

# Chairman of the Finance and Performance Committee Report 21 February 2018

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Agenda Item No: 12.3

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

PREPARED BY	Chairman of the Finance and Performance Committee	
DATE PREPARED	21 <sup>st</sup> February 2018	
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	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>There are on-going discussions with consultants with regard to efficiency opportunities using the safehands technology.</p> <p>Forecast delivery has improved each month</p>	<p>At month 10 the Trust is forecasting to deliver £18.946m for all schemes with PIDs. Of which, the Trust's recurrent YTD delivery is £4.981m with forecast outturn of £6.491m and the Trust's non-recurrent YTD delivery is £11.376m with forecast outturn of £12.456m.</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.</p> <p>The Trust has escalated to the NHSI national FD</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 8 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>AEC/Frailty business case has been developed</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 is chasing a date for the arbitration case to be heard.</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 10 figures meet NHSI trajectories</p>	<p>The Trust has discussed a variance to the control total with NHS Improvement for 2017/18 which will see the Trust delivering a £4.3m deficit.</p> <p>The Q4 STF payment therefore remains at risk.</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.
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 if they are not funded centrally.</p>	Initial risk is rated high amber and altered to medium amber.
Risk Register	<p>Material outstanding Invoice with Wolverhampton CCG for £4.8m</p>	<p>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.</p> <p>The Trust is chasing a date for the resolution of the arbitration case</p>	<p>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. The Regional Director of Finance confirmed in January 2018 that the case would be heard as a formal arbitration case but no date has yet been notified.</p>	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 *
<p>The Committee will examine in more detail:</p> <ul style="list-style-type: none"> <li>- 5 year backlog programme</li> <li>- Cash flow update</li> <li>- Budget Training Report</li> </ul>	<p>CFO/HoED CFO CFO</p>	<p>March 2018 March 2018 March 2018</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. Summary, conclusion and recommendations from meeting held on 21<sup>st</sup> February 2018:

- a) The Committee discussed the NIHR CRN: West Midlands Report and highlighted the following:
- The final submission for Quarter 3 2017/18 was submitted on 25<sup>th</sup> January 2018. The CRN reported an under spend of approximately £70k against the full annual allocation of £27.4m this represents 0.26% of the total allocation and is within the guidelines. The £70k has now been allocated and will be fully utilised by the year end.
  - Annual Financial Plan – Final allocations were confirmed by NIHR to be £27.6m (17/18 £27.2m). This leaves £467k (£1.7%) to allocate, the guidelines allow a 10% unallocated rate at the start of the year. B Chanian stated that the executive team will consider options to use the £467k for any emerging priorities within the year.
  - HLO2a and HLO7 targets had slipped last quarter. P Boyle stated that an action plan is in place to improve HLO2a. However, it is acknowledged that it will take some time for older studies, where the recruitment targets were unrealistic, to close and so not anticipating to meet the target for HLO2a during 2018/19.
- b) The Committee discussed the BAF:
- **Payment of £6M MSFT Transition Funding (SR4)**  
The CFO had escalated the £6m funding issue to the NHSI national FD. A discussion also took place regarding the £4.8m CCG disputed invoice. The Trust were seeking assurance regarding an arbitration date. The Committee felt that the lack of resolution of these issues was unsatisfactory and represented a material risk to the Trust but accepted that the Trust was taking all reasonable steps to resolve the issues
- c) The Committee discussed the **finance report for Month 10 and highlighted the following issues:**
- The Trust had a strong financial performance in month 10. The in-month financial performance demonstrates that the Trust dealt well with winter related activity as the Trust had predicted the loss of elective income but this was more than recovered by non-elective income. The cost of delivering the activity was also high with pay overspent by **£0.9m** in-month. After taking out one-off winter pressures funding of **£423k** the Trust delivered a small in month surplus of **£40k**. However, despite the strong in-month performance, the **year to date position is £1.1m** behind plan.
  - The Trust's cash position **was a balance of £14.5m which was £18.3m below** plan. However, weekly monitoring takes place and it is not expected that distress financing will be required.
  - At month 10 **patient income was cumulatively £1.1m adverse to plan.**
  - **Expenditure was £0.9m overspent** to plan due to a number of issues:
    - \* Division 1 is overspent by £235k
    - \* Division 2 is overspent by £646k
    - \* Primary care is overspent by £77k
    - \* Estates, facilities and corporate are underspent by £56k
  - The **Committee discussed risks to the financial position**, including the MSFT transaction financial support and the arbitration case for £4.8m.
  - The Committee discussed the **cash and creditor payments position** noting that payments are currently running one week behind schedule. The Committee was reassured that a flexible approach was taken to payment of local suppliers.
- d) 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 £18.946m. This left a deficit of £7.9m. The recurrent delivery was forecast to be £4.981m and non-recurrently £11.376m.
- Of this the position at month **10 showed a delivery of £16.357m YTD against the plan of £18.436m YTD.**
  - FRB approved 10 PIDs from Division One with a combined value of £141,001 in year and £352,013 recurrently (these schemes have been included in the £18.946m forecast outturn).
- e) The Committee discussed the **Annual Operating Plan** which is an item for discussion at the Private Board. The Committee tested the level of certainty in relation to the planning assumptions being made and discussed the implications both of accepting and of not accepting the Control Total for the Trust. The deadline of 8<sup>th</sup> March for a response to NHSI was discussed and the Committee felt that the Trust should seek as much intelligence as possible about the position of other trusts.

- f) The Committee noted the **Temporary Staffing Dashboard** report
- g) The Committee received a verbal cash flow update. The cash position at the end of January 2018 was £14.8m cash, forecasting year end as £5.3m.
- h) The Committee received an update on the **Performance Element of the IQP Report (National & Contractual Standards)** with the following issues:
- **Patient Experience**  
**The cancelled Operations target for January was not met.** A total of 52 operations were cancelled during January.
  - **Waiting Times RTT**  
**Performance slightly improved to 90.26%.** Work continues to focus on reducing the backlog where possible. Diagnostics saw further improvement during January, with additional cardiac sessions utilised to meet the increased demand. The trust remains in target.
  - **Urgent Care**  
Performance deteriorated further in January to **84.73%**.
  - **Cancer**  
31 day sub surgery had 7 patient breaches in month, which were all due to capacity issues. Performance was 71.15%, **the 94% target was not met.** 62 day traditional target had 28 patient breaches in month the target of 85% was not met at 79.12%. 62 day screening had 10 patient breaches and had not met the target of 90% with 63.04%. There are currently 23 patients at 104+ plus days on the cancer waiting list (compared with 15 reported in December). **All of the patients have had a harm review and no harm has been identified.** The Trust achieved the 2 week breast symptomatic target. However, on further investigated the reason for the sudden spike last month was a national campaign in breast and gastro referrals, which had increased referrals by 40%.
- i) The Committee received a **report on fines which detailed fines.** It was noted that last month's 12 hour breach fine had been waived.
- j) There was nothing significant to report on **STP.**
- k) The Committee received an **update on the contracting round.** Recent planning guidance requires CCGs to commission higher levels of activity than had been assumed and this is subject to contract discussions. Further negotiations are taking place with Wolverhampton City Council in relation to the 0-19 contract
- l) The Committee received an update on **Service Line Reporting.**
- m) The Committee **noted the following reports:**
- Financial monitoring return and Commentary for Month 10
  - Financial Monitoring NHSI Return Commentary Template
  - Annual Work Plan
  - Finance minutes
- n) The Committee discussed the **Capital Programme** update. H Troalen confirmed that £18.6m CRL had been agreed.

**Chairman of Finance and Performance Committee**  
**21<sup>st</sup> February 2018**