

Chair's Report Finance and Performance

7 April 2020

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Agenda Item No: 7.2

Trust Board Report

Meeting Date:	7 th April 2020
Title:	Assurance/Escalation Report of the Finance and Performance Committee Chairs Summary Report
Action Requested:	To provide assurance to the Board in relation to all delegated responsibilities of the Finance and Performance Committee

For the attention of the Board

Assure	
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Links to Trust Strategic Objectives	5. Maintain financial health – Appropriate investment in patient services 6. Be in the top 25% of all key performance indicators
Resource Implications:	None
CQC Domains	Safe: Effective: Caring: Responsive: Well-led:
Public or Private:	Public
NHS Constitution:	In determining this matter, the Board should have regard to the Core principles contained in the Constitution of: <ul style="list-style-type: none"> • Equality of treatment and access to services • High standards of excellence and professionalism • Service user preferences • Cross community working • Best Value • Accountability through local influence and scrutiny

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 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 11 the Trust is forecasting to deliver £14.519m, leaving a shortfall of £9.981m against the CIP Target (a decrease of £0.625m compared to month 10 2019/20). The Trust's recurrent YTD delivery is £2.756m with forecast outturn of £4.247m and the Trust's non-recurrent YTD delivery is £8.742m with forecast outturn of £10.271m	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 transaction support for 2019/20, this has been agreed for the next 2 financial years. 11/12 th are now shown in our financial information. Still awaiting final payment of £0.2m for 2018/19 (and 2017/18). The Trust has escalated the position to NHSE/I for resolution who have requested written evidence.	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 raised the issue of Emergency Performance (and related acuity) in the discussions with Commissioners as a result of the Aligned Incentive Contract and expects to be re-imbursed in 2020/21 contracts.	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 to Q3 PSF payments however the financial position and increased CIP phasing for 19/20 remains extremely challenging. The year to date performance is £45k ahead of the NHSI operating plan.	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	Given the national Financial guidance in response to the national Covid-19 emergency this is currently on hold.	

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 25th March 2019:

- a) The Committee met for the first time by teleconference, following social distancing recommendations for those on site, and followed national guidance by focussing by exception on the key issues and took normal update reports as read taking questions where appropriate and deferred some reports.
- b) Many of the actions had been closed and all outstanding actions were deferred until the June meeting.

c) The **Committee received a report on the 2020/21 budget** which highlighted:

- Trusts **had received revised national guidance** (letter dated 17 March from NHSE/I) that had suspended planning for 2020/21 and detailed:
 - Trusts would be funded by block contracts for the period 1 April to 31 July 2020. Normal NHS contracting arrangements would not apply, a simple contract form would be signed and invoicing for non-contract activity would cease. The first block payment would be 1 April and then on 15th April for May's block.
 - Trusts were allowed to claim monthly for additional costs (revenue and capital) related to the Covid-19 outbreak.
 - Trusts would receive a national top-up to the block payment which would be calculated nationally allowing break even to be achieved and cash to flow.
 - The finance function should prioritise maintaining payroll services, accounts payable and core reporting.
 - Financial governance needs to remain strong as all the legal responsibilities remain in place.
- The budget proposed within the paper was a calculation based on the guidance which used month 9 (December 2019) actual expenditure and added inflation (without deducting the efficiency requirement for 1.1%) and a calculation for the national top-up.
- At the point of presentation however, neither the block value nor the Trust top-up had been shared and therefore **the Committee was asked to note the paper and not approve it.**
- The Committee enquired as to whether there had been any changes in financial governance and it was confirmed that the Medical Director, the Chief Operating Officer (and subsequently the Chief Nursing Officer) had been made signatories to the Covid Revenue and Capital cost centres with normal delegated limits. The Chief Operating Officer delegated levels raised to £500,000 for capital only. All Covid-19 expenditure was approved at silver command which involved those Executive roles and captured on normal financial systems ie requisitions raised, approvals given, orders raised etc.
- The Committee also enquired as to the resilience of the finance team. It was detailed that critical tasks/jobs had been identified and cover arrangements put in place accordingly. This prioritised tasks followed the national guidance for payroll, accounts payable and core reporting. Over 50% of the functions have laptop and working (as they were working to an agile policy) from home capability which it is hoped would be increased.
- The finance function were not yet experiencing high sickness rates and had developed business continuity plans to cope with upto 30% absence. It was also noted a number of departments were extending their normal working hours to 7 days.
- The Committee also enquired about robust processes to prevent fraud. It was confirmed that payroll, procurement and the accounts teams were still following existing standard operating practices and there was regular dissemination of Fraud awareness bulletins to staff to keep them upto date with the latest Fraud attempts in the NHS and the wider economy. In addition financial management would be spending more time on actual costs and variance analysis especially on Covid costs to ensure they were all legitimate.

The Committee received and noted the report.

d) **The Committee received an application for Funding of Urgent Capital Expenditure for Covid-19** which highlighted:

- The Trust had put **forward 2 urgent and material capital schemes** for NHS Midlands and national approval. The two schemes were to provide urgent capacity in order to cope with surge admissions for Covid-19 and consisted of:
 - a 56 bedded modular ward scheme costing c£9.3m
 - an 8 bedded ITU decant facility costing c£3.4m
- The schemes **had been approved by Silver and Gold command, Executive Directors** and would be taken to the Trust Board after this Committee.
- Both schemes were expected to be completed by mid-late May and it was acknowledged that it was crucial to start on site quickly in order that the capacity was ready. It was acknowledged that ensuring contractors were

available to complete the work and the supply chain for materials and equipment could prove challenging.

- The Committee challenged if both schemes were value for money and the modular development had longevity. In terms of value for money term contractors were being used to fit out the areas but these schemes were expensive because extended hours working was required. The modular development was expected to last a minimum of 15 years and longer depending on the level of upkeep/refurbishment.

The Committee approved both schemes.

e) **The Committee received a report on the BAF** and discussed the risks/amendments:

- The Committee accepted and approved the amendments to SR1 (Workforce-Recruitment and Retention of staff across the Trust) and SR9 (Underlying deficit of the Trust).

f) **The Committee received a verbal report on the contracting round:**

- The Trust were expecting changes to national standards but awaiting definitive guidance.
- Screening programmes had been suspended nationally such as Cytology which meant the equipment could be used for Covid-19 testing.
- Urgent cancer work continues as does urgent surgery.

The Committee noted the update.

g) The **Committee received a report on the Trust Financial Report and supplementary finance report** which highlighted:

- **In-month Performance** –The financial performance for the month (excluding PSF) is a cumulative deficit of £16m and a deficit of £6.9m after PSF which was a £8.6m variance from plan.
- **Forecast Year End Position** – The forecast year end position was now looking more challenging as the recovery plan included a £5m commercial deal which was no longer going to transact before 31 March.

Whilst conversations with our host CCG in Wolverhampton were positive there was a danger that a year end contribution of c£5m was at risk if we could not get to the control total.

A Covid-19 return had been completed the previous day that included an assessment of lost income for activity that had been cancelled.

Key to the year end position would be finalising the end of year positions with Specialist Commissioners and Staffordshire. In summary the year end position was a range of achieving the control total to missing it by £14m (excl PSF).

The Committee enquired about cash balances and the view was the Trust would have sufficient cash as capital contractors were now slowing down as a result of Covid especially on our big schemes for Pathology/Car Park. The Trust should also receive 2 large cash payments in April for its block values and 1 top up payment.

The Committee noted the report

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

- The Trust was forecasting to deliver £14.915m leaving a shortfall of £9.981m.
- The Trust had identified the same number of schemes in 2020/21 as 2019/20 including a lot of outpatient based schemes.
- The service efficiency team had been re-deployed to support other functions during the Covid-19 outbreak.

The report was noted.

i) The following Committee **were deferred until future meetings:**

- BCPS update
- Diagnostic Imaging, Aseptics and Radiopharmacy – Strategic Outline Business Case
- Cancer Summary and Action plan
- Medium Term Plan/Long Term financial Model
- 5 year Capital Plan
- Budget Training
- Performance against contractual standards (fines)
- NIHR CRN: West Midlands Report

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

- Performance element of the IQP report
- Temporary Staffing Expenditure Dashboard
- NHSEI monthly return.
- Annual Work Plan.
- Finance Minutes.
- Monthly capital update