

Chairs Report of the Finance and Performance Committee of 20 March 2019

1 April 2019

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Agenda Item No: 12.3

ASSURANCE/ESCALATION Report of the Finance and Performance Committee

PREPARED BY	Chairman of the Finance and Performance Committee	
DATE PREPARED	20 th March 2019	
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	<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>At M11, the Trust is forecasting to deliver £14.880M (an increase of £0.617M since M10), leaving a shortfall of £10.120M against the CIP Target. The Trust's recurrent YTD delivery is £1.756M with forecast outturn of £4.341M and the Trust's non-recurrent YTD delivery is £10.644M with forecast outturn of £10.539M.</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 and 2018/19.</p>	<p>The Trust has received a sum which is again £200k less (Now 2 sums of £200k) for 2018/19 than it believes is owed and is continuing to query this.</p>	Initial in year score amber.
Board Assurance Framework	<p>Loss of Emergency Admissions Income.</p> <p>In support of SR9 on the BAF</p>	<p>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).</p>	<p>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.</p> <p>The Trust has agreement to the medical model and now needs to re-submit the case for the Frailty/ambulatory care unit to Wolverhampton CCG for agreement.</p>	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 revised forecast year end position indicates Q4 PSF (finance and A&E) will not be achieved although guidance has been received detailing more PSF could be distributed to the Trust but the Trust is unable to identify if and how much this will be.	Initial risk is rated high red and changed to high Amber as Q1 to Q3 achieved.
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. The Trust has now received confirmation that the Stroke business case has formally been approved but not yet received the cash. Further questions have been raised by DH with regard to the Pathology Business Case.	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. Discussion with the CCG have restarted	The Trust has now resolved this matter.	Initial risk is rated amber and is now green.
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 £0.8m shortfall has been built into financial forecasts.	The calculation of the cost compared to the funding shows a £0.8m current deficit which will increase as the vacancy rate is reduced. A further 0.17m has been released in year from central funds.	Initial risk is rated as Amber and remains Amber.

See updated progress report Additional Items:

Specific item/Issue	Lead	Due Date	Status *
The Committee will examine in more detail:			
- Review of the Spell/FCE medicine change in coding	CFO/COO	Deferred to April 2019	
- Draft of 5 year financial plan	CFO	Deferred to July 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 20th March 2019:

- a) The Committee noted that the **Terms of reference would be updated** to include the need for a self-assessment every 2 years.
- b) Committee members would be attending a 'taster' session for understanding the Trust's Patient Level Costing System.
- c) The Committee **received the NIHR Clinical research Network report** from the Chief Operating Officer. The report detailed that the **funding for 2019/20 had been reduced by 5%** which would not be passed to partner organisations but would be covered by cost reduction measures within the network. The **Committee sought assurance that the reduction in costs would not affect the level of research** which was confirmed.

The Q3 submission for 2018/19 had been received by the national team with an unallocated figure of £47k being

presented.

The **Committee challenged the performance of recruitment** to time and target for commercial studies as the network was the worst in the country. Actions were in place to address this and the Committee confirmed it would keep this under review for future reports.

- d) The **Committee discussed the BAF** and noted the changes to the risks. With regard to SR8 (failure to deliver the recurrent CIP) the Committee acknowledged that the **savings target of £25million for 2019/20 would be extremely tough**. Temporary staffing costs were discussed with controls on high cost bank now replicating the process for high cost agency. **Further understanding/controls were required to explain the increased cost of bank at c£100k more a month even though the level of vacancies had fallen.**

With regard to SR9 (that the underlying deficit in the medium term is eliminated) **the CFO confirmed that in 2018/19 it had deteriorated due to the high level on Non-recurrent savings identified**. The Committee discussed the definitional issues related to recurring/non-recurring items and clarification would be sought from NHS Improvement.

- e) The Committee **discussed its Annual Objectives for 2019/20 and agreed:**

- An objective would be set on a **detailed review of the underlying position and related pay spend** in particular.
- An **objective around RTT (waiting lists) would be set** and in particular understanding hard pressed specialties.

- f) The **Committee received a quarterly contracting report** and highlighted the following:

- The Trust intended to sign a **Heads of Agreement with Wolverhampton CCG by the national deadline of 21st March**. The financial value was 5.6% greater than outturn and the CCG wanted to continue with the Aligned Incentive Contract.
- **Staffordshire CCGs were still under significant financial pressure** and the Trust had made an offer in order to get an agreement but this had not been responded to.
- 5 CQUIN schemes had been shared with operational and clinical colleagues which were judged to be high risk.
- The City of Wolverhampton Council were looking for a 10 year deal but this was at a very early stage of discussions.

- g) The Committee received an update on the **Performance Element of the IQP Report** (National & Contractual Standards):

- **Referral to Treatment Incomplete** – RTT continues to be affected by the rise in urgent referrals into cancer 2 week waits which were taking priority over routine appointments. The Trust continues to focus on reducing the backlog where possible and work closely with Directorates to use all available capacity effectively.

- **Diagnostics** – The target has shown significant improvement during February and is now back within standard. The Trust continues to see an increase of cardiac referrals into radiology for CT and MRI Heart.

- **Emergency Department** – The Trust failed to achieve both type 1 and the All Types target for the month. There were no patients who breached the 12 hour decision to admit target during the month of February. The Trust remained in the top 30 nationally.

- **Cancer** – The Trust is currently predicting possible failure of the 2 week wait, 2 week wait Breast Symptomatic, 31 Day First Treatment, 31 Day Sub Surgery, 31 Day Sub Radiotherapy, 62 Day Wait for First Treatment, 62 Day Screening and 62 Day Consultant Upgrade for February. Validation is ongoing. The Committee enquired as to capacity elsewhere but other Trusts/private sector were equally challenged. Cancer remains an ongoing challenge for the Trust due to the increase in referrals compared to available capacity.

- h) The Committee received an update on the **Cancer Action Plan** which would in future be circulated to the Committee on a monthly basis. **The Intensive Support Team would sign off their report in June.**

- i) The **Committee received a performance against contractual standards (fines) report** which was noted.

- j) The **Committee received an STP update** with the following issues highlighted:

- **Staffordshire STP were about to commence consultation on services** which could involve Cannock Chase Hospitals

- Black Country and West Birmingham STP were to make a **decision on whether Sandwell and West Birmingham CCG** should remain in the STP or be split
 - The **Director of Workforce for the Trust had also been appointed as HR Director for the STP**
- k) The Committee **scrutinised the Finance Report and Supplementary Finance Report for Month 11** and highlighted the following issues:
- **In Year Position.** The deficit position before PSF was £5.6m year-to-date. The position deteriorated by £2.9m in February driven by pay overspends and CIP shortfall. Patient income continues to be strong but not at a sufficient level to mitigate the expenditure issues.
 - **Forecast:** The Trust has maintained a forecast of c£13.7m deficit. However, since that time a number of unplanned benefits have materialised which will improve the position. These include: rates rebate £0.3m, removing the winter ward expenditure reserve £0.8m, lower than planned depreciation £0.3m, removal of provisions £0.3m to £0.6m and other income negotiations £1m - £1.3m. In addition, patient income is higher than forecast month on month and expenditure forecasting is also prudent. Across all of the items it is expected that the forecast will improve **taking the outturn into the region of the £10.4m deficit (before PSF) expected by NHSI.**
 - **Financial Risks:** The material risks to delivering the revised forecast outturn were:
 - **Year-end agreements with Commissioners.** This includes transacting the aligned incentives contract (£0.5m), agreeing the return of readmissions money (£0.9m), agreeing funding for the AEC/ frailty model of care (£0.9m) and/or securing transition funding for the 2017/18 ward closure (£1.1m).
 - Confirmation of the £6.0m funding for MSFT support. The Trust has received £5.8m in cash and continues to seek an explanation about the £0.2m shortfall in this year and in 2017/18 and 2018/19.
 - **The accounting treatment of single asset lives is improving the forecast by £1.3m.**
 - **Pay:** This remained a high concern for the Committee and the relationship between substantive pay and temporary staff costs.
 - **Cash:** The Trust had a cash balance of £15.6m which is £1.7m above the plan. The Committee were informed that the funding for Stroke has been approved.
- l) The Committee received the **Financial Recovery Board report** and noted:
- At **month 11 the Trust is forecasting to deliver £14.880m** (an increase of £0.617M since M10), leaving a shortfall of £10.120M against the CIP Target. The Trust's recurrent YTD delivery is £1.756M with forecast outturn of £4.341M and the Trust's non-recurrent YTD delivery is £10.644M with forecast outturn of £10.539M.
 - The **Trust had identified c4.6/4.7M against the 2019/20 plan** which was better than the same time last year.
 - The **SLR/Model Hospital report** suggested there was still some financial savings to be made.
- m) The **Temporary Staffing Expenditure Dashboard** was discussed as part of the finance report and particular difficulties being faced because of pension/tax related issues.
- n) The **Committee discussed the annual budget** where it was highlighted that the financial risk for 2019/20 was higher than for 2018/19. Although contract negotiations had gone well there was at least a £2million loss compared to business plan assumptions that needed to be mitigated. **Risks about assumptions for a further year of MSFT payment of £6million and additional unplanned depreciation charge of £4million due to revised guidance from the Institute of Chartered Surveyors.**
- Because of the timing of contract negotiations an updated paper would be produced on 26th March and then discussed on the 27th March at Executive Directors and the teleconference meeting with members of the Finance and Performance Committee.**
- o) The **Committee received an update on the Procurement Strategy** highlighting:
- A **paper proposing a formal integration of the procurement staff with UHNM.** This was supported by the regulators and followed the strategic direction of the NHS which expected Trust procurement departments to be much smaller

and combined with other Trusts. This was approved.

- The **level of financial savings had been greater than plan** and the Committee commended the team for this.
- p) The **Committee received a budget training report** which detailed a number of budget sessions had been reduced due to winter pressures but would now be set back up.

The Committee noted that the externally funded and purchased operating game run by the finance department was being well received across the Trust.

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

- NHSI monitoring Return and commentary
- Annual Work Plan.
- Finance Minutes.
- Capital Report