

# 2019/20 NHS Commissioner Governing Body Assurance Frameworks

## A Benchmarking Exercise



## Contents

<b>Introduction and Key Messages.....</b>	<b>2</b>
<b>Strategic Objectives.....</b>	<b>3</b>
<b>Articulation of Risk .....</b>	<b>4</b>
<b>Analysis of Risks .....</b>	<b>4</b>
<b>Finance and Workforce Risks .....</b>	<b>8</b>
Workforce Risks .....	8
Finance Risks .....	8
<b>Assurance Frameworks.....</b>	<b>10</b>

## Introduction and Key Messages

In September 2018 we reported on our first Governing Body Assurance Framework (GBAF) benchmarking exercise. This provided a resource for organisations to understand the risks facing other, similar organisations and how these risks had been scored and monitored.

This year, we reviewed 13 CCG GBAFs from across the East Midlands, South Yorkshire, North Yorkshire and West Yorkshire. We only included GBAFs which have been updated since April 2019 to ensure that we were considering the current risk environment CCGs face.

This year, we have considered:

- the strategic objectives to which risks in GBAFs relate;
- the risks themselves, including formulation, number/frequency, scoring and category;
- the Finance and Workforce risk areas in further detail due to these scoring high across all organisations; and
- how Assurance Frameworks have been designed to reflect the maturity of the risk management systems within organisations.

## **Key Messages**

- Not all organisations have clear, distinct objectives which set out how success will be achieved. Often objectives are vague, and do not provide clarity on how success will be measured. For example, “To improve the quality of care” is a common theme, but by itself may not be easily measured.
- The description of risks is often unclear, not distinguishing between cause, uncertain event and impact/effect. This is likely to affect the ability to determine the most effective controls in mitigation.
- As noted last year, the number of risks being monitored by CCGs at Governing Body level ranges greatly, from 3 to 36. Too many risks may mean they are not monitored appropriately, and too few may mean they don’t genuinely capture all the principal risks the organisation faces.
- ‘Quality of Providers’, ‘Partnership Working’ and ‘Financial Sustainability’ are the most frequent risks cited by CCGs as potentially impacting their strategic objectives. This is similar to last year, and shows that CCGs have not felt that there have been any significant changes in the operating environment this year which present new categories or prioritisation of risks.
- CCGs are particularly concerned with how staff shortages affect the delivery of their business priorities.
- Risk Appetite and/or Risk Tolerances are rarely recorded on organisations’ Assurance Frameworks. Without this, it is hard to demonstrate the rationale for decision-making around risk treatment options.

## Strategic Objectives

It is important for all organisations to have a clear idea of what they seek to achieve. The objectives clarify the organisation's purpose, priorities and the actions through which they seek to achieve success.

The Governing Body Assurance Framework (GBAF) is primarily a tool through which an organisation assesses and manages the principal risks to these objectives. Therefore, each risk on an Assurance Framework should be explicitly linked to an objective (or more than one objective). If a risk does not have an impact on the objectives of an organisation, then it is not a risk to that organisation.

Before considering the types and quantity of risks which have been identified within CCGs, we first sought to understand the objectives of CCGs which have been referenced on the Governing Body Assurance Frameworks.

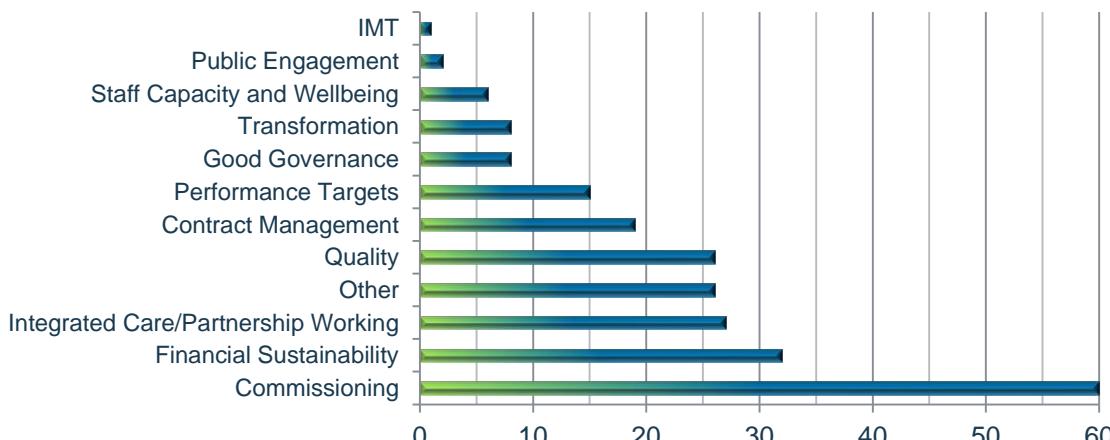
Given the similar purpose and operating environment of CCGs, most strategic objectives identified are equally similar across organisations. We have categorised these into the following:

Estates and Infrastructure	Research and Education	IMT
Financial Sustainability	Staff Capacity and Wellbeing	Patient Care and Safety
Integrated Care/Partnership Working	Governance	Other*
Performance Targets	Transformation	

*\*Some organisations did not link their risks to explicit objectives*

We then determined how many risks have been assigned to these categories within the GBAFs, as a measure of how exposed to risk CCGs consider these objectives to be.

**Number of Risks per Objective**



Commissioning the right services at the right price is the objective which organisations consider to be most at risk.

Integrated Care/Partnership Working is an objective also considered to be exposed to risks. This may reflect the national movement toward merging of CCGs, and the role CCGs are taking within the development of Integrated Care Systems.

We noted many examples in which risks linked to objectives were not worded in such a way that made it obvious why that objective would be put at risk.

## Articulation of Risk

- Risks should make clear a **Cause**, **Uncertain Event** and the resulting **Effect/Impact** upon the relevant objective(s) of the organisation.



**Cause** – What might trigger the event to occur, e.g. Providers' inability to recruit enough nursing staff.

**Event** – An unplanned / unintended variation from an objective, e.g. Provider not able to meet contractual standards.

**Impact** - How the organisation could be impacted should the event occur, e.g. the services commissioned are not of the expected quality.

In reviewing each of the 230 risks on the 12 GBAFs reviewed (in order to categorise them) we identified a significant number of risks that were missing one or more of these elements or where the seemingly described 'impact' did not match with the strategic objective it had been identified as a risk to.

In addition, we noted a number of risks on GBAFs that were existent issues (already problems) rather than (future) risks.

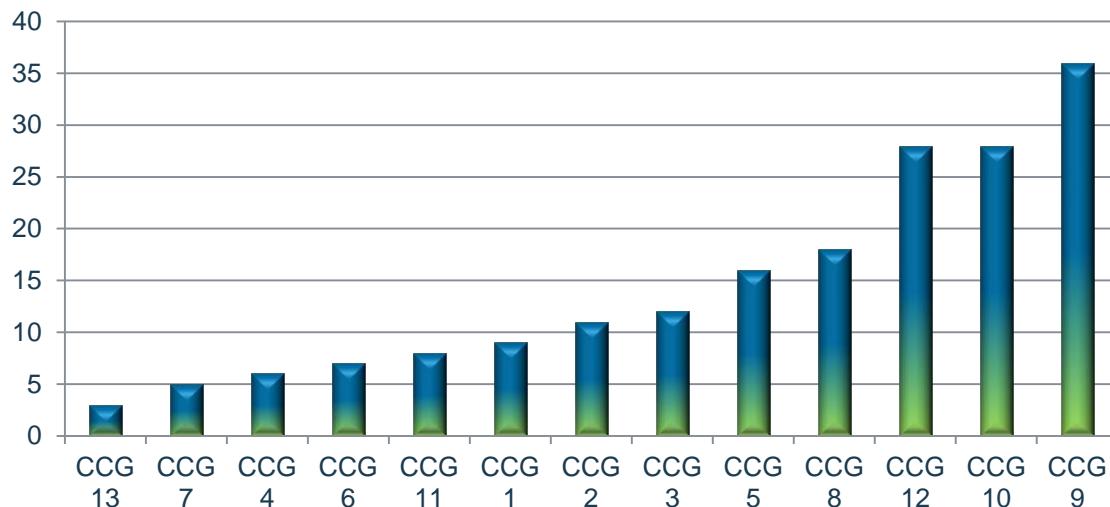
## Analysis of Risks

The number and types of risks on a GBAF can give an understanding of the current context in which CCGs are operating.

We reviewed GBAF reports to identify the number of risks each organisation was reporting to its Governing Body. Most CCGs have a majority of moderate and high risks, although some organisations have included lower rated risks in their GBAFs.

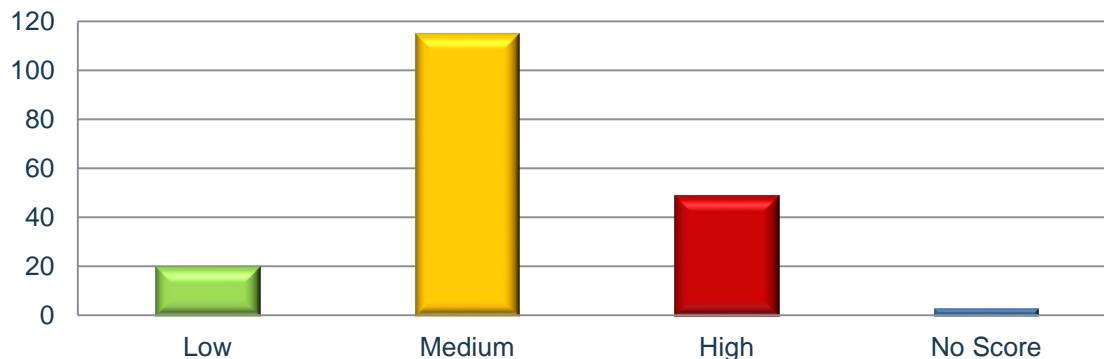
The CCGs reviewed have between 3 and 36 risks on their GBAF, with a median of 11.

### Number of Risks on GBAF per CCG



We assigned a label of Low (<8), Medium (8-12) or High (>12) to all risks based on the current score. It can be seen that there are more medium risks on GBAFs than High risks. In addition, a small number of risks assessed by the CCGs as being low risk to achievement of their strategic objectives have been included within the Assurance Frameworks, and a few which have not been scored at all.

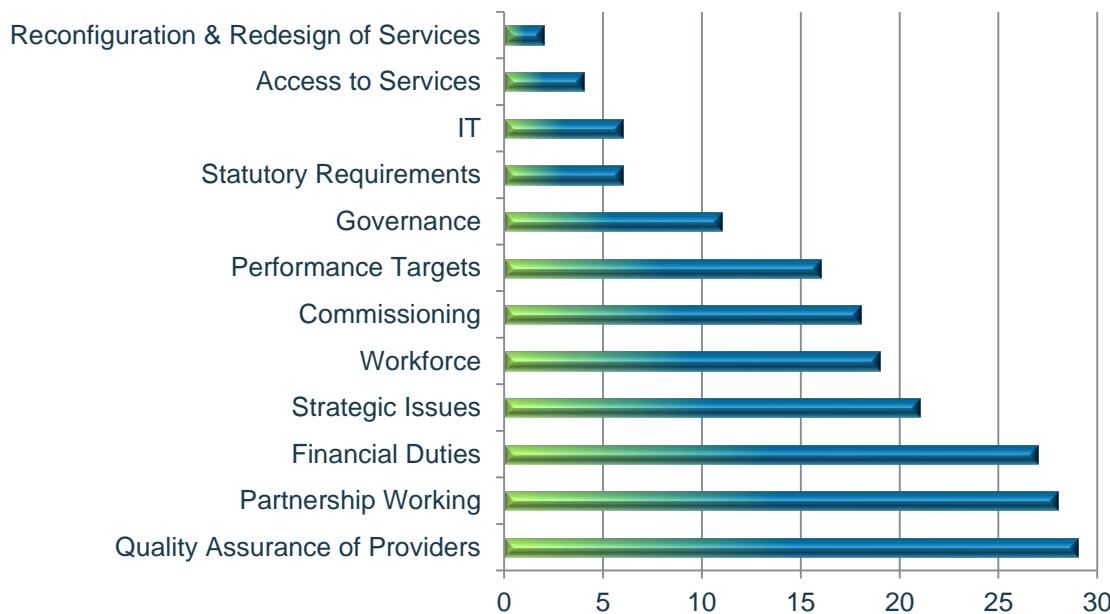
### Scoring of Risks on Assurance Frameworks



In order to allow us to consider what the risk profiles of organisations looked like, we grouped risks into broad categories. It should be noted that any exercise seeking to do this is inevitably inexact, as risks can cover more than one area, and some risks may not be easily attributable. A significant number of organisations had more than one principal risk in the categories used. However, the exercise is still able to give a broad and useful understanding of the issues that CCGs feel are crucial to overcome in order to achieve their objectives.

We have sorted risks into 12 overarching categories, as seen below:

### Risks per Category



Risks regarding the quality of services provided by commissioned organisations are the most frequent type of risk identified by CCGs. Following this, Partnership Working, including mergers and developing Integrated Care Systems, is another area of high concern to CCGs.

Financial risks remain high on the GBAFs, as the financial pressures continue to be felt by commissioning organisations.

The table below compares the top 10 categories in 2019 by volume of risks (for CCGs) with the top categories identified in previous years (in 2018 by 360 Assurance/Audit Yorkshire and for previous years by Mersey Internal Audit Agency (MiAA)). Please note that although MiAA carried out a similar exercise, and the results from their exercise are useful in our understanding of changing risks over recent years, the risks listed for 2015 – 2017 relate to a different cohort of organisations to those analysed for 2018 and 2019.

	2019	2018	2017	2016	2015
1	Quality Assurance of Providers	Financial Duties	Financial Duties	Corporate Systems and Processes	Corporate Systems and Processes
2	Partnership Working	Reconfiguration and Redesign of Services	Quality Assurance of Providers	Partnership Working	Partnership Working
3	Financial Duties	Quality Assurance of Providers	Reconfiguration and Redesign of Services	Reconfiguration and Redesign of Services	Quality Assurance of Providers
4	Strategic Issues	Workforce	Performance Targets	Commissioning	Financial Duties
5	Workforce	Partnership Working	Commissioning	Quality Assurance of Providers	Commissioning
6	Commissioning	Commissioning	Public and Patient Engagement	Financial Duties	Performance Targets
7	Performance Targets	Performance Targets	Workforce	Public and Patient Engagement	Public and Patient Engagement
8	Governance	Statutory and Regulatory Requirements	Access to Services	Access to Services	Access to Services
9	Statutory and Regulatory Requirements	Governance	Statutory and Regulatory Requirements	Performance Targets	Reconfiguration and Redesign of Services
10	IMT	Public and Patient Engagement	Partnership Working	Primary Care	Primary Care

## Finance and Workforce Risks

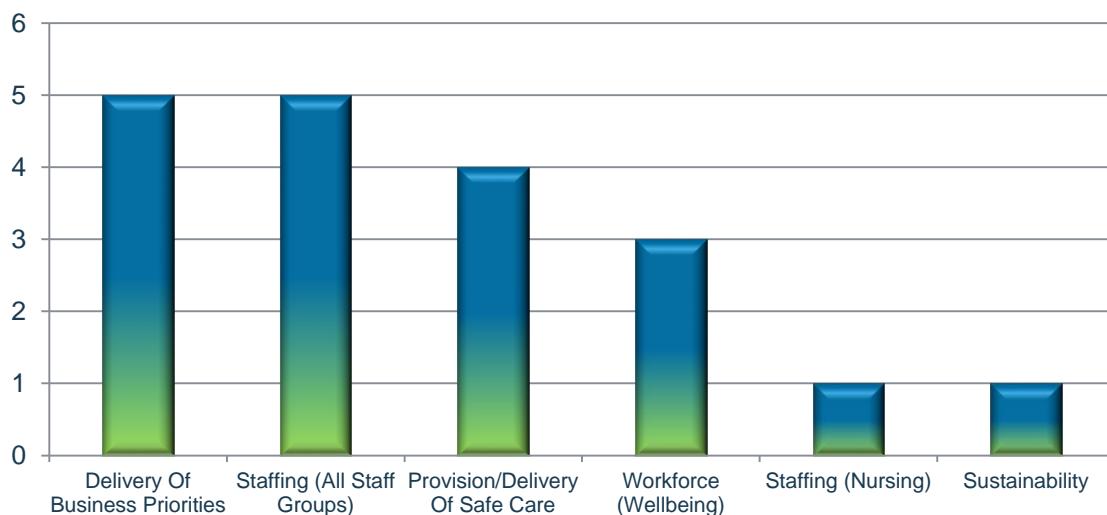
Last year we noted that finance and workforce risks were some of the highest areas of risks for NHS organisations.

This year, we have sought to understand in greater detail the make-up of these risks.

### Workforce Risks

The 19 risks relating to workforce (either Staff Capacity or Staff Engagement) have been further broken down into the following sub-categories.

**Sub-categories for CCG Workforce Risks**



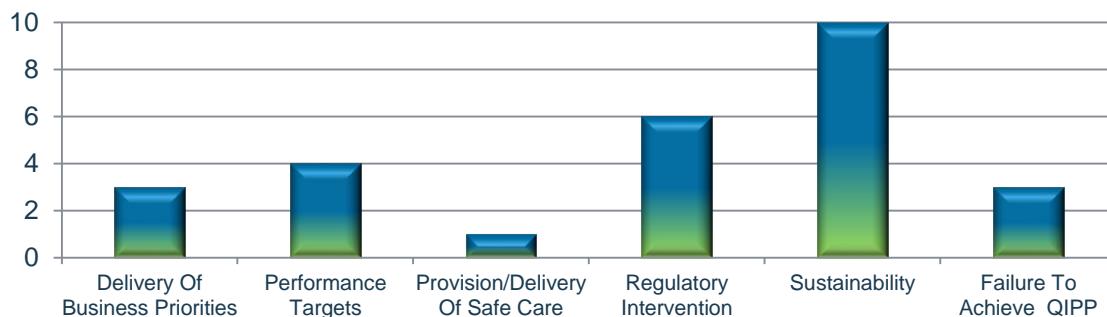
CCGs appear to have a mix of concerns within workforce risks. As well as the risks that they will not be able to fill enough posts, or deliver their business priorities, CCGs also include within their Assurance Frameworks the risks that may occur if the providers they commission care from cannot recruit enough staff to ensure the delivery of safe, quality care.

Although the risks assessed here have been primarily workforce based, these risks often crossover with quality, financial and performance risks.

### Finance Risks

The 27 financial risks within the Assurance Frameworks have been broken down into the following sub-categories:

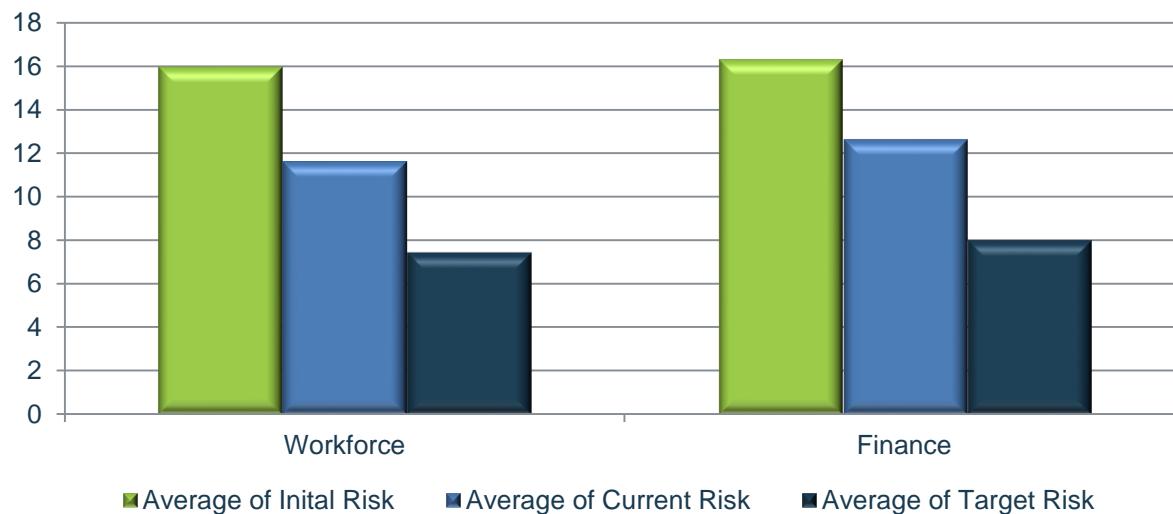
**Sub-categories for CCG Finance Risks**



Alongside the common risk that long term financial sustainability may not be achieved, CCGs have also considered the risks posed by financial pressures with regards to regulatory intervention, specific performance targets and the ability to deliver services.

The graph below compares the average targeted movement in risk between finance and workforce risk, for those organisations which include an initial, current and target numerical risk score within their GBAFs.

### Targeted movement in Risk for Workforce and Finance Risks



The current risk scores for workforce risks range from 4 to 16, and the most common score is 12. This indicates that although there are a large number of risks recorded, the likelihood and/or impact of these risks are relatively moderate.

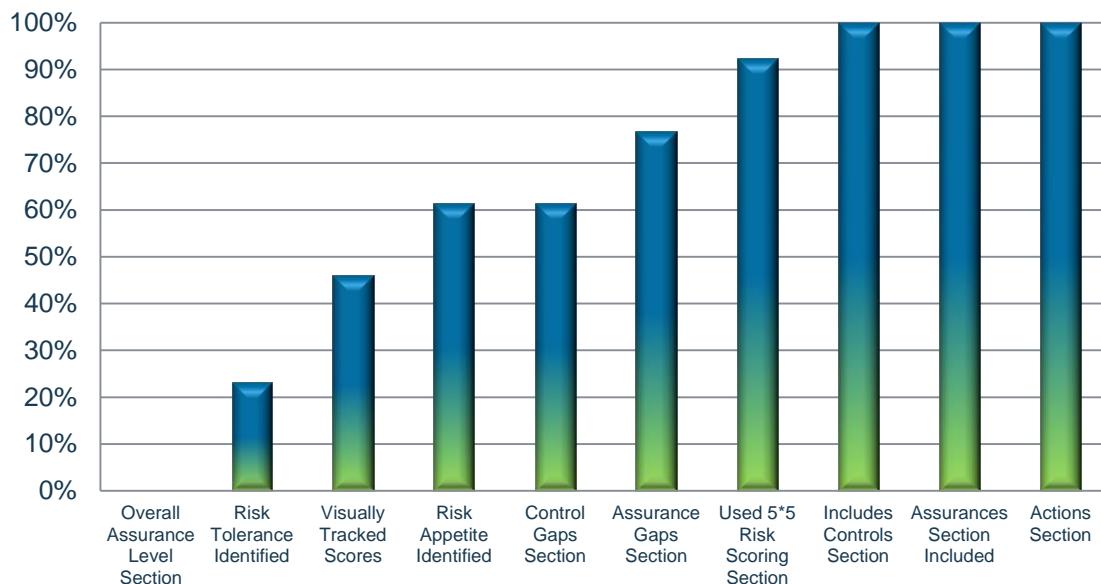
Finance risks have been usually scored by CCGs moderately highly, with risks most commonly being scored as 16.

Target risk scores have only been recorded for 18 out of the 27 finance risks, but it is noticeable that some of the target scores are quite ambitious. This may indicate that CCGs are recording what their preferred risk level would be, rather than the risk level to which they are actively seeking to mitigate the risk.

## Assurance Frameworks

We reviewed the format and general content of Assurance Framework reports to identify the differences in how organisations are choosing to review and report on the principal risks to their strategic objectives.

### GBAF Content



Our analysis showed that although some sections are standard across the clients reviewed, many sections which could add value to the Assurance Framework are not included as standard by CCGs.

It is important for organisations to have a clear understanding of how much risk they can bear (Risk Tolerance) and how much risk they are prepared to take (Risk Appetite) in relation to the achievement of their objectives.

Phrase	Meaning
Risk appetite	The amount of risk that an organisation is willing to seek or accept in the pursuit of its long term objectives.
Risk tolerance	The boundaries of risk taking outside of which the organisation is not prepared to venture in the pursuit of its long term objectives.
Risk universe	The full range of risks which could impact, either positively or negatively, on the ability of the organisation to achieve its long term objectives.

Institute of Risk Management

If these have not been agreed, then the target score of principal risks is unlikely to be consistent with the organisation's strategy or risk management methodologies.

However, only 3 of the 12 GBAFs reviewed included a risk tolerance.

Few organisations have visually tracked the rating of their principal risks over time. This would enable users to understand how a risk has developed over time, and increased or decreased in line with historical events.



360 Assurance  
Oak House  
Moorhead Way  
Bramley  
Rotherham  
S66 1YY  
Tel: 01709 428716

[www.360assurance.co.uk](http://www.360assurance.co.uk)  
[enquiries@360assurance.co.uk](mailto:enquiries@360assurance.co.uk)  
@360Assurance



Audit Yorkshire  
York Teaching Hospital NHS Foundation Trust  
Park House  
Bridge Lane  
York  
YO31 8ZZ  
Tel: 01904 721628

[www.audityorkshire.nhs.uk](http://www.audityorkshire.nhs.uk)  
[audityorkshire@york.nhs.uk](mailto:audityorkshire@york.nhs.uk)  
@AuditYorkshire