This sector briefing is one of the ways that we hope to continue to support you and your organisation in an environment that is constantly changing and evolving. It covers issues which may have an impact on your organisation, the health sector and the audits that we undertake.

The public sector audit specialists who transferred from the Audit Commission form part of EY’s national Government and Public Sector (GPS) team. Their extensive public sector knowledge is now supported by the rich resource of wider expertise across EY’s UK and international business. This briefing reflects this, bringing together not only technical issues relevant to the health sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing, as well as some examples of areas where EY can provide support to new and existing NHS bodies.

We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please do contact your local audit team.
Government and economic news

EY Item Club spring 2015 forecast

In its latest quarterly forecast the EY Item Club forecasts strong economic performance with GDP growth of 2.8% this year, rising to 3% in 2016. The Consumer Prices Index (CPI) Inflation is expected to average 0.1% for 2015, but expected to rise above 1% this winter, paving the way for possible base rate rises in spring 2016. Consumption is forecast to grow by 2.8% this year (mainly due to a real income increase of 3.7%) and strong growth over the medium term supported by buoyant incomes rather than borrowing. An additional driver for growth is the fall in the Euro against the pound. Business surveys indicate that the effect of this exchange rate move on export competitiveness has been countered by the strength of the European market.

The report highlights that its forecasts are far more positive than the Office of Budget Responsibility which it accepts needs to be cautious, seeing room for expansion in the consumer and housing markets without significant adverse effect on household debt or house prices. Additionally long term output growth prospects are better than indicated by OBR projections. The forecast suggests that the outlook for the government post-election will be more positive than official statistics.

Manchester devolution

On the 27 February 2015, a memorandum of understanding was signed between Greater Manchester’s 10 local authorities, 12 NHS clinical commissioning groups and 15 NHS providers, as well as NHS England chief executive Simon Stevens and Chancellor George Osborne. This memorandum builds on the devolution settlement for Manchester which was signed in November 2014, and proposed the devolution of powers to Greater Manchester in various areas including transport, planning and housing.

NHS England worked with the Manchester bodies to develop a plan for further joined up and integrated health and social care. The next stage will be the development of a roadmap, followed by production of a business plan. Due for publication in October, the outline business plan will outline the scope for possible savings through integration; as well as setting out the capital investment that will be needed to deliver the proposed shift from acute care to the primary and community sectors.

Under the plan, a new joint decision-making process for all £6bn of health and social care spending will be developed. A Greater Manchester Strategic Health and Social Care Partnership Board will be set up, and will oversee the development of the health and care system. A joint commissioning board will be responsible for financial plans and budget proposals for the sizeable budget, which represents approximately a quarter of all public spending in the region.

George Osborne has said that this reform was “exactly what we want to see more of in our health care”.

Greater Manchester Combined Authority chair Lord Peter Smith confirmed his commitment to working with NHS colleagues in the city: “By ensuring that decisions about health for Greater Manchester are taken in Greater Manchester, we can ensure we have a system specifically tailored to the needs of people in our area”.

This radical change follows on from the Community Budget programme, of which Manchester was one of the four pilots. This programme was intended to pool funds to improve the effectiveness of public spending across the city’s 10 councils. An analysis from EY commissioned by the Local Government Association concluded that more than £4bn could be saved every year if all areas adopted a Community Budget approach and were able to cut the unnecessary waste, duplication and red tape. Of these, it was estimated 80% would come from the budgets of central government departments and agencies.
Government and economic news

How is the NHS performing?

In its latest quarterly update on the performance of the NHS the King’s Fund paints a concerning picture of NHS finances. Its survey (carried out in February and March 2015) focuses on performance in 2014/15 and expectations for 2015/16. Amongst its main points in respect of 2015/16 are:

► Nearly 70 per cent of providers and 40 per cent of commissioners are concerned about staying within budget in 2015/16, and more than 90 per cent of providers and 85 per cent of commissioners are concerned about the overall financial state of their local health economies.

► The NHS Forward View has proposed a continuation of the need to generate further productivity gains, with built in efficiency targets of 2 to 3 per cent. There is pessimism amongst finance leads in both providers and commissioners, with a significant majority of the view that the risk of not achieving this level was High or Very High.

► Worryingly, there is a significant difference between commissioners’ and providers’ expectations in respect of demand. Whilst most trust finance directors are planning for increases in both elective and emergency admissions, most commissioners surveyed expected little or no increase in elective admissions and a fall in emergency activity.

The report goes on to states the NHS is facing a bigger financial challenge in 2015/16 than over the past few years. Whilst it believes there is scope for more cost-effective use of the NHS budget, realising this will takes time, upfront funding for transformation, and measures to support change and value for money.

Care services for people with learning disabilities and challenging behaviour

In its report issued in March 2015, the House of Commons Public Accounts Committee highlights the lack of progress in delivering on the commitment to (where appropriate) discharge inpatients with learning difficulties and challenging behaviour back to their homes and communities. This commitment followed the Winterbourne View scandal in 2011 but, in the intervening four years children and adults have continued to go into mental health hospitals, and to stay there unnecessarily. This has been caused by a lack of community alternatives.

The committee recognises the complexity of designing and commissioning a model of community based care and was encouraged by the commitment to, within six months, produce a closure programme for large mental health hospitals, and to produce a transition plan for people within these hospitals, from 2016-17. The report highlights that it is essential that the proposed closure programme for mental health hospitals is matched by the necessary growth in high-quality community services and that the patient must be central to the redesign.

Amongst the key issues the committee saw as affecting this area, together with their associated recommendations, are the following:

► Commissioning practice for people with learning disabilities is not currently seen to be delivering the high-quality community-based care envisaged by the Department of Health (DoH) in its model of care.

NHS England is recommended to require local commissioners to comply fully with the DoH’s stated aim to promote community based services rather than hospital admissions for
people with learning disabilities. Additionally, it is suggested that the DoH should set out the responsibilities on local health and social care commissioners to put in place commissioning strategies which ensure an adequate provision of the range of community services and housing required.

The lack of pooled health and social care budgets is seen to adversely affect the levels of community services, resulting in unnecessary admissions to mental health hospitals, and delays in discharge back to the community.

The committee recommends that the DoH should require the use of pooled budgets for people with learning disabilities and challenging behaviour from April 2016, with the aim of delivering improved community services through joint working by local health and social care commissioners.

Discharges from mental hospitals are often delayed with some local authorities seen to be reluctant to accept and fund individuals in the community because funding does not follow the patient. The committee highlights that there is no ‘dowry-type’ payment following the patient to support the transfer to the community.

It is recommended that the DoH should identify how funding can follow the patient to meet the costs of new community services to keep people out of hospital. Additionally, it is suggested that it should detail the arrangements for its proposed ‘dowry-type’ payments from NHS England to local commissioners to meet the costs of supporting people discharged from hospital.

Importantly, it is seen that people with learning disabilities, and their families, do not have an appropriate level of influence on decisions affecting their admission to mental health hospital, their treatment and care, and their discharge.

The report recommends that the legal rights of people with learning disabilities and their families should be strengthened, enabling them to challenge decisions on the location and nature of their treatment, and ensuring that they receive advocacy support to exercise their rights.
Accounting, auditing and governance

2015-16 work programme and scales of fees
Public Sector Audit Appointments Ltd (PSAA) has now confirmed the work programme and scale fees for the audit of the accounts for 2015-16 for local government, fire, police and health bodies.

For CCGs and NHS Trusts there are no changes to the overall work programme, with scale fees showing a reduction of 25% to the fees applicable for 2014-15. The current expectation is that these fee reductions will apply until the end of the audit contracts (subject to annual review).

The current contracts with audit suppliers run until 2017, with a possible extension for up to three years. Under its responsibility to manage the audit contracts, PSAA is required to consult on and set fees for 2016-17.

In addition to the core accounts audit work, auditors have a responsibility to satisfy themselves about an audited body’s arrangements to secure economy, efficiency and effectiveness in its use of resources. Fees to cover the costs of any special investigations, (e.g., arising from disclosures under the Public Interest Disclosure Act 1998) are charged as a variation to the scale fee.

The scale audit fees for individual NHS bodies and the work programme are published on the PSAA website, with the aim of supporting transparency and helping audited bodies compare their fees with those of similar bodies. They are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes.

It is a matter for the auditor to decide the work necessary to complete the audit. Where an auditor considers more or less work is required than is represented in the scale fee, they are required under the audit contracts to seek approval from PSAA for a variation to the scale fee, and to agree the amount of this variation with the audited body. PSAA also consider the reasonableness of the explanations provided before agreeing to any variation to the scale fee.

Thought leadership – board effectiveness
EY has worked with The Investment Association to produce a thought leadership report ‘Board effectiveness – continuing the journey’. The report is based on debates on board effectiveness held as a series of individual meetings and roundtables with leading chairmen, board directors and senior investors. Whilst the report recognises that all boards are different, it aims to identify leading practice and point to new ideas for boards to improve and demonstrate their effectiveness. It addresses board effectiveness across seven themes:

► Role of the chairman
► The role of non-executive directors (NEDs)
► Progress on diversity
► Board succession and the work of the nomination committee
► The purpose and impact of board evaluations
► Information flows to the board
► The role of investors

To encourage discussion between management, NEDs and stakeholders, the report includes a checklist of questions under each of the seven themes.
New regulations and responsibilities for CQC

In April 2015 significant changes to how the Care Quality Commission (CQC) regulates health and adult social care providers and services came into effect. Providers in England will be required to comply with new regulations called the ‘fundamental standards’. These standards are ones that everybody has a right expect when they receive care and are part of changes to the law recommended by the Francis Inquiry into care at Mid Staffordshire NHS Foundation Trust. There are thirteen standards covering the following areas:

► Patient care
► Governance
► Safety
► Complaints
► Openness

Included within the above are requirements for providers to be open about mistakes when they happen (known as the ‘duty of candour’) and for making sure directors and their equivalents are ‘fit and proper’. The duty of candour is intended to ensure that providers are open and transparent with people who use services and other ‘relevant persons’ in relation to care and treatment. There are specific requirements that providers must follow when things go wrong with care and treatment, including informing people about the incident, providing support and truthful information, and an apology when things go wrong. The ‘fit and proper’ regulation aims to ensure that people who have director level responsibility for the quality and safety of care, and for meeting the fundamental standards are fit and proper to carry out the role. This includes ensuring that they are appropriately qualified and of ‘good character’, both on initial appointment and on an ongoing basis. Additionally, providers are required to prominently display their ratings on their websites, at premises, public entrances and waiting areas of care services.

2015 Heatwave plan for England

On 20 May 2015 Public Health England released their 2015 Heatwave plan for England with the aim of ‘protecting health and reducing harm from severe heat and heatwaves’. Since the heatwave in 2003 that caused devastation across Europe the plan has been produced and published annually. Each year it aims to build on previous experience and continue to develop improvements. It is aimed at the following:

► NHS, local authorities, social care, and other public agencies;
► Professionals working with people at risk;
► Individuals, local communities and voluntary groups.

The key messages in this year’s plan are as follows:

► All local organisations should consider this document and satisfy themselves that the suggested actions and heat-health watch alerts are understood across the system, and that local plans are adapted as appropriate to the local context.

► NHS and local authority commissioners (together with multi-agency Local Resilience Forums and Local Health Resilience Partnerships) should satisfy themselves that:

► The distribution of heat-health watch alerts will reach those that need to take action, especially in light of recent structural changes.

► Providers and stakeholders take appropriate action according to the heat-health watch alert level in place and their professional judgements.

It is important to have knowledge of the plan to ensure that arrangements are in place so that NHS Trusts can appropriately respond to changes in rating and potential increases in patients requiring care.
Paving the way for citizens to have their say

NHS England’s Head of Public Voice, Olivia Butterworth has given an update on the NHS Citizen project. Since 2013 NHS England has been looking at how it can make a step change in how citizens can be actively involved in the decision making of NHS England. It started with a concept of a ‘Civil Society Assembly’ allowing organisations and public leaders to have open conversations with the Board of NHS England and was intended to hold people to account for their role in healthcare issues, and lead to better decision-making.

Following on from this, it was apparent that there was a need to involve ‘citizens’. This encompasses patients, carers, service users, people with lived experience and those interested in health and care. This led to the NHS Citizen design project which, for the last 18 months, has been developing a new model for citizen participation in the work of NHS England, and has involved more than 1,500 people.

This design has two main parts:

► Tools and processes to give citizens a more powerful voice in NHS decision-making, and hold the board of NHS England to account.

► Investigation of what this means both for the NHS and for citizens, including patients, NHS staff and everyone who has a stake in the NHS’s future.

Now the design has now been agreed, the next stage of the process is to begin. The plan is to develop opportunities for public participation with the aim of driving improvements in services and outcome.
Key questions for the audit committee

What questions should the Audit Committee be asking itself?

► Have we fully considered opportunities for integration with other local services and whether this could offer improvements to service delivery as well as cost savings?

► How robust are the CCG’s forecasts for elective and emergency admissions and how do they compare with those of key providers?

► Does the CCG have in place monitoring of its performance in promoting community based services rather than hospital admissions for people with learning disabilities?

► Are we aware of the 2015-16 scale fee/work programme and confident that arrangements ensure that accounts provided for audit are materially correct and fully supported, and that it has sufficient resources to support the audit process?

► Have we considered the EY report ‘Board effectiveness – continuing the journey’ and whether it can support the improvement and effectiveness of our Committee?

► Has the CCG considered the Heatwave Plan and developed local plans to deal with any unforeseen events?
Find out more

EY Item Club spring 2015 forecast

Manchester devolution
For a copy of the Memorandum of Understanding for Greater Manchester Health and Social Care devolution, see http://www.agma.gov.uk/cms_media/files/mou.pdf

How is the NHS performing?
For the King’s Fund report, see http://qmr.kingsfund.org.uk/2015/15/survey

Care services for people with learning disabilities and challenging behaviour
For the full report, visit http://www.publications.parliament.uk/pa/cm201415/cmselect/cmpubacc/973/97302.htm

2015-16 work programme and scales of fees

Thought leadership – board effectiveness

New regulations and responsibilities for CQC
Information about the CQC’s new responsibilities is detailed at http://www.cqc.org.uk/content/new-regulations-and-responsibilities-cqc

2015 Heatwave plan for England

Paving the way for citizens to have their say
Read the full article at http://www.england.nhs.uk/2015/04/10/olivia-butterworth-7/
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