

# Chairman of the Finance and Performance Committee Report of thye meeting on 21 March 2018

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Agenda Item No: 12.2

# ASSURANCE/ESCALATION Report of the Finance and Performance Committee

PREPARED BY	Chairman of the Finance and Performance Committee	
DATE PREPARED	21 <sup>st</sup> March 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 11 the Trust is forecasting to deliver £20.399m for all schemes with PIDs. Of which, the Trust’s recurrent YTD delivery is £5.566m with forecast outturn of £13.281m once the decision on taking non-recurrent vacancy savings as recurrent has been approved.</p> <p>The Trust’s non-recurrent YTD delivery is £13.121m with forecast outturn of £7.118m once the decision is made.</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>The risk has been partially de-escalated in 2017/18 given the written assurance from the NHS Improvement Director of Finance that the DH now accept the debt and will pay. It will change to Green when paid.</p> <p>This will be re-assessed for 2018/19.</p>	Initial in year score red - revised to Amber M11.

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 continuing to chase a date for the arbitration case to be heard.</p> <p>The Trust has now submitted a case for the Frailty/ambulatory care unit to be funded.</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>	Month 11 figures meet revised NHSI trajectories	<p>The Trust has now formally changed its control total with NHS Improvement for 2017/18 which will see the Trust delivering a £4.3m deficit (before STF).</p> <p>The Q4 STF payment therefore will not be paid to the Trust.</p> <p>The Trust will not achieve the quarterly (Q3 and Q4) A&amp;E performance elements 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>	NHSI has approved the request to increase the CRL.	<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	Material outstanding Invoice with Wolverhampton CCG for £4.8m	<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/ 14 November/15 December 2017/8<sup>th</sup> march 2018.</p> <p>The Regional Director of Finance confirmed again in March 2018 that the case would be heard as a formal arbitration case.</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 *
<b>The Committee will examine in more detail:</b> - 5 year backlog programme based on new External Consultant Review	CFO/HoED	July 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 21<sup>st</sup> March 2018:**

- a) The Committee **discussed the NIHR CRN: West Midlands Annual Delivery Plan and Finance Plan 2018/19** and highlighted the following:
- The final submission for Q3 (2017/18) was made on 25<sup>th</sup> January and reported an **underspend of £70k against the full year allocation of £27.4m**. This underspend **has now been re-distributed** and the team are reviewing on a monthly basis in order to ensure there is no underspend at the end of the finance year.
  - The research teams now have approval to **extend research trials into non-NHS settings** such as schools, prisons and hospices.
  - The 2018/19 annual delivery plans had been drawn up during November and December and were scrutinised by the Committee. It was noted that the **allocations had increased marginally from £27.2m to £27.6m (1.5%)** and there was £564k yet to allocate. **The Committee approved the plans for submission to the Board.**
  - It was noted that there was further work to do to ensure that **research projects complied with the impending new legislation on GDPR.**
- b) The Committee discussed the BAF:
- It was proposed that 2 of the BAF risk ratings **were decreased** which were supported by the Committee.
  - **Payment of £6M MSFT Transition Funding (SR4)**  
The Trust had been given written assurance from the NHS Improvement Director of Finance that the DH now accept the debt and will pay. On this basis the 2017/18 risk rating had been reduced from 12 to 9 (Amber) and would be green once the debt was paid. The risk would require a re-assessment for 2018/19.
  - **That the Trust generates insufficient cash for its commitments (SR9)**  
The Trust had managed its cash commitments throughout the year and had balances of £12.5m at the end of February and would not require a cash loan in March. On this basis the risk had been de-escalated from 16 (red) to 9 (amber) for 2017/18 but would need to be re-assessed for 2018/19 based on the plan that the Board agrees..
- c) The Committee scrutinised the **finance report for Month 11 and highlighted the following issues:**
- The Trust had a **weaker financial performance in month 11** than the previous month. The in-month financial performance was an **actual deficit of £2.6m** driven predominantly by an underachievement on patient income of c£1m, Pay/Non Pay overspends of c£0.8m and the loss of STF funding c£1.1m due to the Trust no longer able to achieve its control total. It was noted that this was a short trading month (working days) with a half term within it.
  - The cumulative position was a £2.3m surplus for the year to date which was £3.3m adverse to the NHS Improvement plan but **was in line with Divisional and corporate forecasts for the month.**

- NHS Income had been impacted in some specialties by **ongoing urgent care pressures** particularly in Cardiothoracic where there was limited ITU bed availability issues as a result.
  - The forecast year **revised position of a £1.2m surplus** remained on track but the Committee noted that there were still a number of risks to be managed which included:
    - \* Waiting **for the outcome of the £4.8m arbitration case**
    - \* Securing a **year end position with Wolverhampton City CCG** for the return of MRET/Readmissions/fines and stranded cost monies
    - \* **NHS activity and Income levels being at the forecast March levels.**
  - The Committee were concerned at the level of NHS debtor days which reflected 2 large debts (MSFT deficit funding £6m and the £4.8m arbitration case) but it was acknowledged **that Trust to Trust debt was also problematic** as local NHS providers were having cash difficulties.
  - It was noted that the Trust had benefitted from late **release of circa £430k of capital monies** from the centre for Wi-Fi and cyber albeit the implementation dates were challenging.
  - There was concern over the **increased threat from external sources on cyber fraud of some kind** and whilst there was assurance around training and awareness the Committee **requested extra vigilance** and the Trust to consider further support.
- d) The Committee **reviewed the Financial Recovery Board report for month 11 and noted that:**
- Against the financial target of £26.9m the Trust had **increased its forecast to £20.399m (76%)**. This left a deficit of £6.5m.
  - The recurrent delivery was **forecast to be £6.281m and non-recurrently £14.117m** although NHS Improvement had challenged the Trust at its Use of Resources assessment and the Trust was now reviewing **whether £7m could be re-classified as recurrent** (of the £14m) related to ongoing vacancy of staff and would be described as a vacancy factor. A paper on the **treatment and methodology was being prepared for a decision to be made at the next Committee in April.**
  - It was noted the level of **planning for 2018/19 was not as advanced as the previous year** and the Committee urged that the Executive to explore all avenues and possibilities. In this regard it was noted:
    - \* Some large projects in Theatre efficiency, Length of stay, Outpatients, GIRFT, Bank and Agency were being continued.
    - \* A discussion on **estate renationalisation** was also being pursued but early indications were this would not provide significant financial savings.
    - \* The Model Hospital continued to be **explored to determine if any further savings** could be identified.
    - \* Safehands discussions with Teletracking were ongoing and **opportunities for prioritisation were with Divisions** to explore.
- e) The Committee received an update on the **Performance Element of the IQP Report (National & Contractual Standards)** with the following issues:
- **Patient Experience**  
56 operations had been cancelled in February which was an increase on the same period last year (20) and was a reflection of the urgent care pressures on beds in particular. The Committee had explored how decisions were taken about prioritisation and **re-assured around the clinical prioritisation led by clinicians that takes place.**
  - **Waiting Times RTT**  
This had improved marginally in the month **however the target was not met.** The Trust plan was to show incremental improvements towards achieving the target by September 2018.
  - **Urgent Care**  
The Trust had been **very challenged during February**, due mainly to patient acuity and bed flow, however the Trust had **shown an improvement in the A&E 4 hour target to 86.27%** (against a 95% target). The **Committee also examined 2 twelve hour breaches that had taken place.**

- **Ambulance Conveyances**

The fines for Ambulance conveyances had **decreased month on month but was still at £48,400 for the month**. This reflected the ongoing bed pressures and A&E related increased acuity of patients.

- **Cancer**

The performance against standards had **been improved month on month but remained challenged in the month** with 31 day sub treatment surgery, 62 day wait for first treatment and 62 day wait upgrade not reaching the required targets.

- **Workforce**

A number of the metrics were generally improving with the **exception of sickness which had increased to 5.55% for January**. The Committee explored the issues driving this seeking assurance that all appropriate action was being taken. It was noted that mandatory training across the Trust was all green rated.

f) The Committee reviewed the **Performance on Fines and noted the drop in fines from £119k to £58k** from January to February in total although the 2 twelve hour breaches had yet to be added.

g) The Committee received an update on the STP and acknowledged the requirement for an Estates Strategy to be produced which would report into the Director of Finance sub-group.

h) The Committee received a contracting and Commissioning update and **noted the material gap with Staffordshire Commissioners for the 2018/19 contract** which had been flagged as Amber potentially requiring Expert determination.

i) The **Annual Income and Expenditure plan** was presented which had been taken to the Board Development session on 12<sup>th</sup> March. The Trust had confirmed to NHS Improvement **that it accepted the Control Total** as on balance the loss of £14m of cash from the PSF and fines being imposed of £4.5m would have made the Trust position unviable. The Trust had also made the **acceptance contingent on 1 more year of the MSFT deficit funding being made available (£6m)**.

Accepting the plan meant a **£25m CIP was required and a further efficiency requirement of £9.8m** which the Committee thought was **extremely challenging**. It was noted that this further efficiency requirement would reduce by £7m if non-recurring CIP was taken as recurring in month 12.

Nevertheless the Committee **recommended the Financial budget for approval by the Board but requested that the material risks be clearly identified**.

j) The Committee received a budget training update noting that 84% of budget managers had been trained.

k) **Coding/data Capture**

The Committee received a report from the Acting Head of Clinical Coding **demonstrating the range of improvement actions** taking place across the Trust which included reducing the number of Finished Consultant Episodes in Medicine which would **improve coding accuracy and the related mortality (HSMR) figures**. This had additionally improved the training and understanding of receptionists/ward clerks and corrected a number of poor practices in the Trust. Further work was also being done on clinical documentation and data capture for the new frailty unit which improve the depth of coding. This report was well received by the Committee.

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

- The Temporary Staffing Dashboard
- Financial monitoring return and Commentary for Month 11
- Financial Monitoring NHSI Return Commentary Template
- Annual Work Plan
- Finance minutes
- Capital programme Update