

Consultation on use of resources and well-led assessments

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1. Introduction

1. The NHS continues to deliver many high quality services in spite of increasing pressure from slowing growth in the NHS budget and from the increasing complexity associated with the demographics of an ageing population, increasing levels of co-morbidity, higher patient expectations, and a desire for an expanding range of treatments. As set out in [Implementing the Forward View: Supporting providers to deliver](#), these challenges require strong and inclusive leadership, engaging staff to maximise their contribution, stabilising finances and improving efficiency. They also require the national oversight and regulatory bodies to play their part by reducing burdens on providers and behaving more consistently.
2. Strong and effective leadership and governance is a key component in addressing the challenges facing the sector. Both the Care Quality Commission (CQC) and NHS Improvement have seen what a difference a positive culture, open and transparent leadership, and good governance and processes to oversee care quality, finances and operational performance can make. We have built on the aligned well-led framework developed by CQC and Monitor and the NHS Trust Development Authority (the latter two organisations now operating as NHS Improvement) following the [Francis Inquiry](#),¹ to set out a single vision of what good leadership looks like. This document seeks views on the new well-led framework, building on the strengths of the previous version, and how this will be used for CQC's assessment of well-led, within NHS Improvement's [Single Oversight Framework](#), and by trusts themselves for development purposes.
3. Every day, leaders of NHS trusts and NHS foundation trusts (referred to throughout as 'trusts') have to meet the related challenges of maintaining and improving quality, operational performance, finance and efficiency. How effectively a provider uses its resources is one of the factors that determines the quality and responsiveness of its care. As one trust chief executive has said "Quality without efficiency is unsustainable, efficiency without quality is unthinkable". The Health and Social Care Act 2008 already recognises the relationship between quality of care and the efficient and effective use of resources, and requires CQC to have regard to the latter within its overall purpose as a quality regulator. CQC and NHS Improvement are committed to working together to recognise the fact that effective use of resources is fundamental to enable health and care providers to deliver and sustain high quality, including safe, services for patients. This joint consultation sets out our plans to do so, including introducing an assessment of trusts' use of resources as

¹ See www.gov.uk/government/publications/well-led-nhs-foundation-trusts-a-framework-for-structuring-governance-reviews

part of CQC ratings, starting with acute trusts, in line with the Secretary of State for Health's request in June 2015.²

4. CQC's purpose is to make sure health and social care services provide people with safe, effective, compassionate, high-quality care, and encourage care services to improve. CQC's role is to monitor, inspect and regulate services to make sure they meet fundamental standards of quality and safety and it publishes what it finds, including performance ratings to help people choose care. NHS Improvement is responsible for overseeing NHS foundation trusts, NHS trusts and independent providers. It offers the support these providers need to give patients consistently safe, high quality, compassionate care within local health systems that are financially sustainable. By holding providers to account and, where necessary, intervening, it helps the NHS to meet its short-term challenges and secure its future.
5. CQC and NHS Improvement are independent organisations with distinct legal duties. In particular, CQC carries the power to provide ratings of trusts and all final judgements about ratings of well-led and use of resources remain with CQC. NHS Improvement oversees trusts, forming views of their support needs in areas including quality, operational performance, finance and use of resources, leadership and improvement capability, and strategic change. We are committed to reducing duplication between our organisations and minimising the requirements we place on trusts. In line with our duty to co-operate, CQC and NHS Improvement will operate according to the following principles:
 - **working together** in the effective discharge of our respective functions,³ while recognising that each organisation is legally and operationally **independent**
 - greater **alignment** between our organisations so that our definitions, measurement and operations are based on a single shared view of quality
 - working to remove **duplication** between our organisations
 - focusing on **quality**, and demonstrating that it should and can be maintained and improved alongside **financial sustainability**.

1.1. Effective use of resources

6. Delivering high-quality care means using resources as efficiently as possible to deliver the best outcomes for patients. Leaders at all levels of trusts need to deliver high quality, including safe, patient care within financial balance, while striving to operate more efficiently and effectively. This requires meeting financial

² www.cqc.org.uk/content/cqc-begin-work-assessing-use-resources-nhs-hospitals

³ The references to 'we' in this document refer to the respective functions of both the CQC and NHS Improvement.

controls and eliminating unwarranted variation at trust level, and working strategically with local partners to ensure the long-term sustainability of the health and care system. Trusts must also optimise their use of resources by improving leadership and governance of finances and use of resources.

7. As public sector organisations, trusts are expected⁴ to demonstrate to their patients and the public that they are delivering value for money through optimal use of all available resources (including workforce, finances, estates and facilities, informatics and procurement). Efficient use of these resources enables more to be channelled into frontline services to maintain and improve the quality of care for patients.
8. **Lord Carter's review** identified considerable efficiency opportunities for acute hospitals in these areas. As part of implementing this work, NHS Improvement is proposing to assess how trusts are using the resources available, to identify further efficiency opportunities to maximise patient benefit and to inform a rating by CQC. One area where this link is perhaps most often articulated is the optimal use of staff time and expertise. This might mean, for instance, fully engaging staff in operational delivery of the trust's strategic objectives, minimising sickness and turnover rates, and making best use of job planning and e-rostering. There is evidence that engaged staff, working in well-led organisations, are more productive.⁵

1.2. Effective leadership and governance

9. NHS Improvement and CQC are committed to supporting strong and effective leadership and governance. We know that the well-led framework has been a helpful resource both for CQC and NHS Improvement, as well as for trusts that use it as a self-assessment and improvement tool. This is why we have been working together to create a new well-led framework for trusts, building on the strengths of the previous version, and streamlining and updating it to cover system governance and leadership, leadership behaviours, culture, and finance and resource governance. By 'well-led' we mean that the leadership, management and governance of the organisation ensure the delivery of sustainable, high quality, patient-centred care, support learning and innovation, and promote an open and fair culture.

1.3. How NHS Improvement's and CQC's responsibilities relate to one another

10. The challenges facing the NHS require increased partnership working between health and social care providers to ensure that care is provided in the most

⁴ The expectations are set out in relevant legislation, the NHS provider licence and guidance.

⁵ See [Developing people – Improving care](#) and <https://improvement.nhs.uk/resources/culture-and-leadership/>

appropriate setting. This principle underpins the NHS [Five Year Forward View](#) and many of the policy initiatives that have arisen as a result, including multi-year, place-based sustainability and transformation plans (STPs). This expectation of closer partnership working must equally be reflected in how the national bodies responsible for the health and care sector operate. We will continue to align our approaches to overseeing provider organisations and understanding where support is needed.

11. CQC regulates quality based on how safe, effective, responsive, caring and well-led services are and will continue to provide these five ratings at overall trust level. The responsibility and ownership of all ratings will remain legally with CQC. NHS Improvement uses these ratings as part of its quality theme under the Single Oversight Framework. As currently, the well-led rating will include an assessment of trust-wide leadership, which will draw on input from, and be utilised by, NHS Improvement as appropriate. NHS Improvement also plans to undertake trust-level Use of Resources assessments, initially for acute trusts. NHS Improvement will utilise this to identify support needs under the finance and use of resources theme in the Single Oversight Framework as well as the basis for generating a proposed use of resources rating for consideration by CQC.

2. This consultation

12. This consultation seeks views on:

- The new Use of Resources assessment:
 - the proposed approach to carrying out Use of Resources assessments, initially for acute trusts only, including how we will assess trust performance and reach a rating (sections 3.1 and 3.2)
 - how NHS Improvement's Single Oversight Framework will reflect use of resources in its finance and use of resources theme (section 3.3).
- The new well-led framework:
 - the joint structure of the well-led framework for acute, mental health, community and ambulance trusts (section 4.2)
 - the proposed changes to the content, which includes more detail on themes such as compassionate, inclusive leadership, system leadership, and financial and resource governance (section 4.3)
 - how CQC and NHS Improvement will make use of the well-led framework in our regulatory and oversight activities (sections 4.4 and 4.5)
 - the relationship between the CQC well-led assessment and rating and the Single Oversight Framework (section 4.6).

13. Responses to this consultation, engagement events and iterative testing in early 2017 will shape our final approach and how it is implemented. Thirteen specific questions on our proposed approach appear throughout this consultation document. See Annex C and the survey website (see below for the link) for a complete list of the questions.
14. CQC is currently consulting on the next phase of its regulatory approach: www.cqc.org.uk/nextphase. We encourage trusts to read both consultations before responding.

2.1. Responding to the consultation

15. We look forward to receiving the views of providers and other stakeholders on our proposals. We ask all interested parties to respond to the consultation by **5pm on 14 February 2017** via our survey: <https://www.surveymonkey.co.uk/r/CQCNHSIconsultation>. Please email NHSICQC.Consultation@nhs.net if you have any difficulty accessing the survey.

2.2. Confidentiality

16. Please let us know if all or part of your response or identity is confidential so that we can exclude this from our published summary of responses. We will do our best to meet all requests for confidentiality, but because NHS Improvement and CQC are public bodies subject to freedom of information legislation we cannot guarantee that we will not be obliged to release your response (including potentially your identity) or part of it even if you say it is confidential.

3. Use of resources

3.1. Proposed approach to generating Use of Resources ratings

17. In considering how to bring together our respective oversight and regulatory approaches, we have agreed the following principles:

- trusts must have due regard to both quality and financial objectives in delivering services
- the assessment and rating of trusts' use of resources must be meaningful for patients and the public, as well as useful for providers, CQC and NHS Improvement
- the assessment and approach to ratings should be simple, robust and transparent
- providers must be able to achieve 'outstanding' and 'good' ratings and the approach must continue to incentivise improvement
- the assessment must minimise regulatory burden for providers as far as possible.

18. We will start by assessing use of resources for non-specialist acute trusts only, because they currently have better productivity data. As metrics are developed for NHS specialist acute, mental health, community and ambulance services, for instance through NHS Improvement's work on encouraging better productivity, such as through the Model Hospital,⁶ we will gradually incorporate them as appropriate. We therefore do not intend to assess the use of resources relating to non-acute activity in acute trusts at this stage, but will use information gathered during the assessments to help inform our future approach. Trusts currently classed as non-acute that deliver some acute services are also currently out of scope. We intend to revise our assessment approach and process as needed, for example when new organisational forms emerge.

Use of Resources assessment: the overall process

19. CQC and NHS Improvement have agreed that NHS Improvement will undertake the use of resources assessment in line with an agreed methodology and propose a rating. NHS Improvement will carry out an assessment to determine how effectively providers are using their resources to deliver high quality, including safe, efficient and sustainable care for patients. It will do this by

⁶ As part of the Carter Review, a 'model hospital' has been developed to give trusts information on key performance metrics, from board to ward, advise them on the most efficient allocation of resources and allow them to measure performance against one another using data, benchmarks and good practice to identify what good looks like.

assessing how well they are meeting financial controls, how financially sustainable they are, and how efficiently they use their resources more broadly while still delivering high quality care to patients. NHS Improvement will use this assessment to inform its oversight of trusts.

20. CQC will place appropriate weight on the evidence provided by the NHS Improvement assessment and the proposed rating, derived according to the final approved process and methodology. The decision on the rating will remain legally with CQC. This is a similar model to that used by NHS Improvement currently in drawing on CQC's quality ratings in the Single Oversight Framework.
21. NHS Improvement is best placed to lead on this assessment because of its role overseeing the financial performance and governance of the sector, and its existing skills and activities in these areas.

Timing

22. As part of a separate consultation, CQC is proposing to move to a more targeted approach that involves inspecting selected core services and assessing leadership at trust-level, approximately annually. The assessment of trusts' use of resources will be aligned with the regular scheduling of CQC assessments of well-led at trust level. We acknowledge that as Use of Resources assessments may be carried out at any point in the financial and operational year, this may affect the assessment of trusts' relative performance. We are therefore actively considering ways of taking this into account in producing the assessment, for example by looking at data over a 12-month averaged period.
23. We recognise that a trust may have improved, although its overall CQC rating, including the Use of Resources rating, will remain the same until its next assessment. This is consistent with current practice as set out in CQC's wider inspection methodology.

Assessment approach

24. The Use of Resources assessment methodology (see Figure 1) will consist of a qualitative and quantitative assessment based on a set of metrics that will include all the current finance and use of resources metrics in the Single Oversight Framework and a number of additional productivity metrics (see section 3.2). NHS Improvement will use these metrics and structured questions under a brief series of key lines of enquiry (KLOEs) and prompts (see Annex A) to help assess performance and identify potential scope for better use of resources. The methodology is designed to structure NHS Improvement's engagement with trusts and ensure consistency, but will not preclude additional questions, data or information from being used where relevant to the areas being explored. This methodology, alongside CQC's inspection approach, is currently being developed and will be finalised following testing in 2017.

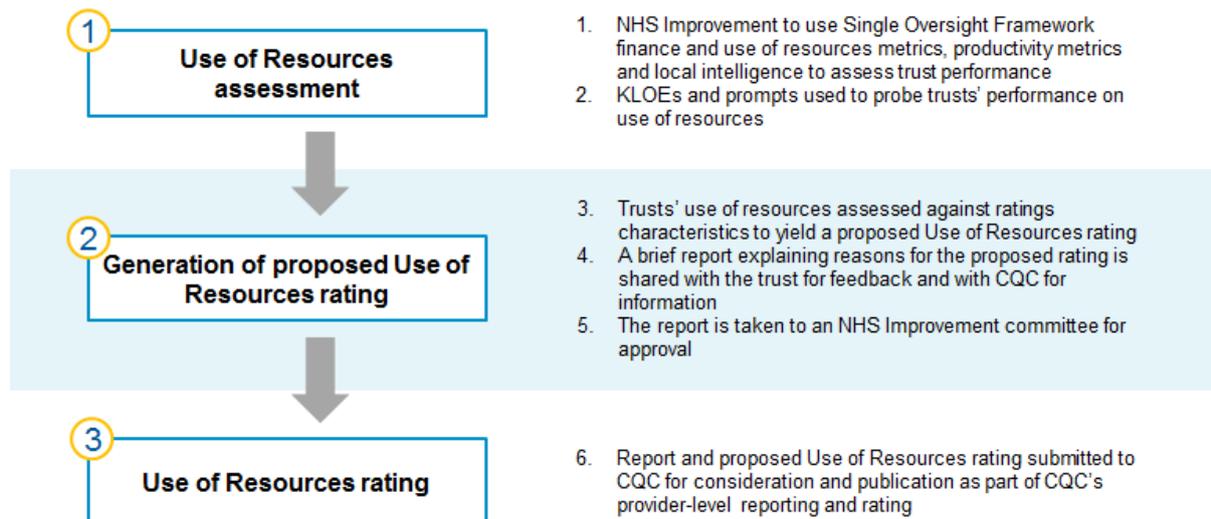
Rating and reporting

25. NHS Improvement will analyse productivity metrics and existing Single Oversight Framework finance metrics, together with the KLOEs used to probe the trust's performance on finance and use of resources and local intelligence. Having carried out this Use of Resources assessment, NHS Improvement will write a brief report based on the evidence collected. This report will be shared with trusts to give an opportunity to provide feedback before it is finalised, at which point CQC will also receive the report for information. The report and proposed rating will be subjected to internal quality assurance through an NHS Improvement committee. NHS Improvement will provide CQC with the report on its Use of Resources assessment, together with its proposed rating.
26. CQC will consider this report and NHS Improvement's proposals regarding the rating as part of the process of preparing and finalising its trust-level inspection report. CQC will give appropriate weight to NHS Improvement's report and recommendations in determining the trust's final Use of Resources Rating, and will report that evidence in the trust's inspection report.
27. Providers will be given a rating for their use of resources at the overall trust level, rather than at core service level, against CQC's four ratings levels of outstanding, good, requires improvement or inadequate. The rating will be generated by comparing the evidence gathered in the Use of Resources assessment against published ratings characteristics for the four ratings levels. We have proposed ratings characteristics as part of the Use of Resources assessment framework (see Annex A).
28. In the event that CQC does not agree with NHS Improvement's recommendation regarding the rating, we will set out a process for discussion between the two organisations.

Challenges to the evidence and CQC ratings

29. As at present, providers will have an opportunity to provide feedback on the factual accuracy of the CQC inspection report at the final draft stage (which will include the findings of the Use of Resources assessment and rating). If a provider challenges evidence relating to the Use of Resources assessment, CQC will work with NHS Improvement to review the evidence (and, where necessary, the rating) in light of the information received from the trust.

Figure 1: Use of Resources assessment methodology



Consultation question 1: Do you agree with the proposed process for assessing and rating trusts' use of resources?

Please tell us the reasons for your answer.

Presenting quality and use of resources ratings together

30. Work to date has primarily focused on developing the Use of Resources framework and assessment process. CQC will initially present the Use of Resources rating alongside its existing trust quality rating, but as we finalise the assessment methodology, the next step will be considering whether and how to combine the quality and Use of Resources ratings within CQC's overall trust-level ratings.

31. If we were to combine the Use of Resources rating with the current quality ratings, there are a number of different ways that this could be achieved. For instance, use of resources could be added to CQC's current key questions (safe, effective, caring, responsive and well-led) as a sixth question to be combined into a single overall trust rating. Another option would be to create an overall rating based on three elements: quality (aggregating the safe, effective, caring and responsive key questions), leadership (reflecting the well-led key question) and use of resources. Any combined options would initially only be for acute trusts. We will consult on proposals for this at a later date.

Consultation question 2: What are your views on how the Use of Resources rating could over time be combined with CQC's existing trust quality rating?

Enforcement and improvement action following the assessment

32. The finance and use of resources theme of the Single Oversight Framework helps to identify a trust's potential support needs in relation to improving financial sustainability, efficiency and compliance with sector controls such as agency staffing and capital expenditure (see Figure 2 for metrics). The use of resources assessment will feed into this. The Single Oversight Framework already provides the flexibility to take into account qualitative evidence to assess how trusts may be supported to improve. So where there are triggers of concern, NHS Improvement considers the relevant circumstances, including the provider's local context, the credibility of its plans, and its capacity and capability for improvement, to decide whether to offer targeted support on a voluntary basis or whether to take regulatory action to mandate support.⁷ NHS Improvement has a further set of criteria that it uses to determine if a trust should be placed in financial special measures.⁸ NHS Improvement and CQC are considering whether changes are needed to the special measures regimes, given the evolution of our respective oversight and regulatory approaches.

3.2. Use of Resources assessment framework

33. The aim of the new Use of Resources assessment is to understand how effectively providers are using their resources to provide high quality, efficient and sustainable care for patients. We will do this by assessing how well trusts are meeting financial controls, how financially sustainable they are, and how efficiently trusts use their finances, workforce, estates and facilities, data and procurement to deliver high quality, including safe, care for patients and service users. Initially, our approach will focus largely on acute non-specialist services, due to the availability and quality of data in this area. As metrics are developed for specialist acute, ambulance, mental health and community services, we will include them in this framework.

34. Consistent with the CQC approach to assessing providers, we will use a framework of key lines of enquiry (KLOEs) and prompt questions to help probe trust performance in a consistent way. The assessment framework (see Annex A) will have four themes, aligned with the Model Hospital to ensure that it is easy for trusts to understand:

⁷ Support is mandated where there is actual or suspected breach of the provider licence and formal enforcement action, ie mandated support, is considered appropriate.

⁸ See [Strengthening financial performance and accountability in 2016/17](#)

- **Finance:** How effectively is the trust managing its financial resources?
- **Clinical services:** How well is the trust maximising patient benefit, given its resources?
- **People:** How effectively is the trust using its workforce to maximise patient benefit?
- **Operational:** How well is the trust maximising its operational productivity?

35. In assessing trusts' use of resources we will draw on a range of financial and productivity metrics, including:

- the current finance and use of resources metrics in the Single Oversight Framework (see Figure 2)
- wider productivity metrics largely drawn from the Model Hospital that cover clinical services, workforce, finance, estates and facilities, and procurement (see Figure 3 for the full shortlist of indicative metrics).

36. NHS Improvement is working through the current shortlist of metrics testing data quality, timeliness and definitions to ensure they are credible and robust. The metrics will continue to evolve, as will the data available through the Model Hospital, for example allowing a metric reflecting change in cost per weighted activity unit (WAU)⁹ to be included in due course.

⁹ The cost per WAU is a relative measure of efficiency at trust level comparable between trusts in-year. The cost per WAU compares inputs (costs) to outputs (the amount of work trusts do for the NHS) to obtain a measure of productivity, or value for money: trusts that use fewer inputs per unit of output are more productive.

Figure 2: Finance and use of resources metrics in the Single Oversight Framework

Area	Weighting	Metric	Definition	Score			
				1	2	3	4 ¹
Financial sustainability	0.2	Capital service capacity	Degree to which the provider's generated income covers its financial obligations	>2.5x	1.75-2.5x	1.25-1.75x	< 1.25x
	0.2	Liquidity (days)	Days of operating costs held in cash or cash-equivalent forms, including wholly committed lines of credit available for drawdown	>0	(7)-0	(14)-(7)	<(14)
Financial efficiency	0.2	I&E margin	I&E surplus or deficit / total revenue	>1%	1-0%	0-(1)%	≤(1)%
Financial controls	0.2	Distance from financial plan	Year-to-date actual I&E surplus/deficit in comparison to Year-to-date plan I&E surplus/deficit	≥0%	(1)-0%	(2)-(1)%	≤(2)%
	0.2	Agency spend	Distance from provider's cap	≤0%	0%-25%	25-50%	>50%

37. Figure 3 sets out indicative metrics likely to form a core part of the Use of Resources annual assessment. These are for illustrative purposes and are not the final shortlist, as we expect this will change and improve as further data becomes available. The metrics will form the basis for engagement with trusts and no one metric will determine a trust's rating. NHS Improvement's regional teams' local intelligence and day-to-day interactions with trusts will also be used to understand the context in which the trust operates. Additional evidence, such as the metrics trusts use themselves, will be used to give broader insight into trust performance. NHS Improvement teams will also consider any additional available Model Hospital data.

Figure 3: Indicative use of resources metrics

Area of use of resources	Key lines of enquiry (KLOEs)	Indicative metrics
Finance	How effectively is the trust managing its financial resources?	<ul style="list-style-type: none"> Capital service capacity Liquidity (days) Income and expenditure margin Distance from financial plan Agency spend (performance against agency ceiling)

Clinical services	How well is the trust maximising patient benefit, given its resources?	<ul style="list-style-type: none"> • Pre-procedure non-elective bed days • Emergency readmissions • Cancelled operations • Proportion of beds occupied by those with an average length of stay of over seven days
People	How effectively is the trust using its workforce to maximise patient benefit?	<ul style="list-style-type: none"> • Vacancy and staff turnover rates • Sickness absence
Operational	How well is the trust maximising its operational productivity?	<ul style="list-style-type: none"> • Purchase Price Index Benchmark tool top 100 index • Estates cost per square metre • Pharmacy spend – quarter-on-quarter change

Consultation question 3: Do you think these initial indicative metrics provide a reasonable starting point for informing the assessment of a trust's performance on use of resources? Are there other metrics we should consider when assessing a trust's productivity?

Consultation question 4: What are your views on the indicative key lines of enquiry and prompt questions that we are proposing for the assessment of trusts' use of resources as set out in Annex A?

Please tell us if you think we should include something different or additional.

Consultation question 5: What are your views on the indicative characteristics we have proposed for the Use of Resources ratings of outstanding, good, requires improvement and inadequate as set out in Annex A?

Please tell us if you think we should include something different or additional.

3.3. Use of Resources ratings and the Single Oversight Framework

38. It is important to distinguish between a trust's finance and use of resources score (measured monthly in the Single Oversight Framework), its Single Oversight Framework segmentation and its annual Use of Resources assessment rating. They are related, but not the same.
39. On a rolling basis throughout the financial year, trusts are given a finance and use of resources score, derived from the metrics set out in the Single Oversight Framework. The score is intended to provide an assessment of the trust's financial performance. The score feeds into, but does not on its own determine, decisions on the level of support that a trust needs and its resulting segmentation.
40. Segmentation reflects NHS Improvement's judgement of the seriousness and complexity of the issues the trust faces and the level of support required (including whether that support should be targeted or mandated).¹⁰ A trust's finance and use of resources score may not necessarily align to its segment, where, for example, it has greater support needs in a theme other than finance and use of resources. There is a further set of criteria to determine whether, as part of the process for determining mandated support, a trust should go into special measures for finance and there is a well-established process for determining if a trust should go into quality special measures.
41. Where an annual Use of Resources assessment has been carried out, the proposed rating will be used to determine the trust's monthly finance and use of resources Single Oversight Framework scores for the month in which the assessment takes place – where 'outstanding' is equivalent to 1 and 'inadequate' equivalent to 4. The score produced on this basis will remain until there are relevant changes in a trust's financial performance identified by the monthly metrics and other relevant information. NHS Improvement will engage as necessary early next year on any other changes to the Single Oversight Framework.

Consultation question 6: Do you agree that the Use of Resources rating should be reflected in trusts' finance and use of resources scores in the Single Oversight Framework?

Please tell us the reasons for your answer.

¹⁰ Please see the [Single Oversight Framework](#) for more information on segmentation.

4. Well-led

4.1. Our approach to well-led

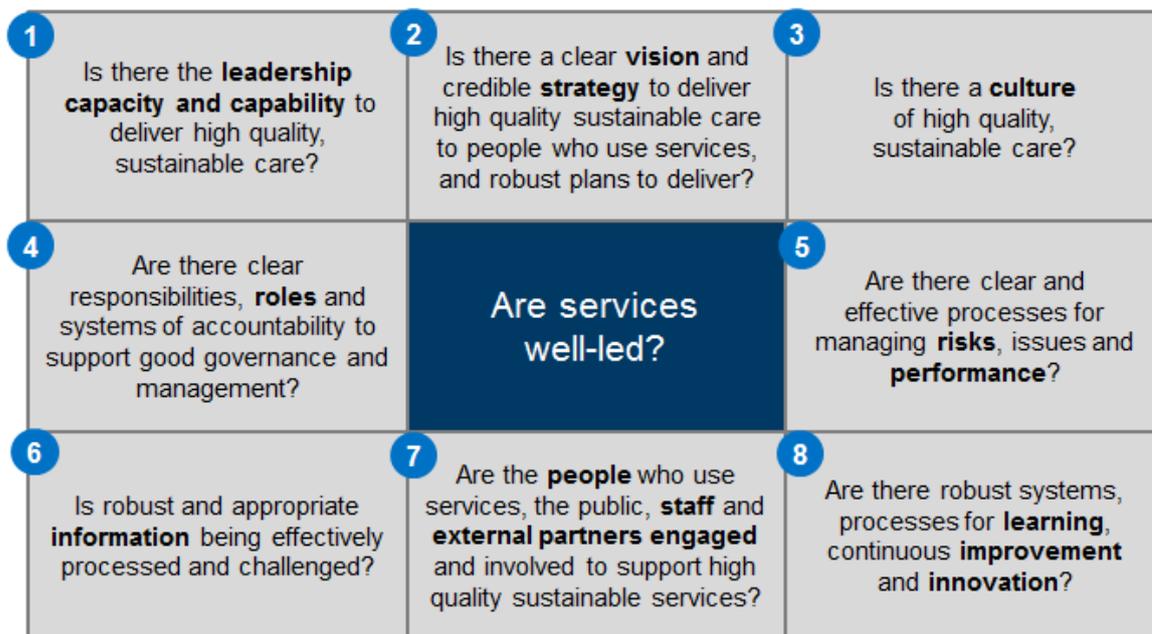
42. One of the key questions that CQC and NHS Improvement use to oversee and assess services is whether they are 'well-led'. By well-led, we mean that the leadership, management and governance of the organisation assure the delivery of high-quality person-centred care, supports learning and innovation, and promotes an open and fair culture.
43. As part of the further development and alignment of our respective oversight and regulatory regimes, CQC and NHS Improvement have been working on a new well-led framework for trusts, which builds on CQC's current well-led assessment and Monitor's previous [well-led framework for governance reviews](#). The revised approach to well-led for trusts will bring together the existing aligned well-led framework published by CQC, the NHS Trust Development Authority and Monitor in 2015 into a common structure.
44. In fully integrating our well-led framework, we are creating a single structure through which the leadership, management and governance of an organisation can be assessed or reviewed (including self-review). We also intend to integrate the ways we ask organisations to provide evidence to support our inspection and oversight.
45. As separate bodies with distinct legal duties and obligations, NHS Improvement and CQC will continue to set out individually their respective policies and operating procedures for using the well-led framework. This will be through NHS Improvement's Single Oversight Framework and well-led framework for developmental reviews (which NHS Improvement will be updating next year), and through CQC's handbooks for providers and other policies and guidance. The new well-led framework will not replace these individual policies and procedures, but will ensure they are consistent.
46. We are also working with NHS England so that our views of good leadership and governance are aligned across commissioners and providers. NHS England plans to look at similar areas to those covered under well-led for providers and will reflect some aspects of the well-led framework in its updates to the Clinical Commissioning Group Improvement and Assessment Framework.

4.2. Structure and content of the new well-led framework

47. The new proposed well-led framework for trusts has resulted in changes to the structure of KLOEs in CQC's well-led key question. The new framework integrates the structure and content of CQC's current five KLOEs with the ten

questions in Monitor’s well-led framework to create a new set of eight KLOEs (see Annex B).¹¹

Figure 4: Well-led framework key lines of enquiry



48. By integrating our frameworks, we aim to:

- minimise the burden on trusts
- minimise the potential for duplication of effort between NHS Improvement and CQC
- approach the assessments from the same perspective
- provide greater consistency in our judgements against the framework.

49. We have also updated the content of the well-led framework to make our approach clearer and to reflect developments in policy and practice.

4.3 New and strengthened themes in well-led

Compassionate, inclusive and effective leadership

50. The new well-led framework for trusts reflects recent research and evidence on effective leadership, and the principles articulated in [Developing people – Improving care](#), an evidence-based national framework to guide action on improvement skill-building, leadership development and talent management for

¹¹ Feedback on Annex B is welcome via the CQC consultation *Our next phase of regulation: A more targeted, responsive and collaborative approach* at www.cqc.org.uk/content/cqcs-next-phase

people in NHS-funded roles. These include the five conditions common to high quality systems that interact to produce a culture of continuous learning and improvement. The five conditions are (see KLOEs in Annex B for reference):

- leaders are equipped to develop high quality local health and care systems in partnership (included in prompts W1.4, W2.5, W4.4 and W7.4)
- leaders at all levels demonstrate inclusion and compassion in all their interactions (included in prompt W1.4 and throughout W3)
- individuals and teams at every level know established improvement methods and use them in partnership with patients, communities and citizens to improve their work processes and systems (included in prompt W8.2)
- there are support systems for learning at local, regional and national levels (included in prompts W3.5, W3.6 and throughout W8)
- the regulation and oversight system gives local organisations and systems control of driving learning and improvement (included in prompt W8.5).

51. There is stronger alignment with the critical leadership capabilities identified in *Developing People – Improving Care*, namely systems leadership skills, improvement skills and compassionate, inclusive leadership skills. NHS Improvement and CQC are currently working with other national healthcare bodies to develop resources and guidance to support providers in these areas.

Financial and resource governance

52. Under well-led, CQC already assesses aspects of the sustainability of service provision and whether financial issues are affecting the quality of care. The well-led framework takes an integrated approach to leadership and governance across quality, finance and operations, including resource governance. The KLOEs and prompts have been updated to provide a greater emphasis on financial and resource governance (for example, W2.1, W5.3, W6.1). This new, more comprehensive assessment of leadership and governance will enable and encourage provider boards to consider holistically how to drive necessary continuous improvements in the leadership and governance of their organisation, including a clearer emphasis on ensuring the sustainability of services (both clinical and financial).

System leadership

53. As set out in the Five Year Forward View, sustainable organisations operating as part of successful local health and care economies will deliver better outcomes for patients. Such collaboration, which has already begun between providers and their local system partners through the development of STPs, needs to be further developed and embedded to improve the quality and sustainability of services. It

is therefore increasingly important that organisations are well-led in the context of their local systems. We have strengthened several prompts to reflect good system leadership and information sharing across local systems (included in prompts W2.10, W3.3, W3.5, W4.4, W4.5, W7.4).

Consultation question 7: Do you agree with the additions to the well-led framework?

Please tell us the reasons for your answer.

Consultation question 8: Are there additional areas we could consider on quality, operational and financial governance?

4.4. CQC's well-led assessments

54. CQC and NHS Improvement are committed to using the same framework to oversee and assess trusts' leadership and governance across all aspects of quality, finance and operations, including resource governance. This will also help to ensure we do not duplicate information requests or activity.
55. CQC's trust-level assessment of well-led will be an evolution of its current approach to assessing and reporting on the key questions at the overall provider level. CQC's provider-level reports for trusts currently include a report on what it finds through assessment and inspection of trust-wide leadership under the well-led key question. This assessment is used to corroborate and, where necessary, modify the trust-level rating of well-led that would be generated through aggregation from the location-level ratings.
56. As set out in CQC's consultation on the next phase of its inspections, [Our next phase of regulation: A more targeted, responsive and collaborative approach](#), from 2017 CQC proposes to assess well-led at trust board level on a regular basis for all trusts, approximately annually, alongside a more targeted and risk-based approach to inspecting a selection of core services.
57. CQC's assessment of trust-wide leadership, governance, management and culture will be the starting point for the trust-level rating of well-led. This will take into account the findings for well-led at location-level, but will not be a simple aggregation of these. In strengthening its assessment of well-led, CQC is clear that there is a demonstrable link between leadership, culture and the delivery of safe, high-quality care and the focus on well-led is intended to support this link.
58. As with CQC's existing approach, the trust-level inspection of well-led will be conducted by a small, senior team of inspectors and specialist advisors. This team will draw on a range of evidence applicable at the overall trust board level, including interviews with board members and senior staff, focus groups, analysis

of data, review of strategic and trust-level policy documents, and information from external partners. In assessing financial management and resource governance aspects of the updated well-led framework, CQC will seek input from NHS Improvement where appropriate, building on NHS Improvement's work in the assessment of trusts' use of resources. The final judgement and responsibility and ownership of the well-led rating will remain with CQC.

59. The scope and depth of CQC's regular trust-level well-led inspections will vary according to the individual provider. In deciding on the nature of the inspection approach it will consider factors such as the size of the trust, the findings of previous inspections, and information gathered from the provider, external partners and other sources on performance and risks in the trust.

60. Where significant concerns are identified in CQC's inspections, NHS Improvement would commission more detailed governance reviews.

61. CQC will be developing and further testing its approach to inspecting well-led at trust level in the coming months, in collaboration with trusts and other stakeholders, including NHS Improvement.

You can provide feedback on the proposals for changes to the way that CQC will assess well-led in CQC's consultation [Our next phase of regulation](#)

4.5 Developmental reviews and board self-reviews

Developmental reviews by trusts

62. It is good practice for all trusts to regularly review their own leadership and governance. In line with good governance practice across all industries, they should carry out some form of external review of their governance arrangements on a regular basis, typically every three years.¹²

63. Developmental reviews will complement CQC's trust-level well-led reviews. Developmental reviews are both greater in scope and depth, forward-looking, preventative and focused on improvement. They aim to identify early any factors which may lead to future failings and provide insight into areas for further development.

64. Research has indicated that reliance on self-assessment may lead to positive bias or a lack of insight by some trust boards. An external perspective can provide more rigour, independence and objectivity. It supports boards to

¹² See for example the [UK Corporate Code of Governance](#)

challenge their self-reviews and more fully identify and overcome barriers that may impede their future effectiveness.

65. Trusts will assure themselves of their leadership and governance through a range of different means, such as external governance reviews (including peer review or consultancy support), advice from professional bodies, and feedback and guidance from regulators; these will be supported by self-reviews, internal audit, CQC inspections and board development programmes. Such developmental reviews reflect our view of good practice. As such, NHS Improvement proposes that, as for NHS foundation trusts now, developmental well-led reviews should be conducted on a 'comply or explain basis', meaning that trusts should be able to give a robust explanation if they use alternative means to assure themselves. As these reviews are for development purposes, trusts need only feed back that a review has been completed and if it identified any material governance concerns. Trusts' approach to learning from past developmental reviews, and planning for future reviews, would be a source of evidence that would be considered in CQC's regular trust-level well-led assessments.

66. In practice, providers in NHS Improvement's Single Oversight Framework segments 1 and 2 are already likely to be operating good governance practice, including seeking external assurance. These providers would generally need to explain to NHS Improvement's regional teams how they have assured themselves of the robustness of their governance arrangements. These reviews are likely to inform trusts' Annual Governance Statements¹³. Providers in Single Oversight Framework segments 3 and 4 may be required to commission developmental reviews as part of the support package agreed with NHS Improvement.

Consultation question 9: Do you have any views on NHS Improvement's proposals for developmental reviews?

Consultation question 10: Do you think that NHS Improvement's guidance should recommend developmental reviews (or equivalent activities):

- (a) every three years, as with the current expectation for NHS foundation trusts?**
- (b) every five years, thereby reducing the current frequency for NHS foundation trusts?**
- (c) on the basis of risk, primarily informed by the outcome of CQC's well-led inspections or NHS Improvement's ongoing oversight under the Single Oversight Framework segmentation?**

¹³ NHS trusts are required to prepare an Annual Governance Statement as set out by the [Department of Health Group Accounting Manual](#) and NHS foundation trusts are required to prepare one, as set out in the NHS foundation trust Annual Reporting Manual (please see [here](#) for draft).

Board self-reviews

67. Self-reviews are an important part of good governance, helping to promote transparency, self-reflection and development. Although they do not provide an independent perspective, they help trusts scope their developmental reviews by identifying areas of focus.
68. Currently, trusts undertaking developmental well-led reviews will assess themselves against the well-led framework to shape the depth and breadth of the areas for investigation. NHS foundation trusts should also already be doing annual self-assessments, as the [NHS foundation trust Code of Governance](#) requires that their annual reports state that they have reviewed the effectiveness of their systems of internal controls.
69. As currently, trusts will be asked by CQC to provide a commentary and any supporting evidence against the new well-led framework, which will be submitted as part of the Provider Information Request (PIR) issued by CQC ahead of its trust-level well-led assessments. This self-review process can therefore be used as the basis for the PIR and to support the developmental reviews as described above, thereby minimising the burden on trusts.

Consultation question 11: Are there any other ways in which CQC and NHS Improvement could further streamline and reduce duplication for trusts in respect of the oversight and assessment of well-led?

4.6. Link to Single Oversight Framework

70. CQC's rating of well-led under the new well-led framework, and any material concerns arising from developmental reviews, will feed into the leadership and improvement capability theme of the Single Oversight Framework, helping NHS Improvement to identify and deploy the appropriate support. The Single Oversight Framework also draws on other evidence, rather than relying wholly on an annual assessment, enabling NHS Improvement to respond to any emerging challenges facing individual providers. NHS Improvement will engage as necessary early next year on any updates to the Single Oversight Framework.

5. Next steps and testing

71. As part of this consultation, NHS Improvement and CQC will continue to engage with a wide range of stakeholders on our proposals. As part of this, we plan to test the options for the assessment of use of resources and well-led with a number of trusts in Quarter 4 2016/17.
72. After the consultation, CQC and NHS Improvement will further test the KLOEs, prompts and characteristics (across both use of resources and well-led) and the metrics, including data quality, to make sure they appropriately reflect trust performance.
73. We propose to begin the Use of Resources assessments with a period of extended piloting from Quarter 1 to Quarter 3 2017/18. This will include the generation of 'shadow' or 'indicative' use of resources ratings for trusts assessed during this period. This would be a similar approach to that taken by CQC in introducing its new assessments from 2012. This will mean that CQC and NHS Improvement can refine the approach and ensure the end-to-end process is robust and benefits trusts when it goes live. CQC and NHS Improvement will publish full guidance on the assessment and ratings approach when the methodology is fully developed and assured, before beginning full implementation.
74. CQC will introduce its new assessment framework and approach for trusts from April 2017. This means that the first new Provider Information Requests will be sent from April 2017, and the associated assessments will take place within the following two to six months and be informed by CQC Insight.¹⁴ CQC will roll out its new approach over two years to allow this to be evaluated, improved and refined. It expects that the approach will be fully embedded by April 2019, and at that point all trusts will have a well-led inspection and at least one core service inspection approximately every year.

Consultation question 12: Do you agree with our plans to develop, test and roll out our use of resources and well-led assessments?

Please tell us the reasons for your answer.

Consultation question 13: Are there other ways in which we should be engaging on our proposals for assessing and overseeing use of resources and well-led?

¹⁴ As set out in *Our next phase of regulation: A more targeted, responsive and collaborative approach*, this is intended to replace CQC's Intelligent Monitoring and has been designed to identify potential changes to quality since the previous inspection and will look at different organisational levels of data.

Annex A: Draft Use of Resources assessment framework

1. Introduction

As public sector organisations, NHS trusts and NHS foundation trusts (here together referred to as trusts) are expected to demonstrate to their patients, communities and taxpayers that they are delivering value for money, evidencing both efficiency and effectiveness. This is even more important in times of fiscal austerity. NHS Improvement and CQC believe there is significant potential for more productive use of resources across the NHS, which would improve quality of care for patients.

The aim of NHS Improvement's new annual Use of Resources assessment (see Figure A1) is to understand how effectively providers are using their resources to provide high quality, efficient and sustainable care for patients. We will do this by assessing how well trusts are meeting financial controls, how financially sustainable they are, and how efficiently trusts use their finances, workforce, estates and facilities, data and procurement to deliver high quality care for patients and service users. Initially, our approach will focus largely on acute non-specialist services, due to the availability and quality of data in this area. As metrics are developed for specialist acute, ambulance, mental health and community services, we will include them in this framework.

The principles that underpinned the development of the framework are:

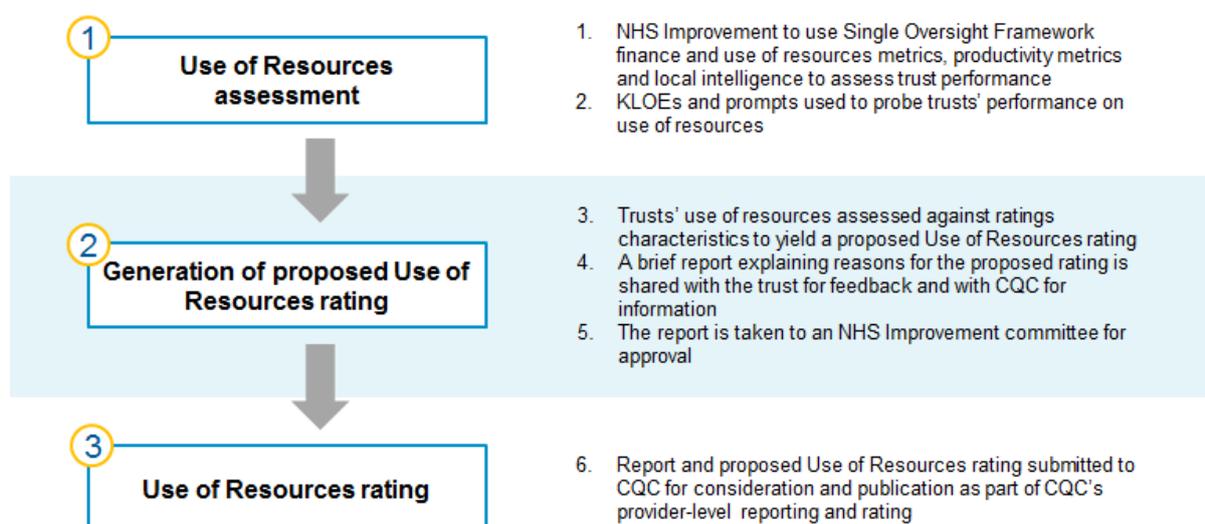
- the framework will link back to the Single Oversight Framework and will help NHS Improvement to identify trusts' support needs, as well as being a useful improvement tool for organisations
- there should be a focus on better quality of care and outcomes for patients
- the framework should align with and complement other national initiatives, in particular the Model Hospital dashboard developed following the Carter Review
- the assessment should be proportionate, minimising regulatory burden, and draw on existing data collections
- the prompts should promote good practice to aid beneficial innovation and improvement
- it should be apparent to trusts what information we will look for and what 'good' looks like.

The Use of Resources assessment framework broadly mirrors the structure of the well-led framework, with key lines of enquiry (KLOEs) and prompts (sub-questions) used to probe providers' performance on use of resources. The assessment is structured according to the compartments in the Model Hospital dashboard, with the

KLOEs corresponding to the following main areas of productivity – finance, clinical services, people and operational.

The proposed Use of Resources rating will be reached by examining performance against a small number of core metrics, and the related qualitative evidence from NHS Improvement’s day-to-day interactions with trusts and dedicated site visit(s) and engagement with key staff using agreed KLOEs and prompts. This evidence will subsequently be assessed against ratings characteristics, which outline what constitutes outstanding, good, requires improvement or inadequate for use of resources.

Figure A1: Use of Resources assessment process



2. Use of resources: the evidence

The Use of Resources assessment centres on performance at a trust level; leadership and governance of finance and resources will be considered as part of the well-led framework. NHS Improvement will draw on a wide range of evidence in its assessments (see Figure A2) with the starting point being a basket of core metrics (see below). Additionally, NHS Improvement will consider a wider set of relevant data and local intelligence. The metrics and suggested evidence outlined here help structure the assessment of trusts. Where appropriate, additional questions, data or information in the relevant areas will be used to form the overall judgement.

Use of Resources assessments will be conducted by:

- reviewing performance against the core metrics

- reviewing relevant additional evidence from dedicated site visit(s) against a set of KLOEs and prompts
- considering evidence emerging from day-to-day interactions with the trust.

Figure A2: Evidence for Use of Resources assessments

Core metrics	<ul style="list-style-type: none"> • How is the trust performing on each core metric? • Are there any outliers in the core metrics?
All metrics	<ul style="list-style-type: none"> • Are there any outliers in the wider set of metrics (e.g. Model Hospital)?
Local intelligence	<ul style="list-style-type: none"> • Are there any areas of finance and productivity not covered by the metrics, where the trust's performance is notable? • Are there any areas where good or less good use of resources by the trust is impacting on quality or operational performance? • Are there any areas of unrealised efficiencies?

Core metrics

The core metrics that form part of the Use of Resources assessment are the focal point of the Use of Resources assessment (Figure A3). The starting point is the finance and use of resources theme metrics currently found in NHS Improvement's Single Oversight Framework. The other core metrics are productivity metrics drawn largely from the Model Hospital, covering finance, clinical services, operational and people. We are also seeking to develop the cost per weighted activity unit (WAU) metric so that it can be included in these core metrics.¹⁵

Technical guidance associated with the metrics, in particular what it means to perform well on any one of the core metrics, will be published in due course but see Appendix 1 to this annex for further details about our rationale for their inclusion.

The metrics will be used as the basis for the engagement with trusts as part of the assessment and no single metric will determine a trust's rating. Local intelligence and engagement with trusts will help us to understand the context in which the trust is operating. Additional relevant evidence, such as any metrics the trust is using to assess its productivity, will also give a broader picture of performance.

¹⁵ The cost per WAU is a relative measure of efficiency at trust level comparable between trusts in-year. The cost per WAU compares inputs (costs) to outputs (the amount of work trusts do for the NHS) to obtain a measure of productivity, or value for money: trusts which use fewer inputs per unit of output are more productive.

There is ongoing work to develop productivity metrics relating to specialist, mental health, community and ambulance trusts, as well as to develop additional metrics for acute trusts. It would not be appropriate or practicable to replicate the full range of productivity metrics available in the Model Hospital in this assessment. Rather, we will consider whether new metrics provide broader insight into the productivity of trusts and should become part of the core metrics.

Figure A3: KLOE themes and indicative metrics

Area of use of resources	Indicative metrics
Finance	<ul style="list-style-type: none"> • Capital service capacity • Liquidity (days) • Income and expenditure margin • Distance from financial plan • Agency spend
Clinical services	<ul style="list-style-type: none"> • Pre-procedure non-elective bed days • Emergency readmissions • Cancelled operations • Proportion of beds occupied by those with an average length of stay of over seven days
People	<ul style="list-style-type: none"> • Vacancy and staff turnover rates • Sickness absence
Operational	<ul style="list-style-type: none"> • Purchase Price Index Benchmark tool top 100 index • Estates cost per square metre • Pharmacy spend – quarter-on-quarter change

For all metrics that we consider in assessing trusts' use of resources, our approach will be to ask the following general questions:

- Is the trust monitoring its performance against this measure?
- How does the performance compare to a relevant benchmark or target?
- Has the measure improved or deteriorated in the last 3-6 months?
- Is there a reason or relevant context for the trust's performance?
- Has the trust implemented any activities or interventions in order to improve performance as appropriate in the given area? Are they effective?

Additional evidence

Additional evidence will give a more rounded view of trust performance. It will help to give context to the trust's performance and identify where improvements can be made in areas that may have been missed by examining core metrics alone. In addition to the suggested metrics, we will also consider any metrics that the trust was using to assess or benchmark its performance.

When considering further evidence during Use of Resources assessments, additional data sources and metrics could for instance include metrics available through Better Care Better Value and the Model Hospital, such as care hours per patient day and more granular cost per working activity unit metrics.

Local intelligence

Local intelligence gathered during day-to-day interactions with trusts gives NHS Improvement a more rounded view of trust performance and the context in which the trust operates. It will help identify areas of poor performance, unrealised efficiencies and areas for improvement.

When considering local knowledge of the trust, we will particularly reflect on the following questions:

- Are there any areas of finance and productivity not covered by the metrics, where the trust's performance is notable?
- Are there any areas of quality or operational performance that could help provide a view on how well the trust is using its resources?
- Are there any areas of unrealised efficiencies?

3. Use of resources: the assessment

The aim of the Use of Resources assessment is to understand how effectively providers are using their resources to provide high quality, efficient and sustainable

care for patients. The KLOEs, prompts and performance against core metrics will serve as a basis for dialogue with trusts to come to a judgement on the trust’s use of resources.

Building on the day-to-day interaction with trusts, NHS Improvement will also undertake a site visit(s) to obtain input from the key board members/executives who have responsibility for productivity and financial control. In conducting the assessment, we will use the KLOEs and prompts to help probe trust performance in a consistent way.

Key lines of enquiry

KLOEs are the basis for all engagement with trusts and are the lens through which the core metrics and trust performance should be seen (Figure A4). KLOEs serve to keep focus on the themes of the assessment throughout the process.

The KLOEs of the assessment are aligned with the Model Hospital, which is made up of four dashboards: clinical services, operational, people and a board-level dashboard, which includes finance.

Figure A4: Overview of key lines of enquiry

Area of use of resources	Key lines of enquiry (KLOEs)
Finance	How effectively is the trust managing its financial resources to deliver high quality, sustainable services for patients?
Clinical Services	How well is the trust maximising patient benefit, given its resources?
People	How effectively is the trust using its workforce to maximise patient benefit?
Operational	How well is the trust maximising its operational productivity?

Prompts

The aim of the prompts (Figure A5), or sub-questions, is to get a better understanding of trust performance, contextual information and remedial actions undertaken by the trust. NHS Improvement will rely on these during the interview stage of the assessment.

Figure A5: Indicative prompts for key lines of enquiry

KLOE	Prompts
<p>Finance: How effectively is the trust managing its financial resources to deliver high quality, sustainable services for patients?</p>	<ul style="list-style-type: none"> • Is the trust delivering, or on target to deliver, its control total and annual financial plan? • Is the trust maintaining positive cash reserves? • Is the trust able to adequately service its debt obligations? • How far does the trust rely on non-recurrent cost improvement plans (CIPs) to achieve financial targets? • What is the trust’s track record of delivering CIP schemes? • Is the trust taking all appropriate opportunities to maximise its income? • Is the trust operating within the agency ceiling? • How does the trust use costing data across its service lines?
<p>Clinical services: How well is the trust maximising patient benefit, given its resources?</p>	<ul style="list-style-type: none"> • How far are delayed transfers of care that are within the trust’s control leading to a lack of bed capacity and/or cancellations of elective operations? • Is the trust improving clinical productivity by doing what could reasonably be expected of it in co-ordinating services across the local health and care economy? • What is the rate of emergency readmissions? • What is the rate of DNAs (did not attend)? • What percentage of elective and non-elective cases is admitted on the day of surgery for each specialty? • What percentage of planned activity is cancelled on the day of surgery for each specialty and for what reasons?
<p>People: How effectively is the trust using its workforce to maximise patient</p>	<ul style="list-style-type: none"> • How is the trust tackling excessive pay bill growth, where relevant? • How well is the trust reducing its reliance on agency staff? • Are there significant gaps in current staff rotas? What is the trust doing to

benefit?	<p>address these?</p> <ul style="list-style-type: none"> • To what extent does the trust rely on management consultants or other external support services? • Is the trust making effective use of e-rostering or similar systems, for nurses, midwives, healthcare assistants and other clinicians? How many weeks in advance are the trust's rosters signed off? • Is there an appropriate skill mix for the work being undertaken? Are beneficial alternative or non-traditional staffing models of care delivery being investigated? • Is the trust an outlier in terms of sickness absence and/or staff turnover? • What proportion of consultants have a current job plan? How is job plan data captured? • What is the average number of sessions per consultant in the trust and what proportion involve direct clinical care?
<p>Operational: How well is the trust maximising its operational productivity?</p>	<ul style="list-style-type: none"> • What progress is being made towards meeting the estates and facilities CIP productivity efficiencies? • How effectively is backlog maintenance being managed? • Is the trust using technology in innovative ways to improve efficiency? For example, patients receive telephone or virtual follow-up appointments after elective treatment. • What is the trust doing to consolidate its corporate service functions? Which functions are being consolidated and how? • Is the trust collaborating appropriately with other service providers to deliver non-urgent pathology services? • Is the trust an outlier in terms of its procurement costs, including medicines spend? • Is the trust looking for and implementing appropriate efficiencies in its procurement processes?

4. Ratings characteristics

We have developed indicative characteristics to describe what outstanding, good, requires improvement and inadequate use of resources look like (see below for indicative areas and wording). This framework, when applied using judgement and taking into account good practice and recognised guidelines, will guide NHS Improvement and CQC when assessing trusts' use of resources and determining ratings. The characteristics set out the kinds of factors that will be taken into account in making our overall assessment. A trust will not have to demonstrate all the attributes in a ratings characteristic to have it applied to them nor will a characteristic be applied purely because the majority of the attributes are considered to be present. Ratings will be proportionate to all the available evidence and the specific circumstances.

NHS Improvement will write a brief report based on the assessment and evidence collected and use the ratings characteristics to come to a proposed Use of Resources rating. The report will be shared with trusts to give an opportunity to provide feedback before it is finalised, at which point CQC will also receive the report for information. The report and proposed rating will be subjected to internal quality assurance, through an NHS Improvement committee. A NHS Improvement committee will ratify the final proposed rating. NHS Improvement will provide CQC with the report on its use of resources assessment, together with its proposed rating.

CQC will consider the report and the proposed rating as part of the process of preparing and finalising its trust-level inspection report. CQC will give appropriate weight to NHS Improvement's report and recommendations in determining the trust's final Use of Resources rating and report that evidence in the trust's inspection report.

As at present, providers will have an opportunity to provide feedback on the factual accuracy of the CQC inspection report at the final draft stage (which will include the findings of the Use of Resources assessment and rating). If a provider challenges evidence relating to the Use of Resources assessment, CQC will work with NHS Improvement to review the evidence (and, where necessary, the rating) in light of the information received from the trust.

Outstanding (1)

The trust is performing strongly, well above minimum acceptable requirements, achieving excellent value for money.

The trust takes a proactive, and often innovative, approach to anticipating and managing finances and other resources, which supports the delivery of high quality care and demonstrates that value for money is being achieved. It has an excellent track record of managing spending within available resources.

The trust manages its resources in a way that allows it to exceed its financial obligations on a sustainable basis. The trust is likely or planning to be on course to deliver a sustainable surplus in the next 12 months.

Overall, resources are used as efficiently and effectively as possible to provide the best possible value (that is, quality and cost) to patients and taxpayers, for example around the income and expenditure margin.

Use of resources is actively planned and managed to meet the operational and financial objectives of the hospital, for example performance against financial plan, well-managed cost improvement programmes (CIPs) (with long-term plans to transform clinical and non-clinical services resulting in permanent cost savings and improvements in care) and management consultancy spend.

There is effective control over staff costs, including regarding pay bill growth, operating below or at its agency cap, and low vacancy and staff turnover levels. There are examples of staffing innovation replacing traditional models of care delivery (for example, use of nursing associates).

The organisation plans, organises and deploys its workforce effectively to maximise productivity.

Overall cost-effectiveness of the estates management function is regularly monitored and managed, for example by keeping estates and facilities running costs low and addressing the property maintenance backlog with plans to reduce this over time.

The trust can demonstrate the use of technology in innovative ways to improve efficiency, for example through telephone and virtual follow-up appointments, real-time monitoring and reporting of operational data, medical staff job planning through e-rostering systems, e-prescribing, basic electronic catalogues for procurement and electronic payments.

The trust is actively looking for and implementing appropriate efficiencies across the majority of its procurement processes, and consolidation of back office and pathology services is underway.

There is a holistic approach to planning patient discharge, transfer or transition to other services that are more appropriate for the delivery of their care or rehabilitation, resulting in reduced lengths of stay. Additionally, clinical productivity improvements are achieved by appropriately co-ordinating services across the local health and care economy, leading to low rates of emergency readmissions.

Good (2)

The trust is performing well and consistently above minimum acceptable levels.

The trust is actively managing resources to meet its financial obligations on a sustainable basis to deliver high quality care and good value for money. There are few additional efficiencies to be realised.

The trust is meeting its operational and financial objectives, demonstrated by being on target to deliver its financial plan, well-managed consultancy spend and CIPs. Staffing costs are generally well controlled, for example regarding pay bill growth, acceptable vacancy and turnover rates, and distance from the trust's cap on agency controls.

Total estates and facilities running costs per area (£/m²) are relatively low and a plan is in place to reduce property maintenance backlog over time.

While not fully mature, the trust is using technology in some areas to improve productivity and effectiveness, for example by better utilisation of existing digital systems and introducing medical staff job planning through e-rostering systems.

The trust is actively looking for and implementing some efficiencies in its procurement processes, and consolidation of back office and pathology services is underway.

There are good attempts to have a holistic approach to planning patient discharge, transfer or transition to other services that are more appropriate for the delivery of their care or rehabilitation, resulting in reduced lengths of stay. There are good attempts to achieve clinical productivity improvements through appropriately co-ordinating services across the local health and care economy, leading to low rates of emergency readmissions.

Requires improvement (3)

The trust is demonstrating adequate performance and operating at only minimum acceptable levels of performance to operate effectively.

The trust does not consistently manage its resources in a way that allows it to meet its financial obligations on a sustainable basis and to deliver high quality care and good value for money. Many unmet efficiency opportunities have been identified.

Use of resources is not always actively planned and managed to meet both the trust's operational and financial objectives, as evidenced, for example, by being behind on

delivery of the financial plan, and exceeding the trust's cap on agency controls.

Resources are not being used as efficiently as possible to maximise possible value to patients and taxpayers.

There is little management of the maintenance backlog, CIPs are failing to deliver recurrent efficiencies or are cutting resources without sufficient consideration of the potential impact on quality, and management consultancy spend is not well managed. Opportunities have not been taken to consolidate back office or pathology functions.

There is inadequate control over staff costs, with high vacancy and staff turnover rates as a percentage of the average total staff and poor job planning, indicating reduced effectiveness of human resources.

A material number of patients are receiving care in the wrong clinical setting and the trust is not doing enough to address the delayed transfers of care for patients out of the acute hospital setting. Poor discharge planning and a lack of collaborative working are resulting in high rates of emergency readmissions.

The trust is using minimal, if any, innovative technology to improve efficiency, with little use made of its existing digital systems. For example, there are no basic electronic catalogues for procurement.

Inadequate (4)

The trust demonstrates inadequate performance and is operating below minimum requirements, raising very serious and/or complex concerns.

The trust is not managing its finances and other resources in a way that supports the delivery of high quality care or demonstrates value for money is being achieved. As such, the trust's operation is significantly worse than similar trusts.

The trust consistently fails to manage its resources in a way that allows it to meet its financial obligations.

Resources are not used as efficiently as possible, so good value to patients and taxpayers is rarely achieved. Significant and wide ranging unmet efficiency opportunities have not been identified or there is clear evidence that quality of care is being compromised by the implementation of efficiency initiatives.

There is minimal or no active planning and management of resources to meet both the trust's operational and financial objectives, evidenced, for example, by it failing to deliver the submitted financial plan and being more than 50% above its cap on agency controls.

The workforce is not being used effectively, demonstrated by substantial or frequent

staff shortages, high vacancy and turnover rates and poor job planning.

There is over reliance on agency staff, inappropriate use of management consultancy and undue pay bill growth.

There is no effective programme in place to repair and maintain the trust's estate.

Little or no work is being undertaken on consolidation of back office and pathology services. Plans for patient discharge or transfers are incomplete or significantly delayed, and as such patients are not moved into settings that are more appropriate for the delivery of their care or rehabilitation, or are being cared for in the wrong clinical setting. Poor discharge planning and a lack of collaborative working are resulting in unacceptably high rates of emergency readmissions.

The trust is not utilising its existing digital systems and is doing little to use technology in innovative ways to improve efficiency, for example no use of basic electronic catalogues for procurement and no payments made electronically.

Appendix 1: Use of resources metrics and rationale

We will publish a set of technical definitions with the final assessment framework.

Area	Indicative metrics	Rationale
Finance	<ul style="list-style-type: none">Capital service capacity	This metric assesses the degree to which the organisation's generated income covers its financing obligations.
	<ul style="list-style-type: none">Liquidity (days)	This metric measures the days of operating costs held in cash or cash equivalent forms. This reflects the provider's ability to pay staff and suppliers in the immediate term. Providers should maintain a positive number of days of liquidity.
	<ul style="list-style-type: none">I&E margin	This metric measures the degree to which an organisation is operating at a surplus or deficit. Operating at a sustained deficit indicates that a provider may not be financially viable or sustainable.

	<ul style="list-style-type: none"> Distance from financial plan 	<p>This metric measures the variance between the trust's annual financial plan and its actual performance. Trusts are expected to be on, or ahead, of financial plan, so as to ensure that the sector achieves, or exceeds, its annual forecast. Being behind plan may be the result of poor financial management, poor financial planning or both.</p>
	<ul style="list-style-type: none"> Agency spend 	<p>Over reliance on agency staff can significantly increase costs without increasing productivity. Organisations should aim to reduce the proportion of their pay bill spent on agency staff.</p>
Clinical services	<ul style="list-style-type: none"> Pre-procedure non-elective bed days 	<p>This metric looks at the length of stay between admission and an emergency procedure being undertaken – the aim being to minimise it – and the associated financial productivity opportunity of reducing this. Better performers will have a lower number of bed days.</p>
	<ul style="list-style-type: none"> Emergency readmissions 	<p>This metric looks at the number of emergency readmissions within 30 days of the original procedure/stay, and the associated financial opportunity of reducing this number. Better performers will have a lower rate of readmission.</p>
	<ul style="list-style-type: none"> Cancelled operations 	<p>This metric looks at the number of (emergency) operations cancelled (for a second time) – and the associated opportunity of reducing the rate of cancellation. Better performers will have a lower rate of cancellation.</p>
	<ul style="list-style-type: none"> Proportion of beds occupied by those with an average length of stay of over seven days 	<p>This metric looks at the proportion of beds occupied by those with a length of stay of more than seven days ('stranded patients'), and the associated financial opportunity of discharging patients at the point when inpatient hospital care is no longer required. This is looked at as a daily rate.</p>

People	<ul style="list-style-type: none"> • Staff turnover rates 	<p>This metric considers the stability of the workforce. Some turnover in an organisation is acceptable and healthy, but a high level can impact negatively on organisational performance (eg through loss of capacity, skills and knowledge). In most circumstances organisations should seek to reduce the percentage of leavers over time.</p>
	<ul style="list-style-type: none"> • Sickness absence 	<p>High levels of sickness absence can impact negatively on organisational performance and productivity. Organisations should aim to reduce the number of days lost through sickness absence over time.</p>
Operational	<ul style="list-style-type: none"> • Purchase Price Index Benchmark tool top 100 index 	<p>This metric is a proxy for the efficiency of the trust's procurement and its effectiveness in achieving savings. It compares a trust's spend on its top 100 items with the average for other trusts, to benchmark procurement spent, while taking into consideration the differences in trust profiles. The opportunity for trusts is in reducing spend to the average.</p>
	<ul style="list-style-type: none"> • Estates cost 	<p>This metric examines the overall cost-effectiveness of the trust's estates, looking at the cost per m². The aim is to reduce property costs relative to those paid by peers over time.</p>
	<ul style="list-style-type: none"> • Pharmacy spend (quarter-on-quarter change) 	<p>This metric looks at the percentage change in pharmacy/medicines spend from the last quarter to the latest reported quarter. Better performers will find ways to minimise spend.</p>

Annex B: The Care Quality Commission and NHS Improvement’s shared approach to well-led¹⁶

1. Introduction

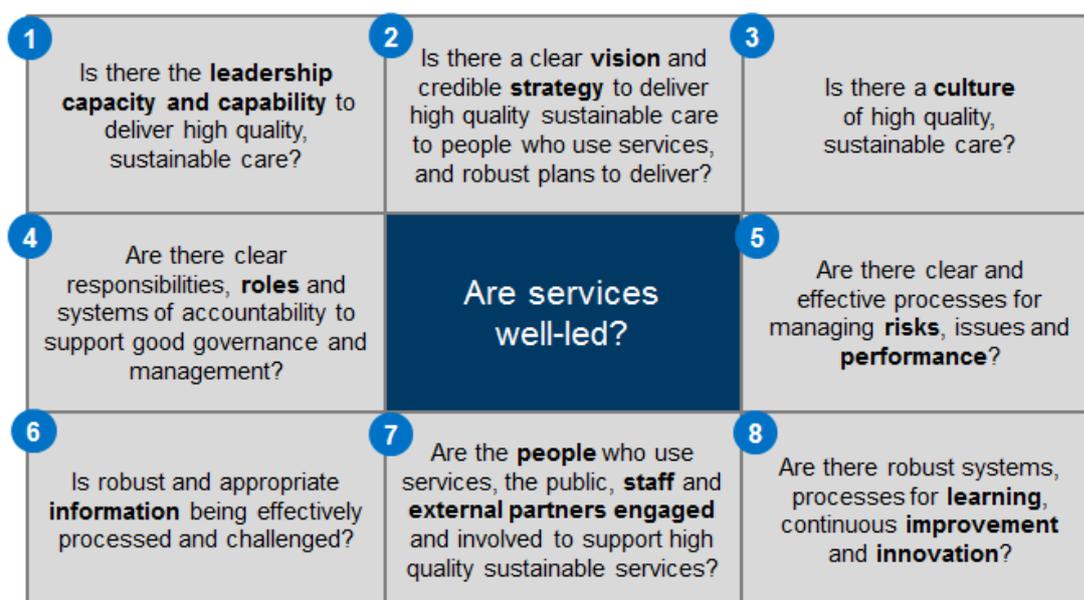
One of the five key questions that the Care Quality Commission (CQC) uses to assess services is whether they are ‘well-led’. By well-led, we mean that the leadership, management and governance of the organisation assures the delivery of high quality person-centred care, supports learning and innovation, and promotes an open and fair culture.

NHS Improvement and CQC have been working together to agree a shared definition of a well-led provider. We are also working to agree an integrated approach to assessing well-led, so that it minimises burden, while providing timely identification of any improvements needed. We are consulting on a new joint framework (the main document), which builds on CQC’s current approach and Monitor’s previous well-led framework published in 2014.¹⁷

2. Key lines of enquiry

The proposed new well-led framework is based on eight key lines of enquiry (KLOEs). This framework brings together CQC’s current five KLOE and the ten questions asked in Monitor’s well-led framework published in 2014.

Figure B1: Well-led framework key lines of enquiry



¹⁶ Feedback on Annex B is welcome via the CQC consultation [Our next phase of regulation: A more targeted, responsive and collaborative approach](#)

¹⁷ See www.gov.uk/government/publications/well-led-nhs-foundation-trusts-a-framework-for-structuring-governance-reviews

3. Prompts for each key lines of enquiry

Below we list the prompts for each KLOE. These can also be found in CQC’s consultation on their next phase approach.

NHS Improvement will publish further guidance, including a good practice guide, to help trusts to:

- identify what good leadership and governance looks like
- structure their developmental reviews.

Code	Prompt	Core/ sector specific
W1	Is there the leadership capacity and capability to deliver high quality, sustainable care?	
W1.1	Do leaders have the skills, knowledge, experience and integrity that they need –both when they are appointed and on an on-going basis?	Core
W1.2	Do leaders understand the challenges to quality and sustainability, and can they identify the actions needed to address them?	Core
W1.3	Are leaders visible and approachable?	Core
W1.4	Are there clear priorities for ensuring sustainable, compassionate, inclusive and effective leadership, and is there a leadership strategy or development programme, which includes succession planning?	Core
W2	Is there a clear vision and credible strategy to deliver high quality sustainable care to people who use services, and robust plans to deliver?	
W2.1	Is there a clear vision and a set of values, with quality and sustainability as the top priorities?	Core
W2.2	Is there a robust, realistic strategy for achieving the priorities and delivering good quality sustainable care?	Core
W2.3	Have the vision, values and strategy been developed using a structured planning process in collaboration with staff, people who use services, and external partners?	Core

W2.4	Do staff know and understand what the vision, values and strategy are, and their role in achieving them?	Core
W2.5	Is the strategy aligned to local plans in the wider health and social care economy, and have services been planned to meet the needs of the relevant population?	Core
W2.6	Is progress against delivery of the strategy and local plans monitored and reviewed, and is there evidence to show this?	Core
W3	Is there a culture of high quality, sustainable care?	
W3.1	Do staff feel supported, respected and valued?	Core
W3.2	Is the culture centred on the needs and experience of people who use services?	Core
W3.3	Do staff feel positive and proud to work in the organisation?	Core
W3.4	Is action taken to address behaviour and performance that is inconsistent with the vision and values, regardless of seniority?	Core
W3.5	Does the culture encourage candour, openness and honesty at all levels within the organisation, including with people who use services in response to incidents? Do leaders and staff understand the importance of staff being able to raise concerns without fear of retribution, and is appropriate learning and action taken as a result of concerns raised?	Core
W3.6	Are there mechanisms for providing all staff at every level with the development they need, including high quality appraisal and career development conversations?	Core
W3.7	Is there a strong emphasis on the safety and well-being of staff?	Core
W3.8	Are equality and diversity promoted within and beyond the organisation? Do all staff, including those with particular protected characteristics under the Equality Act, feel they are treated equitably?	Core
W3.9	Are there cooperative, supportive and appreciative relationships among staff? Do staff and teams work collaboratively, share responsibility and resolve conflict quickly and constructively?	core

W4	Are there clear responsibilities, roles and systems of accountability to support good governance and management?	Core
W4.1	Are there effective structures, processes and systems of accountability to support the delivery of the strategy and good quality, sustainable services? Are these regularly reviewed and improved?	Core
W4.2	Do all levels of governance and management function effectively and interact with each other appropriately?	Core
W4.3	Are staff at all levels clear about their roles and do they understand what they are accountable for, and to whom?	Core
W4.4	Are arrangements with partners and third-party providers governed and managed effectively to encourage appropriate interaction and promote coordinated, person-centred care?	Core
W4.5	Are there robust arrangements to make sure that hospital managers discharge their specific powers and duties according to the provisions of the Mental Health Act 1983?	Specialist MH services
W5	Are there clear and effective processes for managing risks, issues and performance?	Core
W5.1	Are there comprehensive assurance systems, and are performance issues escalated appropriately through clear structures and processes? Are these regularly reviewed and improved?	Core
W5.2	Are there processes to manage current and future performance? Are these regularly reviewed and improved?	Core
W5.3	Is there a systematic programme of clinical and internal audit to monitor quality, operational, and financial processes, and systems to identify where action should be taken?	Core
W5.4	Are there robust arrangements for identifying, recording and managing risks, issues and mitigating actions? Is there alignment between the recorded risks and what staff say is 'on their worry list'?	Core
W5.5	Are potential risks taken into account when planning services, for example seasonal or other expected or unexpected fluctuations in demand, or disruption to staffing or facilities?	Core

W5.6	When considering developments to services or efficiency changes, how is the impact on quality and sustainability assessed and monitored? Are there examples of where the financial pressures have compromised care?	Core
W6	Is robust and appropriate information being effectively processed and challenged?	Core
W6.1	Is there a holistic understanding of performance, which sufficiently covers and integrates people's views with information on quality, operations and finances? Is information used to measure for improvement, not just assurance?	Core
W6.2	Do quality and sustainability both receive sufficient coverage in relevant meetings at all levels? Do all staff have sufficient access to information, and challenge it appropriately?	Core
W6.3	Are there clear and robust service performance measures, which are reported and monitored?	Core
W6.4	Are there effective arrangements to ensure that the information used to monitor, manage and report on quality and performance is accurate, valid, reliable, timely and relevant? What action is taken when issues are identified?	Core
W6.5	Are information technology systems used effectively to monitor and improve the quality of care?	Core
W6.6	Are there effective arrangements in place to ensure that data or notifications are submitted to external bodies as required?	Core
W6.7	Are there robust arrangements (including internal and external validation), to ensure the availability, integrity and confidentiality of identifiable data, records and data management systems, in line with data security standards? Are lessons learned when there are data security breaches?	Core
W7	Are the people who use services, the public, staff and external partners engaged and involved to support high quality sustainable services?	Core
W7.1	Are people's views and experiences gathered and acted on to shape and improve the services and culture? Does this include people in a range of equality groups?	Core

W7.2	Are people who use services, those close to them and their representatives actively engaged and involved in decision-making to shape services and culture? Does this include people in a range of equality groups?	Core
W7.3	Are staff actively engaged so that their views are reflected in the planning and delivery of services and in shaping the culture? Does this include those with a protected characteristic?	Core
W7.4	Are there positive and collaborative relationships with external partners to build a shared understanding of challenges within the system and the needs of the relevant population, and to deliver services to meet those needs?	Core
W7.5	Is there transparency and openness with all stakeholders about performance?	Core
W8	Are there robust systems and processes for learning, continuous improvement and innovation?	Core
W8.1	In what ways do leaders and staff strive for continuous learning, improvement and innovation? Does this include participating in appropriate research projects and recognised accreditation schemes?	Core
W8.2	Are there standardised improvement tools and methods, and do staff have the skills to use them?	Core
W8.3	How effective is participation in and learning from internal and external reviews, including those related to mortality or the death of a service user? Is learning shared effectively and used to make improvements?	Core
W8.4	Do all staff regularly take time out to work together to resolve problems and to review individual and team objectives, processes and performance? Does this lead to improvements and innovation?	Core
W8.5	Are there systems in place to support improvement and innovation work, including objectives and rewards for staff, data systems, and processes for evaluating and sharing the results of improvement work?	Core

4. Well-led ratings characteristics

Below we set out the ratings characteristics for each KLOE. These can also be found in the CQC consultation [Our next phase of regulation: A more targeted, responsive and collaborative approach](#).

	Outstanding	Good	Requires improvement	Inadequate
WELL-LED	The leadership, governance and culture are used to drive and improve the delivery of high quality person-centred care.	The leadership, governance and culture promote the delivery of high quality person-centred care.	The leadership, governance and culture do not always support the delivery of high quality person-centred care.	The delivery of high quality care is not assured by the leadership, governance or culture in place.
W1 Is there the leadership capacity and capability to deliver high quality, sustainable care?				
Applicability	Outstanding	Good	Requires improvement	Inadequate
Core	There is compassionate, inclusive and effective leadership at all levels. Leaders at all levels demonstrate the high levels of experience, capacity and capability needed to deliver excellent and sustainable care, and there is a deeply embedded system of leadership development and succession planning which aims to ensure that the leadership is representative of the diversity of the workforce. Comprehensive and successful leadership strategies are in place to ensure and sustain delivery and to develop the desired	Leaders have the experience, capacity, capability and integrity to ensure that the strategy can be delivered and risks to performance are addressed. Leaders at all levels are visible and approachable. Compassionate, inclusive and effective leadership is sustained through a leadership strategy or development programme and effective selection, development and succession processes. The leadership is knowledgeable about issues and priorities for the quality and sustainability of services, understands what the challenges are and takes action to address them.	Not all leaders have the necessary experience, knowledge, capacity, capability or integrity to lead effectively. Staff do not consistently know who their leaders are or how to gain access to them. The need to develop leaders is not always identified or action is not always taken. Leaders are not always aware of the risks, issues and challenges in the service. Leaders are not always clear about their roles and their accountability for quality.	Leaders do not have the necessary experience, knowledge, capacity, capability or integrity to lead effectively. There is no stable leadership team, with high unplanned turnover and/or vacancies. Leaders are out of touch with what is happening on the front line, and they cannot identify or do not understand the risks and issues described by staff. There is little or no attention to succession planning and development of leaders. Staff do not know who their leaders are, what they do, or are unable to access them. There are few examples of leaders making a demonstrable impact on the quality or sustainability of

	culture. Leaders have a deep understanding of issues, challenges and priorities in their service, and beyond.			services.
W2 Is there a clear vision and credible strategy to deliver high quality sustainable care to people who use services, and robust plans to deliver?				
Applicability	Outstanding	Good	Requires improvement	Inadequate
Core	The strategy and supporting objectives and plans are stretching, challenging and innovative while remaining achievable. Strategies and plans are fully aligned with plans in the wider health economy, and there is a demonstrated commitment to system-wide collaboration and leadership. There is a systematic and integrated approach to monitoring, reviewing and providing evidence of progress against the strategy and plans. Plans are consistently implemented, and have a positive impact on quality and sustainability of services.	There is a clear statement of vision and values, driven by quality and sustainability. It has been translated into a robust and realistic strategy and well-defined objectives that are achievable and relevant. The vision, values and strategy have been developed through a structured planning process in collaboration with people who use the service, staff and, external partners. The strategy is aligned to local plans in the wider health and social care economy and services are planned to meet the needs of the relevant population. Strategic objectives are supported by quantifiable and measurable outcomes, which are cascaded throughout the organisation. The challenges to achieving the strategy, including relevant local health economy factors, are understood and an	The strategy and plans have some significant gaps or weaknesses that undermine their credibility, and do not fully reflect the health economy in which the service works. They may not have been recently created or reviewed. Staff do not always understand how their role contributes to achieving the strategy. The statement of vision and guiding values is incomplete, out of date, or not fully credible. Results of stakeholder consultation are not always taken into account in strategies or plans. Staff are not always aware of or supportive of, or do not understand, the vision and values, or have not been fully involved in developing them. Progress against delivery of the strategy and plans is not consistently or effectively monitored, reviewed or	There is no current strategy, the strategy is not underpinned by detailed, realistic objectives and plans for high-quality and sustainable delivery, and it does not reflect the health economy in which the service works. Staff do not understand how their role contributes to achieving the strategy. There is no credible statement of vision and guiding values. Key stakeholders have not been engaged in the creation of the strategy. Staff are not aware of or supportive of, or do not understand, the vision and values, or they were developed without staff and wider engagement. There is no effective approach to monitoring, reviewing or providing evidence of progress against delivery of the strategy or plans. The strategy has not been translated into meaningful and measurable plans at all levels of the service.

		action plan is in place. Staff in all areas know, understand and support the vision, values and strategic goals and how their role helps in achieving them. Progress against delivery of the strategy and local plans is monitored and reviewed, and there is evidence to show this.	evidenced. Leaders at all levels are not always held to account for the delivery of the strategy.	
W3 Is there a culture of high quality, sustainable care?				
Applicability	Outstanding	Good	Requires improvement	Inadequate
Core	Leaders have an inspiring shared purpose, and strive to deliver and motivate staff to succeed. There are high levels of satisfaction across all staff, including those with particular protected characteristics under the Equality Act. There is a strong organisational commitment and effective action towards ensuring that there is equality and inclusion across the workforce. Staff are proud of the organisation as a place to work and speak highly of the culture. Staff at all levels are actively encouraged to speak up and raise concerns. There is strong collaboration, team-working and support across all functions and a common	Leaders model and encourage compassionate, inclusive and supportive relationships among staff so that they feel respected, valued and supported. Leaders at every level live the vision and embody shared values, prioritise high quality, sustainable and compassionate care, and promote equality and diversity. They encourage pride and positivity in the organisation and focus the attention on the needs and experiences of people who use services. Behaviour and performance inconsistent with the vision and values is acted on regardless of seniority. Candour, openness, honesty and transparency and	Staff satisfaction is mixed. Improving the culture or staff satisfaction is not seen as a high priority. Staff do not always feel actively engaged or empowered. There are teams working in silos or management and clinicians do not always work cohesively. Staff do not always raise concerns or they are not always taken seriously or treated with respect when they do. People do not always receive a timely apology when something goes wrong and are not consistently told about any actions taken to improve processes to prevent the same happening again.	There is no understanding of the importance of culture. There are low levels of staff satisfaction, high levels of stress and work overload. Staff do not feel respected, valued, supported or appreciated. There is poor collaboration or cooperation between teams and there are high levels of conflict. The culture is top-down and directive. It is not one of fairness, openness, transparency, honesty, challenge and candour. When something goes wrong, people are not always told and do not receive an apology. Staff are defensive and are not compassionate. There are high levels of bullying, harassment, discrimination or violence, and the organisation is

	<p>focus on improving the quality and sustainability of care and people's experiences.</p>	<p>challenges to poor practice are the norm. The leadership actively promotes staff empowerment to drive improvement and the benefit of raising concerns is encouraged and valued. Staff actively raise concerns and those who do (including external whistleblowers) are supported. Concerns are investigated in a sensitive and confidential manner, and lessons are shared and acted upon. When something goes wrong, people receive a sincere and timely apology and are told about any actions taken to improve processes to prevent the same happening again.</p> <p>There are processes to support staff and promote their positive wellbeing. Behaviour and performance inconsistent with the values is identified and dealt with swiftly and effectively, regardless of seniority. There is a culture of collective responsibility between teams and services. There are positive relationships between staff and teams, where conflicts are resolved quickly and constructively and responsibility</p>	<p>Staff development is not always given sufficient priority. Appraisals take place inconsistently or are not of high quality. Equality and diversity are not consistently promoted and the causes of workforce inequality are not always identified or adequately addressed. Staff, including those with particular protected characteristics, do not always feel they are treated equitably.</p>	<p>not taking adequate action to reduce this. When staff raise concerns they are not treated with respect. The culture is defensive. There is little attention to staff development and there are low appraisal rates.</p>
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		is shared. There are processes for providing all staff at every level with the development they need, including high quality appraisal and career development conversations. Equality and diversity are actively promoted and work is undertaken to identify the causes of any workforce inequality and action taken to address these. Staff, including those with particular protected characteristics under the Equality Act, feel they are treated equitably.		
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W4 Are there clear responsibilities, roles and systems of accountability to support good governance and management?

Applicability	Outstanding	Good	Requires improvement	Inadequate
Core	Governance arrangements are proactively reviewed and reflect best practice. A systematic approach is taken to working with other organisations to improve care outcomes.	The board and other levels of governance within the organisation function effectively and interact with each other appropriately. Structures, processes and systems of accountability, including the governance and management of partnerships, joint working arrangements and shared services, are clearly set out, understood and effective. Staff are clear on their roles and accountabilities.	The arrangements for governance and performance management are not fully clear or do not always operate effectively. There has been no recent review of the governance arrangements, the strategy, or plans. Staff are not always clear about their roles, what they are accountable for, and to whom.	The governance arrangements and their purpose are unclear, and there is a lack of clarity about authority to make decisions and how individuals are held to account. There is no process to review key items such as the strategy, values, objectives, plans or the governance framework. Staff and their managers are not clear on their roles or accountabilities. There is a lack of systematic performance management of individual staff, or appropriate use of incentives or

				sanctions.
Specialist mental health services		<p>CQC Mental Health Act (MHA) reviewer reports are reviewed by non-executive members and the board is aware that any required action has been taken to address identified issues. Statistical information on MHA operation is monitored and statistical information on patterns of admission and length of stay is considered and compared with national data. The board receives reports on the performance of the MHA managers in reviewing detention and on second opinion appointed doctor (SOAD) requests and activity. Action is taken as required. The board makes sure that relationships with stakeholders, such as local authorities and the police, raise issues about MHA implementation.</p>	<p>Mental Health Act (MHA) reviewer reports are not routinely reviewed and statistical information on the MHA is not always monitored and compared with national data. There are relationships with stakeholders around the MHA, but they are not formalised to address any issues of implementation. Reports on the performance of MHA managers is gathered, but not reviewed at board level. Second opinion appointed doctor (SOAD) requests and activity are not routinely reported to the board.</p>	<p>Mental Health Act (MHA) reviewer reports are not reviewed by the board. Information relevant to monitoring the MHA, including performance of MHA managers and SOAD activity, is not robustly collected, not reviewed appropriately or action is not taken as a result.</p>

W5 Are there clear and effective processes for managing risks, issues and performance?

Applicability	Outstanding	Good	Requires Improvement	Inadequate
Core	There is a demonstrated	The organisation has the	Risks, issues and poor	There is little understanding or

	<p>commitment to best practice performance and risk management systems and processes, regularly reviewing their operation, and ensuring the staff at all levels have the skills and knowledge to use those systems and processes effectively. Problems are identified and addressed quickly and openly.</p>	<p>processes to manage current and future performance. There is an effective and comprehensive process to identify, understand, monitor and address current and future risks. Performance issues are escalated to the appropriate committees and the board through clear structures and processes. Clinical and internal audit processes function well and have a positive impact in relation to quality governance, with clear evidence of action to resolve concerns. Financial pressures are managed so that they do not compromise the quality of care. Service developments and efficiency changes are developed and assessed with input from clinicians to understand their impact on the quality of care.</p>	<p>performance are not always dealt with appropriately or quickly enough. The risk management approach is applied inconsistently or is not linked effectively into planning processes. The approach to service delivery and improvement is reactive and focused on short term issues. Clinical and internal audit processes are inconsistent in their implementation and impact. The sustainable delivery of quality care is put at risk by the financial challenge.</p>	<p>management of risks and issues, and there are significant failures in performance management and audit systems and processes. Risk or issue registers and action plans, if they exist at all, are rarely reviewed or updated. Meeting financial targets is seen as a priority at the expense of quality.</p>
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W6 Is robust and appropriate information being effectively processed and challenged?

Applicability	Outstanding	Good	Requires improvement	Inadequate
Core	<p>The service invests in innovative and best practice information systems and processes. The information used in reporting, performance management and delivering quality care is</p>	<p>Integrated reporting supports effective decision making. There is an holistic understanding of performance, which sufficiently covers and integrates the views of people, with quality, operational and</p>	<p>The information used in reporting, performance management and delivering quality care is not always accurate, valid, reliable, timely or relevant. Leaders and staff do not always receive</p>	<p>The information that is used to monitor performance or to make decisions is inaccurate, invalid, unreliable, out of date or not relevant. Finance and quality management are not integrated to support decision making. There</p>

	<p>consistently found to be accurate, valid, reliable, timely and relevant. There is a demonstrated commitment at all levels to proactively sharing data and information to drive and support internal decision making as well as system-wide working and improvement.</p>	<p>financial information. Quality and sustainability both receive sufficient coverage in relevant meetings at all levels. Performance information is used to hold management and staff to account. The information used in reporting, performance management and delivering quality care is usually accurate, valid, reliable, timely and relevant, with plans to address any weaknesses. Staff receive helpful data on a daily basis, which supports them to adjust and improve performance as necessary. Integrated reporting supports effective decision-making. Data or notifications are consistently submitted to external organisations as required. There are robust arrangements for the availability, integrity and confidentiality of patient identifiable data, records and data management systems. Information technology systems are used effectively to monitor and improve the quality of care.</p>	<p>information to enable them to challenge and improve performance. Information is used mainly for assurance and rarely for improvement. Required data or notifications are inconsistently submitted to external organisations. Arrangements for the availability, integrity and confidentiality of patient identifiable data, records and data management systems are not always robust</p>	<p>is inadequate access to and challenge of performance by leaders and staff. There are significant failings in systems and processes for the management or sharing of data.</p>
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W7 Are the people who use services, the public, staff and external partners engaged and involved to support high quality sustainable services?

Applicability	Outstanding	Good	Requires improvement	Inadequate
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Core	There are consistently high levels of constructive engagement with staff and people who use services, including all equality groups. Rigorous and constructive challenge from people who use services, the public and stakeholders is welcomed and seen as a vital way of holding services to account. Services are developed with the full participation of those who use them, staff and external partners as equal partners. Innovative approaches are used to gather feedback from people who use services and the public, including people in different equality groups, and there is a demonstrated commitment to acting on feedback. The service takes a leadership role in its health system to identify and proactively address challenges and meet the needs of the population.	A full and diverse range of people's views and concerns are encouraged, heard and acted on to shape services and culture. The service proactively engages and involves all staff (including those with particular protected equality characteristics) and ensures that the voices of all staff are heard and acted on to shape services and culture. The service is transparent, collaborative and open with all relevant stakeholders about performance, to build a shared understanding of challenges to the system and the needs of the population and to design improvements to meet them.	There is a limited approach to sharing information with and obtaining the views of staff, people who use services, external partners and other stakeholders, or insufficient attention to appropriately engaging those with particular protected equality characteristics. Feedback is not always reported or acted upon in a timely way.	There is minimal engagement with people who use services, staff, the public or external partners. The service does not respond to what people who use services or the public say. Staff are unaware or are dismissive of what people who use the service think of their care and treatment. Staff or patient feedback is inappropriately filtered or sanitised before being passed on.
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W8 Are there robust systems, processes for learning, continuous improvement and innovation?

Applicability	Outstanding	Good	Requires improvement	Inadequate
Core	There is a fully embedded and systematic approach to	There is a strong focus on continuous learning and	There is weak or inconsistent investment in improvement	There is little innovation or service development, no knowledge or

	<p>improvement, making consistent use of a recognised improvement methodology. Improvement is seen as the way to deal with performance and for the organisation to learn. Improvement methods and skills are available and used across the organisation, and staff are empowered to lead and deliver change. Safe innovation is celebrated. There is a clear, systematic and proactive approach to seeking out and embedding new and more sustainable models of care. There is a strong record of sharing work locally, nationally and internationally.</p>	<p>improvement at all levels of the organisation, including through appropriate use of external accreditation and participation in research. There is knowledge of improvement methods and skills to use them at all levels of the organisation. There are organisational systems to support improvement and innovation work, including, staff objectives, rewards, data systems, and ways of sharing improvement work. The service makes effective use of internal and external reviews, with learning shared effectively and used to make improvements. Staff are encouraged to use information and regularly take time out to review individual and team objectives, processes and performance. This is used to make improvements.</p>	<p>skills and systems among staff and leaders. Improvements are not always identified or action not always taken. The organisation does not react sufficiently to risks identified through internal processes, but often relies on external parties to identify key risks before they start to be addressed. Where changes are made, the impact on the quality and sustainability of care is not fully understood in advance or it is not monitored.</p>	<p>appreciation of improvement methodologies, and improvement is not a priority among staff and leaders. There is minimal evidence of learning and reflective practice. The impact of service changes on the quality and sustainability of care is not understood.</p>
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Annex C: Summary of consultation questions

Consultation question 1: Do you agree with the proposed process for assessing and rating trusts' use of resources?

Please tell us the reasons for your answer.

Consultation question 2: What are your views on how the Use of Resources rating could over time be combined with CQC's existing trust quality rating?

Consultation question 3: Do you think these initial indicative metrics provide a reasonable starting point for informing the assessment of a trust's performance on use of resources? Are there other metrics we should consider when assessing a trust's productivity?

Consultation question 4: What are your views on the indicative key lines of enquiry and prompt questions that we are proposing for the assessment of trusts' use of resources as set out in Annex A?

Please tell us if you think we should include something different or additional.

Consultation question 5: What are your views on the indicative characteristics we have proposed for the use of resources ratings of outstanding, good, requires improvement and inadequate as set out in Annex A?

Please tell us if you think we should include something different or additional.

Consultation question 6: Do you agree that the Use of Resources rating should be reflected in trusts' finance and use of resources scores in the Single Oversight Framework?

Please tell us the reasons for your answer.

Consultation question 7: Do you agree with the additions to the well-led framework?

Please tell us the reasons for your answer.

Consultation question 8: Are there additional areas we could consider on quality, operational and financial governance?

Consultation question 9: Do you have any views on NHS Improvement's proposals for developmental reviews?

Consultation question 10: Do you think that NHS Improvement's guidance should recommend developmental reviews (or equivalent activities):

- (a) every three years, as with the current expectation for NHS foundation trusts?
- (b) every five years, thereby reducing the current frequency for NHS foundation trusts?
- (c) on the basis of risk, primarily informed by the outcome of CQC's well-led inspections or NHS Improvement's ongoing oversight under the Single Oversight Framework segmentation?

Consultation question 11: Are there any other ways in which CQC and NHS Improvement could further streamline and reduce duplication for trusts in respect of the oversight and assessment of well-led?

Consultation question 12: Do you agree with our plans to develop, test and roll out our use of resources and well-led assessments?

Please tell us the reasons for your answer.

Consultation question 13: Are there other ways in which we should be engaging on our proposals for assessing and overseeing use of resources and well-led?



Improvement

Contact us

NHS Improvement
Wellington House
133-155 Waterloo Road
London
SE1 8UG

T: 0300 123 2257

E: enquiries@improvement.nhs.uk

W: improvement.nhs.uk

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