

FINAL ANNUAL GOVERNANCE STATEMENT 2014/15 – Appendix 1

1. SCOPE OF RESPONSIBILITY

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of our policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me. I am also responsible for ensuring that the Trust is administered prudently and economically and that resources are applied efficiently and effectively. In addition to this I am also responsible for ensuring our system for internal control supports the safety and quality of care given to patients. I can confirm that arrangements are in place for the discharge of statutory functions, and that these have been checked for any irregularities, and that they are legally compliant.

I also acknowledge my responsibilities as set out in the NHS Accounting Officer Memorandum.

2. GOVERNANCE FRAMEWORK OF THE ORGANISATION

The governance framework of the Trust is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of its effectiveness.

The overarching governance framework of the organisation ensures that there is an overall system of internal control that is reviewed on an on-going basis in order to ensure a proactive approach is in place for the assessment and management of risk in relation to achievement of our policies, aims and objectives.

2.1 Trust Board

The Trust Board has formally met ten times this financial year (attendance for 2014/15 is attached at Appendix 1) and conducts its business in accordance with its Standing Orders and Standing Financial Instructions.

The Trust Board consists of a Non-Executive Chair, five Non-Executive Directors and six Executive Directors (including the Chief Executive) with the Executive Director of Strategy and Executive Chief Operating Officer having a shared vote on the Board.

2.1.1 Changes to Board Membership, including vacant positions and other non-voting members of the Director team during the year

Board members

The Trust Board has two vacancies in relation to Non-Executive Director positions up to the point of signing this statement for 2015/16. A permanent Chair was appointed in April 2014.

The Executive Chief Operating Officer commenced post on 1 April 2014. The Executive Director of Nursing and Midwifery commenced post during the financial year in May 2014.

Other Non-Voting Directors

Changes to other non-voting Director positions have also taken place during the year. In October 2014 the Director of Human Resources and Workforce Development was replaced with an Interim Associate Director of Human Resources, reporting directly to the Chief Operating Officer.

In March 2015, the Acting Director of Governance & Company Secretary role was made substantive with changes made to establish an Associate Director of Risk and Quality Governance, accountable to the Executive Director of Nursing and Midwifery who is also the executive accountable for governance and risk.

The Director of Estates and Facilities position has remained vacant since the start of the financial year, however an Interim Director of Estates and Facilities is provided 2 days per week as part of the Buddy Arrangement with Northumbria Healthcare NHS Foundation Trust.

2.1.2 Special Measures

Following the outcome of the Keogh review in 2013 the Trust was placed into “Special Measures”. The Trust was inspected as part of the Care Quality Commission’s, Chief Inspector of Hospitals regime in April 2014.

The Trust remains in special measures and continues to receive support from the Trust Development Authority, including having a dedicated Improvement Director in place during the year across key activities, including core performance, implementation of the clinical strategy, financial sustainability and preparation for re-inspection by the Care Quality Commission.

The acquisition of the Trust by Northumbria Healthcare NHS Foundation Trust will not proceed until the Trust is taken out of special measures. Accordingly, the focus on delivering the necessary improvements, linked to the Chief Inspector of Hospitals improvement plan has been a central focus of the Boards programme of work during this financial year.

Through the NHS Trust Development Authority’s Accountability Framework 2014/15, the Trust has operated in accordance with the oversight categories for being a Trust in Special Measures. This includes the delivery of the core requirements and national priorities set out in the framework. The Trust is assured on the data quality of and accuracy of elective waiting time data, including any risks to this data through independent audits which have been completed during the year and findings acted upon.

2.1.3 Stakeholder Engagement

The Trust Board has continued to engage with a range of stakeholders throughout the year, including:

- Cumbria Clinical Commissioning Group
- Health and Wellbeing Overview and Scrutiny Committee
- Clinical Senate
- Healthwatch
- Local Members of Parliament
- NHS England
- Staff side representatives
- Cumbria Partnership NHS Foundation Trust

- NHS Trust Development Authority

In October 2014 the Trust also took part in a public engagement exercise, facilitated by Healthwatch in Cumbria regarding the options for the clinical strategy. The outcomes of this exercise have been formally reported to the Trust Board.

2.2 Assessment of the Boards Effectiveness and Development of the Board

The Trust Board's performance has focused on delivering the organisation's key objectives, with a specific proportion of the Board's business focussing on the key actions in relation to the outcome of the Chief Inspector of Hospitals assessment in April 2014. In June 2014 an independent assessment of the Trusts Quality Governance arrangements was undertaken, which identified improvements from the previous assessment and will be repeated in 15/16.

The Trust Board has continued to implement the strengthened Board Development Programme during the year, which was developed with the Board members and external input during 2014. The programme focuses on matters of strategic development linked to the delivery of the Trust's objectives, reviewing key national policy drivers and how they are being applied across the Trust as well as the performance of the Board in general. During the year the Board has completed a self-assessment, which was based on the following core areas:

- Collective governance understanding
- The scope of Board governance
- Assurance
- Governance of quality and safety
- Financial governance
- External and forward Board focus
- Board culture and performance

The results of the self-assessment have been built into the board development programme for 2015/16 and the key areas of positive results and where further work is required is summarised below:

Summary of positive outcomes:

- Board believes its primary duty is to the well-being of the local population.
- The Board keeps under review the long term sustainability of hospital provision in North Cumbria.
- Board challenge and scrutiny.
- Board maintains a persistent focus on the impact on the quality and safety of care linked to the workforce and financial challenges.
- The Board governs all aspects of the current organisational performance and plans to recover from special measures.
- The Board is assured that the risk register and the assurance framework are robust.
- The Board is assured that a credible and robust plan is in place to address the inadequate areas identified in the CQC inspection.

Summary of areas for improvement and or further assurance and the Board's response on how these are being progressed:

- The Board has an explicit strategy to contain cost and drive up efficiency.

- The Board has developed contingency plans that address potential year on year or unplanned reductions in income.

The Trust Board has set out a way forward to maximise clinical and financial sustainability of acute services across North Cumbria. This includes addressing the key drivers for our high cost base, in relation to significant locum medical staff spend, as well as modernising services to ensure the quality and efficiency gain can be achieved for the benefit of the local population.

- The Board has grip on the demographic pressures that will drive long term demand for services.

The Trust Board has taken significant steps to influence and work with the Cumbria Clinical Commissioning Group and other stakeholders on influencing the challenges faced across the health economy, particularly with the ageing population and the need to ensure that primary care and social care support the reduction for demand on acute services resulting in hospital admissions.

2.3 Corporate Governance

As a Non NHS Foundation Trust, the Trust is not required to comply with the UK Corporate Governance Code, however the core principles of leadership of the Board, effectiveness of the Board and supporting committees, accountability for the management of principal risks as well as remuneration of executive directors are set out in the Trust's Standing Orders and Board Risk and Assurance Framework. The Trust also has arrangements in place to ensure compliance with the Care Quality Commission Regulation 5 – Fit and Proper Persons: directors, which has been formally reported to the Board during the year.

2.4 Supporting Committee Structure

The Trust's Governance Framework outlines the governance structure for the organisation from 'ward to board' and describes the supporting committees of the Trust Board.

The supporting committee structure assists the Trust Board in carrying out its duties effectively. Each subcommittee formally reports to the Trust Board following each meeting through the minutes of the meeting.

In addition to this Executive and Non-Executive Board members highlight specific areas of exception which need to be discussed by the Trust Board, including ratification of key strategies and associated reports.

2.4.1 Audit Committee

The Audit Committee has provided the Board with assurance on the key aspects of their work, including:

- Governance, risk management and internal control
- Findings reported by Internal and External Audit
- Counter Fraud and Security Management
- Annual Governance Statement
- Financial reporting

The Audit Committee reports to the Board following each meeting and highlights specific issues to the Board. The Audit Committee have reviewed specific reports including limited assurance internal audit reports.

The Audit Committee continues to receive specific updates from officers of the Trust against key audits undertaken during the year, including progress with implementing internal audit recommendations.

The Audit Committee produces an annual report which is formally reported to the Board outlining the activity undertaken during the year against the committee's terms of reference.

2.4.2 Safety and Quality Committee

The Safety and Quality Committee has responsibility for gaining assurance in relation to the provision of safe quality care. This includes delivering care to best practice standards and evidencing that the care we give is effective. The committee is a key part of building our safety culture by ensuring that the clinical Business Units have robust systems in place for clinical governance. During the year the committee has focused on:

- The outputs from the Safety Panels and improvements to the investigation of serious incidents
- Mortality
- Infection control
- Estates and Facilities
- Monthly ward assurance on safe staffing and clinical indicators
- Delivery of the Chief Inspector of Hospitals Improvement Plan
- Complaints performance, including serious complaints
- Clinical effectiveness and audit
- Scrutinising the governance of the clinical business units in order to ensure appropriate monitoring and escalation is in place on governance items from 'Ward to Board' (evidencing that strong governance is in place from the Trust Board direct through to the care patients receive on a day to day basis on the ward areas).
- Improving the Trust processes for the implementation of Trust policies, through delivery of the policy improvement plan

2.4.3 Workforce Committee

The Workforce Committee has responsibility for gaining assurance that the Trust has in place sound systems to support and develop its workforce in order to achieve the organisations objectives and provide safe care for patients. During the year the committee has focussed on:

- Statutory and mandatory training
- Appraisals
- Management of Sickness absence
- Electronic Staff Record Implementation
- Recruitment processes
- HR Risk Register

2.4.4 Finance, Investment and Performance Committee

The Finance, Investment and Performance Committee has responsibility for reviewing performance against mandatory and contractual targets as well as reviewing investment decisions which require scrutiny due to financial value or strategic impact. During the year the

committee has assisted the Trust Board in carrying out its duties on scrutinising the financial performance of the organisation, including delivering the NHS Constitutional Targets.

2.4.5 Charitable Funds Committee

The Charitable Funds Committee has met during 2014/15 in order to support the Trust Board in its role as the Corporate Trustee for Charitable Funds held by the Trust. Progress has been made during the year on the clinical engagement regarding the prioritisation of funding activities that benefit patients and staff which complies with the objective of the charity.

2.4.6 Remuneration Committee

The Remuneration Committee has met during 2014/15 to discuss items in relation to the Terms and Conditions of Executive Directors.

2.4.7 Risk and Assurance Committee

The Risk and Assurance Committee has responsibility for gaining assurance that the process for managing risk is effective and fit for purpose. This committee ensures that appropriate control and escalation systems are in place for the management of risk across the clinical Business Units and corporate functions.

This committee also ensures a 'live' connection with the Board Assurance Framework and the Corporate Risk Register. During the year the committee has focussed on:

- Review of the Trust wide risk register
- Review and escalation of the Corporate Risk Register
- Improving the information on action to be taken to address key gaps in control or assurance
- Improving the information submitted to the Trust Board on the risk profile of the Trust
- Strengthening the corporate risk register with the connectivity to strategic risks on the Board Assurance Framework

2.4.8 Information Management & Technology Committee

Information Management & Technology Committee has responsibility for ensuring alignment between the Trust's service and IM&T strategies to facilitate effectively, the delivery of the Trusts strategic objectives and to provide the Trust Board with the assurance of appropriate controls of IM&T resources. During the year the committee has focussed on:

- Replacement Patient Administration System Project
- Implementation of order communications for pathology and radiology
- Development of the clinical informatics strategy

2.4.9 Executive Management Team

The Executive Management Team provides a formal mechanism for the Executive functions and decision-making associated with delivering the strategic direction, plans and corporate objectives agreed by the Trust Board. It is accountable through the Chief Executive to the Board. It oversees and actively manages the highest scoring risks (through the Corporate risk register) across the Clinical Business Units and Corporate Functions.

It has authority for the day-to-day management of the Trusts operations with the exception of those matters reserved for decision making by the Board, or delegated to other

Committees/senior officers. The Executive Management Team reviews the operational performance of the Trust, including decisions taking to address any areas of underperformance.

3 RISK ASSESSMENT & CONTROL FRAMEWORK

As Accountable Officer, I have overall responsibility for risk management in the Trust, which is discharged clearly amongst the Executive Directors of the Trust Board, who have a collective responsibility for maintaining a system of sound internal control. The Executive Director with responsibility for governance is the Executive Director of Nursing, supported by the Associate Director of Risk and Quality Governance, who co-ordinates governance and risk management across the organisation.

The Trust has a clear governance framework in place and supporting policies for risk management, which define clear roles and responsibilities from the wards and departments to the Trust Board, including how risks are assessed and reviewed.

Improving the Trust's risk management arrangements has remained a key priority for the Trust Board during the last year, to ensure we continue to build on the improvements we have made in the previous financial year.

The Board Risk and Assurance Framework sets out how the management of risk works in practice and the role the key committees reporting into the Trust Board have in relation to the mitigation and management of risk.

The Board Assurance Framework (BAF) has continued to be developed and improved during the year, which also includes improving the content of the general reporting of risks to the Trust Board and action being taken to reduce risks to their target/acceptable level.

The Trust has in place specific training for all staff on risk management, as part of its mandatory training requirements.

The Trust has in place an approved Risk Appetite Statement which confirms that *'the Trust recognises that its fundamental purpose is to ensure patients are treated and cared for safely and that we do not cause any harm to patients whilst in our care. As such, the Trust will not accept risks that impact on its fundamental purpose'*.

3.1 Trust Risk Profile

The Trust has one system for the management of risk which can be distilled at three levels across the organisation:

- Strategic risks which directly impact on the delivery of the organisations principal objectives are updated and reviewed through the Board Assurance Framework.
- The highest scoring (greater than 15) risks from within the Clinical Business Units and the Corporate Functions are reviewed and escalated through the Corporate Risk Register. This ensures that the risks being identified from within the clinical teams, which are high scoring, can be clearly identified.
- The Trust wide risk register is an amalgamation of all risks across the wards and departments which are broken down into the specific risk registers for each of the Clinical Business Units and the Corporate Functions.

3.1.1 Very High Strategic Risks

The highest scoring key strategic risks affecting the organisation up to 31 May 2015 are summarised below, including an indication of whether the risk was a new or revised risk identified during the year.

- **The ability to recruit to permanent and trainee medical staff (revised & increased risk identified during the year)**

The key effect of this risk relates to the inability to recruit medical staff and the impact this has on the medical rotas, including the ability to sustain services. Recruitment plans are in place with additional locum medical staff to fill gaps in rotas, particularly in acute medicine at West Cumberland Hospital. Clear escalation plans are in place for acute medicine however the medium to long term resilience of these plans remain a gap in control and assurance for the Board and wider stakeholders.

- **The ability to maintain safe nurse staffing levels in accordance with the NICE standard as a minimum (revised risk identified during the year)**

The key effect of this risk remains the ability to meet the NICE safe staffing recommendation as a minimum. A third acuity review has been completed during the year and the Board have approved all nursing budgets at 1:8 during the day and 1:10 at night time. The key challenge remains the ability to recruit and the resilience of some ward areas due to the levels of vacancies being carried at any one time.

International recruitment is scheduled to commence in 15/16 and weekly safe staffing meetings continue. The monthly ward assurance report has been further developed during the year and includes a specific 'heat map' covering the key workforce, quality and financial metrics.

- **Delivery of the NHS Constitutional Standards (revised risk identified during the year)**

The Trust has three strategic risks relating to the delivery of the NHS Constitutional Standards, with one of these risks scoring very high. The wider urgent care system across the health economy has had a significant impact on the Trusts ability to deliver the Accident and Emergency 4 hour standard during Quarter 3 and 4 of this financial year. This was escalated into a major incident during the year due to the demand for emergency care services at both hospital sites.

- **Delays in the opening of the new hospital in Whitehaven impacting on 'go live' plans (new risk identified during the year).**

Following the fire in the energy centre for the new West Cumberland hospital this is a new risk relating to the implications of moving services into the new build and the impact this will have on service continuity and related efficiencies. The Trust is working with Cumbria Fire and Rescue Service and other key stakeholders as part of the investigation. The project team for the new hospital are developing plans to mitigate further delays to the opening of the hospital which is anticipated for the Autumn 2015.

- **The Trust fails to deliver its financial plan due to non-delivery of CIP, increased expenditure on temporary staffing and reduced income (existing risk).**

A financial recovery plan was in place for 2014/15 agreed with the NHS Trust Development Authority in reaching the deficit position of £16.4m, which includes additional revenue funding of £12.0m secured during the year from the Department of Health. Cost pressures on temporary staffing in order to maintain current levels of service across the two sites remain a significant gap in control. The Trust has delivered £6.9m (62.7%) of the planned cost improvement programme for the year. The Trust is planning a CIP of £10.0m in 2015/16. The Trust has submitted a financial plan for 2015/16 to the TDA which delivers a £42.5m deficit and includes the delivery of the £10.0m savings programme. The plan includes a requirement for £52.2m of cash support from the Department of Health to maintain the Trust's cash flows in 2015/16; this includes £5.0m to address liquidity pressures arising from repayment of the working capital loans and PFI life cycle costs.

- **Non-compliance with Fire Regulations at the Cumberland Infirmary (new risk)**

As part of the active work to review the management of the PFI contract at the Cumberland Infirmary, the Trust in Quarter 3 engaged independent expertise in relation to fire regulations. This identified a significant risk in relation to fire stopping within the main hospital building.

Since the identification of this risk, the Trust Board has taken active steps to put in place mitigation plans. A supporting work plan and risk register is in place and the Trust is supported with independent legal advice and engineering expertise on all works required. A fire safety group is in place and meets weekly which includes representation from Cumbria Fire and Rescue Service who are comfortable with all actions being taken at the present time.

During quarter one of 2015/16, further concerns regarding fire regulations within the main building were identified. The Trust Board have requested a full survey of the main hospital building and have agreed to escalate this risk from high to very high until adequate assurance is received on the robustness of the programme of work to address the level of deficiencies identified. It is working with the PFI Company and their provider to actively put in place key programmes of work, which will include a designated decant facilities.

3.1.2 High Strategic Risks

In addition to the very high risks outlined above, the Trust has also identified a number of high scoring risks during the year:

- Ability to be taken out of special measures (revised risk).
- Delivery of the NHS Constitutional Standards, specifically cancer referrals and 18 week referral to treatment standards (existing risk).
- Implementation of a sustainable clinical strategy (existing risk).
- Developing an open and transparent culture (existing risk).
- Delivering the necessary infection prevention improvements following the norovirus outbreak (new risk).
- Lack of robust contract monitoring arrangements in place for the management of the PFI contract (new risk).
- Lack of a sustainable capital replacement programme (revised risk).

3.1.3 Future risks

The Trust does not have any identified future risks at the present time which are not already outlined in the previous sections on very high and high strategic risks as at 31 March 2015. These risks will continue to be principal risks affecting the delivery of the Trusts principal objectives from 1 April 2015.

3.2 Information Governance

Risks to data security are actively managed and monitoring is undertaken by the Information Governance Group which reports to the through the Information Management and Technology Committee. The Director of Finance is the Senior Information Risk Owner for the organisation and the Chief Clinical Information Officer is the Trust's Caldicott Guardian.

The Information Governance Group review the Information Governance Toolkit Submissions and supporting action plans and a full report is made to the Information Management and Technology Committee. All data security incidents are reported using the Trust's Incident Management Reporting System.

National reporting requirements are met through use of the Health and Social Care Information Centre Serious Incident Requiring Investigation (SIRI) process which for graded Level 2 incidents replaces direct reporting to the Information Commissioner's Office. The Trust has had one case referred to the Information Commissioner's Office during the year which was not upheld.

The Trust is required to evidence achievement of at least Level 2 on its annual self-assessment against all applicable Information Governance Requirements, numbering 45 in total in 2014/15. This was again achieved with a number attaining level 3.

3.3 Identification of Fraud and Corruption

The Trust places high importance upon the identification, deterrence and detection of fraud and corruption issues within the NHS. The Trust's Local Counter Fraud Service work plan is structured around the seven domains as highlighted within the Secretary of State's Directions. In addition to proactive activities, the Trust supplements this work programme with additional resource for investigative activities.

All activities, both planned and investigative, are reported to and discussed within the Trust's Audit Committee to ensure planned activities are delivered in supporting organisational objectives and investigative activities are appropriately investigated and concluded in a timely way to minimise potential future risks within the Trust's systems of internal control.

The importance of fraud and corruption issues is also reflected in the Trust's Induction programme with all new starters within the organisation being provided with information on fraud awareness issues.

3.4 Incident Management & Never Events

The Trust has in place a systematic approach to the identification, investigation and follow up of serious incidents.

The development of the weekly safety panel has continued during the year and includes the review and follow up of serious incident recommendations for further assurance on how well they are embedded across the organisation.

The Trust has declared 198 Serious Incidents during the year and has declared two Never Events during this financial year. The never events have been fully investigated and learning implemented across the Trust.

The Trust has repeated its annual analysis of themes from serious incidents and complaints during the year in order to ensure that the wider contributory factors are informing the themes of learning across the organisation. These are included in the Safety and Quality reports to the Trust Board and have informed our national Sign up to Safety campaign during the year.

The re-established patient safety walk round programme, which is undertaken by Board members has continued to provide additional assurance on the evidence in place to support the learning being embedded from serious incidents.

3.5 Quality Governance

An independent assessment of the Trust's Quality Governance arrangements was undertaken by KPMG in May 2013 and action plan was developed to focus on the key areas of improvement. This was reassessed by KPMG during the financial year in June 2014 where further improvements were demonstrated in the Trust's overall score. A further assessment will be undertaken in 2015/16.

3.6 Clinical Effectiveness & Audit

A focus during the year in relation to clinical effectiveness was improving the Trusts position on compliance with NICE guidance and establishing a more effective system for prioritising the areas of NICE guidance where there is greatest potential clinical risk.

The Care Quality Commission also identified this as a weakness in their inspection that the Trust had a number of outstanding aspects of NICE guidance. The reporting of clinical effectiveness performance to the Safety and Quality Committee has improved during the year, particularly in relation to NICE compliance. The Trust has prioritised the areas of NICE for inclusion in the 2015/16 audit plan based on the level of risk, which has been reviewed by the senior clinical leaders.

It is recognised that the limited internal audit assurance report issued during the year in relation to clinical audit, specifically the monitoring measures to ensure the outcomes from clinical audit are informing changes to practice and are being risk assessed.

The audit recognised that central systems for monitoring had been developed which are now being actively implemented across the clinical business unit teams following the delivery of the NICE associated improvements which have been a key priority during the year.

4 ANNUAL QUALITY REPORT

The Trust is required under the Health Act 2009 and the National Health Service (Quality Accounts) Regulations 2010 to prepare Quality Accounts for each financial year. The Trust has produced a Quality Account in accordance with the Department of Health Guidance.

The Quality Account will be reviewed by the Safety and Quality Committee to ensure accuracy of content and to ensure it reflects the quality of care delivered across the organisation in 2014/15 prior to the Trust Board review.

During the year the Board has approved a Quality Strategy for the Trust which sets out our quality aims and priorities and will form a fundamental part of the Trust's Quality Account for this financial year.

5 REGISTRATION WITH THE CARE QUALITY COMMISSION (CQC)

The Trust is fully registered with the CQC. The Trust has reviewed its systems and processes for monitoring compliance with the CQC Regulations during the year in readiness for adopting the new Fundamental Standards which come into effect on 1 April 2015.

The Trust reports the risks highlighted in the Care Quality Commission Intelligent Monitoring reports to the Trust Board as part of the Safety and Quality report. The high risks outlined in the last publication in April 2015 are summarised below:

- Proportion of patients risk assessed for Venous Thromboembolism (VTE) (01-Oct-14 to 31-Dec-14)
- The proportion of cases assessed as achieving compliance with all nine standards of care measured within the National Hip Fracture Database. (01-Jan-13 to 31-Dec-13)
- Composite of PLACE indicators (29-Jan-14 to 17-Jun-14)
- TDA - Escalation score (01-Nov-14 to 30-Nov-14)
- NHS Staff Survey - The proportion of staff who would recommend the trust as a place to work or receive treatment (01-Sep-14 to 31-Dec-14)
- NHS Staff Survey - KF21. The proportion of staff reporting good communication between senior management and staff (01-Sep-14 to 31-Dec-14)
- Snapshot of whistleblowing alerts (case status as at 04-Mar-15)
- CQC Share Your Experience - the number of negative comments is high relative to positive comments (01-Feb-14 to 31-Jan-15)

A high risk item predominantly relates to the Trusts under performance in comparison to national averages or peer groups. Action plans are in place against all of the risk items identified in order to ensure improvement is achieved during 2015/16.

5.1 CQC Inspections during 2014/15

In April 2014 the Trust was inspected as part of the Care Quality Commissions Chief Inspector of Hospitals regime, which looks at five core questions/domains across eight service domains as well as rates an overall Trust. Overall the Trust was rated as Requires Improvement with the Caring domain receiving a good rating across all services. The Trust was rated with three inadequate ratings all in the safe domain:

- Outpatients at West Cumberland Hospital
- Outpatients at the Cumberland Infirmary
- Medical care at West Cumberland Hospital

In addition to the ratings the Trust had 43 'must do' actions and 32 'should do' actions to implement. As at the end of March 2015 the Trust has implemented 58% of the 'must do' actions and 75% of the 'should do' actions. For those actions that have not been fully delivered by 31 March 2015, improvement plans are in place which are linked to longer term programmes of work across the Trust. This includes the recruitment of additional medical and nursing staff,

implementation of the clinical strategy, delivery of NHS Constitutional standards, estates, equipment and storage and developing an open and transparent culture.

Delivery of the overall improvement plan has been a key focus of the Board and wider organisation during the year, further information on the ratings across the sites is outlined in greater detail in the Trust's Quality Account. In March and April 2015 the Trust has had a follow up re-inspection by the CQC and the report is awaited.

6. REVIEW OF EFFECTIVENESS

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors, clinical audit as well as the delivery of the NHS Operating Framework and the Trust's safety and quality priorities. My review is also informed by the assurance taken from the key Board sub committees.

I have been advised on the implications of the results of my review of the effectiveness of the system of internal control by the Board and supporting committees of the Board. Plans are in place to address any areas of identified weakness and ensure continuous improvements to the organisation's system of internal control.

The Trust's Standing Financial Instructions set out the financial responsibilities, policies and procedures adopted by the Trust in order to ensure that financial decisions are carried out with probity, accuracy, economy, efficiency and effectiveness.

The Audit Committee identified two breaches in the Trust's Standing Financial Instructions which have been formally investigated in accordance with the Trust policies and procedures and reported to myself and the Chair of the Board to ensure lessons are learned for the future with rapid implementation.

A significant priority during the year has been delivering the necessary improvements identified in the Chief Inspector of Hospitals visit, which also links to the Trust being taken out of special measures. My review of effectiveness draws upon the achievements which have been made against these requirements during the year and our preparation arrangements which have been implemented in readiness for the re-inspection.

During the year the Trust has continued to make progress with improving our mortality rate which is now within expected range. The changes in transfer of high risk surgery support this improvement in our overall mortality rate. The system to review all deaths has continued to be implemented and strengthened during the year to support our overall commitment in improving patient safety. It is also important to recognise the progress which has been made in taking forward the implementation of the clinical strategy, specifically implementing the transfers of high risk medical pathways. The Board has actively sought external support and expertise to review key service areas in order to inform the longer term strategy of the Trust, this has included maternity services and stroke care.

The use of patient stories at the Board has improved during the year in order to listen and learn from the experiences of our patients and their families. This has included listening to the experience of patients who have complained about their care and treatment and the learning we have implemented as a direct result.

Significant work has also been completed during the year on establishing a Nursing, Midwifery and Allied Health Professional Strategy for the first time in the Trust. This has been driven and

developed by our nursing, midwifery and allied health professional staff and sets out a clear strategy for the development of this workforce group over the next 2-3 years.

Alongside this we have also developed a medical workforce strategy and invested in expertise to improve medical engagement across the organisation, which has included re-establishing and strengthening the role of the Medical Staff Committee.

The historical financial challenges facing the Trust have continued to be monitored with rigour by the Finance Investment and Performance Committee and Trust Board.

Project management arrangements for delivery of the cost improvement programme have been further strengthened in year with the recruitment of a Change Team to support delivery through the Clinical Business Units. The level of CIP achievement in 2014/15 of £6.9m was 62.7% of plan. The Trust has made improvements in year, in line with recommendations from an internal audit review, to the system for monitoring the progress and the delivery of all CIP schemes in order to mitigate as far as possible the risks to the organisation.

The Head of Internal Audit Opinion confirms that significant assurance can be given that there is a generally sound system of internal control in relation to key financial systems, designed to meet the organisation's objectives, and that controls are generally being applied consistently. However it provides limited assurance that there are sound systems of control in relation to other areas reviewed during the year as part of their scope of work.

I have reviewed the details of the key limited assurance reports issued during the year and associated improvements / action being taken to address these issues in producing this statement, specifically the internal audit findings relating to the following:

- Clinical assurance / audit
- Estates compliance
- Records management
- Safety of medical equipment in relation to the supporting data quality and recording systems
- Cost control and reduction
- Change order process
- Information Management & Technology

The limited assurance on estates compliance and the lack of an estates strategy has resulted in key programmes of work being actively pursued during the year by the Interim Director Estates and Facilities, Northumbria Healthcare NHS Foundation Trust and the Director of Finance who is also the executive accountable for estates and facilities in order to mitigate the risk exposure to the organisation.

This specifically includes the work to address the gaps in the management of the PFI contract, fire safety compliance and the implementation of a robust capital replacement programme. This links to the other limited assurance audit regarding the change order processes for minor works within the PFI contract. The Trust has engaged legal and technical support during the year to inform the Board on appropriate course of action in relation to the management of the PFI contract. I am assured that improvements to medical equipment safety have been made during the year; this has included investment in additional equipment, progress with mandatory training and 100% compliance with the planned preventative maintenance programme for priority 1 pieces of equipment. Through the work of internal audit I recognise that further work on the data quality, supporting administrative systems and the priority 2 and 3 pieces of equipment are required during 2015/16.

The limited assurance on cost control and reduction supported the changes that have been implemented during the year to improve the performance monitoring of the cost improvement programme and its delivery during 2015/16, including the establishment of a 'Change Team'. The role of the change team is to support the operational teams with facilitating quality and efficiency improvements at a service and departmental level.

The limited assurance on records management has received significant focus from the Board and Executive Management Team, particularly in relation to the storage and availability of case notes which has been a Trust wide priority during the year. Further work is required on the necessary improvements for corporate records which will be progressed during 2015/16.

The Information Technology related audits have identified areas for improvement during the year. This is supported by the Board review of the strategic priorities for IM&T which were reviewed in March 2015. The assurance obtained from the Risk and Assurance Committee identified during the year weaknesses with the IM&T risk management systems, including a lack of a robust risk register which has been progressed during March 2015 and will continue to be monitored during 2015/16.

My review of the actions being taken to deliver the NHS Constitutional Standards assures me that plans and supporting trajectories are in place, however the ability of the wider health and social care system to respond at the pace required remains a challenge and significant risk for the Trust and its key stakeholders. Remedial action is being taken by the Trust and key parties, including the ongoing support from the NHS Trust Development Authority.

7. CONCLUSION

The system of internal control has been in place in North Cumbria University Hospitals NHS Trust for the year ended 31 March 2015 and up to the date of the approval of the annual report and accounts. Whilst there are a number of significant challenges identified during the year, the Board has demonstrated significant progress in addressing some of these key strategic issues which will continue during 2015/16.

My review confirms that North Cumbria University Hospitals NHS Trust has a generally sound system of internal control, which is applied consistently to support the achievement of the organisation's policies, aims and objectives.

Signed _____

Date _____

Ann Farrar
CHIEF EXECUTIVE

APPENDIX 1 - BOARD ATTENDANCE

TRUST BOARD ATTENDANCE 2014/15												
	Apr 2014	May 2014	Jun 2014	Jul 2014	Aug 2014	Sep 2014	Oct 2014	Nov 2014	Dec 2014	Jan 2015	Feb 2015	Mar 2015
Ms G Tiller Chair		√	√	√		√	√	√	√	√	√	√
Mr M Evens Non-Executive Director		√	√	√		√	√	√	√	√	√	√
Professor R Barton Non-Executive Director		√	√	X		√	X	√	√	X	√	√
Dr H Hilton Non-Executive Director		N/A	N/A	√		X	√	√	√	√	√	√
Mr M Cook, Non-Executive Director		X	√	√		√	√	√	√	√	√	√
Mrs A Farrar Chief Executive		X	√	√		√	√	√	√	√	√	√
Dr J Rushmer Medical Director		X	√	√		√	√	√	√	√	√	√
Mr S Shanahan Director of Finance		√	√	√		X	√	√	√	√	√	√
Mrs H Ray Chief Operating Officer		√	√	√		√	√	√	√	√	√	√
Debbie Freake Director of Strategy		X	√	√		√	√	√	√	√	√	√
Gail Naylor Director of Nursing & Quality		√	√	X		√	X	√	√	√	√	√