hfma

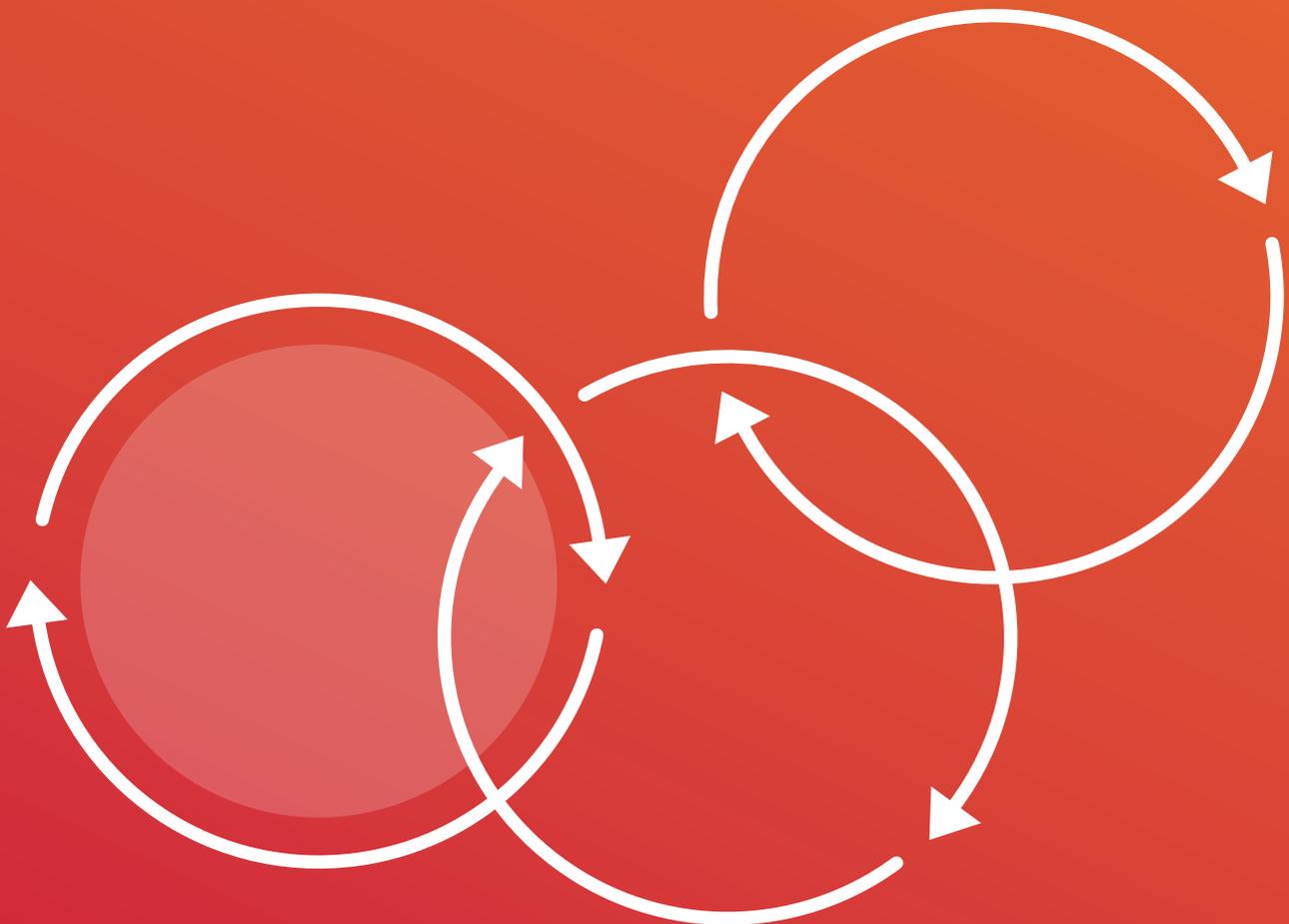# Emerging approaches

Developing sustainability and
transformation plan governance
arrangements

Contents

Introduction

The aim of this briefing is to explore the emerging governance arrangements being developed to support the delivery of sustainability and transformation plans (STPs) in the NHS. It provides a background to the introduction of STPs, a review of emerging plans and arrangements and a view on what is working well, alongside a summary of the areas where further work is required. The briefing pulls together experiences for finance staff and others to use in developing their own robust governance arrangements.

Background

There is a clear need for change in the NHS in order to deliver sustainable healthcare services, as set out in the *Five year forward view*[1] (FYFV). The significant challenges for the NHS of increased demand, costly medical advances and financial constraints within both health and social care organisations are widely acknowledged. As reported in the *HFMA NHS financial temperature check*[2] *(Temperature check)*, the financial performance of the NHS in England continues to be a significant concern. Both financial savings and avoidance of future cost increases need to be addressed. Without fundamental change this will not be possible.

STPs focus on place based working as a vehicle to deliver the FYFV.[1] As Simon Stevens, the chief executive of NHS England, has commented, 'The STPs are a way of getting local NHS leaders, clinicians, local government leaders and communities to look at the changes within the funding envelope'.[3] By understanding the true system costs and working together the aim is to achieve financial sustainability while providing improved care.

This represents a significant change in working practices, moving from a focus on individual organisations and market competition to system working. STP partnerships are complex, and require a large number of stakeholders to work collaboratively. The ease with which this will be achievable in the short term will vary, given that some members will have a historic background of good relationships and schemes, others may need to repair existing competitive relationships, and for some there may be no pre-existing relationship at all. There is no specified governance format and with differing starting positions, communities, sizes and configurations, there is no one size fits all for the governance of system working.

STP partnerships are not statutory bodies and individual boards cannot delegate accountability for the activities they are responsible for. The issue of organisational accountability is a concern for many. Developing governance arrangements need to take into account individual organisations plans, existing planning units and networks - which often have differing boundaries to the footprint - and regulators. Consequently, STP governance arrangements are a work in progress.

The *Temperature check* found that 72% of NHS finance directors were concerned about STP governance.[2] If STP governance processes do not support delivery, they become another layer of bureaucracy. This briefing aims to support members in tailoring their own governance arrangements. STP partnerships need to determine at a local level how to co-ordinate effectively, both in the short and longer term, and this paper aims to provide some guiding principles and examples for use. It draws on the results of our recent *Temperature check* survey, interviews, views expressed at HFMA conferences and a desktop review of STPs, guidance and commentaries.

---

[1] https://www.england.nhs.uk/wp-content/uploads/2014/10/5yfv-web.pdf

[2] https://www.hfma.org.uk/publications/details/nhs-financial-temperature-check---briefing-december-2017

[3] http://www.cipfa.org/cipfa-thinks/cipfa-thinks-articles/sorting-the-plans

What are sustainability and transformation plans?

NHS England introduced STPs in its December 2015 NHS *Operational planning and contracting guidance.*[4] There are now 44 footprints across England. Each footprint is required to 'produce a multi-year STP, showing how local services will evolve and become sustainable over the next five years.'[4] As set out in the December 2016 guidance, 'STPs are more than just plans. They represent a different way of working, with partnership behaviours becoming the new norm. What makes most sense for patients, communities and the taxpayer should always trump the narrower interests of individual organisations'.[5]

The accountabilities of individual organisations remain unchanged. The regulation of STPs is through NHS improvement's *Single oversight framework*[6] for providers and NHS England's *Improvement and assessment framework*[7] for clinical commissioning groups (CCGs). STPs need to align objectives and governance arrangements with each of the constituent organisations across a footprint. There will need to be awareness of the variations in governance arrangements within each area, such as local government public meeting requirements, foundation trust council of governors' approval for 'significant transactions' and reserved or delegated decisions.

The *Temperature check*[2] sought an initial view of STPs from finance directors. While there was broad acceptance of the validity and usefulness of the STP process, and agreement that they supported valuable strategic discussions to gain acceptance of essential change proposals, some concerns were raised over governance, risk management arrangements and the perceived overlap between NHS England and NHS Improvement. **Table 1** summarises the key messages.

The main governance concerns were: a lack of clear accountability; lack of public and patient consultation to date; a lack of clarity surrounding the authority of the STP; how to align geographical footprints with the financial and regulatory structures; how the STP relates to the statutory duties of NHS boards[8]; and the financial control totals introduced during 2016.

When asked what changes in governance arrangements would assist development, common themes were clarity on the authority of the STP compared with that of individual NHS boards; clarity on the relationship with control totals; the creation of committees in common; a greater non-acute focus; financial realism; and separate funding for STP support, recognising the significant implementation costs.

> While there was broad acceptance of the validity and usefulness of the STP process, and agreement that they supported valuable strategic discussions to gain acceptance of essential change proposals, some concerns were raised over governance, risk management arrangements and the perceived overlap between NHS England and NHS Improvement.

---

[4] https://www.england.nhs.uk/wp-content/uploads/2016/02/sustainability-transformation-plan-letter-160216.pdf

[5] https://www.england.nhs.uk/wp-content/uploads/2016/09/NHS-operational-planning-guidance-201617-201819.pdf

[6] https://improvement.nhs.uk/uploads/documents/Single_Oversight_Framework_published_30_September_2016.pdf

[7] https://www.england.nhs.uk/commissioning/wp-content/uploads/sites/12/2016/03/ccg-iaf-mar16.pdf

[8] In this briefing we have used the term board to mean both boards and governing bodies collectively.

Table 1: Key messages from *HFMA NHS financial temperature check*, December 2016[2]

91%
of finance directors believe the relationships between organisations in their STP have either improved or stayed the same.

72%
of finance directors are concerned about the governance of their STP.

40%
of finance directors believe the risks associated with delivering STPs have not been recognised.

However, only
20%
see those relationships as strong enough to achieve cross organisational change.

82%
of finance directors think the regulatory regime needs to change to support the delivery of STPs.

Only
5%
of finance directors believe adequate risk management arrangements are currently in place.

58%
of respondents see clear and effective leadership in place.

62%
of NHS finance directors would prioritise their own organisation over the STP in meeting objectives.

40%
of finance directors think risks would be greater without STPs.

Why is the governance of system-wide plans important?

Governance is the system by which organisations are directed and controlled. Boards have overall responsibility for governance including setting the organisation's strategic aims, providing the leadership to action them, supervising the management of the business and reporting on stewardship.

Governance arrangements in public services are keenly observed. It is important to tax payers and service users that governance arrangements are not only sound but seen to be sound. The governance framework must ensure that resources are directed in accordance with agreed policy and priorities to achieve the desired outcomes for service users and communities.

The international framework: good governance in the public sector states, 'To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times, consistent with the requirements of legislation and government policies, avoiding self-interest and, if necessary, overriding a perceived organisational interest.'[9]

Chart 1 illustrates the various principles of good governance in the public sector and how they relate to each other. The governance of system-wide working is complex with many people involved from a number of organisations and sectors. Adherence to these governance principles should ensure sound and inclusive decision-making, accountability for use of resources and issue resolution, while not making arrangements unwieldy. Good governance demonstrates lines of accountability and facilitates the

holding to account of individuals and organisations within the system for the objectives they are responsible for. Aligning the existing governance arrangements of individual organisations with that of STPs is key.

Auditors of individual organisations will be keen to understand the developing STP governance arrangements. Internal audit is a key resource to provide early comment and ongoing assurance checks.
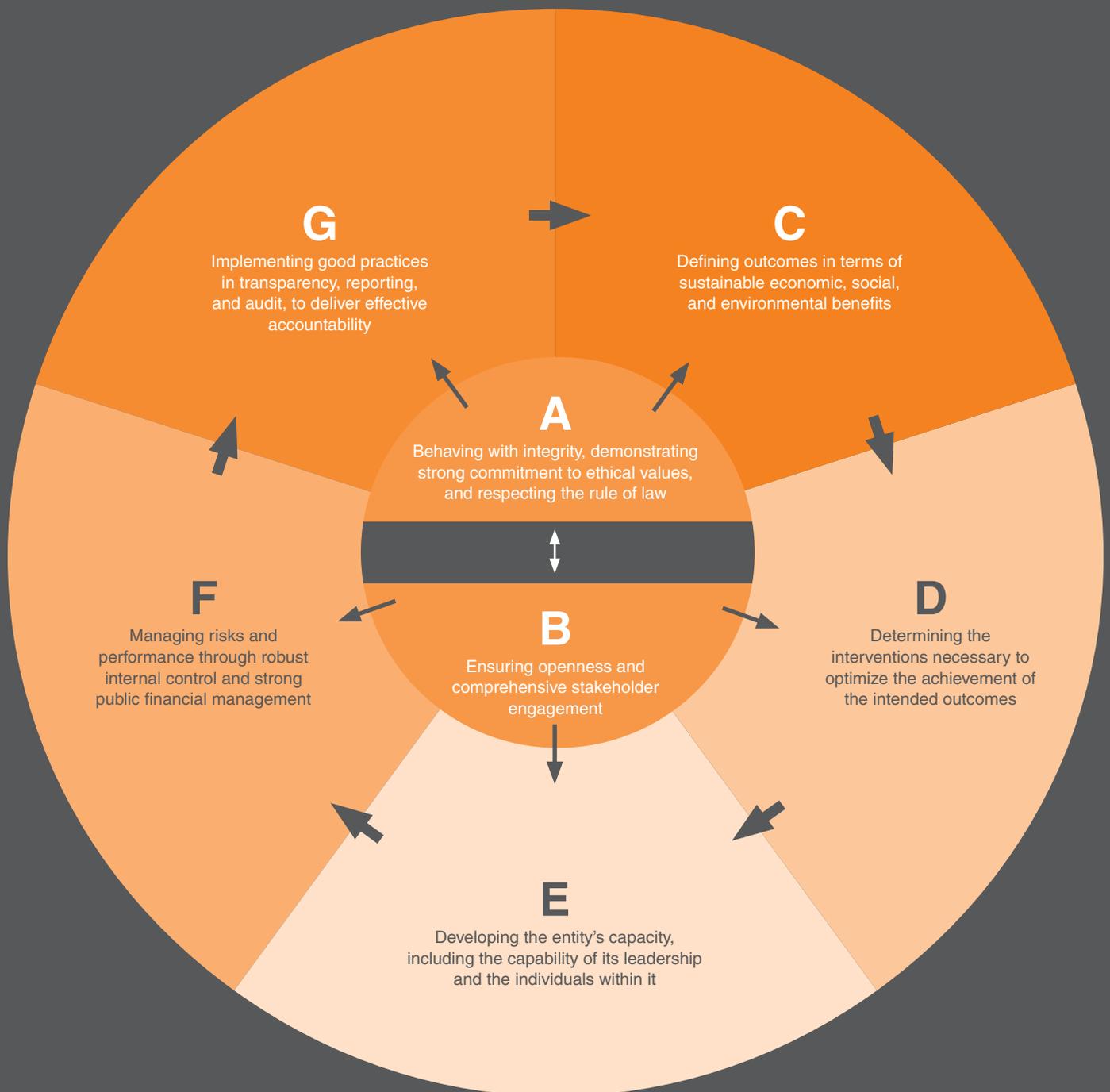
External auditors, as part of their mandatory value for money (VFM) work for individual organisations, are required to review whether an organisation's use of resources is economic, efficient and effective. The auditors focus will be on informed decision-making, sustainable resource deployment and partnership working and other third parties. It will consider the impact of system-wide arrangements on financial resilience. Each organisation will need to ensure delivery of organisational VFM at the same time as driving VFM in the whole system.

The annual report and annual governance statement are key documents in sharing information with the public. Where the STP has an impact on governance arrangements, significant risks and control systems, it should be reflected in the statement.

9 http://www.cipfa.org/policy-and-guidance/standards/international-framework-good-governance-in-the-public-sector

Chart 1: International Framework principles for good governance in the public sector.

Achieving the intended outcomes while acting in the public interest at all times

G
Implementing good practices in transparency, reporting, and audit, to deliver effective accountability

C
Defining outcomes in terms of sustainable economic, social, and environmental benefits

A
Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

F
Managing risks and performance through robust internal control and strong public financial management

D
Determining the interventions necessary to optimize the achievement of the intended outcomes

B
Ensuring openness and comprehensive stakeholder engagement

E
Developing the entity's capacity, including the capability of its leadership and the individuals within it

Source: International framework: good governance in the public sector
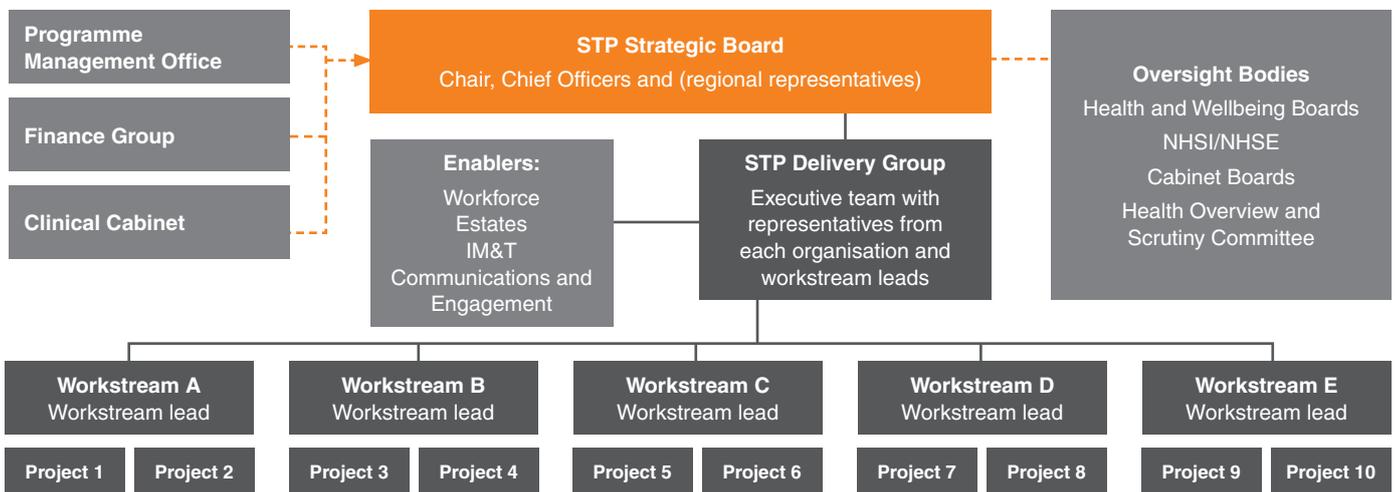
Where are we now?

A picture of STP governance arrangements emerged as they were published from October to December 2016. In most cases the published STPs set out the overall governance arrangements and structures, although they vary considerably in the level of detail provided on how the arrangements will be applied in practice, particularly as STPs move from planning to implementation.

Most of the published STPs set out a delivery structure which, with variations, typically includes a strategic board and delivery board supported by a programme management office (PMO). These boards are generally fed by either workstream groups, sector groups or local area groups. The extent to which the key enablers of workforce, estates and IT are included is largely consistent, although the resource allocated to the PMO is mixed (ranging from some full-time teams to those working on it in addition to their day jobs). Some plans explicitly distinguish groups as decision-making, operational or advisory. However, they do not generally include details about how the governance structures will work in practice and how they will need to evolve as the STP progresses.
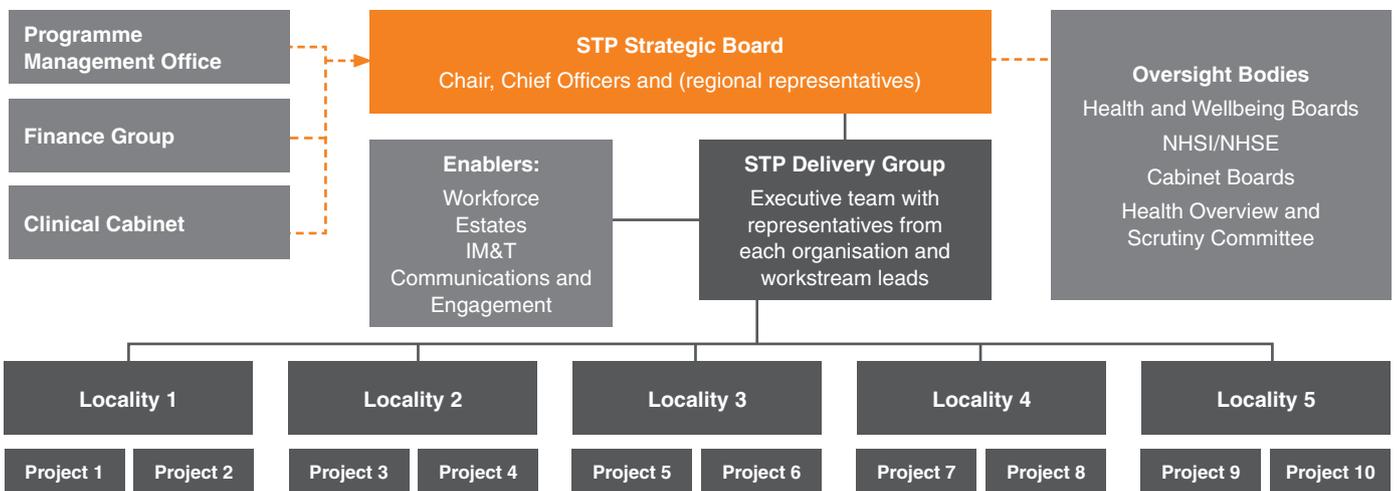
Based on our review of the 44 published plans, we set out below four typical examples of the types of governance structures which have been developed (**Chart 2**). The structures are very similar and the main difference is what happens below the board. Across the plans, most of the proposed structures fall within one of these examples or a hybrid of them, depending on whether they are looking from a place perspective, programme perspective or decision making process. For example, existing health and wellbeing boards can be the strategic board. The most common approach is that set out below showing governance by workstream.

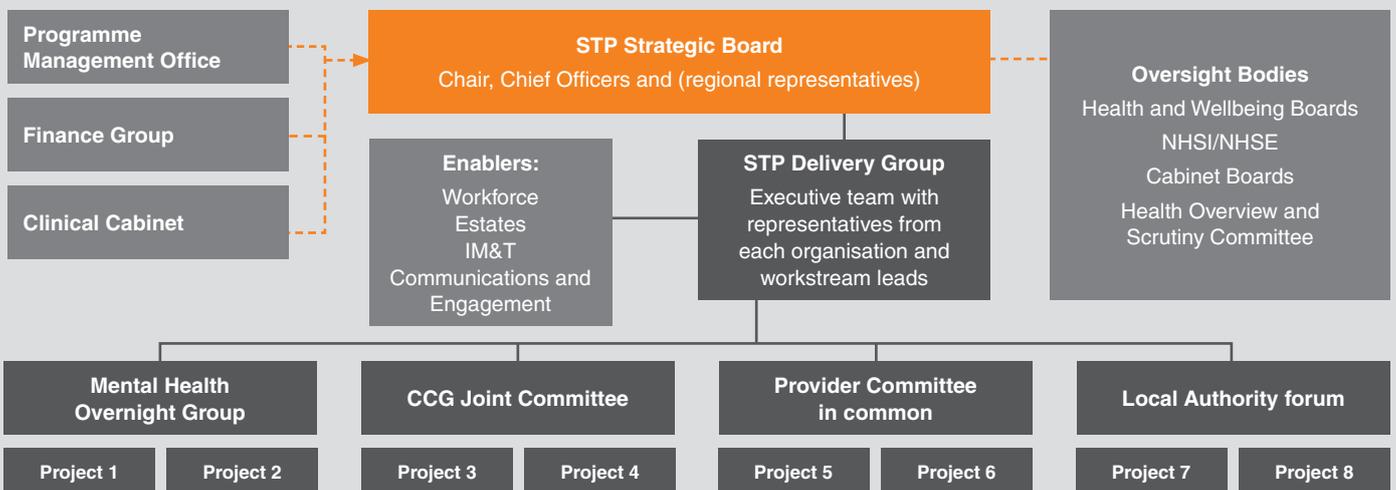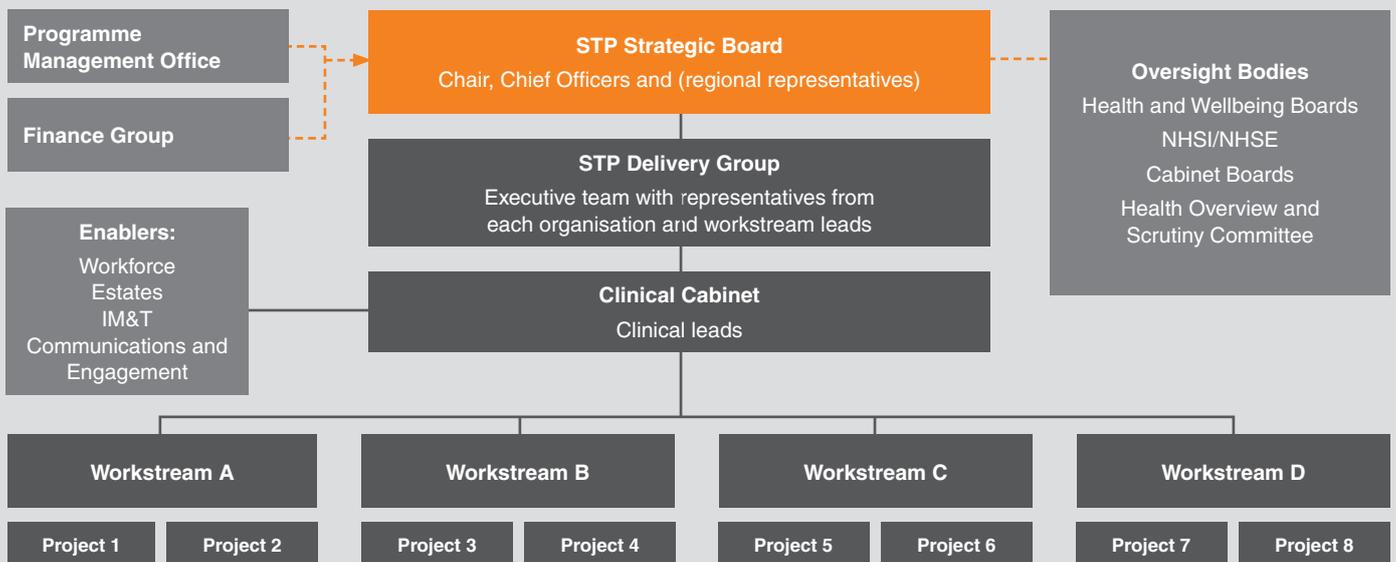**Chart 2:** Typical examples of STP governance structure

Governance by workstream

Programme Management Office		
Finance Group		
Clinical Cabinet		

STP Strategic Board
Chair, Chief Officers and (regional representatives)

Oversight Bodies
Health and Wellbeing Boards
NHSI/NHSE
Cabinet Boards
Health Overview and Scrutiny Committee

Enablers:
Workforce
Estates
IM&T
Communications and Engagement

STP Delivery Group
Executive team with representatives from each organisation and workstream leads

Workstream A Workstream lead	**Workstream B** Workstream lead	**Workstream C** Workstream lead	**Workstream D** Workstream lead	**Workstream E** Workstream lead
Project 1 · Project 2	Project 3 · Project 4	Project 5 · Project 6	Project 7 · Project 8	Project 9 · Project 10

Governance by local area

Programme Management Office		
Finance Group		
Clinical Cabinet		

STP Strategic Board
Chair, Chief Officers and (regional representatives)

Oversight Bodies
Health and Wellbeing Boards
NHSI/NHSE
Cabinet Boards
Health Overview and Scrutiny Committee

Enablers:
Workforce
Estates
IM&T
Communications and Engagement

STP Delivery Group
Executive team with representatives from each organisation and workstream leads

Locality 1	**Locality 2**	**Locality 3**	**Locality 4**	**Locality 5**
Project 1 · Project 2	Project 3 · Project 4	Project 5 · Project 6	Project 7 · Project 8	Project 9 · Project 10

Governance by sector

	STP Strategic Board	
Programme Management Office	Chair, Chief Officers and (regional representatives)	
Finance Group		Oversight Bodies
Clinical Cabinet		Health and Wellbeing Boards

STP Strategic Board
Chair, Chief Officers and (regional representatives)

Programme Management Office

Finance Group

Clinical Cabinet

Enablers:
Workforce
Estates
IM&T
Communications and Engagement

STP Delivery Group
Executive team with representatives from each organisation and workstream leads

Oversight Bodies
Health and Wellbeing Boards
NHSI/NHSE
Cabinet Boards
Health Overview and Scrutiny Committee

Mental Health Overnight Group	**CCG Joint Committee**	**Provider Committee in common**	**Local Authority forum**
Project 1 / **Project 2**	**Project 3** / **Project 4**	**Project 5** / **Project 6**	**Project 7** / **Project 8**

Governance by clinical focus

STP Strategic Board
Chair, Chief Officers and (regional representatives)

Programme Management Office

Finance Group

STP Delivery Group
Executive team with representatives from each organisation and workstream leads

Oversight Bodies
Health and Wellbeing Boards
NHSI/NHSE
Cabinet Boards
Health Overview and Scrutiny Committee

Enablers:
Workforce
Estates
IM&T
Communications and Engagement

Clinical Cabinet
Clinical leads

Workstream A	**Workstream B**	**Workstream C**	**Workstream D**
Project 1 / **Project 2**	**Project 3** / **Project 4**	**Project 5** / **Project 6**	**Project 7** / **Project 8**

Our review of the 44 published plans also looked at which stakeholders were referenced as being involved in STP governance (**Table 2**). The majority of plans include local authority, Healthwatch and clinical input, but there is limited reference to GP involvement, ambulance trusts or the private sector. Most plans specify a senior responsible officer and nine plans explicitly refer to an independent chair of the oversight group.

We also explored whether key governance elements were defined in the plans, as summarised in **Table 3**. Overall, plans provided limited details on specific governance arrangements. From those that did include information, plans suggest there are few areas that have established devolved decision-making or pooling of budgets. However, there is some reference to developing devolved decision making from 2017/18. Just over one quarter of plans confirm that a memorandum of understanding has been established. Just under half referred to risk management arrangements.

The Nuffield Trust's review, *Sustainability and transformation plans*: *what we know so far* [10] comments that there is a need to agree which issues should be addressed at STP level and which should remain at organisation or local system level. It highlights the wide variations between STPs in speed of development and degree of stakeholder involvement. The review recognises implementation needs to deal with governance, change management, financial incentives and funding. Our review of the plans confirms that initial thoughts on governance arrangements, as sketched out at the planning stage, now need to be supported by detail and will be tested as STPs move to implementation. The key question, as noted in *CIPFA Sorting the plans*, is 'how joined up is the plan and will the governance arrangements facilitate moving forward on an integrated basis?' [3]

Table 2: HFMA review of representation within STP governance in the 44 published STPs

Is there representation in the governance structure from...?	Yes	Not stated/ No
CCGs	44	0
Providers	44	0
Local authority	38	6
Public via Healthwatch or public involvement groups	35	9
Clinicians	36	8

Table 3: HFMA review of governance processes referenced within STP governance in 44 published STPs

Are there established governance arrangements in place for...?	Yes	Not stated/ No
Delegated decision-making	12	32
Designated resource to manage the STP	19	25
Pooled budgets	1	43
Memorandum of understanding	13	31
Risk management arrangements	20	24

> Initial thoughts on governance arrangements, as sketched out at the planning stage, now need to be supported by detail and will be tested as STPs move to implementation.

[10] https://www.nuffieldtrust.org.uk/resource/sustainability-and-transformation-plans-what-we-know-so-far

What is working and what are the challenges?

What is working?

The common themes expressed by interviewees as being essential to effective governance are explored below.

Good relationships

The *Temperature check* found 46% of finance directors surveyed believe that the relationships between organisations in their STP have improved.[2] Good relationships have allowed opportunities for chief officers, finance and governance leads to create effective networks to share practices. Areas with greater collaboration involving all stakeholders, which underpins relationships and enables trust between partner organisations and their leaders, have seen more positive system management.

Footprint focus

The focus on a wider footprint provides opportunities for solutions that could not be considered at a more local level. It provides a platform for the difficult discussions and decisions to take place with all parties at the table and the opportunity to look beyond existing historic purchaser/ provider models to identify new ways of working. There should also be the potential to tackle some seemingly intransigent issues such as workforce planning, which can involve providers within a locality competing against each other for limited staff resources.

The number of organisations in each STP varies and, in some larger footprints, local delivery systems within the STP will each need their own governance arrangements. Decisions and implementation plans will need to be made at the most appropriate level and this will vary from footprint wide to locality.

Articulation of the vision

In cases where the strategic vision can be expressed in a meaningful and understandable way, there is significant buy in from all. This helps all parties to move to the next stage in an informed and cohesive way to consider options of how the future may look and what actions are needed to get there.

Commitment at all levels

A common positive feature of the last 12 months is the realisation that things must change and the existence of a commitment to make this happen. It has been increasingly articulated within the NHS professions and in the press that if the NHS stays as it is it will fail and now is the time to do something different. The King's Fund report, *Sustainability and transformation plans in the NHS* found that 'despite the range of issues with the STP process and the tensions experienced along the way, leaders were typically committed to working together to address common challenges'. [11]

Use of existing structures

Many of those interviewed felt that the use of existing arrangements, such as structures for public engagement, clinical engagement and governance were a useful starting point and have helped the pace of development. Using existing structures supports the transformation work that had already started in a number of areas.

Transparency

Transparency of a well-defined decision-making process, feedback routes, performance management arrangements and clear reporting arrangements is vital. This supports engagement in the process and enables effective challenge.

Two-year contracts

Many of those we spoke to welcomed the two-year contract which was required to be signed by December 2016. It will free up time from contract planning to start implementing the planned changes. However, in some cases, STP partners reported a mismatch between their STP, individual organisational operating plans and what has been agreed in contracts. Ensuring alignment between them is crucial for delivering the integrated plans.

Internal audit

Where internal audit has been commissioned to comment on STP governance arrangements, they have been used positively to review the design of programmes, governance arrangements and to assess whether specific projects were in line with the overall plan. Going forward, internal audit will have a clear role to play in supporting the individual organisation board's understanding of governance arrangements, such as informing them over whether adequate governance arrangements are in place in respect of conflict of interests.

[11] https://www.kingsfund.org.uk/projects/sustainability-and-transformation-plans

What are the challenges?

The common challenges facing STPs are summarised below.

Organisational accountability

The most commonly cited barrier is the conflict between organisational and STP accountability. As Rob Whiteman, CIPFA's chief executive, commented at the HFMA Annual Conference in December 2016, 'sovereignty is the enemy of acting in the public interest'. Although there is good intent to act in the best interests of the system, boards remain accountable for organisational performance and employees accountable to their own organisation. As noted above, the *Temperature check*[2] found that 62% of NHS finance directors would prioritise their own organisation over the STP in meeting objectives. There is a significant risk that opportunities could be missed if the governance arrangements are not sufficiently robust to prevent self-interest of individual partners from overriding STP objectives.

The separate regulatory organisations and separate accountabilities can drive this self-interest behaviour. The *Temperature check*[2] found that 83% of finance directors feel the regulatory system needs to change to support the delivery of STPs. Closer alignment of the regulatory organisations in reviewing the system level plans, understanding the interconnections and long term plans and how this impacts on individual organisational annual targets is essential. Without the legal ability to bring CCGs and providers together, trust and clear co-ordination are even more vital. If STP programmes lead to local dissatisfaction it is unclear where the pressure and redress will fall.

Financial position

Due to the current challenging financial position some finance staff feel under pressure to provide the 'right answer' and report in line with the control total set for the STP. Finance staff need to be objective and not compromise their professional integrity. Strength of leadership and integrity of finance leaders is essential within this climate and STP finance leads need to have support and influence to get engagement across the whole system.

Reporting

STPs cover a number of organisations with a range of different reports and data. Reports need to be based on assured data and aligned to allow constructive challenge of assumptions, avoid duplicated effort or provide mixed messages. This can be challenging with existing data reliability issues to resolve and a historic lack of information sharing between organisations. There is the risk that without clarity on what future information will be collected by regulators from STP areas, reporting systems that are being developed now will need to be further developed in the future.

Complexity of structures

Ensuring appropriate and timely outcomes with a large number of organisations involved is inherently difficult. Structures need to be robust yet nimble. Challenges will vary depending on whether partners are committed to joint decisions once made or the STP remains a forum for promoting partnerships without enacting decisions. Those interviewed noted the following key challenges posed in co-ordinating all organisations involved across the footprint:

- Speed, consistency and transparency of decision-making
- Balancing the recognition and understanding of a minority view, while not slowing things down and allowing debates to be railroaded
- Duplication of activity and reporting
- Conflict management
- Decisions being made outside the STP and not in line with it, for example, procurement
- Managing across different STPs and wider projects
- Ensuring that benefits that materialise justify the time and effort involved
- Increased involvement of the private sector.

The Nuffield Trust's review, *Sustainability and transformation plans: what we know so far*[10] also noted that there has been some disquiet in STP areas where organisations felt they had been put together where there were no natural patient flows or a history of working together.

A change in mind-set is needed from the historic competitive arrangements between NHS organisations, whether that relates to agreeing contracts or competing to fill vacancies across an STP footprint.

NHS and local government working together

'Councils involvement in drawing up STPs has varied significantly across the country', as commented by Local Government Association Chief Executive Mark Lloyd. [12] A number of interviewees acknowledged that this is an area that has not gone so well due to the lack of understanding of respective organisations; timings of elections; number of councils involved; legal requirement for local government to balance their books annually; and local accountability of local government members. In some cases, challenges arise when local authority footprints are not coterminous with STP partnership footprints. Closer working with local authorities provides an opportunity for both sectors to learn from each other, for example STPs could draw on the experience that local authorities have in public consultations.

Historic competitive environment

A change in mind-set is needed from the historic competitive arrangements between NHS organisations, whether that relates to agreeing contracts or competing to fill vacancies across an STP footprint. The introduction of HRG4+ and the recent contracting round has dented some relationships. STP partnership leaders need to work together to build trust based on a fair and open approach if partnerships are to move from talking to making real change.

Capacity and capability

STP partnership management is costly of both executive and non-executive time and has significantly stretched the capacity of senior managers, particularly with the quick pace of development required in 2016. Teams consisting of senior and respected individuals, able to commit full time to work on the STPs without distraction and the appointment of an independent chair have helped in this process in some cases. Individuals have commented that the lack of skills, lack of belief that STPs can deliver and fatigue in the NHS finance community have been a problem. The *PA Consulting survey* [13] reported 68% of CCG leaders thought change management capacity and capability was lacking in their area. System working requires different skills, such as those needed for the expected increase in large contracts spanning organisations. Interviewees commented that a short national training course to help refresh existing skills and learn new ones would be welcomed.

Time, pace and cost

One of the main risks to STPs is the pace needed to ensure planned savings are realised. Areas need to avoid going at the pace of the slowest participant. There is a significant amount of work to do to mobilise workstreams, recognising that any public consultation will take time and resources. As noted above, capacity is a key issue for senior officers. There needs to be clarity on how STP partnership overhead costs will be shared. Partnerships need short, medium and long term plans and initially need to identify where the biggest savings will come with the least investment required. Brave informed decisions need to be made. The severe shortage of capital funding to redevelop infrastructure is likely to slow down or even prevent the implementation of some of the plans.

Engagement

Public, patient and clinical engagement has been mixed. A number of 'local health and wellbeing boards have already felt detached'[14] and STP partnerships have 'not yet involved or engaged with front line staff'[14]. 2017 is likely to be a sensitive period of public engagement and consultation, where STP partnerships need to balance involvement across a larger geography with the ability to engage with GPs, pharmacists, dentists and local communities. In many cases local authority and public engagement has been a problem where STPs can be seen as simply a vehicle for cost cutting. It is essential that collaboration and engagement is focused on the system-wide vision and how the STP partnership is planning to deliver the FYFV[1].

Social care cuts

The impact on STPs of the unprecedented pressures on local authority social care budgets cannot be overstated. There are estimates of a £2.6bn funding gap for the provision of adult social care in England by 2020.[15] It is easy for an STP partnership to become subsumed by social care funding issues.

[12] https://www.hsj.co.uk/sectors/commissioning/stps-will-struggle-without-democratic-involvement-says-council-chief/7013173.article

[13] http://www.paconsulting.com/our-thinking/nothing-is-certain-and-everything-is-possible-ccg-leaders-views-on-their-own-sustainability-and-transformation-plans/

[14] http://www.hempsons.co.uk/governing-transformation-stps-governance/

[15] http://www.localgov.co.uk/Social-care-failings-now-account-for-a-third-of-hospital-discharge-delays/42341
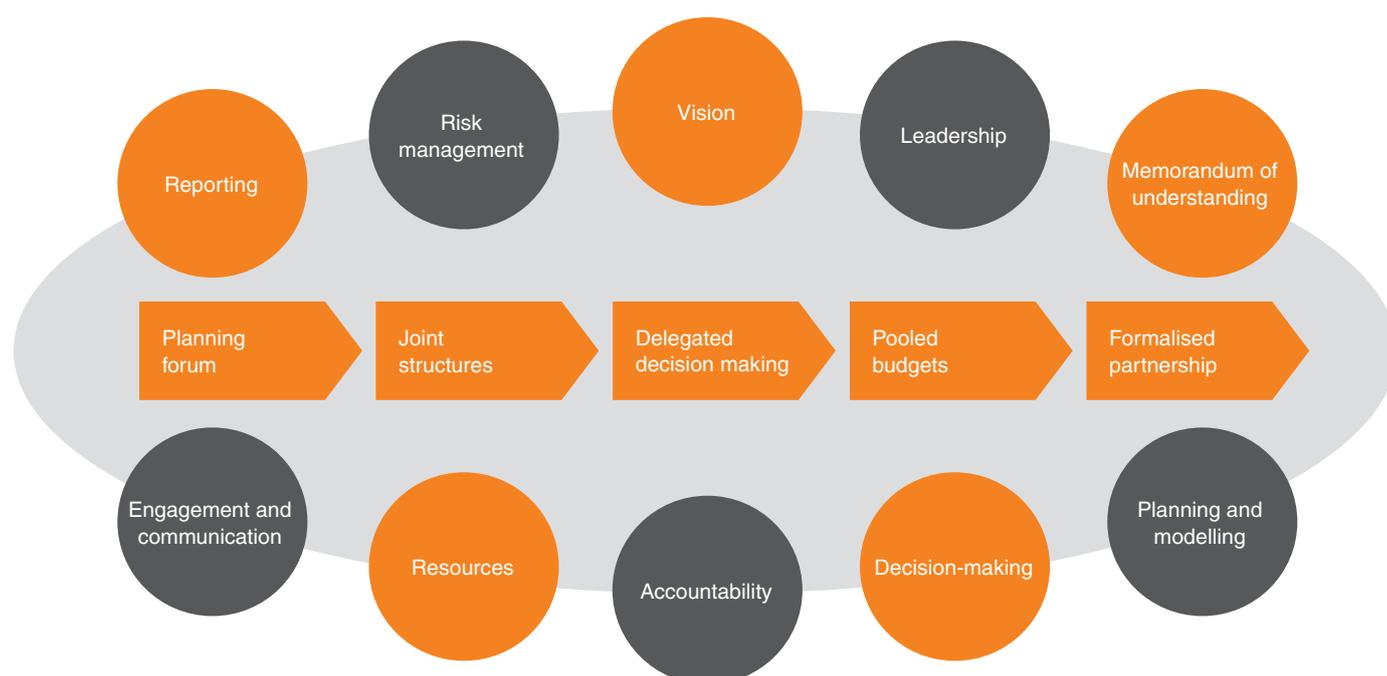
Governance elements to be considered

Governance models can be viewed as developing along a spectrum, each supported by key elements, as set out in **Chart 3**. All models will be different, based on the different starting points and configurations within an area. Some will sit on the spectrum and others may move through it. Governance is not a static process and areas will need to consider what the most effective structure is for them. They will need to be fluid and flexible, particularly as areas move from planning to implementation.

As set out in the letter from Jim Mackey and Simon Stevens to STP leaders[16], in 2017/18 areas must 'become implementation partnerships'. For some this will mean quickly becoming an 'integrated or 'accountable' care system [where] providers and commissioners will come together, under a combined budget and with fully shared resources, to serve a defined population'. For others it will 'take the form of forums for shared decision-making and performance accountability'.[16]

All models will need to be clear on their business processes such as agreement of strategic intent, criteria for decision-making and transformation prioritisation. They will need to support major cultural change facilitating individuals to deliver shared key objectives.

Chart 3: Governance Spectrum: Spectrum phases and supporting key elements

16 http://www.local.gov.uk/documents/10180/5572443/Simon+Stevens+and+Jim+Mackey+letter+to+STP+lead
s+on+next+steps+12+December+2016/11f230b3-187c-4984-809c-b35f3644cc3b

Spectrum phases

Each footprint needs to consider the governance model that best suits its needs including structure, decision-making and accountability and risk management arrangements. Arrangements must be streamlined enough to ensure progress but at the same time allow for full engagement and consultation on issues. We describe each of the spectrum phases in the paragraphs below.

Planning forum

The first step must be to get all parties at the table to develop a joint plan and clear strategy for integrated healthcare. For some this joint working has been a relatively easy experience but for others more painful, based on mixed historic positions. All footprints published their STPs by the end of 2016. The challenge is to now move effectively from planning to implementation, while keeping the plan under continuous review.

Joint structures

Legal responsibility remains with individual organisational boards. A clear governance structure for delegations and decision-making is important to make sure organisations are able to hold each other to account. Most STP partnerships have produced a wiring diagram to articulate how the many organisations and groups are interlinked. In the majority of examples we reviewed, decision-making is currently not delegated with recommendations, based on joint discussions, requiring ratification by individual boards.

Delegated decision-making

Examples of joint committees are emerging such as CCG joint committees and provider federations. The recent *PA Consulting survey*[13] revealed that 76% of CCG respondents felt there would be more joint decision making with CCGs. Although individual organisations cannot share accountability, they can have aligned decision-making. The boards of all participant organisations need to sign off a common scheme of delegation. Local government organisations can participate as members. The challenge is to keep the numbers involved manageable and to ensure that there are no mixed or unclear messages.

In one STP partnership, the joint CCG group has an independent chair and two representatives from each CCG. This includes a good mix of lay members, management and clinicians with one vote each. CCGs have delegated decision making to the group and there needs to be a 75% majority to enable a decision to be made. Representatives from the local authority and providers attend and comment but are not part of the decision-making process.

Pooled budgets

It is expected that greater partnership working between health and social care will spark a step change in the use of pooled funds over the next few years. The *PA Consulting survey*[13] reported that 60% of CCG leaders were considering developing pooled budgets with their local authority. Section 75 of the Health and Social Care Act 2012[17] allows for three types of pooled fund: pooled budgets (contributions to a single pot), lead commissioning (delegation of commissioning to a lead) and integrated provision (joining staff and resources and one acts as a host). The HFMA briefing, *Pooled budgets and the integration agenda*[18], highlights the lessons learnt in preparing for the wider integration agenda. In many cases, areas can learn from their better care fund arrangements. Organisations need to consider how funding flows work in practice, such as who makes payments and how this impacts on the agreement of balances exercise.

In one footprint, there is a single commissioning board that makes decisions about the pooled budget of local government public health funds, CCG funds and integrated trust via a tripartite agreement. In this case, 50% of the pool has full delegation, 40% has aligned decisions recommended for organisation approval and 10% require NHS England approval.

17   http://www.legislation.gov.uk/ukpga/2012/7/section/75/enacted

18   https://www.hfma.org.uk/publications/details/pooled-budgets-and-the-integration-agenda

A transparent approach is essential to support leaders recognise the longer term impact, minimise tension and focus on the most appropriate action to deliver the required transformation.

Formalised partnerships

As plans develop, more formalised partnerships are likely to evolve in some areas such as accountable care organisations, mergers or shared management teams. This may not be appropriate for all areas. Examples from areas include the co-location of teams; a single executive team; proposals to create a special purpose vehicle with a delegated budget; an integrated care organisation with a risk share agreement; and shared chief executive with single budget management.

As the planned transformational change is developed and embedded, there are calls for joint regulation to support the place based approach. At the moment, national co-ordination and regulation is operating within existing processes and governance structures, but as STPs develop it is likely that there will be pressure for the regulators to merge.

Supporting key elements

The key elements that must be considered in determining the most appropriate arrangements at each phase of the governance spectrum are considered below.

Vision

The people we spoke to told us that a clear vision is essential. The vision must be balanced to include acute and non-acute focus and have local authority, clinical and public involvement. An articulated vision of what matters is the key to progressing and taking patients on the journey. The vision represents the longer term challenge rather than getting through the next few months. A clear vision needs to be translated into agreed objectives and timescales to help progress difficult decision making.

Leadership

The importance of strong and effective collective leadership cannot be underestimated. All of our interviewees recognised that the key success factor for delivering the FYFV[1] is the relationship and the behaviour of those involved. Working within such a complex arrangement, a network leader is required, who has the softer skills such as the ability to influence behaviours and resolve conflict. System leadership needs to promote productive and constructively challenging relationships.

In many footprints, there are examples of weekly or monthly senior officer meetings where updates are received from a number of working groups. In some cases, two or more organisations have entered into agreements to share a chief officer, although their boards remain separate. Examples of a shared chair also exist. This has helped with developing a common vision and enabling progress. One footprint area is looking ahead at what skills individuals have in order to provide appropriate assurance they will fit into any new arrangements. This is in recognition of the fact that individuals are often working on developing arrangements they know will impact on their job security. A transparent approach is essential to support leaders recognise the longer term impact, minimise tension and focus on the most appropriate action to deliver the required transformation.

Memorandum of understanding

Many areas have developed or are developing a memorandum of understanding (MOU), which is signed up to by individual boards and provides a clear model for accountability. *Governing for transformation: STPs and governance*[14] provides a template MOU covering scope and clarity of purpose; agreed principles; governance for decision-making; disagreements and disputes; opting out; risk and assurance; and resources.

In one partnership, a set of financial principles has been agreed to support service configuration. As new methods of working evolve, existing care models will change and business opportunities will inevitably arise as new providers enter the healthcare field. This is likely to increase the possibility of new and potential conflicts of interest arising that will need to be addressed. An agreed transparent system for identifying recording and monitoring these will be essential. In many areas, significant conflict has yet to be encountered. However, as areas move from the planning stage, conflicts will occur and resolution will be necessary. In one STP partnership, peer pressure and getting national regulators involved has been seen as the only options.

Planning and modelling

As Jim Mackey, Chief Executive of NHS Improvement, commented at the 2016 HFMA annual conference, decision-making needs to be supported by facts, evidence and objectivity. Modelling is key to identifying what the current spending and care patterns are and what the impact of changes will be. It helps to ensure a focus on the big opportunities and mitigate against the risk of decisions based on preconceptions, preferences or allegiances. Evidence is also a powerful tool in engaging with stakeholders. Analysis such as where most money is spent on a patient pathway, when handed to clinicians, will enable discussions about how to do things differently and reduce variations. Where clinical engagement has been used to challenge modelling this has supported the development of appropriate and realistic plans.

One STP partnership completed an early review of activity data and built a model of theatres, beds and estates across the patch and worked out the consultant workforce that would be required to run each site safely. Existing data sharing agreements were in place to support this. Once a range of options were brought to the table, the joint committee could be established and with clear evidence to support effective decision-making.

Decision-making

How decisions will be taken needs to be clearly set out. For each type of decision who will be involved? How many people need to agree? And is this in accordance with individual organisation's delegated authorities? Difficult decision-making in the face of multiple options is helped if key criteria upon which to base decisions are agreed upfront. It is not sufficient for the decision-making process to be robust and consistent, it must be seen to be so. Adherence to the Nolan principle[19] of transparency will be particularly important as partnerships enter the implementation stage over the coming months.

Accountability

There is no requirement for internal or external audit of the STP as it is not a statutory organisation. It is therefore essential that controls are put in place and STP partnerships may wish to get assurance over this. Clear checks and balances need to ensure all decisions support the vision and that the quality of data provided for decision-making is assured. This is both important to ensure decisions are based on appropriate information and to protect those individual officers submitting plans. If a finance lead makes a mistake on the STP submission, who is held accountable? In some examples, individual contract agreements do not agree to the figures submitted in the STP and will need to be worked through.

There are examples of an agreed or planned area control total tool for monitoring performance and in a number of examples the PMO monitors progress of the workstreams. Momentum needs to be maintained with clear milestones. In one area an annual report and regular sets of minutes are sent from the STP partnership joint committee to individual organisation governance leads in order to provide them with assurance.

Resources

Examples of resourcing STP management have ranged from hosting arrangements, shared budgets for fully resourced PMOs, shared staff, secondments and use of consultants. Our interviewees recognised the time pressure this has created and agreed that managing the plans cannot be achieved 'on top of the day job'. In one example, the decision to commit resource to the STP partnership central functions shifted the balance of power to the STP partnership, which became the pre-eminent planning forum. PMOs are in place for most areas with their role including ensuring plans are agreed, project initiation and management documentation is in place and performance management information is collated and monitored.

[19] https://www.gov.uk/government/publications/the-7-principles-of-public-life

[20] http://www.nationalvoices.org.uk/publications/our-publications/six-principles-engaging-people-and-communities

[21] https://www.england.nhs.uk/wp-content/uploads/2016/02/sustainability-transformation-plan-letter-160216.pdf

[22] https://www.england.nhs.uk/wp-content/uploads/2015/10/plan-ass-deliv-serv-chge.pdf

STP partnerships are working hard to engage clinicians. Some STP partnerships have carried out a baseline assessment of infrastructure, people and forecast activity by senior clinicians which provides a realistic basis from which to progress.

Engagement and communication

Full engagement with organisations, clinicians and the public is essential. The engagement of lay members appears to be mixed with one example of a workshop of lay members feeding into the STP, while others with lay members only seeing the plan on completion. With ongoing statutory responsibilities of individual organisations, boards and non-executive directors can struggle to understand how they ensure plans are aligned. Engagement with primary care, voluntary sector and private providers appears to be limited.

STP partnerships are working hard to engage clinicians. Some STP partnerships have carried out a baseline assessment of infrastructure, people and forecast activity by senior clinicians which provides a realistic basis from which to progress. One STP area has explored with clinicians how to share the learning from what they do in the private practice and, if appropriate, whether replicating it in the NHS would bring benefits.

The February 2016 STP guidance letter, referred to the *Six principles for engaging people and communities*[20]. The letter reaffirms that 'STPs are not an end in themselves, but a means to build and strengthen local relationships, enabling a shared understanding of where we are now, our ambition for 2020 and the concrete steps needed to get us there.'[21] In a number of examples, work has been completed with Healthwatch to get public facing material ready now. A number of public consultations are in train for spring 2017 as part of the required assurance process for proposed service reconfiguration, as set out in *Planning, assuring and delivering service change for patients.*[22]

Reporting

Key considerations in reporting to a number of organisations are the differing timing of reports, the formats required and the varied audiences and data sources. The next steps for many STP partnerships include establishing a footprint wide information system for both financial and non-financial data. In one area, a single finance report is circulated across all governing bodies and the timing is aligned to when meetings take place. Another finance lead noted that in their footprint the current focus on income and expenditure needed to be expanded to the balance sheet and cash flows. It was also recognised that reporting should aid transparency with shared documentation of governance arrangements and agreed actions such as shared objectives; criteria; process followed; decisions made; and by whom.

Risk management arrangements

Risk management arrangements are slowly being developed for STPs. Only 5% of finance directors asked in the *Temperature check*[2] viewed current risk management arrangements as adequate. The challenge is to align risk appetite across organisations at all levels. In thinking through the practical arrangements, the risks and mitigations, it is helpful to have a STP risk register and shared dashboards for each organisation. The overall risks of the STP will differ to those of individual organisations and risk sharing arrangements will need to be developed. For example, if one organisation loses some services due to reconfiguration, how will their stranded costs be covered?

In the majority of STPs reviewed there is organisational risk management, although no overall STP risk management or conflict management arrangements are in place. In one STP area, each workstream has a programme risk register managed by the PMO. There are examples of STPs with risk sharing documents and in one example there are plans to develop a risk share agreement to enable fixed costs to be covered after capacity reductions.

Developing governance arrangements

It is clear that each place based governance model will be developing at its own pace, with tailored arrangements that suit the footprint community and organisations. However, there are specific aspects that need to be considered when developing these arrangements and the following questions aim to provide a useful tool to help ensure that the key areas in developing STP governance arrangements have been considered.

The areas to consider are based on the findings discussed above and incorporate questions included within the NHS Clinical Commissioners Checklist[23] as annotated. These are shown in terms of each key element within the governance spectrum set out in **Chart 3.**

[23] http://www.nhscc.org/latest-news/stp-checklist/

Governance checklist	Yes/No
Vision	
Has the STP partnership set and agreed a clear common purpose?	
Has this vision been shared?	
Have stakeholders confirmed they support the vision?	
Have stakeholders made a commitment to help deliver the vision?	
Leadership	
Have all leaders been appointed?	
Has an appropriate leadership model been agreed for the STP partnership?	
Is involvement taking place beyond the chief executive level?[23]	
Has the partnership considered whether any more formalised partnerships are appropriate? (such as accountable care organisations, mergers or shared management teams)	
If so, has appropriate consultation been undertaken?	
Are processes in place to manage any transition?	
Does the STP have sufficient buy in from senior management within the individual organisations to achieve its objectives?	
Memorandum of understanding (MOU)	
Is there clear documentation of the governance structure?	
- does this include committees/groups in place and how they interlink?	
- does this include who is represented on the Board/ Committee?	
- does this include any formalised partnerships in place/planned?	
Has a MOU been established and agreed by all parties?	
Does the MOU include details of how often meetings take place?	
Are any delegations clearly set out in formal schemes of delegation?	
Are conflict resolution arrangements agreed and documented?	

Governance checklist	Yes/No
Planning and modelling	
Is the vision based on a clear understanding of the existing position and modelling of any proposed changes?	
Has any sensitivity analysis been carried out?	
Is there a clear workstream development plan in place to deliver the vision with clear and agreed outcomes, milestones and leads?	
Has the partnership agreed who approves the overall plan and changes?	
Decision-making	
Has the STP partnership agreed who has decision-making powers?	
Has the STP partnership agreed how stakeholders are represented through the STP decision-making process?[23]	
Are there arrangements in place for STP leaders to involve partner organisations throughout the STP decision-making process?[23]	
For each type of decision, has it been agreed who will be involved, how many people need to agree and if this is in accordance with individual delegations?	
Where appropriate, have delegated powers been sought and agreed?	
Are arrangements in place to ensure decisions are evidence based?	
Are systems or processes available to help clarify the different levels at which decisions will be made within the STP?[23]	
Given STPs have no legal accountability, are arrangements in place to determine how collective decisions will be reached?[23]	
Are procedures in place to identify and manage potential conflicts of interest?	
Accountability	
Has the STP partnership agreed how implementation of individual plans will be managed across the footprint?	
Are performance management arrangements of the STP in place?	
Are accountability arrangements clearly set out in the MOU?	
Is it clear what needs to be in place to ensure that individual statutory responsibilities can still be delivered?[23]	
Are arrangements in place to ensure a balanced focus across all areas?	
Are scrutiny and assurance arrangements in place, including who is involved?[23]	

Governance checklist	Yes/No
Resources	
Has resource for STP management arrangements from the partner organisations been agreed?	
Are there either full time team members working or sufficient capacity created from existing workloads?	
Has the STP partnership considered whether resources are at an appropriate level?	
Have how financial flows will work within the STP partnership been agreed?[23]	
Are existing or planned pooled budget arrangements clearly documented?	
Have funding plans been reconciled to individual organisational plans?	
Has the STP partnership considered a shared control total?	
Have capital investment requirements been determined and taken forward?	
Has the STP partnership agreed how gains are shared equally amongst participants, for example covering stranded costs?	
Have shared financial frameworks or other financial management processes been established?[23]	
Engagement and communication	
Has the STP been published?	
Has there been or is there planned public/ patient involvement?	
Has there been or is there planned clinical involvement?	
Will local authority health and overview scrutiny committees and health and wellbeing boards be involved during implementation?[23]	
Is there a communications plan in place?	
Does the communication plan cover both internal and external audiences?	
Does the STP communication strategy support meaningful engagement with patients, carers, the public and their representatives and have you ensured you have reached all appropriate populations?[23]	
Do plans clearly communicate what changes mean for patient experience and outcomes and help explain efficiency savings and the impact on patients?[23]	
Does your STP engagement plan clearly link to existing plans, demonstrate those areas which are continuations of existing plans and those which are new ideas?[23]	
Have individual organisations set up appropriate assurance arrangements to ensure they are actively being engaged with, appropriate evidence based decision making exists and appropriate information flows are in place?	

Governance checklist	Yes/No
Reporting	
Have all appropriate returns been agreed and submitted to regulators?	
Have governance arrangements been reported internally to individual boards?	
Are arrangements in place to ensure any governance changes are reflected in individual organisations annual report and annual governance statements?	
Are data sharing arrangements in place?	
Are data quality assurance arrangements in place?	
Have the differing planning timelines of local government and the NHS been considered and incorporated into the implementation plans?[23]	
Does the structure mitigate potential duplication of review and reporting?	
Is there a sufficiently clear thread linking STP action plans, milestones and progress updates?	
Risk Management	
Are risk management arrangements in place?	
Has the STP partnership agreed which risks can be shared and how will they be managed?	
Does the STP have a risk register?	
Are the STP risks included on individual organisation risk registers?	
Are there mitigations to avoid organisational focus over cross system working?	
Is there a clear process for identifying emerging risks during the STP implementation phase?	

Conclusion

Since the announcement of STPs in December 2015, there has been much activity in establishing relationships and plans for each footprint. With plans completed by the end of 2016, the focus is now on implementation and action. During 2017 there will be a huge shift in effort as areas turn their visions into reality and transformation plans take shape in a financial and care context that is already very demanding.

In order to navigate the many complexities outlined in this paper and maintain momentum, governance models must to be clear, robust and flexible to support the fundamental changes required. The robustness of governance arrangements will be tested as transformation plans move to delivery mode and the public become involved in responding to consultations about changes to service delivery. A fine balance will be required to ensure that governance arrangements provide sufficient assurance, while helping to overcome barriers and ensure that progress in developing and delivering new models of care is being made. There is no doubt that this transformation is necessary and the challenge now is for the NHS to make system level working 'business as usual'.

Acknowledgements

About the HFMA

The Healthcare Financial Management Association (HFMA) is the professional body for finance staff in healthcare. For more than 60 years, it has provided independent and objective advice to its members and the wider healthcare community. It is a charitable organisation that promotes best practice and innovation in financial management and governance across the UK health economy through its local and national networks.

The association also analyses and responds to national policy and aims to exert influence in shaping the wider healthcare agenda. It has a particular interest inpromoting the highest professional standards in financial management and governance and is keen to work with other organisations to promote approaches that really are 'fit for purpose' and effective.

www.hfma.org.uk