

ASSURANCE/ESCALATION Report of the Finance and Performance Committee

PREPARED BY	Chairman of the Finance and Performance Committee	
DATE PREPARED	23 rd March 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	
Board Assurance Framework	Cost Improvement Programme achievement		Against an annual target of £20.6m a total of £15.2m (73.6%) has been removed from budgets at the end of January. However £6.8m of this is Non-recurrent.	This risk to remain as red rated.
Board Assurance Framework	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	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. Initial indications now are that low levels of recruits will be in post for 2015/16. This will, therefore, be a 2016/17 financial pressure.	This risk is green rated for 2015/16.

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. The Trust has now received notice that Commissioners will enact the fine and, therefore, the Trust needs to negotiate the value.	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 has now refused 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.

Risk of currencies and new tariff for 2016/17 removed.

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 *
The Committee will examine in more detail: - The scores and assurances contained within the BAF		All Director owners of risk	March 2016	
- The impact of opening the new Emergency Department against the original Business Case		Chief Operating Officer/Chief Financial Officer	May 2016	

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	
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 discussed in detail the Board Assurance Framework and the proposed changes to simplify the reporting of risks and the link to and impact on the Trust's strategic objectives. Each of the risks assigned to the Committee were reviewed and agreed that:

- SR1 (Workforce – Recruitment and retention of staff across the Trust and in particular the future pipeline of nursing and medical staff). **Agreed that this would be maintained at Red risk status** given the number of vacancies across the Trust.

- SR4 (Risk of adverse impact on the Trust following service transfer in November 2014 and uncertainties within the Staffordshire Health Economy). **Maintain at Amber risk status** and a discussion to be had as to whether this should be transferred to the CFO once re-worded given financial impact of services now they have transferred.

- SR5 (If competition causes a significant change in activity). **It was acknowledged that this was now less of a threat and therefore should be removed from the BAF and put on the risk register.**

- SR 6 (Potential impact on income due to enacted intentions of Commissioners). **Maintain as Amber risk status.** The Committee discussed the potential impact of the urgent care provider and with the opening of the Emergency Department approaching 6 months it was requested that a **business case update be presented to the Committee in May.**

- SR 7 (That the financial risk of vertical integration is prohibitive). **Given the materiality of the financial transaction it was felt that this could be removed from the BAF and put on the risk register.** A review of the business case for Vertical Integration issues would take place at the April Committee prior to the business case being formally received by the Board.

- SR8 (That there is a failure to deliver recurrent CIP's). **Agreed this would be maintained as Red risk status.**

- SR9 (That financial balance (and surplus) is not achieved). **Agreed this would be maintained as Amber risk status for 2015/16 but could be Red in 2016/17 in large part due to the status of SR8 and contract negotiations.**

- SR 10 (That the Trust fails to generate sufficient cash to pay for its commitments). **It was agreed that this would be escalated to Red risk status given the link to SR8 and SR9.**

- SR11 (Condition of the existing Estate - Quality and flexibility). **Agreed this would be escalated to Red risk status.**

- SR 12 (That the retention and development costs of staff are unaffordable). **Agreed this would**

be maintained as Red risk status.

b) The Committee scrutinised the **Financial Position as at Month 11 (February 2016)**. The following issues were reviewed:

- **The Trust's cumulative Income and Expenditure position** showed an actual deficit of £4.4m which was £3.2m adverse to the stretch plan. This consisted of:
 - Total income underperformance of £5.02m offset by an underspend of £1.3m on expenditure due mainly to pay budget underspends of £2.2m.
- **Patient Income** had underperformed by £0.6m in month against the stretch target which was a continuation of the previous month's trend.

The Committee remained concerned that that the future level of income to be achieved for the stretch target in month 12 was particularly challenging, given that Easter falls in March and the recently announced 48 hour junior doctors strike. The Committee explored specialty underperformance and it was noted in particular:

- **That ITU capacity had continued to compromise some activity.** This was due to staff shortages which was unlikely to be resolved in the short term.
- **Emergency income had deteriorated by a further £259k to a deficit of £1.23m** despite A&E activity showing a favourable variance of £123k.
- **At the operational finance group it had become apparent the Trust may not be invoicing for all its births.** A number of births were currently being reviewed between Directorate clinical systems, the main Patient Administration and the contracting Systems. Once this had been completed other key departmental systems were likely to be reviewed.
- **Trading Income in Estates was a lower than stretch expectations.** The Committee noted this was in part due to car parking difficulties on the New Cross site and had requested an update on the current position.
- **Expenditure especially with regard to pay.** The pay budgets had overspent in month (£0.2m) albeit the cumulative position was underspent by £2.2m. The Committee noted that 20 wte nurses had been recruited in January but Agency/Locums and Bank costs were in aggregate at the high end of monthly spends in 2015/16.
- **The Cash position was £9m higher than the plan of £16m due to deliberate management of creditors and capital spend.** Targeted efforts were being into debt payment by Commissioners and it was noted that the provider financial pressures were impacting on the level of debt between trusts. This had been raised with the TDA to try to secure some movement. Additional face to face meetings were being arranged to resolves issues.

c) The Committee received the **proposed annual financial plan 2016/17 for the West Midlands Clinical Research Network**. The core allocation for the year was £28.5m which was a reduction of £1.2m on 2015/16 which had been expected. The Network had proposed an activity based funding model to allocate finances to the Partnership Organisations (POs).

Overall the financial plan proposed a spend of £28.9m which was potentially an over-commitment of £0.3m. Contingency plans had been identified if necessary but given the experience from the POs was to underachieve this was thought to be **low risk and on that basis the Committee approved it for the Board.**

d) The Committee received an update on the **Trust wide Cost Improvement programme**. As at **month 11 the Trust had achieved £15.2m (Full year Impact), £8.4m recurrently, against a target**

of **£20.6m** on a full year basis. The Committee were concerned that the non-recurrent element of savings would need to be carried forward, resulting in a significantly increased CIP challenge for 2016/17.

- e) The **Transformation Programme group remit has now been extended to encompass both transformation and the Lord Carter efficiency improvements**. The programme had been organised into 4 workstreams:

- Procurement

A number of actions were detailed but in particular the aggregated sourcing (Commitment) workplan which required clinical support from a number of Trusts in order to gain agreement to standardised products with agreed volumes for price reductions .

- Clinical

This was led by the Operational Divisions and supported by the transformational, finance and information teams. Detailed modelling compared to the Carter Savings has been done in **Cardiology whereby 55% of the Carter savings had been identified** as deliverable and **nothing for Rheumatology** due to a coding issue on high cost and home care drugs which had artificially raised the reference costs. Other specialties had now been identified to roll the methodology out.

- Estates

At lot of focus had been placed on improving the data quality (ERIC data) so as to focus on the correct areas. The Trust was currently showing an occupancy of 33% for non-clinical space compared to a target of 35%.

- Medicines Management

A clinical lead had now been identified to take this forward.

- f) 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 February (85.4% against target of 95%)** as the Trust had remained under significant pressure with the number of ambulance conveyances in month being 17% up on the same month last year. Partly as a consequence handover times had deteriorated. The Committee asked for the analysis of the underlying clinical reasons for the increase in attendances which was underway.
- **Referral to Treatment targets were achieved in total** but there were **5 specialties where there were concerns**, general surgery, orthopaedics, maxialfacial, urology and gynaecology. The Trust had also recently experienced a significant increase in orthopaedic referrals. **The Trust had recently identified a number of long waiters in orthodontics which were kept in manual records and therefore not visible on corporate systems. An investigation was underway with assistance from Internal Audit and details would be provided.**
- **The trust had failed the 62 day wait (22 patients) and 62 day screening targets for Cancer (5 patients).**
- **The Committee discussed the Trust sickness and turnover levels** and noted that the February performance had improved to 5.24% but was still 0.76% worse than the same month last year.

- g) The Committee received an update on **contractual fines** and noted the increasing fines which were £421k in February (cumulative £2.244m). The biggest value were fines for not achieving the RTT target.

- h) The Committee **received a report on the progress with contract negotiations with Commissioners.** Escalation meetings were in place with Wolverhampton and there were 6 items that required resolution to avoid going to arbitration. The Trust had not yet received a formal offer from the specialist services and nothing from Wolverhampton City Council as they had only just been notified of their allocation.
- i) The Committee received the Income and Expenditure plan for 2015/16 which identified the following:
- An income plan of £507.5m although contract negotiations, CQUIN and QIPP had yet to be finalised with commissioners
 - An efficiency requirement of £25.6m, of which £10.7m had been carried forward, £9.6m was from tariff/inflation requirements and £5.3m to achieve the TDA stretch target
 - A surplus of £2m before the Sustainability and Transformation payment of £10.6m.
 - Further work was underway with Divisions to balance the budget which required a £15m reduction in the budget against cost pressures/development requests of £28.2m and a loss of income of £9million for which there were at present no cost reductions.
 - Non-Recurrent requests of £4.2m against a budget provision of £2.6m.
 - Reserves for inflation, pay awards, incremental drift, PFI radiology and CNST

There remained a number of risks which were detailed in the paper and would be articulated at the Board.

- j) Items received for information included:
- TDA Monthly return
 - Annual Workplan
 - Finance Minutes
 - Capital Report for Month 11