PRIVATE BOARD PAPER - NHS ENGLAND

Title: Update for the Board on the Organisational Alignment & Capability programme.
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Rationale for this paper being discussed in the private session: This is a confidential update for Board members only.
Purpose of paper: This paper provides status on NHS England's Organisational Alignment and Capability (OAC) programme, particularly on the staff consultation and approach for managing the risks associated with the structural changes.
Action for Board members: • To consider whether adequate mitigations are in place to manage the risks.

Organisational Alignment and Capability (OAC) programme

Purpose of the programme

1. The OAC programme was established in May 2014 to take forward the recommendations from initial "stocktake" work into NHS England effectiveness, and to ensure the organisation can live within its budget in 2015/16.

2. The scope of the programme includes:

   a) **Building new capabilities for the organisation**, which are critical for it to carry out its role as a commissioning organisation.
   b) **Streamlining and aligning the functions and structures** to work more effectively across the national support centre, regions and area teams, to minimise duplication and make more effective use of our resources.
   c) Ensuring the **organisation is clear and focused on its core purpose and priority tasks,** including divesting three current functions: medical revalidation; aspects of patient safety and some informatics delivery roles.
   d) **Revising the structures to deliver the necessary administrative cost savings** by April 2015, so NHS England can live within its budget for 2015/2016.
   This update focuses primarily on progress in delivering the structural changes for reducing operating costs.

Update on the consultation - Phase Two

3. Collective and individual consultation on the structural changes being proposed as part of OAC Phase Two was launched formally on 1 October 2014. A number of issues are emerging which will be worked through and concluded before consultation concludes on 13 November 2014.

4. <u>Validating numbers and costs.</u> The initial indications at launch were that 815 people were affected by change with a net reduction of 301 posts across the organisation. Estimated redundancy costs were calculated as (£23m) based on average length of service and age profiles available.

5. These numbers are being updated through consultation and a more up to date view will be provided in the Board meeting. Precise numbers will be available in early January when we will be clear on who will be redundant.

6. <u>Improving Data quality and information to support consultation.</u> Work is under way to review the data and current information available to support consultation to a) correct inaccuracies in the stated position e.g. where the banding of posts in the current structures was incorrect at the time of publication; b) fill any gaps in the published data e.g. equalities information to complete a meaningful equalities

impact assessment (see below) and c) ensure there are no inconsistences in approach e.g. in the designation of staff as affected by change.

7. We will be updating the consultation materials formally twice before consultation closes on 13th November.

8. Developing Organisational change processes – including pooling and filling of posts We have been working with staff and trade unions through the consultation to develop the necessary supporting processes to ensure we can start implementation from 17 November, starting with the appointments to the 12 Area Director posts.

9. Our pools are being modelled to ensure consistency of approach whilst retaining talent and minimising redundancies.

10. In response to strong recommendations from unions, we are proposing to work up options to make Voluntary Redundancy available, at least on a targeted basis, and subject to prioritising business continuity. This will deal with many staff concerns, ease morale issues associated with departures and help mitigate costs.

11. Developing an Equalities Impact Assessment. We are working to publish the final impact assessment on 4 November further to wider engagement with representatives from minority groups and trade unions on the initial findings. We will provide an update for Board meeting discussion on 6 November.

12. Developing Estates strategy and office closures in 14/15. A separate estates plan is being developed with some office closures planned in 14/15. The consultation on these planned closures in 14/15 with affected staff will be included in Phase Three OAC consultation which will continue to end December.

Phase Three OAC Scope

13. There are currently c350 WTE people in substantive posts and c80 WTE people on fixed term posts that are funded by programme monies across the organisation. It is clear that some programme funded staff will also be impacted by change but are not yet identified within the OAC scope. So we are scoping a Phase Three of the OAC programme to ensure we can address all such staff, and ensure they have access to the same or equivalent support and redeployment opportunities as admin staff affected by change. It will include staff affected by the reviews of i) AHSNs, clinical senates, and Strategic Clinical Networks; ii) the review of NHSIQ and the Leadership Academy; iii) the review of programme funded posts across NHS England and those affected by office closures.

14. Although we have work underway to consider which subset of these staff may be affected by change, it is likely we will need to assign *all 400+* as affected by change by the end of November, to ensure they have a fair opportunity to access redeployment opportunities. This will increase those in redeployment pools. We are working on handling lines.

15. We will be briefing the national trade unions and updating staff on these plans.

Operating Model

16. The focus of OACP work in recent weeks has been on the structural changes. We are now turning to more pro-active work on developing our operating model which is targeted at making sure our new organisational structures work effectively.

17. We have crystallised some of the changes we need to make internally into the following three scenarios, which we debated with our Leadership Forum:

- How to get real engagement between the field-force and national directorates, around a single, shared set of organisational priorities.

- How to consistently translate initiatives into successful delivery.

- How to get the right clinical input into policy and delivery.

18. We are now ready to convert these into practical solutions and processes to embed the revised operating model, which we shall do over the next few months. In addition, we need to work on the additional steps we need to take to embed the right culture, values and behaviours based on patient engagement across the organisation.

Transfer of Functions

19. Work is progressing on the divestment of the three functions; informatics delivery, some patient safety functions and revalidation. Plans are being finalised relating informatics delivery, much of which can be delivered within the next 6-12 months, in agreement with HSCIC and DH. Patient safety and revalidation will take longer. Transfer of both sets of functions will require legislation, and current indications are that the legislation and functions moves could not take place before 2016. In the meantime, we are reinforcing the importance of delivering these functions well within NHS England, and ensuring the OAC changes do not adversely affect our delivery.

Reviews to address Improvement Architecture

20. We have launched two reviews into the way we organise and manage our "improvement architecture", i.e. into those organisations which are involved in improvement and leadership of the wider NHS.

21. This infrastructure plays a vital role in supporting the NHS to be a self-improving system, to develop its leadership capability, and to harness the best practice and innovation available to improve patient care.

22. One year into the new system, it is now appropriate to review how these organisations are operating, and whether they are working effectively to meet the objectives they were set. Given the launch of the NHS Five Year Forward View, it is critical that we ensure the resource allocated to improvement is appropriate and capable of being targeted to deliver the necessary transformation.

23. Two separate reviews have been initiated into :
    - Academic Health Science Networks (AHSNs), Strategic Clinical Networks (SCNs) and Clinical Senates
    - NHS Leadership academy and NHS Improving Quality (IQ)

24. Terms of reference for each of these reviews are attached (annex A and B). We are setting up a Steering group which will oversee both reviews; these will be conducted jointly with the other NHS ALB's.

Mitigating the Risks

25. There are five main risks associated with the structural changes in the OAC programme, which are.

    - The changes affect morale and focus, and affect NHS England ability to deliver change successfully. *We are mitigating both by implementing the changes as quickly as possible, giving certainty to as many people as possible before Christmas whilst offering comprehensive staff support, and communicating frequently with staff and unions.*

    - The consequences of the OAC programme and cost reductions mean we have inadequate capacity to manage our delivery responsibilities*. This is a fundamental part of the operating model work to ensure that we can deliver our responsibilities effectively across the organisation given reduced capacity. We are also explicitly asking for assistance from each Directorate about how they are mitigating risks to delivery, through different ways of working.*

- The planned changes do not deliver required savings, and exceed budgeted transition costs. *We are carefully monitoring the savings plans through the OAC programme board and working group both for phase two and now to include the planned phase three to ensure we can have confidence that the new arrangements will be delivered within the financial envelope. This will ensure we build the business plan and budget setting process for 15/16 from a stable baseline. Work is on target to confirm actual redundancy numbers; at present these appear to be within the target budget of £26m.*

- The changes affect our ability to continue to improve our organisational and financial controls. *We continue to manage a programme of improvement, which is focused on implementing sustainable improvements in procurement and financial controls, underpinned by effective assurance processes. Internal Audit will continue to monitor progress on the control framework, and we will continue to report progress to the Audit Committee.*

- The changes will limit our capacity to deliver the strategy required under the Five Year Forward View. *The reviews of the improvement architecture and the planned review of programme budgets aim to identify where existing funds, resource and capability can be reassigned or refocused towards the necessary improvement work. We will also look for opportunities to further leverage delivery through CCGs.*

Karen Wheeler
National Director: Transformation & Corporate Operations

Annex A – AHSN\SCN\Clinical Senate Review – Terms of Reference

Terms of reference

- To review the purpose, scope and alignment of Strategic Clinical Networks, Academic Health Science Networks and Senates, funded by NHS England, to identify where there is confusion, complexity or duplication of function, with a view to ensuring best value for the resources invested.

- To provide early findings to the Strategic Steering Group in December, with input from key stakeholders and other arm's length bodies, and to understand and clarify potential staff implications.

- To inform and align with the review of NHSIQ and the NHS Leadership Academy, with a view to informing the NHS England programme budget and business plan decisions for 2015/16.

Governance

- The SRO for the review is Karen Wheeler on behalf of EGM. It will be guided by an Operational Steering Group, comprised of representation from all NHS England directorates and the field-force.

- The review will be conducted by a working group with resource from the National Support Centre and each regional clinical team.

Key questions for the review

- What purpose were SCNs / Senates / AHSNs originally designed to fulfil (for NHS England, for commissioners and for the wider system)?

- What benefits are they providing currently?

- What functions are needed in future to support a self-improving system and the delivery of transformational change, particularly in light of the priorities that have been identified through the 5 Year Forward View?

- How should the architecture be arranged to provide these?

- These questions will need to be considered in the context of wider improvement and collaborative roles and organisations in the health system such as Operational Delivery Networks, the National Clinical Directors, Commissioning Support Units, NHSIQ, NHS RightCare, the NHS Leadership Academy, Intensive Support Teams and others.

Annex B – NHSIQ and Leadership Academy Review – Terms of Reference

While the Academy and IQ are different organisations, there are some major and common questions the review should address for both organisations, as follows.

- What is the most appropriate and effective role for a single national body for each of leadership and improvement?
- Given the requirements set out in the NHS 5 Year Forward View, what process should be adopted to consider the necessary interventions on leadership, including behaviour change?
- Is each of the current organisations established and focused adequately to deliver the right interventions effectively for the system?
- How best to assess impact of the organisations in terms of outcomes?
- What scope do the organisations have for supporting major transformational change in the system, and what if anything would need to change to enable that to happen more effectively?
- How should the organisations be hosted, funded and governed to deliver their core purpose most effectively?

In addition, given their different roles, the review will also need to consider some specific requirements for each organisation, which are set out below;

Specific to the Academy

- How we ensure leadership development and talent management across the system are appropriately managed and supported across the system, and defining the role the Academy can play in that.
- Considering the most effective areas of leadership development to be managed, coordinated or funded centrally – and which should be for regional or other level providers to manage, and how to ensure all providers manage leadership effectively.
- The review needs to take account of
    - Stuart Rose's review of Leadership in the NHS, which is due to be published in late November
    - the outcomes of Robert Francis's "Freedom to speak up" review of whistle blowing
    - the Minister's responses to their conclusions, given DH's policy leadership role.

Specific to NHSIQ

The review needs to take account of

- the discussion already held with stakeholders about the role of an improvement body and consider its implications for the role of IQ.
- the related review of wider improvement architecture -i.e. AHSNs, senates and networks, and consider the IQ role and functions.

Specific Content for the Review

The review will need to

- Consider implications of the Five Year Forward View, and consider what role national bodies such as the Academy and IQ could have to play in helping facilitate the transformation work across the system.
- Understand the scope and reach of current Academy programmes and IQ improvement programmes, how these have been commissioned, and how they align with and support strategic priorities of the system
- Engage with a wide range of stakeholders, and customers of the IQ and the Academy services, to understand views about current arrangements.
- Consider the effectiveness of the Academy and IQ in delivering what is needed now and into the future, including an evaluation of customers' assessment of the value and success of the interventions
- Consider alternative options for delivering those needs by other public and private sector providers, with a view to concluding what can only or best be done by such national bodies?
- Make recommendations about future organisational arrangements, immediate stepping stones, and approach for taking forward, including resources, funding models and governance arrangements.

Governance and decision making

Decision making will need to involve DH, who own policy, and national stakeholder organisations.

- NHS England, as host of the organisations, has appointed Ed Smith, Vice Chair of NHS England, to lead the review.
- He will chair a Steering group formed from the key national bodies with a shared interest in the system, including NHS England, DH, TDA, Monitor, HEE, and PHE.
- Karen Wheeler is the NHS England Executive Director responsible for the review. She is also sponsor of the Academy and IQ
- NHS England is also appointing an independent reviewer to carry out the review work on behalf of Ed Smith and under the oversight of the Steering group.
- The steering group will also involve and connect with other relevant governance forums, including the Strategic Advisory Boards of IQ and the Academy.
- The steering group will also oversee the review of AHSN's, Clinical Senates, and Networks to ensure consistent direction and recommendations.
- The steering group will make recommendations to NHS England Board. Any recommendations and decisions which materially affect the system, or funding for leadership activities, will need to be approved by Ministers.

Timing

- The review will start from November, and complete by February/March 2015. This should enable it to pick up and address both the work of the 5 Year Forward View and responses to the Stuart Rose review of Leadership, and the Robert Francis review of whistle blowing.
- The AHSN's, Senates and Networks review is currently scheduled to complete in December 2014. We will aim to ensure alignment of recommendations between the two reviews.

- Staff Impacts. We need to provide as much clarity for staff as soon as possible to enable staff who are potentially impacted by the reviews to access redeployment opportunities. Therefore, in both reviews we will aim to provide early findings and recommendations in relation to staff in the respective organisations.