



Date of Trust Board: 25 September 2013 ENCLOSURE NUMBER: 6

SUMMARY OF REPORT TO Integrated Governance Committee

NAME OF DIRECTOR:	Joy Street
SUBJECT:	Risk Assessment Framework Assurance update

TITLE: Risk Assessment Framework Assurance update

SUMMARY

The trust board received a report at the end of last financial year giving information on the draft Risk Assessment Framework (RAF) being proposed by Monitor to replace the Compliance Framework. The final version was published on August 27th 2013 and the attached paper provides IGC and the Board with assurance on the trust's readiness to comply with this when it comes into effect on October 1st 2013.

IMPLICATIONS

Compliance with the reporting in the RAF is vital in order for the trust to maintain its licence conditions.

RECOMMENDATIONS

IGC is asked to consider the attached report and advise the Board on the Trust's anticipated compliance with the terms of the RAF.
Executive recommendations are that the trust will maintain compliance with the requirements of the RAF:
Joy Street, Company Secretary; Paul Athey, Director of Finance; Amanda Markall, Director of Operations; Lindsey Webb, Director of Nursing and Governance.

REPORT ATTACHED:

Risk Assessment Framework – published by Monitor, 27 August 2013.

The company secretary has reviewed the document and has sought confirmation from the Director of Finance, Director of Operations and Director of Nursing and Governance that they are satisfied of the trust's ability to comply.

The full document is available to download from www.monitor-nhsft.gov.uk.

A summary of the key elements is provided below.

1 Purpose of document

Monitor will use the reporting mechanisms outlined in the document to identify when there is:

- a significant risk to the financial sustainability of a provider of key NHS services which endangers the continuity of those services; and/or
- poor governance at an NHS foundation trust.

This is necessary to ensure continuity of service to patients.

Monitor will issue risk ratings to all trusts based on information provided as follows:

The *Risk assessment framework* divides the information Monitor may routinely request into four broad categories:

(i) **annual submissions:** plans, statutory reporting requirements of the licence holder, and other annual requirements specified in the licence;

(ii) **in-year submissions:** financial and, for NHS foundation trusts, other service performance information submitted during the year, generally quarterly;

(iii) **exception reports:** other information that may have material implications for a licence holder's compliance, but which is not routinely requested by Monitor. An example might be reports from the medical Royal Colleges; Monitor would not routinely request these, but we would expect to receive such a report from an NHS foundation trust if it identified concerns relevant to the trust's governance of quality (and therefore to the trust's compliance with its licence); and

(iv) **other information from NHS foundation trusts:** Monitor considers that foundation trusts should carry out periodic reviews of their governance. Monitor would expect that trusts should report the findings of external reviews covering areas of governance, to help inform our assessment. (Guidance on this will be published later in 2013.)

2 Differences between the RAF and Compliance Framework

Much of the reporting is the same as that currently provided, but there are some differences and these are highlighted below.

Overall compliance issues have been assessed by the Company Secretary as follows:

The RAF identifies some additional requirements beyond those of the Compliance Framework. This allows Monitor to use some of the work it has undertaken with aspirant trusts to be reflected as requirements now for all FTs.

2.1 A three yearly review of governance is to be required with more detail on specific requirements to be published by Monitor at the end of 2013.

Monitor explains:

'We consider that such a review should cover at least one of the following areas of governance:

- **board governance and leadership**, including information the board receives, planning processes and how it holds management to account;
- the effectiveness of **organisational oversight**, including risk assurance processes, performance management systems, internal controls and escalation processes;
- **quality governance**, assessed against Monitor's *Quality Governance Framework*; and
- the **board's capability**, including its composition and the effectiveness of subcommittees.

To support a minimum standard of assurance for these reviews, Monitor will publish guidance, including setting a proposed scope for these reviews, and the areas for inspection. The scope will mirror areas currently covered in the application process and hence laid out in our *Guide for Applicants*; and provide guidance in the form of indicative selection criteria that could be used by trusts in line with their procurement policies.

Monitor sees these as primarily an opportunity to develop the sector's processes for building governance assurance. Provided the reviews that NHS foundation trusts commission cover at least the scope set out in guidance, trusts are free to set the overall scope of the reviews they carry out. They should report the findings of the review to Monitor. Where they raise issues of concern that might reflect on compliance with its governance condition, we will consider whether to investigate further.

The Trust Board will need to consider which area it is best to review and in which year. Reports will be expected to be rigorous – indicative costs from earlier discussions are minimum £25k and they will be of use to the trust but reportable to Monitor within 60 days of presentation to the Trust Board under the RAF. (see examples of scope below)

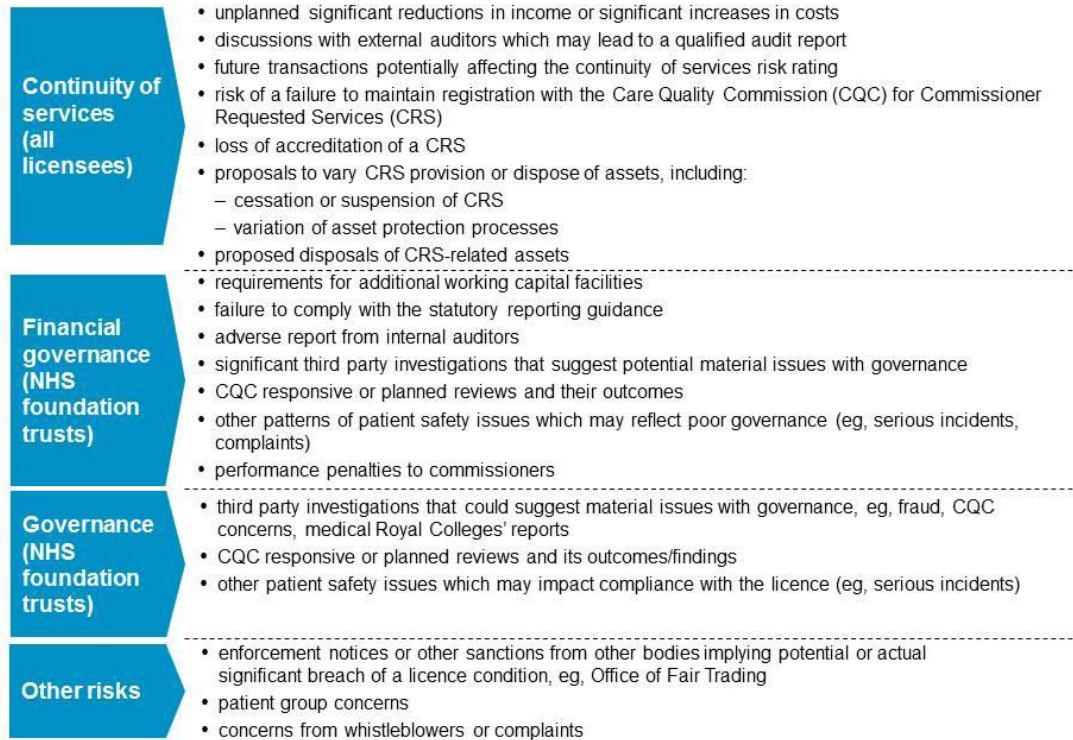
Areas of scope:

Board governance and leadership	Does the NHS foundation trust have effective: <ul style="list-style-type: none">• strategic planning processes?• systems of accountability?• board reporting and information flows?
Organisational oversight	Does the NHS foundation trust operate effective: <ul style="list-style-type: none">• cost and income planning and resource management processes?• financial assurance and risk management systems?• performance management systems, enabling it to comply with national health care standards?
Quality governance	Does the NHS foundation trust: <ul style="list-style-type: none">• incorporate quality of care considerations in plans?• have sufficient quality expertise on the board?• maintain effective quality oversight and information flows?• operate effective systems of quality reporting and escalation?
Board capability	Does the NHS foundation trust board and senior executive team have the capability to deliver its plans?

2.2 The production of a corporate governance statement which replaces the board statements previously required. (This is detailed in Appendix D of the RAF)

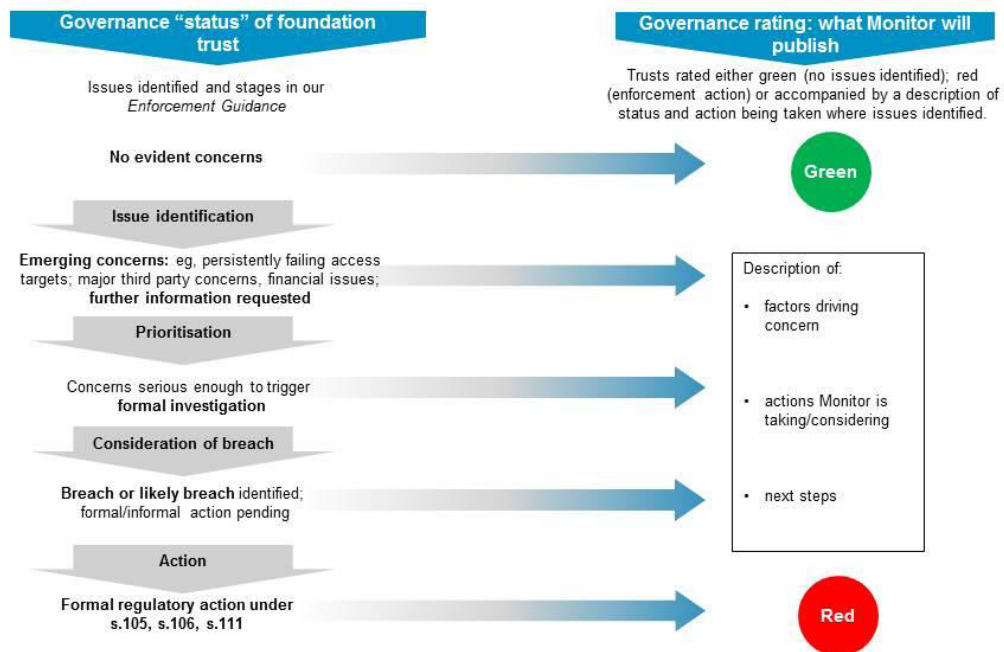
and must be submitted within three months of the end of the financial year. The statement includes identification of risks and mitigations. ***It is not anticipated that ROH will be unable to comply with the requirements of this statement.***

2.3 Assessment of Quality will now include more direct use of findings from staff surveys and factors such as staff and executive turnover, sickness and agency usage, as well as triangulation from third parties such as patient groups or Royal Colleges (provided either from the FT itself or direct to Monitor). ***ROH should consider how to factor this into its quarterly reports to Monitor and how to make use of exception reporting. (examples below)***



2.4 – the governance risk rating itself

The rating moves from the current red through to green to one of red or green:



2.5 The financial risk-rating (Continuity of Services risk rating)

This is calculated differently from previous Monitor methodologies and the Director of Finance has made the following comments (most of the detail is in Chapter 3 of the full document):

- The focus of the assessment of financial risk has changed in the new Risk Assessment Framework. The Continuity of Services risk rating is designed to identify the level of risk to the ongoing provision of Commissioner Requested Services. This is different from the old financial risk rating, which was used to identify breaches of trusts' terms of authorisation and was generally used more as a measurement of current financial performance.
- The Continuity of Services risk rating is made up of two components:
 - Liquidity – the number of days of operating costs held in cash or cash-equivalent forms; and
 - Capital Servicing Capacity – the degree to which the organisation's generated income covers its financing obligations
- Each of these components make up 50% of the overall risk rating, and are scored between 1 (high risk) and 4 (low risk) based on a set formula and scores.
- These components are then averaged to calculate the overall Continuity of Services risk rating, with decimals rounded up where required.
- The table below shows the regulatory implications of these ratings:

Continuity of services risk rating ¹	Description	Monitoring frequency	Regulatory activity
4	No evident concerns	Quarterly	None
3	Emerging or minor concern potentially requiring scrutiny	Potential monthly	None
2*	Level of risk is material but stable	Potential monthly	None
2	Material risk	Monthly or greater	Consideration for potential investigation (see Chapter 5)
1	Significant risk	Monthly or greater	Potential investigation (see Chapter 5) Potential appointment of contingency planning team

¹ Weighted average, rounded up, across the two components of the continuity of services risk rating.

- The 2* rating has mainly been created to satisfy Trust's with significant PFI developments. The Capital Servicing Capacity of these Trust's will almost certainly be scored as a 1, however Monitor acknowledges that these Trust's may still be regarded as robust, financially stable organisations.
- The ROH's three year financial plan generates a Continuity of Services risk rating of 4 for each of the three financial years.
- In year performance against the Continuity of Services risk rating will be recorded in the monthly Corporate Performance Report.

2.6 Compliance with target requirements

These have been assessed by the Director of Operations (pp48-58 of the full document): and her comments are:

- C Difficile targets remain as a de minimis of 12 cases in year with breaches giving rise to investigation if they meet certain thresholds against cumulative quarter targets. It is not felt that this risk differs from that in the Compliance Framework.
- There is no change to the Referral to Treatment waiting times targets and it is expected that ROH will continue to achieve these following improvements in waiting list management along with input from the Intensive Support Team.
- Cancer waiting time targets also remain unchanged however our ability to consistently achieve these is less certain due to 2 factors: we are a regional specialty centre for sarcoma and a high number of our cases are “shared” with other centres and as such there is an inherent risk that breaches in both 31 and 62 day targets can occur due to late referrals. This is further compounded by our low number of referrals (as low as 11-13 per quarter), therefore only 1-2 breaches can result in failure of the target.
- As the ROH is an elective centre, A and E indicators and ambulance turnaround targets are not applicable
- Community services data completeness is not applicable to the ROH as we have no services that are commissioned through and funded under the community services contract

Indicator (see Appendix A)	Driver of a governance concern
Meeting the C. difficile objective	<ul style="list-style-type: none"> • Has greater than 12 cases in the year to date, and either: <ul style="list-style-type: none"> • breaches the cumulative year-to-date trajectory for three successive quarters; or • breaches its full year objective;¹ or • Reports important or significant outbreaks of C. difficile.
Referral-to-treatment (RTT) waiting times	<ul style="list-style-type: none"> • Breaches²: <ul style="list-style-type: none"> • the admitted patients 18 weeks waiting time measure for a third successive quarter; • the non-admitted patients 18 weeks waiting time measure for a third successive quarter; or • the incomplete pathway 18 weeks waiting time measure for a third successive quarter.
A&E indicator	<ul style="list-style-type: none"> • Fails to meet the A&E target twice in any two quarters over a twelve month period and fails the indicator in a quarter during the subsequent nine-month period or the full year.
Cancer waiting times	<ul style="list-style-type: none"> • Breaches: <ul style="list-style-type: none"> • the 31-day cancer waiting time target for a third successive quarter; or • the 62-day cancer waiting time target for a third successive quarter.
Ambulance response times	<ul style="list-style-type: none"> • Breaches: <ul style="list-style-type: none"> • either category A 8-minute response time targets (Red 1 and Red 2) for a third successive quarter; or • the category A 19-minute response time target for a third successive quarter.
Community services data completeness	<ul style="list-style-type: none"> • Fails to maintain the threshold for data completeness for: <ul style="list-style-type: none"> • referral to treatment information for a third successive quarter; • service referral information for a third successive quarter; or • treatment activity information for a third successive quarter.
Any other indicator	<ul style="list-style-type: none"> • Breaches the indicator for three successive quarters.

2.7 Compliance with quality governance requirements

These have been considered by the Director of Nursing and Governance (this includes CQC compliance, third party reviews, Quality Governance Framework and infection control targets) Detail is in Chapters 2 & 4). Her comments are:

- It is quite difficult to give a certain opinion on CQC at a time when the inspection regime is changing. Based on experience with CQC on their current regulatory regime it is unlikely to pose a material risk but I am not as confident until we understand more about the new CQC regime.
- Examples of exception reporting under governance are similar to those in place now.

The board should note the Trust's current scores as presented in a separate paper on the Quality Governance Framework as these will give a level of assurance with regard to overall risk.

3 Conclusion

The requirements of the RAF are demanding and in the first year these demands are applicable to FTs only. The trust has historically maintained an open relationship with Monitor and made appropriate use of exception reporting. Given that some of the factors used by monitor to assess governance ratings include staff and executive turnover, agency usage and third party information, ROH should continue to maintain careful control over these issues and continue close dialogue with Monitor when instances that might otherwise cause concern arise. ROH is well-placed to meet these requirements but should pay particular attention to the Quality Governance Framework and to the major three yearly governance review of Board effectiveness. These are area areas where more recently authorised FTs will have the advantage as they have formed a major element of the FT approval process. ROH is applying these standards retrospectively rather than designing them in. The separate work undertaken on the quality governance framework does, however, provide assurance as to the trust's position.

The trust executive can give assurance that the conditions of the new Risk Assessment Framework have been fully considered and that the trust is ready to comply when they come into force on October 1st 2013.