

To: Provider Appraisal Executive

For meeting on: 21 May 2014

Agenda item: 7

Report by: Miranda Carter, Executive Director of Provider Appraisal

Report for: Discussion

TITLE: Provider Appraisal Update

Summary:

- There has been one new assessment referral this month, St George's Healthcare NHS Trust. This represents the first referral from the NHS Trust Development Authority (NHS TDA) since the implementation of the Chief Inspector of Hospitals' enhanced inspection regime.
- The review of the Royal Free London NHS Foundation Trust's acquisition of Barnet and Chase Farm is nearing completion. Work has commenced on the Frimley Park Hospital NHS Foundation Trust acquisition of Heatherwood and Wexham Park NHS Foundation Trust with submissions due mid May. This transaction will be the first statutory transaction that is assessed by Monitor following the new legislation. Monitor is required to approve the transaction and it is expected that the decision will be referred to the Board.
- The consultation response to the new transaction approach has been issued, the Risk Assessment Framework has been updated for the revised approach and plans are in place to issue the detailed guidance by June 2014. Training will be rolled out to the team in Q1.
- In addition, the team is working on developmental projects including financial assumptions work, transaction guidance, reactivation of paused assessments and aligning the 'Well Led' framework. A joint statement with the NHS TDA and CQC was published on 20 May setting out how we are aligning our approach on Well Led. This was timed with the release of the framework and the consultation response to governance reviews for NHS FTs.

Recommendations:

The Board is asked to note the information provided in the report.

Annexes:

Annex 1: Active assessments

Annex 2: Pipeline information

Annex 3: Transaction pipeline

Public Sector Equality Duty:

Monitor has a duty under the Equality Act 2010 to have due regard to the need to eliminate unlawful discrimination, advance equality of opportunity and foster good relations between people from different groups. In relation to the issues set out in this paper, consideration has been given to the impact that the recommendations might have on these requirements and on the nine protected groups identified by the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion and belief, gender and sexual orientation).

It is anticipated that the recommendations of this paper are not likely to have any particular impact upon the requirements of or the protected groups identified by the Equality Act.

Exempt information:

Some of the information in this report is exempt from publication as it falls under section 36 of the Freedom of Information Act 2000. The information is exempt because disclosure of that information would, or would be likely to, inhibit the free and frank provision of advice, or exchange of views for the purposes of deliberation. In applying these exemptions, we have considered the public interest test; disclosure of this information will not enhance the accountability or transparency of Monitor as its disclosure would inhibit the free frank disclosure of information.

A. Developments

NHS TDA

1. The Provider Appraisal directorate continues to engage with the NHS TDA to streamline the end-to-end assessment process.
2. The NHS TDA has drafted an updated scope for accounting firm work on NHS foundation trust (NHS FT) applicants pre referral to Monitor. The Provider Appraisal directorate has provided feedback on this primarily in relation to:
 - (i) the implications for and efficiency of Financial Reporting Procedures and Working Capital opinions required in the Monitor phase, and
 - (ii) ensuring clarity of scope for new types of reports by accounting firms.
3. A joint meeting with Monitor, the NHS TDA and accounting firms has taken place. The NHS TDA is currently considering the feedback from the accounting firm before concluding on a revised scope.
4. The Provider Appraisal directorate has initiated discussions with the NHS TDA to identify a potential next set of trusts for early quality governance review. It is likely that we will be asked to undertake two such reviews in June.

CQC "Well Led"

5. The joint statement by Monitor, the Care Quality Commission (CQC) and the NHS TDA which describes the "Well Led" framework and how our respective regulatory processes align has been published. Wording has been agreed with Strategy and Policy team colleagues to ensure that it is consistent with Monitor's approach to governance reviews.

B. Update on assessments

6. Annex 1 provides details of the applicants currently being assessed by the team.

Referrals

7. There has been one referral this month: St George's Healthcare NHS Trust (refer below).

Active assessments (exception reporting)

8. St George's Healthcare NHS Trust: This represents the first NHS TDA referral for assessment following the instigation of the Chief Inspector of Hospitals' new CQC inspection regime. An assessment team has been resourced to commence a full assessment from mid May 2014.
9. Royal United Hospitals Bath NHS Trust: CQC has now written to Monitor to confirm the results of the Chief Inspector of Hospitals inspection which supports progression to NHS FT authorisation. A team has been resourced to reactivate this assessment with a Board to Board planned for August 2014.

Delayed, deferred and postponed trusts (exception reporting)

10. Monitor has attended quality risk summits held with regards to Devon Partnerships, Coventry and Warwickshire Mental Health and Cornwall.
11. Monitor has also attended a quality risk summit for Bridgewater Community.
12. The Provider Appraisal directorate is seeking an update from the CQC on all inspection pilots relating to non-acute trusts in order to understand the implications for deferrals and status in the cases where the CQC have not given support for NHS FT applications.

Assessment Pipeline

13. An overview of the assessment pipeline is provided in Annex 2. This reflects the NHS TDA's latest available public forecast (January 2014) updated for the referral of St George's Healthcare. The NHS TDA forecast indicates that 12 NHS trusts "are not considered sustainable in their current form and are therefore pursuing an organisational transaction". This leaves a total of 71 NHS trusts to be referred to Monitor.
14. It is difficult to predict the number of referrals going forward, as the pipeline is dependent both on the outcome of the CQC inspection and the financial position of the NHS TDA trusts. There is ongoing engagement with the NHS TDA to understand the expected pipeline over the next six months.

C. Update on transactions

15. Work is ongoing to complete the transaction guidance document for trusts considering a transaction, consolidating existing information and updating Monitor's approach for new developments, for example the Health and Social Care Act 2012. The provider appraisal team expects that the new approach to transactions and the updated guidance documentation will be implemented in Q1 2014/15 and is aiming for the transactions guidance to be published in June 2014 alongside the Co-operation and Competition directorate/Competition and Markets Authority's guidance.

Active projects

16. Royal Free London NHS Foundation Trust acquisition of Barnet and Chase Farm Hospitals NHS Trust.
17. Frimley Park Hospital NHS Foundation Trust's acquisition of Heatherwood and Wexham Park NHS Foundation Trust: an assessment team has been resourced and has requested certain information from both trusts in advance of receiving a Final Business Case. The proposed transaction completion date is 1 August 2014.

Miranda Carter
Executive Director of Provider Appraisal

Annex 1: Current status of trusts with Monitor for assessment

Active assessments					
Trust name	Status	Start	Exec meeting*	Decision	Indicative CQC inspection date
Royal United Hospitals Bath	Active	May 2014	Aug 14	tbc	Inspected
St George's Healthcare	Active	Phased start May 14	Tbc	Tbc	Inspected

* Trust was previously deferred. Assessment has been reactivated.

Annex 2: Pipeline information

(i) Monitor pipeline

	As at 29 January 2014	As at 30 April 2014
Total Foundation Trusts (FTs)	147	147
Monitor pipeline		
Assessment decisions this month	-	-
Assessments in progress	1	3
Assessments paused post phase one assessments	6	6
Deferrals /postponements	8	7
Assessments awaiting start	-	-
Total Monitor pipeline	15	16
NHS TDA pipeline *		
NHS Trusts being reviewed for referral to Monitor **	13	12
Other NHS Trusts	59	59
Not in current organisational form ***	12	12
Total NHS TDA pipeline	84	83
Total number of trusts	246	246

* Based on NHS TDA estimates

** Based on NHS TDA January 2014 Board paper updated to include St George's referral

*** South London Healthcare was dissolved in October 2013. Includes NHS Direct.

(ii) Analysis of pipeline

	Acute	MH	Ambulance	Community	Other	Total
NHS FTs	101	41	5	-	-	147
With Monitor	4	5	1	6	-	16
With NHS TDA – being reviewed for referral	6	3	-	3	-	12
With NHS TDA – pre referral review	38	7	4	10	-	59
Not as standalone NHS FTs	9***	1	-	1	1	12
Total	158	57	10	20	1	246

Updated to account for the April 2014 referral of St George's Healthcare NHS trust.

Annex 3: Transaction pipeline

<i>NHS FT Name</i>	<i>Transaction Details</i>	<i>Estimated Report Date</i>
Live Transactions		
Mergers, Acquisitions & Joint Ventures		
Royal Free London	Acquisition of Barnet and Chase Farm.	May-14
Frimley Park Hospital	Acquisition of Heatherwood and Wexham Park Hospitals NHSFT. FBC review.	Jul-14