOSC may exercise the power to require members or employees of the relevant NHS body or health service provider to attend before it to answer questions in connection with the consultation.

There should be an initial discussion and agreement between the NHS and local authority Scrutiny Officer about whether or not a proposed change constitutes a substantial development / variation. The commissioner will contact the committee scrutiny officer to discuss the details of the proposed change.

INEL JHOSC

items being submitted:



The item will then be referred to the JHOSC Chair and vice-Chairs, along with any recommendations.

The Chair will make a decision on the basis of the evidence; the following factors should form the basis of their consideration:

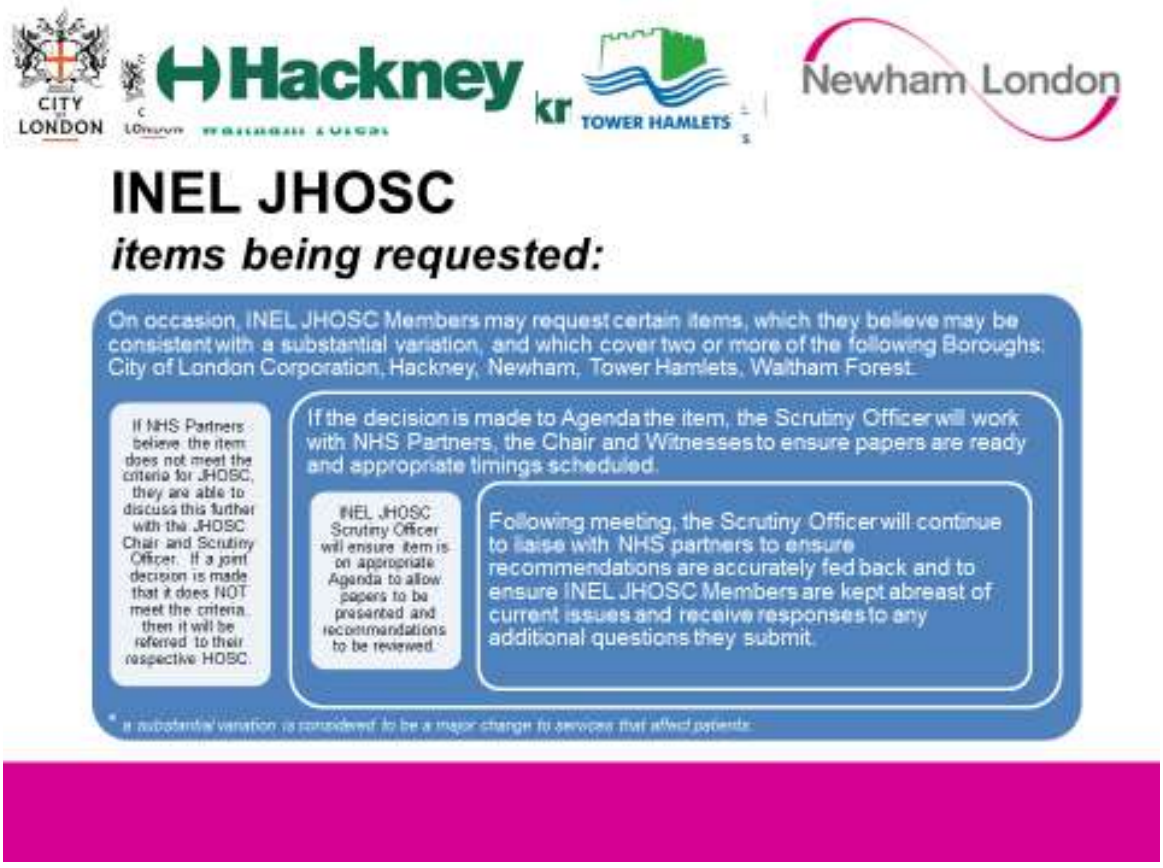
- Changes in accessibility of services;
- Impact of proposal on the wider community;
- Numbers of patients affected;
- Numbers of staff affected;
- Methods of service delivery;
- The impact on specific groups of patients, eg: older people, those with mental health conditions or those with a life-long condition.

The scrutiny officer will confirm with commissioners in writing the outcome of this discussion, and schedule an agenda item for a future meeting.

The guidance states that the JHOSC and the commissioner should try to reach a consensus about what qualifies as a substantial variation. Where disagreement arises, it is recommended that the commissioner seek the advice of the Independent Reconfiguration Panel.

The JHOSC reserves the right to make a referral to the Sectary of State if an agreement cannot be reached (sec 224 (2ZA) National Health Services Act 2006 as amended).

The JHOSC may also request items to be brought to a meeting if members feel strongly that certain areas or items need further scrutiny.



Substantial Development / Variation Discussion Pro-forma form:

Substantial Variation Discussion Pro-forma	
What are the Recommendations you are asking from INEL JHOSC? *(eg: endorse, submit further recommendations).*	
What is the background for this change? *(ie: why is this change required?)*	
What is the change proposed? *(for example relocation of wards, change of service model, closure of services)*	
What is the likely impact of the change for patients?	
How many patients are likely to be affected? *(include specific groups where identified)*	
What are the financial implications if changes do not occur?	
To date, how have people been involved in the planning for the change?	
What is the timescale for the change and what consultation activity is planned?	
What consultation has occurred and is planned?	
Has this topic been considered by the committee before, and if so what was the outcome?	
What equalities impact analysis has been undertaken, and what were the key findings?	

INEL JHOSC cover sheet:

INNER NORTH EAST LONDON (INEL)
JOINT HEALTH and OVERVIEW SCRUTINY COMMITTEE (JHOSC)

Report title	**INEL JHOSC**
Date of Meeting	
Lead Officer and contact details	**Robert Brown** Senior Scrutiny Policy Officer DDI: 020 3373 7142 I robert.brown@newham.gov.uk
Report Author	
Witnesses	
Boroughs affected	• City of London Corporation • Hackney • Newham • Tower Hamlets
Recommendations: That INEL JHOSC: • •	

Background

xxx

Key Improvements for Patients

- x

Implications

Financial Implications

x

Legal Implications

x

Equalities Implications

x

Background Information used in the preparation of this report

- x

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INNER NORTH EAST LONDON (INEL)
JOINT HEALTH and OVERVIEW SCRUTINY COMMITTEE (JHOSC)

Report title	**Minutes of Previous Meeting**
Date of Meeting	Wednesday 19 June 2019
Lead Officer and contact details	**Robert Brown** Senior Scrutiny Policy Officer DDI: 020 337 37142 robert.brown@newham.gov.uk
Report Author	**Robert Brown** Senior Scrutiny Policy Officer DDI: 020 337 37142 robert.brown@newham.gov.uk
Witnesses	n/a
Boroughs affected	• City of London Corporation • Hackney • Newham • Tower Hamlets
Recommendations: The Committee are asked to **AGREE** the accuracy of the minutes of the previous meeting.	

Background

n/a

Key Improvements for Patients

n/a

Implications

Financial Implications

n/a

Legal Implications

n/a

Equalities Implications

n/a

Background Information used in the preparation of this report

- n/a

INNER NORTH EAST LONDON JOINT HEALTH OVERVIEW AND SCRUTINY COMMITTEE (INEL JHOSC)

Meeting held on 3rd April 2019
in Council Chamber, Old Town Hall, Broadway, Stratford E15 4BQ

Present: Councillor Winston Vaughan (Chair, London Borough of Newham)

City of London Corporation
Common Councilman Michael Hudson

London Borough of Hackney
Councillors Ben Hayhurst, Yvonne Maxwell and Patrick Spence

London Borough Tower Hamlets
Councillors Eve McQuillan and Gabriela Salva-Macallan

In Attendance: London Borough of Waltham Forest
Councillors Saima Mahmud, Richard Sweden, Catherine Saumarez

Robert Brown, Senior Scrutiny Policy Officer

Apologies: City of London Corporation
Common Councilman Chris Boden

London Borough of Newham
Councillors Anthony McAlmont, Dr Rohit DasGupta

London Borough of Tower Hamlets
Councillor Kahar Chowdhury

The meeting commenced at 1915hrs and closed at 2100hrs

1. WELCOME AND INTRODUCTIONS (1900HRS -)

The Chair welcome Members, witnesses and members of the public to the meeting.

2. APOLOGIES FOR ABSENCE

Apologies were received from Common Councilman Christopher Boden (City of London Corporation) and Councillors Rohit DasGupta (London Borough of Newham), Anthony McAlmont (London Borough of Newham) and Kahar Chowdhury (London Borough of Tower Hamlets).

3. DECLARATIONS OF INTEREST (- 1910HRS)

Cllr Eve McQuillan declared that she works at the Royal College of Psychiatrists.

Cllr Yvonne Maxwell declared that she was a Governor at Homerton University Hospital NHS Foundation Trust.

Common Councilman Michael Hudson declared that he was a user of various services within Inner London provided by Barts Health NHS Trust.

4. MINUTES OF PREVIOUS MEETING (1910HRS -)

The accuracy of the minutes of the meeting held on 13 February 2019 were considered.

RESOLVED:
That the minutes of the meeting held on 13 February 2019 be agreed as a correct record.

5. INEL JHOSC TERMS OF REFERENCE (- 1920HRS)

To approve the INEL JHOSC Terms of Reference.

RESOLVED:
That the INEL JHOSC Terms of Reference be approved.

6. NHS LONG TERM PLAN AND REFRESHING THE NORTH EAST LONDON (NEL) SUSTAINABILITY AND TRANSFORMATION PLAN (STP) (1920 - 1950HRS)

The Chair welcomed Jane Milligan (Accountable Officer, East London Health and Care Partnership (ELHCP) / North East London Commissioning Alliance (NELCA)), Simon Hall (Director of Transformation, East London Health and Care Partnership), David Maher (Managing Director, City & Hackney Clinical Commissioning Group) and Tracey Fletcher (Chief Executive, Homerton University Hospital, Homerton NHS Trust) and thanked them for attending INEL JHOSC to answer questions from Members.

Jane Milligan explained that the slides previously circulated are the start of North East London (NEL)'s reworking of their 10 year plan following national changes and explained that their deadline for responding to NHS England is August 2019; ELHCP will be attending the joint INEL / ONEL JHOSC in September 2019 to update Members and discuss further.

Jane Milligan explained that as the Long Term Plan has many aspects to it, with moving deadlines depending on the outcome and area, she felt it was better if it was dealt with in the future section by section to ensure a deeper understanding and more in-depth discussions with Members.

Jane Milligan explained that the local health economy faced a number of challenges, especially in population growth with NEL expected to grow in size by one London borough over the next few years, which will challenge health outcomes with the possibility of over-reliance on emergency health services.

Simon Hall explained that there is a highly ambitious 10 year NHS long term plan at national level and the impact of the Social Care Green Paper would also need to be considered as the East London Health and Care Partnership (ELHCP) looked at the impact of national plans on a local scale.

Simon Hall explained that the attraction and retention of holds a significant challenge and will be discussed further at the September 20190 joint INEL / ONEL JHOSC meeting, however officers were keen to hear from Members as to what they felt the priorities should be.

Work has commenced with local Healthwatch organisations and localised public engagement events were planned, along with engagement work with Health and Wellbeing Boards, a Digital Citizens Panel and stakeholder events. Simon Hall highlighted the current recruitment for patients on a new panel and invited members of the public to join.

Directing Members to the previously circulated slides regarding NEL's NHS Long Term Plan, The Chair invited Members to commence questioning witnesses.

Jane Milligan confirmed that if there are any service changes that require consultation, then they would ensure that they take place and be mindful of statutory obligations; depending on the areas that they would be looking into and confirmed that they do not have that level of details as yet.

Responding to Members questions on digital plans and up-skilling pharmacists, Jane Milligan explained that one of the key enablers of the LTP is a new GP contract which is modelled on work undertaken on primary care networks.

Responding to new areas of social prescribing, Jane Milligan informed Members that ELHCP are looking at determining what areas work form a critical plank of their future plans and are looking at doing more joined up work across STP.

Jane Milligan continued to explain that many issues being dealt with at GP practices are not something that GPs can deal with. Have a high use of digital approaches and need to look at what can be done more as they would like to provide the same across INEL.

In response to a question regarding plans and suggestions on where the money will come from and was there a possibility that hospitals be closed or land sold off, Henry Black explained that ELHCP need to put forward local aspirations and how they can do it. There is a number of options being looked at on a local level and will be able to update Members later in the year.

In response to questions around Mental Health, David Maher explained that overall they need to invest 0.7% more than they currently invest, however all CCGs are there to ensure underinvestment is being dealt with, with separate investment for CAMHS. David Maher is the lead for Mental Health across the STP footprint and confirmed that they would be willing to return to INEL JHOSC to update Members on plans for Mental Health across the area.

Jane Milligan reiterated that ELHCP won't look at services in isolation; a lot of investment at local authority level and need to work closer with Local Authorities.

Members questioned ELHCP on priorities over the next quarter with Members explaining that there is a perception of limited governance around the ELHCP and of issues being hoisted upon residents with little or no engagement or consultation.

Jane Milligan responded by explaining that key priorities are about supporting the local system and looking at how ELHCP can deliver that local accountability. Jane Milligan confirmed that their intention is very much to ensure that there are no surprises, however at times issues arise at a national level which they have to deal with.

Jane Milligan explained that accountability is a good thing for ELHCP to look at to ensure ambitions are dealt with and our services are joined up.

Members reiterated that NEL will need increased resources to deliver as GPs will have to deliver more for less, asking what has been done to address the failings over the next 2 years.

Jane Milligan confirmed that within the GP contract there will be extra resources and through joint working, working with social care colleagues and community based care colleagues to understand contributions on a more local level.

ELHCP are moving towards looking at their contribution in the round to ensure less burden on GPs and to look at different ways of working with acute providers; ensuring that there are pathways and a shared commitment with the patient.

Simon Hall confirmed that Health Education England (HEE) provide a level of funding and will make an announcement in the spending review in the Autumn.

In response to questions about the Citizens Panel, Simon Hall explained that it is a self-selecting panel and would forward the link to Scrutiny Officers for circulation.

The Chair allowed a representative from NELSON (North East London Save Our NHS) to submit evidence on various issues around the Long Term Plan and allowed Homerton University Hospital Foundation Trust (HUHFT) the opportunity to respond.

NELSON explained that there is a lack of clarity around specialised services at HUHFT and wondered which current services may be lost. Key areas of concern included the possible downgrading and loss of pathology at HUHFT, implications for ongoing services, is HUHFT merging with Barts Health NHS Trust and issues around the surgical centre and whether there would be a loss of mental health beds with individuals having to travel and / or be relocated out of the Borough for care.

HUHFT responded by confirming that one consequence of working more collaboratively is to look at how they can give better pathways for patients and ensure services they do provide are enhanced.

Members noted the submission from Michael Vidal.

Members accepted various submissions from members of the public with Hackney Councillors having explained that the LTP will be discussed at a Health in Hackney event.

Discussing projected plans and ambitions on the 10 year plan, Jane Milligan explained that for some areas it will take a lot longer than 10 years and shows direction of travel in a number of areas. This is a national plan and how it can reflected on a local level to ensure they deal with health inequalities.

To conclude, Members asked ELHCP what could Members do to support them during this challenging period.

Jane Milligan responded by saying that she will take back to think about this question and let Members know how best local authorities, elected officials and officers can support ELHCP.

Jane Milligan explained that some of the commissioning and provision is still not joined up; especially assessments and they need to look at needs on a more local level to take into account and address some of the challenges to ensure patients are being screened and to work with colleagues outside of NEL. During previous evaluations of integrated care, some of the issues were where apples were being compared to pears and will be taking some of that learning moving forward.

Simon Hall explained that they will need to look at things like air pollution which can be done in conjunction with local authorities and the London Mayor.

It was agreed that sections of the NHS Long Term Plan be brought to future meetings of the Committee to ensure Members are continually updated and engaged with depending on the deadlines and timelines for each area.

Members noted that a more detailed scrutiny of the Long Term Plan would take place at the joint INEL / ONEL JHOSC meeting September 2019.

7. NORTH EAST LONDON (NEL) ESTATES STRATEGY (1950 - 2050HRS)

The Chair welcomed Henry Black (Chief Finance Officer, East London Health and Care Partnership), AnaMarie Icleanu (Programme Director, Estates, East London Health and Care Partnership), Tim Madelin (Programme Director, Estates, East London Health and Care Partnership), Ralph Coulbeck (Group Director of Strategy, Barts Health NHS Trust) and Paul Calaminus (Chief Operations Officer, East London NHS Foundation Trust) and thanked them for attending INEL JHOSC to answer questions from Members.

The Chair invited Henry Black to further explain the Estates Strategy before Members begin asking questions.

Henry Black explained that in the presentation the brief paper sets out their way forward following the capital bidding process and the failure to win any of the Capital Bids submitted by ELHCP. The Strategic Estates Plan is an amalgamation of all the plans produced by all those organisations who are part of the ELHCP so they can look at collaboration and ensure there is no duplication.

The Chair directed Members to the previously circulated slides regarding the NEL Estates Strategy, The Chair invited Members to commence questioning witnesses.

Following a question on the St Leonards site, David Maher confirmed that they are looking at a public sector solution to public sector assets and they will be working up a plan around Summer; which will then lead to an engagement process.

David: Maher explained that a stakeholder engagement group had been created so they can look at what is viable, that services provided are continued to be provided on the campus and how best to utilise the whole site.

David Maher confirmed that when the feasibility study has been completed, they can then engage with others and that they have some funds to kickstart the feasibility.

The Chair accepted a submission from NELSON (North East London Save Our NHS) which can be found here.

In response to NELSON's submission, Jane Milligan explained that the estates plan is a changing document and is a high level overview of NEL (North East London) and the LTP (Long Term Plan) which has been published. In terms of consultation

In response to Members questions on future sales of NHS land, sites and buildings, Henry Black confirmed that any future sales – ie: from Whipps Cross - would be put back within the STP footprint and whilst it is currently under review, Henry Black confirmed that they were making sure funds currently do not go directly to NHS Property Services (NHSPS) and explained that due to uncertainties, infrastructure is being held back due to the lack of a decision by NHSPS.

Robert Brown explained to those present that he had been in contact with NHSPS on numerous occasions to ensure they were able to attend INEL JHOSC, however they had so far refused to attend and have yet to respond to emails or any other forms of communications for many weeks now.

Members were told that it would be good to look at what Transforming Services Together achieved and to look at how that money was spent, look into the evidence generated from that and utilise moving forward.

Members highlighted that further to NELSON's submission, they would have liked to have had more detail around what it actually means and what is being done to address these issues.

Henry Black reiterated that there were a series of bids to the national process; unfortunately none were successful. Henry Black confirmed that it is not true to say that they can't progress without the funding, however it would have been the easiest way to implement the changes earlier and quicker.

Henry Black further explained that options are now extremely limited due to the lack of central funding. Three-quarters of the funding was for the Whipps Cross redevelopment and they are now looking at doing a wider business case and need to ensure that they have permission to move forward.

Henry Black gave an example of Orthopaedic services which had been able to move forward using own funds.

Jane Milligan explained that there are waves of the capital bidding process and ELHCP will need to identify the needs of residents and requirements for NEL and be able to use this to work with national colleagues and the GLA to ensure they are in pole position for any underspend that many occur elsewhere.

Responding to questions regarding PFI as an option, Jane Milligan explained that it was not an option in its present or any other form.

NELSON explained to Members that private finance for various options had not previously been ruled out and were pleased that they have ruled it out; yet concerned that it is PFI by another name.

Members explained that they had been let down by capital bids and this was raised on a pan-London level.

Members asked ELHCP if they had an explanation as to why the bids had failed and what support does ELHCP need from elected Members.

Henry Black explained to Members that following the collapse of Carillion in January 2018, contributions were made from the £2.9bn STP capital fund towards the cost of completing major NHS construction projects which the company had been contracted to deliver. This meant the overall funding 'pot' available nationally was smaller and, as a result of this, the chances of STPs (including ELHCP) being successful with their capital funding bids was diminished.

Henry Black confirmed that it is not possible to determine whether the ELHCP bids would otherwise have been successful, but this situation had made it more difficult. However, it would not be correct to state that this was the exact reason for the bids being unsuccessful.

Henry Black reiterated that ELHCP confirmed that neither it, nor its partners, suffered any financial loss as a result of Carillion's collapse.

Jane Milligan thank Members for their offer of help and would continue to bring issues to elected members for their input.

Ralph Coulbeck confirmed that St Barts is a longer scheme that is not connected to these Capital Bid decisions. The new heart centre by Nuffield Health is not for profit and will invest significant funds to areas which are currently not fit for purpose. Nuffield Health will pay Barts Health NHS Trust a rental charge to the Trust which will then be handed back to the NHS.

Members asked if it acerbated workplace and workforce issues; Ralph Coulbeck explained that it did not appear to be such.

Members took issue of joint ventures; Jane Milligan explained that they do have examples where they managed to successfully work with third party partners.

The Chair concluded by asking ELHCP what the next stages were and when would a draft be available for Members?

Jane Milligan responded and said they are now looking at individual schemes on a case by case basis and as they start to now get into the details, each timeline would be different.

The Chair thanked all those in attendance for their time.

8. WORKPLAN (2050 - 2055HRS)

Members agreed to forward any comments to Robert Brown at robert.brown@newham.gov.uk and asked that this item be moved to the beginning of the Agenda for future meetings.

9. DATE OF NEXT MEETING (2055HRS)

The date of the next meeting is Wednesday 19 June 2019, 1900-2100hrs, Council Chamber, Old Town Hall, Broadway, Stratford, LONDON E15 4BQ

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Inner North East London (INEL) Joint Health and Overview Scrutiny Committee (JHOSC)

Meeting:	**Inner North East London (INEL) Joint Health and Overview Scrutiny Committee (JHOSC)**						
Chair:	Cllr Winston Vaughan (Newham)	**vice-Chair**	Cllr Ben Hayhurst (Hackney)	**Dates of meetings:**	13 Feb-19 3 Apr-19 19 Jun-19	18 Sep-19 27 Nov-19	
Support:	Robert J Brown, Senior Scrutiny Policy Officer			1900-2100hrs			
Venue:	Old Town Hall, Stratford, 29 Broadway, LONDON E15						

	13-Feb-19	03-Apr-19	19-Jun-19	18-Sep-19	27-Nov-19	26-Feb-20	24-Jun-20	30-Sep-20	25-Nov-20
APOLOGIES	Cllr Rohit DasGupta Common Councilman Michael Hudson Common Councilman Chris Boden Cllr Eve McQuillan	Cllr Rohit DasGupta Common Councilman Chris Boden moved from 20 March 2019 due to Tower Hamlets Full Council meeting		this meeting will be a joint INEL / ONEL JHOSC meeting to discuss STP-wide issues, commencing at 1600hrs					
	AGENDA	**AGENDA**	**AGENDA**	**AGENDA**	**AGENDA**	**AGENDA**	**AGENDA**	**AGENDA**	**AGENDA**
STANDING ITEMS (20mins)	Chair's Announcement Welcome, Apologies and Introductions (inc substitutes) Declaration of Interest Register Minutes of Previous meeting Submissions Work Plan	Welcome and Introductions Apologies for Absence Declaration of Interest Minutes of Previous meeting Submissions Work Plan	Welcome and Introductions Apologies for Absence Declaration of Interest Minutes of Previous meeting Submissions Work Plan	Welcome and Introductions Apologies for Absence Declaration of Interest Minutes of Previous meeting Submissions Work Plan	Welcome and Introductions Apologies for Absence Declaration of Interest Minutes of Previous meeting Submissions Work Plan	Welcome and Introductions Apologies for Absence Declaration of Interest Minutes of Previous meeting Submissions Work Plan	Welcome and Introductions Apologies for Absence Declaration of Interest Minutes of Previous meeting Submissions Work Plan	Welcome and Introductions Apologies for Absence Declaration of Interest Minutes of Previous meeting Submissions Work Plan	Welcome and Introductions Apologies for Absence Declaration of Interest Minutes of Previous meeting Submissions Work Plan
AGENDA ITEMS (100mins)	Election of Chair Election of vice Chair Terms of Reference / Membership / Protocols NHS Long Term Plan - *Simon Hall / Alan Steward* Patient Transport - *Ellie Hobart*	RJB RJB NELCA NELCA / ELHCP - AO update and NHS Long Term Plan - *Jane Milligan, Simon Hall* STP / ELHCP Estates Strategy *- Henry Black, Chief Financial Officer* *- Tim Madelin, Estates* *- Anamarie Icleanu, Estates* *- Marie Burnett, NELSON* *- ???, NHS Property Services*	NELCA ELHCP NELCA / ELHCP - AO update Early Diagnostic Centre for Cancer - *Sarah Watson* Moorfields Eye Hospital - *Denise Tyrrell* TOP NOTE: INEL System Transformation Board - *Ellie Hobart (to discuss Sep2019);* Healthwatch consultation *(to discuss Nov2019);*	NELCA LAS C&HCCG ELHCP NELCA / ELHCP - AO update STP / NHS Long Term Plan - *Simon Hall* Moorfields Eye Hospital - *Denise Tyrrell*	NUHFT NELCA NELCA / ELHCP - AO update Review of Non-Emergency Patient Transport Service review *- Ellie Hobart* Update on STP / Estates Strategy - *Henry Black* Overseas Patients and charging - *Barts Health NHS Trust / Homerton University Hospital NHS Trust* Feedback from Healthwatch Consultation - *Zoe Anderson*	NELCA / ELHCP - AO update Mental Health *- David Maher* Digital - *Luke Readman*	NELCA / ELHCP - AO update	NELCA / ELHCP - AO update	NELCA / ELHCP - AO update
INFORMATION ITEMS		Reports from NHS England, The Kings Fund, Health Service Journal, National Audit Office and others Forthcoming proposals, surveys and points of interest for Members News reports and stories	Reports from NHS England, The Kings Fund, Health Service Journal, National Audit Office and others Forthcoming proposals, surveys and points of interest for Members News reports and stories	Reports from NHS England, The Kings Fund, Health Service Journal, National Audit Office and others Forthcoming proposals, surveys and points of interest for Members News reports and stories	Reports from NHS England, The Kings Fund, Health Service Journal, National Audit Office and others Forthcoming proposals, surveys and points of interest for Members News reports and stories	Reports from NHS England, The Kings Fund, Health Service Journal, National Audit Office and others Forthcoming proposals, surveys and points of interest for Members News reports and stories	Reports from NHS England, The Kings Fund, Health Service Journal, National Audit Office and others Forthcoming proposals, surveys and points of interest for Members News reports and stories	Reports from NHS England, The Kings Fund, Health Service Journal, National Audit Office and others Forthcoming proposals, surveys and points of interest for Members News reports and stories	Reports from NHS England, The Kings Fund, Health Service Journal, National Audit Office and others Forthcoming proposals, surveys and points of interest for Members News reports and stories

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INNER NORTH EAST LONDON (INEL)
JOINT HEALTH and OVERVIEW SCRUTINY COMMITTEE (JHOSC)

Report title	**INEL System Transformation Board**
Date of Meeting	Wednesday 19 June 2019
Lead Officer and contact details	**Robert Brown** Senior Scrutiny Policy Officer DDI: 020 337 37142 robert.brown@newham.gov.uk
Report Author	**Robert Brown** Senior Scrutiny Policy Officer DDI: 020 337 37142 robert.brown@newham.gov.uk
Witnesses	n/a
Boroughs affected	• City of London Corporation • Hackney • Newham • Tower Hamlets

Recommendations:

That INEL JHOSC:

- NOTE the report.

Background

Health and care partners across City & Hackney, Newham, Tower Hamlets and Waltham Forest have agreed to set a framework and narrative to develop arrangements for working together, stressing the importance of borough/place arrangements, with a clear acknowledgement that we need to strengthen our partnership across INEL.

Key Improvements for Patients

A strengthened INEL partnership will build on the work of borough-based systems, ensuring providers and commissioners work together more effectively across INEL to improve outcomes for residents.

Implications

Financial Implications

none

Legal Implications

none

Equalities Implications

none

Background Information used in the preparation of this report

- n/a

INEL System Transformation Board

Inner North East London System Transformation Programme

Summary

Health and care partners across inner north east London (INEL), which comprises City & Hackney, Newham, Tower Hamlets and Waltham Forest, are coming together to transform services and improve outcomes for our 1.17 million population.

Building on a range of successful collaborations, the new INEL System Transformation Board will work proactively to address significant system challenges and put their collective efforts towards addressing the big priorities for the system. In doing so, the Board will seek to support local place/borough-based arrangements rather than replacing them.

The NHS Long Term Plan explicitly wants to see more collaboration between GPs, their teams and community services to increase the services they can provide jointly; and for NHS organisations to work more with their local partners to plan and deliver services which meet the needs of their communities. The INEL System Transformation Board (INEL STB) is taking responsibility for working with our partners to deliver our strategy in response to this.

This report provides an update on these developing arrangements in inner north east London.

The System Transformation Board

The INEL System Transformation Board (STB) is responsible for providing strategic direction that supports transformation at scale and addresses system wide challenges. It has collective responsibility for improving the health of the population in Inner North East London and improving how we deliver services.

The Board is chaired by Navina Evans (Chief Executive of East London Foundation Trust) and comprises Chief Executives of Trusts, commissioners and local authorities. The terms of reference of the Board are attached as A.

The attached slides B outline the rationale, priorities, structure and governance of the INEL STB.

System Transformation Board Priorities

The INEL STB is currently developing four programmes which will, together with borough based work, transform health and care over the next five years:

- Outpatients – with the aim of providing a significant different model of care to improve patient experience and reduce outpatient face to face contacts by a third and so (NHS Long Term Plan ambition).
- Urgent care – taking responsibility for the urgent pathway to improve outcomes, reduce demand and unnecessary attendances and make services more coordinated.
- Health and well-being of rough sleepers and homeless people – currently being scoped with local authority and health leads.
- Clinical configuration and provider collaboration – we will continue to work across INEL looking at surgical configuration across sites, mental health provision, and improved utilisation of local capacity and maximised capital opportunities.

The programmes are expected to make progress in 2019/20 and have a plan of significant ambition for the next five years. Leadership arrangements are being clarified for each programme along with resources to take the work forward. It is envisaged, in the first instance, that resources for programmes will come from the existing body of people working on transformation and aligned work across all partners. Consideration is also being given to clinical and professional leadership and engagement and how we ensure this is central to all the work streams.

INEL contribution to the NEL Long Term Plan

The INEL System Transformation Board is responsible for developing a contribution to the North East London Long Term Plan, due for submission in Autumn 2019. This will set out the case for change in Inner North East London which will set out the challenges we face collectively and how we will work to address these. It will provide the basis for further engagement of partners in our work. We will be bringing this plan to Boards and governing bodies of respective partners in June/July for consideration.

Recommendations

The Board/GB is asked to:

- Consider and comment on this programme of work and the governance arrangements
- Endorse the development of the partnership and the transformation programmes as the basis of multi-borough working on significant challenges
- Receive the draft Long Term Plan report in June/July for comment which will be then used as the basis of further engagement with stakeholders over the summer.

Attachment A

Terms of Reference:

Inner North East London System Transformation Board

Purpose

The INEL System Transformation Board (STB) is responsible for providing strategic direction that supports transformation at scale and addresses system wide challenges. It has collective responsibility for managing resources, delivering performance standards and improving the health of the population in Inner North East London. The Board will;

- Ensure clinical leadership drives transformation / service redesign with strong patient & citizen input
- Agree and lead delivery of a programme of opportunities for improvement at scale, where the level of complexity, risk, or critical mass means that a focus at scale will add value and address key risks or gaps
- Maintain robust oversight over programme delivery (supported by a clear measurement system with a focus on outcomes, experience and value)
- Support learning/knowledge transfer across the four place-based partnerships (including both delivery model development & implementation and provider/commissioning infrastructure development)
- Support placed-based partnerships with the annual planning process
- Develop and maintain a dynamic relationship with the four place-based partnerships, receiving matters referred for action where place-based partnerships consider they would benefit from action at scale, and referring to place based partnerships matters that require local focus
- Develop and maintain a dynamic relationship with the ELHCP Executive Group (accountability), and ELHCP transformation and enabler workstreams
- Explore / develop potential for providing system infrastructure, alongside the place-based partnerships, at which certain ICS functions could be delivered

Specific activities of the board

- Supporting improvements in local delivery and unblocking issues to drive better health and care outcomes for the population
- Accelerating progress of all partners / places; supporting sharing and learning together
- Involving local political leadership in support of a democratic mandate and population focus
- Ensuring clinical / care professional leadership in all plans
- Providing an anchor for all system-level programmes (existing and new) to improve

alignment, scrutiny, impact and deployment of programme resource

- Encouraging and enabling providers to collaborate, maximising utilisation of existing resource and capacity to improve outcomes
- Reducing duplication of effort and making best use of everyone's time
- Strengthening local accountability across all partners for system priorities
- Aligning transformation goals with management/ commissioning processes to ensure change is embedded
- Sharing and using data, evidence and research openly to drive priorities and support delivery
- Fostering a climate of openness, trust, collaboration, problem-solving and support

Membership

Organisation	Name	email
London Borough Hackney	Tim Shields	tim.shields@hackney.gov.uk
London Borough Tower Hamlets	Will Tuckley	Will.Tuckley@towerhamlets.gov.uk
London Borough Newham	Katherine Kerswell	Katherine.Kerswell@newham.gov.uk
London Borough Waltham Forest	Martin Esom	martin.esom@walthamforest.gov.uk
City of London	Andrew Carter	Andrew.Carter@cityoflondon.gov.uk
ELFT	Navina Evans	navina.evans@nhs.net
NELFT	John Brouder	John.Brouder@nelft.nhs.uk
CCGs		
WEL	Selina Douglas	selina.douglas@nhs.net
City & Hackney	David Maher	david.maher@nhs.net
	Jane Milligan	jane.milligan1@nhs.net
NELCA		
Barts Health	Alwen Williams	Alwen.Williams@bartshealth.nhs.uk
Homerton	Tracey Fletcher	tracey.fletcher@homerton.nhs.uk
Borough Partnerships x 3	Amy Gibbs	amy.gibbs@towerhamlets.gov.uk
	Ken Aswani	kaswani@nhs.net
	Muhammad Naqvi	m.naqvi@nhs.net

Other participants – In attendance

Members of the Inner North East London System Transformation Board Steering Group and others may attend on invitation by the chair.

Chairing arrangements

Chair: ~Dr Navina Evans, East London
Foundation Trust Vice-Chair: TBC

Sub-committees

The Inner North East London System Transformation Board Steering Group is the main delivery arm of the Board and is chaired by the WEL CCG Managing Director.

The Clinical Strategy Project Group is supporting the Board through leading the development and delivery of collaborative programmes focused on acute capacity and resource. The Project Group is chaired by the HUHFT CEO.

Frequency of meetings

The Board will meet bi monthly.

Quorum and decision-making

Formal decisions are not delegated to the board by the partner organisations. As such the group operates by consensus.

Conflicts of Interest

There must be transparency and clear accountability for all Board members. As such the membership shall declare any interest and/or conflicts of interest at the start of the meeting (or during the start of the financial year). Where matters of conflicts of interest may arise, the Chair will have the powers to request that members withdraw from discussion until the matter is concluded if this is deemed appropriate.

Where the Chair of the Board has a personal interest, previously declared or otherwise, in relation to the scheduled or likely business of the meeting, he or she must make a declaration and the Vice chair will act as chair for the relevant part of the meeting.

Deputies

Each Board member is asked to prioritise attendance of the Board in order to support building a cohesive system leadership group for INEL. If members are unable to attend they may send an alternative senior representative who is suitably briefed. It is each partner's responsibility to ensure that they are represented at an appropriate level at the meeting.

Administrative arrangements for the Group

The Group is convened and administered by the INEL System Transformation PMO team.

Review of the Terms of Reference

Terms of Reference to be regularly reviewed as and when necessary and no later than 12 months of being agreed.

Date April 2019

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INNER NORTH EAST LONDON (INEL)

JOINT HEALTH and OVERVIEW SCRUTINY COMMITTEE (JHOSC)

Report title	Consultation on proposal to move Moorfields Eye Hospital from its site in City Road, Islington – update.
Date of Meeting	19 June 2019, 7:00 PM
Lead Officer and contact details	Robert Brown Senior Scrutiny Policy Officer DDI: 020 3373 7142 I robert.brown@newham.gov.uk
Report Author	Denise Tyrrell, Consultation Programme Director. Denise.tyrrell@nhs.net
Witnesses	n/a
Boroughs affected	• City of London Corporation • Hackney • Newham • Tower Hamlets
Recommendations: The INEL JOSC is asked to: • **NOTE** this update; • **COMMENT** for further action to ensure a meaningful consultation process.	

A report from NHS England Specialised Commissioning and NHS Camden Clinical Commissioning Group (CCG) on behalf of all commissioners of Moorfields' services.

Purpose

NHS Camden CCG and NHS England Specialised Commissioning are leading a public consultation on a proposed new centre for Moorfields Eye Hospital.

This paper invites the Inner North East London Joint Health Overview and Scrutiny Committee to respond to the consultation.

The paper provides:

- A summary of the proposal
- An update on discussions so far, and
- An outline of the consultation plan for the period 24 May to 16 September 2019.

For further information and consultation documentation, please refer to the consultation website www.oriel-london.org.uk where you can read or download the consultation document and other background information.

Summary of the proposal

Moorfields Eye Hospital NHS Foundation Trust and its partners, UCL Institute of Ophthalmology and Moorfields Eye Charity, are proposing to build a new centre bringing together excellent eye care, ground-breaking research and world-leading education in ophthalmology.

This centre would be a multi-million pound development on land that has become available on the site of St Pancras Hospital, just north of King's Cross and St Pancras stations in central London.

Services would move to the new centre from the current hospital facilities at City Road in Islington, along with Moorfields' partner in research and education, the UCL Institute of Ophthalmology. Subject to consultation and planning approvals, it is envisaged that the proposed new centre could be constructed and operational by 2026.

If the move were to go ahead, Moorfields and UCL would sell their current land on City Road and all proceeds of the sale would be reinvested in the new centre.

The proposed move from City Road to St Pancras does not include changes to Moorfields' services at its 30 other sites, although over time these will be considered as part of a wider review of the ophthalmology model of care across London.

NHS Camden CCG, on behalf of all Clinical Commissioning Groups, and NHS Specalised Commissioning, in partnership with Moorfields Eye Hospital, are consulting people between 24 May and 16 September 2019 to inform a decision that will consider whether the proposed move is:

- in the interests of the health of local and national populations
- in line with long-term plans to improve health and care
- an effective use of public money.

The outcome of this will influence a decision-making business case, which will be presented to NHS England and Improvement for assurance and, for decision-making, to the CCGs and NHS England Specialised Commissioning.

In line with scrutiny regulations, the North Central London Joint Health Overview and Scrutiny Committee is leading a joint scrutiny process for the consultation and proposed move.

Background to the proposal

Moorfields is the leading UK provider of eye health services to more than 750,000 people each year attending a network of around 30 sites across London and the south east. Moorfields' main site is located at City Road in Islington, and has a 24-hour A&E, and provides a range of routine elective care for London residents and specialised services for patients from all over the UK.

14 CCGs account for the majority (45%) of Moorfields patients who use the City Road site, with 196 CCGs across England accounting for the remaining 55%.

CCG	%age of population registered
NHS City and Hackney CCG	6.7%
NHS Islington CCG	5.3%
NHS Tower Hamlets CCG	4.7%
NHS Newham CCG	4.7%
NHS Barnet CCG	4.2%
NHS Haringey CCG	3.9%
NHS Redbridge CCG	3.8%
NHS Enfield CCG	3.6%
NHS Camden CCG	3.1%
NHS Waltham Forest CCG	2.9%
NHS Herts Valleys CCG	2.8%
NHS Ealing CCG	<1%
NHS East and North Hertfordshire CCG	<1%
NHS Havering CCG	<1%

The hospital's partnership with UCL provides a world-class centre of excellence for ophthalmic research, education and training. Examples of research include gene therapies for inherited eye conditions and stem cell treatments for age-related macular degeneration, which is part of the London Project to Cure Blindness.

The case for change

A detailed pre-consultation business case (PCBC) was approved by NHS England Specialised Commissioning and the CCGs' committees in common in April 2019. The PCBC is available from the consultation website at http://oriel-london.org.uk/pre-consultation-business-case-documents/.

The current facilities at Moorfields Eye Hospital on City Road date from the 1890s. There is very little space to expand and develop new services; the lay-out of the buildings affects efficiency and patient access, and the age of the estate creates difficulties for installing new technologies. Similarly, UCL's education facilities adjacent to the hospital are outdated and unsuited to modern methods of hands-on training.

This ageing estate creates impractical and uncomfortable conditions for patients, staff and trainees. There is poor climate control, a lack of privacy in some areas, and challenges in terms of meeting modern standards of disability access and health and safety.

The number of people likely to suffer from common eye conditions such as cataracts, glaucoma, macular degeneration and diabetic eye disease is expected to rise rapidly over the next 15 years.

Our ageing population means greater and more complex demand for eye services as almost 80% of people aged 64 and over live with some form of sight loss.

The proposed new centre not only offers better care for future patients but would significantly improve our ability to prevent eye disease, make early diagnoses, and deliver effective new treatments for more people at home or locally in primary care, as well as in specialist hospital clinics.

It would bring together excellent eye care with world-leading research, education and training with the following benefits:

- Greater interaction between eye care, research and education – the closer clinicians, researchers and trainees work, the faster they can find new treatments and improve care.
- More space to expand and develop new services and technology to improve care, including care that could be available at home or locally, without the need for a hospital visit.
- A smoother hospital appointment process, particularly where there are several different tests involved.
- Shorter journeys between test areas and instantly shared results between departments, which would reduce waiting times and improve communications between patients and staff.
- Modern and comfortable surroundings that would provide easier access for disabled people and space for information, counselling and support.

The independent London Clinical Senate has stated its support for the pre-consultation business case and, in discussions with patients and public leading up to the consultation, people were supportive of the proposed new centre, which would greatly improve care and the patient experience.

The preferred way forward

The main consultation document explains how Moorfields and its partners have considered various options for developing a new centre, including rebuilding and refurbishment at the City Road site.

A brand-new building is preferable as this would offer:

- The optimum size for an integrated centre.
- The potential to build with minimal disruption to current services, which would continue until the new centre was open.
- The creation of funds to invest in the proposed new centre from the eventual sale of the city road site.
- Estimated costs over the next 50 years that are lower than the costs of maintaining the current site.

The main advantage of staying at the City Road site is that people are familiar with the route to the hospital, which has relatively easy access by bus and underground, with a short walk to the hospital.

The main disadvantages of staying at the City Road site are:

- Limited space and scope for development, even with the possibility of demolishing some of the current buildings and building new ones.
- Rebuilding and even refurbishment would involve major disruption to services requiring some services to move out and then move back in again when the work is completed.
- Staying in the same place means that money would need to be spent on new buildings, but there would be no proceeds from a land sale to pay for the development.
- Our estimate of costs over the next 50 years shows that it would cost more to maintain the existing site than to build a new centre.

Options for the proposed new site

For specialised services, London is the most accessible UK location for patients and for recruiting and retaining specialists, technicians, researchers and students. There are critical benefits from close links with other major specialist centres, research and education facilities.

Of eight potential sites on the London property market that are close to public transport hubs, the proposal for consultation puts forward the view that land available at the current St Pancras Hospital site has greater potential benefits, including:

- Enough space for the size required and potential for future flexibility.
- Proximity to two of the largest main line stations in London, King's Cross and St Pancras, with Euston station also in the area.
- Proximity to other major health and research centres, such as the Francis Crick Institute, the main campus of UCL, and leading eye charities, such as Guide Dogs and the Royal National Institute of Blind People (RNIB).

Insights from patients and public so far have highlighted potential challenges in terms of the change of journey to the proposed new centre for people who have used Moorfields services for many years.

Moorfields commissioned an independent travel analysis in September 2018 which identified that for some patients travelling to the St Pancras Hospital site, rather than the City Road site, travel times could increase on average by just over 3 minutes.

The analysis showed that overall a relatively small number of patients (less than 1.5% would see travel times increase by more than 20 minutes, with the maximum increase being 25 minutes. Most of the increases are postcode areas that are to the east of London.

The travel analysis report is available from the consultation website at https://oriel-london.org.uk/travel-times-documents/

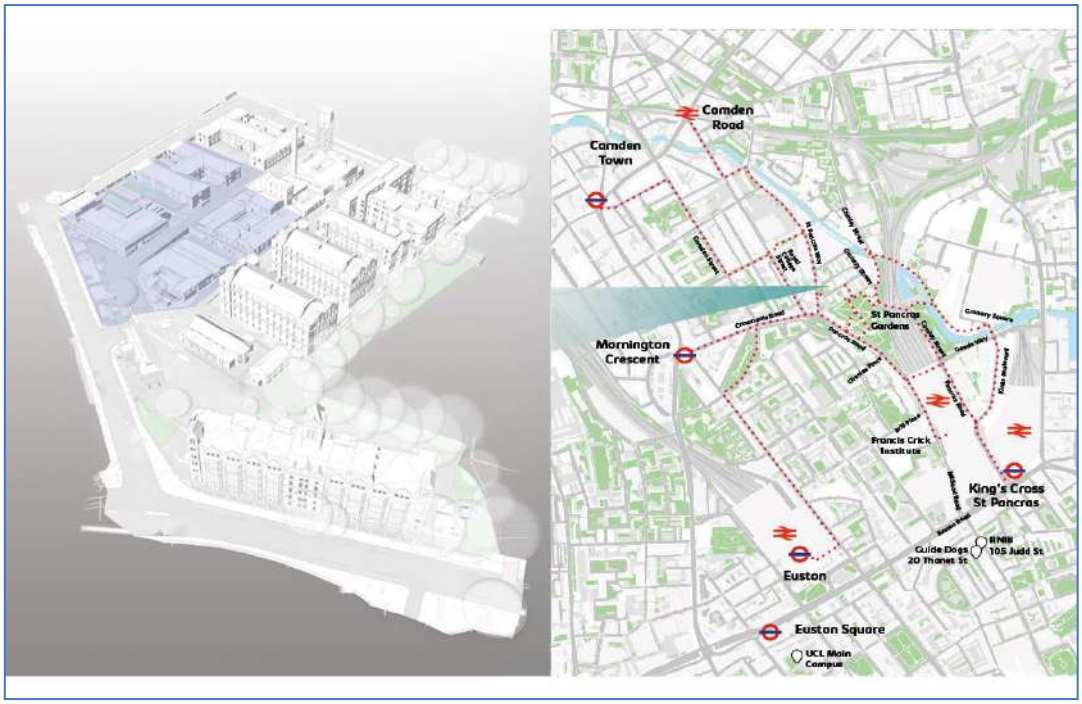
Access to the proposed new site could involve a longer route for some people via bigger and more complicated rail and underground stations than Old Street, which is the nearest underground station to Moorfields at City Road.

We recognise the need to engage widely with our patient community in respect of patient access and wayfinding to and from the proposed site at St Pancras. Moorfields will engage with patients, carers, Transport for London, Network Rail, the Local Borough of Camden and other stakeholders as it progresses designs for the new site.

There are a number of principal routes to and from the site, each of which will need to be explored further as part of an integrated design access statement, to form a key component of future planning proposals.

For more information on access and travel times to the proposed location at St Pancras, please visit http://oriel-london.org.uk/public-consultation/travel-and-access/.

This illustration shows the current St Pancras Hospital site. The blue shading indicates the proposed land purchase for Moorfields. The map shows the local area with mainline rail stations, underground stations and other key establishments, such as RNIB, Guide Dogs and the Francis Crick Institute.



Alternative options.

While the current preferred option is to build a new centre at the St Pancras Hospital site, we remain open to other potential locations and are seeking suggestions as part of the consultation process.

Any new locations would be subject to the same appraisal process and all options (including any new ones) would be re-appraised after the consultation as part of the decision-making business case.

Estimated cost to the NHS

The pre-consultation business case shows that there is an affordable and robust financial plan to support the development of the proposed new centre, which would support the long-term financial position of Moorfields Eye Hospital.

The estimated capital cost for the NHS is £344 million. Funding sources include:

- the sale of the City Road site
- funds from Moorfields Eye Hospital NHS Foundation Trust
- Moorfields Eye Charity's support for research
- central government funding for transformation.

Public and patient involvement so far

Four phases of engagement

Public and patients have been involved in four phases of engagement since 2013. The most recent engagement phase, from December 2018 to April 2019, gathered over 1,700 responses from people via the following activities:

- Four surveys covering travel, care, patient priorities and initial views on the proposed move
- 11 drop-in events
- 18 discussion groups

- One themed workshop to inform the options appraisal
- 12 discussions with patient and public representative groups
- Seven discussions with people with protected characteristics (as outlined in the Equality Act 2010).

A comprehensive summary of these activities and feedback is published on the consultation website at http://oriel-london.org.uk/patient-views-documents/.

One of the outcomes of engagement was the establishment of an Oriel Advisory Group with public and patient representatives to help steer the consultation process.

The main themes of feedback

Most people who participated in discussions indicated strong support in principle for a new purpose-built centre of excellence for eye care, with the potential benefits of combining research and education with frontline eye care.

Most people in discussions highlighted the following as critical to success:

- The current level of hospital services should continue, with an expectation of improvements in both clinical care and patient experience.
- Any change should be managed with minimal disruption, smooth transition and continuity of service.
- Accessibility is a high priority, both in terms of getting to and getting around the new centre.

The following main themes highlight what matters to patients, carers and their families:

- Clinical expertise above all else, even if this means travelling further to receive the highest quality specialist care.
- A smooth clinical pathway through the whole system from getting the first appointment to follow-up care and support.
- Getting to the hospital, including in an emergency.
- Efficient and caring experience at the hospital.
- Good communications and information.
- Person-to-person support, when needed.
- Proximity to public transport hubs.
- Manageable and obstacle-free journey from transport hub to the hospital.
- Provision for access by ambulance and motor vehicles.
- Interior design to support access and navigation for people with sight loss.

Accessibility

Views varied according to where people live and their service needs. People living in areas to the north and west of London, for example, felt the proposed St Pancras Hospital site location offered better access for them. Some people in east London were concerned about a possible extended journey and costs.

Travel times were frequently considered (by people with sensory impairment and disabilities) less important than the journey from transport hubs and bus stops to the front door of the proposed new centre. Old Street tube station to Moorfields Eye Hospital on City Road is a relatively short and simple route. For some people, King's Cross/St Pancras or Mornington Crescent to the proposed new site remain a high priority for consideration of the following:

- Large and complex stations with several exits
- Road crossings

- Cycle lanes
- Cluttered or uneven pavements
- Steep hills
- Vulnerability to street crime and harassment.

People were open to ideas to deal with accessibility concerns e.g. shuttle service for those with limited mobility, efficient drop-off and pick-up at hospital, use of navigation technology. We are holding a themed workshop during consultation to explore in more depth these wayfinding issues and potential solutions, with the aim of scoping what would eventually be an accessibility strategy and implementation plan.

Patient experience

People hold strong faith in clinical excellence at Moorfields, but patient experience in the current facilities does not always live up to same high standards.

The expectation is that the proposed move to a new centre could and should improve not just physical aspects, but the whole culture of eye care – a real opportunity to achieve world-class standards in all aspects of care for patients.

Views on improving patient experience were consistent throughout the discussion sessions. We gathered a wide range of details, but the following were common themes:

- **Awareness of the needs of people with sight loss:** the proposed new centre is an opportunity to design better accessibility into facilities and ensure more staff training – Moorfields should be a national exemplar in accessibility.
- **Communications and person-to-person support:** People have spoken about the need for flexibility and a range of communications to meet different needs and abilities. Many acknowledge the potential advantages of new technology, which could improve access for some people, but that there is a risk of excluding some minority groups for whom technology could prove a barrier. Even those who are keen supporters of new technology place a high value on personal support being available to meet the diverse needs of patients and carers, particularly children, frail older people, people with multiple disabilities and people who do not have English as their first language.
- **Managing stress:** A recurring theme in feedback from discussions is stress and anxiety associated with a visit to the hospital and the anticipation of receiving eye treatment. The more that can be achieved to build patient confidence, particularly for people with protected characteristics, the more we can achieve with equal access to care quality, self-care and improved clinical outcomes.

Impact on equalities

We understand from listening to people that they are apprehensive about how any change would be managed with minimal disruption, smooth transition and continuity of service. To make sure that we address these concerns we have considered how issues of equality affect service users in the proposed changes. We have undertaken an initial equality impact assessment and will continue to gather views and data during the consultation to inform this assessment.

You can find our initial equality impact assessment on the consultation website at http://oriel-london.org.uk/equality-impact-documents/.

INEL residents – summary

- Of the 14 CCGs with the highest population attending the City Road site, east London CCGs are expecting to see a higher increase from 2019 to 2035 in people under 65 with serious visual impairment and people over 75 with registrable eye conditions than other CCGs in the Moorfields catchment area (City and Hackney, Newham and Tower Hamlets currently account for 16.1% of patients attending the City Road site)
- The relocation of Moorfields to St Pancras may result in more patients from other CCG areas with a higher proportion of patients living with blindness (eg. Newham) attending Moorfields
- The prevalence of type 2 diabetes indicates that, within the Moorfields catchment area, Ealing, Enfield, Newham and Redbridge have the highest prevalence, significantly higher than the London and national rates. The likely driver for the prevalence rates is ethnicity, certainly in the case of Redbridge and Newham who have the largest proportions of black and minority ethnic (BAME) residents, and specifically South Asian and Black African ethnicities.
- In the Moorfields catchment area, Tower Hamlets is in the top 10% most income deprived boroughs in England, with five others in the top 20% most income deprived; it is likely that income deprivation-related presentations to the Moorfields service will most likely arise from these areas
- Newham and Redbridge have large numbers of people in temporary accommodation or dispersal accommodation respectively, when compared to other CCGs in Moorfields catchment area. This would need consideration when making strategies to engage homeless, rough sleepers or asylum seekers.
- Camden and the City of London have the highest numbers of rough sleepers in London (there are 599 rough sleepers in the surrounding areas of Moorfields City Road site).

We will continue to investigate the impacts on equality and consider any issues as part of the decision-making business case following consultation.

The consultation process

The consultation process runs from 24 May to 16 September 2019, during which we are seeking views on:

- The proposal and how people may be affected.
- What matters to patients, their carers and families, and how this could influence decisions, designs and plans.
- The wider implications of the proposed change, its impact on healthcare, social care and environmental issues.
- Alternative proposals and suggestions.

Our approach has an emphasis on active participation and not just a request for written responses to the proposals. The programme of consultation activities includes open discussion workshops, discussions with key groups and meetings on request. People can give their views through several channels, including an online feedback survey, via social media, email and post and through face-to-face discussions.

A dedicated Oriel website (https://oriel-london.org.uk/) provides access to consultation documents and supporting materials, background information and relevant reports. Information is offered in accessible formats, including large print, audio versions, Easy Read summaries and languages on request.

For further details on how people can participate in the consultation, please visit http://oriel-london.org.uk/get-involved/how-to-give-your-views/.

Open discussion groups

We want to receive the views of as many patients, public, staff and partners as possible to inform our plans during our public consultation – running between Friday 24 May and Monday 16 September 2019. We are holding open discussion groups throughout the consultation period, for example on Thursday 13 June, 1pm to 3pm at Albert Jacob House, Room 101, 62 Roman Road, Bethnal Green E2 OPG.

Other events are being organised which be publicised widely through local community and other groups, and can be found on the Oriel website at https://oriel-london.org.uk/get-involved/events/.

Aims for involvement and consultation

	Evidence of achievement
Overall aim – To implement best practice involvement and consultation to influence plans in 2019, and to embed involvement for future implementation.	• Outcome reports • NHS England assurance • JHOSC response • Accreditation by The Consultation Institute
Five specific aims	
1. To improve our understanding of the diverse interests and perspectives of people who may be affected by the proposed move – and consider issues in proposals and decisions.	• Stakeholder analysis • Engagement log • Consultation documents and accessible versions
2. To expand the range of people and groups involved, including action to reach minority and protected groups.	• Outcome reports and influence on plans • Engagement log
3. To ensure sufficient information is made available during consultation for intelligent consideration and response.	• Background information available as well as main consultation document –to include outcomes of pre-consultation engagement
4. To improve public awareness and confidence in change.	• Survey results and feedback
5. To build a framework for sustainable involvement from early discussions into future planning and implementation.	• Established involvement mechanisms and updated strategy and action plan

Reaching our audiences

The consultation team is working with a detailed list of audiences, groups and organisations to be contacted and consulted. We are also requesting that those we contact share information with their networks and via their websites, newsletters, social media and other channels.

In summary, the main audience groups are as follows:

Main audience groups	Channels for publication and feedback
General public, local residents and all audience groups	• Oriel website, social media, news coverage • Cascade distribution and publicity via CCGs, NHSE Specialised Commissioning, local authorities, voluntary sector and other partners
Service users, carers and representatives	• Collaboration with eye charities and Healthwatch • Involvement of networks and forums e.g. Trust members, CCG patient participation groups, voluntary sector forums and social media
Minority interests and protected groups	• Direct contact with identified groups and tailored workshops • Information in range of formats and language versions • Collaboration with Healthwatch and voluntary sector partners
Voluntary sector and advocates	• Collaboration with Healthwatch and councils for voluntary services (CVS) • Direct contact with identified advocacy groups and forums
Local authorities, wards and neighbourhoods, partner agencies: planning, transport health and wellbeing, scrutiny	• Direct contact with relevant bodies e.g. planning partners, scrutiny and other committees • Collaboration with relevant neighbourhood forums and other local representatives
CCG, NHSE Specialised Commissioning and Trust staff	• Existing channels of internal communications e.g. intranets, briefings, development sessions • Collaboration with Clinical, Workforce and HR functions
Primary care contractors	• Existing forums and channels via CCGs and NHS England
MPs and government ministers	• Existing Trust and CCG briefing arrangements • Briefings via NHS England
Unions, Royal Colleges and professional representatives	• Via Trust and CCG HR forums and local representative committees • Direct contact with Royal Colleges, BMA, RCN, Unison

Main audience groups	Channels for publication and feedback
Press and media: local, national, trade	• Existing channels via Trust, CCGs, Specialised Commissioning and NHS England communications teams
Neighbouring trusts, wider geography of CCGs and other interests	• Direct contact using distribution channels of CCGs, NHSE Specialised Commissioning and NHS England
Partners in research and education	• Direct involvement of the Oriel Management Executive • Cascade to research and education staff and external networks
National regulators	• Direct contact and assurance process

Open workshops for deliberative discussion and feedback

Dates of discussion sessions open to all audiences are published on the Oriel website at http://oriel-london.org.uk/get-involved/events/

Building on what we have learned during previous engagement, the most effective discussions come from smaller groups of up to a maximum of 20 people (although we would not limit attendance at an open discussion, except for health and safety reasons). We have found the best approach is to offer sessions in association with community and representative groups and eye care charities, using venues where these groups already meet.

Deeper-dive discussions on key themes identified in engagement

In addition to general discussions, we are inviting people to participate in five themed workshops with subject matter experts. These will cover the following key themes:

- Options review and refresh
- Accessibility and wayfinding
- Patient experience
- Innovation
- Design.

Proactively arranged discussions with key groups

As part of our direct contact with representative groups of both professionals and public, we will be requesting discussion and feedback via items on the agenda of meetings. We are also offering meetings on request.

Consulting people with protected characteristics

We are writing directly to national, regional and local advocates for people with protected characteristics as identified in the Equalities Act 2010 to consult their views on issues of equality in relation to the proposed move.

We are also proactively seeking person-to-person discussions with a range of community groups of people with protected characteristics to listen to their experiences and issues that may impact on equality.

Feedback from this part of the consultation process will inform the equality impact assessment, which will be included in the decision-making business case.

Staff and clinical involvement

The consultation process outlined here is open to all, including staff and clinicians within Moorfields Eye Hospital, UCL and the commissioning organisations. It links to other workstreams to ensure more specific and continuing staff and clinical involvement which will guide and influence the design, development and implementation of proposals over the next five years and beyond.

Management of feedback

There is a single system for receiving, acknowledging and recording feedback from multiple channels. Feedback reports and notes of meetings will be available via the Oriel website. The final collation of responses will be passed to an independent organisation for analysis and evaluation at the end of consultation.

Beyond this phase of consultation

As a result of previous engagement work, we have already built relationships that provide a foundation for continuing involvement and co-production with eye charities and other patient and public representatives. This will embed strong patient and public involvement to inform our longer-term strategies for participation in design, development and implementation.

Timeline of next steps

24 May to 16 September 2019

Public consultation, led by NHS Camden CCG and NHS England Specialised Commissioning on behalf of all NHS commissioners.

September to November 2019

Draft report of the feedback from consultation and a review of the equalities impact assessment, to influence a final review of options and completion of a decision-making business case.

November 2019

Camden CCG, Moorfields and NHS England will provide an update to the North Central London joint health overview and scrutiny committee.

December 2019

Decision-making business case (DMBC) and final consultation outcome report assured by NHS England.

January 2020

DMBC reviewed by CCGs' Committees in Common and NHS England Specialised Commissioning.

January 2020

Announcement of decisions of Committees in Common and NHS England Specialised Commissioning.

Early 2020

If the DMBC is approved, Moorfields would then submit an outline business case for national approval to NHS England and Improvement to commit public funds to the development of a new centre.

By autumn 2020

Moorfields would submit a planning application to the relevant local authority. If the plan is agreed to build a new centre at the St Pancras site, this would involve a master plan for the site, in partnership with the current landowners, Camden and Islington NHS Foundation Trust. The local authority would hold a public consultation on the planning application.

Spring 2021

Moorfields would submit a full business case for national approval to commit public funds to the development of a new centre.

Spring 2022

Subject to national approval of the full business case and local authority planning approval, construction would begin.

By 2025-2026

Completion of new build. Start to move services from City Road to the new centre.

ENDS

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Aligning commissioning policies across north east London

Creating a single commissioning policy for Barking and Dagenham, City and Hackney, Havering, Newham, Tower Hamlets, Redbridge and Waltham Forest

City and Hackney, Newham, Tower Hamlets and Waltham Forest

Tell us what you think by 5pm, 3 July 2019

Introduction

Across north east London, clinical commissioning groups (CCGs) have been working together to look at how to make sure that people, wherever they live, are able to have the same treatments and procedures. At the moment, this is different from borough to borough, which isn't fair for people and is confusing for people working in the NHS.

As part of this work, GPs have said that there are a number of procedures that they feel could benefit from clearly defined criteria so that they are clear about treatment options for their patients – things like which tests are best to carry out or which treatments or medicines to use first.

In order to do this in a consistent way across north east London, CCGs want to make changes to what is known as their commissioning policy. This lists specific treatments, procedures and interventions the NHS funds, and who is eligible to have them. They want to merge the different commissioning policies (currently there are different ones for Barking and Dagenham, Havering and Redbridge; City and Hackney; Newham; Tower Hamlets and Waltham Forest) to create one.

Clinical commissioning groups (CCGs) are led by local GPs who plan and commission (buy) health care services for the residents of their local area.

Commissioning is about deciding what services are needed, and making sure that they are provided well, and getting the best possible health outcomes for local people by assessing local needs, deciding priorities and strategies, and then buying services on behalf of the population from providers such as hospitals.

By doing this, it would mean that:

- all patients living in north east London would have access to the same types of care
- the care patients would receive would be in line with the latest clinical guidance
- hospitals and GPs would be clear about what policy to refer to, reducing confusion
- patients would not have treatments that don't work or aren't the best option for them.
- NHS funds would be spent paying for procedures that people need, and that would give them a better quality of life.

GPs from all the CCGs have been working together, looking at what currently happens in each commissioning policy, at clinical evidence and guidance and at work done by NHS England. They have also asked hospital consultants for advice. After lots of discussion, they have come up with what they think needs to change in order to create a new commissioning policy for north east London. They now want to know what you think.

The new commissioning policy is based on making sure that the right people get the right care, at the right time. This document explains what the current situation is, what we believe needs to change and why.

What we want to do

We have developed new policies for:

1. Chalazia removal (lumps on the eyelid)
2. Shoulder decompression surgery
3. Interventional treatments for back pain (without sciatica)
4. Haemorrhoidectomy
5. Cataract surgery
6. Hip replacement
7. Knee replacement
8. Spinal surgery
9. Functional electrical stimulation for foot drop
10. Abdominal wall hernia management and repair
11. Weight loss surgery

At the moment, there are no formal policies in place, and our GPs felt it was important to formalise existing good clinical practice by developing policies that clearly set out who can have these procedures.

Listening to feedback from our GPs, we want to change and make clearer the eligibility criteria for:

1. Ear surgery
2. Nose surgery
3. Dupuytren's contracture release
4. Female breast reduction
5. Grommets for glue ear in children
6. Trigger finger treatment

This is so that only people who are likely to benefit from these types of surgery can have it.

We also think that we should no longer routinely fund the following treatments:

1. Injections for non-specific low back pain
2. Surgical interventions for snoring
3. Laser surgery for short sightedness

This is because there is limited evidence that these procedures work, and/or they are not a good use of limited NHS resources. We believe the NHS should only be funding procedures to deal with medical conditions and symptoms, for people who will benefit clinically from having the treatment. This means that people won't have unnecessary treatment and the NHS won't waste money.

What we're proposing would mean that the only way you could have these three procedures funded by the NHS is to demonstrate what is known as 'clinical exceptionality'. This means that a doctor believes their patient is clearly different to other patients with the same condition or their patient might significantly benefit from the treatment in a different way to an average patient with the same condition. If the doctor does not believe this, the patient could not have this treatment.

In order to demonstrate clinical exceptionality, evidence would have to be provided about why the patient should have this treatment, over and above other people with the same condition, which would then be then considered by a panel of clinicians who decide if funding should be granted.

Note: The changes we're proposing would not apply to:

- Patients diagnosed with cancer or suspected of having cancer
- Patients that have survived cancer e.g. breast reconstruction post cancer
- Children (aged under 18) unless otherwise stated within the individual policy
- People receiving emergency or urgent care
- Where NHS England is responsible for commissioning the care.

Financial impact

The main reason for aligning commissioning policies across north east London is to make sure that people, wherever they live, are able to have the same treatments and procedures, and that these treatments and procedures would be of benefit to them.

Making the changes we're proposing would save some money – we estimate an annual saving of around £1.7 million across north east London – which works out at approximately 0.044% of our total commissioning budget of £3.8 billion.

So while money is a factor in this piece of work, it isn't the main reason for doing it. It's about making sure we are making the most effective use of public money to commission the most appropriate healthcare services for local people. Any money we save would be re-invested in other health services.

About this document

This document sets out what we'd like to do and why. We've tried to explain this as simply as possible, but sometimes it is hard to avoid using technical language. There's more information on our websites, including an easy read document and background to this piece of work. If you're a nurse, doctor or someone with a clinical background, there is a document with more technical detail there too.

Please go online and fill in our questionnaire about these proposals.

www.cityandhackneyccg.nhs.uk/oncefornelondon
www.newhamccg.nhs.uk/oncefornelondon
www.towerhamletsccg.nhs.uk/oncefornelondon
www.walthamforestccg.nhs.uk/oncefornelondon

Over the next six weeks (until 3 July 2019) we will be talking to local people about what we're proposing and encouraging them to respond to our questionnaire. All responses will inform a report, which will go to our governing bodies to consider and make a decision. We will put that report and details of whatever decisions are made on our websites.

We want to know what you think

- How might these proposals affect you or your family?
- Could we do things differently?
- Are there any circumstances where these proposed changes should not apply?

Please fill out our questionnaire by 5pm on 3 July 2019

Developing new policies for certain treatments and procedures

For some procedures there hasn't been a consistent process in place for to make sure that everyone gets the right treatment at the right time, with no formal policies in place about who can have these treatments.

While our providers tell us they make sure that only people who would benefit from the treatment have it, they also tell us it would be helpful to have a formal policy agreed. Our GPs also felt it was important to formalise existing good clinical practice by developing policies that clearly set out who can have these procedures. We'd expect that as a result of this, fewer people would have these procedures.

These are:

1. Chalazia removal
2. Shoulder decompression surgery
3. Interventional treatments for back pain (without sciatica)
4. Haemorrhoidectomy
5. Cataract surgery
6. Hip replacement
7. Knee replacement
8. Spinal surgery
9. Functional electrical stimulation for foot drop
10. Abdominal wall hernia management and repair
11. Weight loss surgery

1. Chalazia removal

Chalazia are benign (non-cancerous) lumps on the eyelid that happen due to oil glands becoming blocked and swelling. Most are harmless and disappear within six months if you regularly apply warm compresses to the eye and massage the lump. A small number of chalazia are persistent, very large, or can cause problems such as making it hard to see. In these cases surgery is needed, which involves cutting into the lesion and scraping away the contents.

We want to introduce the following policy:

NEL CCGs will fund treatment of chalazia (incision and curettage or triamcinolone injection if appropriate) when one of the following criteria is met:

1. A chalazion has been present for more than six months and has been managed conservatively with warm compresses, lid cleaning and massage for four weeks

OR

2. Interferes significantly with vision

OR

3. Interferes with the protection of the eye by the eyelid due to altered lid closure or lid anatomy

OR

4. Is a source of infection that has required medical attention twice or more within a six month time frame

OR

5. Is a source of infection causing an abscess which requires drainage

OR

6. Cancer is suspected

Number of procedures in 2018/19	Cost
328	£174,073

2. Shoulder decompression surgery

Shoulder decompression surgery involves taking out small pieces of bone and soft tissue (like tendons) from inside the shoulder by keyhole surgery.

We want to introduce the following policy:

NEL CCGs will fund shoulder decompression surgery when:

1. The surgery is for pure subacromial shoulder impingement

This means surgery is only for subacromial pain (associated with any of the structures that sit within the space between the ball and socket joint of the shoulder) and is not for pain caused by other conditions such as rotator cuff tears, acromio-clavicular joint pain, or calcific tendinopathy because it isn't clinically effective for these conditions.

Before surgery, physiotherapy and exercise programmes should be considered. If pain continues or gets worse, surgery should be considered.

Number of procedures in 2018/19	Cost
85	£411,238

3. Interventional treatment for back pain (without sciatica)

Back pain can take many forms – from short term to chronic, long-term pain – and it is important that we give patients the tools to manage their pain and improve their quality of life. For many patients, specialist treatments only come after a period of time managing pain with their GP, and after seeing specialist musculoskeletal services.

GPs have identified a number of back pain treatments that they think could benefit from a clear policy on who can have this treatment. These are:

a) Epidurals
b) Spinal decompression
c) Discectomy
d) Epidurolysis

An epidural is an injection in the back to stop you feeling pain in part of your body. Epidurals are best known for being used for pain relief when a woman is in labour and we do not intend to limit the use of epidurals for this. This applies to epidurals for back pain only.

We want to introduce the following policy:

NEL CCGs will fund epidurals for back pain without sciatica when:

1. The patient has radicular pain consistent with the level of spinal involvement
AND
2. The patient has moderate-severe symptoms that have lasted for 12 weeks or more

AND either one of the following:

3(a). The patient has severe pain and has been given advice, reassurance, pain relief and physical therapy through the community musculoskeletal (MSK) service.
AND/OR
3(b). The MRI scan confirms the clinical diagnosis.

A maximum of three epidural injections, within a 12-month period would be funded.

Spinal decompression refers to removal of pressure from the nervous structures within the spinal column.

We want to introduce the following policy:

NEL CCGs will fund interventions for spinal decompression when:

1. The patient has radicular/claudicant leg pain consistent with the level of spinal involvement
   AND
2. The MRI scan (unless contraindicated) shows one or more areas of spinal stenosis whereby the pathology is consistent with the clinical diagnosis
   AND
3. The patient has shown no sign of improvement despite conventional therapy such as physical therapy for one year.

Discectomy is the surgical removal of abnormal disc material that presses on a nerve root or the spinal cord. It involves removing a portion of an intervertebral disc, which causes pain, weakness or numbness by stressing the spinal cord or radiating nerves.

We want to introduce the following policy:

NEL CCGs will fund interventions for discectomy when:

1. The patient has radicular pain consistent with the level of spinal involvement
   AND
2. The patient has shown no sign of improvement despite conventional therapy for 12 weeks

Epidurolysis is minor surgery used to treat people with low back and leg pain caused by epidural adhesions (type of scar tissue in the spine). Affected nerve roots are identified and separated from scar tissue.

We want to introduce the following policy:

NEL CCGs will fund interventions for epidurolysis when:

1. The patient has late onset radiculopathy post spinal surgery
   AND
2. MRI Gadolinium-enhanced or dynamic epidurogram (unless contraindicated) findings show adhesive radiculopathy
   AND
3. Conservative management and epidural injections have failed

This would not apply to:

- People with sciatica
- Children (aged under 18)
- Patients thought to have/who have cancer
- Patients with nerve damage, fracture or infection

GPs have also identified a number of treatments that because there is limited clinical evidence that they are effective for people with back pain, they believe the NHS should not routinely fund. These are:

Therapeutic spinal injections (including facet joint injections, intradiscal therapy, prolotherapy, trigger point injections) – which reduce inflammation and are said to lessen or resolve pain.

Spinal fusion surgery for non-radicular back pain (also called spondylodesis or spondylosyndesis) is a surgical technique that joins two or more vertebrae which prevents any movement between the fused vertebrae.

Lumbar disc replacement surgery which involves replacing problematic discs in the lower spine with an artificial disk made of medical-grade metal and/or plastic.

Acupuncture - complementary medicine in which fine needles are inserted into the skin at specific points along lines of energy.

Ozone discectomy - an injection of gas inside the intervertebral disc

Number of interventional treatments in 2018/19	Cost
2397	£2,156,760

4. Haemorrhoidectomy

Haemorrhoids, also known as piles, are swellings containing enlarged blood vessels found inside or around the bottom. Often haemorrhoids (especially at an early stage) can be treated by simple measures such as eating more fibre or drinking more water. If these are unsuccessful many patients will respond to other treatments before surgery is needed.

We want to introduce the following policy:

NEL CCGs will fund haemorrhoidectomy when one of the following criteria has been met:

1. Do not respond to non-operative measures
   OR if the haemorrhoids are more severe
2. Recurrent grade 3 or grade 4 combined internal/external haemorrhoids with persistent pain or bleeding
   OR
3. Irreducible and large external haemorrhoids

Number of procedures in 2018/19	Cost
251	£292,834

5. Cataract surgery

A cataract is cloudiness of the lens, the normally clear structure in your eye which focuses the light. They can develop in one or both eyes. The cloudiness can become worse over time, causing vision to become increasingly blurry, hazy or cloudy. Minor cloudiness of the lens is a normal part of ageing.

Significant cloudiness, or cataracts, generally get slowly worse over time and surgery whereby the natural lens is replaced by an implant is the only way to make it easier to see. However, you don't need to have surgery if your vision is not significantly affected and you don't have any difficulties carrying out everyday tasks such as reading or driving.

New glasses, brighter lighting, anti-glare sunglasses and magnifying lenses help reduce the impact of cataracts.

Surgery should only be offered if you have cataracts that are affecting your ability to carry out daily activities.

Visual acuity describes how well you see detail. This is usually measured using a chart with rows of letters that start with one big one at the top and get smaller row by row. During a routine eye test, you sit 6 metres from the chart. If glasses or contact lenses are worn, these should be used for the test. Each eye is tested while the other one is covered.

The rows of letters correspond to the minimum size of letter that could be seen by someone with normal vision from 6m up to 60m. The first number is the distance the chart is viewed from. 6/6 is normal vision (what used to be known as 20/20 vision, when distance was measured in feet not metres) In order to legally drive a car, you must have a visual acuity of 6/12 or less.

If you can only read the big letters on the top line, that's recorded as 6/60 – you can see at 6m what can normally be seen from 60m with normal vision. This would mean that you would be considered severely sight impaired, or legally blind.

We want to introduce the following policy:

NEL CCGs will fund cataract surgery when:

1. Patient has a best corrected visual acuity of 6/9 or worse in either the first or second eye **AND**
2. The cataract is affecting the patient's ability to carry out day to day activities and increasing the risk of falls.

Note: The policy would not apply to:

- Patients with confirmed or suspected cancer
- Patients with acute trauma or suspected infection
- Children under the age of 18

Number of procedures in 2018/19	Cost
2118	£1,663,462

Osteoarthritis

Osteoarthritis is the most common form of arthritis in the United Kingdom and can cause joint pain and stiffness. The severity of symptoms can vary greatly from person to person, and between different affected joints.

For some people, the symptoms can be mild and may come and go. Other people can experience more continuous and severe problems which make it difficult to carry out everyday activities.

Often Osteoarthritis affects the hip or knee, requiring surgery to replace these joints.

The policies proposed for hip replacement and knee replacement which follow only apply to people with osteoarthritis.

6. Hip replacement

Also known as hip arthroplasty this is a common type of surgery where a hip joint is replaced with an artificial one (known as a prosthesis).

GPs looked at guidance from the National Institute of Health and Care Excellence, the Royal College of Surgeons and the British Orthopaedic Association to develop a draft policy.

We want to introduce the following policy:

NEL CCGs will fund hip replacement surgery when all of the following criteria are met:

1. The patient has osteoarthritis with joint symptoms (pain, stiffness and reduced function) that have a substantial impact on quality of life as agreed with the patient and / or the patient's representative, referring clinicians and surgeons

AND

2. The symptoms resist non-surgical treatment (including pain relief, exercise, physiotherapy and weight loss, where appropriate)

AND

3. The patient's symptoms are consistent with degenerative disease, and before surgery there is radiological confirmation of this

AND

4. The patient has been involved in making decisions about their treatment options.

Number of procedures in 2018/19	Cost
336	£2,361,274

This policy would not apply to:

- Children (aged under 18)
- Patients with confirmed or suspected cancer, acute trauma, suspected infection or inflammatory arthropathy
- Patients with underlying disease (such as haemophilia or sickle cell) related hip disease
- Young adults (18 to 25) with abnormal hip anatomy

7. Knee replacement

Also known as knee arthroplasty, this is the most common type of surgery performed for osteoarthritis. Depending on the extent of osteoarthritis in the joint, a knee replacement can be either partial (one compartment is replaced) or total (the whole joint is replaced).

We want to introduce the following policy:

NEL CCGs will fund total or partial knee replacement surgery when all of the following criteria are met:

1. Osteoarthritis with joint symptoms (pain, stiffness, reduced function, joint instability) that have a substantial impact on quality of life as agreed with the patient and/or the patient's representative, referring clinicians and surgeons
   AND
2. The symptoms resist to non-surgical treatment (including pain relief, exercise, physiotherapy and weight loss where appropriate)
   AND
3. The patient's symptoms are consistent with degenerative disease, and before surgery there is radiological confirmation of this
   AND
4. The patient has been involved in making decisions about their treatment options.

This policy would not apply to:

- Patients with joint failure from causes other than degenerative disease / osteoarthritis
- Patients with confirmed or suspected cancer, acute trauma or suspected infection
- Patients with inflammatory arthropathies
- Children under the age of 18

Number of procedures in 2018/19	Cost
570	£4,180,632.

8. Spinal surgery

Our proposed spinal surgery policy focuses on a surgical procedure called discectomy which involves releasing the pressure on spinal nerves caused by a bulging or slipped disc by removing a section of the damaged disc. Discectomy carries risks and should be considered only after other options such as pain relief and physical therapy have been tried.

We want to introduce the following policy:

NEL CCGs will fund spinal surgery (discectomy) when the following criteria is met:

1. Patient is >18 years, and has MRI disc herniation at level and side corresponding to clinical symptoms

   AND either of the following:
   2(a). Demonstrable neurological deficit
   OR
   2(b). Radicular pain despite conservative therapy under the care of a specialist back pain MDT for at least six weeks

Number of procedures in 2018/19	Cost
205	£221,626

9. Functional electrical stimulation for foot drop

Functional electrical stimulation (FES) is a treatment that applies small electrical charges to a muscle that has become paralysed or weakened, due to damage in the brain or spinal cord. The electrical charge stimulates the muscle to make its usual movement. FES can be used as a treatment for foot drop, where disruptions in the nerve pathways between the legs and brain mean the front of your foot cannot be lifted to the correct angle when walking.

We want to introduce the following policy:

NEL CCGs will fund treatment when one of the following criteria are met:

Initiation

1. Foot drop makes it difficult to walk and evidence that this is not satisfactorily controlled using ankle-foot orthosis

OR

Continuation

2. Gait improvement from its use

Because of the way data is currently logged, there is not recent dfata on numbers of patients or costs.

10. Abdominal wall hernia management and repair

A hernia is when an organ or fat protrudes through the wall of muscle around it, looking like a lump or bulge beneath the skin. Abdominal wall hernias occur around the belly. There are two main types of surgical hernia repair; open surgery, where the surgeon make a small incision into the groin, and then pushes the protruding tissue back into the abdomen and minimally invasive surgery using small incisions in the abdomen and inserting a camera to guide the surgeon.

We want to introduce the following policy:

NEL CCGs will fund abdominal wall hernia management and repair when one of the following hernias are diagnosed:

1. Symptomatic hernias (i.e. hernias causing pain)
2. Irreducible hernias
3. All femoral hernias
4. Spigelian hernias
5. Inguinal hernias extending to scrotum
6. Incisional hernias with small defects
7. Hernias at risk of strangulation
8. Symptomatic umbilical hernias

Number of procedures in 2018/19	Cost
886	£1,541,786

11. Weight loss surgery

This is an operation that helps you lose weight by making changes to your digestive system. It may be an option if you are severely obese (very fat) and have not been able to lose weight or keep from gaining back any weight you lost.

We want to introduce the following policy:

NEL CCGs will fund weight loss surgery when all of the following criteria are met:

1. The patient has a BMI of 40 kg/m2 or more **OR** between 35 kg/m2 and 40 kg/m2 and other significant diseases (type 2 diabetes or high blood pressure) that could be improved if they lost weight
2. **AND**
   All appropriate non-surgical measures have been tried but the person has not achieved or maintained adequate, clinically beneficial weight loss
3. **AND**
   The person has been receiving or will receive intensive management in a tier 3 service (specialist support for obese people)
4. **AND**
   The person is generally fit for anaesthesia and surgery
5. **AND**
   The person commits to the need for long term follow up

Number of procedures in 2018/19	Cost
106	£714,600

Procedures where we want to change the clinical criteria

We are proposing changing the eligibility criteria for the following procedures:

1. Ear surgery
2. Nose surgery
3. Dupuytren's contracture release
4. Female breast reduction
5. Grommets for glue ear in children
6. Trigger finger treatment

We want to make these changes to make it clearer who should have these treatments.

1. Ear surgery

This is an operation to correct ears that stick out. The surgery is performed by cutting behind the ear and is carried out under general anaesthetic.

Current policy	Proposed new policy
Patient must have 'significant ear deformity'	Significant ear deformity is defined as having 'prominence measuring >30mm'.
Patient must be between 5-18 years old	Patient must be under 18

We want to introduce the following policy:

NEL CCGs will fund ear surgery when all of the following criteria are met:

1. The patient is under the age of 18 at the time of referral for significant prominent or bat ears
   AND
2. Where the prominence measures >30mm

Number of procedures in 2018/19	Cost
No data held	No data held

2. Nose surgery

When funded by the NHS, rhinoplasty involves reconstructing the nose by repairing nasal fractures, modifying nasal cartilages and bones, or adding tissue. Septoplasty is an operation on the partition inside the nose. Rhinoseptoplasty is for patients with a nasal obstruction. It removes any internal obstructions and stabilises structures inside the nose that may be stopping you breathing through your nose. **Note: NEL CCGs will not fund any type of nose surgery for cosmetic reasons.**

Current policy	Proposed new policy
Unclear if policy includes septoplasty and rhinoseptoplasty	Policy includes septoplasty and rhinoseptoplasty
Treatments need to be tried for at least three months	Treatments need to have been tried (no time limit) This allows for flexibility if all conservative treatments are tried in less than three months, but also for treatments to be tried for longer based on clinical judgement about what is appropriate.

Significant symptoms to be confirmed by an ENT consultant as resulting from nasal obstruction	Documented evidence of medical problems caused by an obstruction of the nasal airway is required

We want to introduce the following policy:

NEL CCGs will fund this treatment only when the following criteria is met:

1. Documented medical problems caused by obstruction of the nasal airway (continual impairment of sleep and/or breathing) **AND** all conservative treatments have been exhausted.
   OR
2. Correction of complex congenital conditions e.g. Cleft lip and palate

Number of procedures in 2018/19	Cost
146	£344,880

3. Dupuytren's contracture release

Dupuytren's contracture draws the finger(/s) and sometimes the thumb into the palm and prevent them from straightening fully. If not treated the finger(s) may bend so far into the palm that they cannot be straightened. All treatments aim to straighten the finger(s) to restore and retain hand function for the rest of the patient's life, but are not permanent cures.

Current policy	Proposed new policy
Treatment will be funded if patient has a loss of finger extension of 30 degrees or more at the proximal interphalangeal joint (knuckle).	Treatment will be funded if patient has a loss of finger extension of 20 degrees or more at the proximal interphalangeal joint.

We want to introduce the following policy:

NEL CCGs will fund intervention/treatment when one of the following criteria are met:

1. Finger contractures causing loss of finger extension of 30° or more at the metacarpophalangeal joint or 20° at the proximal interphalangeal joint

   OR
2. Severe thumb contractures which interfere with hand function

NEL CCGs will fund collagenase for Dupuytren's contracture when

1. The patient is a participants in an ongoing clinical trial
   OR
2. Patient has visible tissue/veins if:
   (a) there is evidence of moderate disease (functional problems and metacarpophalangeal joint contracture of 30° to 60° and proximal interphalangeal joint contracture of less than 30° or first web contracture) plus up to two affected joints
   AND
   (b) needle fasciotomy is not considered appropriate, but limited fasciectomy is considered appropriate by the treating hand surgeon.

Number of procedures in 2018/19	Cost
69	£186,173

4. Female breast reduction

Breast reduction surgery is for women whose breasts are large enough to cause problems like back and shoulder pain, skin inflammation and poor quality of life. **The aim of surgery is not cosmetic, it is to reduce symptoms (e.g. backache).**

We have developed two policies for female breast reduction – one for both breasts, and one for one breast, which is the treatment available when a woman has very uneven breasts.

Note: this does not apply to women who have had cancer.

Surgical reduction of both breasts

Current policy	Proposed new policy
Eligible women must have a cup size of H or larger	Removed so patients with a smaller cup size can have breast reduction surgery
Breast reduction must remove at least 500gms or at least 3 cup sizes from each breast	Breast reduction planned should remove 500gms or more or at least 4 cup sizes from each breast.
The patient must have documented that they have has a body mass index (BMI) equal to or below 27 kg/m2 for at least two years	The patient must have had a BMI below 27 kg/m2 for at least 12 months.
Evidence must be submitted to demonstrate the patient is still in pain despite six months of therapeutic measures	Removed

We want to introduce the following policy:

NEL CCGs will fund breast reduction of both breasts when all of the following criteria are met:

1. The woman has received a full package of supportive care from their GP such as advice on weight loss and managing pain

AND

2. In cases of back and shoulder pain, a physiotherapy assessment has been provided

AND

3. Breast size results in functional symptoms that require other treatments/interventions (e.g. skin rashes, upper back pain, a professionally fitted bra has not helped with backache, soft tissue indentations at site of bra straps)

AND

4. Breast reduction planned to be 500gms or more per breast or at least four cup sizes

AND

5. Body mass index (BMI) is <27 and stable for at least 12 months

AND

6. Women must be provided with written information to allow them to balance the risks and benefits of breast surgery

AND

7. Women should be informed that smoking increases complications following breast reduction surgery and should be advised to stop smoking

AND

8. Women should be informed that breast reduction surgery can mean they are unable to breastfeed.

Reduction of one breast (treatment for uneven breasts)

Current policy	Proposed new policy
There must be gross asymmetry, defined as a minimum of three cup sizes difference between breasts.	Gross asymmetry is defined as a difference of 150 - 200gms size as measured by a specialist. This ensures the measurement is carried out by a specialist.
The patient must show she can't maintain a normal breast shape using non-surgical methods (such as a padded bra)	Not required
Breasts must be fully developed, with no change in the size of either breast in the past 18 months.	Not required
	Body mass index (BMI) to be <27 and stable for at least 12 months has been added. This promotes a healthy weight before surgery and encourages maintenance of a healthy weight.

This treatment is considered for uneven breasts instead of breast enlargement if there is an impact on the woman's health. Surgery will not be funded for cosmetic reasons.

We want to introduce the following policy:

NEL CCGs will fund breast reduction of one breast when all of the following criteria are met:

1. A difference of 150 - 200gms size as measured by a specialist

AND

2. Body mass index (BMI) is <27 and stable for at least 12 months

Number of procedures in 2018/19	Cost
46	£92,326

5. Grommets for glue ear in children

This is a surgical procedure to insert tiny tubes (known as grommets) into the eardrum as a treatment for fluid build-up (glue ear) when it is affecting hearing in children.

Glue ear is a very common childhood problem (four out of five children will have had glue ear by age 10), and in most cases it clears up without treatment within a few weeks. Common symptoms can include earache and difficulty hearing. When the hearing loss is affecting both ears it can cause language, educational and behavioural problems. In most cases glue ear will improve by itself without surgery.

Evidence suggests that grommets only offer a short-term hearing improvement in children with no other serious medical problems or disabilities.

Current policy	Proposed new policy
The child should be aged between three and twelve.	No age restriction
The child must have documented persistent hearing loss on two occasions at intervals of three months or more	The child must have one episode of persistent hearing loss of at least three consecutive months documented
Funded if the otoscopic features are atypical and accompanied by a foul-smelling discharge suggestive of cholesteatoma	This criterion has been removed, to make sure that the cholesteatoma is treated before a new grommet is fitted.

Funded if the child has five or more episodes of acute otitis media.	Requirement removed
	All children must have had a specialist audiology and ENT assessment.

We want to introduce the following policy:

NEL CCGs will fund grommets for glue ear when:

1. All children must have had specialist audiology and ENT assessment

AND

2. Persistent otitis media with effusion in both ears for at least three consecutive months

AND

3. Hearing level in the better ear of 25-30dbHL or worse averaged at 0.5, 1, 2 & 4kHz

OR exclusively in one of the following circumstances

4(a). The child has persistent otitis media with effusion in both ears with a hearing loss less than 25-30dbHL where the impact of the hearing loss on a child's developmental, social or educational status is judged to be significant

OR

4(b). The child cannot undergo standard assessment of hearing thresholds where there is clinical evidence of persistent glue ear and where the impact of the hearing loss on a child's developmental, social or educational status is judged to be significant.

This guidance would not apply to children with Down Syndrome or cleft palate, who may be offered grommets after a specialist multi-disciplinary team assessment.

Number of procedures in 2018/19	Cost
317	£286,938

6. Trigger finger treatment

Trigger finger occurs when the tendons which bend the thumb/finger into the palm jam, causing the finger to “lock” in the palm of the hand. Mild cases require no treatment and may resolve spontaneously. Other cases cause pain and loss and make it hard to use your hand.

Cases interfering with activities or causing pain should first be treated with:

- one or two steroid injections which are typically successful (strong evidence), but the problem may recur, especially in diabetics
  OR
- splinting of the affected finger for 3-12 weeks

Current policy	Proposed new policy
Unclear if the policy applies to children	It has been made clear that this policy would not apply to children. Trigger finger surgery for children is routinely funded.
Splinting must be tried for 12 weeks or more	Splinting must be tried for between 3 and 12 weeks.
Unclear if the policy applies to diabetics	Policy applies to diabetics
	Treatment will be approved if the patient has had two other trigger digits unsuccessfully treated with non-operative methods. This will prevent patients who have already tried non-operative methods previously from having their request for trigger finger surgery rejected.

We want to introduce the following policy:

NEL CCGs will fund trigger finger surgery when one of the following criteria is met:

1. The triggering persists or recurs after one of the above measures (particularly steroid injections)
   OR
2. The finger is permanently locked in the palm
   OR
3. The patient has previously had two other trigger fingers unsuccessfully treated with appropriate non-operative methods
   OR
4. The patients has diabetes

Number of procedures in 2018/19	Cost
77	£111,082

No longer routinely funding certain procedures

GPs have identified several treatments they think should no longer be routinely funded. This is because there is limited evidence that these procedures work, and/or they are not a good use of limited NHS resources.

These procedures are:

1. Injections for non-specific low back pain

We are proposing that spinal injections of local anaesthetic and steroids should not be offered for patients with non-specific low back pain. This is because there is limited evidence that these injections work in the long term. This would mean patients with non-specific back pain could not have:

- Facet joint injections
- Therapeutic medical branch blocks
- Intradiscal therapy
- Prolotherapy
- Trigger point injections with any agent, including botulinum toxin
- Epidural steroid injections for chronic low back pain or for neurogenic claudication in patients with central spinal canal stenosis
- Any other spinal injections not specifically covered above

We would instead encourage patients to consider alternative and less invasive options which have been proven to work such as exercise, behavioural therapy, and attending a specialised pain clinic, as recommended by the National Back Pain Pathway.

Note: This would not apply to people with sciatica

Number of procedures in 2018/19	Cost
160 injections	£106,152

2. Surgical interventions for snoring

Note: This would not apply to patients with obstructive sleep apnoea

Snoring is very common and is not usually a health issue, as long as it is not complicated by periods of apnoea (temporarily stopping breathing). but can be disruptive, especially to a person's partner, There are lots of reasons for snoring such as being overweight, smoking, alcohol or blockages in the nose or tonsils.

We don't think the NHS should pay for surgery to try to stop people snoring because clinical studies show surgery doesn't work in the long term and there is a risk of complications and side effects.

We would instead encourage patients to consider alternatives to surgery that can improve the symptoms of snoring, such as

- Weight loss
- Stopping smoking
- Drinking less alcohol
- Medical treatment for blocked nose
- Mouth splints to move jaw forward when sleeping

Number of procedures in 2018/19	Cost
8	£10,064

3. Laser surgery for short sightedness

Laser eye surgery involves using lasers to reshape the front surface (cornea) of your eyes so that you can focus better. Short-sightedness is a very common eye condition that causes distant objects to appear blurred, while close objects can be seen clearly.

We don't think the NHS should pay for laser eye surgery because other successful, cheaper treatments are available, such as wearing glasses or contact lenses.

We rarely fund this treatment at the moment, but on average it costs around £1000 per procedure.

Impact on people's mental health

Mental health is often a factor in patients seeking cosmetic treatment or surgery.

There are no universally accepted and objective measures of psychological distress, so it is difficult to include such factors when setting clinical thresholds for agreeing when a particular treatment is effective or needed.

We believe it is generally better to provide support, such as therapy, to treat the mental health need, but if a clinician thought there were exceptional mental health reasons why a patient needed treatment, they could apply through the individual funding request process explaining why this is an exceptional case. This is not guaranteed to be approved.

Mental health support: Talking Therapies

Talking Therapies is a free and confidential NHS service that provides support from an expert team who understand what people are going through, and who work with people to help them feel better.
Team members introduce people to effective, practical techniques specific to their needs that are proven to work. The national programme is based on evidence and all the tools and techniques used are recommended by local GPs.

The programme has already helped thousands of local people to feel better.

To find out more: search 'Talking Therapies' and the name of your borough

Questionnaire for City & Hackney, Newham, Tower Hamlets and Waltham Forest

Please complete this questionnaire on our websites:

www.cityandhackneyccg.nhs.uk/oncefornelondon
www.newhamccg.nhs.uk/oncefornelondon
www.towerhamletsccg.nhs.uk/oncefornelondon
www.walthamforestccg.nhs.uk/oncefornelondon

Or you can fill it in and post it to **FREEPOST BHR CCGs** (no stamp needed). Please make sure it reaches us by 5pm on 3 July 2019.

Tell us about you

We want to see what sorts of people are responding to our proposals. This helps us understand if our proposals might have more of an impact on some groups of people. **These questions are optional – don't answer them if you don't want to.**

Please tick as appropriate

1. Are you?

- ☐ Male
- ☐ Female
- ☐ Other
- ☐ Prefer not to say

2. How old are you?

- ☐ Under 18 years
- ☐ 18 to 24 years
- ☐ 25 to 34 years
- ☐ 35 to 44 years
- ☐ 45 to 54 years
- ☐ 55 to 64 years
- ☐ 65 to 74 years
- ☐ 75 years or older
- ☐ Prefer not to say

3. Do you consider yourself to have a disability?

- ☐ Yes – a physical/ mobility issue
- ☐ Yes – learning disability/mental health issue
- ☐ Yes – a visual impairment
- ☐ Yes – a hearing problems
- ☐ Yes - another issue
- ☐ No

4. Which borough do you live in?

- ☐ Barking and Dagenham
- ☐ Havering
- ☐ Redbridge
- ☐ Other (please tell us which borough)

5. What is your ethnicity?

This is not about place of birth or citizenship. It is about the group you think you belong to in terms of culture, nationality or race.

- ☐ Any white background
- ☐ Any mixed ethnic background
- ☐ Any Asian background
- ☐ Any black background
- ☐ Any other ethnic group (please tell us what it is)
- ☐ Prefer not to say

6. **Are you an employee of the NHS?**

- ☐ Yes
- ☐ No

7. Are you responding as...?

- ☐ An individual
- ☐ A representative of an organisation or group (please tell us which)

What do you think about our proposals?

We want to understand your views about what we're proposing.

You don't have to answer the whole questionnaire if you don't want to – only answer the sections you're interested in.

Developing new policies for certain treatments and procedures

At the moment, there are no formal policies for these procedures, and our GPs felt it was important to formalise existing good clinical practice by developing policies that clearly set out who can have these procedures.

1. Please tell us what you think about our proposals by ticking the statement that best matches your views for each:

	I strongly support this proposal	I support this proposal	I am neutral about this proposal	I am against this proposal	I am strongly against this proposal
Introduce a new policy for chalazia removal					
Introduce a new policy for haemorrhoidectomy					
Introduce a new policy for shoulder decompression surgery					
Introduce a new policy for interventional treatments for back pain (without sciatica)					
Introduce a new policy for cataract surgery					
Introduce a new policy for hip replacement					
Introduce a new policy for knee replacement					
Introduce a new policy for spinal surgery (discectomy)					
Introduce a new policy for functional electrical stimulation for foot drop					
Introduce a new policy for abdominal wall hernia management and repair					
Introduce a new policy for weight loss surgery					

2. Is there anything else you want to tell us, or think we should consider, before making decisions about introducing these new policies?

Procedures where we want to change the clinical criteria

Listening to feedback from our GPs, we want to change and make clearer the eligibility criteria for a number of procedures so that only people who are likely to benefit from this surgery can have it.

3. Please tell us what you think by ticking the statement that best matches your views:

	I strongly support this proposal	I support this proposal	I am neutral about this proposal	I am against this proposal	I am strongly against this proposal
Changing the criteria for ear surgery					
Changing the criteria for nose surgery					
Changing the criteria for Dupuytren's contracture release					
Changing the criteria for female breast reduction					
Changing the criteria for grommets for glue ear in children					
Changing the criteria for trigger finger treatment					

4. Is there anything else you want to tell us, or think we should consider, before making a decision about changing the clinical criteria for these procedures?

No longer routinely funding certain procedures

Our GPs have identified several treatments they think should no longer be routinely funded. This is because there is limited evidence that these procedures work, and/or they are not a good use of NHS funding.

5. Please tell us what you think by ticking the statement that best matches your views:

	I strongly support this proposal	I support this proposal	I am neutral about this proposal	I am against this proposal	I am strongly against this proposal
The NHS should no longer routinely fund injections for non-specific low back pain					
The NHS should no longer routinely fund surgical interventions for snoring					
The NHS should no longer routinely fund laser surgery for short sightedness					

6. Is there anything else you want to tell us, or think we should consider, before making a decision about this?

General comments

7. Within the last two years have you or a member of your immediate family had any of the procedures outlined in this document funded by the NHS?

Yes	No

8. Do you have any other comments about our proposals that you'd like to make?

9. If you would like us to tell you what decisions we reach regarding these proposals, please write your name and email address in the box below. We will keep your details safe and won't share them.

Thank you for taking the time to let us know what you think.

If you're not completing this questionnaire online, please make sure you send it back to **FREEPOST BHR CCGs**.

All comments must be received by 5pm on 3 July 2019.

We want to hear from everyone

This document is about changes we want to make to some commissioning policies. We want to know what you think about this.

If you would like to know more, please email nelcsu.nelsmw@nhs.net or call 020 3688 2455 and tell us what help you need. Let us know if you need this in large print, easy read or a different format or language.

Bengali
এই দস্তাবেজটি এমন কিছু পরিবর্তন সম্পর্কে যা আমরা কিছু কমিশনিং নীতিগুলিতে করতে চাই। আমরা এই সম্পর্কে আপনি কি মনে করতে চান। আপনি যদি আরও জানতে চান তবে অনুগ্রহ করে NELCSU.NELSMW@nhs.net এ ইমেল করুন অথবা 0203 688 2455 এ কল করুন এবং আমাদের কোন সাহায্যের প্রয়োজন তা বলুন। যদি আপনি বড় মুদ্রণ, সহজ পড়া বা একটি ভিন্ন বিন্যাস বা ভাষা এই প্রয়োজন হয় আমাদের জানান।

Polish
Ten dokument dotyczy zmian, które chcemy wprowadzić w niektórych zasadach uruchamiania. Chcemy wiedzieć, co o tym myślisz.

Jeśli chcesz dowiedzieć się więcej, napisz do NELCSU.NELSMW@nhs.net lub zadzwoń pod numer 0203 688 2455 i powiedz nam, jakiej pomocy potrzebujesz. Daj nam znać, jeśli potrzebujesz tego w dużym druku, łatwym do odczytania lub innym formacie lub języku.

Romanian
Acest document este despre modificările pe care vrem să le facem la unele politici de punere în funcțiune. Vrem să știm ce credeți despre asta.

Dacă doriți să aflați mai multe, vă rugăm să ne trimiteți un e-mail la adresa NELCSU.NELSMW@nhs.net sau să sunați la numărul 0203 688 2455 și să ne spuneți ce ajutor aveți nevoie. Spuneți-ne dacă aveți nevoie de acest lucru în format mare, ușor de citit sau într-un alt format sau limbă.

Turkish
Bu belge bazı devreye alma politikalarında yapmak istediğimiz değişikliklerle ilgili. Bunun hakkında ne düşündüğünü bilmek istiyoruz.

Daha fazla bilgi edinmek istiyorsanız, lütfen NELCSU.NELSMW@nhs.net adresine e-posta gönderin veya 0203 688 2455 numaralı telefonu arayın ve ihtiyacınız olan yardımı bize bildirin. Büyük baskı, kolay okuma veya farklı bir format veya dilde ihtiyacınız varsa bize bildirin.

Urdu
یہ دستاویز ایسے تبدیلیوں کے بارے میں ہے جو ہم کچھ کمیشننگ پالیسیوں کو بنانا چاہتے ہیں. ہم یہ جاننا چاہتے ہیں کہ آپ اس بارے میں کیا سوچتے ہیں.

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Centre for Public Scrutiny

NHS Clinical Commissioners
The independent collective voice of clinical commissioners

Governance and accountability for integrated health and care

January 2019

Increasingly local systems are coming together to deliver integrated approaches to health and social care. This explainer for the NHS and local authorities outlines some of the key governance and accountability challenges that these organisations may face when seeking to work more collaboratively and potential solutions. We also highlight some of the key enablers from those systems that have already progressed on this journey and what they need to go further.

SILOED THINKING

Challenge: Different funding, budgeting, governance and accountability arrangements for health and social care can risk councils and NHS organisations planning and delivering services in isolation.

Solution: Keeping people at the centre of decision-making can establish where joint approaches make sense.

LANGUAGE

Challenge: Councils talk about places, residents or citizens and the NHS talks about buildings and patients.

Solution: Thinking about wider determinants of health and a life course approach to commissioning and outcomes can help build a mutual understanding of what can be delegated where and what needs to be retained by organisations.

EXTERNAL INFLUENCES

Challenge: The political dimension of councils can be challenging for the NHS and purdah around local elections can restrict conversations. For councils, accountability of NHS organisations to NHS England and NHS Improvement can be frustrating, especially when a locally developed plan is disregarded.

Solution: As can be seen with Manchester and other areas of the UK, the development of a clear and cohesive local approach will often receive endorsement from national organisations and result in greater local autonomy.

ACCOUNTABILITY STRUCTURES

Challenge: Councillors are elected, visible public representatives. People involved in NHS governance are mostly appointed, and elected public governors have a limited remit. Councils take decisions through political cabinets and the NHS operates through unitary boards.

Solution: Understanding these cultural differences can help when trying to align planning and delivery arrangements.

CULTURE

Challenge: The NHS is sometimes described as an 'illness' service, following a medical model in contrast to the 'social wellbeing' model in local government. There can also be tensions between primary care and acute care and between different types of councils.

Solution: Health and wellbeing boards can play a role in bringing together different perspectives around the needs of people and populations and strategies across areas. In many areas, mental health providers have been working to a social wellbeing model for some time, ensuring that services are available in people's homes and communities.

PERCEPTIONS

Challenge: The NHS can be perceived as hierarchical, lacking local control. Councils can be perceived as bureaucratic and overtly political.

Solution: Investing in relationship building between lay members, non-executive directors and councillors can help establish mutual trust and effective ways of working.

ORGANISATIONAL FOCUS

Challenge: Accountability arrangements in the NHS can be a challenge to multi-agency governance across an ICS or STP area. Councils are accountable through elected councillors and the local population.

Solution: Bringing together councillors, lay members, provider non-executives and public governors can help establish common ground.

PERSONALITIES

Challenge: Running an NHS organisation, taking charge of an STP or ICS, running a council or being a local politician require different skills which can sometimes lead to clashes of personality.

Solution: Focusing on culture, values and behaviours and agreed ways of working can help overcome some of the robustness that sometimes affects local discussions.

PLANNING CYCLES

Challenge: The NHS Long Term Plan provides an opportunity for multi-year planning of healthcare, with additional funding. Councils are subject to annual financial allocations and continue to face reducing budgets which mean delivery of only essential services.

Solution: Taking a whole system' and 'whole population' approach to objective setting can help align planning around key local outcomes.

DIFFERING GEOGRAPHIES

Challenge: STPs and ICSs cover large geographies, often covering several council areas. This can be a challenge, especially across large rural county areas. Some councils are part of combined authorities which allow for planning at scale.

Solution: Bringing together councillors and the NHS non-executive community across STP and ICS areas can help define contrasting but complementary roles.

FUNDING FRAMEWORKS

Challenge: NHS is free at the point of use and social care is means tested. Local authority budgets have been cut substantially while the NHS has a comparatively generous funding settlement. Local authorities are able to hold reserves year to year. Both have differing VAT regimes.

Solution: Focus on the local pound and the benefit that this can bring to the local population rather than individual organisational positions.

ENABLERS FOR INTEGRATION

Shared objectives
STPs and ICSs can benefit from shared objectives between the NHS and local government. These objectives and outcomes might focus on better health and independence for populations. In those areas that are most advanced, these objectives have been developed and agreed for some time.

Understanding of local system and challenges
Councils' public health and social care functions will have valuable insight about challenges to health and independence that communities face. CCGs can utilise data and analytics to understand population health, while providers share local intelligence of emergent challenges within communities on the ground.

Clinical and leadership buy-in
STPs and ICSs need clinicians and other professionals in leading implementation roles, as well as throughout the organisational structures. This will be key in bringing together primary and acute care and delivering parity of esteem between approaches to wellbeing, physical and mental health services.

Joint appointments
There are several areas that have jointly appointed council chief executives and CCG accountable officers and/or jointly appointed accountable officers between CCGs and STP/ICS leaders from local government. These arrangements can, where appropriate, help align diverse organisational arrangements and present a 'whole system' approach. To date, these systems have developed in Tameside and Glossop, Wigan and Trafford, amongst others.

Health and wellbeing boards (HWBs)
The evolution of HWBs – established under the Health and Social Care Act 2012 – into 'place boards' in some areas are a way for health and care leaders to develop a dialogue about needs and strategies across their local area.

Joint strategic needs assessment
This is a statutory requirement for health and wellbeing boards, and should form the basis for the planning of health and care services in the local area, including local actions within the STP/ICS plan. In doing so, this can ensure a joined-up approach to planning across a local area.

Shared patient and public assurance and scrutiny
The NHS and local government have governance processes reflecting their accountability to the local population. By bringing together lay members, non-executive directors and local councillors, systems can develop a single integrated approach to patient and public scrutiny and assurance.

Healthwatch
Healthwatch undertakes a scrutiny and assurance function across healthcare and social care. As such, they can provide insight that supports effective governance of more integrated systems. They can highlight concerns about the delivery of healthcare and social care in a local area and cascade information to service uses and the public about service reconfiguration.

Share learning
Lay members and councillors should come together along with provider non-executives to share experiences from the perspective of NHS organisations and local government. This kind of networking can help support their contrasting but complementary roles and ensure that proposals benefit from effective scrutiny and assurance.

WHAT DO LOCAL AREAS NEED FROM NATIONAL BODIES TO DELIVER FURTHER INTEGRATION?

Flexibility for senior appointments
Rather than the imposition of a central structure, local systems should be enabled to flexibly appoint senior individuals across health and social care structures, where this makes sense.

Congruence of employment terms and conditions
There is considerable difference between the NHS and local authorities in terms and conditions of employment. To establish a truly integrated approach to health and care delivery, then further work must be done nationally to ensure that these are closer aligned.

Comprehensive and funded development programme
Current approaches to enabling increased integration have focussed on those areas that are most advanced. The greatest enabler for increased integration would be a comprehensive and national development programme, engaging all the key organisations from across both systems. We look forward to the forthcoming launch of the NHS England programme.

The Centre for Public Scrutiny (CfPS) is a national centre of expertise on governance and scrutiny. For more information, please visit **www.cfps.org.uk**

NHS Clinical Commissioners (NHSCC) is the independent membership organisation for clinical commissioners. The NHSCC Lay Members Network represents CCG lay members who provide a governance and assurance function for CCG governing bodies. Members of the network were instrumental in the production of this document, sharing local experience, challenges and solutions. For more on NHSCC, please visit **www.nhscc.org**

FURTHER READING

Peer support offer for local systems, NHS Clinical Commissioners, NHS Confederation, Local Government Association and NHS Providers, August 2018.

Shifting the centre of gravity: Making place-based, person-centred health and care a reality, NHS Clinical Commissioners, NHS Confederation, Local Government Association, Association of Directors of Public Health, NHS Providers and Association of Directors of Adult Social Services, November 2018.

Mechanisms for collaboration across health and care, NHS England, November 2018.

Driving forward system working: A snapshot of early progress in collaborative commissioning, NHS Clinical Commissioners and NHS Providers, December 2018.

The NHS Long Term Plan, NHS England, January 2019.

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Risk and commercialisation

A guide for local scrutiny councillors

Risk and commercialisation

A guide for local scrutiny councillors

APSE (Association for Public Service Excellence) is a not-for-profit local government body working with over 300 councils throughout the UK. Promoting excellence in public services, APSE is the foremost specialist in local authority front line services, hosting a network for front line service providers in areas such as waste and refuse collection, parks and environmental services, leisure, school meals, cleaning, housing and building maintenance.

The Centre for Public Scrutiny

The Centre for Public Scrutiny's (CfPS) purpose is to improve lives and places through effective governance and public scrutiny. As a national, independent charity with a long history of providing governance and scrutiny support to local government, alongside other public services and sectors CfPS exists to promote and support organisations to be more open to scrutiny and involve others in decision-making.

This report was written and researched by Elena Konopelko, Research Officer, and Ed Hammond, Director of Research, CPS with input from Paul O'Brien, Chief Executive, APSE

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Introduction

The financial crisis for local government continues to bite. The sector continues to speculate about the likely future of its funding, as the central grant is withdrawn and the detail of the localised business rate system intended to replace it remains unclear.

The crisis affects different councils, and areas, in very different ways. For top tier councils (counties and unitaries) pressures around social care and children's services dominate – "demand-led" services where cost control has historically proven difficult. For smaller districts, the challenge often lies in financial sustainability overall. The prevailing wisdom is that smaller councils will by definition find it more difficult to design and deliver services on their own with diminished funds.

As ever with these kinds of crises, many see opportunity – even where that opportunity might involve councils having to fundamentally change how they work. For a number of councils those different ways of working have coalesced around a word that has many different meanings: commercialisation.

Commercialisation – in the loosest sense – is about additional income generation activity. In reality the word means much more than just this, as this research will demonstrate. The problem is that in the sector, and amongst elected members, there is an imperfect understanding of what commercialisation actually is. While many agree that councils need to be more "entrepreneurial", it is easy to say the words but much more difficult to translate the language into action.

Councils can be pulled, and pushed, towards a more commercial approach. For some, it is about survival – seeing income-generation as a way to secure sustainable funding for the ongoing delivery of services. For others, it is more fundamental – an opportunity to reshape a council, its approach and its ways of working, towards a more commercial mindset overall. Both approaches have profound implications for member oversight, scrutiny and governance.

Council approaches to commercialisation will involve the deployment of internal resources in different ways – a different (and often more flexible) approach to the way that finances, assets and people are "used". The act of transformation – and the design of those activities – involves a commercial outlook.

"Commercialisation", as we conceive it, is not about setting up an arms length body or venture to "do the commercial stuff", with the rest of the council staying as it is. It involves a whole organisational shift, changes to the way that professionals and councillors think about their roles, and a more flexible approach to how entrepreneurial opportunities are taken account of. Of course, joint ventures and other similar structures can provide a mechanism for delivering those outcomes. But those structures are a means to an end, not the end in itself.

This publication aims to look at some of the more common approaches towards commercialisation and discuss ways in which scrutiny can engage with issues arising from those activities. It is based on desktop research and interviews with chief executives, leaders of council, scrutiny chairs and members of financial scrutiny committees, scrutiny officers, and officers from councils' commercial companies.

Some scrutiny practitioners are in two minds about the need to engage with scrutiny of issues relating to commercialisation. Some find it difficult to understand how scrutiny can add value, or even find the subject too internally-focused, not especially relevant to the lives of local people. This reflects a similar caution on scrutiny amongst those on the executive side. This paper aims to provide some practical ways for scrutiny to contribute in a way that makes a positive difference.

The approach that councils are taking towards commercialisation and entrepreneurialism sets the context in which improvements in other services happen – they set the context in which councils deliver services along with their partners, too, and cannot be treated as separate and distinct. The shifts in mindset and culture that are involved lend themselves to oversight by politicians – indeed, the nature of these shifts requires such oversight. For example, some of the critical decisions that

councils will be making here will need to be informed by a mature approach towards risk – something which involves complex (and often subjective) judgments to be made which engage closely with the politics and perspective of decision-makers. These matters demand oversight, if only to draw in alternative perspectives that may add nuance to the way that major changes are planned.

This paper discusses the current landscape around commercialisation, names five key areas in which scrutiny can make a difference, offers seven scrutiny questions that can kickstart scrutiny activity in that area, and finishes with the three main principles of involving scrutiny.

How we carried out this research

This research is based on:

- Interviews with officers and councillors in councils which have put in place plans to operate more commercially and entrepreneurially;
- A review of publicly-available information about the work that scrutiny has done in those councils, and other authorities;
- A general review of the wider research literature around commercialisation, including that produced by sector bodies and think tanks, including APSE.

This report cites individual case studies of commercial activity – but with a caveat. We present a range of examples at the start of the paper, to provide context and to provoke thought about the sheer breadth and scope of commercial activity. We have, however, deliberately not got into in-depth thinking about these individual examples – and in particular, the governance solutions that have been put in place for those examples. This is because doing so would not be especially useful – all governance solutions are different, and highlighting some over others might encourage readers to take away the message that there are preferred structural "models" for governance of commercial activity – which is very much not the case.

This paper aims to provide a toolkit and guide to help you to build your own bespoke, locally-relevant governance and scrutiny systems for commercial activity. It reflects the importance of culture in this arena – and the need to think about the mindset, rationale and logic that underpins commercial activity. Because this must be different in every area, so must governance.

The current landscape

The word "commercialisation" means a very different thing now to what it might have meant fifteen or twenty years ago. Then, the focus of commercial activity was about charging for additional services – and selling services to neighbours. This kind of activity continues, but the new wave of commercial activity is about more than this – it is about changing the mindset and approach of councils, to adopt a more commercial and entrepreneurial mindset to how services are designed and delivered overall. Fundamentally, it is about integrating commercial activities, and a commercial mindset, into the core of how a council operates. It is not about spinning off commercial activities into an arms length body and keeping "core services" looking much the same as they have always done. This kind of integration means that commercial activity itself has to be carried out for a public policy purpose, not just to make money. Commercial activity should complement councils' core purpose as democratic bodies designing and delivering critical services for local people.

The best opportunities then, for commercialisation to have a significant effect, and to deliver both social and financial returns, lie in a more strategic approach. Of course, there are councils who have focused on squeezing existing assets, and adopting a more business-minded approach to fees and charges – but these kinds of operational changes will deliver only marginal gains.

In an environment where council finances are subject to significant uncertainty, for many the main driver of commercial activity will be its potential to provide a reliable income stream, while also ensuring that a council is diversifying its income base overall. But there are other reasons. In particular, councils may think that a more entrepreneurial approach will allow them to make a step change in how they respond to and act on local people's needs – on their own, and with a range of local and national partners – tying in to the need for an overall social purpose.

Understanding these drivers helps get the strategic view of all council activities and assists both in terms of planning and scrutinising the work.

This central point – deciding on the overall objectives of "commercialisation" for a given council – are critical to success[1]. Objectives have to be subject to debate and consultation – as far as possible, key partners and the wider community need to understand what is happening and the impacts it will have on the way that they engage with the council.

Not only does this need to be decided at the outset, the issue needs to be returned to periodically as commercial arrangements mature. Context changes; the priorities of councils and their commercial partners can change, and diverge. A focus on income generation may make sense at the outset, but it can have unintended consequences – especially when commercial activity might have a negative impact on local business, although this should all be considered in any initial market analysis and any such risk minimised or considered appropriate, for example when a council is acting as a market disruptor for social purpose.

The kind of commercial and entrepreneurial activity that delivers transformative change for a council, in terms of making its services sustainable in the long term while not resulting in a diminution in the quality of those services for local people – must be accompanied by a shift in culture and mindset.

Who is doing what?

Before trying to define and classify the types of commercial and entrepreneurial activity in which councils are engaged, it is sensible to present some current examples – to give a sense of the breadth and scale of the changes that councils are making, and to provide some context for what follows. More details on many of these can be found in the body of research and guidance produced by APSE, its commercialisation

1 "Enterprising councils: supporting councils' income generation activities" (LGA, 2017): https://www.local.gov.uk/sites/default/files/documents/11%2054%20LGA_Enterprising_Councils_09_Web.pdf

networks, which are well attended by both elected members and officers and its web resources.

Some of these examples reflect a more traditional approach to making more commercial use of existing issues – some involve a more radical departure for councils, rethinking how they work. What they all have in common is that they involve councils both making themselves more financially sustainable, while thinking about how they can serve local people in a different way. All, too, have their own unique governance implications, and we will explore some of those implications in the last section of this paper.

In **Nottingham**[2], the council in 2015 established an energy supplier, Robin Hood Energy, as a rival to the traditional "big six" energy suppliers. The council funded the establishment of the company by way of a £20 million loan. Three years after being established, RHE reported its first trading surplus, of £200,000, and is now valued at £30 million, with more than 150,000 customers.

In **Harrow**, the council uses an in-house entity, Harrow Commercial Services, to offer a range of services to local people and businesses on a chargeable basis. This includes making the most of existing assets – such as using the council's depot as a place to carry out MOTs – to charging for existing services such as bulky waste and pest control.

In **Richmondshire**, the council have sought to change the traditional delivery model for housing (which revolves around a Housing Association purchasing s106 properties and then converting them into affordable housing). The council have now moved to a model where they purchase a number of s106 properties and then market them. In essence, the council takes up the role of a developer. Under this model the purchaser would see a 30% reduction in the market value, paying £112,000 for outright ownership and the council would generate a receipt of £39,000 per property once legal and marketing costs had been deducted.

In **Buckinghamshire**, the council is engaged in a 2 year £3.4 million project that has 11 partners across the public and private sector working on a solution to amalgamate transportation data into a platform that sits in the Cloud and can be accessible by companies who wish to use this data. The data can be accessed by the development community in a standardised format and a commercial model put in place so that local authorities involved can benefit financially.There are also many other non-cashable benefits such as, avoiding vendor lock-in, improved network, reduced congestion, better air quality, more attractive county for businesses and a greater understanding of public transportation services for local citizens.

In **Camden**, the council provides a Wi-Fi network in areas of high footfall where residents, businesses and visitors will be able to access the council's online services. Each registered user will get 30 minutes of free internet access every day on each device they use on the network. This concessionary contract is designed to make better economic use of council owned assets and improve wireless network connectivity for the borough. Once users have taken advantage of the 30 minutes of free time, they will have the opportunity to purchase extra time from the provider of their choice. The contract the council holds with Arqiva provides substantial financial incentives for Camden; income generated (expected to be multiple millions of pounds) will be used to support digital innovation in local firms and tackle digital exclusion.

In **Orkney Islands** they have a well-established cruise liner terminal that is visited by over 140 ships per year earning the council well over £20m in turnover with a significant surplus contributing to the council's budget. This also generates thousands of visitors who spend significant sums of money on local attractions. They have also invested significantly in renewable energy to become self-sustaining in energy terms with surplus generation sold to the grid.

In **Southampton** the council has an existing property portfolio of £100m which generates a 7% annual return which contributes to the council's revenue budget. It recently approved an additional £65m borrowing for further investment to grow the councils' returns from its property investments further.

2 For other examples of municipal energy – framed in the context of councils' "stewardship" responsibility – see "Municipal energy: ensuring that councils plan, manage and deliver on local energy" (APSE, 2015): http://www.apse.org.uk/apse/assets/File/Municipal%20Energy%20Web%20version%20final.pdf

Defining commercialisation – culture, risk and governance

- Councils are increasingly seeing themselves as holding "stewardship" of their area, as well as continuing to be directly responsible for the delivery of a wide range of services – a development of the "placemaking" philosophy of the 2000s;
- Councils are testing and putting into place a huge range of different commercial practices – ranging from squeezing existing assets more efficiently to a wholesale change in how councils consider their role and their relationships with citizens;
- These new practices must, if they are to be successful, sit in the context of a council that is changing its overall mindset and approach – setting up trading companies or other structures for commercial activity may form an element of commercialisation, but the cultural shift across the whole council is most important.
- Bringing about this change in culture is difficult – some councils have tried a "big bang" approach to change, others have tried to be more iterative. Both approaches have their pros and cons, but the role of non-executive councillors will be central whatever happens.

What is it? Commercialisation and the "ensuring council"

Below, we will talk about the cultural shifts involved for councils seeking to act in a more commercial and entrepreneurial way. Before doing so, it is worth thinking about the broader context in which commercialisation happens. It is not about carrying out some commercial activity on the sidelines and in other respects continuing with "business as usual".

It sits as part of a wider agenda in local government – a shift in our conception of what local government is here to do. It reflects the change from council's exclusively as "service providers" to a world where councils will be at the heart of a complex web of different individuals and organisations.

Some councils use the phrase and principles of "the ensuring council" to describe this emerging role, the typology (introduced by APSE research in 2013[3]) is a useful conceptual framework to use to understand what is going on. In short, an ensuring council is one that:

- Recognises the responsibility of local authorities to be active stewards of the their communities (ie, ensuring that social, economic and environmental wellbeing of the local area);
- Foregrounds the democratic legitimacy of local authorities, placing politics and public value before reliance on competitive markets;
- Endorses collaboration with citizens and stakeholders rather than competition and contractual relation (which provides important context for the more mature forms of commercialisation and entrepreneurialism we will talk about in this paper);
- Acknowledges the responsibilities of local government for advancing social justice through its strategic mobilisation of public employment and civic entrepreneurship.

Of all of these core functions, the "stewardship" role is perhaps most important – the council having broad, "macro" oversight over the whole area, within which a large number of actors operate. For councils, commercial activity, and a entrepreneurial ethos, needs to happen in service of this key role of stewardship. It is not just about financial sustainability for councils as institutions we are talking about here – it is the social sustainability of places themselves.

3 "The road to 2020: a manifesto for the ensuring council" (APSE, 2013): http://www.apse.org.uk/apse/index.cfm/research/current-research-programme/the-road-to-2020-a-manifesto-for-the-ensuring-council/the-road-to-2020-a-manifesto-for-the-ensuring-council/

What is it? The building blocks

Once culture and intent have been discussed and resolved, councils can turn their mind to the specific ways that those objectives can be made to happen.

There are a range of different types of commercial activity in which councils can engage – representing a spectrum both of opportunities, and of necessary shifts in mindset to realise the most financial benefit. These include some of the following.

Better use of fees and charges.

Charging more appropriately for services which might previously have been provided for free or where charges do not cover the real cost of provided service (usually refers to housing, cultural, planning and environmental services provided by the council). Virtually 100% of all councils have had to do some pricing analysis and make a decision about fees and charges in the last several years. A more realistic approach to the kinds of charges that the council already makes is likely to be a natural byproduct of a council's cultural shift to become more entrepreneurial. Importantly, "more commercial" does not, here, mean "increasing charges". It could be that the nature of charging is redesigned more fundamentally to reflect a different conception of the services regarded as "core" and those considered "value added".

Better use of investment.

Councils have long invested in traditional financial products as part of their treasury strategies, alongside property investments with some local councils traditionally being landlords of offices, shops and premises as well as housing. Changes in market conditions with low yields on traditional financial produces, is now a key driver to many councils increasingly looking towards property investment as a potential solution to increase income from investments . There is detailed step by step guidance to property and investment strategies in APSE / CIPFA research 'Bricks, Mortar, Money'[4]. Councils can use investment in commercial property as a vehicle for urban regeneration – although this approach can be risky. Investing in property for purely commercial purposes can be legally complex as noted by House of Commons Library research on the subject – although the situation is currently uncertain, and councils need to take due cognisance of statutory guidance[5]. The matter has been further confused by, Government announcing that it supported an outright ban[6] [7]. but with more recent announcements by the Secretary of State (Brokenshire, December 2018) that they recognised the importance and value of local authority investments to local council budgets. There are a number of examples of councils which have made commercial property investments both inside and outside their areas, which include Spelthorne, Eastleigh and Bournemouth.

Investments can be done via usual treasury management processes, or by creating a trading company (which we cover in more depth below). CfPS has written on the governance of treasury management arrangements in guidance published in 2018[8].

Saving money through internal council transformation.

While some councils decide to either cut some services or change fees, others opt for changing delivery mechanisms to ensure that the cost of delivery is aligned with the revenue from the service, bring a more commercially rigorous approach to the way that services are designed, and how local people engage with those services. To do that councils change IT or back office structures, or review functionality and responsibilities of certain departments (such as housing or planning ones

4 "Bricks, money, mortar" (APSE / CIPFA, 2017)

5 "Statutory Guidance on Local Government Investments" (MHCLG, 2018, 3rd edn), paras 46 and 47

6 "Local government: commercial property investments" (House of Commons Library, 2018): researchbriefings.files.parliament.uk/documents/CBP-8142/CBP-8142.pdf

7 "Ban on local council investments in risky property portfolios" (The Times, 27th December 2017): https://www.thetimes.co.uk/article/ban-on-local-council-investments-in-risky-property-portfolios-swsk2wcmw

8 "Treasire your assets" (CfPS, 2018)

for instance). According to the data, 46% of councils used new entrepreneurial methods in waste management, 38% in IT, and 36% in housing[9].

Sharing services.

Sharing some functions between different authorities to cut HR and related costs. The use of shared services is already well-developed; according to the LGA, over 98% of councils are sharing some services with a neighbouring authority, with total savings amounting to over £657m[10]. Most commonly councils share procurement and commissioning services (33% of all councils); property, facilities and utility services (20%); or have a shared management (9%). But how services are shared, and the rationale underpinning that sharing, may change as councils' entrepreneurial approach results in shifts in priorities. A few years ago, the primary rationale for sharing services was to save money[11] (with services themselves arguably continuing to be designed and delivered in the same way). Now, the challenge is more fundamental – shared services can be seen as a mechanism to deliver more fundamental transformation[12]. Often, this is beginning to look more and more like the kind of "alternative delivery models" that we talk about below – long term partnerships, ventures and trading – and by a renewed focus on the needs and expectations of "customers", or citizens. .

"Alternative delivery models", including trading.

There are a huge range of vehicles and models that councils can use to trade, manage and deliver services. These structures are not an excuse for moving commercial activity "outside" the council's normal structures. There will often be a business reason for setting up different structures to support commercial activity, but much commercial activity does not, legally or financially, demand it. In the worst case, the presence of such bodies could make governance more complex, increase bureaucracy and hence make councils less responsive and entrepreneurial. Care, therefore, is needed in determining whether they are necessary and, once established, that they continually demonstrate their fitness for purpose.

There is no single dominant model, but the establishment of trading companies is something which has probably had the highest profile recently. This can include the establishment and operation of Teckal companies, entities wholly owned by a council which as a consequence are exempt from certain formal procurement requirements when delivering services for the authority in question. Over 65% of all councils now own a trading company – a huge increase in recent years. The powers for councils to trade can be found in ss95 and 96 of the Local Government Act 2003.

There are a variety of alternative delivery vehicles and models of which Teckals are just one. Some look and feel more "commercial" than others, although all require a shift in mindset in the council leading the process[13] [14].

The best current examples relate to private sector partnerships and joint ventures – these can take a number of forms, which will go beyond traditional outsourcing arrangements. However, such arrangements can come with their own risks – political and organisational. For example, while councils can and do partner with private organisations on regeneration and redevelopment, the now-cancelled Haringey Development Vehicle (HDV), a 50:50 partnership between Haringey Council and the developer Lendlease is one example that might give councils cause to reconsider this kind of approach.

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9 "Commercial councils" (Localis, 2016)

10 https://www.local.gov.uk/our-support/efficiency-and-income-generation/shared-services

11 "Shared services and management: a guide for councils" (LGA, 2011): https://www.local.gov.uk/sites/default/files/documents/shared-services-and-manag-b7d.pdf

12 "Local government: alternative models of service delivery" (House of Commons Library, 2016): file:///C:/Users/Ed%20Hammond/Downloads/SN05950.pdf

13 "Responding to the challenge: alternative delivery vehicles in local government" (Grant Thornton, 2014): https://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/2014/alternative-delivery-models-lg.pdf

14 "Guidance: library alternative delivery models" (DCMS, 2018): https://www.gov.uk/government/publications/libraries-alternative-delivery-models-toolkit

The establishment of trading companies is at the moment one of the more prominent alternative delivery methods for local councils, and the services they provide. This approach began with the creation of business units and Direct Service Organisations in the 1990s; the modern form of trading is however very different. "Strategic fit" is now seen as being of particular importance, and links closely to effective governance[15]. This means that the possible tensions between company growth and sustainability (rightly, the focus of the trading company itself), and the overall strategic aims of the authority, need to be recognised. It is not safe to make the assumption that this alignment will exist automatically, and this will present particular governance challenges where Cabinet members and senior officers sit on the Boards of trading companies.

This goes hand in hand with the need to develop, within the council and the LATC itself, a commercial mindset and a recognition of the cultural shifts that need to happen in order for a trading company to operate successfully[16]. It also highlights the governance challenges that occur when councils attempt to establish separate structures for transacting commercial activity, rather than seeking to instil a commercial mindset, attitude and approach across the way that the council operates as a whole organisation.

How do we manage the risks – and how do we change our culture?

An increasing number of councils are pursuing commercial opportunities more assertively – but recognising the associated risks in doing so. Where risk appetite is set by councillors, this means that a political commitment to commercialisation is necessary – which can be a challenge. Research carried out by Zurich Municipal highlights the tensions in play here:

> *In earlier reports CEOs talked about trying out commercial projects but now toe dipping is giving way to opportunity surfing. Commercial income generating projects are the new norm for local government, with some competing against one another to buy and build hotels, harbours, piers, cinemas, university campuses, and science and research parks. Commercialisation is not new for councils.[…] However some CEOs believe that councils should not stray into private sector disciplines to pursue commercial opportunities. "When determining an organisation's risk appetite for commercial activity all factors need to be considered and communities should be consulted in the process." Another view is that it cannot be commercialisation at any cost: "It is essential to invest in infrastructure to remain sustainable. But investment cannot be at the expense of other ethical and legal responsibilities"*[17].

Adopting a different attitude and approach to risk is all about culture change – a shifting of mindset and expectations. Some councils are often talked about as being "risk averse" entities; in truth, being risk averse entails a nuanced understanding of risk, and some councils lack this. A lack of understanding leads some authorities to think that the status quo is inherently less risky – while at the moment, a more assertive approach and attitude towards commercialisation may be less so. But beyond this overall choice, risk and culture are bound up in politics – the attitude and approach of the council's leadership and of senior officers.

Certainly, two major drivers for change are the continued uncertainty over local government finances and growth in social care demand. Councils wedded to traditional contracting – outsourcing

15 "Briefing: local authority trading companies" (LGiU, 2015): https://www.lgiu.org.uk/briefing/local-authority-trading-companies-a-policy-in-practice-briefing/

16 "Spreading their wings: building a successful local authority trading company" (Grant Thornton, 2015): https://www.grantthornton.co.uk/insights/spreading-their-wings-building-a-successful-local-authority-trading-company/

17 "Why and we here? The 2017 Senior Managers' Risk Report" (Zurich / SOLACE, 2017), p4: https://newsandviews.zurich.co.uk/wp-content/uploads/2017/10/Zurich-Municipal-2017-CEO-report-Why-are-we-here.pdf

arrangements which tie authorities into long term arrangements from which deviation is complex and expensive – will find that the need for flexibility in how services are designed and delivered make those services increasingly unfit for purpose, and with them their attitude to traditional outsourcing itself.

The situation on all of these points – and others – is fluid. Councils' approach to risk need to be flexible to accommodate.

Flexibility reflects the change we need to make to our culture. Culture change cannot easily happen overnight. A council's drivers will influence whether a "big bang" approach is necessary or whether a more iterative approach can happen. Certainly, efforts to put in place a profoundly different operating model quickly will be risky – as Northamptonshire council found to their cost, as radically different (and ambitious) approaches to service delivery unravelled as it was found that they were not financially sustainable. But equally, the iterative approach could be too slow, and marginal gains over many years may not work when there is a need for change now.

Research carried out by NLGN[18] has used the typology of the "competing values framework" to unpick the challenge and opportunities presented by culture change. In this model, the values generally possessed in local government are those associated with hierarchy, stability and control – different to the values necessary in a complex and fast-moving environment where commercial activity is central.

In this context, a key element of culture change is its implications for workforce. Commercialisation will, in many places, involve a wholesale rethink and redesign of the council as a body – not only its internal structures but the way that individual members of staff work with each other, and with other partners[19]. Skills, development and wider workforce issues will need to be considered – with the associated implications for current, and future, leaders[20]. Expectations of staff will also need to change – and councils can expect that their staff's expectations of the council as an employer will also change. What, for example, might happen to public service ethos, and conventional ideas of public sector ethics[21], where staff transfer to a separate entity? Is such a transfer even necessary for us to deliver our objectives? There is an argument that, in fact, by creating and fostering a culture of municipal entrepreneurship that draws on local government traditions, the drivers and commercialisation and public service do not, in fact, need to come into conflict[22] [23]. It will be important to engage with trade unions from the outset to establish protocols around such change.

18 "Culture shock: creating a changemaking culture in local government" (NLGN, 2017): http://www.nlgn.org.uk/public/wp-content/uploads/Culture-Shock.pdf

19 "Outside the box: the council workforce of tomorrow" (NLGN, 2016): http://www.nlgn.org.uk/public/2016/outside-the-box-the-council-workforce-of-tomorrow/

20 "Walk tall: being a 21st century public servant" (SOLACE et al, 2016): http://www.solace.org.uk/knowledge/reports_guides/Walk%20Tall%20-%20final%20ebook%20for%20download%20080716.pdf

21 "Local public services senior managers: code of ethics" (SOLACE et al, 2015): http://www.solace.org.uk/knowledge/reports_guides/Solace%20Code%20of%20Ethics_Agreed%20at%20AGM%20in%20October%202015.pdf

22 "The new municipalism: taking back entrepreneurship" (APSE, 2018): http://www.apse.org.uk/apse/index.cfm/research/current-research-programme/the-new-municipalism-taking-back-entrepreneurship/

23 "Working at the frontline of austerity: the ensuring council and workforce planning" (APSE, 2015): http://www.apse.org.uk/apse/assets/File/Workforce%20Planning%20(web).pdf

How can scrutiny engage productively?

- Scrutiny is best when it does not focus on the structural elements of commercial activity (oversight of formal governance, for example) but instead focuses on culture and the outcomes for local people;
- There are five general areas which provide the best opportunity for scrutiny to exert influence – by looking at risk, oversight of governance, cultural transformation, monitoring performance and considering the rationale underpinning commercialisation itself.
- Scrutiny has to be underpinned by an understanding of the cultural transformation necessary in councils seeking to adopt more commercial approaches to their work.

Local people need assurance that decisions made on their behalf will be made in a way that is transparent, accountable, and that has a positive impact on their lives. For this reason, democratic scrutiny, aligned with CfPS's four principles of good scrutiny[24], is a vital part of commercial activity for councils.

Scrutinising "commercialisation", considering its complex landscape, is by no means easy. The governance issues present in a complex public service environment have been explored by many – notably CfPS in our research "Accountability Works!", but more recently by APSE. APSE's 2018 research "Bringing order to chaos: how does local government hold to account agencies delivering public services?" argues:

> *"There is a complex interplay that occurs when local government is seeking to influence other significant players in the locality and to ensure that those players develop policies, make decisions and commit resources to projects the council wishes to see developed. Alternatively councils will be engaged in brokering agreements between numerous players to bring together their often disparate and separate interest into some cohesive whole for the benefit of the locality."*[25]

These "other significant players" can be other public bodies – but increasingly they will be commercial entities – joint ventures, mutuals, or alternative delivery vehicles (including Teckals). A commercial model of operation means that it will be increasingly difficult to classify these partners as being "external" to the council – their work will be entwined in the council's core responsibilities. This presents a challenge to traditional models of governance, based as they are on clear hierarchies and "line of sight" accountability via senior officers to Cabinet members. The challenge here echoes the "competing values" cultural shift explored by NLGN that we explored in the last section.

In this context it may be best to think less about the structural challenges to governance – navigating the relationships between organisations – and more about the specific contribution that scrutiny, led by elected members, can make to the whole "system" of governance in a given locality.

This starts with the culture. We have talked about the need for a mindset shift within councils as they undertake to operate more entrepreneurially, and scrutiny has a critical role in understanding and supporting this shift. "Doing commercial" without engaging with this need for broader change, as we have discussed, will risk leading to only marginal gains. Scrutiny's work has, therefore, to begin by engaging in these core cultural issues – understanding the changes in prospect and how officers and members (and partners) will be brought along on the journey. Where there are gaps here, or where those objectives are poorly articulated, that is the first sign that more need to be done.

Once that first, central point has been reviewed and understood, scrutiny can dig in to some of the

24 "Using evidence in scrutiny" (CfPS / SOLACE / Alliance for Useful Evidence, 2017): https://www.cfps.org.uk/wp-content/uploads/CfPS-Using-Evidence-in-Scrutiny-WEB.pdf

25 "Bringing order to chaos" (APSE, 2018), p15: http://www.apse.org.uk/apse/index.cfm/research/current-research-programme/bringing-order-to-chaos-how-does-local-government-hold-to-account-agencies-delivering-public-services/

detail. We think that this contribution has five principal elements:

1. Helping to drive forward cultural transformation (further work on the cultural dynamics of change)
2. Helping to make judgments about the rationale underpinning commercial activity
3. A focus on risks
4. Oversight of governance itself – executive side management systems and the relationships between partners
5. Oversight of performance monitoring (rather than performance monitoring itself, which will largely be managed by traditional means, and within contract)

The overall focus for scrutiny, then, is on the "macro" aspects of governance and accountability – the health of the system, the rationale that underpins strategic action, culture and political leadership[26]. A focus on such issues echoes our comments on the "ensuring council" at the start of the last section – anchoring scrutiny in the new role of councils as this agenda develops.

1. Cultural transformation

Commercialisation must involve cultural change – a shift in attitudes towards more innovation, more responsiveness to local people, and an attuned sense of how a more entrepreneurial council can continue to meet its residents' needs. We commented on this at length in the section above – in particular, on the danger of the idea that commercialisation and commercial activity can be "parked" in another entity and leave the council otherwise unchanged. Councils may need to:

- Think about organisational development in its broadest sense – the values and attitudes which underpin what makes a good employee, how officers collaborate (and how they work with members) and the level of freedom to act and innovate that staff have, within legal frameworks
- Explore and agree in more detail how practices and approaches will need to change in order to support the council's move to a more entrepreneurial approach – this may involve a more rigorous approach of prioritisation, a more permissive approach to innovation and experimentation, a shift in the way that the council's officer corps thinks about individual and collective responsibility for decision-making, and so on
- Check whether scrutiny itself is tooled appropriately and whether scrutiny's work is sufficiently planned, managed and prioritised to engage meaningfully with scrutinise commercial activities. This includes the need to have a proper understanding of members' skills – and where gaps in skills might exist. Inevitably, this also demands a focus on resources, and whether scrutiny has the right resource, in the right place, to do what members and the council need it to do.
- Review employee skills and check whether the skills are fit for the new council purpose, and subsequently decide on new hires and/or restructuring (often as part of a wider organisational development strategy)
- Change corporate structures, where necessary. Structural change is something that should be countenanced once other changes have been considered in depth.

How councillors can address this

- identify and articulate the nature of the transformation in culture that needs to take place (ensuring that this transformation is well articulated, and consistent);

26 Ibid, p28

- identify what the associated risks and costs are likely to be;
- decide how the council can mitigate those risks and balance the costs;
- ensure that the process of transformation is scrutinised and managed effectively[27].

2. The rationale underpinning commercialisation

One of the biggest roles that scrutiny can play in scrutinising plans for commercialisation is assisting with ensuring that there is a logic underpinning plans for commercialisation, and entrepreneurialism – that there is an outcome in mind and a clear and realistic sense of how to deliver that outcome. Early involvement of scrutiny in these major change plans mean that scrutiny can play a part in the assurance of those plans – helping the rest of the organisation to understand and implement them.

This is about more than just having "success criteria" – but such a sense of what success looks like will provide a critical framework for holding the council to account, and they ensure that new commercial entities are aware of their responsibilities as well. While there is no way of compiling a full list of potential factors (as they would largely depend on the type of commercial activity), the key issues scrutiny can look at in this regard are the following:

- Recommending financial criteria for new investments, namely, agreeing on the borrowing limits, yields, returns and other financial indicators that would ultimately guide commercialisation decision-making
- Looking at the governance structure of new commercial vehicles/activities and setting up clear responsibilities of councillors and officers with regards to those activities
- Deciding on the ethical component of commercialisation. Councillors may wish to grapple with the need for social responsibility in trading, and whether the council – and commercial entity – would be prepared to achieve a lower financial return alongside a higher social return – focusing on what is known as the "triple bottom line", which does not focus exclusively on profit.
  In addition to that, there are ethical considerations with regards to neighbouring councils as well. Questions include:
  - is there a potential for a conflict of interest when investing in other geographical areas?
  - can there be tensions among neighbouring councils over certain commercial decisions?
  - If so, do benefits outweigh the conflict of interest/tension issues?
  - how can these be issues mitigated?
- Deciding on key performance indicators, ensuring that the outcomes of commercialisation are well understood, overseeing and commenting on the preparation of equality impact assessments, and setting the framework for ongoing monitoring of commercial and entrepreneurial activities. We would not suggest a forensic focus on performance management; there is too much risk of duplication. However, general member oversight of the process of performance management – ensuring that systems for measuring and improving are effective – could be productive.

Doing the above requires Executive-side commitment. Without that, it will be difficult for scrutiny to get involved either when commercial plans are at an embryonic stage (when discussions over member governance will be most valuable). By extension, this means that member scrutiny risks being overlooked overall. The nature of the transformation, and the nature of commercial activity, means that it will arguably be difficult to retroactively design scrutiny into commercial activity once

27 "The change game" (CfPS, 2015)

that activity is well underway. It is possible, but it will be more difficult, and scrutiny may find its role (and its potential positive impact) constrained.

3. Risks

Risk provides a good "way in" to any major council decision, combining as it does the opportunity to engage with culture and mindset (the council's risk appetite) with a practical engagement in the mechanics of the issue, service or function under scrutiny. We noted the importance of risk issues, and risk appetite, in the section above.

With this opportunity comes a caveat. A fixation on risk could be seen as promoting a sense that scrutiny acts, or should act, as a brake on innovation; we do not suggest a pessimistic approach to scrutiny which accentuates only the negatives. Consideration of risk is valuable principally insofar as it helps to understand, tackle and mitigate those risks. It is about empowering the council, executive members and senior officers to properly tackle these issues – not about throwing up enough worry to persuade decision-makers that commercialisation is an unknown whose inherent risks are so significant that they should not be pursued.

The risks relating to the commercialisation process as whole include the following:

1. Risks of the status quo
   For some councils – especially those with leaderships ideologically opposed to the idea of democratic, public institutions becoming "commercial" in their outlook and approach – other approaches may seem more attractiveCommercialisation is not the only game in town – there are other solutions to explore. Each alternative has its own risks.

2. Strategic risks
   Any commercial activity – trading, establishing joint ventures, and so on - has its strategic risks. For instance, commercial activities done solely for the purposes of reducing budget deficit or generating extra income suffer from their narrow focus and low horizon planning, which in turn may lead to these activities being disjointed and costing the council more than envisioned while delivering only marginal benefits; it may also result in poor alignment between the role of any new trading entity and that of the council. Risks associated with "whole council" transformation, of which commercialisation may form a part, include:

   a. time,
   b. employee loss and/or retention issues associated with any ensuing restructures (and associated workforce issues, as discussed above),
   c. difficulty of formulating and agreeing on a new culture among the council's leadership and members more generally (especially where clashes in expectation exist between adherents of governance systems based on more hierarchical approaches, and those keen to explore different ways of working),
   d. the high initial costs of such a decision where the financial benefits may arise later on (and, as witnessed by some of the poorest performing traditional outsourcing arrangements, those benefits may simply evaporate, never having existed in the first place),
   e. the necessity to plan over a long period of time where the council's financial position may be uncertain (particularly in the light of uncertainty over business rates – although of course commercialisation is about bringing more certainty to council finances, and making local services more sustainable)

   There are also strategic risks associated with the council "diverting resources" to

commercialisation at the expense of day-to-day service delivery and it is an important question of how to balance council existing duties with new activities. In reality, transformation – and changing culture – should be about recognising that councils' commercial activities operate in service and in alignment to its overall "stewardship" role, so a well-designed system should not divert resources away from what might be described as "core" (or worse, "legacy") activity.

3. Financial risks
Each kind of commercial activity has its own financial risks. Usually, these will be understood and acted on by officers, in consultation with Cabinet members, as per the prudential code requirements on risk detail and managed with the commercial entity itself; there will be no need for member-led scrutiny to focus on the detail of this. However, oversight of financial risk is an important element of the overall governance picture – particularly in terms of understanding and challenging the risk appetite that the council and its partners share on financial risk.

4. Political risks

5. Commercialisation is a risky venture by definition and it requires strong leadership to reach success. Hence, political risks of failing or mismanaging have to be considered seriously; there are associated risks about the political direction of the authority. In addition to that, some commercialisation activities touch on rather complex issues relating to the intersection of politics and ethics – should the council invest only in commercial property or should it be advancing affordable housing (or both)? Should investments not cross the border of the council, or can they be done only based on merit, including international off-shores? Will new traded companies get into competition with services provided by neighbouring councils or interfere with an existing commercial market offer or where the market should fill the gap? Can that lead to political tensions? There is no blueprint or right or wrong answer for any of the questions, and each council should be aware of political risk associated with communities or neighbouring councils not being satisfied with some of the council choices. There is also a statutory requirement to undertake sensitivity analysis in Wales.

6. The risk of the objectives of the commercial entity/entities beginning to diverge from the objectives of the council.
Councils may consider that they can carry out commercial activity which perfectly aligns with the wider objectives of the authority, and the needs of local people. This is not guaranteed. Commercial entities may begin to develop and pursue their own priorities; as they diverge the risks to the council potentially increase around both political accountability, and the commercial entity's continued delivery of services that meet the council and the community's needs. This is, for example, a challenge faced by many housing associations, moving into a position of operating more as conventional developers than social landlords. There is a particular, associated risk here relating to the position of council officers and elected members, who may sit on the boards of such commercial entities, and who may therefore find it difficult to maintain the "Chinese walls" between the two organisations as their priorities may continue to diverge. We will expand on this issue in the section below on "Governance"

7. Compound risk
Compound risk is a joint risk of all commercial activities together. Often enough, members and officers have an understanding of risks relating to a particular commercial activity and have a sense of what will happen if that activity fails. However, there is usually little discussion of consequences of numerous activities not going according to the plan either

financially, or strategically, or politically, or in any other way at the same time. Compound risks summarises all possible risks from all commercial activities undertaken by the council and checks whether that risk is still bearable by the authority.

8. Other council-specific risks
   Each local authority would have circumstances that are unique and can be only known to the councillors of that area. Those circumstances would have associated risks with them, and those risks also need to be identified and considered.

This list is not exhaustive. Apart from the listed risks there are risks that would be related to each commercialisation type. For instance, trading services and opening a council-owned company risks may include risks of losing oversight, financial risks of failing, reputational risks to the council if the company does not deliver, governance issues depending on the governance model, and so on. Traded services, however, is an umbrella term for companies that can be opened for numerous purposes, and each one of the particular company would have its own market risks in addition to the ones mentioned before. Luckily, most of those risks should be fully analysed by the council prior to commencement of commercial activity, but it's important for scrutiny to be aware and keep track of them as well.

While it may be impossible to identify all potential small and big risks of commercialisation strategy or each type of commercial activity, based on our research having a broad understanding of main risks on top of agreeing on the council risk appetites has proven to be a useful activity.

How councillors can address this

- Have regular access to risk registers, and engage with the risk discussions which happen at Board level in any separate commercial entity;
- Be prepared to identify, monitor and oversee the biggest strategic risks – escalating them to committee or another public space for discussion only where scrutiny can add value;
- Build an understanding of commercial risk and reward into broader scrutiny work;
- Understand and act on the need to incorporate an understanding of risk into the way that scrutiny engages with and drives cultural change – by encouraging officers and Cabinet members to take risk seriously, and to talk frankly and candidly about it.

4. Governance

Oversight of commercial activities is an important task, and scrutiny will need to align its work to ensure that it does not duplicate what governance systems already exist. This introduces an issue to which we will return – the need for a flexible and responsive approach to governance.

There are as many different approaches to governance as there are commercial activities. Governance is complex – as we outlined above, one of the more significant tensions exist between the tendency to adopt traditional, hierarchical governance solutions, and the drive to be more flexible and dynamic. Councillors may be more comfortable with hierarchical systems which gives them "visibility" on commercial activity – but this may in itself make such activity more difficult to transact.

The potential pitfalls and opportunities of different governance approaches are only now coming to be explored – which is why scrutiny is in such a good position to be at the vanguard of oversight of how such systems work. Who makes strategy – who answers to whom for what – how are decisions made? In getting an understanding of these issues, members can help to tease out where gaps in governance might exist – and where scrutiny itself might fill those gaps.

This is about more than just looking at organograms and structure charts – it is about understanding the mindset of the key individuals with decision-making responsibility and challenging their

assumptions about how they expect themselves, and each other, to work together.

The biggest challenge usually emerges when a council is looking into setting up a new company. While the governance model of council being the sole or majority shareholder and several councillors and officers forming the board of directors is the most used one, this system very commonly backfires in cases of trouble. Through our research we found that councillors and officers who were members of the company's board often found themselves in a conflict of interest. On one hand they have responsibility to keep certain information within the council company due to confidentiality and other agreements. On the other, they have responsibility before taxpayers and the council itself. Often enough, actions stemming from these responsibilities are in conflict with each other. While some conflict of interest may always be there in such cases, scrutiny can assist with:

- Understanding the potential for the conflict of interest
- Mitigating the potential for the conflict of interest by devising special clauses in board of directors' contracts and agreements between newly established company and the council

Governance issues also relate to the monitoring of commercial activity overall by the Executive. In some areas, commercial activities are overseen by Full Council – reflecting a more cautious, traditional approach. In others, smaller groups are involved in making decisions – but this informality can lead to wooliness in who holds responsibility for what and at what time.

There is some debate about which option is the most suitable one, with some councillors claiming that the speed with which you operate on the market is different from the local authority decision-making timeframes, and hence, a smaller working group is necessary to make efficient and timely decisions. There is no right or wrong answer, as each each approach to general oversight has its own risks and benefits. A general rule is that with a more fundamentally different approach to the culture of commercialisation the oversight of "commercialisation" itself will not be as obvious and apparent – it will be integrated into everything that the council does, and attempting to extract it will be both very difficult and undesirable. Scrutiny's approach will therefore need to be designed to accommodate this.

How councillors can address this

- Talk to officers, other councillors and commercial partners about how decisions are made;
- Understand, practically, how commercial activity is monitored and overseen – perhaps through the use of case studies or user journeys;
- Think about their own expectations of what level of oversight might be appropriate for different commercial activities – based on their own assessment of risk and risk appetite.

5. Monitoring performance of existing commercial activities

Finally, scrutiny can bring its expertise in monitoring existing commercial activities and holding all relevant parties to account – particularly where commercial activity has been "mainstreamed" into the way that the council delivers services day-to-day. In doing this scrutiny might make use of APSE's Performance Networks, which provide benchmarking data across the public sector. Benchmarking has to be carried out carefully – particularly given the importance of culture and attitude, which cannot easily be measured. But benchmarked data does provide a vital jumping-off point for further scrutiny.

Scrutiny can decide:

- Whether performance matches the original objectives in relation to outcomes and other key indicators.
- How have council services been affected by more commercial attitudes and approaches

and in what spaces have changes (positive and negative) been most keenly felt – by the council and by local people

- What the reporting requirements are for monitoring by the management systems of the commercial entity itself, and more generally by the council's Cabinet
- How scrutiny can use data and information produced by commercial entities (for their Boards, and other purposes) to keep a check on activity – with a view to intervening on a "by exception" basis if concerns about performance should arise
- What form such intervention should take, so as not to unreasonably restrict the commercial entity's freedom to act, but recognising the importance of democratic accountability.

Finding a way in for scrutiny

Many council Leaders and Chief Financial officers, and even directors of council-owned companies that we spoke to are keen supporters of scrutiny reviewing their work, provided there is an understanding of the terms of reference. In this regard, exploring the areas above can help build a common ground between scrutineers and those who are scrutinised. As ever, it must be clear how scrutiny will add value – a difficult task, where governance is complex and where oversight from councillors might be seen as working against the necessary flexibility and dynamism of commercial ventures.

In addition to that, below we offer seven scrutiny questions that may assist as scrutiny begins to scope out its involvement, and to examine and understand the role it can play. Scrutiny members will hopefully find that as they come to answer these questions, it will become easier to discuss and agree which of the approaches that we have set out above might be most appropriate to adopt:

1. Does the council have a commercialisation strategy – a clear articulation of how and why it wishes to pursue commercial opportunities and become more entrepreneurial? Does the council understand the importance of culture to this change – and the need to think of this as a "whole council" endeavour? Does this strategy include all commercialisation activities that the council is undertaking or is planning to undertake? Does the council really understand what "commercialisation" means?
2. Is council's approach to commercialisation a piecemeal one (i.e. looking at squeezing existing assets or opportunism) or a more strategic one? There is nothing intrinsically wrong with a more opportunistic approach but it could make it difficult to "scale up" commercial plans, and it may make commercialisation more difficult to achieve if the necessary cultural issues have not been systematically addressed. However, many authorities will commence in one area of activity at the outset to test capability and build knowledge and skills in this area prior to going wholescale.
3. What is the risk appetite in the council and has there been a fair assessment of risks of commercialisation activities and consideration of alternative options?
4. Are proposed or existing commercial activities viable? Do they stem from council strengths – do they take account of and complement our broader social purpose? How has viability been assessed – how will it continue to be assessed? How will the viability or otherwise of the commercial activity impact on the council – positively or negatively?
5. What is the governance structure of commercial activities – on a day to day basis and at a more strategic level? What are the risks associated with such a structure and how these risks can be mitigated?
6. Is the rational and purpose of commercial activity mainstreamed within how the council works day to day – rather than commercial activity being treated as an adjunct to "core" activity?
7. How has the council considered ethical issues that might arise from commercialisation? How has the role of local democracy, the needs of citizens and the duties of the council been built in to the way that commercial activity will be managed and overseen?

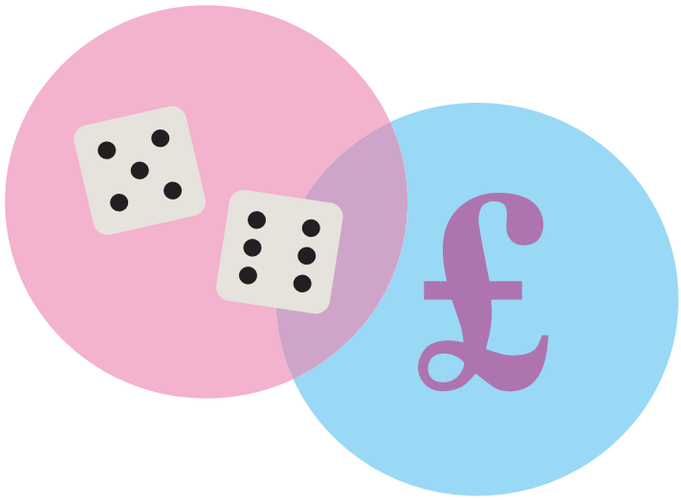
Three principles for effective scrutiny

Scrutiny can bring a lot to the table when it comes to commercialisation. Our research does, however, suggest that councils have struggled to find a clear role for elected member oversight as councils become more entrepreneurial. To combat that and as a conclusion we would like to offer three key principles:

1. **Early engagement**
   The earlier scrutiny is engaged the more effective it can be and the more time it has to analyse the situation, do benchmarking, consult the constituents and engage the public, and provide council with relevant recommendations. Also, having early engagement supports good relationships between scrutiny and Executive, and shows trust in scrutiny, which in turn is beneficial for the whole council. Another benefit of early engagement is in scrutiny councillors being fully aware of the commercialisation process at the start, and hence being able to offer its support and expertise at a much quicker rate without necessarily setting up task-and-finish groups.

2. **Streamlining scrutiny**
   Too often scrutiny of commercialisation is thought of as an in-depth exercise, usually taking a form of task-and-finish group, that takes several months to be fulfilled. Considering the pressures of commercialisation, it is indeed difficult to set aside several months for such a process. However, streamlining scrutiny, i.e. including scrutiny into all major commercialisation discussions and negotiations, and referring some matters to scrutiny as soon as those arrive might be more beneficial for the council. In this way, scrutiny would have all the relevant knowledge to consider the final commercialisation decision made by the council, would have enough data to monitor performance, and would be involved in numerous steps of the commercialisation way without taking away time from decision-making. The ability and knowledge to scrutinise should also be shared more widely than just 'finance and resources' if their work remitted includes any aspect of commercial activity.

3. **Having a strategic approach**
   Ideally, a council should have a strategic approach to commercialisation, i.e. it should be an activity that goes beyond piece-meal investments or service revisions. Similarly, scrutiny function should take a strategic approach to monitoring and scrutinising commercial activities. Due to the nature of scrutiny and commercialisation, it will never be possible to scrutinise every single aspect of commercialisation or each activity. Hence, it is important for scrutiny to know what its strategy is when it comes to commercialisation, what it should focus on, and what its priorities are.



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National Audit Office

Report
by the Comptroller
and Auditor General

Ministry of Housing, Communities & Local Government

Local authority governance

HC 1865 SESSION 2017–2019 15 JANUARY 2019

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National Audit Office

Ministry of Housing, Communities & Local Government

Local authority governance

Report by the Comptroller and Auditor General

Ordered by the House of Commons
to be printed on 14 January 2019

This report has been prepared under Section 6 of the National Audit Act 1983 for presentation to the House of Commons in accordance with Section 9 of the Act

Sir Amyas Morse KCB
Comptroller and Auditor General
National Audit Office

11 January 2019

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This report examines whether local governance arrangements provide local taxpayers and Parliament with assurance that local authority spending is value for money and that local authorities are financially sustainable.

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Key facts

28.6%

real-terms reduction in local authorities' spending power (government funding plus council tax), 2010-11 to 2017-18

£2.5bn

increase in local authority spending on acquiring land and existing buildings from 2015-16 to 2017-18, much of which is for commercial investment purposes

34.2%

real-terms decrease in spending on corporate and democratic support services by local authorities from 2010-11 to 2017-18

27% of local authorities' external auditors in our survey thought risk profiles had increased from 2016-17 to 2017-18

77% of chief finance officers (section 151 officers) in our survey agreed that their finance function was sufficiently resourced

89% of chief finance officers (section 151 officers) from single tier and county councils in our survey are on their senior leadership team

98% of chief finance officers (section 151 officers) in our survey agreed or strongly agreed that they felt able to provide challenging information to elected members

32.7% of local authorities' audit committees have at least one independent member

48% of external auditors in our survey agreed or strongly agreed that audit committee members in their authority were appropriately trained to deliver their role

18.5% of local authorities' whistleblowing policies published on their websites advised people to contact the Audit Commission, which was abolished in 2015

25% of chief finance officers (section 151 officers) of single tier and county councils in our survey felt that their audit fee for 2017-18 was too low relative to the risk faced by the authority

Summary

1 Local authorities are accountable to their communities for how they spend their money and for ensuring that this spending represents value for money. Local politicians and officers operate within local governance frameworks of checks and balances to ensure that decision-making is lawful, informed by objective advice, transparent and consultative.

2 While elements of local governance arrangements are locally defined, core components are set out in a statutory framework of legal duties and financial controls overseen by the Ministry of Housing, Communities & Local Government (the Department). The Department is responsible for ensuring that this framework contains the right checks and balances, that it works, and for changing the system if necessary. The Department sets out the core elements of this system in its Accounting Officer System Statement (**Figure 1** overleaf).

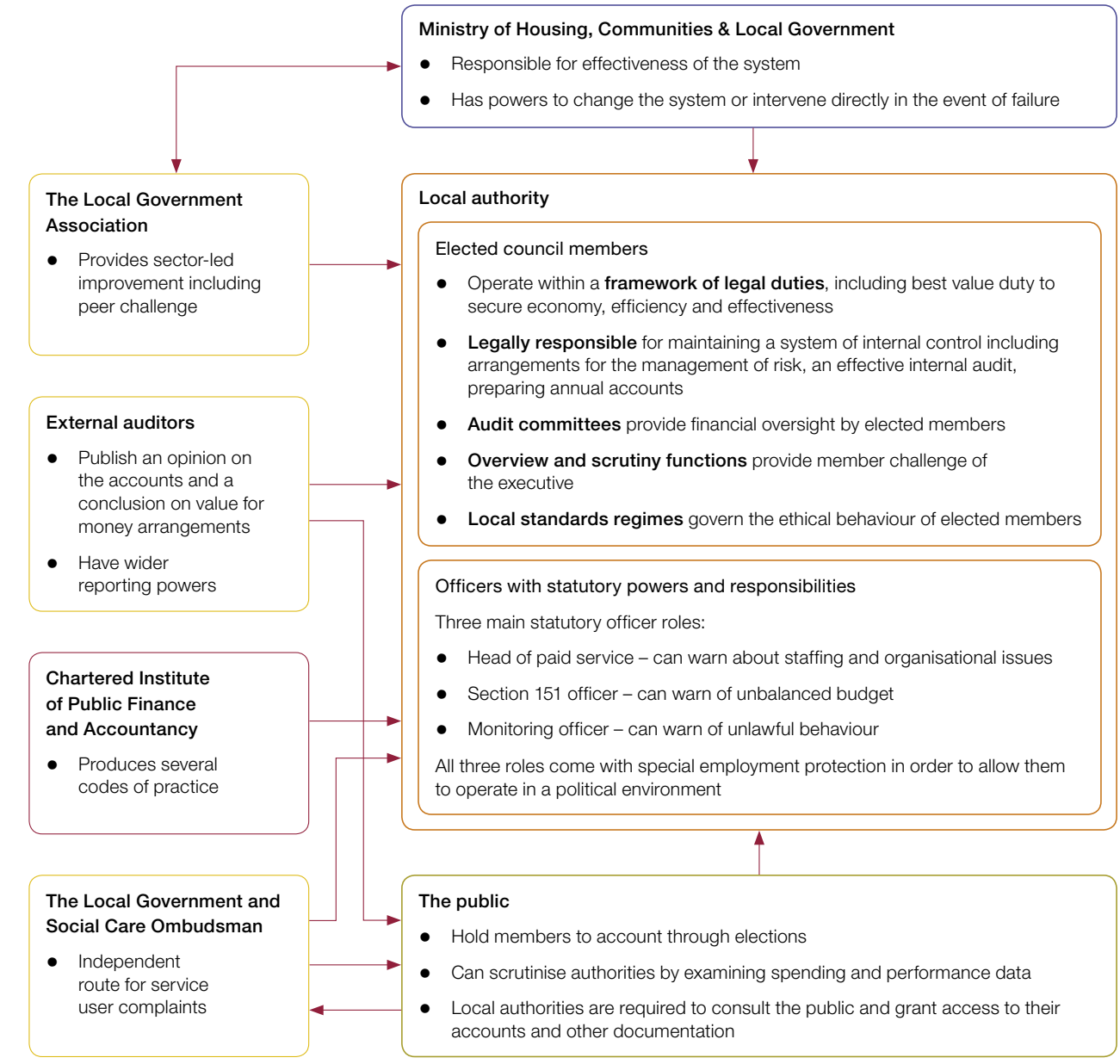
3 Good governance means that proper arrangements are in place to ensure that an authority's intended objectives are achieved. Key elements of the statutory framework ensure that authorities remain financially sustainable. These elements include:

- a statutory requirement for a balanced annual budget;
- a statutory requirement for there to be a chief finance officer (section 151 officer) and for that officer to advise on the robustness of the estimates and the adequacy of the reserves allowed for in the budget, which members must consider as they take the budget decision;
- a statutory process (section 114 notice) by which the section 151 officer can cause the council to pause and reconsider spending decisions or budgets; and
- legal requirements for councils to have a sound system of internal control, proper arrangements for managing their financial affairs and to have their statement of accounts and arrangements for value for money subject to external audit annually.

Unlike police bodies and combined authorities, there is no statutory requirement for English councils to have an audit committee. However, the position of the professional body for local authority finance is that an audit committee is required as part of proper arrangements for financial management.[1]

1 Chartered Institute of Public Finance and Accountancy, *CIPFA's Position Statement: Audit Committees in Local Authorities and Police*, CIPFA, 2018.

Figure 1
Core local governance framework



Notes

1 Links with other departments and service inspectorates not shown.

2 There are other statutory roles in an authority but the three listed in the chart are our main focus.

3 Arrows show the main influences acting on local authorities' governance arrangements.

Source: National Audit Office analysis of Ministry of Housing, Communities & Local Government information

4 Our study on the *Financial sustainability of local authorities 2018* found that authorities have faced significant challenges since 2010-11 as funding has reduced while demand for key services has grown.[2] Governance arrangements have to be robust in this challenging context or this creates a risk that authorities will not be able to deliver their objectives. Effective governance is particularly significant as funding has diminished because authorities' objectives are now increasingly fundamental and relate, for instance, to securing their own financial survival and continuing to meet statutory service obligations. Accordingly, the focus of this study is on those governance arrangements most closely associated with financial sustainability.

5 Not only are the risks from poor governance greater in the current context as the stakes are higher, but the process of governance itself is more challenging and complex. Governance arrangements have to be effective in a riskier, more time-pressured and less well-resourced context. For instance, authorities need to:

- maintain tight budgetary control and scrutiny to ensure overall financial sustainability at a time when potentially contentious savings decisions have to be taken and resources for corporate support are more limited; and
- ensure that they have robust risk management arrangements in place when making commercial investments to generate new income, and that oversight and accountability is clear when entering into shared service or outsourced arrangements in order to deliver savings.

Our report

6 Our report examines whether local governance arrangements provide local taxpayers and Parliament with assurance that local authority spending achieves value for money and that authorities are financially sustainable. The report addresses this question in three separate parts:

- Part One examines the pressures on the local governance system;
- Part Two explores the extent to which local governance arrangements function as intended; and
- Part Three assesses whether the Department is fulfilling its responsibilities as steward of the system.

2 Comptroller and Auditor General, *Financial sustainability of local authorities 2018*, Session 2017–2019, HC 834, National Audit Office, March 2018.

7 We examine the roles of statutory officers and arrangements for internal and external checks and balances. Given the scale and scope of local arrangements and the lack of national data, we have focused on key elements of governance in securing financial sustainability locally instead of seeking to cover the whole system.

8 We recognise that the National Audit Office, through its responsibility for the Code of Audit Practice, is an element of the overall local governance framework. We have not examined our own role.

9 We have published a report on *Local auditor reporting in England 2018.*[3] Some of the analysis in the *Local auditor reporting in England 2018* report overlaps with elements of the analysis contained in this report on *Local authority governance*. However, the former report covers 495 local government bodies and focuses purely on the outputs of local auditors and the way these have been used by local bodies and departments. In contrast, this report on governance focuses solely on the 353 principal councils and examines authorities' views on the scope and contribution of local external audit as part of their overall governance arrangements.

Key findings

Challenges to local governance arrangements

10 Risk profiles have increased in many local authorities as they have reduced spending and sought to generate new income in response to funding and demand pressures. Local authorities have seen a real-terms reduction in spending power (government grant and council tax) of 28.6% between 2010-11 and 2017-18. Demand in key service areas has also increased, including a 15.1% increase in the number of looked after children from 2010-11 to 2017-18. These pressures create risks to authorities' core objectives of remaining financially sustainable and meeting statutory service obligations. Furthermore, to mitigate these fundamental risks, many authorities have pursued strategies such as large-scale transformations or commercial investments that in themselves carry a risk of failure or under-performance. External auditors responding to our survey indicated that risk profiles were higher in 37% of single tier and county councils in 2017-18 than they were in 2016-17 (paragraphs 1.10 to 1.18 and Figures 2 to 5).

3 Comptroller and Auditor General, *Local auditor reporting in England 2018*, Session 2017–2019, HC 1864, National Audit Office, January 2019.

11 Local checks and balances need to be effective in a more complex and less well-resourced context for local decision-making. Authorities' responses to the challenges they face have tested local governance arrangements. Specific challenges include elected members in some authorities having to take more locally contentious decisions to deliver savings, sometimes weighing statutory service requirements against local priorities. New delivery arrangements adopted by authorities to secure savings or generate income such as shared services, outsourcing and commercial activities can also add greater complexity to governance arrangements. Resources to support governance also fell by 34.2% in real terms between 2010-11 and 2017-18. Authorities' governance arrangements need to be robust enough to function effectively in this more challenging environment (paragraph 1.19 and Figure 6).

12 Effective governance arrangements are an important aspect of ensuring financial control at a time of financial pressure. We have said previously that the sector trends in relation to overspending and use of reserves were not financially sustainable over the medium term.[4] Among single tier and county councils, 61.8% overspent on their service budgets in 2017-18. A loss of effective budgetary control and budget setting scrutiny were identified as significant factors in the one case since 2010-11 where the section 151 officer has had to issue section 114 notices. A governance inspection of this authority commissioned by the Secretary of State indicated that Northamptonshire County Council had lost tight budgetary control and abandoned effective budget setting scrutiny. The report concluded that in local government, "… there is no substitute for doing boring really well. Only when you have a solid foundation can you innovate" (paragraphs 1.13 and 1.20).

The operation of local governance arrangements

The role of the section 151 officer

13 While section 151 officers as a whole are positive about their ability to deliver their role, those that do not report directly to their chief executive are less positive than those that do. Our survey of these officers showed that the great majority of respondents felt they were able to discharge their responsibilities effectively. For instance, 98% agreed or strongly agreed they felt able to share challenging information with elected members. However, the survey also showed that where these officers do not report to the chief executive and have a lower status they are less positive about their engagement with their senior leadership teams and elected members across a range of measures. To a degree, this reflects a broader concern expressed by some stakeholders about the status of these officers within the current decision-making environment and their ability to bring their influence to bear on material decisions (paragraphs 2.3 to 2.9 and Figures 8 to 10).

4 See footnote 2.

Internal checks and balances

14 Our survey of external auditors raised concerns about the effectiveness of a range of internal checks and balances. Local authorities are required to maintain a sound system of internal control, including risk management, internal audit, and whistleblowing arrangements. Our survey of external auditors indicated that while in the majority of cases auditors agreed that suitable arrangements were in place, this was by no means universal. For instance: 27% of auditors did not agree that **audit committees** provided sufficient assurance about authorities' governance arrangements; in 18% of cases external auditors did not agree that **internal audit** was effective; and for **risk management**, and **scrutiny, challenge and debate**, 17% and 16% of auditors respectively did not agree that arrangements were effective.[5] Our analysis of authorities' whistleblowing policies shows that they are not always kept up to date. Of those that we could find on authorities' websites, 24.2% were out of date and 18.5% advise people to contact the Audit Commission, which was abolished in 2015 (paragraph 2.17 and Figure 11).

15 There is a sizeable group of local authorities with multiple issues with these internal checks and balances. From our survey of external auditors we selected six key internal checks and balances (audit committees, ethical standards for member behaviour, internal audit, risk management, overview and scrutiny, and statutory officers). Our analysis of survey responses indicates that where auditors have concerns about these checks and balances these tend to be concentrated in particular authorities. In 50% of cases, auditors had no concerns about any of the six elements, and in 19% there was concern with only one element. However, auditors had concerns with two or more elements in 30% of authorities, including 9% with four or more. Our analysis showed that authorities with higher levels of governance issues also tended to have higher risk profiles. There is therefore a substantial body of authorities where governance arrangements are showing signs of stress in the context of the financial pressures acting on the sector (paragraphs 2.23 to 2.27 and Figure 12).

External checks and balances

16 Auditors concluded that in 2017-18 nearly one in five single tier and county councils did not have adequate arrangements in place to secure value for money. External auditors produce an annual conclusion on an authority's arrangements to secure value for money. For 2017-18, 4.6% of conclusions issued for district councils and 19.3% issued for single tier and county councils were qualified. Roughly half of the qualifications in single tier and county councils were given solely on the basis that the children's social care service had been rated 'inadequate' in an Ofsted inspection. Our survey of external auditors indicated that in several cases authorities did not take appropriate steps in response to qualified conclusions. We have said elsewhere that, while levels of qualifications are lower amongst local authorities than some other public sector bodies, the level of qualified conclusions is unacceptably high (paragraphs 2.28 to 2.32 and Figure 13).[6]

5 This includes auditors responding 'strongly disagree', 'disagree' and 'neither agree nor disagree'. In our focus groups, a number of which were with survey respondents, it was agreed that where respondents had responded 'neither agree nor disagree', they were not stating that a particular arrangement was dysfunctional, but they were indicating that it was not of an appropriate standard and there was room for improvement. See Appendix Two.

6 See footnote 3.

17 Over half of the section 151 officers from single tier and county councils responding to our survey indicated that they wanted changes to be made to external audit. Among section 151 officers from single tier and county councils responding to our survey, 51% indicated that there were aspects of external audit they would like to change. This included requests for a greater focus on the value-for-money element of the audit (26%) and less of a focus on the valuation of capital assets within auditors' work on their financial statements (14%). In our focus groups, heads of paid service, section 151 officers and internal auditors raised concerns that the contribution of external audit to local governance had been reduced recently. Frequently, they linked this to the reduction in the audit fee paid by authorities. Among respondents from single tier and county councils to our section 151 officer survey, 25% thought their audit fees for 2017-18 were 'too low'. However, 68% thought their audit fees for 2017-18 were 'about right', and 3% thought they were 'too high' (paragraphs 2.36 to 2.42 and Figures 17 to 19).

The role of the Department

18 In the Department's view, its responsibility is for the local governance system as a whole. The Department relies on this system to ensure that local authorities are accountable for acting with regularity, propriety, and value for money in the use of all their resources. The accounting officer is clear that she is responsible for ensuring that the local governance system as a whole contains the right checks and balances and is working. The Department told us that its assurance role required it to test and examine the system rather than collecting information about every individual authority. Accordingly, the Department's bi-annual advice to the accounting officer on the robustness of the system is not based on assessments of each individual authority's governance arrangements. In the Department's view, individual local failings do not represent system failure. The Department said that the identification of system failure would involve a judgement based on the nature, scale and circumstances of local failings (paragraphs 3.2 to 3.8).

19 The Department lacks the evidence base to assess rigorously whether governance issues are system-wide and this reduces the level of confidence it can have in the operation of the system. The Department has been clear that it does not collate systemic data on governance following the abolition of the Audit Commission and the associated reduction in reporting requirements on councils. It has increased its consideration of governance at some individual authorities. Using information from its monitoring of financial risk alongside additional information, the Department's reports contain information on governance failings at authorities of concern. This work draws on only one national data set containing governance information. The Department recognises that it could do more to identify systemic concerns and test elements of the system. It has made a risk-based judgement on how to prioritise its efforts and as a result has primarily but not exclusively focused on financial risks to date (paragraphs 3.6 to 3.14).

20 The Department is able to intervene both formally and informally in authorities where it has concerns about governance arrangements, but the process of engagement short of statutory intervention is not transparent. The Department told us that there was no fixed process for advising the Secretary of State about the use of formal intervention powers, and that while there is internal guidance this does not constitute criteria by which to judge potential interventions. The Department has made high-level public statements about its process of engagement with authorities where it has formally intervened. However, the Department considered there is a need for a 'safe space' for decision-making about whether and how to engage. This includes making decisions about lower-level engagement with individual authorities, or about non-statutory intervention such as independent improvement panels. The Department believes that its approach gives it flexibility, reduces the risk of legal challenge, and that privacy also benefits the local authorities themselves. However, it also means that the scale and effectiveness of its engagement in the sector is not open to public scrutiny or challenge. We cannot fully assess the operation of the system in this context (paragraphs 3.15 to 3.21).

21 There is no clear leader that drives coordinated change across the local governance system. Individual parts of the system are led by other organisations, but the Department's network is fragmented and there is no clear overall system leadership. The Department is engaged with all the actors with responsibilities in the governance framework to differing degrees, from ad hoc meetings to a Memorandum of Understanding in one instance. The Department has set out how the Framework functions via the Accounting Officer System Statement. However, it is not clear how the individual players come together to consider tensions, gaps in the systems, or resolve disputes about roles or sharing information. The Department understands the need for it to be more active in this space to provide leadership to drive coordinated change across the system (paragraphs 3.22 to 3.25 and Figure 20).

Conclusion on value for money

22 Local government has faced considerable funding and demand challenges since 2010-11. This raises questions as to whether the local government governance system remains effective. As demonstrated by Northamptonshire County Council, poor governance can make the difference between coping and not coping with financial and service pressures. The Department places great weight on local arrangements in relation to value for money and financial sustainability, with limited engagement expected from government. For this to be effective, the Department needs to know that the governance arrangements that support local decision-making function as intended. In order to mitigate the growing risks to value for money in the sector the Department needs to improve its system-wide oversight, be more transparent in its engagement with the sector, and adopt a stronger leadership role across the governance network.

Recommendations

23 As steward of the system the Department has a responsibility for assuring itself that there is an effective local governance system in place.

a The Department should work with local authorities and stakeholders to assess the implications of, and possible responses to, the various governance issues we have identified, including:

- the status of section 151 officers and the efficacy of their statutory reporting arrangements;
- the effectiveness of audit committees, and how to increase the use of independent members;
- the effectiveness of overview and scrutiny functions and ways to enhance their impact; and
- the sustainability and future role of internal audit.

b The Department should address the system-wide gaps in its evidence base on governance.

c The Department should set out its expectations of network partners and how they will work together to address the current weaknesses in local governance arrangements.

d The Department, working with relevant organisations and delegating where appropriate, should lead the sector in considering the issues and concerns raised about external audit in this report to establish whether concerns in certain parts of the sector over the contribution of audit genuinely relate to audit:

- Where concerns genuinely relate to audit the Department should work with bodies with responsibility for external audit within the governance framework, taking into account their ongoing or planned activity, to address any substantive issues.
- Where concerns do not in fact relate to audit the Department should work with local authorities and other bodies in the governance system to identify how these needs and requirements can be addressed.

e The Department should examine ways of introducing greater transparency and openness in relation to its formal and informal interventions in local authorities.

f The Department should adopt a stronger leadership role in relation to overseeing and coordinating the network of organisations managing key aspects of the governance framework.

Part One

Challenges to local authority governance

1.1 This section looks at the structure of local governance arrangements and the challenges these arrangements have faced recently.

Purpose and structure of local governance arrangements

The purpose of local authority governance

1.2 Governance is, "the way in which organisations are directed, controlled and led. It defines relationships and the distribution of rights and responsibilities among those who work with and in the organisation, determines the rules and procedures through which the organisation's objectives are set, and provides the means of attaining those objectives and monitoring performance. Importantly, it defines where accountability lies throughout the organisation."[7]

1.3 Good governance in local authorities ensures that decision-making is lawful, informed by objective advice, transparent, and consultative.[8] It is crucial in achieving value for money and securing financial sustainability. Partly, the controls within governance arrangements are in place to prevent serious failings like poorly informed or unnecessarily risky decisions, fraud or other criminal behaviour, spending public money for personal benefit, or persecution of whistle blowers.

The framework for local authority governance

The current framework

1.4 Local authorities are led by local politicians who are democratically accountable to their electorates. Authorities are responsible for their own spending decisions, and, in general, value for money is defined by elected members depending on local needs rather than in line with national targets.

7 HM Treasury and Cabinet Office, *Corporate governance in central government departments: code of good practice*, HM Government, p.9, April 2017.
8 Chartered Institute of Public Finance and Accountancy and Society of Local Authority Chief Executives, *Delivering good governance in local government: framework*, CIPFA, April 2016.

1.5 However, authorities' governance arrangements sit within a statutory framework of legal duties and financial controls overseen by the Ministry of Housing, Communities & Local Government (the Department) to ensure proper democratic accountability, transparency, public scrutiny and audit. An important aspect of this is the best value duty that requires each authority to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness".

1.6 The Department's accounting officer is responsible for ensuring that the framework contains the right checks and balances and is working. The framework has a range of elements (Figure 1). This study concentrates on three key overlapping elements.

a **Statutory roles:** authorities are required to have officers with specific statutory responsibilities for **finance and spending** (section 151 officer), **lawful behaviour** (monitoring officer) and the **overall functioning of the organisation** (head of paid service). To ensure that councils follow the statutory codes, guidance and requirements, these officers have statutory mechanisms for bringing concerns to the attention of their council, and for requiring councils to consider their decisions and actions publicly. People in these roles have special employment protection to enable them to 'speak truth to power'.

b **Internal checks and balances:** councils are required to maintain a **system of internal control** including arrangements for risk management, internal audit and whistleblowing. Members' oversight of these arrangements, independently of the executive political leadership, is by an audit committee or equivalent. Members challenge policy decisions through committee arrangements or overview and scrutiny functions.

c **External checks and balances:** external auditors provide an **opinion on the annual accounts**, and a **conclusion on the council's arrangements for securing value for money**. Auditors have a range of other powers to bring matters to public attention and the consideration of the council. The Local Government and Social Care Ombudsman examines individual complaints. The Local Government Association's (LGA) voluntary peer challenge processes provide an external perspective for councils.

Revisions to the governance and accountability framework

1.7 From 2010 to 2015 the government's approach was to give authorities greater freedom over local decision-making by stripping back the previous national framework. The government abolished the Audit Commission; reformed the external audit regime; stopped a number of central inspections; and reduced data reporting by authorities to government.[9] They also abolished the Standards Board for England and moved to local arrangements for overseeing standards of members' behaviour.[10]

1.8 The Department is still able to investigate and intervene where it has concerns about an authority's compliance with its best value duty. The Secretary of State has the power to order an investigation, and can intervene locally if failure is identified.

Pressures on local authority governance

1.9 The sector has faced financial and demand challenges since 2010-11. These have generated new behaviours and activities as authorities have tried to make savings and raise new income. This has created a more testing environment for governance arrangements.

Challenges

1.10 Our report *Financial sustainability of local authorities 2018* found that authorities have faced significant challenges in recent years.[11] These included a reduction in spending power (government grant plus council tax) of 28.6% in real terms from 2010-11 to 2017-18. Demand in key service areas has also increased, including a 9.5% increase in the estimated population of working age adults in need of care and a 14.3% increase in the estimated population of older adults in need of care between 2010-11 and 2016-17. Updated analysis found the number of looked after children increased by 15.1% from 2010-11 to 2017-18. The report also highlighted the uncertainty in the sector created by the lack of a long-term financial plan to secure financial sustainability.

Responses

Identifying savings

1.11 In response to these challenges authorities have made significant savings. Spending on services by authorities fell by 14.7% in real terms between 2010-11 and 2017-18 (**Figure 2**). Within their savings programmes members have prioritised dwindling resources to meet growing demand for social care.

9 Department for Communities and Local Government, *Local Audit and Accountability Act 2014: Local audit impact assessment*, DCLG, September 2014.

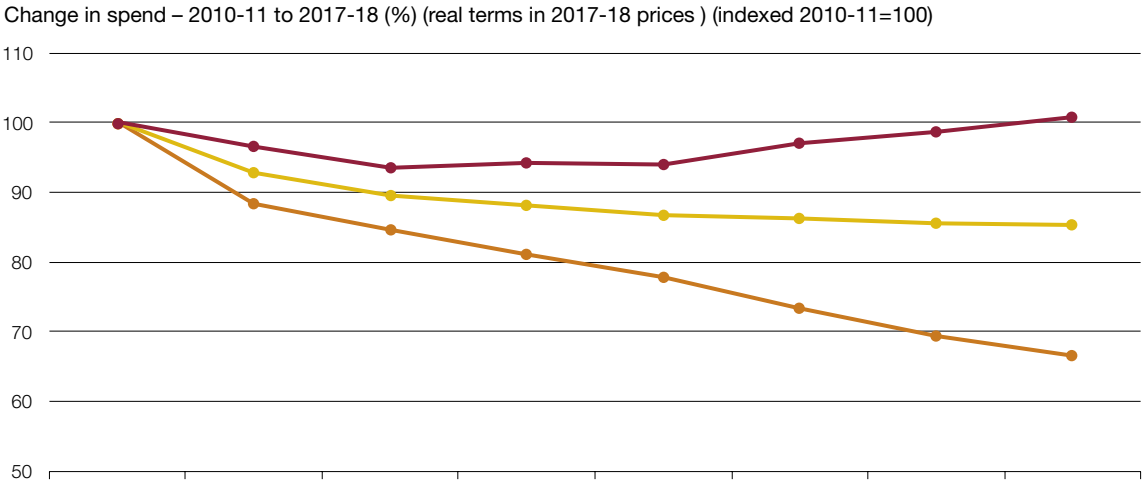
10 Department for Communities and Local Government, *Localism Bill: the abolition of the Standards Board regime, clarification of the law on predetermination and the requirement to register and declare interests – Impact assessment,* DCLG, January 2011.

11 Comptroller and Auditor General, *Financial sustainability of local authorities 2018*, Session 2017–2019, HC 834, National Audit Office, March 2018.

Figure 2

Change in revenue service spending 2010-11 to 2017-18

Local authorities have reduced service spending since 2010-11



	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Social care	100.0	96.5	93.6	94.2	94.0	97.0	98.8	100.8
Other services	100.0	88.5	84.7	81.0	77.9	73.4	69.5	66.6
Total services	**100.0**	**92.9**	**89.6**	**88.3**	**86.7**	**86.3**	**85.5**	**85.3**

Notes

1 Other services includes planning and development, cultural services, housing (non-Housing Revenue Account), central services, environmental services, and highways and transport. It excludes spend on education, fire and rescue, police services and 'other services'.

2 Social care spending includes adult and children's social care. It includes transfers from health bodies. For continuity purposes it excludes spend on Sure Start and services for young people.

3 Data shown is for net current expenditure.

Source: National Audit Office analysis of Ministry of Housing, Communities & Local Government and NHS Digital data

1.12 Savings programmes can force members to make difficult and potentially contentious decisions that can be challenged legally, for example where they decide to cut back certain services. From 2010-11 to 2016-17 the number of libraries reduced by 10.3% and the number of households receiving at least a weekly domestic waste collection service fell by 33.7%.

1.13 Delivering savings through efficiencies, shared services, outsourcing or by transforming the way a service is delivered can protect service levels. As with all means of delivering savings, these methods can inject risk into the system as they may not achieve the intended savings. It is notable that in 2017-18 61.8% of single tier and county councils overspent their service budgets. We have said previously that the sector trends in relation to overspending and use of reserves were not financially sustainable over the medium term.[12]

12 See footnote 11.

Generating new income

1.14 Some authorities have made commercial investments to generate new income and offset reductions in government funding. The acquisition of land and existing buildings, which includes spending by authorities on commercial properties as well as for broader economic regeneration purposes, now represents 24% of authorities' total spending on fixed assets (**Figure 3**). Local authorities' revenue profits from their full range of commercial and trading activities increased by 36.3% in real terms to £404 million from 2010-11 to 2017-18.

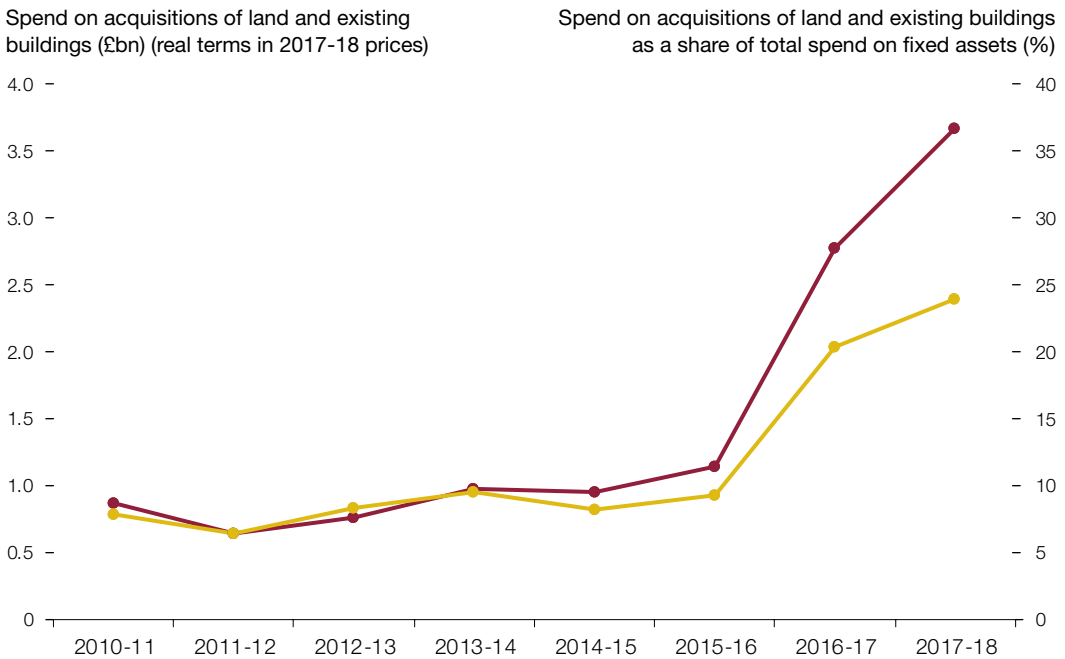
Greater risk

1.15 Our survey of external auditors indicated that some authorities now have high risk profiles. This was particularly the case for single tier and county councils. Auditors classified 22% of these as having a high risk profile and 66% as medium risk.[13]

Figure 3

Local authority spending on the acquisition of land and existing buildings

There has been significant growth in local authority spending on land and existing buildings, some of which is for commercial investment



	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Spend (£bn)	0.9	0.6	0.8	1.0	1.0	1.1	2.8	3.7
Share of total spend on fixed assets (%)	7.8	6.4	8.4	9.6	8.2	9.3	20.4	24.0

Notes

1 Figures have been rounded to one decimal point. Spend increased from 2015-16 to 2017-18 by £2.53 billion.

2 Excludes spend on education services, public health, police services and fire and rescue.

Source: National Audit Office analysis of Ministry of Housing, Communities & Local Government data

13 This relates to the overall risk to an authority being able to deliver its objectives. It includes all aspects of risk expected to be found in a corporate risk register or risk management strategy.

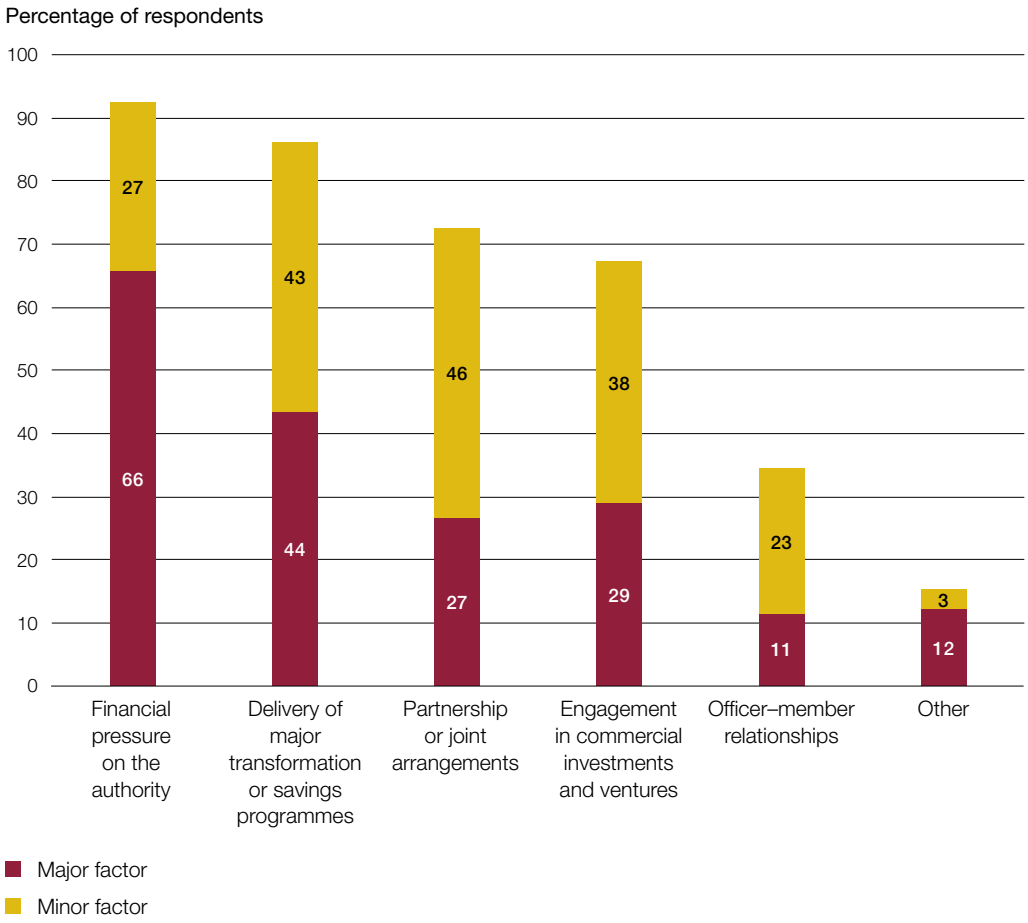
1.16 Auditors indicated that financial pressures and the risks associated with delivering transformation and savings programmes were the most significant reasons why some authorities were viewed as having high or medium risk profiles (**Figure 4**). Ultimately, these factors have the potential to make an authority and its services financially unviable.

1.17 Auditors also viewed partnership arrangements and commercial activities as drivers of risk (Figure 4). These activities present lower-level risks as they may fail to deliver their expected outcomes but are less likely to affect overall financial viability.

Figure 4

Factors contributing to high and medium risk profiles in local authorities in 2017-18

External auditors have identified financial pressure as the most significant risk factor currently facing local authorities



Notes

1 N=131.

2 Includes all authorities classified as having high or medium risk profiles in the auditor survey.

3 Classification of factors as either 'major' or 'minor' factors was by respondents themselves.

Source: National Audit Office analysis of external auditor survey data

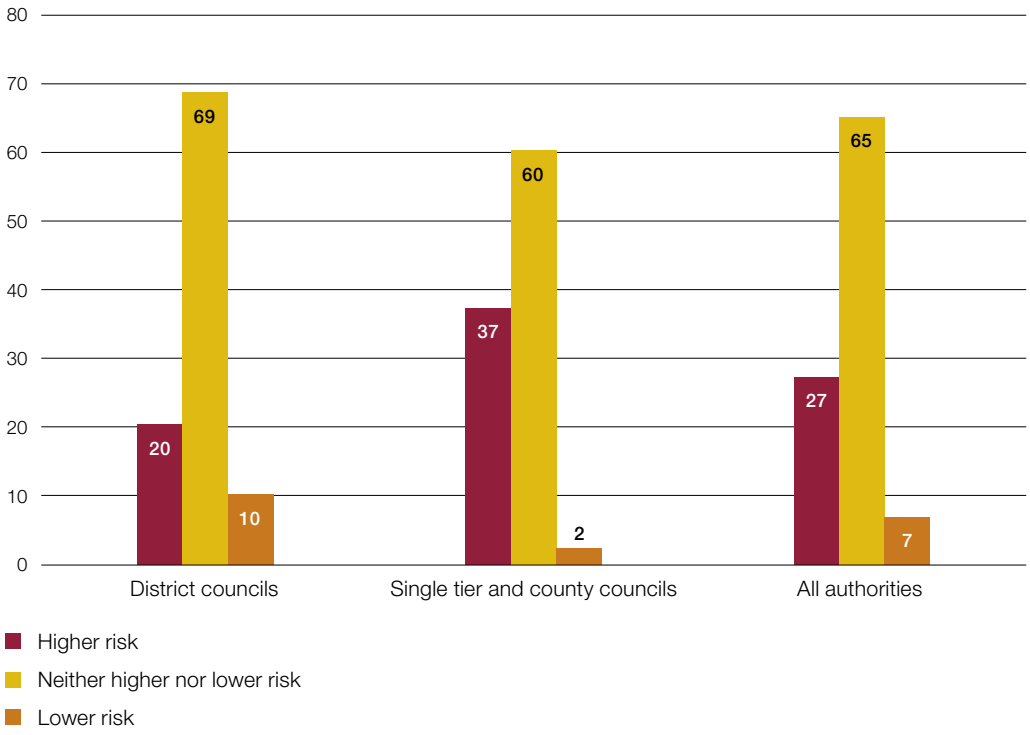
1.18 External auditors also felt that risk is increasing within the system (**Figure 5**). Auditors responding to our survey felt that risks were higher in 37% of single tier and county councils in 2017-18 relative to 2016-17.

Figure 5

Auditors' views on change in risk profiles 2016-17 to 2017-18

External auditors feel that overall levels of risk are increasing in many authorities

Change in risk profile 2016-17 to 2017-18 (percentage of respondents)



Notes

1 All authorities: N=202. District councils: N=118. Single tier and county councils: N=83. (One respondent did not identify authority type.)

2 Numbers may not sum to 100 due to rounding and 'don't know' responses, which are included in the denominator but not shown in the chart.

Source: National Audit Office analysis of external auditor survey data

Implications for governance

1.19 Our interviews and focus groups indicated that the challenges faced by authorities and their responses have tested local governance to varying degrees across different authorities depending on their organisational cultures (**Figure 6** overleaf). Local governance arrangements need to be sufficiently robust to remain effective in this context to ensure that spending provides value for money and stays within available resources.

1.20 These arrangements are a crucial element of ensuring financial sustainability. The chief finance officer for Northamptonshire County Council issued separate section 114 notices in February and July 2018, indicating that the authority was at risk of spending more than the resources it had available, which would be unlawful. A governance inspection of the authority commissioned by the Secretary of State indicated that the authority had:

- lost tight budgetary control, with repeated service overspends and failure to deliver savings; and
- abandoned effective budget setting scrutiny, with the scrutiny function given too little time and information to scrutinise budgets effectively.

The report concluded that in local government, "…there is no substitute for doing boring really well. Only when you have a solid foundation can you innovate."[14]

14 Max Caller CBE, *Northamptonshire County Council Best Value Inspection: January–March 2018*, Ministry of Housing, Communities & Local Government, March 2018.

Figure 6
Challenges for local authority governance

Type of challenge	Details
Higher risk profiles and appetites	Risk profiles and appetites are higher due to budget pressures and because some authorities engage in transformation programmes and commercial activities. This places pressure on authorities' risk management arrangements that need to evaluate risks and mitigate any negative impact should it materialise.
More difficult decisions	Members in some authorities are having to take more difficult decisions to deliver savings, sometimes balancing statutory service requirements against local priorities. Relationships between senior managers and members are being tested in this context.
Greater local challenge	Decisions on savings are being challenged by local groups and service users. This places a premium on ensuring that the decision-making and consultation processes are sufficiently robust to survive potential legal challenges.
Maintaining transparency	An increase in decision-making on sensitive issues, for instance in relation to commercial activity or where the decision is locally contentious, is challenging the transparency of local decision-making. In our focus groups external and internal auditors stressed the need for more informative reports, and less use of commercial exemptions.
Demand for new skills	The growth of new activities, particularly in relation to commercial investment, is challenging the skills bases of authorities. Internal auditors noted the pressure this was putting on staff designing these schemes, and on internal auditors' ability to understand risk in these schemes. Monitoring officers noted the challenge of maintaining their skills in the context of growing commercialism.
Great complexity	Shared services, outsourcing and commercial activities can add complexity to authorities' governance arrangements. Authorities need to ensure that governance and accountability are clear at the point these arrangements are entered into, and that ongoing oversight is effective.
Greater immediacy	Some interviewees reported a pressure to move fast and for initiatives to deliver quickly because of financial pressure. This can lead to governance being viewed as a 'blocker' and governance arrangements not being developed at the start of particular initiatives.
Reduced independent oversight	While there was no desire to return to the previous oversight framework, some stakeholders and focus group participants noted that they had less independent information and challenge to support their decision-making.
Reduced corporate resources	Spend on the corporate and democratic support fell by 34.2% overall in real terms between 2010-11 and 2017-18. This includes a 39.3% reduction for single tier and county councils, and 21.2% for district councils. In our survey of section 151 officers only 77% agreed or strongly agreed that their finance function was sufficiently resourced. Some 82% agreed or strongly agreed that their internal audit function was sufficiently resourced.

Source: National Audit Office

Part Two

The operation of local governance

2.1 This part examines how key local governance arrangements function. Our analysis focuses on the roles of statutory officers and internal and external checks and balances.

Statutory roles

Three core roles

2.2 The three statutory roles of **section 151 officer, monitoring officer** and **head of paid service** are crucial in ensuring that decision-making reflects relevant codes, guidance and requirements. They also have statutory mechanisms for bringing concerns to the attention of their council (**Figure 7**).

Figure 7
Statutory officer mechanisms for protecting good governance

	Statutory officer	Statutory mechanism	Consequence
Risk of unbalanced budget or unlawful expenditure	Section 151 officer (chief finance officer)	Report under section 114 of the Local Government Finance Act 1988	Meeting of full council within 21 days to consider the report. The actions or decisions covered by the report cannot be pursued or taken until this is done.
Risk of unlawful action or maladministration	Monitoring officer	Report under section 5 of the Local Government and Housing Act 1989	Meeting of full council within 21 days to consider the report. The actions or decisions covered by the report cannot be pursued or taken until this is done.
Concerns about the number and grades, management, or organisation of staff to deliver the authority's functions	Head of paid service	Report under section 4 of the Local Government and Housing Act 1989	Meeting of full council within three months to consider the report.

Source: National Audit Office

2.3 Our discussions with stakeholders from these groups indicated that these roles were thought to be more challenging as decision-making has become more pressured. There was a perception, particularly in relation to heads of paid service and section 151 officers, that turnover rates had increased as a result. However, there are no independent data on this.

2.4 Several interviewees and focus group participants raised concerns that in some cases, section 151 and monitoring officers' roles were being held by officers at lower grades as authorities changed their senior management structures. They allege that this weakens the officers' ability to influence material decisions. However, the Local Government Association (LGA) told us that there was no evidence that this was the case.

The position of section 151 officers

2.5 We surveyed section 151 officers directly. The survey indicates that 89% of respondents from single tier and county councils are on their senior leadership team, and 82% report to the chief executive or leader (**Figure 8**). We have no data to assess change over time.

The effectiveness of section 151 officers

2.6 Our survey suggests that despite the concerns raised in our interviews, the great majority of respondents were confident in their ability to engage with and provide advice to members and the senior leadership team (**Figure 9** on page 26). For instance, 98% of respondents agreed or strongly agreed that they were able to share challenging information with elected members. However, there are a few instances where arrangements are not working. For instance, in 6% of cases the section 151 officers could not agree that their advice was given serious consideration by the senior leadership team.[15]

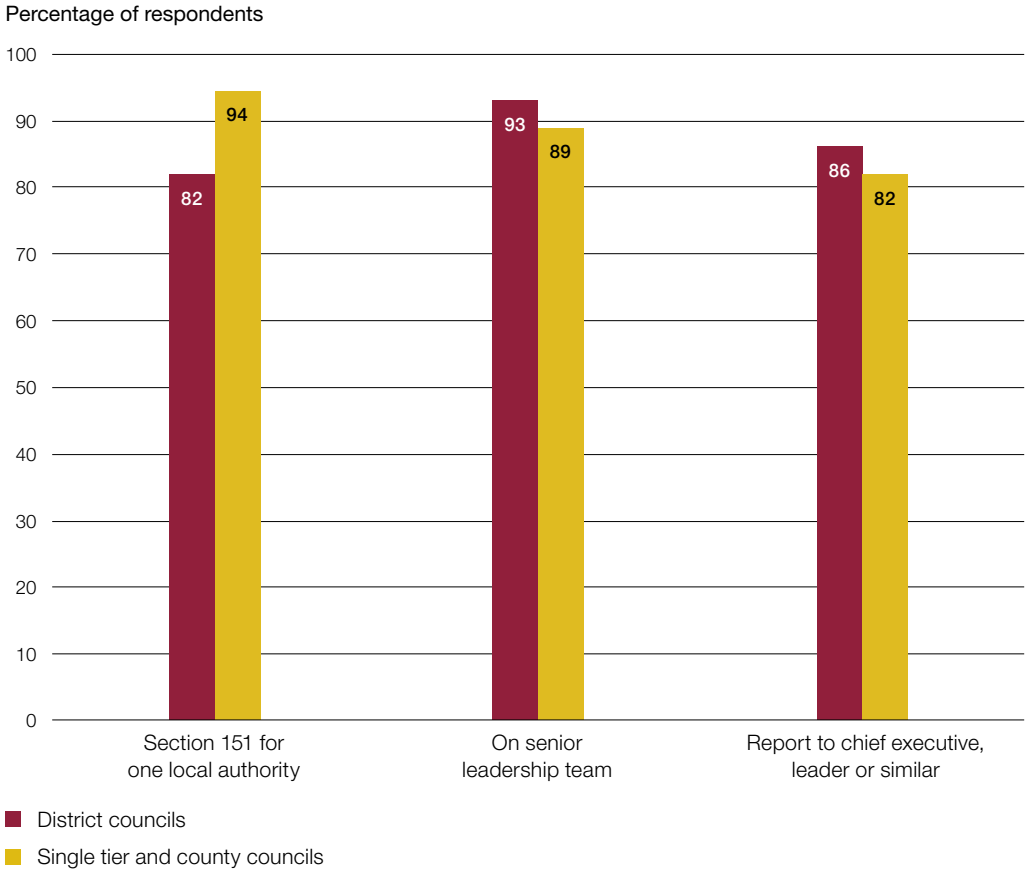
2.7 However, further analysis (**Figure 10** on page 27) suggests that there are differences in the views of section 151 officers depending on whether they report directly to the chief executive or to other members of the senior leadership team. Section 151 officers who do not report to the chief executive are less positive across our measures of engagement with the senior leadership team and members. For instance, 63% of respondents that report directly to their chief executive strongly agreed that they were able to share challenging information with elected members, compared to only 24% of respondents that did not report directly to their chief executive. To a degree, this reflects the view of some stakeholders that section 151 officers operating at lower grades may be less able to bring influence to bear on material decisions. This statistical relationship is not necessarily causal, however.

15 This includes respondents answering 'neither agree nor disagree'.

Figure 8

Employment and reporting arrangements for section 151 officers in 2018-19

The great majority of section 151 officers are on their senior leadership team and report to their chief executive



Note

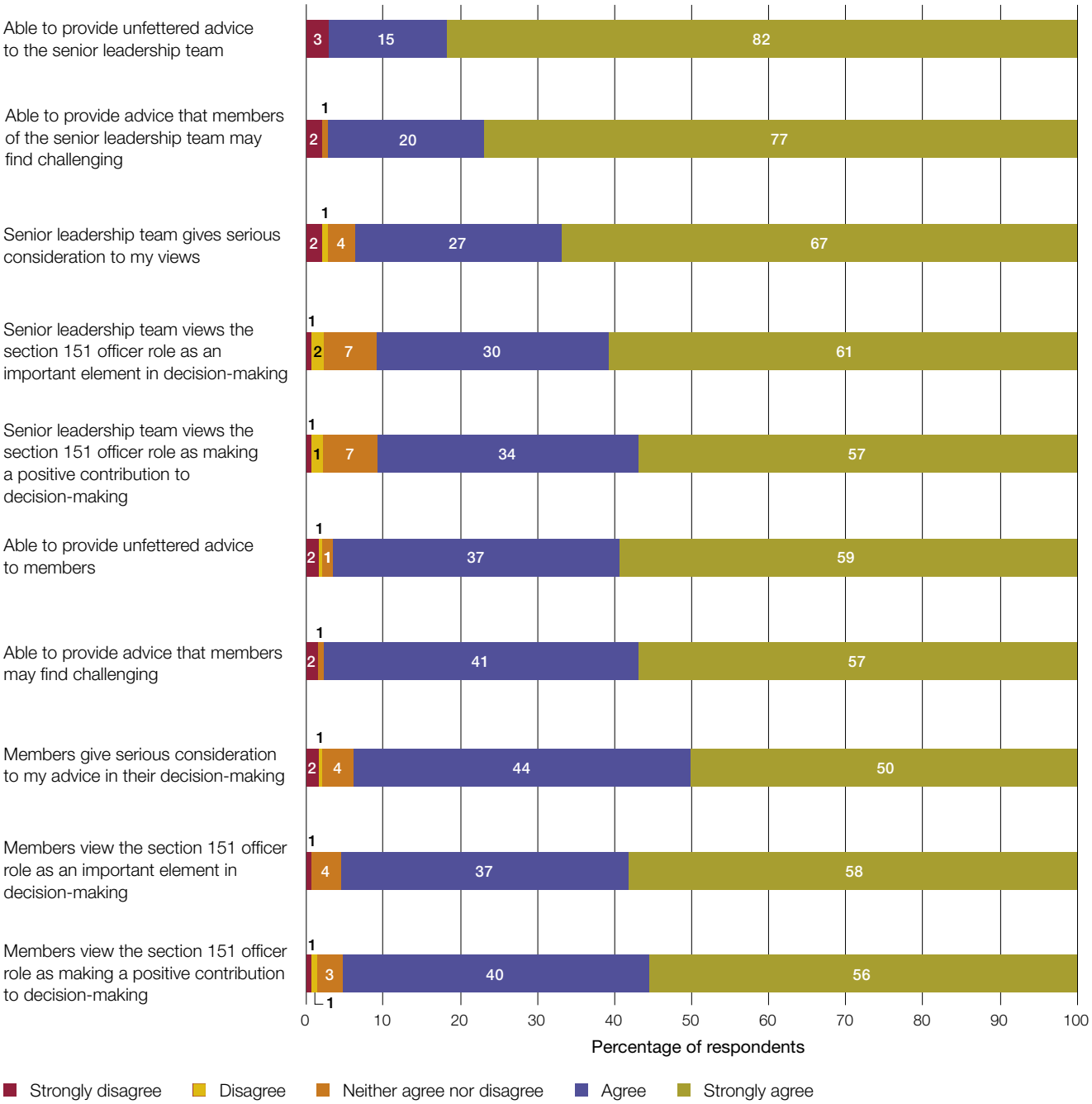
1 District councils: N=72. Single tier and county councils: N=72.

Source: National Audit Office survey of section 151 officers

Figure 9

Section 151 officers' views on their role – all local authorities

In general, section 151 officers are very positive about their ability to engage with their senior leadership team and elected members



Notes

1 N=144.

2 To reflect differences in response rates from different types of authority (district council or single tier and county council), survey responses have been weighted back to the distribution of authorities by type in the population. See Appendix Two.

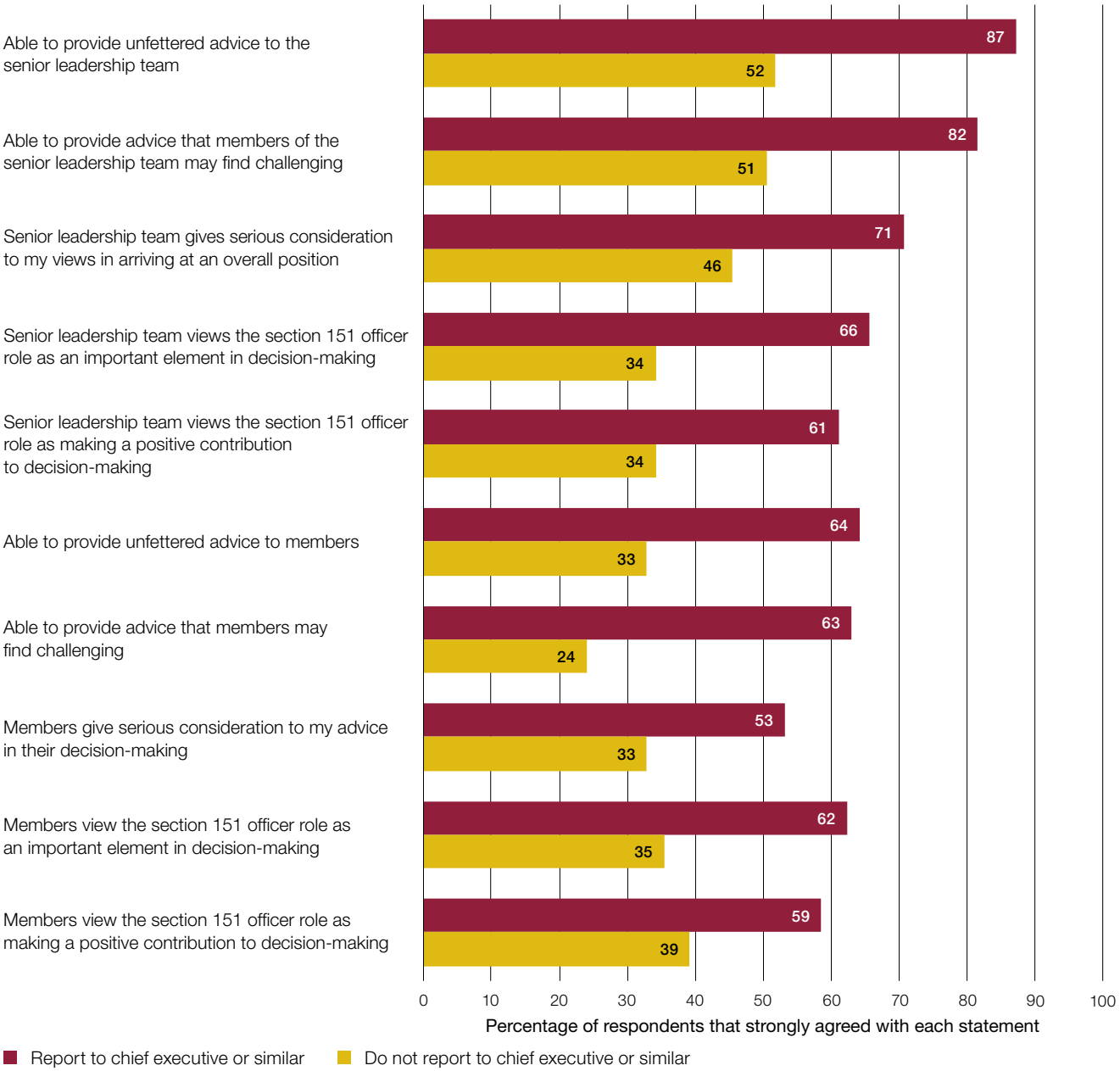
3 Bar lengths are based on unrounded data but data labels have been rounded. Some sets of data labels may not sum to 100.

Source: National Audit Office survey of section 151 officers

Figure 10

Differences between section 151 officers reporting and not reporting to the chief executive

Section 151 officers that do not report to their chief executive are slightly less positive than those who do



Notes

1 N=144. (Report to chief executive: N=121. Do not report to chief executive: N=23).

2 To reflect differences in response rates from different types of authority (district council or single tier and county council), survey responses have been weighted back to the distribution of authorities by type in the population. See Appendix Two.

3 Chart shows percentage of each group that 'strongly agree' with each statement.

4 Differences between the two groups are statistically significant at 0.05 for all statements with the exception of the final and third from final statements which are statistically significant at 0.10.

5 'Chief executive or similar' includes all respondents reporting to their chief executive or equivalent senior officer alongside a small number who report directly to their leader.

Source: National Audit Office survey of section 151 officers

Section 151 officers' advice

2.8 A theme in our interviews and focus groups with section 151 officers was that, while appropriate governance arrangements might be in place for them to share advice, some felt they were not always listened to by the senior leadership team or members. The Chartered Institute of Public Finance and Accountancy (CIPFA) is currently developing a financial management code and considering the development of a local authority 'financial resilience index'. Both are intended to add extra weight to section 151 officers' advice.

2.9 Section 151 officers already have options available to them to ensure that their advice is heeded, including section 25 reports: statutory reports on the robustness of the budget and reserves, which the council must have regard to in budget setting. Section 151 officers can also issue section 114 notices that require the council to pause and publicly reconsider spending decisions or budgets. However, some section 151 officers we spoke to felt that section 25 reports did not carry sufficient weight as they were only signed off by the section 151 officer rather than other senior officers. Section 114 notices were seen by some as 'career ending', and some considered there was a need for an intermediate intervention.

Internal checks and balances

Overview

2.10 Councils are required to maintain a sound system of financial management and internal control, including risk management, internal audit, and whistleblowing arrangements. Members sit on the audit committee or equivalent, which is meant to provide full council with independent assurance on these arrangements. Members challenge policy decisions and strategic direction through committee arrangements or overview and scrutiny functions.

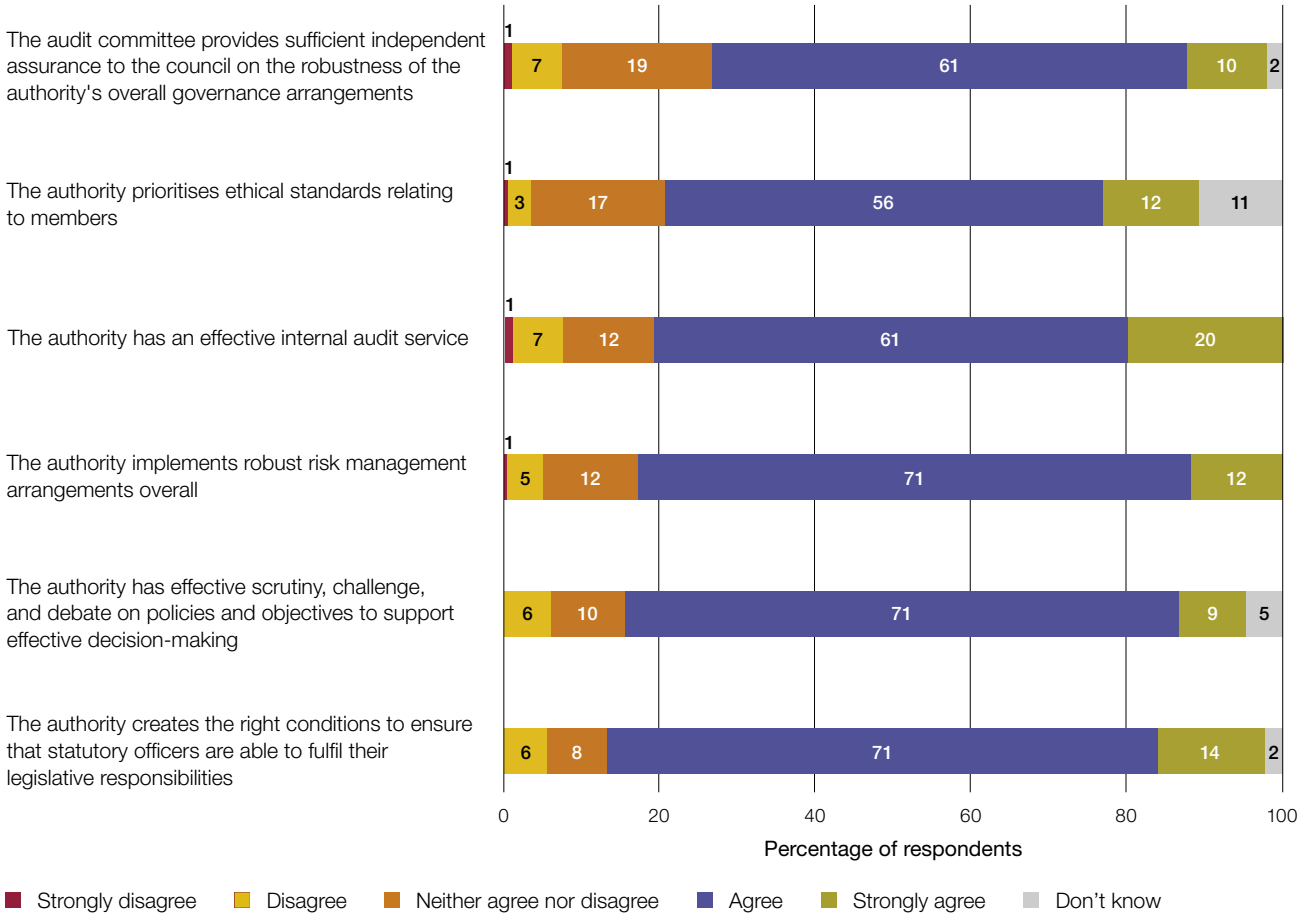
2.11 Our survey of external auditors indicated that while in the majority of cases auditors agreed that suitable arrangements were in place, this was by no means universal (**Figure 11**, and Figures 24 to 29 in Appendix Three).[16]

16 Where an auditor has responded 'neither agree nor disagree' to a question, this indicates that the auditor has not been able to provide assurance that a suitable arrangement is in place. While the issue in question is not dysfunctional there is nonetheless room for improvement.

Figure 11

Auditors' views on key governance arrangements in 2017-18 – all authorities

In the majority of cases, but by no means all, external auditors felt that key governance arrangements were effective



Notes

1 N=197.

2 Bar lengths are based on unrounded data but data labels have been rounded. Some sets of data labels may not sum to 100.

Source: National Audit Office survey of external auditors

Analysis by theme

Audit committees

2.12 The survey raised questions about the efficacy of audit committees in some authorities. Only 71% of auditors agreed or strongly agreed that the committee fulfilled its core function of providing independent assurance on the authority's governance arrangements. Other aspects of audit committees, such as training of members and their knowledge of their roles, were also issues (Figures 24 and 25). Public Sector Audit Appointments Ltd, the body responsible for appointing almost all auditors, told us that it had recently set up a local authority audit quality forum with one of the objectives being to improve the work of audit committees.

2.13 Our focus groups with internal and external auditors stressed the benefits to audit committee effectiveness of having independent committee members, ideally with one as the chair. Our review of all local authorities' websites indicates that only 32.7% have an independent member and only 5.4% an independent chair.[17]

Risk management

2.14 Risk management means identifying, evaluating and controlling risks in order to manage threats to achieving the authority's objectives. Some 83% of auditors agreed or strongly agreed that robust overall risk management was in place in their authorities (Figure 11). However, the proportion agreeing was lower in relation to risk management specifically for partnerships and joint arrangements, and also for commercial ventures (Figure 26).

Internal audit

2.15 Internal audit examines, evaluates and provides independent assurance on authorities' control environments. Only 81% of auditors agreed or strongly agreed that these arrangements were effective in their authorities (Figures 11 and 27).[18] Section 151 officers we spoke to did not raise specific concerns in relation to internal audit, though they did recognise that their resources had been reduced.

2.16 Our internal auditor focus groups stressed the resource pressures they were under and the complexity of commercial and partnership arrangements they were now required to audit. They also said that their role had widened as a range of additional functions such as insurance and fraud were passed to them as authorities' corporate resources diminish. Some focus group participants indicated that issues such as policy reviews and information governance were "slipping through the cracks" and having to be picked up by internal audit.

17 Independent members are recommended in The Chartered Institute of Public Finance and Accountancy's best practice guidance: *Audit committees: practical guidance for local authorities and police*, 2018, chapter 7.

18 Our assessment of internal audit was based on our surveys of external auditors and section 151 officers. We did review a sample of 50% of heads of internal audit annual reports. However, the wide variation and lack of comparability in the terminology used in the audit opinion meant that it was not possible to use these documents to assess performance across the sector with sufficient certainty for us to report it.

2.17 Our review of whistleblowing policies provides potential evidence of basic governance activities not being addressed. Authorities are expected to produce these policies, keep them up to date and make them publicly available. However, in 15.6% of cases we could not find these policies on authorities' websites. Of the policies we could find, 24.2% were out of date and 18.5% advise people to contact the Audit Commission, which was abolished in 2015.

Overview and scrutiny

2.18 Member challenge of policy decisions takes place either through committee arrangements or in the majority through overview and scrutiny functions. Eighty per cent of auditors agreed or strongly agreed that arrangements were effective in their authority (Figure 11). Sixty one per cent of section 151 officers viewed these arrangements as effective when delivered through overview and scrutiny functions, and 75% felt they were effective when delivered through committee structures (Figure 28).

2.19 Discussions with some stakeholders and focus groups indicated that overview and scrutiny functions could be or were politicised and that officer support functions had faced funding reductions. This latter point was reflected in the 2017 report by the Communities and Local Government select committee.[19] This also raised concerns about the extent to which financial and performance information was made available to scrutiny committees.

Local standards regimes

2.20 Following the abolition of the Standards Board for England in 2012, authorities are required to produce a code of conduct for elected members. Some sixty-eight per cent of external auditors agreed or strongly agreed that their authority prioritised ethical standards for members.

2.21 Some of our interviews and focus groups with section 151 officers, and external and internal auditors indicated that the nature of local standards arrangements contributed to the tone of an organisation's culture. Possible evidence of this is that section 151 officers in our survey who strongly agreed their authority's standards regime was robust were also more positive about their ability to engage with their senior leadership teams and members (Figure 29). This statistical relationship is not necessarily causal.

2.22 A frequent message from our stakeholder interviews and focus groups with officers was that the sanctions available to local standards regimes were not sufficiently strong. In contrast, however, the LGA was clear that in their view current sanctions are sufficiently robust. The Ministry of Housing, Communities & Local Government is waiting for the Committee on Standards in Public Life to report on its review of local government ethical standards.

19 HC Communities and Local Government Committee, *Effectiveness of local authority overview and scrutiny committees*, First Report of Session 2017–2019, HC 369, December 2017.

Analysis by local authority

Distribution of governance concerns

2.23 Our analysis of six key elements of internal control (these individual elements are set out in Figure 11) indicates that where auditors have concerns these tend to be concentrated in particular authorities.[20] In 50% of cases, auditors had no concerns about any of the six elements. A further 19% of respondents had concerns with one of the six elements. However, 30% of authorities had two or more concerns, including 9% with four or more.

2.24 Authorities with no or low levels of concern were less likely to have had their conclusion on their value-for-money arrangements qualified in 2017-18. Only 6% of authorities with no concerns were qualified, rising steadily to 38% for those with four or more.

2.25 This indicates that while authorities with more concerns are more likely to be qualified, a number are still not qualified despite having a range of governance issues. An unqualified conclusion does not mean that governance does not need to improve.

Drivers of concerns about governance

2.26 Authorities where auditors had concerns about multiple aspects of governance tended to have a higher risk profile (**Figure 12**). However, a proportion of authorities with two or more concerns were classified as low risk by their auditors. Equally, some with high risk profiles had only one or no governance concerns.

2.27 This pattern may reflect a theme from some of our focus groups on the importance of authorities' culture in terms of the tone set by senior managers and members and their openness to challenge. Strong cultures may be able to reduce governance pressures despite higher levels of risk, while weak cultures may generate governance issues even where risk is low.

External checks and balances

External audit

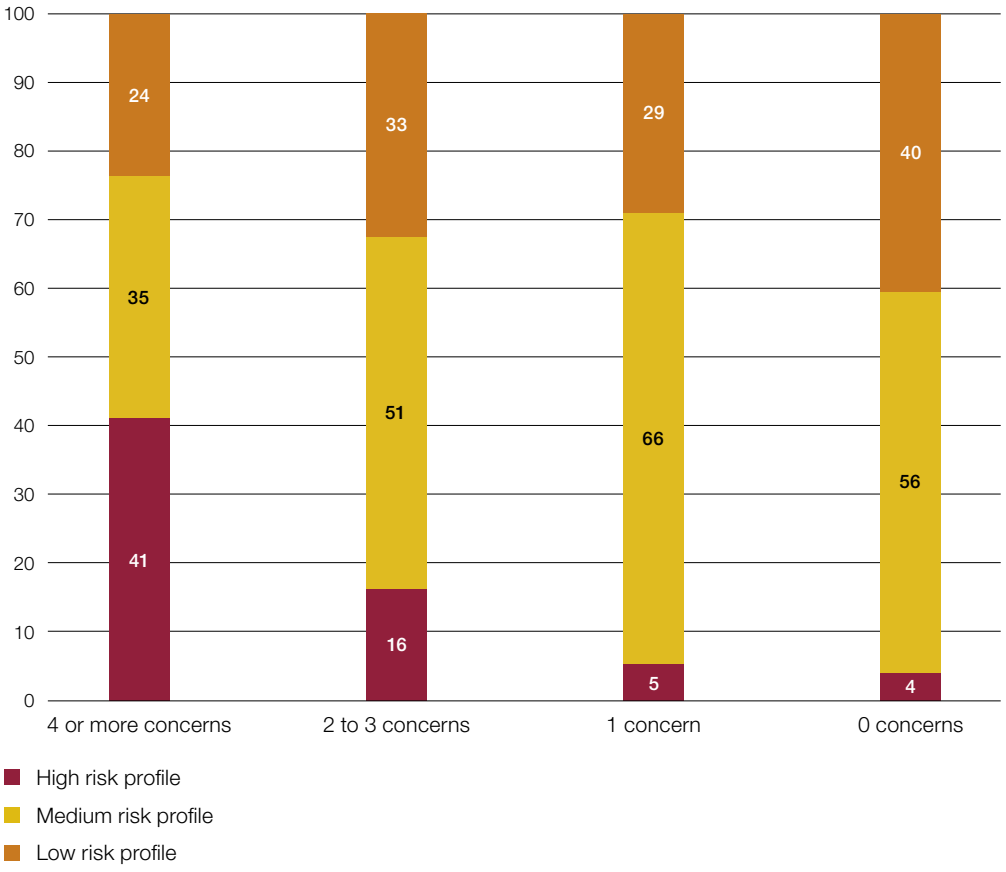
2.28 External auditors provide an opinion on the accounts, and a conclusion on authorities' arrangements for securing value for money. Auditors have a range of other powers to bring matters to public consideration, such as public interest reports and statutory recommendations.

20 A 'concern' is any instance where an auditor responded 'strongly disagree', 'disagree' or 'neither agree nor disagree'. In each case the auditor has failed to provide assurance that arrangements are appropriate, and has indicated that there is room for improvement.

Figure 12

The relationship between governance concerns and risk profile

Local authorities with higher risk profiles tend to have more governance concerns



Note

1 N=197.

Source: National Audit Office survey of external auditors

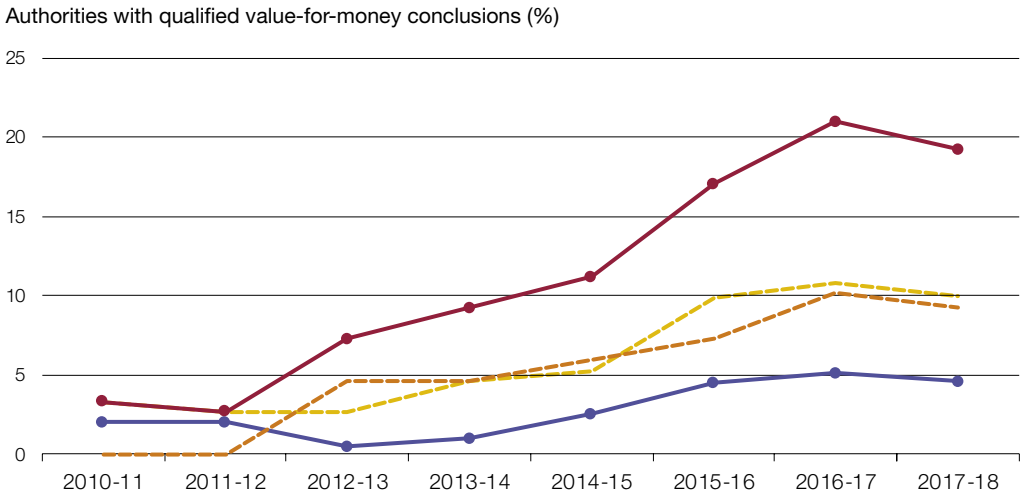
External auditors' findings

2.29 There has been an increase in the number of qualified (adverse and 'qualified except for') conclusions on authorities' value-for-money arrangements (**Figure 13**). A qualification indicates that elements of an authority's arrangements are inadequate. The introduction of new guidance for auditors alongside a new code of audit practice in 2015-16 may have partly driven this change, although in principle the basis for a qualification remained unchanged.

Figure 13

Change in qualified conclusions on local authorities' arrangements to secure value for money

In 2017-18 nearly one in five single tier and county councils had a qualified conclusion on their arrangements to secure value for money



	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
All single tier and county councils	3.3	2.6	7.2	9.2	11.2	17.1	20.9	19.3
Single tier and county councils – not solely Ofsted	3.3	2.6	2.6	4.6	5.3	9.9	10.8	10.0
Single tier and county councils – solely Ofsted	0.0	0.0	4.6	4.6	5.9	7.2	10.1	9.3
District councils	2.0	2.0	0.5	1.0	2.5	4.5	5.1	4.6

Notes

1 These figures are based on the number of qualifications divided by the number of published conclusions as of 17 December 2018. If the total number of relevant local authorities was used as the denominator instead then 17.8% of all single tier and county councils and 4.47% of district councils have received a qualified conclusion in 2017-18.

2 We show cases where a qualified conclusion is based solely on the outcome of an Ofsted children's services inspection as these are an important factor underlying levels of qualifications in single tier and county councils.

Source: National Audit Office analysis of local statements of accounts and other published material

2.30 In 2017-18, 19.3% of single tier and county councils and 4.6% of district councils received qualified conclusions.[21] This rate of qualification is markedly lower than in some other public bodies.[22]

2.31 Roughly half of the qualifications in single tier and county councils were given solely on the basis that the children's social care service had been rated 'inadequate' in an Ofsted inspection. An increase in inadequate outcomes from Ofsted inspections has contributed to the overall increase in qualified conclusions. These qualifications tend to be repeated over multiple years because most children's services in local authorities are not inspected annually by Ofsted. Therefore, the auditor is unlikely to lift the qualification until the inspectorate has re-inspected the provider and given it a new rating.

2.32 In 2017-18 one in ten single tier and county councils were qualified for reasons other than solely Ofsted inspections. Our recent report on the work of local auditors concluded that the level of qualified conclusions is unacceptably high.[23]

Authorities' engagement with external auditors

2.33 Our survey indicated that auditors felt that senior officers had a good understanding of the role of the auditor and the level of assurance their work provided (**Figure 14** overleaf). However, this was not always the case in relation to members.

2.34 Auditors also indicated that authorities' audit committees were not always effective in reviewing their findings and securing action from management (**Figure 15** on page 37).

2.35 Some auditors raised concerns about the response of audit committees, and the authority more widely, to qualified conclusions in 2016-17. In one in six of these cases the auditor considered that the audit committee had not responded appropriately (**Figure 16** on page 37).

Authorities' views of external audit

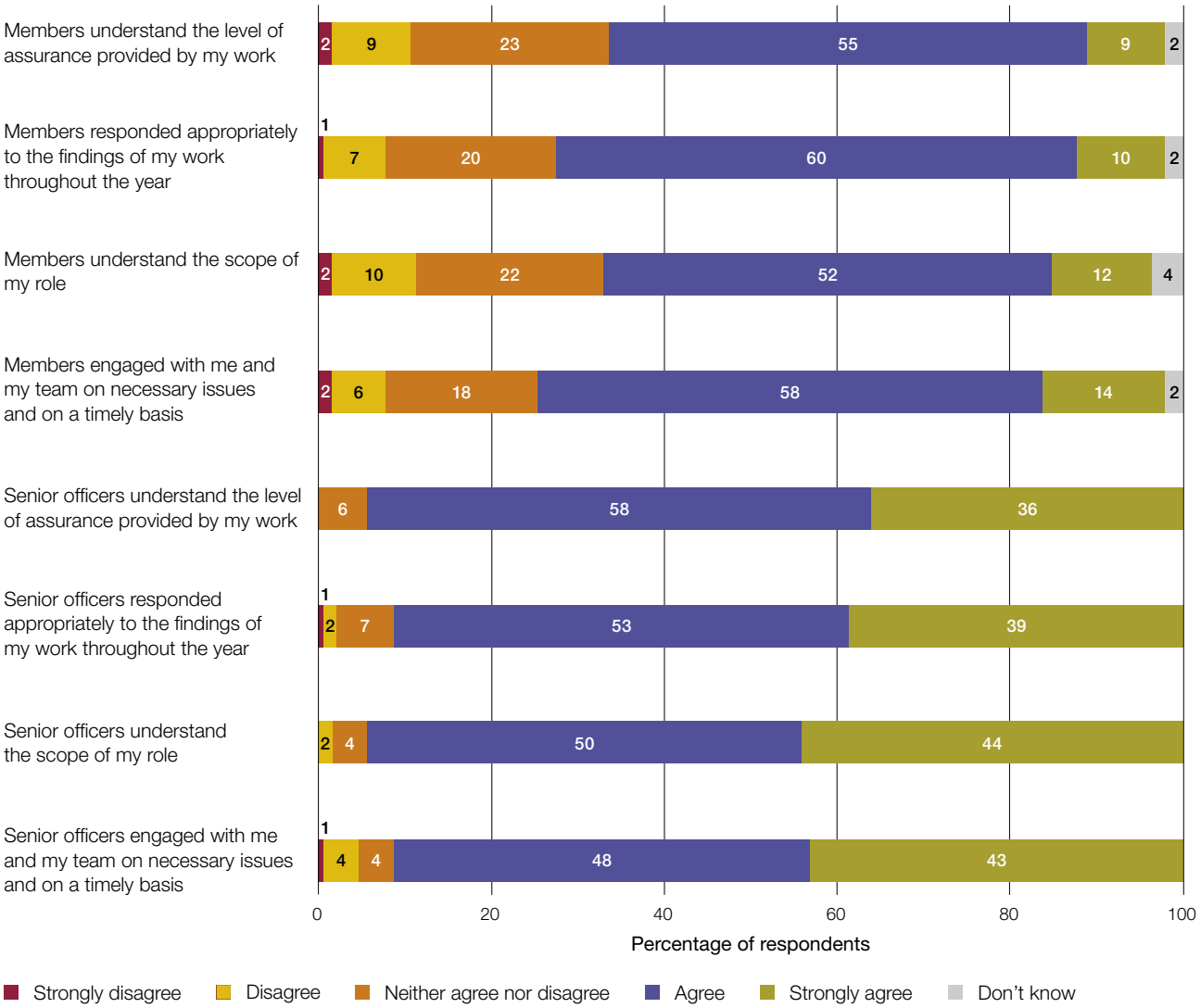
2.36 In some of our focus groups and interviews, heads of paid service, section 151 officers and internal auditors raised concerns that the contribution of external audit to local governance had been reduced recently. Frequently, they linked this to the reduction in the audit fee paid by authorities. Some respondents to our section 151 officer survey thought their fees for 2017-18 were too low (**Figure 17** on page 38).[24]

21 These figures are based on the number of qualifications divided by the number of published conclusions as of 17 December 2018. If the total number of relevant local authorities was used as the denominator instead then 17.8% of all single tier and county councils and 4.47% of district councils have received a qualified conclusion in 2017-18.
22 Comptroller and Auditor General, *Local auditor reporting in England 2018*, Session 2017–2019, HC 1864, National Audit Office, January 2019; see Figure 2 of that report for an explanation of qualified conclusions.
23 See footnote 22.
24 This relates to the initial scale fee for the audit. There can be fee variations where additional work is required.

Figure 14

Auditors' views on engagement with local authorities

External auditors are more positive about their interaction with officers than with elected members



Notes

1 N=197.

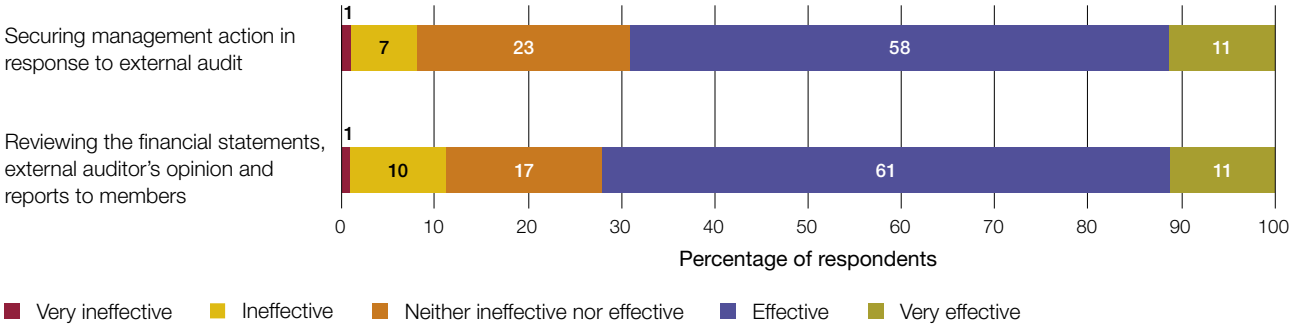
2 Bar lengths are based on unrounded data but data labels have been rounded. Some sets of data labels may not sum to 100.

Source: National Audit Office survey of external auditors

Figure 15

Auditor's views on audit committee responses to the findings of external auditors

External auditors did not always find that audit committees responded effectively to external audit findings



Notes

1 N=197.

2 Bar lengths are based on unrounded data but data labels have been rounded. Some sets of data labels may not sum to 100.

Source: National Audit Office survey of external auditors

Figure 16

Auditors' views on local authority responses to qualified conclusions in 2016-17

	Response of the audit committee (number)	Response of the authority as a whole (number)
Appropriate action was taken – fully	6	4
Appropriate action was taken – partly	14	15
Appropriate action was not taken	4	4
Don't know	0	1
Total number of qualified conclusions in auditor survey	**24**	**24**

Notes

1 N=24.

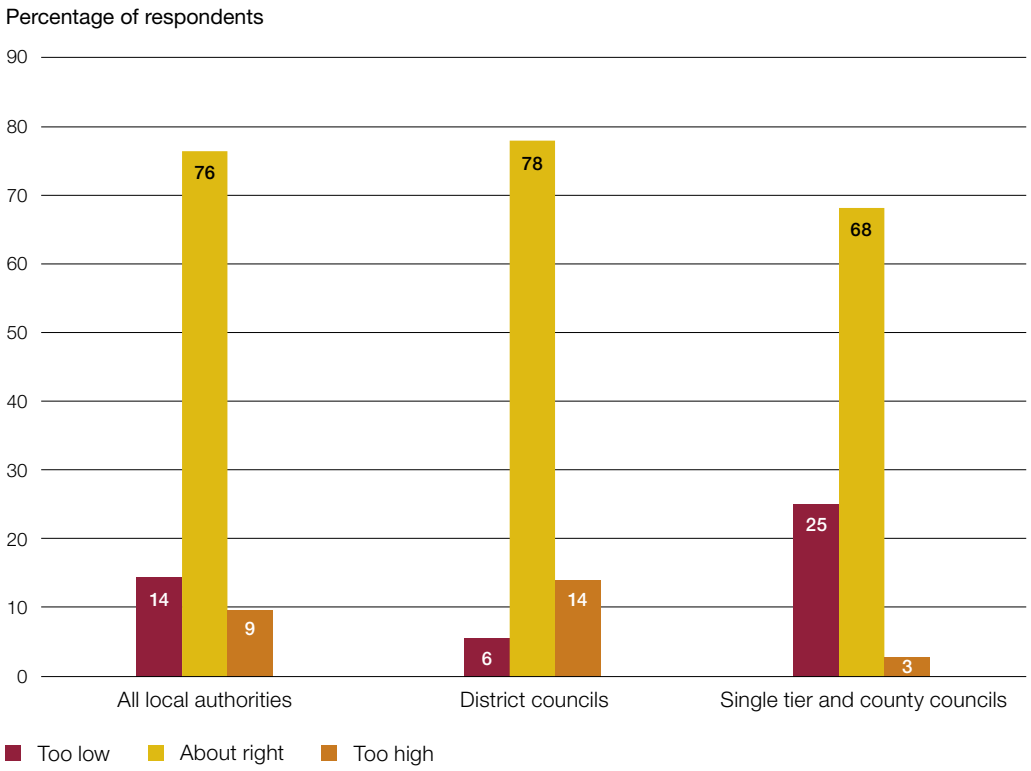
2 The table shows data for the 24 responses from external auditors to our survey where the value for money conclusion for the authority had been qualified in 2016-17.

Source: National Audit Office survey of external auditors

Figure 17

Section 151 officers' views on their external audit scale fee for 2017-18

While the majority of section 151 officers are happy with their audit fees, a quarter of respondents from single tier and county councils felt their fees are too low relative to the risk their authority faces



Notes

1 All authorities: N=144. District councils: N=72. Single tier and county councils: N=72.

2 Numbers do not sum to 100 due to rounding and 'don't know' responses, which are included in the denominator but not shown in the chart.

3 To reflect differences in relative response rates from district councils and single tier and county councils the data for 'all local authorities' has been weighted back to the distribution of authorities by type in the population. See Appendix Two.

Source: National Audit Office survey of section 151 officers

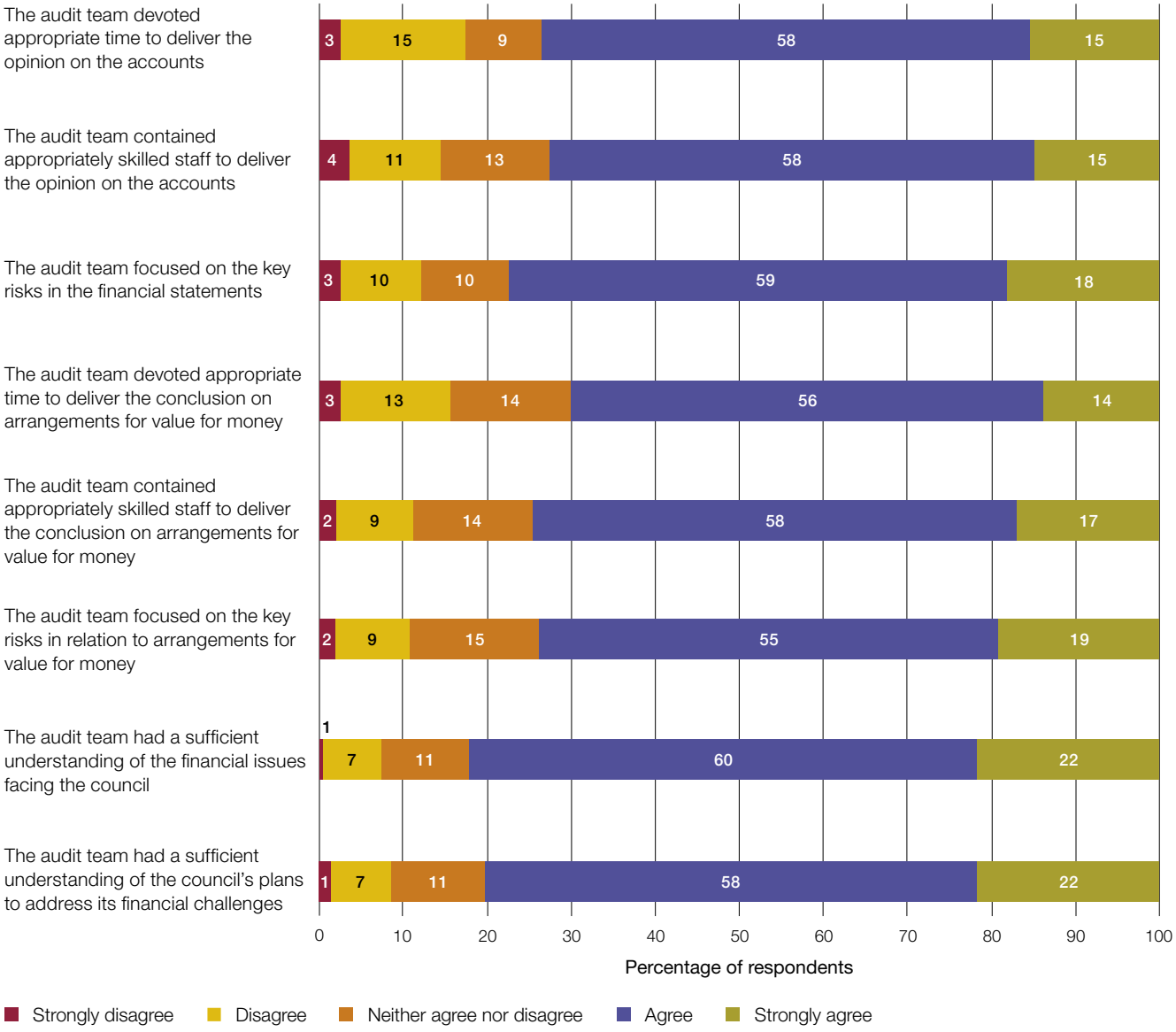
2.37 However, Public Sector Audit Appointments told us that the core elements of the audit have remained largely unchanged. Areas of activity that have been cut back, and thereby delivered savings, include work previously undertaken by auditors outside the core audit, such as use of resources and organisational assessments. The LGA also rejected the view that the reduction in fees had affected the contribution of the core audit.

2.38 Our survey of section 151 officers identified some concerns about the delivery of external audit in 2017-18 (**Figure 18**). For instance, only 70% of respondents agreed or strongly agreed that auditors had spent sufficient time on their value-for-money work. Only 74% agreed or strongly agreed that the auditor had identified the key risks relating to value-for-money arrangements.

Figure 18

Section 151 officers' views on external audit

In the majority of cases, but by no means all, section 151 officers were satisfied with their external audit in 2017-18



Notes

1 N=144.

2 To reflect differences in response rates from different types of authority (district council or single tier and county council), survey responses have been weighted back to the distribution of authorities by type in the population. See Appendix Two.

3 Bar lengths are based on unrounded data but data labels have been rounded. Some sets of data labels may not sum to 100.

Source: National Audit Office survey of section 151 officers

2.39 The Financial Reporting Council on behalf of Public Sector Audit Appointments assesses audit quality. Based on the oversight work performed, neither body felt that the quality of auditors' value-for-money work had fallen in recent years. Public Sector Audit Appointments told us that they felt there may be a misconception about audit quality in the sector. In their view audit quality is about the delivery of an audit that is compliant with relevant codes and standards. Therefore, in their view, where authorities raise concerns that they are not receiving the assurances they need from external audit this in some cases may be an issue with the scope rather than the quality of the audit, linked to an expectations gap in terms of the auditor's remit.

Authorities' views on areas for change

2.40 A significant proportion of respondents to our survey of section 151 officers indicated that they would like some change in external audit. Overall 51% of respondents from single tier and county councils wanted some form of change. For district councils the figure was 36%.

2.41 Respondents from district councils mainly raised concerns about the timeliness of work and the quality of audit staff (**Figure 19**). In contrast, a number of respondents from single tier and county councils wanted less time spent on the valuation of assets and unusable reserves in the opinion on the accounts. Many wanted to see more of a focus on value-for-money issues, particularly in relation to financial sustainability. However, it was not clear whether these needs could only be met through audit rather through other elements of support.

2.42 Our external auditor focus group indicated that they recognised the demand within certain local authorities for more work on value-for-money and financial sustainability issues. However, they were clear that their work must conform to the auditing standards they are assessed against and any additional activity may have implications for the fee needed for the audit.

Other external oversight

2.43 The Local Government and Social Care Ombudsman examines individual complaints about council services. The Ombudsman publishes 'focus' reports covering specific themes arising from complaints, in order to highlight common issues.

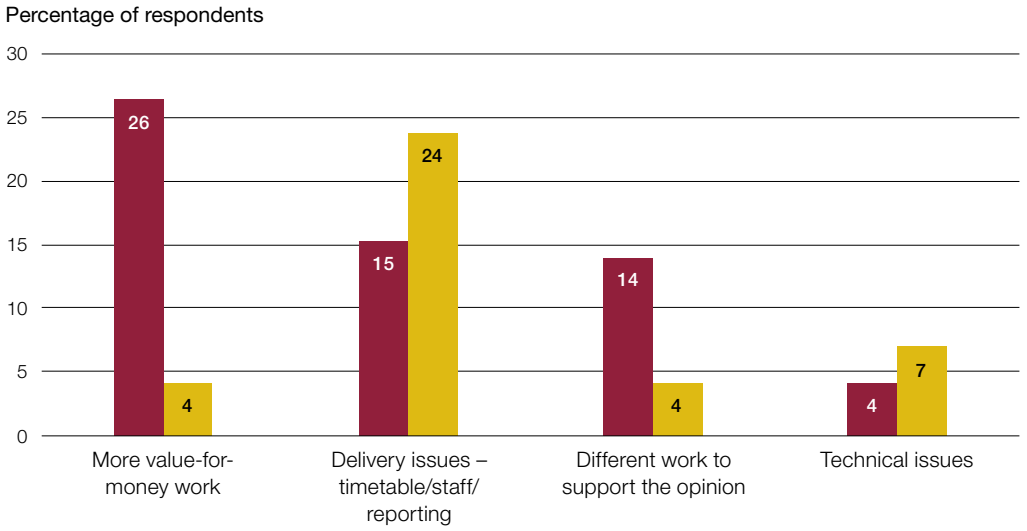
2.44 The LGA's peer challenge processes are the centrepiece of a wider 'sector-led improvement' offer to councils. The scope of the peer challenge and the makeup of the team delivering it is agreed with the council concerned. The process is voluntary and there is no requirement to publish the final report, although the LGA has an expectation that corporate peer challenge reports should be published. The LGA is clear that peer challenge is an improvement tool and that any assurance that the process provides is a by-product of this primary objective.

2.45 While we recognise the significance of both the Local Government and Social Care Ombudsman and the LGA it has been beyond the scope of this work to assess their contribution in depth.

Figure 19

Areas of external audit where section 151 officers would like change

There are marked differences between section 151 officers from district councils and single tier and county councils in the areas of external audit where they would like change



Notes

1 N=144.

2 Based on classification of free text responses.

Source: National Audit Office survey of section 151 officers

Part Three

The role of the Department

3.1 This part examines the Ministry of Housing, Communities & Local Government's (the Department's) responsibilities as steward of the system, how it assures itself that the system is effective, and the steps it takes when intervention is required.

The Department's role and aims

3.2 The accountability system for local government is intended to ensure that councils are accountable for acting with regularity, propriety and value for money in the use of all their resources, whether provided by central government or raised locally. The system serves both Parliament and local people as the funders of councils. The Department is responsible for ensuring the system is working.

3.3 The Department told us that its role required it to test and examine the system. This means that it examines the system overall and its individual elements, rather than individual councils. In its view, individual local failings do not represent system failure. It also considered that given the multifaceted nature of the system, systemic failure would require several elements of the framework to fail simultaneously. The Department said that the identification of system failure would involve a judgement based on the nature, scale and circumstances of local failings.

3.4 The Department's most recent full-year assessment concluded that overall the local government accountability framework remained robust, and no areas required attention within the next 12 months. However, some areas were identified for potential further investigation in the light of changing pressures on local authorities.

How the Department seeks assurance

Responsibility for governance assurance within the Department

3.5 To enable the Department's accounting officer to discharge her responsibility for the effectiveness of the local accountability framework, officials seek assurances from and about the system. This involves officials from three different directorates who produce formal local accountability assurance advice for the accounting officer up to twice a year, with an overview of:

- the Department's assessment of the functioning of the system;
- the work that has been done to underpin the assessment;
- the work that has been done to improve the system; and
- recommendations for further work or changes.

Information on governance risks

3.6 The Department collects most of its information on governance risks as part of its work on understanding the risk of financial failure in the sector. We noted in our report on *Financial sustainability of local authorities 2018* that these arrangements had improved and that they drew on a wide range of sources.[25] As part of these processes, the Department divides the risk factors it identifies into three categories: financial capacity, leadership capability, and service delivery. This information then underpins the six-monthly assurance advice to the accounting officer.

3.7 The Department told us that the Local Government Association's (LGA's) work to support sector-led improvement is also a particularly important source of information. Officials from the LGA and the Department are expected to meet regularly to discuss delivery of sector-led improvement and, in particular, local authorities facing particular challenges.[26] The peer challenge process, an important part of sector-led improvement, is voluntary, as is publication of peer challenge reports.[27] The Department told us that it has acted to extend the coverage of peer challenges. The Department's 2018-19 memorandum of understanding with the LGA includes halving the number of authorities without a corporate peer challenge since 2012 in 2018-19.

25 Comptroller and Auditor General, *Financial sustainability of local authorities 2018*, Session 2017–2019, HC 834, National Audit Office, March 2018.

26 *Memorandum of Understanding Between the Ministry of Housing, Communities and Local Government and the Improvement and Development Agency regarding the provision of support and assistance to the local government sector: Grant Funding 2018-19*, LGA/MHCLG, March 2018, p. 5.

27 Comptroller and Auditor General, *Financial sustainability of local authorities 2014*, Session 2014-15, HC 783, National Audit Office, November 2014, paragraph 3.8.

3.8 Overall, the Department has a reasonable amount of information on governance risks in individual authorities. This is demonstrated by its detailed financial risk analysis reports that identify authorities about which the Department has concerns and highlight the extent to which governance factors may be contributory to financial risk. This represents a widening of the Department's focus from quality of leadership to also cover the governance arrangements that support leadership.

Systemic governance risks

3.9 Much of the Department's evidence base is drawn from individual cases. While this is an important aspect of understanding governance risks in the sector, it also reflects the lack of national data on governance. Apart from the annual report on the work of auditors published by Public Sector Audit Appointments Ltd there are almost no aggregated data sources.

3.10 Given the Department's focus on identifying system-wide governance risks, the lack of a system-wide evidence base is a fundamental challenge. However, the Department told us it is getting better at identifying common themes from individual cases. For instance, it told us it had recently carried out a thematic analysis of the results of its contacts with councils. We have not seen the results of this work.

3.11 Ultimately, however, without system-wide data the Department is not able to test many elements of local governance. It does not have enough information on the governance issues we examined in Part Two to assure itself that these elements are functioning as intended. These include:

- the status of statutory officers and their ability to engage with senior leadership teams and members;
- the nature and robustness of authorities' risk management;
- the make-up and effectiveness of audit committees;
- funding for internal audit and the implications of the growing scope of the role;
- the resources available to, and the effectiveness of, overview and scrutiny functions; and
- the robustness of authorities' standards regimes and the extent to which this affects broader governance.

The Department told us that the lack of systemic data reflects the previous policy decision to remove the national performance framework overseen previously by the Audit Commission.

Prioritising resources

3.12 The Department has demonstrated a willingness to undertake significant work to build a system-wide evidence base in relation to financial risk. For instance, in early 2017 it collected and analysed budget-setting reports for all single tier and county councils to understand their savings plans.

3.13 Similar sources of information are available to support comprehensive information on authorities' governance, such as annual governance statements, heads of internal audit annual reports, and reports to those charged with governance (ISA 260 reports). However, the Department has not examined these systematically.

3.14 The Department recognises that it could do more to identify systemic concerns. However, it has taken a risk-based judgement to focus its efforts on financial risk. While it is unsurprising that the Department has prioritised constrained resources, a failure to develop a fuller picture of the effectiveness of local governance arrangements could be a risk to the long-term viability of the system.

Departmental interventions in the system

3.15 The Department is able to intervene formally and informally in individual authorities where it has concerns about governance arrangements. It is also able to intervene in the overall design of the system should it require change.

Case level

Levels of intervention

3.16 There are three levels of action that the Department takes to address value-for-money risks at individual authorities:

- It can **engage informally** with an authority (or group of authorities) to influence and assist them. This contact can be direct or indirect, and can vary in level and intensity.
- In more serious instances but where the authority involved is open to this level of assistance, the Department can **intervene without use of formal statutory powers**. The Department will make appointments to bespoke bodies like independent improvement panels. These bodies provide support and challenge to the authorities involved and assurance about improvement to the Department.[28]
- Where there are serious concerns but continued resistance from the council involved, the Department can consider the use of **statutory intervention powers**. The quasi-judicial decision to use these formal powers, which involve removing the control of functions or services from democratically elected local politicians, is for the Secretary of State.[29]

28 Currently there are non-statutory interventions in Birmingham City Council and the Royal Borough of Kensington and Chelsea.
29 Currently there is a statutory intervention in Northamptonshire County Council.

Indirect intervention

3.17 In addition to providing information, elements of the LGA's sector-led improvement work are important to the Department as a form of indirect engagement. In 2016 the then Minister for Local Government stated that: "If we become aware through complaints… that there could be statutory failure, we have the ability to ask the LGA to look at the governance of a particular authority, to do a peer review, for example. We can then judge whether the complaints or the concerns that have been raised are sufficient to take further action."[30]

3.18 The Department told us that this process allows it to assess the scale of an authority's issues and what further engagement might be necessary. The Department told us that it was confident in the robustness of most council peer challenges and felt that the process overall gave a suitable level of assurance, despite its primary purpose being improvement.[31] The LGA told us that it has no power to direct an authority to undergo a peer review, and that the process is entirely voluntary.

Formal intervention

3.19 The Department told us that there was no fixed process for advising the Secretary of State about the use of formal intervention powers as this would increase the risk of legal challenge. Advice to ministers about potential intervention is private.

3.20 There is also no transparent process for deciding on lower-level engagement with individual authorities, or about non-statutory intervention such as independent improvement panels. When considering engagement with an authority in crisis, the Department felt there was a need for a 'safe space' to develop ideas, debate live issues, and reach decisions away from external interference and distraction. The Department believes that its approach gives it flexibility and reduces the risk of legal challenge, and that privacy also benefits the authorities themselves. However, it also means that the scale and effectiveness of its engagement in the sector is not open to public scrutiny or challenge. We have said elsewhere that transparency is a crucial element of a robust, accountable system of decision-making, that safeguards taxpayers' money effectively.[32]

3.21 A recent select committee report on statutory intervention recommended that the Department review the experience of interventions once they had ended and report publicly on the lessons that could be learned for the intervention process.[33] The Department did not commit to report in this way.[34]

30 Oral evidence given on 6 November 2017 to the then Communities and Local Government Committee inquiry into *Overview and scrutiny in local government*, Session 2017–2019, HC 369, Q127.

31 The most recent evaluation of sector-led improvement provided a range of examples of positive impacts from corporate peer challenges. However, this was balanced by some concerns over some authorities avoiding the process. James Downe et al., *Rising to the challenge: an independent evaluation of the LGA's corporate peer challenge programme*, Cardiff Business School, February 2017, p. 32.

32 Comptroller and Auditor General, *Accountability to Parliament for taxpayers' money*, Session 2015-16, HC 839, National Audit Office, February 2016.

33 HC Communities and Local Government Committee, *Government interventions: the use of Commissioners in Rotherham Metropolitan Borough Council and the London Borough of Tower Hamlets*, Fourth Report of Session 2016-17, HC 42, August 2016.

34 Secretary of State for Communities and Local Government, *Government Response to the Communities and Local Government Select Committee report: 'Government Interventions: the use of Commissioners in Rotherham Metropolitan Borough Council and the London Borough of Tower Hamlets'*, CM 9345, October 2016.

System-level intervention

Direct intervention

3.22 The Department is ultimately responsible for the system, and acts when necessary. For instance, following a Committee of Public Accounts report that highlighted concerns about the new and additional risks involved in commercial ventures financed by borrowing, the Department made changes to the statutory guidance to enhance risk management of borrowing and ensure a more prudent approach to repaying it. It also worked with the Chartered Institute of Public Finance and Accountancy (CIPFA) on other codes and guidance. The Department also intends to publish updated guidance for councils on overview and scrutiny following recommendations from the Communities and Local Government Select Committee.

Network intervention

3.23 Multiple organisations have been given responsibilities relating to the framework (**Figure 20** overleaf). Consequently, where change is required the Department may judge that the best approach is to encourage other organisations to act. If Departmental officials believe that other organisations are not willing or able to act, or there is a need for action by the government within the next 12 months, then they discuss this with the accounting officer, who may decide to recommend changes to ministers.

3.24 The Department engages with the various organisations in the system framework, to influence them to fulfil their responsibilities. It does this in several ways:

- A memorandum of understanding with the LGA about sector-led improvement, which reflects the fact that this work is funded by the Department, contains specific deliverables on aspects of governance, such as scrutiny training for councillors. The Department has said it is working with the LGA to improve members' understanding of the importance of audit committees.
- Membership of or attendance at panels attended by a range of stakeholders that hold formal, minuted meetings, including CIPFA's Treasury and Capital Management Panel. However, the Department is not a member of CIPFA's Governance Panel and the Government Internal Audit Agency represents central government on the UK Public Sector Internal Audit Standards Advisory Board.
- Through time-limited groupings. For example, the Department set up an external audit delivery board that brought together organisations involved in the external audit reforms. The Department told us that this was disbanded with the agreement of members, after the legislative changes were completed.
- Through one-to-one or ad hoc meetings or exchanges of correspondence.

Figure 20

Roles and responsibilities within the local government accountability system framework are distributed widely

Organisation name	Responsibilities
Chartered Institute of Public Finance and Accountancy (CIPFA)	Responsible for local authority accounting code, prudential code, and framework for good governance in local government. Internal audit standards setter for local government.
Financial Reporting Council	Sets UK accounting standards. In respect of 2018-19 audits onwards, responsible for monitoring the quality of 'major' local government audits.
Public Sector Audit Appointments Ltd	Appointing body for 98% of local authority external audits. Responsible for setting audit fees, managing audit contracts, and (before 2018-19) audit quality monitoring that was partly outsourced to the Financial Reporting Council.
Institute of Chartered Accountants in England and Wales (ICAEW)	Registers local public auditors, and from 2018-19 is responsible for monitoring quality of smaller external audits.
National Audit Office	Sets Code of Audit Practice for local external auditors, most recently in April 2015, and provides guidance. Must use reasonable endeavours to produce a new code within five years, so will work to develop and consult on a new code to be issued no later than April 2020.
Chartered accountancy bodies (including CIPFA and ICAEW)	Provide professional oversight and discipline for their members (section 151 officers are required to be qualified members of one of the bodies).
Local Government Association	Carries out sector-led improvement work funded by the Department.

Source: National Audit Office analysis of departmental data

3.25 While the Department is engaged to differing degrees with all the different actors with responsibilities in the governance framework, the arrangements remain fragmented. There is no common vision or strategy; no public forum for highlighting gaps in the system, resolving disputes over roles or sharing information; and no clear leader that drives and coordinates change across the system. Given the scale of pressures faced by the sector and the broad range of issues, the continuation of a fragmented network model with passive leadership is a risk to the viability of local governance arrangements and their ability to mitigate the pressures faced by the sector.

Appendix One

Our audit approach

1 This study examines whether local governance arrangements provide local taxpayers and Parliament with assurance that local authority spending is value for money and that authorities are financially sustainable. We reviewed:

- the pressures acting on the local governance system and the consequent challenges for governance;
- the extent to which local governance arrangements function as intended; and
- whether the Ministry of Housing, Communities & Local Government (the Department) is fulfilling its responsibilities as steward of the system.

2 For the first of these we drew on past work on local government to provide a baseline against which change in the level of financial pressure could be assessed.

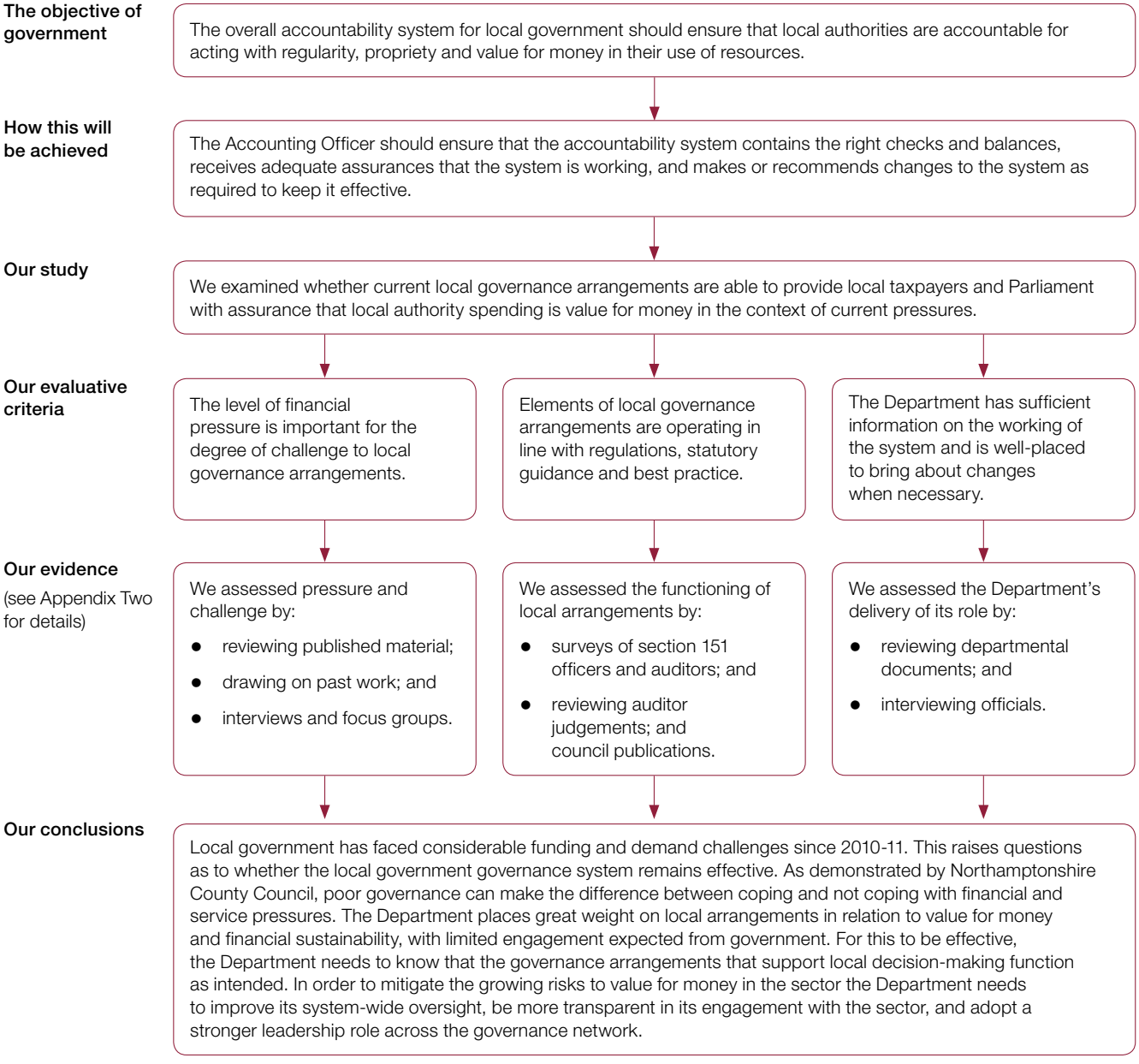
3 For the second of these we applied an analytical framework with evaluative criteria based on:

- the Department's account of the local government accountability system in its Accounting Officer System Statement; and
- the frameworks, guidance and proper practices set out by the Chartered Institute of Public Finance and Accountancy (CIPFA) as the relevant professional body (and given force by statute or regulations).

4 For the third of these we applied an analytical framework based on the Department's account of its responsibilities.

5 Our audit approach is summarised in **Figure 21** overleaf. Our evidence base is summarised in Appendix Two.

Figure 21
Our audit approach



Appendix Two

Our evidence base

1 Our independent conclusions on whether local governance arrangements provide sufficient assurance about value for money were reached following our analysis of evidence collected primarily between July and October 2018.

2 We applied an analytical framework with evaluative criteria that set out how the government's overall objective can be achieved. Our analytical approach is set out in Appendix One.

3 We define 'local authorities' as the 353 principal councils. This includes metropolitan borough councils, unitary authorities, London borough councils, county councils and district councils. We include the City of London and the Isles of Scilly. We group metroplitan borough councils, unitary authorities, London borough councils and county councils together as 'single tier and county councils' throughout the report.

4 We exclude combined authorities, police and crime commissioners, standalone fire and rescue authorities, national park authorities and the Greater London Authority.

Assessing challenges to and the implications for governance

5 We assessed the level of financial pressure on local government and the challenges this poses for local governance arrangements.

- We drew on and updated evidence from previous work on the financial sustainability of local authorities and local authority capital spending. Unless drawn from a previous published report our analysis of local authority spending has been converted into real terms in 2017-18 prices. We use the GDP deflator series published alongside the 2018 Budget.
- Our analysis drew on the Revenue Outturn (RO) and Capital Outturn Returns (COR). We used case level data from the RO. Where an authority failed to provide a return in a particular year they are excluded from the relevant analysis across the whole time period. We use grossed national figures from the COR. These provide estimates for non-respondents.

- Our calculation of the percentage of single tier and county councils overspending their service budgets excludes spend on education, police, fire and rescue, public health and 'other services'. We remove spend on Sure Start and services for young people in order to be consistent with our approach in our study on *Local authority financial sustainability 2018.*[35]
- We reviewed written evidence on relevant issues, including our past work on whistleblowing, reports from Parliamentary committees, the results of a survey of audit committee chairs conducted by the Chartered Institute of Public Finance and Accountancy (CIPFA), results from a survey of monitoring officers conducted by Lawyers in Local Government and *Local Government Lawyer*, and comments in letters issued by the Local Government and Social Care Ombudsman.
- We surveyed the external auditors of English councils about the profile of value-for-money risks at their councils (further details of this survey are provided in paragraph 6).
- We interviewed representatives of a range of stakeholders:
    - the Local Government Association (LGA) (Head of Improvement);
    - Centre for Public Scrutiny (Chief Executive);
    - Local Government and Social Care Ombudsman;
    - Society of Local Authority Chief Executives (SOLACE) (President);
    - Lawyers in Local Government (Monitoring Officer lead);
    - CIPFA (Chief Executive, Head of Governance and Associate Director of Local Government);
    - Financial Reporting Council (Acting Director, Audit Quality Review);
    - Society of District Council Treasurers (President);
    - Society of County Treasurers (President);
    - Society of London Treasurers (President);
    - Society of Municipal Treasurers (President);
    - London Councils (Director of Finance and Procurement); and
    - Public Sector Audit Appointments Ltd (PSAA) (Chief Officer).

35 Comptroller and Auditor General, *Financial sustainability of local authorities 2018*, Session 2017–2019, HC 834, National Audit Office, March 2018.

- We held focus groups or other discussions with holders of key roles.[36]
    - Chief executives: one focus group with six chief executives attending a meeting of SOLACE's Policy Board.
    - Local elected members: two member focus groups organised under the auspices of the LGA; we also discussed the study issues with attendees at a meeting of the LGA's Improvement Board.
    - Section 151 officers: one focus group with 10 section 151 officers for London authorities, held at a Society of London Treasurers committee meeting; one focus group with eight section 151 officers for urban authorities of different types, held at a Society of Municipal Treasurers conference; one focus group with seven section 151 officers for county councils, held at a Society of County Treasurers committee meeting; and one focus group with 10 section 151 officers for district councils, held at a Society of District Council Treasurers committee meeting.
    - Heads of internal audit: one focus group held at the NAO's London office with 10 participants contacted via CIPFA, and one focus group held in Coventry with nine participants attending a meeting of the Midlands Counties Heads of Audit group.
    - External auditors: one focus group held at the NAO's London office with seven participants from the five firms currently holding PSAA's main contracts for principal councils; and a subsequent group discussion of survey results with firm representatives.
    - Monitoring officers: we discussed the study issues with interested attendees of the Lawyers in Local Government annual conference.
- We received information, in writing or by telephone conversations, from several other interested individuals.

Assessing the operation of local governance arrangements

6 We assessed whether local governance arrangements are operating as intended.

Literature analysis

- We analysed legislation, regulations, statutory codes and guidance, proper practices, professional standards and good practice guidance to identify the formal expectations of local governance arrangements.

36 Across the focus group or set of groups for each of the roles concerned there was a variety of council types and geographical locations represented. Some participants, particularly heads of internal audit, held their role at more than one council.

Survey of section 151 officers

- We carried out an anonymous web survey of section 151 officers at English councils. It asked primarily structured questions about their opinions concerning their role and other governance arrangements at their council. The questions were informed by the formal expectations of these arrangements set out in CIPFA's *Delivering good governance in local government framework* and *The role of the chief financial officer in local government*.[37]
    - CIPFA sent out the survey on our behalf.
    - We received responses covering 144 local authorities out of a possible 353 (**Figure 22**). In some cases, individual section 151 officers cover more than one local authority and may therefore have submitted separate responses for more than one authority. A 'response' to this survey therefore relates to the views of a section 151 officer in relation to a single authority.
    - In our responses district councils were slightly under-represented relative to single tier and county councils compared to the overall population of local authorities (**Figure 23**). To address this, where we have presented findings from this survey for all authorities we have weighted the response by local authority type back to the distribution in the population.
    - We received comments on the draft questions from CIPFA and the local authority treasurers' societies and they endorsed the survey to their members. We discussed the interpretation of the results in stakeholder interviews and focus groups carried out after the survey closed.
    - Many of the survey responses use a five-point Likert scale which includes 'neither agree nor disagree' as the middle point. In our focus group discussions, a number of which were with survey respondents, it was agreed this category indicated that respondents were not able to agree that suitable arrangements were in place. It was felt that respondents were not communicating that arrangements were dysfunctional, as they were by responding 'disagree' or 'strongly disagree', but they were indicating that they were not of an appropriate standard and that there was room for improvement.
    - Where respondents responded 'don't know' these responses were retained in both the numerator and the denominator in any analysis. However, we do not always show the results for these responses in every chart in the report. Where respondents responded 'not applicable' or 'rather not say' we removed these responses from both the numerator and the denominator in our analysis.
    - All our survey results are reported in whole numbers rather than to any decimal points.

37 See footnote 8 for the framework. Chartered Institue of Public Finance and Accountancy, *The role of the chief financial officer in local government*, CIPFA, April 2016.

Figure 22
Survey response rates

	Population	Section 151 officer responses	External auditor responses
Authorities/responses (number)	353	144	202
Responses as a percentage of population	–	40.8%	57.2%

Notes

1 A 'response' relates to a response by a section 151 officer or external auditor for an individual local authority. It was possible for respondents to complete multiple responses if they were the section 151 officer or external auditor for more than one authority.

2 In a small number of cases not all questions were answered. The lowest number of responses for a particular question by section 151 officers was 139. For external auditors the number was 197.

Source: National Audit Office surveys of section 151 officers and external auditors

Figure 23
Responses by type of local authority

	Population (%)	Section 151 officer responses (%)	External auditor responses (%)
District councils	56.9	50.0	58.7
Single tier and county councils	43.1	50.0	41.3

Source: National Audit Office surveys of section 151 officers and external auditors

Survey of external auditors

- We carried out an anonymous web survey of external auditors of English councils. The survey was mailed to those operating at audit manager grade. It asked primarily structured questions about their opinions concerning their role and other governance arrangements at each council they audit. The questions were informed by the formal expectations of these arrangements set out in CIPFA's *Delivering good governance in local government framework*.
    - Audit firms provided us with contact details for the auditors and encouraged their employees to complete the survey.
    - We received responses covering 202 local authorities out of a possible 353 (Figure 22). In many cases, audit managers will oversee the audit of multiple authorities and may therefore have submitted separate responses for more than one authority. A 'response' to this survey therefore relates to the views of an auditor in relation to a single authority.

- Survey responses by authority type were a relatively close fit to the population (Figure 23). We have therefore not weighted any of the responses to this survey.
- We received comments on the draft questions from the audit firms and CIPFA. We discussed the interpretation of the results with the firms and in stakeholder interviews carried out after the survey closed.
- The same points about the 'neither agree nor disagree' category were made to us in the discussions with auditors on the survey findings as with the section 151 officers survey. This means that where an auditor has given this response, they are not able to agree that a particular governance element was of an appropriate standard and therefore there was room for improvement.
- Our treatment of 'don't know', 'not applicable' and 'rather not say' responses was the same as set out above in relation to the survey of section 151 officers.
- All our survey results are reported in whole numbers rather than to any decimal points.

Other methods

- We carried out stakeholder interviews and focus groups as outlined above.
- We reviewed the results of work by external auditors on value-for-money arrangements at English councils, drawing on:
  - summary reports published by Public Sector Audit Appointments (and the Audit Commission prior to 2014-15);
  - statements of accounts for 2017-18 for all councils, and earlier years where required for some; and
  - external auditor reports to those charged with governance (ISA 260 reports) for 2017-18 for all councils.
- In order to understand the extent to which qualified value-for-money conclusions were based on the findings of Ofsted inspections we classified auditors' qualified conclusions based on whether:
  - an Ofsted inspection was the sole factor cited in the qualified conclusion;
  - an Ofsted inspection outcome was a factor cited alongside other issues in the qualified conclusion; or
  - there was no reference to an Ofsted inspection in the qualified conclusion.

- We present data in the report for authorities where a qualified conclusion was solely the result of an Ofsted inspection (the first group in the sub-bullets immediately above), and for authorities where Ofsted was not the sole factor (the second and third groups in the sub-bullets immediately above). This analysis only applies to authorities that are subject to Ofsted inspections: single tier and county councils.
- Where the value-for-money conclusion for an authority has not been published in a particular year we remove that authority from both the numerator and denominator in our figures. Consequently, we show figures for the percentage of qualified conclusions as a share of those that have been published, rather than as a share of all local authorities.
- We carried out structured reviews of information published by local authorities about their governance arrangements, informed by the formal expectations of them:
    - Audit committee membership (census – all local authority websites);
    - Annual Governance Statements (50% sample);
    - Head of Internal Audit annual reports (50% sample); and
    - Whistleblowing policies (census – all local authority websites). We define policies published in 2014 or before as out of date. This reflects the changes to the whistleblowing arrangements introduced in 2015 following the abolition of the Audit Commission.

Assessing the Department's role

7 We assessed whether the Department is fulfilling its responsibilities as steward of the local accountability system.

- We drew on evidence from our past work on the Ministry of Housing, Communities & Local Government's (the Department's) assurance work on risk of financial failure in councils.
- We reviewed a range of Departmental documents: the Accounting Officer System Statement, memorandums of understanding with the Local Government Association, recent examples of full-year and mid-year assurance advice to the Accounting Officer, and redacted versions of analysis of councils at risk.
- We carried out five interviews with Departmental officials, covering the local accountability system, assurance on the system, and external audit.

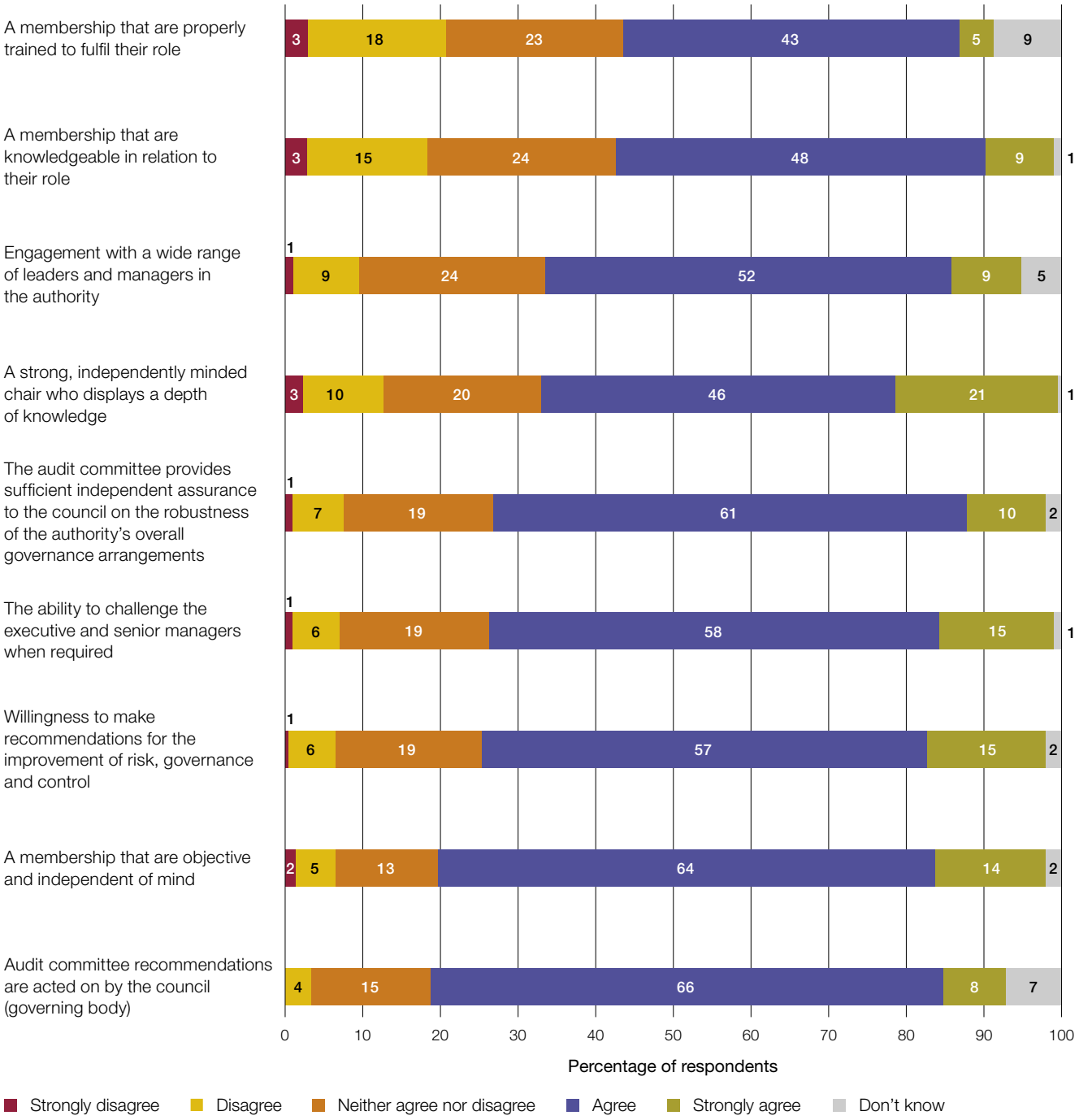
Appendix Three

Additional data on internal checks and balances

Audit committees

Figure 24
External auditors' views on the characteristics of audit committees

Many external auditors have expressed concerns over the level of training and knowledge of members of audit committees



Notes

1 N=197.

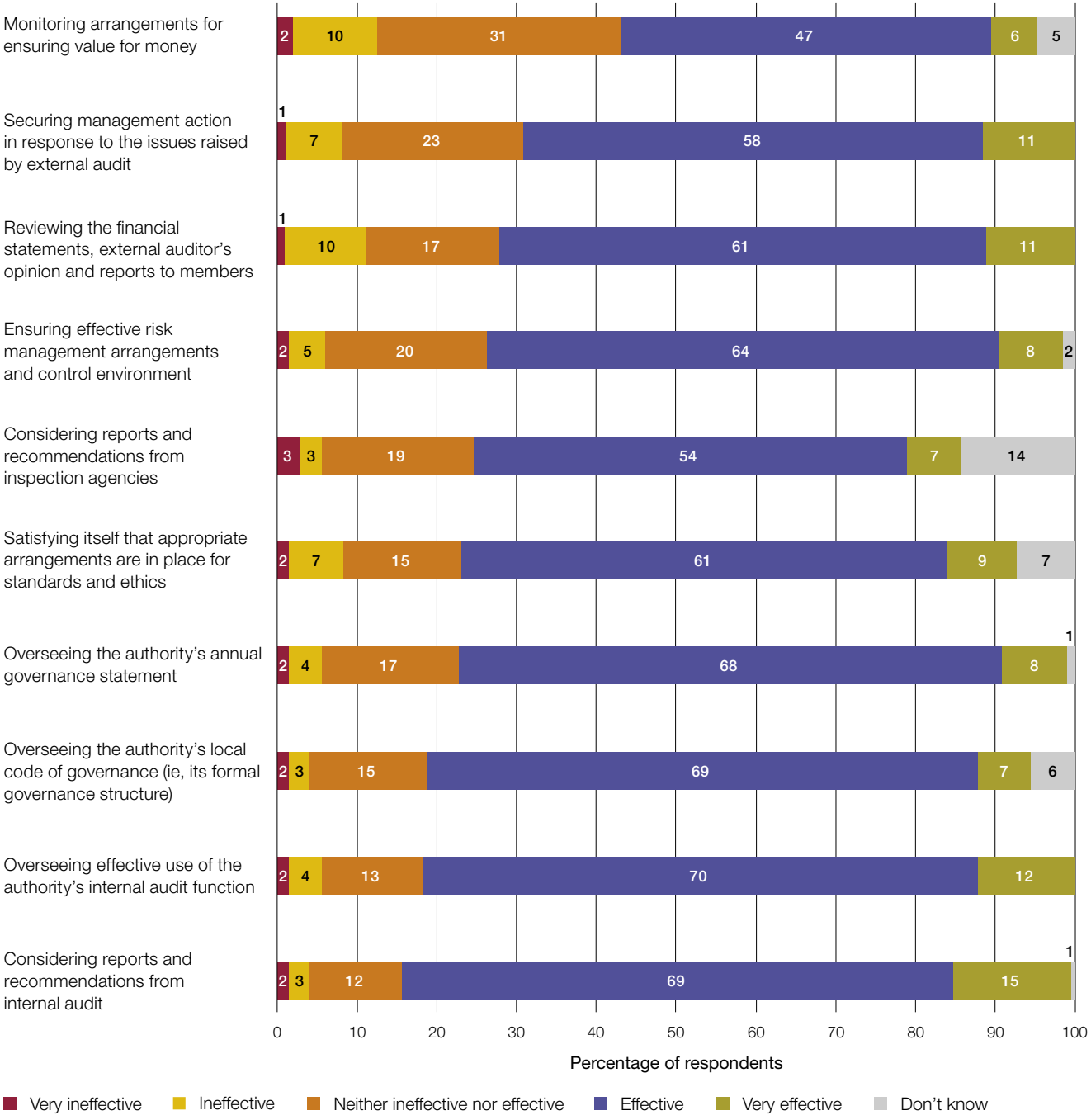
2 Bar lengths are based on unrounded data but data labels have been rounded. Some sets of data labels may not sum to 100.

Source: National Audit Office survey of external auditors

Figure 25

External auditors' views on the work of audit committees

There are a range of areas where many external auditors did not feel that audit committees were effective



Notes

1 N=197, however responses of 'not applicable' have been removed in some cases.

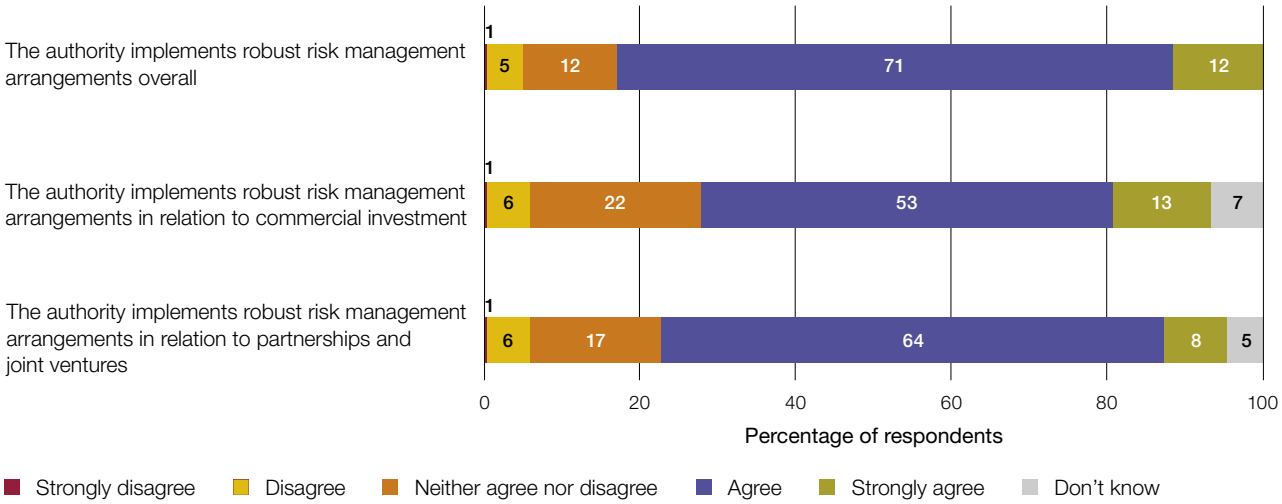
2 Bar lengths are based on unrounded data but data labels have been rounded. Some sets of data labels may not sum to 100.

Source: National Audit Office survey of external auditors

Risk management

Figure 26
External auditors' views on risk management

While external auditors were positive about overall risk management in the majority of authorities, this was not always the case



Notes

1 N=197.

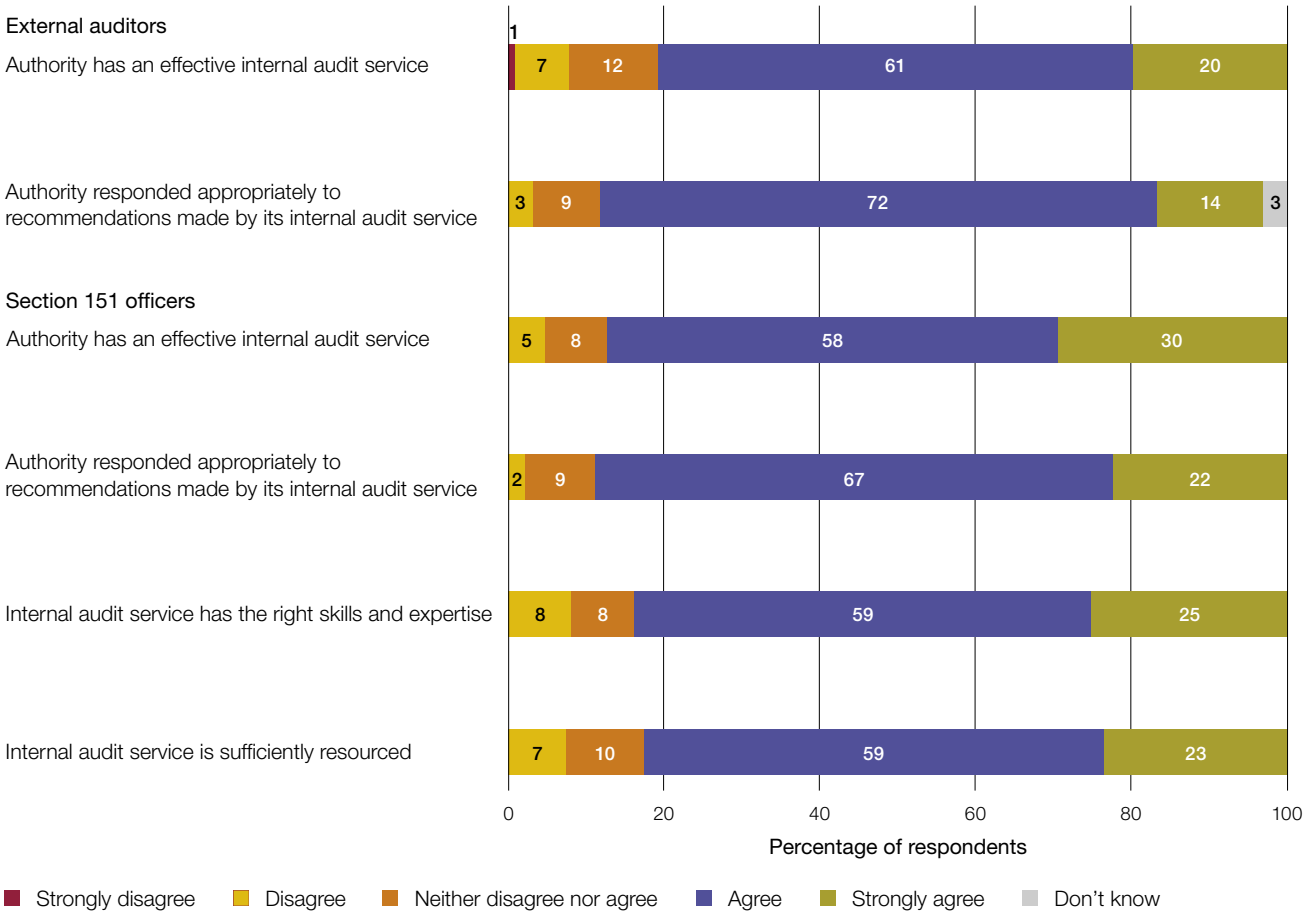
2 Bar lengths are based on unrounded data but data labels have been rounded. Some sets of data labels may not sum to 100.

Source: National Audit Office survey of external auditors

Internal audit

Figure 27
External auditors' and sections 151 officers' views on internal audit

While the majority of both external auditors and section 151 officers felt their authorities had effective internal audit functions, this was not always the case



Notes

1 External auditors: N=197. Section 151 officers: N=141.

2 To reflect differences in response rates from different types of authority (district council or single tier and county council), survey responses from section 151 officers have been weighted back to the distribution of authorities by type in the population. See Appendix Two.

3 Bar lengths are based on unrounded data but data labels have been rounded. Some sets of data labels may not sum to 100.

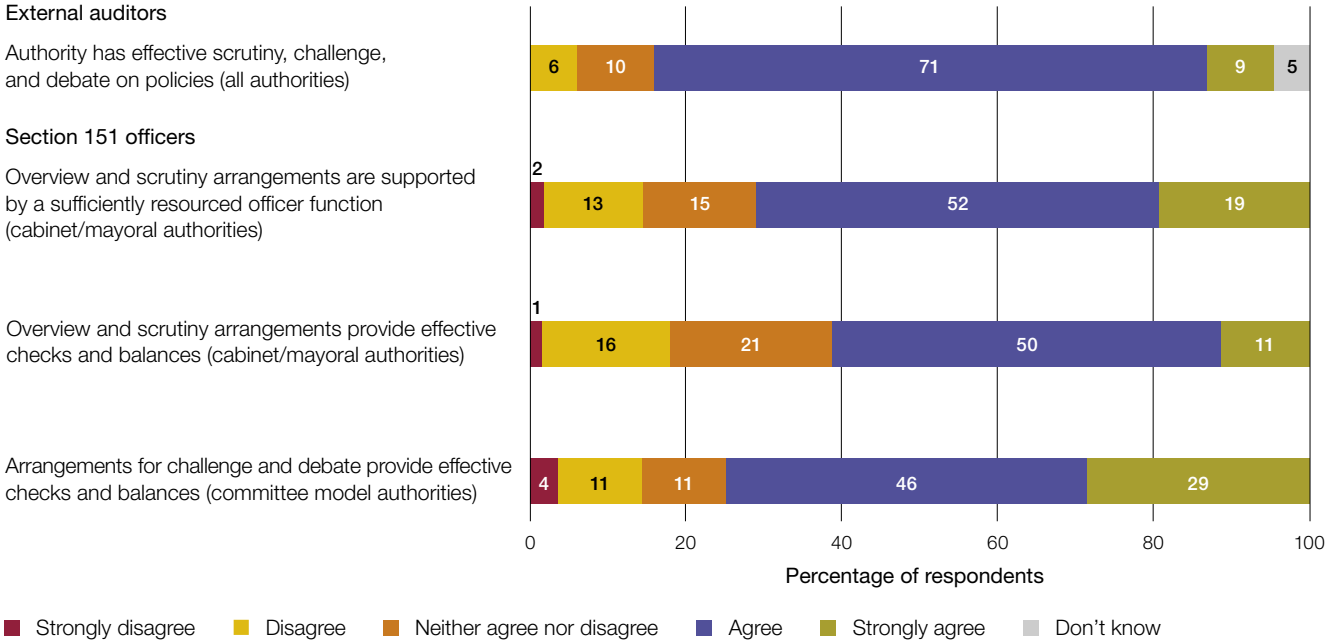
Source: National Audit Office surveys of external auditors and section 151 officers

Overview and scrutiny

Figure 28

External auditors' and section 151 officers' views of overview, scrutiny and challenge

Many section 151 officers from cabinet and mayoral model authorities did not agree that their overview and scrutiny arrangements are effective



Notes

1 External auditors: N=197. Section 151 officers: N=141 (cabinet/mayoral authorities: N=113; committee model authorities: N=28).

2 To reflect differences in response rates from different types of authority (district council or single tier and county council), survey responses from section 151 officers have been weighted back to the distribution of authorities by type in the population. See Appendix Two.

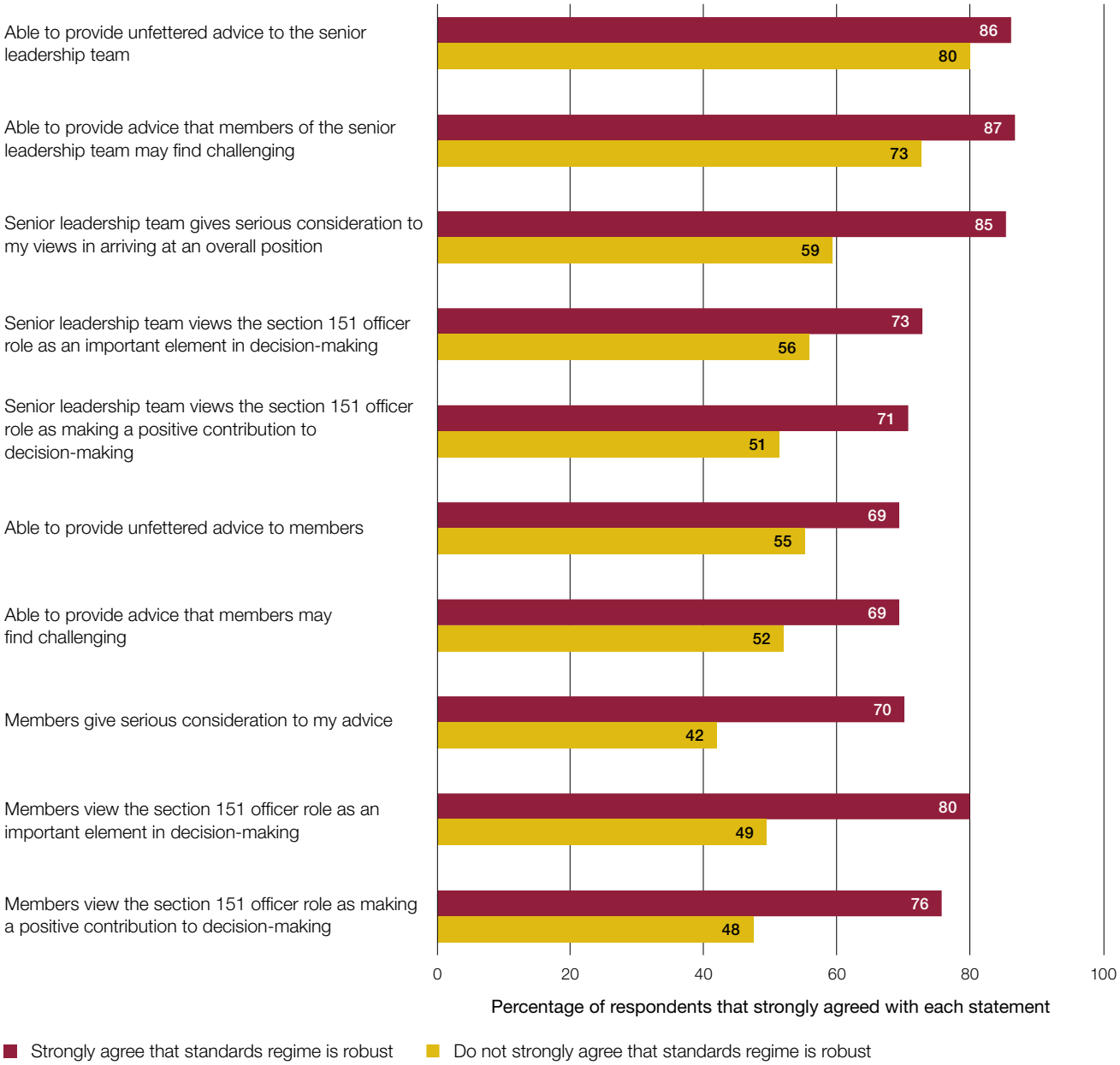
3 Bar lengths are based on unrounded data but data labels have been rounded. Some sets of data labels may not sum to 100.

Source: National Audit Office surveys of external auditors and section 151 officers

Figure 29

Section 151 officers' views on their governance arrangements in the context of their local standards regimes

Section 151 officers that 'strongly agreed' that their authorities' standards regime was robust were more positive about their engagement with elected members and senior officers



Notes

1 N=144 (Strongly agree that standards regime is robust: N=43. Do not strongly agree that standards regime is robust: N=101).

2 Figure shows the percentage of respondents that 'strongly agreed' with each statement.

3 The differences between the responses from the two groups are statistically significant at 0.05 in relation to the 3rd, 5th, 8th, 9th and 10th statements, and at 0.10 for the 2nd and 7th statements. Differences for the other statements are not statistically significant.

4 To reflect differences in response rates from different types of authority (district council or single tier and county council), survey responses have been weighted back to the distribution of authorities by type in the population. See Appendix Two.

Source: National Audit Office survey of section 151 officers

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London's developing health landscape: STPs, integration and population health

6 December 2018

Helen McKenna and Leo Ewbank

The King's Fund

Outline

- Sustainability and transformation partnerships
- STPs in London: areas of focus and progress
- Areas of interest to JHOSC: public engagement, governance, transparency
- The wider health agenda today
- Our recommendations and a few concluding thoughts

Sustainability and transformation partnerships: where we've come from

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What are STPs again?

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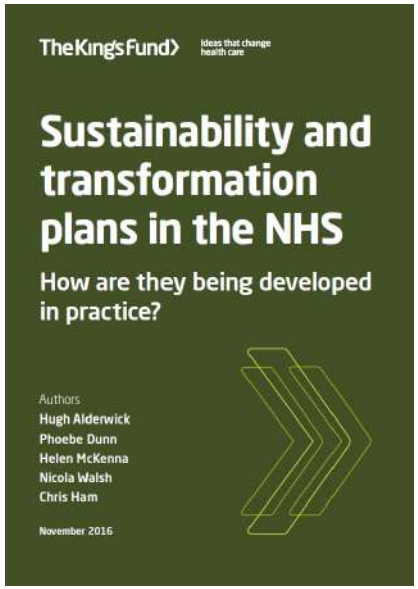
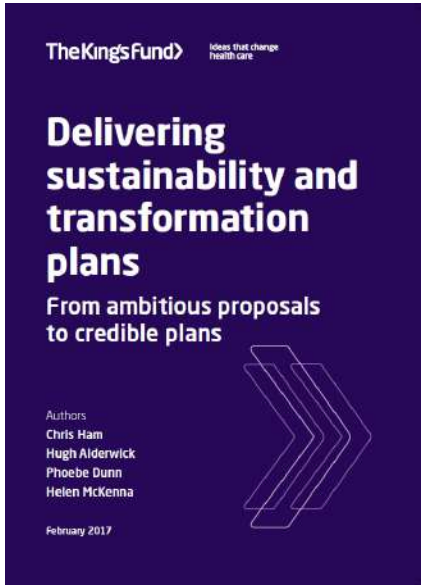
Difficult beginnings: the early development of STPs





STPs in London

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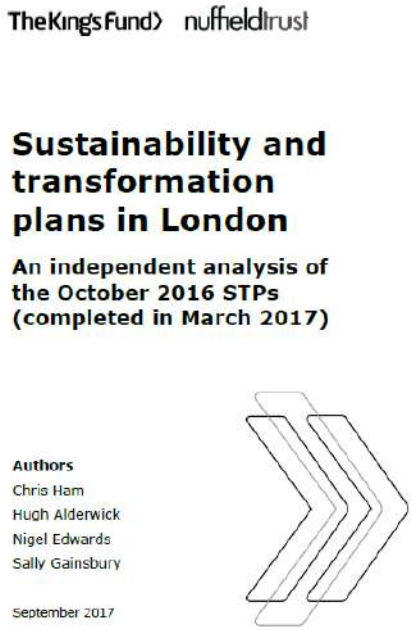
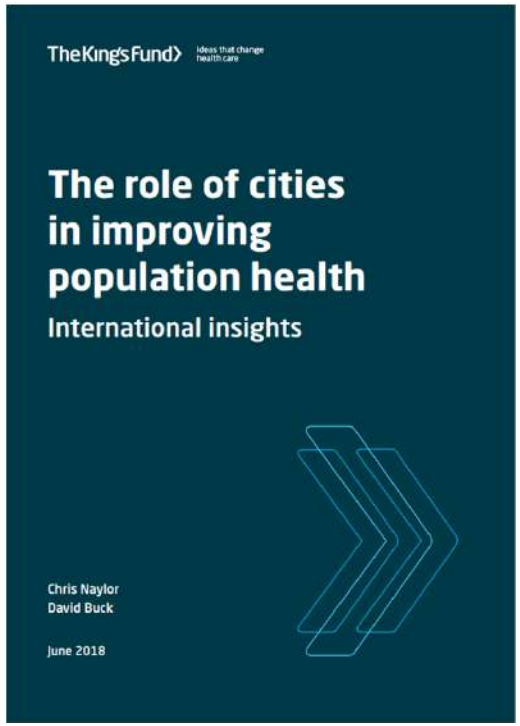
Our work





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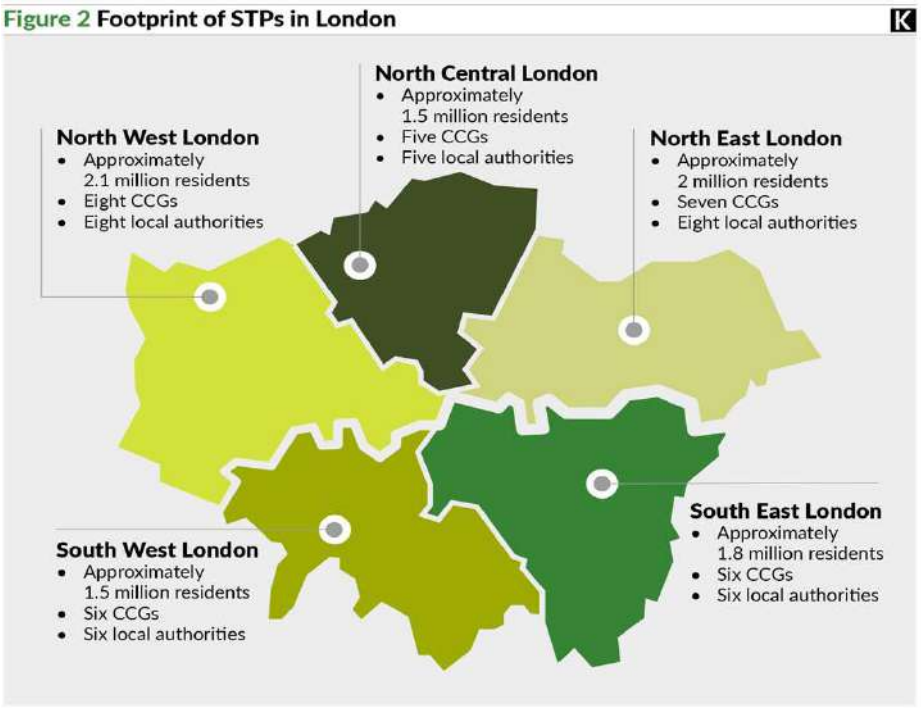
STPs in London: the context



London is unusual for a number of reasons:

- Size
- Diverse population
- Organisational complexity
- Major teaching hospitals with national and international roles
- Complex patient flows

The King's Fund

STPs in London: what has been their focus?

- Leadership and governance
- Building relationships
- Refreshing priorities

The King's Fund

STPs in London: other areas of progress

The King's Fund

But on balance London's STPs are behind the curve

'London presents a puzzle for advocates of place-based systems of care…Despite [some] achievements, STPs in London are less advanced than in many other parts of England, and none has yet progressed to become an integrated care system.'

Why?

Financial, operational and workforce challenges

Ongoing lack of clarity of vision

Sometimes national policy doesn't map onto London

STPs don't make it easy for local authorities to participate fully

System architecture doesn't support collaboration

A few areas of particular interest for JHOSC

The King's Fund

Public engagement

'The initial plan was woefully ignorant of the people they wanted to do these plans to, the community they wanted to serve…It was a gaping hole.'
(director of public health)

- Much effort to engage communities over the last 12 months.
- Yet success probably variable.
- Clinical engagement area for further work across STPs (notwithstanding input of CCGs).
- Some STPs recognise further work needed, but questions remain about how to do optimally.

Governance

- Much effort into strengthening each STP's governance over last year
- Governance exists at multiple levels (CCG/trust, STP, London devolution – see Fig)
- London's is an unusually complex landscape

Figure 3 Simplified diagram of structures for strategic oversight of pan-London work on health and social care

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Transparency

- Process of STP development widely recognised as deficient
- National bodies played a role in this
- Key challenge for STPs going forward to communicate more effectively about what they are doing

The wider health and care agenda today

The King's Fund

STPs are here to stay and the goal is to catalyse integrated care

'Our aim is to use the next several years to make the biggest national move to integrated care of any major western country…This will take the form of Sustainability and Transformation Partnerships covering every area of England and for some geographies the creation of integrated (or 'accountable') care systems.'

NHS England 2017

Integrated care systems developing across England

- 14 areas (in two waves)
- Varying sizes of population and system characteristics
- At different stages of development
- More are expected to follow
- The most advanced moving towards a population health approach

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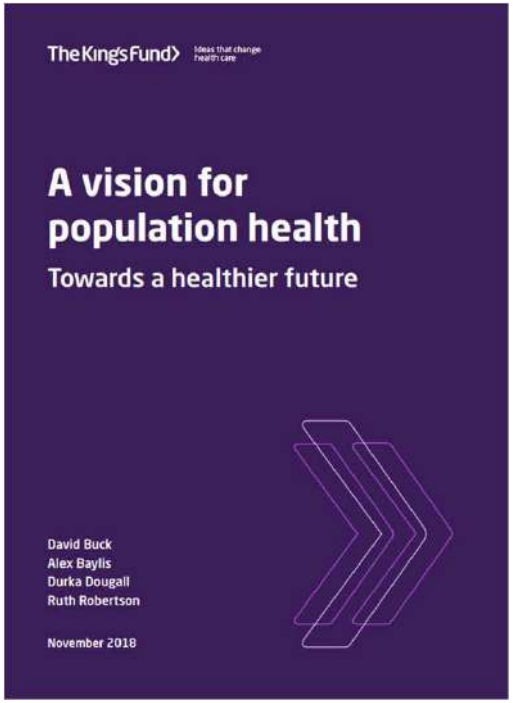
From integrated care to population health



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New money, new long-term plan (imminently) and local multi-year plans to be developed

Table 1: NHS England Funding Settlement, 2018/19 to 2023/24

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Cash (£bn)	114.6	121.8	128.2	134.4	141.1	149.0
Real (2018/19 prices £bn)	114.6	119.7	123.5	127.1	130.9	135.6
Real change with pension adjustment		4.4%	3.2%	2.9%	3.0%	3.7%
Real change without pension adjustment		3.3%	3.3%	2.9%	3.0%	3.7%

Note: Figures in 2018/19 prices are deflated using the Office for Budget Responsibility's Economic and Fiscal Outlook deflators, published alongside the Autumn Budget 2018.
Source: Autumn Budget 2018

- New five-year NHS funding settlement
- Some (small) additional money for social care
- STPs asked to develop new five-year plans by summer 2019

Our recommendations and some concluding thoughts

The King's Fund

Actions of others are also critical if STPs are to succeed

Local authorities must be fully engaged

Teaching hospitals need to be fully engaged

Align the resources and expertise of other bodies to support STPs

Review London-wide governance arrangements

Develop a refreshed vision for future of health and care in London

Amend the law to align with the work STPs have been tasked with delivering

The King's Fund

A few thoughts on democratic accountability in health and care

- The NHS and local government have different traditions of democratic accountability (top down vs bottom up).
- STPs complicate this because they are not legal entities and the constituent organisations retain their formal accountabilities.
- Some ICSs, eg Buckinghamshire and Frimley, have developed new governance structures that bring together NHS and local authority input.
- Building relationships with the players in local systems is also key; this takes times.
- Possibly a case for differentiating between areas of agreement and areas of difference vis-a-vis STPs' plans.

Thank you

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Pan London JHOSC Network

Notes of Meeting of 6th December 2018

The pan London JHOSC network is an informal opportunity for elected Members of London JHOSCs to meet and share experiences. These notes represent a brief summation of the issues covered and any key points for action.

1. Cllr Kelly (Camden) chaired.

2. The meeting was attended by elected members and officers from across the six London JHOSCs. Speakers were from the Healthy London Partnership (Will Tuckley) and the Kings Fund (Helen McKenna and Leo Ewbank).

3. **Will Tuckley** – the Chief Executive of Tower Hamlets and co-chair of the London Health and Care Strategic Partnership Board – reported on the development of health devolution in London and the role of local government within it. Local government was inextricably linked to the NHS but progress in integration between social care and health services had been slow. Sustainability and Transformation Plans (STPs) had involved the development of systems where such services where commissioned and provided together. However, their development had been rushed, there had been little involvement of elected Members and social care had not been given high priority.

   There had been an agreement to develop London-wide joint working a year ago and there were now some powers that it had been granted. The London Health Board had already existed and is chaired by the Mayor. There were now five Members on this, who are appointed by London Councils. In addition, the London Health and Care Strategic Partnership Board had been set up, which he co-chaired. Clinical Commissioning Groups (CCGs) were now consolidating and collaborating more on a sub-regional and regional basis. The changes brought opportunities which he felt local government needed to take advantage of. These included:
   - Greater integration of services;
   - Influencing the modernisation of NHS estate;
   - The opportunity to use transformation funding;
   - Co-design of public health initiatives;
   - Developing proposals for a sustainable health and social care workforce.

   It was important to persuade health partners that local government could assist them in addressing the challenges that they faced. He stated that there had not yet been a discussion about the role of scrutiny in devolved structures in London but was happy to raise this.

4. **Helen McKenna** and **Leo Ewbank** from the Kings Fund presented on their recent report "Sustainability and Transformation Plans in London: An Independent Review" focusing on governance and the democratic process. They stated that it was clear that STPs were here to stay. However, London was not as far advanced as other areas of the country in

developing Integrated Care Systems (ICS). Local authorities were essential for the further development of STPs. It was acknowledged that there had been a democratic deficiency in the way that STPs had been developed which needed to be addressed. One key issue that needed to be addressed was that STPs were not separate legal entities and power sill lay with their constituent organisations.

5. Members attending the Forum felt that the culture within the NHS needed to change. There was also a need to have greater involvement from the voluntary and community sectors within STPs. There were challenges to working on a sub-regional basis and these included a lack of understanding by individual boroughs of joint working. The organisational and statutory framework did not encourage joint working but it was essential that local authorities adapted to the changing landscape so they were best able to exert influence. JHOSC Chairs could play a useful role in providing accountability for devolved pan London health and care structures.

6. The following action points were highlighted:
   - Continued work with the Kings Fund to increase understanding of scrutiny of health and social care;
   - JHOSC Chairs to work with London Councils to provide scrutiny of devolved pan London health and care structures;
   - Health and Well Being Boards should continue to be held to account locally;
   - CCG budgets should be scrutinised by HOSCs;
   - Joint working to be promoted within boroughs to develop greater awareness of its need and potential benefits;
   - Links between housing associations and HOSCs should be developed further so that there is better awareness of their work; and
   - Parity of esteem between Cabinet and scrutiny still needed to be achieved.

7. The meeting ended at 10.15 a.m.

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