

EAST KENT HOSPITALS UNIVERSITY NHS FOUNDATION TRUST

REPORT TO: **COUNCIL OF GOVERNORS – 14 JANUARY 2014**

SUBJECT: **MONITOR'S RISK ASSESSMENT FRAMEWORK**

REPORT FROM: **TRUST SECRETARY**

PURPOSE: **Information**

CONTEXT / REVIEW HISTORY / STAKEHOLDER ENGAGEMENT

Since 1 Apr 2013 NHS Foundation Trust's (FT's) need a licence from Monitor to operate. Key amongst the conditions FTs must work under are sustainability and good governance. The Risk Assurance Framework (RAF) is how Monitor will assess whether individual FTs meet these two conditions and was introduced on 1 October 2013 to replace the Compliance Framework. From 1 April 2014 NHS Trusts will require a licence, and the RAF will include a separate section on how these organisations will be assessed.

SUMMARY:

The aim of the RAF is to show when there is:

- A significant risk to provider financial sustainability which endangers the continuity of services; and / or
- Poor governance

The role of the ratings is to indicate where there is a cause for concern. They will not automatically indicate a breach of licence or trigger regulatory action. Rather they will prompt consideration on whether a more detailed investigation is necessary.

Continuity of Services

- There are four risks rating categories (4, representing least risk to the ongoing availability of key services) and two measures:
 - Working capital balances x 360/Annual operating expenses (<-14 to 0)
 - Revenue available for capital service/Annual debt service (<1.25x to 2.5x)
- If a provider looks likely to fail financially, its key services may need to be reconfigured (either by agreement with local parties or under a Trust Special Administrator) so they continue to be available. This element of the RAF is designed to give Monitor early notice of potential failure.
- Monitor will assess 3 year plans annually and monitor financial positions quarterly. They can ask for budget re-forecasts in year so that they can reassess risk profiles after any material change to providers circumstances.

Governance

- Assessment will be by use of existing and new methods
 - A specified set of national metrics as a proxy for standards of governance (to include. A&E four hour wait, referral to treatment times, *C.Difficile*)

- Care Quality Commission serious concerns
- Third party information (e.g. patterns of patient complaints or infection outbreaks)
- Trends in a specific number of staff and patient metrics (e.g. satisfaction, turnover and absenteeism)
- The RAF recommends that a FT commissions an independent review of governance at least every three years and Monitor will consider the findings.
- There will be three categories of governance rating:
 - Green where there are no grounds for concern
 - Where a concern has been identified but no enforcement action taken, Monitor will provide a written statement and the actions under consideration
 - Red where enforcement action has already begun

COUNCIL OF GOVERNORS ACTION REQUIRED:

- (a) to note the report