

ASSURANCE/ESCALATION Report of the Finance and Performance Committee

PREPARED BY	Chairman of the Finance and Performance Committee	
DATE PREPARED	25 th January 2016	
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	
	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	
Risk register	Cost Improvement Programme achievement		Against an annual target of £20.6m £12.2m (Full year Impact), has been removed from budgets at the end of December however £4.0m of this is Non-recurrent.	This risk to remain as red rated.
Risk register	Mid Staffordshire		The sustainability of services and impact upon RWT. The Trust is currently supported by £6m of transitional support per annum.	This risk is amber rated.
Risk register	2016/17 tariff		Introduction of new currencies and new prices in the 2016/17 tariff may lead to a material loss of income.	This risk is amber rated.
Risk register	Pensions Agency		The trust has been notified of a significant cost in respect of an employee that the Trust believes it is not the successor organisation for.	This risk is yellow rated.
Risk register	Overseas Recruitment Added Nov 2015		The trust is recruiting overseas (now that the VISA restrictions have been lifted until end of March 2016) and will incur recruitment fees. The total cost is dependent on the number of nurses recruited. This was not factored into the budget or previous year end forecasts. Cost circa £1.5 – £2.0m.	This risk is amber rated.

Risk register	Contract performance Added Nov 2015		The Trust has received 4 contractual notices for A&E performance, 62 day cancer, oral surgery and E-discharge. If the Trust fails to deliver agreed Rectification Action Plans it could be fined upto £4m.	This risk is amber rated.
Risk register	Winter Pressures Added Nov 2015		The trust in line with TDA planning guidance assumed winter pressures funding equivalent to 2014/15 however the CCG is currently refusing to fund the Trust for all its costs by £0.8m.	This risk is amber rated.
Clinical outcomes	Agency Medical Cap Arrangement		New proposal to cap Agency Medics may introduce safety challenges if Agencies do not reduce rates and decisions/processes inhibit shifts being filled.	This risk is amber rated.

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

See updated progress report

Additional Items:

Specific item/Issue	Action	Lead	Due Date	Status *
<p>The Committee will examine in more detail:</p> <ul style="list-style-type: none"> - An LTFM setting out future financial projections based on updated strategic objectives in line with the latest planning guidance - Impact of Lord Carters financial assessment of the Trust 		<p>Chief Financial Officer/Chief Operating officer</p> <p>Director of Strategic Planning and Performance</p>	<p>February 2016</p> <p>February 2016</p>	

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. Previous report progress update:

Specific item/Issue	Action	Lead	Due Date	Status *
Cost Improvement Programme In Year	- CIP programme to be reviewed monthly to ensure delivery and plans identified for the unidentified target.	Chief Operating Officer	Monthly updates	
Integrated Transformation Fund – now 'Better Care' Fund	- To understand and work closely with Health Economy partners in mitigation of this financial and operational risk	Director of Strategic Planning & Performance	Monthly updates	

3. Chairman final summary/conclusion/recommendations

a) The Committee scrutinised the **Financial Position as at Month 9 (December 2015)**. The following issues were reviewed:

- The **Trust's cumulative Income and Expenditure position showed an actual deficit of £10.4m which was £0.4m adverse** to the stretch plan. This consisted of:
 - Total income underperformance of £2.2m offset by an underspend of £1.7m on expenditure due mainly to pay budget underspends of £2.7m.
- **Patient Income had underperformed by £1.5m in month** which was a reversal of the previous month's improvement. The Committee remained concerned that that the future levels of income to be achieved for the stretch target in months 10-12 were particularly challenging. The Committee explored specialty underperformance and it was noted in particular:
 - That Clinical **Haematology/Oncology had underperformed by £899k** due to Commissioners consulting on the service transfer from Stafford which had delayed the activity transfer. There were compensating underspends on expenditure.
 - That **Accident & Emergency (Which includes Non-Elective Admissions) had underperformed by £616k**. Whilst the A&E department had been very busy above contract the level of Non-Elective activity was below the previous year and contracted levels.
 - **Cardiothoracic had underperformed by £552k** due in part to vacancies and a targeted recruitment plan was in place.

The Committee noted that **additional capacity (2 new theatres from Jan 2016) was now open and activity had transferred to Cannock Chase Hospital** which was a fundamental requirement for the Trust to achieve its stretch targets in the final 3 months of the year.
- **Pay was underspent by £2.7m due to vacancies** in the organisation and **the vacancies/gaps in manpower was a significant risk that had now been escalated to the Board Assurance Framework**. The committee was concerned at the increasing levels of vacancies and discussed Community and Surgical staffing levels in particular. The Trust had recently recruited in Europe (16 nurses identified) and the Trust was abroad in the Philippines for a second cohort of recruits given the lifting of VISA restriction until the end of March 2016. It was felt that partly as a result of vacancies sickness levels had increased.
- The Trust continued to be exposed to a number of **financial risks**:
 - **Overseas recruitment costs** which were dependent on the number of recruits and had not been factored into the budget or previous year end forecasts. Cost circa **£1.5 – £2.0m**.

- The Trust has received **4 contractual notices** for A&E performance, 62 day cancer, oral surgery and E-discharge. If the Trust fails to deliver Rectification Action Plans it could be **fined upto £4m**.
 - The trust in line with TDA planning guidance assumed **winter pressures funding** equivalent to 2014/15 however the CCG is currently refusing to fund the Trust for all its costs by **£0.8m**.
 - The Trust has made assumptions **that fines levied, Emergency readmissions and the Marginal Rate of Emergency Threshold (MRET) monies** would be predominantly returned to the Trust. Whilst positive conversations have been had with Wolverhampton CCG this was not the case with other Commissioners and the dialogue would continue into 2016. The worst case shared with the Committee was a deterioration of £2.7m on these issues.
 - The Committee **examined locum and agency spend**. The Committee noted that the Agency Capping arrangements were in place and beginning to have an impact on the non-clinical component. However the cap on medical staffing was yet to have an impact and reduced further in rates on 1st Feb and 1st April 2016.
 - Charitable Funds were reviewed as this report was the end of the quarter and the Committee noted that charitable funds were supporting the Trust through a number of capital spends that yet to be expensed. The **Charity Committee intended to re-launch the Trust's charity in May** inviting a number of donors to the launch.
 - The Committee also noted an updated **forecast year end position** was being done and would be shared within a week.
- b) The Committee received a tabled report on **the debt position of the Trust** as at the end of December. The Committee noted that:
- The level of NHS Accrued debt had risen to £9.2m and invoices were being raised for this to commissioners
 - Of the invoiced NHS debt, **£4.2m was over 1 month old** and involved a number of Trusts and NHS partners such as the TDA. It was agreed to continue the focus escalating to Director level if necessary to resolve the debt.
 - At the request of the Committee further detailed work was being done on overseas debt to ascertain the true level of potential write off and recovery.
- c) The Committee received an update on the **Trust wide Cost Improvement programme**:
- As at **month 9 the Trust had achieved £12.2m (Full year Impact), £8.2m recurrently, against a target of £20.6m** on a full year basis.
 - **The Committee remained concerned of the high value of red rated/no schemes which totalled £7.5m**
 - The **forecast year end position was expected to be £14.0m** recurrently but this assumed £4m for the depreciation technical change and activity of £5.0m being counted towards CIP. **This was currently being reviewed as part of the updated forecast year end work.**
 - Within the **Transformational workstream** at month 9 £354k of schemes had been realised. The cleared schemes totalled £1.1m against the £6.7m target. The text reminder system continued to show good progress.
- d) The Committee received a verbal update on the **planning and budget setting process for 2016/17**. It was noted that the Trust had received a letter dated 15th January from Monitor and NHS Improvement setting out the context for the financial settlement for the NHS and the financial control total for the organisation and the requirements to achieve key delivery targets. The Trust is expected to respond to NHS Improvement by 8th February. The budget setting process is fully underway to achieve a provisional budget for Board discussion at its February board.

- e) The Committee reviewed the **performance element of the Integrated Quality and Performance Report** and discussed:
- The combined **A&E 4 hour target was not achieved in December (88.53% against target of 95%)** as the Trust had remained under significant pressure with activity in month being 10% up on the same month last year.
A significant pressure was the number of Ambulances conveyances which had increased by 2% year on year culminating in conveyances on New year's day of 175 compared to an average of c130.
 - There were **63 cancelled operations in December** and the Trust failed its own target. 7 of the cancellations were at Cannock Chase Hospital partly as a result of a Trust offering better rates of bank pay which had now been addressed.
- f) The Committee received an update on **contractual fines** and noted the increasing fines which were £335k in December (cumulative £1.435m). The biggest increase were fines for not achieving the 4 hour A&E waiting time target.
- g) The Committee **received quarterly contracting update** and noted that:
- Meeting with Wolverhampton CCG were now taking place on a weekly basis to discuss contracting issues related to 2016/17.
 - The challenging financial pressures for the NHS were evident in the discussions
 - Contracts are due to be signed by 26th February however the Trust had yet to receive the new national contract or an offer from Specialised commissioners
 - A long list of CQUINs had been proposed by the Commissioners but national guidance was yet to be released on these
 - HRGv4 had been delayed reducing volatility in the system but prices for 2016/17 had not yet been released.
- h) The Committee received an updated Service Line Reporting report and noted that Monitor had not yet released their draft audit report **on reference costs which would be escalated**.
- i) The Committee received an updated **report on the procurement strategy** and was concerned that the level of proposed savings for 2015/16 were unlikely to be realised. It was noted that the Trust was still in a dialogue with the DoH with regard to some small funding to progress elements of the Trusts bid.
- j) The Committee received an update on the risks that were in the Board Assurance Framework that were under the jurisdiction of the Committee. It was noted that:
- SR1 Update required
 - SR4 Update required
 - SR6 Risk remains the same level
 - SR7 Current assured level reduced from 12 to 9
 - SR8 Update required
 - SR9 Risk remains the same but more mitigation actions have been put into place
 - SR10 Risk remains the same but updated to include revised work with TDA, Submission of plans and debtors report.
 - SR11 Risk remains the same but updated to include the 5 year plan coming to Trust Board in February, prioritising plan and rationalisation report
 - SR12 Update required

k) Items received for information included:

Annual Workplan

Finance Minutes

Capital Report for Month 9

Chairman of Finance and Performance Committee

25th January 2015