

# Chairman of the Finance and Performance Committee Report 5 November 2018

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Agenda Item No: 12.2

## ASSURANCE/ESCALATION Report of the Finance and Performance Committee

PREPARED BY	Chairman of the Finance and Performance Committee	
DATE PREPARED	24 <sup>th</sup> October 2018	
SUBJECT	Chairman's Summary Report	
PURPOSE	To provide assurance to the Board in relation to all delegated responsibilities of the Finance and Performance Committee	
STRATEGIC OBJECTIVE		
OVERVIEW OF ASSURANCE THEMES/INDICATORS HIGHLIGHTED IN THE REPORT	CQC STANDARDS (For Use of Resources)	X
	NHSLA	
	OTHER REGULATORY STANDARDS – Statutory Financial Duties	X
	NATIONAL GUIDANCE/NATIONAL AUDITS	X
	EXTERNAL REVIEWS	X
	INTERNAL REVIEWS	X
	CLINICAL OUTCOMES	
	TRENDS/RECURRENT THEMES	
	CLINICAL EFFECTIVENESS	
BAF/RISK REGISTERS	X	

1) Current report - Emerging issues for report (summarise issues or information impacting on the area/compliance/indicator)

Assurance Theme/In dicator	Specific Item/issue Reviewed	Summary of Assurance (internal or External)		Outcome and any on-going risk
		Positive	Negative	
Board Assurance Framework	Cost Improvement Programme (CIP) achievement.  In support of SR9 on the BAF (that there is a failure to deliver the recurrent CIP).	The Trust has identified an element of vacancies that can be identified as recurrent CIP  Continuing work to develop PID pipeline  The Clinical Excellence programme is well supported	In month 6 there has been an over performance by £0.15m against the in-month CIP plan of £1.69m. Year to date shows an achievement of £4.95m against a plan of £7.47m. Of the CIP delivered to date, there is a £1.48m recurrent full year effect. The non-delivery of recurrent and cash releasing CIP continues to be of concern	Initial risk is rated red and remains red.
Board Assurance Framework	Mid Staffordshire FT transaction.  In support of SR9 on the BAF (that the underlying deficit in the medium term is not eliminated).	The Trust has received payment for 2017/18	An invoice for 2018/19 has been raised and the Trust continues to pursue payment.  This is being escalated.	Initial in year score amber.
Board Assurance Framework	Loss of Emergency Admissions Income.  In support of SR9 on the BAF	The Trust has agreed a risk/gain share agreement with Staffordshire CCGs including MRET and is in discussions with Wolverhampton CCG to adopt this model.	The Trust lost a significant amount of income through its revised pathways of care that appropriately ensured the Trust did not admit some patients. The estimated loss of this revised pathway was £4.8M in 2016/17.  The Trust has now re- submitted a case for the Frailty/ambulatory care unit to Wolverhampton CCG and discussion continue	Initial risk is rated amber and remains amber.

Board Assurance Framework	Provider Sustainability Fund (PSF).  In support of SR9 on the BAF.	The Trust did not achieve its financial plan for M6	The financial position and increased CIP phasing for the year remains extremely challenging.  The Trust did not achieve its ED phasing for Q2 and therefore did not earn the PSF payment for that element (30%).	Initial risk is rated high red and remains high red.
Board Assurance Framework	Capital Programme.  In support of SR11 on the BAF.	The Trust has now received confirmation that Stroke and Pathology are funded in the next wave of STP capital but the Trust has a process to comply with, to access the funds. All required information is being collated.	The Trust has submitted the required business cases and is working through the questions/comments raised by NHS Improvement. The Trust hasn't yet received the cash.	Initial risk is rated high amber and altered to medium amber.
Risk Register	Material outstanding Invoice with Wolverhampton CCG for £4.8m	The Trust maintains its position that it is providing the right care for patients but losing material monies as a result and expects the fixed cost/transitional costs should be recognised. The Trust is chasing a date for the resolution of the arbitration case	This was raised again with NHS Improvement on 24 <sup>th</sup> October 2017/ 14 November/15 December 2017/8 <sup>th</sup> March 2018/14 <sup>th</sup> August 2018/20 <sup>th</sup> September 2018.  The Trust has kept the debtor in the 2017/18 accounts.	Initial risk is rated amber and remains amber.
Risk Register	The cost of the Agenda for Change pay award is greater than the funding available	Central funding has been identified to fund the Agenda for Change pay award.	The calculation of the cost compared to the funding shows a £0.7m current deficit which will increase as the vacancy rate is reduced.	Initial risk is rated as Amber and remains Amber.

**Provide Details of further actions for mitigation of above issues/risks:**

See updated progress report

Additional Items:

Specific item/Issue	Lead	Due Date	Status *
<b>The Committee will examine in more detail:</b>			
- Review of Primary Care Directorate	CFO/COO/DCOO	July 2018 – Now Nov 2018	
- Long Term Financial Model	CFO/DCFO	Nov 2018 following Forecast year End	
- Review of the Spell/FCE medicine change in coding	CFO/COO	Dec 2018	

Status \*

Action not yet initiated	Action In Progress but not on target or target has expired	Action in progress and on target	Action Completed
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**2) Summary, conclusion and recommendations from meeting held on 24<sup>th</sup> October 2018:**

- a) The Committee discussed matters arising including an **update from a meeting with NHS Improvement (NHS I) on a review of the Cost Improvement Programme (CIP)** that had happened in between committee dates. NHS I were

concerned at the level of achievement being made **but were not able to suggest any obvious areas of CIP that were missing**. NHS I had raised a vacancy freeze, whether there were any potential land sales, private sector repatriation and revaluing land and buildings. All of these issues had either been actioned (Land and buildings revalued) or were part of the current financial plan.

b) The Committee **discussed the BAF and noted:**

- A number of changes had been made to the BAF. These included the linking of risks to strategic objectives. However, the Committee felt that risks could be linked to more than one strategic objective so this analysis should be revised.
- The Committee discussed SR6b, noting that the level of risk was low and had not changed for two quarters. Therefore it was agreed to remove this risk and for it to be managed locally. The Committee asked the Executives to consider whether the events in Shropshire and other surrounding EDs should be escalated to the BAF.

c) The Committee discussed the Bank Deep Dive report:

- The report set out the patterns of bank use which had increased rather than declined alongside reducing vacancy rates. The report identified that vacancy, annual leave cover and sickness continue to be the main drivers of bank use.
- The Committee discussed whether preceptorships for new starters could be shortened. The Committee was informed that RWT was average for the length of preceptorships and it was unlikely that the periods could be shortened without compromising patient safety. It was queried whether the high level of new starters was causing part of the pay spike.
- The use of and control of expenditure on clinical fellows was discussed and it was noted that finance was undertaking some assurance work on this. Current reporting on clinical fellows is to the Workforce and OD Committee and the Chair of F&P asked that the Finance and HR teams work together to provide assurance that clinical fellow usage was being appropriately controlled and monitored.
- The Committee asked about policies and controls on annual leave, seeking assurance that leave was being effectively rostered to limit bank use. Trust wide policies covering notice for annual leave requests for medical staff exist and the e-rostering system supports effective rostering of nursing staff leave.
- HR is developing a policy to encourage pre-booking of annual leave at the start of the year.
- The Committee noted that turnover rates are improving.
- The Committee also discussed that short term transfer of staff across wards to backfill absences, noting that this has a damaging effect on staff morale. The reasons for this are often due to unplanned sickness and reflect tight staffing levels across the Trust.
- The chair expressed concern that the reasons for the pay spend variance have not been fully articulated and suggested that internal audit may be able to support this process.

d) The Committee scrutinised the **Finance Report and Supplementary Finance Report for Month 6 and highlighted the following issues:**

- The Trust is behind the year to date financial plan at month six by £1,187k, which is made up of £1,199k unachieved PSF and £12k favourable plan on all other budgets.
- Income shows a favourable variance to plan of £4.9m year to date. There was a one-off benefit in September of £1.2m which relates to income provisions.
- Expenditure is adverse to plan by £5.2m year to date which is predominately due to pay expenditure exceeding the budget
- The shortfall on PSF income is due to the Q1 and Q2 A&E element that was not achieved.
- The Committee also discussed the key financial risks, noting that a new risk has been added which is the cost pressures resulting from the need to accommodate more patients following Telford ED overnight closure. The Committee discussed the risks and opportunities this presented expressing the concern that any impact statement should consider the impact on elective activity.
- **Cash:** At the 30th September 2018 the Trust had a cash balance of £9.3m which is £0.2m below the plan. A discussion took place regarding the Trust's cash plan. H Troalen informed the Committee that the Trust continues to chase payment of £6m MSFT funding.
- The Committee agreed to receive further detail on bank and locum spend in Division 3 as part of its discussions on the Division at the November meeting.

- The Committee discussed the forecast outturn in the supplementary finance report and noted that this is still being validated by finance managers and that the non-pay forecast for Division 1 required further work. The Chair asked for this forecast to be brought to the private Board meeting in November for discussion.
- e) The Committee received **the Financial Recovery Board** report and noted:
- In month 6 there has been an over performance by £0.15m against the in-month CIP plan of £1.69m. Year to date shows an achievement of £4.95m against a plan of £7.47m. Of the CIP delivered to date, there is a £1.48m recurrent full year effect. The non-delivery of recurrent and cash releasing CIP continues to be of concern. The vacancy factor target for month 6 is £0.9m (18/19 Factor only). There was an under recovery of £0.5m.
  - NHSI has not yet approved the business case to extend the Deloitte contract and a further version had been submitted which would extend the PMO support to April 2019 and the outpatients support until September 2019.
- f) The Committee reviewed the quarterly cash flow report noting:
- The Trust's cash position at 30th September 2018 is £9.3m; £0.2m below the NHSI Plan of £9.5m. The current internal forecast for the year-end cash balance is (£2.0m). This is £21.2m lower than the NHSI Plan submitted in June of £19.3m.
  - The internal cash flow forecast suggests that with close cash management the Trust is not expecting to require a cash loan in this financial year. However, there are periods within the forecast where the cash balances reduce and payment runs need to be managed carefully. The first event occurs in the last week of November, where the payment run(s) will need to be reduced by £1.3m to ensure the Trust maintains a positive cash balance.
  - The Committee discussed the policy and impact on supplier payments seeking to ensure that small local suppliers would not be unfairly disadvantaged. It was pointed out that if the Trust applied for a loan it would be asked to extend its payments deadline from the current 40 days to 90 days.
  - The Committee queried whether the capital programme would be actively managed to meet cash flow requirements and was informed that there is some flexibility in the programme if required. It was also pointed out that if the sale of the Eye Infirmary occurs in 2018/19 this will help the current year cash position.
- g) The Committee discussed the Aligned Incentives Contract, noting:
- The Staffordshire contract was being closely monitored to determine its impact.
  - The Wolverhampton contract is somewhat different to the Staffordshire contract and once signed, would be backdated to 1 April.
  - The Committee recommended that the Wolverhampton contract be approved.
- h) The Committee received an update on the **Performance Element of the IQP Report (National & Contractual Standards)** and expressed satisfaction with the revised format
- Urgent Care – There had been a significant rise of 323 (7.98%) ambulance conveyance numbers in month compared with the same period last year. G Nuttall informed the Committee that there had been a further increase of 10% in October and that after analysis it was found that this was not due to additional admissions from Dudley Hospital or SATH. The rise is being investigated with the CCG.
  - Cancer Action Plan – The Committee received a copy of the 62 Day Cancer Standard Improvement Plan and the IST support objectives and a presentation of the IST Cancer D&C and Pathway Analysis Summary report.
  - The report outlined key objectives and the modelling approach. The summary report was able to provide quantified demand and capacity figures at a pathway level. Progress is being made in tackling the backlog. Headline figures will not improve while the backlog is being addressed.
- i) The Committee noted the **Performance on Fines** report.
- j) The Committee accepted the West Park Strategic Outline Case and approved it to be sent to the Board.
- k) The Committee deferred the Procurement Strategy report.

l) The Committee **noted the following reports:**

- 2019/20 Contract/Planning round
- Tender update
- Budget training report
- Financial monitoring return and Commentary for Month 6.
- Financial Monitoring NHS I template.
- Annual Work Plan.
- Finance Minutes.
- Capital Report.

**Chairman of Finance and Performance Committee**  
**24<sup>th</sup> October 2018**