

# Chairman of the Finance and Performance Committee Report December 2017

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Agenda Item No: 12.3

# ASSURANCE/ESCALATION Report of the Finance and Performance Committee

<b>PREPARED BY</b>	Chairman of the Finance and Performance Committee	
<b>DATE PREPARED</b>	20 <sup>th</sup> December 2017	
<b>SUBJECT</b>	Chairman’s Summary Report	
<b>PURPOSE</b>	To provide assurance to the Board in relation to all delegated responsibilities of the Finance and Performance Committee	
<b>STRATEGIC OBJECTIVE</b>		
<b>OVERVIEW OF ASSURANCE THEMES/INDICATORS HIGHLIGHTED IN THE REPORT</b>	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	Specific Item/issue Reviewed	Summary of Assurance (internal or External)		Outcome and any on-going risk
		Positive	Negative	
<b>Board Assurance Framework</b>	<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>There are on-going discussions with consultants with regard to efficiency opportunities using the safehands technology.</p> <p>NHS Improvement has now approved the consultancy support for the outpatient project.</p>	<p>At month 8, the Trust is forecasting to deliver £15.972M (an increase from M7 of £0.5M). Of which, the Trust’s recurrent YTD delivery is £3.893M with forecast outturn of £7.079M and the Trust’s non-recurrent YTD delivery is £7.046M with forecast outturn of £8.893M. As of M8, the Trust has delivered £10.939M (87%) YTD against a YTD plan of £12.582M as reported at FRB.</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 24<sup>th</sup> October 2017 and subsequently in year-end discussions on Friday 15<sup>th</sup> December 2017.</p> <p>In addition the Trust has now invoiced the DH for the monies.</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 has yet to formally pay the deficit support monies.</p> <p>Given the lack of payment/agreement to fund at Month <del>8</del>7 the committee expressed concern on this and increased the risk rating to red.</p>	Initial in year score red - high amber at Month 7 but has been rescored red upon challenge by Committee.
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>A model enabling the cost categorisation of contract activity has been jointly shared and joint agreement of the activity is being pursued.</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. The Trust understands that the arbitration case will be heard in January 2018.</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 8 figures are now £1.3m adverse to NHSI trajectories.</p> <p>As partial mitigation against the in-year adverse variance the Trust received notification on 15 December of winter pressure funding of £1.018M which is expected to go towards financial improvement.</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> <p>The Trust will not achieve the quarterly (Q3) A&amp;E performance element of the STF payment.</p>	Initial risk is rated high red and is now low red.

<b>Board Assurance Framework</b>	Capital Programme.  In support of SR11 on the BAF (that the condition and quality of the estate may deteriorate).	NHSI has approved the request to increase the CRL.	The Trust has constrained capital available due to the reduced depreciation resulting from the Alternative Site Valuation methodology on valuing its assets.  The risk remains that the Stroke and Pathology projects will place renewed pressure on the capital programme if they are not funded centrally.	Initial risk is rated high amber and altered to medium amber.
<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 Trust now understands that the arbitration case will be heard in January 2018.	This was raised again with NHS Improvement on 24 <sup>th</sup> October 2017. This was followed up with a communication to the Regional Director of Finance on 14 November and discussed on 15 December 2017.	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>			
- AEC/frailty business case	COO/DSPP	Dec 2017 postponed to January 2018	
- 5 year backlog programme	CFO/HoED	Feb 2018	

**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 20 December 2017.

- a) The Committee noted that there was no formal BAF update as there was no December Board but given this was a regular agenda item invited any concerns or issues of escalation to be raised:
- **Workforce Attraction, Recruitment and retention of staff across the Trust. (SR1)**  
The Committee noted that this risk had been updated by the Director of Workforce.  
**The risk remained at 15 – red.**
  - **Payment of £6M MSFT Transition Funding (SR4)**  
**The risk remained at 16 - red.**
  - **Sustainability and Transformation Partnerships (STPs) have an adverse impact on the Trust (SR6)**  
**The risk remained at 9 – amber.**
  - **There is a failure to deliver recurrent CIPs (SR8)**  
**The risk remained at 20 – high red.**
  - **That the underlying deficit the Trust has in 2017/18 is not resolved (SR9)**  
**The risk remained at 20 – high red.**
  - **That the Trust fails to generate sufficient cash for its commitments (SR10)**  
It was noted that Internal Audit had now rephased their plans and would be reviewing cash in their Q4 2017/18 programme of work.  
**The risk remained at 16 – red.**
- b) The Committee discussed the **finance report for Month 8 and highlighted the following issues:**
- The **Trust control total** remained at £11.6M surplus which included a Sustainability and Transformation Fund payment of £9.9M.
  - The **cumulative performance was an actual surplus of £3.061m which was £1.3m deficit to the NHSI plan and £7.1m adverse** to the Trust business plan. The Committee acknowledged however that this was a £10m improvement on the same period the previous year.
  - The Trust's cash position **was a balance of £12.2m which was £3.1m below plan.**
  - At month 8 **patient income was cumulatively £1.9m adverse to plan.** The Committee acknowledged however that the monthly profile required one of the highest levels of activity and the Trust had broadly achieved that. It was noted that Education contract was over performing by £0.3m.
  - **Expenditure was £5.8m overspent** to plan due to a number of issues:
    - \* Pay was overspent in a number of areas by £2.4m
    - \* Drugs was overspent by £0.3m
    - \* CIP was £2.8m behind plan
    - \* Non Pay was overspent by £0.8m
  - **Sustainability and Transformation Funds (STF):** The Trust was **now not going to earn its Q3 A&E performance monies** given the recent performance figures requiring the Trust to achieve a trajectory of cumulative 92% for the A&E 4 hour wait target. The Trust was **however aiming to achieve the Q3 financial profile** and achieve its finance payment.
  - **Variances to plan:**
    - \* Pay was reviewed and the Committee **noted the improvement in Agency costs** but queried the relationship between temporary staffing and the total pay bill. It was noted that the budgeting policy did not fund temporary staffing costs premium (substantive posts costs were available where the post was vacant) unless they were

approved through the annual cost pressure discussions. The graphs therefore showed different variables with some being actual compared to actual the previous year whilst others were variance to budget.

\* **Contractual Fines/Readmissions/Marginal Rate of Emergency Threshold (MRET)/Data Challenges** were discussed by the Committee. It was noted that the Trust was receiving significant and increasing volumes of data/information challenges from Commissioners (**worth circa £4m**) requiring increasing amounts of effort to defend and respond so that the Trust got paid for them. **It was noted that in line with previous years the Trust was assuming the return of Fines/MRET/Readmissions from Wolverhampton CCG but this had yet to be fully secured.**

\* **Allocation of CIP.** The Committee noted the differing methodologies between Divisions 1 and 2 with Division 1 fully allocating the target to Directorates but Division 2 keeping a proportion of the target at Divisional level. It was also noted that there remained £6m of unidentified CIP at corporate level.

\* **Aged debt performance.** The Committee was assured the debt was reviewed regularly and whilst progress was being made in some areas such as overseas debt, NHS Trusts were not paying according to agreed terms. **Walsall Healthcare in particular was now materially increasing** and had been escalated with the CFO writing to his counterpart. This would continue to be escalated until it was resolved.

- The **Committee received a slide pack that had been shared the previous Friday (15th December) with NHS Improvement on the forecast outturn position** for the Trust. **The most likely position for the Trust was a deficit to the control total (of +£1.7m excluding STF) of £11m producing an actual deficit of £9.3m (Excluding STF)** due predominantly to the underperformance against the CIP target. Variances around this position were modelled as best and worst case with the loss of £10m if the MSFT deficit support, the arbitration case the national CQUIN dispute were all lost. NHS Improvement had risk assessed the Trust and believed a position of £6m deficit (4.3m actual deficit) to the control total would be possible and had challenged the Trust to achieve that. It was also noted that Trust had recently been advised they were to be paid for 2 tranches of winter pressure funding (totalling circa £2m) some of which would support the financial outturn.

h) The Committee **discussed the Financial Recovery Board report.** It was noted that against the financial target of £26.9m the Trust had increased its forecast to £16.0m. This left a deficit of £10.9m. The recurrent delivery was forecast to be £7.1m and non-recurrently £8.9m.

Of this the position at month **8 showed a delivery of £10.9m (87%) against the plan of £12.6m.**

FRB is scheduled to receive a further 8 PIDs in 2017/18.

The **Trust had reached agreement with consultants to assist with identifying and modelling productivity opportunities** with safehands and NHS Improvement had confirmed approval of the work in outpatients.

FRB were modelling the impact of a circa 2% CIP recurrently for the following year 2018/19 and would present that to Directors and FRB/F&P in January.

The Committee enquired as to the intention of running the PMO and it was confirmed that it was likely that a contract extension would take place with a view to identifying an internal resource in the medium term.

i) The Committee discussed the **Temporary Staffing Dashboard** and it was noted that one area of particular staffing recruitment difficulty in Medical Physics was beginning to show positive results.

j) The Committee received an update on the **Performance Element of the IQP Report (National & Contractual Standards)** with the following issues:

- **Patient Experience**

**All targets were met.** A total of 33 operations were cancelled during November, compared with 28 for the same period last year. The Committee noted the intention to **close to elective inpatient operations in the first week of January** in line with national expectations. A number of operations were cancelled by the Trust and patients

due to the recent weather conditions but were not expected to affect the Trust's performance next month.

- **Waiting Times RTT.**

**Performance saw an improvement to 91.23%.** The Trust continues to focus on reducing the backlog where possible and working closely with the Directorates. Diagnostics performance deteriorated during November below the target partly due to an increase in referrals for Cardiac diagnostic tests. Additional sessions have been identified to cope. The Committee understood that the deterioration in the diagnostics performance was unexpected and expected to be rectified next month.

- **Urgent Care.**

The Committee **were informed of a significant deterioration in November (from 91.6% in October to 87.4% in November) and December.** This was believed to be due to an increase in patient acuity and a step change in ambulance conveyances from an average of 130 a day to 150. Data was showing that following the extreme weather conditions there had been an increase in cardiac arrests, stroke and respiratory conditions (both stroke and respiratory wards were full). Further work was being done on ambulance boundaries to see if the Trust catchment area had expanded. It was also reported that on Friday (15<sup>th</sup> December) the Trust **had been on level 4** as there were 20 patients waiting in ED for a bed and there were none at the start of the day. This full escalation process had released 90 beds but the Trust had then quickly deteriorated over the ensuing weekend.

- **Ambulance Conveyances.**

99 patients had waited between 30-60 minutes and 9 patients greater than 60 minutes during November. There were no patients who breached the 12 hour target. 1 patient had waited longer than 12 hours for a bed but this was a paediatric Intensive Care patient whom was waiting for a bed at Birmingham Childrens' Hospital and to be safe was admitted to the Trust's Adult Intensive Care facility before being transferred to Birmingham Childrens. A further 12 hour breach was due to mental health bed capacity in other organisations.

- **Cancer**

31 day sub surgery had 4 patient breaches in month, which were all due to capacity issues. Performance was 92.6%, **the 94% target was not met.** 62 day traditional target had 31 patient breaches in month the target of 85% was not met at 76%. 62 day screening had 5 patient breaches and had not met the target of 90% with 81.8%. The Trust had been in discussion with NHS Improvement and NHS England and accepted all available help. Tertiary referrals times were improving slowly but not sufficiently to achieve targets.

There are currently 15 patients at 104+ plus days on the cancer waiting list (same as October). **All of the patients have had a harm review and no harm has been identified.** Some of the delays were due to late tertiary referrals and patient choice for robotic procedures but not all.

- **Sickness**

Sickness figures showed a deterioration to 4.48% in October (from 4.22% in September) but this was better than the same period last year (5.35%). The Committee expressed concern that flu vaccination rates for staff were down on the same period last year (60%) at 50%.

k) The Committee received a **report on fines which detailed fines** which was much improved on the same period last year by £100k.

l) The Committee received an **update on the STP:**

- Staffordshire STP had new leaders due to 6 CCGs going into 1 and this presented a risk as the replacement leaders are less well known to the Trust. The STP also under increasing pressure to get closer to their control total. **As a result there was vulnerability for Cannock MIU continuing.**

- Black Country STP had recently had another quarterly review but the outcome was yet to be known. The STP also had competing views on how to develop an Accountable Care System. Black Country Pathology and the Stroke service transfer from Walsall Healthcare continued.

m) The Committee received an **update on the contracting round which was now 4/5 weeks underway.**

**The City of Wolverhampton are putting their contracts out to consultation with a value of £8m. It is unclear how much**

**will impact on the Trust however the recently acquired lifestyles Trust taken in house by the Council had since been removed.**

n) The Committee received a draft of the Ambulatory Care and Frailty Business Case which was still work in progress. It was acknowledged that the internal process need to be completed before it could brought back to the Committee and would be required to be shared with the CCG early in the New Year.

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

- Financial monitoring return and Commentary for Month 8
- Financial Monitoring NHSI Return Commentary Template
- Annual Work Plan
- Finance minutes
- Capital Programme update

s) **Any Other Business**

The Committee received a verbal update on the Board approved Stroke business case which was progressing and in absence of the STP approved capital funding was being funded from the Trust's CRL.

**The Committee thanked the Finance and Performance Departments for their hard work.**