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17 July 2015

To CCG Audit Chairs, Accountable Officers and Chief Finance Officers

Financial Control Environment Assessment

I am writing to advise you of an initiative that we are launching across the commissioning system to help us in delivering one of our key priorities for the NHS in 2015/16 – to achieve financial resilience and sustainability. A financial resilience toolkit will be rolled out during the summer and autumn, with the aim of supporting commissioners to secure robust financial delivery in a year of significant challenge. Building on learnings from a number of recent financial failures in the commissioning system, the toolkit will focus on four areas – prevention, early warning, financial recovery, and a menu of supporting tools.

A key element of the prevention module is an assessment of the financial governance and control environment of each CCG, and it is this in particular that I am writing to you about today.

As you will know, the NHS is facing a very challenging financial year in 2015/16, one of the toughest yet. Although we achieved financial balance across the commissioning system in 2014/15, this was in no small part because of one-off benefits and reactive interventions at a local and national level. Had we been unable to deploy such mitigations then CCGs in aggregate would have finished the year with a significant deficit. In setting balanced plans for 2015/16 we have already made use of a number of the mitigations deployed in the latter stages of 2014/15.

A significant contributory factor to the financial position last year was a small number of CCGs that deteriorated materially from plan, thereby threatening the overall financial position of the commissioning system. The ten largest deteriorations from plan amounted to £132m. This level of deterioration will simply be unaffordable in 2015/16, and we need to work together to prevent this happening, to detect earlier where pressures are building, and to design and implement recovery plans at pace where necessary.

A review of five of the CCGs with the worst financial performance in 2014/15 highlighted a common issue among them – weak financial governance. I am therefore asking all CCGs to conduct a rapid review of their financial stewardship arrangements to help assess whether they may be vulnerable to unexpected financial deterioration and to identify development needs. As part of the review I

would ask that remedial actions are agreed with support from local NHSE offices where appropriate.

To support this process, I enclose a self-assessment checklist. I would be grateful if you would complete this and review it in your Audit Committee and Governing Body. You may also find it helpful to discuss the assessment with your internal auditors. Please forward a copy of your completed checklist to NHS England by the end of August (in draft with a final version to follow if it is not possible to complete the Audit Committee review by then). We are developing a separate checklist based on the CCG version for use by NHS England direct commissioning.

The checklist asks each organisation to evaluate the strength of its financial governance and controls over a range of key areas. The checklist outlines for each area the level of governance and control on a scale from 'excellent' to 'improvement needed'. The descriptions for 'improvement needed' are specifically based on recent observations of organisations in financial distress. This is not expected to be a tick-box exercise, and should be used to provide an overall sense of the organisation's standing against each indicator for the organisation's own benefit. The checklist is designed to be aligned with the finance elements of the 2015/16 CCG Assurance framework and should inform the assurance process. CCGs are asked to make an honest assessment of their current state, and organisations will doubtless wish to address any areas identified as needing improvement as quickly as possible. We will also develop a feedback process that will enable CCGs to compare their own assessment with the national picture.

A brief completion guide and FAQ are provided with the checklist.

Regional offices and DCOs will be supporting the completion process and will be in touch with you shortly. The checklist has been designed as a self-assessment tool, though in some cases it may be more appropriate for the CCG and the regional office to complete the document together.

I would like to thank you in advance for engaging with this process, which I think will play a vital part in ensuring we maintain financial balance in this most challenging of years.

Yours sincerely



Paul Baumann
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Ed Smith, CBE, FCA, CPFA, Hon DUniv,
Hon LLDs
Chair of the Audit Committee