

# Chairman's Summary Report



Agenda Item No: 9.5



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

PREPARED BY	Chairman of the Finance and Performance Committee	
DATE PREPARED	24 <sup>th</sup> September 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	<p>Cost Improvement Programme (CIP) achievement.</p> <p>In support of SR8 on the BAF (that there is a failure to deliver the recurrent CIP).</p>	<p>The Trust is identifying non-recurrent contributions to the plan which totalled c£7m in the previous year.</p> <p>NHS Improvement have now approved the business case for additional support to identify further savings for workforce and outpatients.</p> <p>On-going discussions with the National Director of Efficiency and Improvement continue with regard to efficiency opportunities using the safehands technology.</p>	<p>As at M5 the Trust had identified £11.14m in plans against a target of £26.9m albeit the Trust will achieve a material element of the plan non-recurrently.</p> <p>At M5 the Trust achieved £4.64m against a plan of £5.92m a negative variance of £1.3m.</p> <p>Given the material unidentified CIP the committee maintained the risk as red.</p>	Initial risk is rated red and remains red.
Board Assurance Framework	<p>Mid Staffordshire FT transaction.</p> <p>In support of SR4 on the BAF (that there is an adverse impact on the Trust due to the £6m deficit support not being paid).</p>	<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. This was followed up with NHS I at the quarterly review meeting on 13<sup>th</sup> July 2017 and confirmed again in wiring on 7 September</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 red and is now high amber.

Board Assurance Framework	<p>Loss of Emergency Admissions Income.</p> <p>In support of SR9 on the BAF (that the underlying deficit has not been resolved).</p>	<p>The Trust has commenced discussions with Wolverhampton CCG on risk and gain share arrangements for this activity.</p>	<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 risk is rated amber and remains amber.
Board Assurance Framework	<p>Sustainability and Transformation (STF) Payment.</p> <p>In support of SR10 on the BAF (that the Trust generates insufficient cash for its commitments).</p>	<p>Month 3 figures and A&amp;E performance are in line with NHSI trajectories.</p>	<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 risk is rated high red and is now low red.
Board Assurance Framework	<p>Capital Programme.</p> <p>In support of SR11 on the BAF (that the condition and quality of the estate may deteriorate).</p>	<p>NHSI has approved the request to increase the CRL</p>	<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 remains that the Stroke and Pathology projects will place renewed pressure on the capital programme</p>	Initial risk is rated high amber and altered to medium amber.
Risk Register	<p>Activity Plans not achieved due to activity from other providers/ commissioners or the cost of doing the work is not sufficiently funded.</p>	<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>	Initial risk is rated amber but after mitigation the risk is rated as green.

Risk Register	Impact of new tariff for HRG4+	The first 5 months of income has now been reported on and analysed and appears to have recovered after an initial dip	The risk is that the initial positive income impact of the new tariff and coding regime is not achieved.	Initial risk is rated amber but after mitigation the risk is rated as yellow.
Risk Register	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.	This was raised with NHS Improvement on 13 <sup>th</sup> July 2017 and it remained unclear as to the escalation process.	Initial risk is rated amber and remains amber.

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>			
- Coding/data reporting	Chief Financial Officer	Oct 2017	
- Black Country Back office project	CFO/DSPP	Oct 2017	
- Back Offlog maintenance risks and programme	Director of Integration	Oct 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 meetings held on 6<sup>th</sup> and 20<sup>th</sup> September

- a) Under **matters arising** the Committee discussed **budget manager training**. H Troalen agreed to look into separating figures for training and refresher training. The Committee discussed whether Budget manager training should be made mandatory and accepted that it should not be made mandatory.
- b) The Committee discussed the **NIHR CRN West Midlands report**. The funding allocation for 2017/18 has been confirmed at £27.5m. The red indicators were discussed and the Chair asked for an exception report to be produced for the next meeting of the Committee
- c) The Committee considered the Board Assurance Framework (BAF) and risk register. In particular the following issues were discussed:
- **Workforce (SR1)**  
A number of changes to actions and deadlines had been made. The centralised recruitment business case would come to Contracting and Commissioning Forum in October.  
**It was agreed that this risk should remain as 20 – red.**
  - **Payment of £6m MSFT Transition Funding (SR4)**  
This had been discussed at the NHS Improvement quarterly review and whilst there was regional support for the Trust the national team had yet to resolve the issue with the Department of Health.  
**It was agreed this should be maintained at 12 - high amber.**
  - **Cost Improvement Programme (SR8)**  
At the end of month 5 the Trust forecast had increased to £11.5m which still left a gap of some £9m. He and the COO had held non medical agency staff confirm and challenge sessions and 80% of the agency spend will be eliminated by the end of November..  
**It was agreed the risk should remain at 20 – red.**
  - **Underlying deficit (SR9)**  
Given the remaining unidentified gap in CIP it was agreed that this risk remain unchanged.  
**It was agreed that this should remain as 20 – red.**
  - **Generation of Cash (SR10)**  
The Chair noted that the Walsall debt had been paid. The Trust is actively pursuing debtors and the cash position was expected to tighten in September. The Committee noted that the level of cash as a percentage of the pay bill was low compared to private sector organisations and that an application for distress funding takes 12 weeks so cash forecasting needs to be accurate and timely. The Committee was concerned that the capital programme would place significant pressure on the cash position  
**It was agreed that this should remain as 16 – red.**
  - **Capital Programme/Condition of the Estate (SR11)**  
The Committee noted that the backlog maintenance review would come to the Committee in October  
**It was agreed that this would remain unchanged at 9 – Low amber.**
- d) The Committee discussed the **finance report for Month 5 and highlighted the following issues:**
- The **Trust control total** remained at £11.6m surplus which included an STF payment of £9.9m.
  - The **cumulative performance was an actual deficit of £928k which was £37k positive to the NHS I plan but £4m adverse** to the Trust business plan.
  - The Trust's cash position **was a balance of £13.7m which was £2.9m below** plan.

- At month 5 **patient income was cumulatively £1.7m adverse to plan** which is an improvement on the previous month. This shortfall is in division one (£0.3m), division 2 (£0.6m) and in Trust wide income (£0.8m). There is no one single reason for the income shortfall and currently activity plans and the pricing in the plan are under review in a number of areas. The Committee was reassured that income had increased and that activity targets were increasingly being met but were concerned that the increase in activity was not always translating into income growth.
  - The committee discussed the position of **General Surgery, Dermatology Cardiology and activity at Cannock**. General surgery still faced consultant recruitment issues. Dermatology was stable but long term discussions are still awaited with Walsall. The Cardiac catheter lab was operational from 4 September and Cannock theatre efficiency had improved. A review of the model for medical cover is taking place, Level 3 will be handed over before the end of September and the remaining phases of capital development are scheduled to be complete by early 2018.
  - The Committee also heard that a **business case was being developed for Ambulatory Care/Frailty** that would encompass some of the work of the CDU.
  - Pay **budgets were £1.3m adverse than the in-month budget** which was being offset in part by an underspend on non-pay and unutilised reserves of £0.7m.
  - **Agency costs were continuing to show a monthly reduction compared to previous year**. The £2m agency spend reduction would be met and the Trust may be able to achieve spend within its cap. However, the agency reduction is offset by increasing spend on other forms of temporary staff such as bank and locum costs.
  - The CFO also explained that the Trust was now being asked by NHSI to retain a **0.5% CQUIN reserve** that could not be included in expenditure plans
- h) The Committee discussed the **Finance Recovery Board report** and highlighted the following:
- 4 new PIDs had been approved so that the total of **CIP identified was now £11.14m**. The Trust at this point was forecasting achievement of £11.35m against the total plan for 2017/18.
  - At month 5 the Trust **had delivered £4.64m against a plan of £5.9m**. The FRB report now identified the work to identify additional CIP following the short term review of opportunities in outpatients and workforce.. In addition, the Trust is working with 7 other Trusts in the Black Country to enforce the agency fees limits.
  - The Committee asked for an update on **Deloitte support** and learnt that the short term additional support has now ceased, Alex Calybrook continues and the Trust is considering whether further support from Deloitte is needed to implement the outpatients and workforce improvement projects.
  - The post of **Deputy Medical Director** has been appointed to and Dr McKaig will commence in October from when he will lead the Clinical Excellence Programme.
- i) The Committee received the **Temporary Staffing Expenditure Dashboard**. This has now been amended to show a more holistic picture of permanent and temporary staffing costs. The Committee noted the downward trend in agency expenditure and asked about the impact of the removal of the national pay cap. This was not guaranteed to happen and in any case would not have a financial impact in 2017/18. The Chair asked for the report to be circulated to all Non Executive Directors.
- j) The Committee received an update on the **Performance Element of the IQP Report (National & Contractual Standards)** with the following issues:

- The **RTT performance was around 91%** with compliance expected by October.
- **A&E 4 hour performance** was 93.76 for July and 92.09% for August. This was above STF trajectory. . The urgent Care provider was challenged and had struggled to achieve the 95% target.
- Ambulances conveyances continued to show an increase in August.
- The Trust remained challenged in some specialties for 62day waits. It is currently predicting under achievement of the 62 day wait for first treatment and screening. There were 22 patient breaches in month, 8 tertiary referrals were received between days 41 and 97 of the patients pathway, 7 capacity issues, 4 patient initiated and 3 complex pathways. The 3 patient breaches in month for 62 day screening were due to capacity issues.
  - **NHS E-referrals** represents a new risk. Performance is at 35% slot unavailability against a target of 10%
  - The Committee learned that **the flu campaign** is due to start w/c 25<sup>th</sup> September.
- k) The Committee received a **report on fines**
- l) The Committee received a **verbal update on the STP**. A number of Black Country Leadership roles were being appointed to which RWT. The Trust had written a letter to neighbouring providers and commissioners stating that it could not accept a continuing increase in maternity activity. NHSE had responded by calling a quality summit.
- m) The Committee **noted the following reports:**
  - Financial monitoring return and Commentary for Month 5
  - Annual Work Plan
  - Finance minutes
  - Capital Programme update – the revised programme includes Stroke, frailty and pathology
- r) **Any Other Business**

A **business case for Pathology** is expected by 20<sup>th</sup> October and will be sent to the Committee as soon as it is available

An update on **Stroke and Frailty** will come to the Board in September with business cases to follow.

The Trust has agreed to accept up to **3 diverts a day** from County hospital until October

**Chairman of Finance and Performance Committee**  
**24<sup>th</sup> September 2017**