

Chair's Report Finance and Performance 2 December 2019

Three wavy lines in blue, green, and pink/magenta colors that sweep across the bottom of the page.

Agenda Item No: 10.2

ASSURANCE/ESCALATION Report of the Finance and Performance Committee

PREPARED BY	Chair of the Finance and Performance Committee	
DATE PREPARED	20 th November 2019	
SUBJECT	Chair'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 indicator	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 SR8 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 Continuous Quality Improvement (CQI) Team is well supported.	At month 7, the Trust is forecasting to deliver £14.61m leaving a shortfall of £9.89m against the CIP Target (an increase of £0.08m compared to month 6 2019/20). The Trust's recurrent YTD delivery is £1.23m with forecast outturn of £4.00m and the Trust's non-recurrent YTD delivery is £4.57m with forecast outturn of £10.60m.	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 and 2018/19.	The Trust has built £6m payment into its start point position for MSFT for 2019/20, this has been agreed for the next 2 financial years. Still awaiting final payment of £0.2m for 2018/19 (and 2017/18). The Trust has asked NHS I/E to become involved in securing the payment with DH.	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 has yet to finalise agreement on the frailty case with Wolverhampton CCG. It is likely that any agreement will be concluded around discussions on year end forecast for planning purposes.	Initial risk is rated amber and remains amber.
Board Assurance Framework	Provider Sustainability Fund (PSF). In support of SR9 on the BAF.	The Trust signed up to the control total and therefore is earmarked to receive the income.	The Trust has achieved the Q1 and Q2 PSF payment however the financial position and increased CIP phasing for 19/20 remains extremely challenging. The Trust is working up a recovery plan to achieve the Q3 payment.	This risk is assessed as Amber.

See updated progress report Additional Items:

Specific item/Issue	Lead	Due Date	Status *
The Committee will examine in more detail:			
- Draft of 5 year financial plan	CFO	Discussed at 23 rd October F&P and agreed the revised plan was unable to deliver the trajectories year on year, F&P supported the proposal to take the plan forward.	

Status *

Action not yet initiated	Action In Progress but not on target or target has expired	Action in progress and on target	Action Completed
--------------------------	--	----------------------------------	------------------

2) Summary, conclusion and recommendations from meeting held on 20th November 2019:

a) The **Committee received a report on the forecast Outturn for the 2019/20 financial year** which highlighted:

- That the **Trust had been escalated by NHS I/E as the Month 7 position was adverse to plan**. The escalation telephone call had been held the previous evening with the Trust and the Regional Finance Director. It had been made clear that at this point NHS I/E expected a **recovery plan to achieve the control total for 2019/20**.
- NHS I/E has also made it clear that the **financial challenges were an economy issue** and therefore the CCG had to be involved in the recovery plan.
- The Trust had asked NHS I/E for their assistance in **resolving the 2 outstanding debts with DH for £0.2m each, the early payment of the £6m MSFT payment and the resolution of the Sensynne contract**.
- Based on M6 actual position the Trust was forecasting a **deficit to the control total (before PSF/MRET) of £15.8m** (which includes run rate improvement, balance sheet flexibility and commercial income). There was potential for an additional £4m to £5m improvement but this required additional further work and negotiations with Commissioners in particular.
- The **depreciation cost had increased due to the phasing of the capital programme** in that short life equipment had replaced building spend slippage. Further work would be done on asset valuation once staff were freed up from the implementation of the finance ledger.
- The **RWT pathology laboratories were forecasting an overspend on their non-pay of c£500k** which was offset by an underspend on the pay budgets but was not contributing to an improvement in the D1 position. Further work on the recharging from BCPS and understanding this forecast was required with the BCPS COO when back from annual leave.
- The **Trust's commercial presence in tenders was discussed** as was the productivity/business opportunities at Cannock Chase Hospital.
- The **month 7 actual position had improved the forecast year end position by £0.7m**.
- Given the challenging financial position it was agreed that the updated recovery plan would **be the first agenda item of the December private Board** and that delegated authority from the Board would be needed for the December F&P (as there was no January Board and the changes are quarterly) if there was a view that the protocol for not being able to achieve the control total is required to be actioned.

b) The **Committee received a report on the underlying primary Care deficit which highlighted:**

- That the **underlying deficit from acquiring the primary care practices was £1.035m** driven by a range of issues but predominantly pay driven.
- The **strategic nature of the vertical integration project but the Committee felt these costs were in the long term unsustainable without improving productivity**.

- That working with technology/information partners could offer significant opportunities for productivity.
 - The **requirement for a recovery plan to be put in place as soon as possible** to mitigate the overspends and this would be brought back to the Committee in February.
- c) **The Committee received a report on the BAF** and discussed the risks/amendments:
- SR8 (There is a failure to deliver the required CIPs) had been further updated and **the risk score remained unchanged**. It was noted that FRB had moved to monthly meetings until the new year. FRB would be concentrating on the 20/21 plan and it was further noted that Grant Thornton would be taking an audit report on CIPs to the December Audit Committee.
 - SR9 (That the underlying deficit that the Trust has is not eliminated in the medium term to bring the Trust back to financial surplus) had also been updated and **the risk score remained unchanged**.
 - The Committee approved the changes.
- d) **The Committee received a report on the Performance Element of the IQP Report** (National & Contractual Standards) and noted:
- Referral to Treatment Incomplete – **Performance improved in October**, reversing the trend of deteriorating performance in previous months. Action had been taken to reduce the number of patients on the incomplete waiting list. This had been incorporated into the existing recovery action plan and a new trajectory had been completed with specific departmental actions to aid improvement of compliance for this indicator. This was being monitored on a fortnightly basis at the Divisional Managers performance meeting.
 - Diagnostics – This remained challenging due to a marked increase in referrals into the Endoscopy Department (with an increased demand of Fast Track patients taking precedence over routine tests) and capacity constraints in neurophysiology. Additional sessions were being undertaken in endoscopy at the weekend during November and December 2019 to improve this performance as quickly as possible and additional capacity is being sourced in neurophysiology.
 - Emergency Department – The **combined performance against the 4 hour target had deteriorated to 85.9%**. There was **1 patient who breached the 12 hour decision to admit target** during the month, this was a mental health patient who was waiting for a specialist inpatient bed.
 - Ambulance Handover – **Ambulance handover breaches saw a deterioration during October 2019 for both the 30-60 minutes and >60 minute targets** when compared with the previous month. The Trust experienced a slight rise in ambulance numbers during October (1.22%), however, they are remaining fairly static when compared with previous months. Year to date shows an overall increase of 1,608 conveyances (5.37%) when compared with the same period last year, the largest increase was seen in Quarter 1 2019/20.
- The Committee noted the report.
- e) **The Committee received a report on the Cancer Summary and Action Plan** and noted the following:
- **September's performance is 54.9% against the trajectory target of 65%**.
 - Breast – Breast symptomatic **referrals are now being booked in standard** as a result of extra capacity being put on (additional clinics now being run every Saturday catering for 15 patients) and partnership with Walsall Manor Hospital.
 - Diagnostics – Having previously reduced demand, **diagnostic demand for CT Colonography has increased again**. The final Radiographer is due to start in December from the 6 new recruits recently appointed. The waiting time for fine needle aspirations have reduced to 3 weeks and expected to go down further as a result of additional resource. There has been a slight improvement in turnaround time for urgent cancer work in pathology but challenges still remain.

- Urology – The 8th Consultant has commenced in post. Locum options being scoped for 9th post to provide cover until April 2020. Pathway review has been completed with the waiting time reducing by 3 days to 27 days. The EAG group have agreed referral criteria for prostate pathway requiring one raised PSA (as opposed to current two) leading to a risk of an increase in referrals.
- Gynaecology – The PMB Pathway has been mapped and other pathways will be concluded by the end of November. **The wait for Hysteroscopy has reduced from 19 days in June to 8 days in November.**
- Lower GI – Full implementation of Nurse Triage to test for **all fast track colorectal referrals is on course** for January 2020.
- Upper GI – **Are now booking to standard** for straight to test OGDs. Further work is being undertaken to take therapeutic work to CCH. The demand for FIT has increased once more and BCS Patients are currently breaching.
- Lung – PET CT delays are being escalated to Specialised Commissioners.

The action plan was noted.

- f) **The Committee received a verbal report on the contracting round.** The Trust had met Wolverhampton CCG for the first time and would be meeting Specialist Commissioners the following week. It was further noted that Staffordshire's intent to split into 3 areas North, South East and South West and the Trust intended to engage closely with the Commissioner on issues for the South West.
- g) **The Committee received a verbal update on the STP plan** and noted it was likely to be amber rated with a particular concern that the financial trajectories are not being met. The STP had been escalated and it was noted that the finances had been iterated such that the plan was in line with the expected trajectories with the exception of 2020/21 which **was still £30m adrift.**
- h) **The Committee reviewed the Financial Performance Report for Month 6 (September)/supplementary Finance report** and detailed the following issues:
- In-month Performance – **The financial performance for the month (excluding PSF) is a deficit of £1.7m.** Patient care income over performed by £845k in October. Attendances in A&E, non-electives and day cases are over performing, however electives are under performing in month. The pay expenditure is in line with the previous month where there was an £80k increase due to transferring HPV staff and £225k new cost for other new recruits. Therefore pay continues on an upward trend, this additional cost is partly offset by contractual income.
 - Year to Date Delivery of Annual Operating Plan – **The year to date performance is £2.6m adverse to the NHS I/E operating plan.** This has **triggered escalation action with NHS I/E.** The CIP plan for the year increased materially at month seven. The shortfall of £1.7m in month is a significant driver behind the in-month deficit. It is not expected that the required stepped change in the delivery of CIP will be achieved in the remainder of the year.
 - Risks and Mitigations – **The key risks in delivery of the financial plan in 2019/20 remain the same:**
 - *MSFT transaction support (£6.0m) and depreciation funding support from NHSI (£5.1m) have been included in the annual plan. Informal feedback from NHSI suggests that the £5.1m may not be supported.
 - *CIP delivery is in excess of what has been delivered in past years, however, more has been identified at this point of the year than the same period last year
 - *£13.5m of vacancy factor is built into budgets. The current delivery of this is c. 50% per month which leaves a potential pressure of nearly £7m for the year.
 - *Divisional risks were captured during budget setting and will be reassessed as part of the forecasting exercise.
 - Cash – The cash balance as at **the end of October 2019 is £12.7m, £11.7m above the plan.** The Trust is aiming not to take a cash loan out for the rest of the financial year however careful planning with Estates Development on the Capital programme would be needed to achieve this.

- Patient Income – Patient care income plan is £285.5m to date, with actual income generated of £289.9m, an over performance of £4.4m to date, £845k over performance in October.
- To date are adjustments for **the Aligned Incentive Scheme (AIS), fines, deferred income, provisions, and CQUIN which reduce income by £1.59m**. This is offset by the impact of provisions and outturn of contracts from last year of £1.7m total. Further work on the provision for data items will be done for the recovery plan.

The Committee noted the report.

i) The **Committee reviewed the Finance Recovery Board (FRB) report** noting that:

- The 2019/20 CIP Target was £24.500m, broken down into £11m recurrent CIP Target and £13.5m non-recurrent CIP Target.
- At month 7, **the Trust was forecasting to deliver £14.608m leaving a shortfall of £9.892m against the CIP Target** (an increase of £0.078m compared to month 6 2019/20). The Trust's recurrent YTD delivery was £1.234m with forecast outturn of £4.004m and the Trust's non-recurrent YTD delivery was £4.572m with forecast outturn of £10.604m. **The Trust had delivered £6.096m YTD against a YTD Trust CIP Plan of £8.889m**. As a result, the Trust has delivered 69% of the YTD Trust Plan.
- The FRB meetings have been changed to monthly whilst the Trust was collating PIDS for discussion at the FRB meeting in January 2020. The meetings will then revert back to fortnightly.

The report was noted.

j) **The Committee discussed the Temporary Staffing Expenditure dashboard and noted:**

- The report was in the process of being re-formatted and comments/views were invited by the Director of Workforce.
- **The level of bank spend had dropped for month 7 but it was too early to tell if this was a discernible trend.**

k) The Committee **received the quarterly update on PLICS/service line reporting and approved the next steps** whilst noting the contents of the report. It was also noted that the national pricing team had set out an intention to use PLICs for price setting for the 21/22 tariff.

l) The Committee **received a verbal update on the Medium Term Financial Plan noting the Trust's position remained unchanged** but the STP figures had moved as previously reported.

m) The Committee received the Budget Training Report noting its contents but requesting the re-instatement of the % for managers that had been trained.

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

- NHSI monthly return
- Annual Work Plan.
- Finance Minutes.
- Monthly capital update
- Performance against contractual standards (fines)
- NIHR CRN West Midlands Report