Portsmouth Hospitals NHS
NHS Trust

TRUST BOARD PUBLIC – APRIL 2013

Agenda Item Number: 54/13
Enclosure Number: (2)

Subject:	Chief Executive's Report
Prepared by / Sponsored by / Presented by:	Ursula Ward, Chief Executive
Purpose of paper	To updated the Board on national and local items of interest.
Key points for Trust Board members *Briefly summarise in bullet point format the main points and key issues that the Trust Board members should focus on including conclusions and proposals*	To note.
Options and decisions required *Clearly identify options that are to be considered and any decisions required*	None required.
Next steps / future actions: *Clearly identify what will follow the Trust Board's discussion*	N/A
Consideration of legal issues (including Equality Impact Assessment)?	N/A
Consideration of Public and Patient Involvement and Communications Implications?	N/A

Portsmouth Hospitals NHS
NHS Trust

Chief Executive's Report

Board of Directors – 25 April 2013

1. Business in the Community

As part of the Trust's ongoing commitment to a social responsibility programme I attended an event in Paulsgrove on 18 April 2013. This featured The Prince of Wales Trust 'Seeing is Believing', a national programme which seeks to provide insight into the social and environmental issues most relevant to communities and businesses. Since being launched in 1990 over 550 business leaders have been involved. The event highlighted that of the 13 most deprived communities in Hampshire, 9 had PO postcodes.

The event included a visit to Mayfield School in Portsmouth. The proved an extremely interesting and illuminating visit. Both staff and pupils were very keen to know about the hospital and the work we do. I am going to explore further opportunities for how we might work with the school and the young people. Initial thoughts include:

- Visits by groups of pupils to be given tours of our facility
- Mentoring
- Career advice
- Meeting with key clinical groups to learn more about what clinical groups do
- Shadowing
- Work experience

2. Government Response to Francis Report

The government has published its initial response to the Francis Report. Proposals include:

- New Ofsted-style ratings for hospitals and care homes overseen by an Independent Chief Inspector of Hospitals and Chief Inspector of Social Care
- A statutory duty of candour for organisations which provide care and are registered with the Care Quality Commission
- A review by the NHS Confederation on how to reduce the bureaucratic burden on frontline staff and NHS providers by a third
- A pilot programme which will see nurses working for up to a year as a healthcare assistant as a prerequisite for receiving funding for their degree
- Nurses' skills being revalidated, as doctors' are now, and healthcare support workers and adult social care workers having a code of conduct and minimum training standards

2. Department of Health launches competition to designate Academic Health Science Centres

- NHS providers and their university partners in England are invited to apply to become Academic Health Science Centres (AHSCs)
- Designation will be for 5 years from 1 April 2014 and the role of the new AHSCs will be to:
  - increase strategic alignment of NHS providers and their university partners, specifically in world-class research, health education and patient care
  - improve health and healthcare delivery including through increased translation of discoveries from basic science into benefits for patients
- Applicants have to submit their pre-qualifying questionnaire by 1pm on 31 May 2013 to be considered for the AHSC award.

3. 2012 National Inpatient survey results

- Published on 16 April
- Overall measure was slightly up on 2011 – 76.5 from 75.6
- All five domains showed a positive movement
  - Access and waiting – 84.3 from 83.8
  - Safe high quality coordinated care – 65.4 from 64.8
  - Better information more choice – 68.2 from 67.2
  - Building closer relationships – 84.6 from 83.0
  - Clean, friendly a comfortable place to be – 79.8 from 79.4

4. NHS Commissioning Board – Everyone Counts: planning for Patients 2013/14

- Recently published
- Sets out way forward for NHS commissioning
- Sets out five priorities:
  - Support for routine NHS care seven days a week
  - Greater transparency on outcomes
  - Mechanisms to enhance patient feedback
  - Better data collection to drive evidence-based medicine and
  - High professional standards
- Linked to the NHS Outcomes Framework (see attached – **Annex A**)

5. NHS TDA – Proposed Strategic Objectives for 2013/14

6. Delivering High Quality Care for Patients: The Accountability Framework for NHS Trust Boards

- Recently published, sets out a clear set of rules under which all organizations will operate, underpinned by clear principles which should guide judgment, both on the day-today decisions we take as well as the long term strategic ambitions we drive forward.
  - Three key elements:
  - ***Oversight Model*** – how the TDA will work with Trusts on a day to day basis, how the TDA will hold Trusts to account and against what they will be measured. The focus is on quality, delivery and sustainability
  - ***Development and Support Model*** – sets out how the TDA will help and support Trusts with development needs. The following table sets out the development needs identified to date:

Rank	Development Area	No. of times identified
1	Benchmarking/performance indicators/sharing best practice	60
2	Service or pathway development/redesign/transformation	25
3	Board development	21
4	Clinical leadership – management / training	19
5	Workforce development, planning, design, productivity	18
6	Commercial capability	17
7	Organisational development / culture	17
8	Relationship management	16
9	Staff engagement	15
10	Senior management – leadership/succession planning	12
11	Service line management	11
12	Middle management development	8

  - ***Approvals Model*** – Sets out how NHS Trusts will be approved to move forward to Monitor and become NHS Foundation Trusts
- At the same time the NHS TDA issued Toward *High Quality, Sustainable Services: Planning Guidance* for NHS Trust Boards for 2013/14 sets out the expectations for what NHS Trusts will deliver in the coming year and how the NHS Trust Development Authority will support them to achieve high quality and sustainable care for the patient and communities they serve.

7. Review of the Quality of Care and Treatment Provided by 14 Hospital Trusts in England

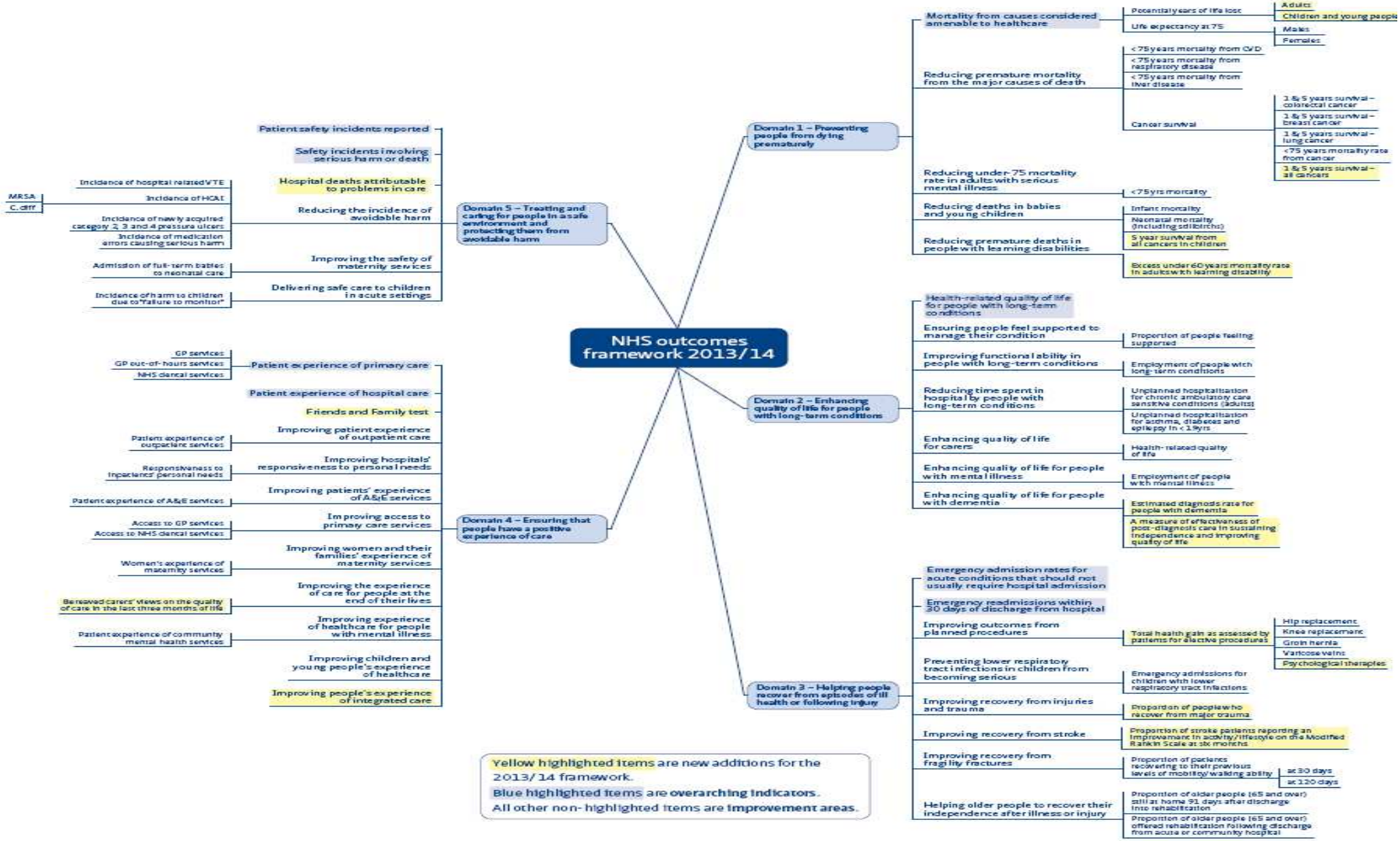
- Details of the above review have now been published
- Will be a three stage process:
  - Information gathering and analysis
  - Rapid Response Review – a team made up of clinicians, managers, regulators and patient/public representatives will undertake scheduled visits, and if they feel appropriate, make further unscheduled visits. Initial planning suggests these visits will take place between May and July
  - Risk Summit – where a report will be drawn up and a decision made about what further steps, if any, need to be taken
- It is anticipated that the review will be completed in 6-9 months

8. Monitor Risk Assessment Framework: Consultation

- Consultation ended on 6 April, the Risk Assessment Framework will operate in "shadow" form in 2013/14 and then replace the Compliance Framework on 1 April 2014
- Monitor are expected to announce the outcome of the consultation shortly
- Key elements of the proposed system are attached, see **Annex B**, further discussion on the new arrangements will take place at a Workshop in the near future.

Annex A

The NHS outcomes framework 2013/14



Monitor Proposed Risk Assessment Framework

The consultation on the proposed Monitor Risk Assessment Framework closed on 5 April 2013.the Risk assessment Framework will replace the Compliance Framework, by which Monitor has risk rated all NHS Foundation Trusts. The new system will run in shadow form in 2013/14 and will apply in full from 1 April 2014.

Whilst the two processes use different terminology, the areas tested are broadly similar. The proposed approach will risk assess two areas of the new licensing conditions:

- Continuity of Service (Licence Condition 3) – this applies to all NHS Providers and replaces the Financial risk Rating
- NHS Foundation Trust (Licence Condition 4) – which replaces the Governance Risk Rating and applies only to NHS Foundation Trusts

The detail of each of these conditions is set out below:

Continuity of Service (Licence Condition 3)

There are two elements to this:

1. ***Liquidity -*** This is identical to the current Monitor Liquidity ration with **one** major exception. The revised ratio excludes any working capital facility with conditions. As almost all such facilities have various exclusions this removes the vast majority of working capital facilities from the ratio. This change will have a significant impact on a number of NHS Foundation Trusts and will produce a poorer rating as a result.

2. ***Capital Servicing Capacity*** this relates to the affordability of debt, and currently does not form part of the Monitor Compliance Regime, but appears in the Prudential Borrowing Code.

The Continuity of Service rating replaces the Monitor Financial Risk Rating, moving from a 5 point scale to a 4 point scale as set out in the diagrams below

Monitor's Financial Risk Rating → Continuity of Service

Current Compliance Framework

Financial criteria	Weight (%)	Metric to be scored	Rating categories 5	4	3	2	1
Achievement of plan	10	• EBITDA* achieved (% of plan)	100	85	70	50	<50
Underlying performance	25	• EBITDA* margin (%)	11	9	5	1	<1
Financial efficiency	40 (20)	• Net return after financing** (%)	>3	2	-0.5	-5	<-5
	(20)	• I&E surplus margin net of dividend (%)	3	2	1	-2	<-2
Liquidity	25	• Liquidity ratio*** (days)	60	25	15	10	<10

Financial risk rating is weighted average of financial criteria scores

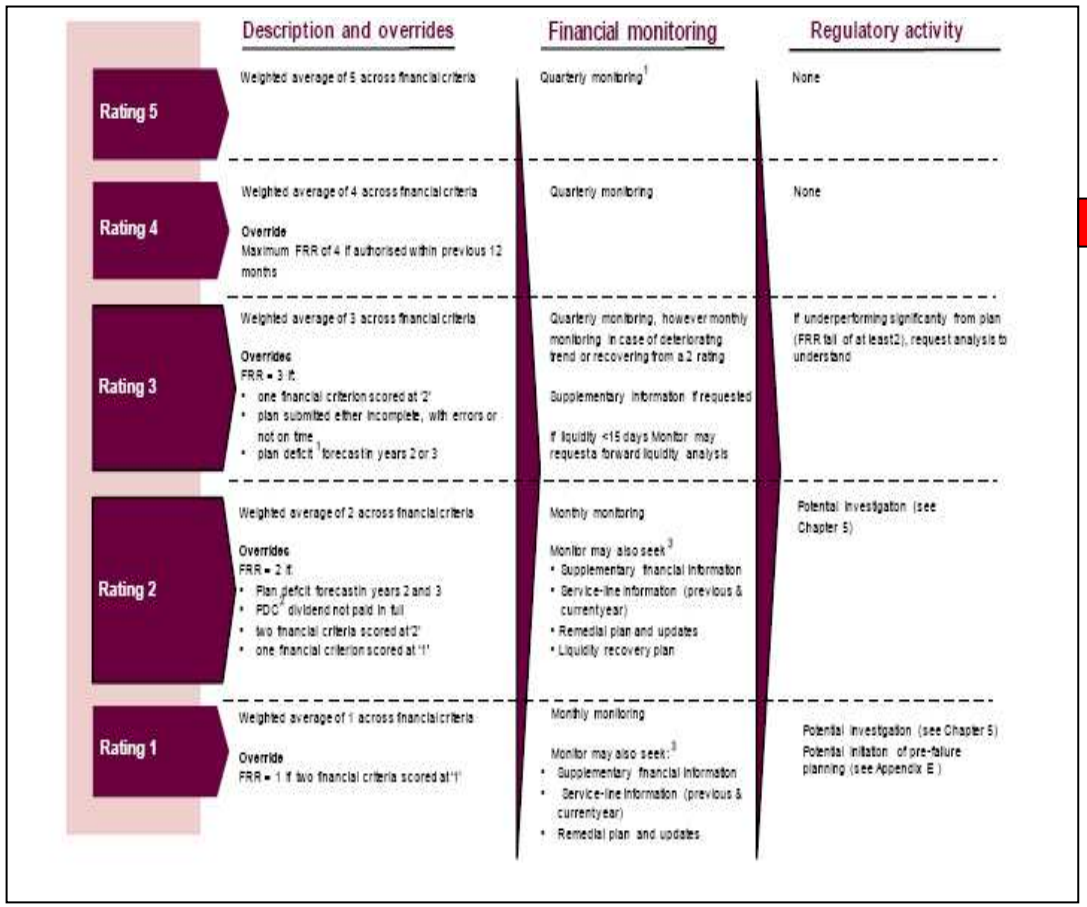
Proposed Risk Assessment Framework

Metric	Weight	Definition	Rating categories 1	2	3	4
Liquidity ratio (days)	50%	Working capital balance[1] x 360 / Annual operating expenses[2]	<-12	-12	-7	-2
Capital servicing capacity (times)	50%	Revenue available for capital service[3] / Annual debt service[4]	<1.25x	1.25x	1.75x	2.5x

Continuity of Service Risk Rating

Continuity of Service – Monitoring and Regulatory Action

Current Compliance Framework



Proposed Risk Assessment Framework

Continuity of services risk rating	Description
4	There is sufficient financial headroom and liquidity Monitor continues to monitor performance on a quarterly basis
3	Emerging or residual financial concern Monthly monitoring
2	Financial performance is such that the provider of Commissioner Requested Services may be subject to investigation to see if it is in breach of its continuity of services licence condition. If Monitor considers the provider is displaying financial 'concern', Monitor may start taking an active role in ensuring the continuity of services using provisions in the licence condition, e.g. requesting the cooperation of the provider in order to assess risk to services; monitoring on a monthly basis; and possibly using enforcement powers if necessary.
1	As level 2 above In extreme cases Monitor may consider the level of risk represents financial distress and initiate contingency planning to ensure continuity of services and access in the event of special administration.

NHS Foundation Trust (Licence Condition 4)

This only applies to Foundation Trusts and replaces the current Governance Risk rating used in the Compliance Framework. Both the Old and the new system use a RAG rating system.

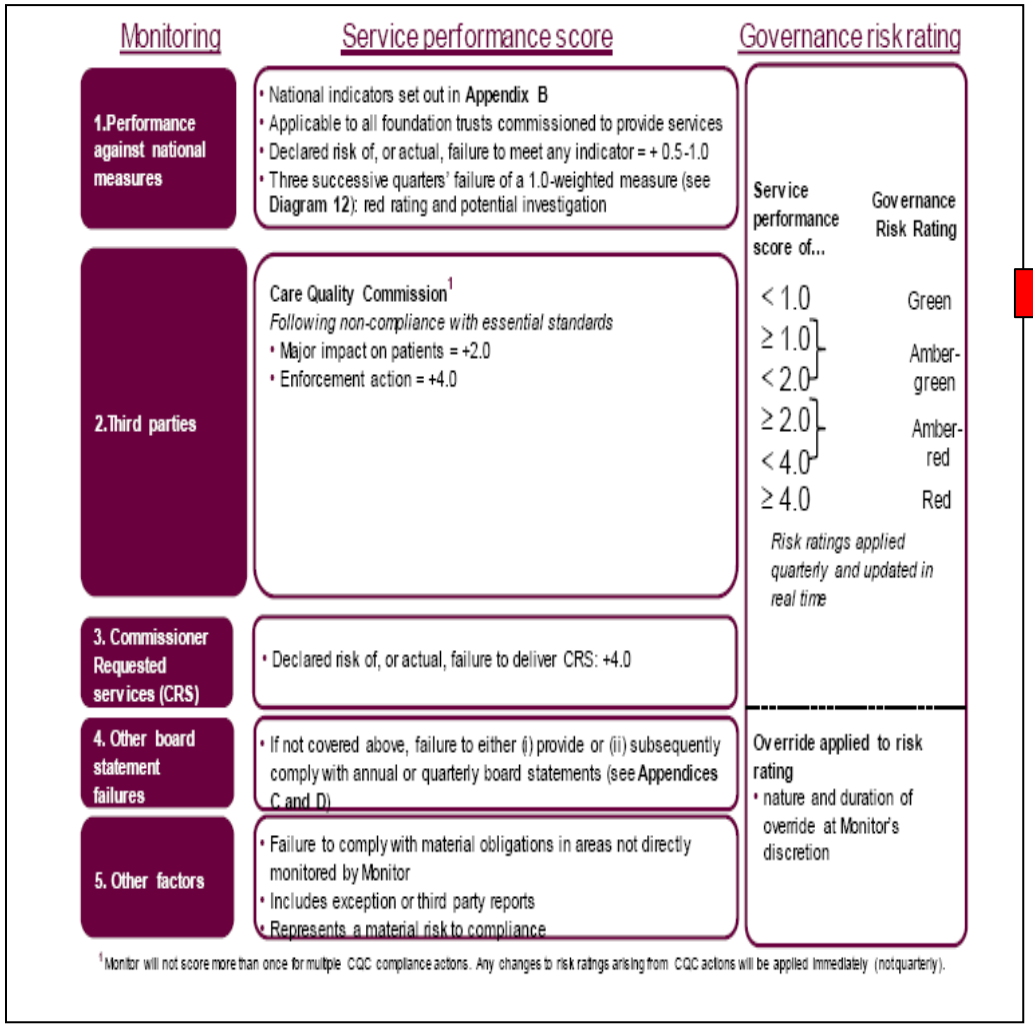
Again both systems cover broadly similar grounds – service performance against the NHS Outcomes Framework, quality governance indicators (CIPs > 5% are seen as high risk and would trigger further investigation), third party reports (GMC, Ombudsman etc) and concerns raised by the CQC. Both the old and new arrangements are set out overleaf. Monitor is considering a number of options in relation to service performance and will publish its final decision shortly

As now with the current Compliance regime Monitor will review annual plans which are submitted in May each year and then review on a quarterly or monthly basis dependent upon the risk rating of the Trust.

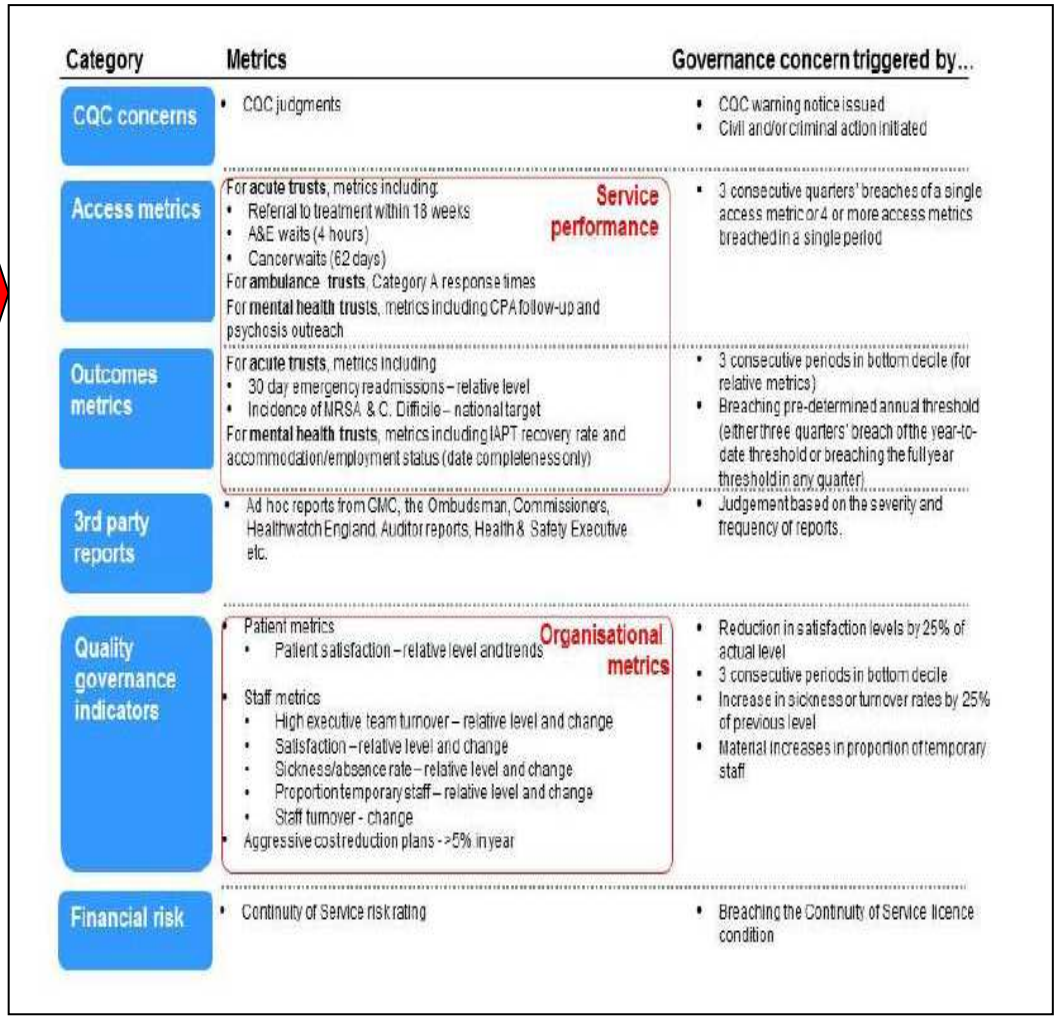
One additional item the new system proposes will be a Governance Review to be undertaken by an external third party (McKinsey, KPMG, PWC etc). The proposed approach consulted upon was for such reviews to be held every 3 years. Again the final outcome will be announced shortly.

Governance Triggers

Current Compliance Framework



Proposed Risk Assessment Framework



Governance Risk Rating

Current Compliance Framework

	Description	Monitoring	Regulatory activity
Green	No material concerns • governance score less than 1.0 • Board statements complete and satisfactory	Quarterly Exception reporting	N/A
Amber-green	Limited concerns regarding governance Examples include: • third party concerns with potential governance implications, e.g. concerns raised by CQC that are not reflected elsewhere in the *Compliance Framework* • Board statement concerns Governance score ≥1.0, <2.0, i.e. limited service performance concerns	Depending on nature of risk, some additional work/ supplementary information may be requested to scope the issue in question, e.g.: • quality governance review • CQC input	Next steps depend on progress of this work and governance implications identified: • if no material concerns, or if concerns addressed → back to Green • if trust continues to fail – e.g. breaching the same 1.0-weighted indicator, Monitor may decide to publicise the issue
Amber-red	Material governance concerns Examples include: • multiple service performance concerns • failure to maintain CNST level of 1.0 • CQC actions with major impacts on patients • third party concerns with potential governance implications Governance score ≥2.0, <4.0, i.e. multiple service performance breaches Trusts triggering investigation consideration but where Monitor has not taken enforcement action	Where trusts have met our investigation criteria but Monitor has not taken enforcement action, trusts may be requested to set out a plan to return to compliance	Where trusts have met investigation criteria but are not breaching their governance condition, Monitor may investigate again if triggers continue to be met
Red	Either • Potentially in breach, including: • significant governance issues emerging from CQC review, e.g. enforcement actions • governance score ≥4.0 • third successive quarter failure against a 1.0-weighted governance indicator (see Diagram 12) or • trust in breach of its governance licence condition	Monitor may require further information which may lead to a formal investigation into a potential breach of the licence Additionally, Monitor may request the trust to initiate a third party review or meet Monitor to explore the nature of the breach. Subsequent requirements to depend on outcome of the above and other evidence, e.g.: • Preparation of a detailed action plan • delivery updates	If, following further information and investigation, found to be breaching the licence, Monitor Board will consider use of Monitor's enforcement powers – see Enforcement Guidance Monitor will publicise any enforcement at the time it occurs. If investigation finds not in breach → reduce to Amber-red or the underlying governance score (whichever lower) until situation addressed

Proposed Risk Assessment Framework

Governance Rating	Description	Follow-on actions	Subsequent actions
Green or "No concern identified"	• No categories triggering a governance concern	• No follow-up action	• None
Amber-Green or "Emerging concern requiring further information"	• One category triggers a governance concern	• Request further information • Discuss with CQC, Commissioners or other third parties	• If governance concerns serious or not resolved in a timely manner, escalate to amber (further investigation) or amber-red (consideration for formal action)
Amber or "Governance concern requiring formal investigation"	• Two categories trigger a governance concern; OR • Unresolved governance concerns arising from amber-green	• Require further information • Request recovery plan • Discuss with CQC, Commissioners or other third parties	• If governance concerns serious or not resolved in a timely manner, escalate to amber-red • If a breach of the licence is likely, consider action under section 111 (see Enforcement Guidance)
Amber-Red or "Material governance issue – potential use of formal powers"	• Three categories trigger a governance concern; OR • Trust escalated from amber after unresolved governance concerns; OR • CQC warning notice; OR • CQC civil/criminal action	• Carry out additional investigation (e.g. governance review) • Discuss with CQC, Commissioners or other third parties • Open a formal case to consider whether trust is in breach of its governance condition	• If governance concerns serious and unresolved in a timely manner, escalate to red • If a breach of the licence is likely, consider action under section 111 (see Enforcement Guidance)
Red or "Formal action to address governance issues taken"	• Unresolved governance concerns as a result of one or more categories triggering governance issues • Breach of the governance licence condition with formal action	• Use of Monitor's formal powers	• Further use of s.105, s.106 or s.111 powers, if necessary (see Enforcement Guidance)