From the Deputy Chief Medical Officer
Dr Paddy Woods

Department of
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Mr Brian McLoughlin
Assistant Solicitor to the Inquiry
The Inquiry into Hyponatraemia-related Deaths
Arthur House
41 Arthur St
Belfast BT1 4JE

Your Ref:
Our Ref: DH1/13/87456
Date: 29 March 2013

Dear Mr McLoughlin

RAYCHEL FERGUSON PRELIMINARY

Your letter of 19 March refers. Please find attached a copy of the accountability framework which was in place in 2000 between the Management Executive (The Department) and HSS Trusts.

Formally accountability meetings would have taken place twice per year, usually mid-year and end of year.

I understand that the individuals who would have had responsibility for the oversight of Sperrin Lakeland in 2000, and who might have received reports of issues affecting the Trust were:

- Clive Gowdy, Permanent Secretary (retired)
- Paul Simpson, Chief Executive Management Executive (retired)
- John McGrath, Director, Management Executive
- Alan Gault, Principal Officer, Management Executive

If you have any queries or require any further information, please do not hesitate to contact me.

Yours sincerely

Dr Paddy Woods
Deputy Chief Medical Officer

cc Conrad Kirkwood
Tricia Finlay

Management Executive

Office of the Chief Executive

METL 2\93

Chief Executives of HSS Trusts and
Shadow Trusts - for action

October 1993

Area General Managers)
UGMs) for information
GP Fundholders)

Dear Sir\Madam

ACCOUNTABILITY FRAMEWORK FOR TRUSTS

1. This letter sets out the framework of accountability which will exist between the Management Executive (ME) and HSS trusts in the future. It reflects both the statutory responsibilities of trusts and the role they will be expected to play in the pursuit of the corporate objectives of the HPSS currently summarised annually in the Management Plan.

Relationships

2. In developing and articulating this accountability relationship it has been recognised that some refinements may be required in the future. The need for these will be kept under review. It is also intended to develop a set of statements addressing the major relationships which now exist within the HPSS involving the ME, Boards, trusts and GP Fundholders.

3. The reforms of the HPSS brought forward in the Health and Personal Social Services (NI) Order 1991 are designed to enhance the capacity of the HPSS to secure improvements in the health and social well-being of the population by improving performance, raising standards and enhancing quality. The separation of the purchasing and providing roles will in particular allow the delegation of management responsibility to the local level. HSS trusts established under the 1991 Order are independently - managed provider units which are statutory bodies and remain within the HPSS. They are expected to maintain good relationships with purchasers based on collaboration and partnership.

4. As such HSS trusts are accountable to:

    i. the general public and in particular local communities. As statutory bodies utilising public funds, trusts are expected to demonstrate good stewardship to the taxpayer

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LH 89

and an efficient responsive service to the people they serve. They should encourage the involvement of local communities and build up good relationships with their Health and Social Services Councils. Each trust must hold an annual public meeting and issue an annual report.

ii. to purchasers (Boards and GP fundholders). The primary accountability of trusts for the quantity, quality and efficiency of the service they provide will be to their purchasers. The contracting mechanism will provide the means for these to be specified and monitored. In the main therefore the line of accountability for service delivery issues will be initially to the purchaser(s) and from there to the ME if there are strategic implications or the matter is the subject of a Parliamentary Question or Minister's query.

iii. to the ME for the performance of their functions, including the delivery of objectives and targets set out in the Strategic Direction and annual Business Plans. They will also be required to meet their statutory financial obligations and conform with any other specific requirements placed upon them, including those in the Management Plan.

5. The current proposal to amend the 1991 Order will enable Boards to delegate statutory functions to trusts. The new legislation will require each trust involved to develop a scheme specifying how it will discharge these functions in line with Departmental/Board guidance and current good practice. These schemes must be agreed with the appropriate Board and approved by the Management Executive. This mechanism will create a further relationship between certain trusts and Boards in addition, but complementary, to the contractual relationship. Boards will retain a strategic residual responsibility for the functions involved and will be expected to ensure both that the schemes reflect sound and effective working procedures and that they are adhered to by trusts. In turn the Department will retain ultimate legal responsibility for the functions and will wish to ensure that both Boards and trusts are discharging their responsibilities.

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Obligations of Trusts

6. Under the 1991 Order, trusts are expected to meet a range of key financial responsibilities:-

   i. break even on an income and expenditure basis taking one year with the next;

   ii. achieve a target return on assets currently 6%;

   iii. stay within the annual External Financing Limit (EFL) set;

   iv. pursue and demonstrate value for money in the services they provide and in the use of the public assets and resources they control.

7. Trusts are also expected to meet all legal obligations, discharge their statutory financial duties and comply with a range of advice, guidance and standards where it is clear that these apply. The ME will establish arrangements to specify where guidance applies to trusts consistent with the principle of maximising operational freedom.

8. All HSS trusts will be expected to contribute to the achievement of corporate objectives of the HPSS and, as appropriate, Government at large. As such they will be required to be committed to:

- the achievement of the Regional Strategy and Boards' Area Strategies;
- delivery of the annual HPSS Management Plan;
- implementation of the Charter for Patients and Clients ;
- work within the framework of relevant central guidance and policies, particularly on:-

  i. education and training;
  ii. capital investment;
  iii. estate issues and environmental issues;
  iv. information and IT;
  v. procurement;
  vi. 'Competing for Quality'.

Strategic Direction and Business Plans

9. It is proposed that there should be 2 essential requirements in the strategic planning process for HSS trusts:-

    i. to produce, submit to the ME and make available publicly, each year, an updated 5-year Strategic Direction, the first year of which represents the detailed Business Plan. The business planning cycle for trusts needs to align broadly with that for Boards. It will therefore be important that the final version of the trust's business plan is submitted at the same time as the Boards' Purchasing Plans are submitted to the ME. It will be necessary for trusts to submit a draft version to the ME in advance once Boards' purchasing prospectuses are available and a reasonable assessment of the contracts likely to be secured is possible.

    ii. to provide the justification for planned capital investment to allow agreement of the annual EFL for each trust. Outline proposals should be linked to the purchaser's longer term plans and contained in the rolling 5-Year Strategic Direction, but full business cases can be made at any time. Interim business case guidance which is currently available will be superseded following the revision of existing Capricode procedures later this year.

10. The main vehicle for the delivery of purchaser requirements will be contracting. The ME will use the business planning process to secure accountability to the Chief Executive, and hence to Ministers, for the use of public funds and assets. Day to day responsibility for this will lie with the Provider Development Directorate, in conjunction with Financial Management Directorate.

11. <u>Business planning</u> is an important management activity which will enable trusts to ensure their long term financial viability and for planning the direction which the trust is taking in a way that is consistent with the key strategic health and social care objectives of the purchasers, as well as providing the basis for the ME to safeguard Ministers' ultimate responsibility over the use of public funds. These Plans will also be the basis on which trusts' overall performance will be assessed by the ME.

12. The Annex sets out details of the purpose of the Strategic Direction and Business Plan together with requirements on capital investment. It is the intention that all HSS trusts would prepare plans in line with the revised requirements set out in this circular. Normally final versions of these submissions should be available following the completion of the contracting round.

13. The Strategic Direction and Business Plan should set out the key management tasks for the trust and identify how longer term strategic objectives will be pursued. The Business Planning guidance already issued to trusts sets out what the ME would expect to see covered by trusts in order to achieve their desired outcomes in terms of meeting purchaser intention, health and social gain activity and service investment, and the resources which the trusts will need to achieve these. The underlying intention is that the accountability needs and the monitoring arrangements should not be onerous, should be based on a broad, but limited, range of indicators and that trusts should be given the maximum possible freedom to manage their own affairs without detailed intervention.

Monitoring

14. In monitoring the performance of trusts the Management Executive will focus on:-

- performance against targets and objectives in the Business Plan;
- performance in relation to statutory financial obligations based on detailed financial returns;
- the contribution, via contracting, to achievement of service priorities;
- application of funds directly allocated eg for STAR post-graduate medical and dental education and from 1994/95, for the training of junior doctors/dentists;
- adherence to statutory obligations.

15. In addition to the Strategic Direction, Business Plans and Corporate Monitoring returns, trusts will be expected to participate in and contribute to HPSS information systems such as Korner returns. While the normal accountability lines for service delivery issues will be via purchasers, trusts will still be expected to provide

any information required by the ME in support of Ministers or for Parliamentary purposes.

Openness

16. The Management Executive fully supports the flow of information between purchasers and providers. However, openness is not an accountability tool in itself although it will need to exist at several levels:-

- at the public level, trusts are required to publish their Strategic Direction and summaries of their Business Plan, hold public meetings and present audited accounts and an Annual Report (which should include a report on the extent to which targets in the Strategic Direction and Business Plans have been achieved);

- with purchasers, there should be an equivalence of interests and responsibility in sharing information. Purchasers will be concerned to reassure themselves that contract price and capital bids are reasonable and justified.

17. Confidentiality should be the exception to the rule that information on both sides of the contractual divide should be made available on a mutually beneficial basis. The ME will therefore expect that:-

- providers will comply with relevant ME guidance on contract prices (full costs, no subsidisation etc);

- all contracts and tariffs will be published;

- purchasers will discuss purchasing objectives, resources etc openly with their providers who in turn will discuss proposed developments with purchasers;

- no information relating to other providers/purchasers will be exchangeable other than with their agreement.

Ground Rules for Intervention

18. Intervention by the ME in the affairs of a trust should be exceptional, in line with the principles of maximum delegation. It may be judged necessary in certain circumstances eg:-

- items of concern relating to patient or client care;

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- failure to discharge statutory functions;
- breach of statutory obligations and EC Directives;
- unacceptable financial performance;
- action in breach of the Establishment Order;
- significant variation from agreed objectives and performance targets.

Any such interventions will not preclude relevant actions by the appropriate Board whether acting in its role of purchaser or fulfilling its statutory residual responsibility in respect of the statutory functions delegated to the trust.

Queries

19. Any queries on the terms of this letter should be directed to the Provider Development Directorate, which is the principal point of contact in the Management Executive for Trusts.

Yours faithfully

JOHN G HUNTER

ANNEX

The Strategic Direction

1. The identification and agreement of strategic objectives, and of a plan for their achievement are essential business planning practice. The Strategic Direction should help trusts to review their operation and consider their longer term response to purchaser requirements and desired changes in the health care delivery systems.

2. Each trust should be required to make available to the ME, and subsequently the general public, a Strategic Direction. This should outline its strategic objectives and indicate the key tasks and investments on which the achievement of the objectives will depend. Outline business cases for key investments should be made available also.

3. The document should be predominantly narrative and should be concise, but it should provide sufficient information to allow the ME to understand the proposed pattern of the trust's services in the future. This is because this information, together with that provided by Boards in relation to purchasing intentions and DMU's plans, will be crucial to the ME overall co-ordination and management of the HPSS.

4. The document should cover the following 5 years. Trusts may wish to look further forward if there are proposed changes in the longer term which are essential to understanding its strategy. The document should be rolled forward annually, with its detailed Business Plan forming the analysis for the first year in each case.

5. The draft Strategic Direction should be submitted in the Autumn of the year before the strategy's commencement. The ME will then discuss and agree with the trusts when their document can be finalised and made available publicly. This agreement will indicate that the ME regards the strategy as a realistic and sensible one for the future development of the Trust. It will not imply that the ME supports the detail of the strategic planning exercise nor will it replace the formal approval required for capital investment.

The Business Plan

6. The detailed, yet integrated, Business Plan should set out the key management tasks for the Trust and identify

how the longer term strategic objectives outlined in the Strategic Direction will be pursued by the Trust in the coming year. It should identify clearly the Trust's desired outcomes and the resources which the Trust will need to achieve these.

7. The plan should draw together the implications for the coming year of the Strategic Plan, the External Financing Limit (EFL), and the contracts established with purchasers. The plan should also contain summary financial and activity information for the subsequent 2 years, in order to ensure consistency with the financial pro-formas.

8. Both the Strategic Direction and Business Plan should be concise. Apart from the information required for the year ahead, they should contain any revisions to outline business cases for proposed investments, and any changes in the Trust's longer term strategy. In support of their Business Plans, trusts should submit a full set of financial pro-formas containing:

   i. actual figures for the previous year;

   ii. forecast figures for the current year ie that in which the plan is being prepared;

   iii. budget figures for the year of the plan; and

   iv. planning figures for the following 2 years.

9. Taken together, the Business Plan and the pro-formas should:

   i. demonstrate that the Trust has planned to meet its financial obligations of breaking even, earning a target return on assets and remaining within its EFL;

   ii. demonstrate that the Trust's plans are based on realistic planning assumptions about, for example, purchasers' intentions, inflation and efficiency gains; and

   iii. provide a detailed forecast of the Trust's activities.

10. Trusts should provide the ME with a draft business plan by the Autumn of the year prior to the plan's commencement. This will be used to determine indicative EFLs against the background of the availability of resources and assumptions on the level of commissioners'

funding. The ME will discuss and agree with the trusts when their plans can be finalised and a summary be made available publicly. In any event they will need to be finalised, together with the pro-formas before the start of the year in question.

Capital Investment

11. Trusts need to provide a rationale for any proposed investment or disposal of capital assets for 2 reasons:

    i. to demonstrate that there are good service and/or financial reasons for the proposal; and

    ii. to demonstrate that the proposal represents a good use of public money.

12. As a matter of good management practice, trusts need to examine the business case for all investments, whether capital or revenue based, and including acquisitions and disposals.