

# Chairman's Report of the Finance and Performance Committee 3 December 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	21 <sup>st</sup> November 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/Indicator	Specific Item/issue Reviewed	Summary of Assurance (internal or External)		Outcome and any on-going risk
		Positive	Negative	
Board Assurance Framework	<p>Cost Improvement Programme (CIP) achievement.</p> <p>In support of SR8 on the BAF (that there is a failure to deliver the recurrent CIP).</p>	<p>The Trust has identified an element of vacancies that can be identified as recurrent CIP</p> <p>Continuing work to develop PID pipeline</p> <p>The Clinical Excellence programme is well supported</p>	<p>In month 7 the cumulative year to date position is an achievement of £5.92m against a plan of £10.62m. Of the CIP delivered to date, there is a £4.2m recurrent full year effect and the forecast for the year is £10.23m against the plan of £25m.</p> <p>The non-delivery of recurrent and cash releasing CIP continues to be of concern</p>	Initial risk is rated red and remains red.
Board Assurance Framework	<p>Mid Staffordshire FT transaction.</p> <p>In support of SR9 on the BAF (that the underlying deficit in the medium term is not eliminated).</p>	<p>The Trust has received payment for 2017/18</p>	<p>An invoice for 2018/19 has been raised and the Trust continues to pursue payment.</p> <p>This is being escalated.</p>	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 and Wolverhampton CCGs including MRET (for Wolverhampton access to this is through the A&E delivery board).	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 trajectory for Q2 and therefore did not earn the PSF payment for that element (30%).  The revised forecast year end position indicates Q3 and Q4 PSF (finance and A&E) will not be achieved.	Initial risk is rated high red and remains high red.
Board Assurance Framework	Capital Programme.  SR11 on the BAF has been de-escalated to the Risk Register.	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 has not 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 £0.8m 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 – Complete.	
- Long Term Financial Model	CFO/DCFO	Nov 2018 following Forecast year End Work - Presented but requires update following release on national planning guidance in December.	
- Review of the Spell/FCE medicine change in coding	CFO/COO	Dec 2018	
- Update on Radiology capacity	COO/DCOO	Feb 2019	

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 21<sup>st</sup> November 2018:

- a) The Committee discussed matters arising including a verbal update on the progress with overseas patients. It was noted that the Trust had received a visit from the national team and would be using software in the future that allowed early identification of potential overseas patients. The current in year forecast was that the Trust would be circa £40k below the previous year. **It was agreed that a written report be received on overseas patients next month.**
- b) The Committee discussed **the Trust Procurement Strategy**. The CIP performance was both above the phased position at Q2 and forecast to achieve more than the £1.15m target at year end. The Committee were concerned that the Trust had **dropped from 12<sup>th</sup> to 52<sup>nd</sup>** in the national procurement table as more metrics had been added. The Head of Procurement identified that the Trust performed well in price benchmarking but less well in the newly added metrics. He **was working closely with UHNM to align the analytics team with those at UHNM to improve the Trust's position.**

The Committee also noted that the replacement of a new ledger by the Trust offered opportunity for electronic interaction across the supply process and with suppliers.

The Committee discussed the appointment of a new national provider for NHS supplies and their proposed business model. **There was concern that the cost risk was proposed to be allocated to Trusts** whilst the delivery of savings to offset the costs was not guaranteed. There was a real possibility this could be a **cost pressure for the Trust in 2019/20.**

The **Committee also enquired about Brexit preparations** and the Procurement department was following the latest guidance from the Department of Health which included the completion of the EU Exit no deal tool.

- c) The Committee discussed **Division 3's performance** in order to understand the service, operational and financial risks. A presentation was made by the Deputy COO for Division 3 in which was raised:
- That the Division had formed by combining some services from the medical and surgical division and with primary care
  - That **Primary Care were facing some workforce challenges** and the transition to the Trust view of a 'model GP practice' was taking longer than expected.
  - That **Radiology had capacity challenges with a shortfall in MRI and CT capacity**. This had been a particular focus of the Intensive Support Team for Cancer and work was underway on capacity and demand modelling. The Directorate believed there was opportunity to **procure temporary capacity in a more efficient manner.**

- That **Community services were pursuing a transformation programme** given the demand for preventing acute admissions and working closer with primary care.
- That **Dermatology faced a number of service challenges** and there were ongoing discussions with other providers.
- That childrens' 0-19 services had reduced vacancies from 17 to 2.
- That therapies and pharmacy were standardising their service offerings.
- That the **Wolverhampton City Council were starting to discuss a more collaborative partnership** approach rather than tendering services.
- That **Rheumatology were producing a workforce** plan to address operational needs.

The Committee asked for an update on the Radiology challenges in February 2019.

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

- A number of changes had been made.
- With regard to SR8 (that there is a failure to deliver the recurrent CIP) a **business case was being presented to TMC and Trust Board proposing splitting the current team into CIP with a senior leader reporting to the COO and a CQI team** reporting to the Director of planning and performance management. This was to allow the Trust to have sufficient capacity to take quality improvement forward. FRB is also being reviewed to ensure that it is fit for purpose.
- With regard to SR9 (that the underlying deficit in the medium term is not eliminated) it was confirmed that the **Aligned Incentive Contract with Wolverhampton CCG had now been signed**. It was agreed therefore to close the reference to risk/gain share. The **Committee expressed concern that the Agenda for Change pay award was now £0.8m** and it was confirmed that this would likely increase as the Trust continues to recruit above the number of staff in post at the time of ESR download. **The Committee was further concerned at the partial assurance at the level of controls with junior medical staffing.**

e) The Committee scrutinised the **Finance Report and Supplementary Finance Report for Month 7 and highlighted the following issues:**

- The Trust is **behind the year to date financial plan at month 7 by £4.7m** of which £2.3m relates to non-achievement of the PSF.
- Income in **October at £42m was the highest level the Trust has achieved** (even allowing for £0.5m year-end agreement from 2017/18) resulting in a cumulative favourable performance of £5.9m.
- Despite this the **in-month actual was a loss of £0.3m** due to greater expenditure being incurred.
- **Expenditure is adverse to plan by £9.4m predominantly due to pay expenditure exceeding the budget and unachieved CIP.**
- The Trust is currently assuming non-achievement of PSF for Q3 and Q4.
- A **new risk of funding for the additional work that would come to the Trust from Shrewsbury and Telford Hospitals** had been added to the risk register.
- CIP and vacancy factor achievement remained a key concern. The in-month achievement of CIP was £2.18m against a plan of £3.14m and £5.92m achieved against a cumulative plan of £10.62m. Against a vacancy factor of £0.9m for the month £0.5m had been achieved.
- At the end of the month the cash balance for the Trust was £8.1m which was £2m below plan.
- **The Committee was concerned at the financial position and therefore asked for discussions on the forecast year end in the private section of the November Trust Board.**

f) The Committee received the **Financial Recovery Board** report and noted:

- That **NHS Improvement had not yet approved the continuation of the Deloitte contract.**
- That at M7 the Trust was **predicting £10.23m against a target of £25m**. This was an increase of £1.79m on the M6 position.
- Of the £10.23m only £4.04m was recurring.

- g) The **Temporary Staffing Expenditure Dashboard** was reviewed and the following noted:
- That the number of employees was increasing resulting in increased substantive costs which was partly offset by some reduction in Agency/Bank costs.
  - That the **figures now included costs for the pathology staff** that had transferred to the Trust under TUPE from Dudley group, Sandwell/West Birmingham and Walsall Healthcare.
- h) Committee received an update on the **Performance Element of the IQP Report (National & Contractual Standards)** and expressed satisfaction with the revised format
- Referral to treatment incomplete – Performance saw a slight improvement in M7 but was being affected by the **significant rise in cancer referrals**.
  - Diagnostics – The Trust failed the target in M7 as there had been a **significant rise in Gastroscopy/Neurophysiology referrals**. An action plan is in place which would include private sector capacity.
  - Emergency Department – The trust had failed both type 1 and All types target for the month
  - Ambulance Handover – This had deteriorated for both 30 to 60 mins and over 60 mins handover, however the Trust had seen a 10% increase in ambulance conveyances compared with the same period last year. The ambulance pressures were due to the local population rather than SaTH.
  - Cancer – **The Trust was predicting a failure of all cancer standards except for Anti-Cancer Drug for October subject to validation. The Trust experienced the highest ever number of 2 week wait referrals receiving referrals of 1,705 against a plan of 1,380.**
- i) The Committee noted the **Performance on Fines** report and expressed concern over the achievement of the electronic discharge summary. An update on this would be provided next meeting.
- j) **Contracting update** – No new issues were raised.
- k) The **Committee received an STP update** and noted there was a substantial planning process about to begin for the following year's annual planning round.
- l) The **Committee received a draft of the Long Term financial model** which was based on a number of assumptions. The Committee felt that given the significant and potential material changes to funds flow and tariff for 2019/20 that this needed to be re-presented once the information was known.
- m) The Committee received a service line report and noted and approved the next steps.
- n) The Committee **noted the following reports:**
- Financial monitoring return and Commentary for Month 7.
  - Financial Monitoring NHS I template.
  - Annual Work Plan.
  - Finance Minutes.
  - Capital Report.
  - NIHR CRN West Midlands Report.