

**NHS VALE OF YORK CLINICAL
COMMISSIONING GROUP**

GOVERNING BODY MEETING



Vale of York

Clinical Commissioning Group

Meeting Date: 6 March 2014

Title: Audit Committee Reforms and Lay Representation Discussion Paper

Responsible Chief Officer and Title

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Strategic Priority

Ensuring the CCG has the capacity and processes to deliver its statutory duties.

Purpose of the Report

To provide an update on the proposed reforms to Health Service Bodies Audit Committees and the implications for NHS Vale of York CCG. This paper also considers the role of Lay representation in decision-making meetings within the Clinical Commissioning Group.

Recommendations

That the Governing Body:

- a) Endorse the proposals to review the Audit Committee membership and Terms of Reference in line with national guidance.
- b) Consider the proposal for increased Lay representation at CCG decision making meetings.

Impact on Patients and Carers

The NHS Vale of York CCG has a duty to ensure all decisions are made in line with the good governance standard for public services and ensure the highest standards of propriety involving impartiality, integrity and objectivity in relation to the stewardship of public funds, the management of the organisation and the conduct of its business.

Impact on Resources (Financial and HR)

Increasing Lay representation within the Clinical Commissioning Group will have a financial implication. The total cost would be dependent on the number and frequency of commitments for any additional Lay representation.

Risk Implications

Reviewing the Terms of Reference and membership for the Audit Committee will mitigate a risk of the Audit Committee not being compliant with future requirements as an auditor panel (subject to the Local Audit and Accountability Bill being enacted).

Equalities Implications

Any additional Lay representation will need to be recruited in line with the current equalities requirements.

Sustainability Implications

n/a

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Audit Committee Reforms and Lay Representation Discussion Paper

1. Purpose of the Report

To provide an update on the proposed reforms to Health Service Bodies Audit Committees and the implications for NHS Vale of York CCG. This paper also considers the role of Lay representation in decision-making meetings within the Clinical Commissioning Group.

2. Background

The Department of Health held a consultation on Health Service Bodies Audit Committees between October – December 2013 to inform new constitutional requirements for audit committees of NHS Trusts and Clinical Commissioning Groups. The new requirements are intended to address the changes in the Local Audit and Accountability Bill which, if agreed by Parliament, will close the Audit Commission and create new arrangements for auditing England's public bodies.

3. Implications of the Audit Committee proposals

3.1 Key provisions in the bill to commence in April 2015 include local bodies being required to have an auditor panel to advise the body on the selection, appointments and maintenance of an independent relationship with the external auditor. This could be the existing Audit Committee, subject to meeting the new requirements on a majority of independent members and an independent chair. The bill also sets out a new proposal for the meaning of 'independent'. The consultation defines independent as taking account of whether the person:

- Has been an employee of the health service body within the last five years.
- Has or has had within the last three years, a material business relationship with the health service body.
- Has received or receives additional remuneration from the health service body apart from the Governing Body member's free, participates in performance related pay with the health service body or is a member of the health service body's pension scheme, other than the NHS pension scheme.
- Has close family ties with any of the health service body's advisers, directors or senior employees.
- Hold cross-directorships or has significant links with other directors through involvement in other companies or bodies.
- Has service on the board of the health service body for more than nine years from the date of their first appointment.

- Is an appointed representative of the health service body's university medical or dental school.
- 3.2 The consultation proposed a number of requirements for Audit Committees and the final guidance will be published in due course.
 - 3.3 The implications for the NHS Vale of York CCG will be to ensure that the Audit Committee is reviewed in line with the new guidance to ensure it can operate under the new arrangements. This is likely to require an increase in the number 'independent' people on the Audit Committee.
 - 3.4 In light of these changes, and in keeping with the national guidance, the Audit Committee proposes to review the Audit Committee Terms of Reference in due course to reflect the expected new guidance and to emphasise the integrated governance role for Audit Committee to scrutinise and receive assurance across all CCG functions. This proposal was discussed at the Council of Representatives in January as the scheme of delegation requires the Council of Representatives to approve any changes to the Audit Committee Terms of Reference.

4. Lay Challenge

- 4.1 In addition to the challenges posed by the changes outlined for Audit Committee, the NHS Vale of York CCG has also identified a need for enhanced independent challenge at decision-making committees, including the Performance and Finance Committee and Medicines Commissioning Committee.
- 4.2 It is important for transparency and good governance that there is constructive challenge at each level of decision making. Whilst peer-peer challenge can be very effective, the CCG recognises the need to ensure that there is sufficient independence and scrutiny at each different stage of decision making within the CCG. To enable this, there should be a different composition of members for each decision-making group. Currently many of the same key staff and Lay members are members of or attend a number of the Committees or decision-making meetings.
- 4.3 There are logistical challenges in securing additional members of groups who are sufficiently informed about the work of the CCG to pose constructive challenge, but not directly involved in the work. Clinical Leads can play a key role in this, however it is acknowledged that it can be difficult to balance the work demands of practice and the time commitments to contribute to the CCG decision-making processes.
- 4.4 The CCG currently has three 'Lay Members', who chair the principal committees and Governing Body. There are currently two Lay members at Audit Committee, the CCG will need to review the

'independence' of the current Lay members on the Audit Committee as part of the review of the membership and Terms of Reference. The Medicines Commissioning Committee does not currently have Lay representation.

- 4.5 To enhance the role of independent challenge within the CCG is it recommended that the Governing Body consider increasing the number of Lay Members to provide more differentiation within the composition of meetings, and reviewing options to increase opportunities for non-Governing Body Clinical Representatives to attend decision-making meetings.

5. Financial Implications

Increasing the Lay representation and Clinical Lead roles will have a financial implication for the organisation. The costs of the Clinical Lead roles are approximately £85ph, and an indicative cost of for an additional Lay Member, working an equivalent of 0.1 FTE is around £8k per year. Specific costs will need to be developed based on the required number and frequency of meetings to be attended. The CCG needs to consider whether these investments would provide value for money through additional scrutiny and transparency for the public.

6. Legal Implications

The NHS Vale of York CCG has a duty to ensure all decisions are made in line with the good governance standard for public services and ensure the highest standards of propriety involving impartiality, integrity and objectivity in relation to the stewardship of public funds, the management of the organisation and the conduct of its business.

7. Equalities Implications

Any additional Lay representation will need to be recruited in line with the current equalities requirements.

8. Recommendations

That the Governing Body:

- a) Endorse the proposals to review the Audit Committee membership and Terms of Reference in line with national guidance.
- b) Consider the proposal for increase Lay representation at CCG decision making meetings.
- c) Develop options to increase opportunities for non-Governing Body Clinical Representatives to attend decision-making meetings.