

## ASSURANCE/ESCALATION Report of the Finance and Performance Committee

PREPARED BY	Chairman of the Finance and Performance Committee	
DATE PREPARED	21 <sup>st</sup> June 2017	
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/Indicator or	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	<p>The Trust is identifying non-recurrent contributions to the plan which totalled c£7m in the previous year.</p> <p>Additional schemes and external support are being secured for further efficiency opportunities with safe hands, theatres, outpatients and workforce.</p>	<p>As at M2 the Trust had identified £9.9m in plans against a target of £26.9m albeit the Trust will achieve a material element of the plan non-recurrently.</p> <p>At M2 the Trust achieved £0.29m against a plan of £1.4m an adverse variance of £1.1m.</p> <p>The risk is that the Trust does not deliver its planned CIP.</p>	Initial in year score - red rated.
Board Assurance Framework	Mid Staffordshire FT transaction	<p>The Trust maintains contact with NHS Improvement (as the agent of the DoH) and has submitted the original business case and a review of the business case in evidence of supporting the continued funding for at least 2017-2019.</p>	<p>This risk is to the sustainability of services and impact upon RWT due to the non-continuation of the £6m deficit support from the DoH.</p> <p>The risk is that NHS Improvement have yet to formally pay the deficit support monies.</p>	Initial in year score – High Amber.

Board Assurance Framework	Loss of Emergency Admissions Income	The Trust has commenced discussions with Wolverhampton CCG on risk and gain share arrangements for this activity.	<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 risk is that the revised pathway continues into 2017/18 and further work on frailty and ambulatory patients could increase the income loss.</p>	Initial in year score – High Amber.
Board Assurance Framework	Sustainability and Transformation (STF) Payment	Month 2 figures and A&E performance are in line with NHSI trajectories.	<p>The Trust has signed up to the control total with NHS Improvement for 2017/18 which contains expected an STP payment of £9.9m. In order to secure the payments the Trust has to deliver against it's in year financial targets and the submitted trajectory for A&amp;E.</p> <p>The risk is that the Trust does not deliver the trajectories and therefore does not achieve its STF payments.</p>	Initial in year score - red rated.
Board Assurance Framework	Capital Programme	The Trust will write to NHS Improvement arguing its case for the increase in the Capital Resource Level above its depreciation.	<p>The Trust has constrained capital available due to the reduced depreciation resulting from the Alternative Site Valuation methodology on valuing its assets.</p> <p>The risk is that the lack of capital will mean the Trust is unable to replace its medical equipment and deal with its estates backlog programme.</p>	Initial in year score - amber rated.
Risk Register	Activity Plans not achieved due to activity from other providers/ commissioners or the cost of doing the work is not sufficiently funded.	<p>Close monitoring of activity levels is in place within Divisions.</p> <p>Discussions with other providers/commissioners have taken place to secure appropriate funds.</p>	<p>The risk is surrounding providers struggle to achieve their activity levels and/or there is a change in referral patterns putting additional pressure on the Trust's specialties.</p> <p>M2 shows an underachievement against its activity plan of £1.7m.</p>	This risk is amber rated.
Risk Register	Impact of new tariff for HRG4+		The risk is that the initial positive income impact of the new tariff and coding regime is not achieved.	This risk is amber rated.

<b>Risk Register</b>	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.	The arbitration process has yet to conclude.	This risk is amber rated.
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**Provide Details of further actions for mitigation of above issues/risks:**

See updated progress report

**Additional Items:**

Specific item/Issue	Lead	Due Date	Status *
<b>The Committee will examine in more detail:</b>			
- Content of the supplementary finance report	Chief Financial Officer	July 2017	
- Content of the budget managers training report	Chief Financial Officer	July 2017	
- Black Country Back office project	CFO/DSPP	Sept 2017	

**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

- a) Under matters arising the Committee agreed to receive an update on the **Black Country Back office project** in September.
- b) The Committee discussed **Cashflow management** and agreed to receive quarterly reports
- c) The Committee considered the **In house delivery of Due Diligence for VI practices**. The Committee was reassured that HR practices would form part of due diligence in the future. The Chair noted that a VI pipeline update was required and would raise with S Mahmud. The Committee accepted the proposal subject to a number of amendments to clarify the scope
- d) The Committee discussed the paper on the **Impact of Opening the new ED Department** and thanked the authors for a comprehensive report. The Committee discussed the financial position in absolute terms and compared to the original business case, noting that the service makes a significant loss. Two significant drivers of this loss were increased junior staffing levels and the use of agency staff. The Committee also discussed the impact of the Urgent Care Centre and considered the Trust position should the service be tendered again. The Committee asked for timescales on the capital works to be added to the paper before submission to the Board
- e) The Committee considered the Board Assurance Framework (BAF) and risk register. In particular the following issues were discussed:
  - **Workforce**

There is a significant risk that the Trust is unable to recruit and retain sufficient numbers of staff with appropriate skills to achieve its objectives, which leads to higher agency spend, inability to provide some services and decreased staff morale. The Committee queried whether Dermatology was the specialty most at risk in terms of Consultant recruitment and retention. The Trust has developed a number of initiatives to improve recruitment from the UK and overseas and to retain staff. The Trust is also developing new roles and developing further metrics to support delivery of the People and OD strategy. The Chair sought and received assurance that the Workforce Assurance Group are fulfilling the role of providing Level 2 assurance. **It was agreed that this risk should be 20**
  - **Cost Improvement Programme**

The Trust had a significant CIP which initially had been set at £20m and subsequently increased to £26.9m as a result of accepting the NHS Improvement control total for 2017/18. Delivery against this plan was performance managed by the Finance Recovery Board. The Committee noted the Trust had identified £9.8m of plans and was pursuing external support for further efficiencies with safe hands, outpatients and workforce. Current performance and plans to develop further CIPs were discussed. The Committee expressed its concern that the CIP delivery was behind plan despite the plan being back loaded and at the progress in identifying further CIP required. The Chair will raise this concern at the Board. The Committee asked about plans to deal with the end of the Deloitte current contract in September 2017, noting a growing in house capability and extension to the current contract are both being considered. It was agreed that Control C5 should be downgraded to level 2. **It was agreed the risk should remain at 20.**
  - **Payment of £6m MSFT Transition Funding**

This is well understood by the Trust and NHS Improvement but has yet to be formally approved and paid by NHS Improvement. **It was agreed this should be downgraded to 12 but remain as high amber.**
  - **Underlying deficit**

The Committee recognised the link between this risk and the CIP delivery risk. The Committee agreed that Control C5 should be downgraded to Level 2 assurance.
  - **Generation of Cash**

This risk has been downgraded due to the improved cash position. It was agreed that Control C5 did not provide assurance from NHSI and it was agreed to remove this control. **It was agreed the score should reduce to 16.**
  - **Capital Programme**

The Committee noted that the Trust would be requesting an increase to the CRL. **It was agreed that this would be rated as 9.**

- f) The Committee discussed the **finance report for Month2 and highlighted the following issues:**
- In month 2 the Trust reported a year to date variance of -£0.058m, against the Plan submitted to NHSI and a year to date variance of -£1.6m against the internal plan.
  - The adverse position is driven by 2 main issues which are; income behind plan by £1.3m and cost improvement plans being behind plan by £1.0m. The pay position is broadly on plan.
  - In Month 2, patient contract income is showing a cumulative under-recovery of £0.65m. Division 1 have made some recovery in May but not to the level required.
  - The Committee examined Appendix 3 Division 1 Variance Analysis of the supplementary Finance report and queried the variances in General Surgery Orthopaedics and Ophthalmology. Assurances were received that Orthopaedics at Cannock Chase would improve following the commencement of a spinal surgeon in September and that ophthalmology would improve by £91k following a coding check. The Committee asked for further assurance that coding changes were understood by all relevant staff.
  - The Committee discussed the overspend of £105,000 in VI and asked for further detail.
  - The committee discussed the provision of £320k against queries on income claimed of £2m and sought assurance that all steps were being taken to ensure the Trust is paid for work carried out.
  - The CFO confirmed that the month 2 position assumes a £1m of Cannock Chase transitional funding.
  - The cash balance as at 31<sup>st</sup> May 2017 is £12.2m, which is £1.8m above the plan at Month 2. Although the April opening balance was £5.5m greater than plan; current receivables have increased by £3.0m and provisions have reduced by £0.6m, therefore giving a circa £2.0m reduction in cash so far 17/18 rather than the £1.6m increase planned.
- g) The Committee discussed the **Financial Recovery Board (FRB) Report** highlighting the following issues:
- The Trust had identified £9.8m CIP against a target of £26.9m for 2017/18 with further options being pursued. year to date performance is £1.1m behind plan.
  - The Committee discussed year to date performance and progress on developing further CIPs and noted that the safehands proposal is supported by NHSI but with little financial support forthcoming.
  - The Committee were informed that slippage on existing schemes is challenged at FRB and that Executives were further discussing tightening of workforce controls.
  - The committee discussed options to seek further support and assurance and considered whether Deloitte should provide an external review. It was agreed that the NHSI review conducted on 14/15 June would provide an external view and the outcome of this should be taken into account.
  - It was also agreed that the Trust would need to demonstrate progress on closing the CIP gap by the next quarterly review on July 13<sup>th</sup>.
  - The Chair of the Committee expressed concern about progress on the CIP Programme and would raise the issue for discussion at the Board.
- h) The Committee received an update on the **Performance Element of the IQP Report (National & Contractual Standards)** with the following issues:
- There was pleasing progress in relation to RTT and orthodontics in particular. However, mandatory training compliance remained a cause for concern.
- i) Given the time spent on financial issues at the meeting the Committee noted that QGAC would consider the report in more depth.
- j) The Committee received a **verbal update on the STP**. The current discussions in the Black Country are around organisational structures and the required governance arrangements. No significant threats are detected to the Trust plans or income from the STP and progress is being made on pathology and stroke services. Staffordshire plans remained more uncertain but no immediate threats are detected and there are some opportunities to expand planned care.
- k) The Committee considered the Procurement strategy and congratulated the Procurement team on efficiency performance.
- l) The Committee discussed the Budget Training report and asked for the data to be reviewed in order to reflect the training position for clinical directors who may have limited budgetary responsibility and informal training.
- m) The Committee **noted the following reports:**
- Financial monitoring return
  - Annual Work Plan

- Finance minutes
  - Capital Programme update
- n) **Any Other Business**  
There were no items of other business

**Chairman of Finance and Performance Committee**  
**21<sup>st</sup> June 2017**