

<b>MEETING</b>	<b>PUBLIC BOARD MEETING 22 February 2017</b>
<b>Agenda item and Paper Number</b>	<b>5 CM/02/17/05</b>
<b>Agenda Title</b>	<b>2016/17 Q3 Corporate Performance and Finance report</b>
<b>Sponsor</b>	<b>Mark Edmonds, Director of Planning, Performance and Programmes Kate Harrison, Director of Finance, Commercial &amp; Infrastructure</b>
<b>Author</b>	<b>Gavin Kennedy, Sector Support &amp; Business Improvement team and Chris Usher, Head of Financial Management</b>

**PURPOSE OF PAPER:**

Actions required by the Board:

- **Discuss** the Q3 2016/17 performance and financial position set out in the cover report and the attached annex.
- **Note** a post period update in relation to the inspection programme of the Adult Social Care and Primary Medical Services Directorates.

**1. Summary**

- a. This paper and Annex is the third quarterly performance report for 2016/17 - it considers performance on our core operational indicators, our biannual inspection team survey and the financial position across CQC.
- b. The cover report contains a post period update relating to the inspection programme; the annex however covers the period to the end of December (Q3 data).

**2. Recommendation**

- a. The report recommends that the Board review the content of this report and note the achievements, risks and issues in relation to delivering our 2017/18 public commitments set out in the CQC Business Plan.

**3. Inspection programme commitments & Inspectors in post [annex pages 5-7 & 23]**

- a. **Adult Social Care and GPs Inspection programme (post period update).** Our 2016/17 business plan commitment is to complete the inspection rating programme for Adult Social Care and Primary GP locations (that were registered before 1<sup>st</sup> October 2014) by March 2017.

- b. As of 31<sup>st</sup> January 2017 this commitment was met, 2 months ahead of our public commitment.
- c. Between the start of our new approach to Adult Social Care and GP inspections in October 2014 and 31<sup>st</sup> January 2017, our Inspectors have undertaken 29,264 Comprehensive Inspections at Adult Social Care locations and 7,705 at GP locations. There has been a further 1,935 focussed inspections at Adult Social Care locations and 689 at GP locations. Focussed Inspections are carried out when our Inspectors have specific concerns that are, for example, raised by members of the public or from a previous visit.
- d. **It must be emphasised that for the first time there is a baseline of the quality of care in England** across, Acute and Mental Health Trusts, Residential and Domiciliary Care locations, GP Practices, Hospices and most of the Independent Sector.
- e. In addition to completing the Ratings programme of Inspections - since April this year our Inspectors have undertaken an average of 270 enforcement actions each month and, at time of writing, over 550 locations or trusts were in special measures.
- f. A table on slide 5 of Annex A (the performance pack) details activity of the programme.
- g. **In December the Hospitals Directorate completed the inspection programme for all Substance Misuse Services, in line with our Business Plan commitments.** In total there have been 820 Independent Hospital and Mental Health locations inspected as part of the rating programme or 91% of plan; this is up from 566 inspections in Q2. This is made up of 226 Acute Independent locations inspections (of a planned 227), 50 programme inspections at Termination of Pregnancy locations (of a planned 52), 75 at Community Healthcare locations (of a planned 148) and 469 at independent Mental Health locations (including substance misuse services) of a planned 469.
- h. **Hospitals are on track to complete their programme by the end of March 2017, in line with the Business Plan commitment.** In addition to these figures there have been focussed inspections and re-inspections based on the initial rating and risk, there have been 16 re-inspections at Trusts rated as Inadequate or Requires Improvement published in Q3.

### **Resources**

- i. **Adult Social Care (ASC):** As of 31<sup>st</sup> December there are 674 ASC inspectors in post compared with an establishment of 690 of which we have strength (after long term sickness, maternity and secondment) of 639. This is broadly in line with planning.
- j. ASC are underspent year to date (YTD) by £0.2m (£0.1m on pay and £0.1m on non-pay) and are forecasting that this will increase slightly to £0.3m underspend by year-end.

- k. Primary Sector Services (PMS):** As of 31<sup>st</sup> December in the PMS Directorate there are 201 inspectors in post of an establishment of 207, of which there is a strength (after long term sickness, maternity and secondment) of 196. This is in line with plans.
- l.** PMS are currently underspent YTD by £0.1m (all pay related) and are forecasting that this will increase slightly to £0.2m underspend by year-end.
- m.** As of 31<sup>st</sup> December there are 349 inspectors in post in the **Hospitals Directorate** with 6 due to start in Q4. Of these the directorate has strength (after long term sickness, maternity and secondment) of 328.
- n.** Hospitals are currently underspent YTD by £0.8m (£0.4m on pay and £0.4m on non-pay) and are forecasting that this will increase to a £1.5m underspend by year-end. The forecast outturn is after the removal of £2.1m in underspends for the YTD.
- o. Overall Inspector Full Time Equivalent (FTE) numbers are broadly in line with expectations.** There are 1,224 inspectors in post compared with a planned 1,274. Our 'strength' figure which excludes colleagues on long term sickness leave, maternity, secondments and new colleagues still in training stands at 1,153 Inspectors (down from 1,198 in Q2). There are seven Inspectors that have been recruited and due to start their roles in Q4.
- 4. Our Inspection Team Survey – does our information identify providers who may be safe, effective, caring, responsive and well led? [annex pages 8-10]**
- a. Our biannual Inspection Team survey asks Inspection Team colleague's questions relating to the information they use to prepare for inspections,** about the consistency and quality of the judgements we make and if our inspections are genuinely informed by the public who use services and the providers of services. Overall responses were positive.
- b.** When asked to what extent Inspection Team members (this includes Inspectors, Specialist Advisors and Experts by Experience) **felt the data and information pack reflected what they found during an inspection;** 46% agreed completely or to a large extent that it did. This figure increases to 82% when those that felt it did so to a moderate extent are included. Respondents were broadly consistent across the PMS and Hospitals directorates. In ASC respondents answering the packs did so to a *small* extent or not at all was higher, a likely reflection of the difference in the scope and scale of the data available to ASC colleagues compared with Hospitals and PMS.
- c.** CQC defines a risk to quality of care as 'people are exposed to or suffer poor quality care, including harm or further harm'. Inspection Team members were asked to what extent they felt they had **enough good quality information to assess the risk of the service before the inspection.** Overall 39% agreed completely or to a large extent that the information is sufficient and of a good quality, an additional 37% felt that it did to a moderate extent.
- d.** When Specialist Advisors (i.e. people like practicing clinicians we use on our inspections) were asked **'to what extent do you feel that the inspection team**

**was able to achieve a good understanding of the views of staff/service users and public'**, 61% of Specialist Advisors completely or, to a large extent, agreed we achieve a good understanding of people who use services, an additional 26% felt CQC Inspection Teams did so to a moderate extent. When asked the same question but for gathering the views of staff of services, the 82% completely or, to a large extent, agreed.

- e. The results by question and Inspection Directorate are detailed in the Performance Annex. The results are widely shared with colleagues that support the Inspection Directorates and used to help plan improvements in our work.

#### **5. Registration efficiency [annex page 4]**

- a. In the last 6 months there has been a programme of work to improve how we deliver registration. In Q1 the Registration Team completed the move to sector specialist teams, alongside this the 'Fundamental Skills' training programme was rolled out and was undertaken by all registration colleagues by July.
- b. Overall registration activity decreased marginally in Q3 (during December as expected) when compared to Q2 and Q1. There were 9,418 registrations (inclusive of all types of registration activity) undertaken in Q3 compared with 9,869 in Q2 and 9,528 in Q1.
- c. In line with improvements undertaken in specialisation and training there has been a notable improvement in overall performance over the last three quarters however, there is still further progress needed to meet our performance plans. For ASC registrations; 81% of overall processes were handled within the KPI in Q3 up from 75% in Q2 and 74% in Q1. For Hospitals performance also stands at 81% in Q3 (consistent with ASC) compared with 75% in Q2 and Q1. For PMS registration processes 83% were within the KPI in Q3, an improvement compared with Q2 when the figure was 77%.
- d. Although there has been a strong and consistent improvement trend across all types of registration processes, there is still a gap between the plan and actual performance - for *new registrations* in particular. This is largely due to the complexity of new registration processes; the timeliness of registration processes covering cancellations however has improved significantly over the last year and is over plan in two directorates (Adult Social Care and Hospitals) for the first time.
- e. To help address the issue of timeliness in meeting performance indicators, the registration improvement programme is on-going and will review improvements to build on the progress to date, including considering how specific and relevant the existing performance measures are. Delivery and performance are monitored through the Registration Senior Leadership Team monthly.
- f. Our provider registration survey results are published in this report at six monthly intervals, the next one will be in Q4.
- g. As a context - in April 2016/17 there were 50,000 locations registered; as of 3rd January 2017 there were 49,551. The key areas of changes have been in GPs; 468 fewer locations (7,811 vs. 8,279) and residential care which have decreased by 235 locations (16,446 compared with 16,682).

## **6. Market Oversight [annex page 17]**

- a. Our Market Oversight Function (MO) monitors the financial health of difficult-to-replace adult social care providers. There are 49 providers in the scheme (unchanged over the last year). MO collects a variety of information including indications of provider profitability. One such measure is the profit margin percentage and, since this is reducing, operator profitability continues to be eroded.
- b. The most challenged sector is homecare where further corporate exit (Housing & Care 21 and MiHomecare) and sustained high levels of contract handbacks persist. The care home sector, whilst demonstrating greater resilience, has still suffered an overall decline in profit margins despite operators reducing their reliance on lower fee Local Authority (LA) service users. The reason for this decline in profitability is the same across both sectors; increasing total staff costs. Whilst recent evidence suggests that agency expenditure has started to reduce any saving has been more than offset by an increase in permanent staff costs. Notwithstanding significant Local Authority income growth, total staff costs have continued to increase at a faster pace and profit margins have reduced as a result. The consequence of provision leaving the market (either by care homes closing or home care contracts being handed back) combined with providers prioritising more profitable opportunities, means that it is likely that LAs / commissioners will have to pay higher fees in future. Developments regarding the payment of National Living Wage/National Minimum Wage for sleep in/live in services presents further uncertainty within the sector.

## **7. Do providers rated as inadequate or requires improvement improve?[annex page 15]**

- a. In Q3 there were 1,087 re-inspections at ASC locations, 938 at locations rated as Requires Improvement and 149 and locations rated as Inadequate. Of these 50% improved their *overall* rating compared with 47% in Q2 (note; that our performance reports track changes to a providers *overall* rating, not at a key question level for example, as in the State of Care Report). Although most locations rated as Inadequate improved (62% or 93 locations) a notable minority (38% or 56 locations) remained Inadequate, these locations are in Special Measures, will be closely monitored and a further inspection scheduled within 6 months or sooner.
- b. In the same period, there were 16 trusts re-inspections published; 14 rated as Requires Improvement and 2 rated as Inadequate. Both Inadequate Trusts had made Improvements sufficient to re re-rated as Requires Improvement overall. Six of those rated as Requires Improvement at the prior inspection were re-rated as Good, 7 did not change rating and 1 deteriorated to Inadequate.
- c. The majority of PMS re-inspections (of those that were rated as Inadequate or Requires Improvement) have improved, of a total of 71 re-inspections, 49 improved, 20 remained the same and 2 deteriorated. Eight of 25 locations that

were previously rated as Inadequate remained Inadequate on re-inspection, as with ASC, these locations are in Special Measures, will be closely monitored and a further inspection scheduled within 6 months or sooner.

#### **8. Inspection reports timeliness [annex page 14]**

- a. Although there have been marginal improvements to the timeliness of our Inspection reports in all Inspection Directorates no directorate is meeting their Business Plan commitment. The business plan commitment is to publish inspection reports within 50 working days (10 weeks) after the last inspection site visit. In Hospitals there is a slightly different indicator for inspections that involve three or more core services; for these inspections the plan is 65 working days (13 weeks).
- b. The Executive Team have agreed to source external consultancy to re-examine the issue of report timeliness from an independent perspective. The supplier was appointed in December after a competitive process and work commenced with them in January, and will report in March. This is in addition to improvement objectives in each directorate.
- c. ASC have made further gains in report timeliness; In Q3 81% of reports were published within 50 days, this compares with 80% in Q2 and 77% for Q1, 67% for 2015/16 and an overall target of 90%. Average time taken to publish reports stands at 38 days.
- d. ASC will continue to focus on marginal improvements to processes and frequent and consistent monitoring of the management information on timeliness for draft and final reports. This is in place for all one to one discussions with inspectors through to Senior Leadership Meetings.
- e. Sixty percent (60%) of PMS reports are published within 50 days of the compared with 58% in Q2 and 66% in Q1 and a plan of 70% (this is a stepped target that increases to 90% in Q4). Notably the North region is performing well and has been around 80% within the indicator for the last two quarters.
- f. Improvements to the Inspection Report process in the last quarter have included an emphasis on reducing publication backlogs and to streamline the regional and national quality assurance panels to ensure reports are dealt with in a timely manner. These are having some impact however the focus on completing the Inspection Programme will likely mean that gains are consistent but marginal.
- g. Hospitals have developed two indicators to track report timeliness, one for reports that are made up of fewer than three core services and a second for larger, more complex reports that involve 3 or more core services. In Q3 27% of reports were within 50 working days covering the former indicator, a notable increase on Q1 when just 4% were published within 50 working days, it is also up from 17% in Q2,

although it is significantly under the plan of 90% (increased from 70% in Q2 in line with the Business plan). Performance on the latter indicator (reports with three or more services) was 21% in Q3, up from 18% in Q2.

- h. As part of the Business Planning cycle and in line with the work being carried out we will review the performance indicators for each type of inspection we undertake to make them more reflective of the actual process, for example different targets for a Dentist inspection compared with a Trust Inspection.

**9. Long-term breaches and inadequate locations with no inspection planned [annex page 18].**

- a. There has been a slight increase in ASC locations that have been in breach for 4 quarters or more, Q3 ended with 1,623 compared with 1,592 in Q2. Of the total in breach (4,478) 36% have been in breach for over 4 quarters (consistent with Q2).
- b. Of the locations in breach for more than four quarters, 65% have an inspection planned (92% of them within 12 months) and 12% have an inspection that is in the past or may be in progress or awaiting an update. The remaining 24% have no inspection planned, or are awaiting an update. This information is reviewed frequently by Inspection Managers and Heads of Inspection.
- c. The PMS directorate has 997 locations in breach, of these 241 (24%) have been in breach for more than 4 quarters. Of the PMS locations in breach for more than four quarters, 218 are GPs, Out of Hours, Remote Clinical Advice or Urgent Care and 23 are Dentists. Thirty three percent of the former categories have an inspection planned and 11% have an inspection in the past that may be in progress or awaiting an update. The remaining 55% have no inspection planned. Of the 23 Dentist 18 do not have a planned inspection or are awaiting an update.
- d. In December there was a problem with the management information used by Inspectors to track these locations, this has since been resolved, however this and the Christmas break will explain why some locations do not yet have an inspection scheduled. Review of the data has also picked up that some dormant locations and some with enforcement action have not been correctly updated and therefore still open. These cases are being worked through and removed to further improve the data.

**10. Enforcement and Special Measures [annex pages 19 & 20]**

- a. In Q3 there were 382 enforcement actions undertaken compared with 516 in Q2 (there was a notable and expected decrease in December) but still significantly over the monthly average in 2015/16 of 272. In addition there are 1,178 enforcement actions in progress across the three Inspection Directorates. This increase in activity follows the work in each of the directorates (led by the Enforcement Oversight Group) to improve our enforcement processes and ensure recording and reporting of enforcement reflects activity accurately.
- b. As expected in Q3 enforcement actions declined slightly, in Hospitals however they increased to 48 (from 41 in Q2) as the Hospitals Team undertake more inspections at Independent locations.

- c. Since April there have been 452 Management Reviews in relation to the regulation that covers Fit and Proper Person (employees) and 96 in relation to Directors. The former has had 182 enforcement actions undertaken and the latter 28. As of 6<sup>th</sup> February, Since April 2016 there have been 60 Management reviews in relation to Duty of candour, 11 of those resulted in enforcement action (18%).
- d. Locations in Special Measures increased in Q3 by 176 to 552. In the quarter we cancelled the registration of 19 locations and 27 de-registered while in Special Measures. One hundred and six demonstrated sufficient improvements however and exited Special Measures.

### **11. Whistleblowing**

- a. Since April last year we have 6,684 whistleblowing enquiries, the majority, 86%, relate to Adult Social Care Locations, a further 12% relate to Hospitals and 2% to Primary Medical Services. Almost 60% come to us via calls to our National Contact Centre, and 25% are via our 'Share Your Experience' forms available on our website. In just over 8% of the most concerning ones we have brought forward or initiated a review including an inspection in most cases, 20% of them have been referred to another body like the Local Authority for example. In most cases, 44%, we have noted the enquiry for a future review, that will include those with inspections already scheduled.

### **12. Complaints [annex page 25]**

- a. In November a new single end to end complaints process was introduced. The new process aims to improve the timeliness of our response and the quality of the interaction. For example in November and December 2016 the Complaints Team were able to resolve 39 cases through first line resolution by discussion with the customer and operational teams. This means that the customer was able to receive a comprehensive response within 7 working days compared with the former response time of 20 days. As part of the process the team have developed three new performance indicators, they are:
  - Percentage of first line resolutions within seven working days
  - Percentage of investigation resolutions within thirty working days
  - Number of complaints upheld by the Parliamentary & Health Service Ombudsman
- b. In Q3 there have been 39 first line resolutions and 29 Investigations (in addition there have been 28 stage 1 complaints using the old approach). Significantly, the most common cause for complaints was performance and conduct of staff with 14 first line resolutions and 26 investigations relating to it.

### **13. Overall Financial Position [annex page 27 - 33]**

- a. In addition to the financial positions in the inspection directorates reported above, the positions for Customer and Corporate Services (CCS) and Strategy & Intelligence (S&I) are: Year To Date (YTD), CCS underspent by £0.1m, S&I underspent by £0.3m with forecasts of £0.1m and £1.0m underspends respectively. Further narrative is provided in Annex 1.

- b. The forecast outturn for 2016-17 has increased since last month and now stands at a £10.5m underspend (previously £9.6m). There remains a risk that costs do not materialise as planned in the remaining months, which may lead to an underspend of up to £12m.
- c. The income forecast is now expected to be £0.7m lower than budget (previously £0.5m) by year-end, which represents 0.5% of our total fee income; this is due to changes in the number of registered providers.
- d. Depreciation remains forecast to be £2.5m underspent in 2016-17 due to low capital expenditure in this year and last.
- e. Capital expenditure was slightly lower than expected in December and with only three months remaining; the forecast outturn has reduced to £8.0m (previously £8.8m), with the remaining £5m returning to the Department of Health (DH).
- f. Pay Budget: The pay budget is £2.0m underspent for the year to date and forecast to be £2.9m underspent by the year end including savings targets, showing that we are controlling our pay expenditure.
- g. Non-Pay Budget: The non-pay budget is underspent by £6.4m for the year to date. The forecast remains unchanged with a £7.6m underspend expected by the year end.
- h. As referred to above and in previous months, the main risk on non-pay is that costs do not materialise in the second half of 2016-17 as expected, which could lead to an increased underspend.

#### **14. Strategic Risks [annex page 34 - 35]**

- a. Pages 34 and 35 of the Performance Annex gives an update on the management of risks relating to – our impact, delivering out Strategy; Digital and technology; our people and other risks.
- b. There are no risks for which we have any new significant concerns, and confidence in managing the risks ranges from high to medium. The attached report gives further detail on the levels of risks and actions that are underway. In the last quarter there are a number of mitigations that have been delivered, including the closure of the concerns programme, and the restructuring of the complaints function. Another new activity delivered in Q3 has been to develop strategic measures of success for the Strategy so we continue to be able to evidence our impact, performance and quality.
- c. The ET has identified and assessed key risks for 2017-18, as part of the business planning process. The Audit and Corporate Governance Committee (ACGC) commented on those risks, alongside a review of the Risk Tolerance Statement at its meeting in January and are presented as part of the Corporate Business Plan being considered elsewhere on the Board agenda. Work is underway on developing

appropriate risk mitigations, assigning ownership for these and preparing to manage and report on the risks to ET and the Board.

### **15. Business Planning milestones [annex page 36 - 39]**

- a. As well as our key performance metrics and targets, the quarterly report tracks progress in delivering the key Business Plan milestones. These are set out in the annex with those deliverables rated Amber/Red summarised below.
- b. Improving systems and applications Information Management & Technology Programme (IM&T) (Amber/ Red Annex page 38 reference M19). The new Chief Digital Officer (CDO) is currently reviewing the priorities and progress against the IM&T programme, and will be reporting to the Board early in the new financial year.
- c. Provider Information Collection (Amber/Red - Annex page 37, risk M5). Linked to a. above the CDO is undertaking a review of The Provider Information Collection project which is a clear priority for the organisation. An early workshop has been held to review the current plan for building the new service with a revised approach using agile methodology being progressed.
- d. A number of the other milestones are proposed for closure, this includes State of Care and Mental Health Act reports (M3); The Concerns Programme (M14) and How We Manage Change (M20). It is recommended Market Oversight is removed from the report as another section of the Performance Report covers these activities.

### **16. Internal Audit Actions [annex pages 40 - 41]**

- a. We are currently tracking 16 internal audit action plans (200 individual actions in total) across CQC for 2016/17 of which 56% of actions are either: complete, in progress, and within the agreed completion timeframe. Significant progress has been made on the completion of the remaining 2015/16 internal audit actions with closure of the 'Procurements and contracts management, audit action plan. Only 20 actions are pending completion to conclude all 15/16 action plans.
- b. Key themes behind remaining 15/16 audit actions are due to; actions now being addressed in larger programmes of work and final documents and products pending sign off from senior teams. A large number of actions are due to be closed by the end of quarter four.
- c. Key themes behind overdue 16/17 actions are due to resourcing constraints and dependence on key activities relating to the CQC Strategy. A majority of overdue actions have made significant progress and work continues within directorates to meet completion deadlines.

### **17. Conclusion and next steps**

The CQC Board are asked to note the performance and Finance issues highlighted in the report and Annex.

**Appendices**

**Annex 1 – Q3 Board performance and finance report**

<b>Name</b>	Mark Edmonds
<b>Title:</b>	Director of Planning, Performance & Programmes
<b>Date</b>	14 <sup>th</sup> February 2016