

Report of the Chairman of the Finance and Performance Committee 25 April 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	25 th April 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 12 the Trust delivered £24.858m, of which, the Trust's recurrent YTD delivery is £6.15m with an outturn of £17.35m now that the decision has been made to make the non-recurrent savings related to vacancies a recurrent vacancy factor.</p> <p>The Trust's non-recurrent YTD delivery is £18.709m with forecast outturn of £7.509m with the decision made on vacancy factor.</p> <p>Given the gap in recurrent CIP delivered compared to target 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 mitigated with the payment to the Trust in 2017/18.</p> <p>This will be re-assessed for 2018/19.</p>	Initial in year score red - revised to Amber M11 – Green M12.

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.</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&E performance elements of the STF payment.</p> <p>The Trust has received an additional £3m of STF re-distributed to providers at the end of the financial year.</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> <p>The Trust has now received confirmation that Stroke and Pathology are funded in the next wave of STP capital but the Trust has a process to comply with, to access the funds.</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 24th October 2017/ 14 November/15 December 2017/8th march 2018.</p> <p>The Trust has kept the debtor in the 2017/18 accounts.</p> <p>The Regional Director of Finance (NHSI) confirmed again in March 2018 that the case would be heard as a formal arbitration case after the accounts process.</p>	Initial risk is rated amber and remains amber.
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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 *
The Committee will examine in more detail:			
- 5 year backlog programme based on new External Consultant Review	CFO/HoED	July 2018	
- Detailed activity/income/capacity plan for 2018/19	CFO/COO	July 2018	
- Review of Primary Care Directorate	CFO/COO/DCOO	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 25th April 2018:

a) The Committee **discussed the BAF:**

- Updates had been made to the BAF risks but the scores had remained unchanged with the exception of BAF SR6b (Black Country or Staffordshire STP has an adverse impact on RWT income or services) which had **reduced from Amber (9) to Yellow (6)**. This was due to there being less risk with regard to the STPs demonstrating any real service change at the moment.

b) The Committee scrutinised the **finance report for Month 12 and highlighted the following issues:**

- The Trust **had delivered a £1.3m surplus** (including an STF payment of £5.5m) which was in line with the forecast outturn which had been adjusted at month 9.
- The Trust **had then received notification on 20th April that it had received an additional £3.006m of re-distributed STF** (available only to those Trusts that had signed upto their 2017/18 control total) which had increased its year end **surplus to £4.3m**. This additional monies provided no I&E flexibility but was cash backed. It was noted that this

would require the Board report to be updated.

- The actual year **had seen a number of the in year financial risks being mitigated with one exception:**
 - * The MSFT deficit funds had been paid (all except £200k).
 - * Activity levels had broadly materialised as per Divisional plans.
 - * A year end agreement had been put in place with Wolverhampton CCG for MRET monies, stranded costs, fines and readmissions.
 - * The Trust was still waiting **for the outcome of the £4.8m arbitration case which remained within the Trust's accounts.**
 - The Trust had also **delivered against its Capital Resource Limit, External Finance Limit and was within its Agency Cap.**
 - The Committee noted the financial performance was **subject to External Audit.**
 - The assets had been reviewed in line with normal valuation techniques and had **been indexed higher by 9%** reflecting regional market conditions.
 - CIP had been taken in March which in month was **£2.8m greater than plan** (£6.17m taken).
- c) The Committee **reviewed the Supplementary Finance report for month 12 and noted that:**
- **CQUIN delivery showed an adverse variance of £433k** which was broadly 80% achievement for the financial year. The committee noted that further guidance was still awaited for the 2018/19 year on some elements of the CQUIN delivery and that the perception was that that it would be **harder to deliver upto 90% in the year (as in the financial plan).** The Committee were concerned by this and asked for a **more detailed report and consideration as to whether should go on the risk register.**
 - There was a material underperformance on **Maternity Pathways of £514k for month 12.** It was agreed this would be reviewed and reported on.
 - The Trust had a 2 year contract but activity levels for year 2 (2018/19) had been renegotiated for forecast year end delivery and national growth assumptions which the system had imposed on commissioners and providers. Further work was **being done in Divisions and Directorates to determine whether there was sufficient capacity and available activity including the relevant costs.** The Committee requested a detailed report on this in July.
 - The Trust had received an updated Control Total for 2018/19 which reduced the control by £5m and £2.5m in PSF.
 - The Primary **Care Directorate had made a deficit of £435k at year end** and the factors driving this were discussed. The Committee were concerned as to whether as part of Division 3 that this would move into break even and then begin to contribute to the Trust. It **was agreed that this would be reviewed after Q1.**
 - The current incinerator was now beyond reasonable repair and at the end of its life. The Trust was now as a result sending **clinical waste offsite costing £40k per month.** The Committee noted that the business case had been approved, a decision on capacity size made and the contractor instructed to build the incinerator. The Committee noted however that it would take **until around December 2018 before it was fully commissioned.**
- d) The Committee received **the Financial Recovery Board** report and noted:
- The Trust has **delivered £24.858m of its £26.9m CIP equating to 92.4%.** Of this £6.15m was recurrent and £18.71m non-recurrent although these figures change with the taking of £11.2m recurrently as vacancy factor.
 - For **2018/19 the Trust has set a target of £25m** with a recurrent £10m, £10m non-recurrent and £5m against WLLs, Bank and Agency costs.
 - 6 PIDs had been approved with a combined value of £1.487m and a further 7 schemes for £3.832m being worked up.

- The post of **Deputy Director Service Re-design had been offered** and was subject to acceptance and normal HR checks.
- e) The Committee reviewed the **temporary staffing report** and noted that the monthly Agency bill had reduced significantly but the overall paybill had continued at the highest level through the year. **The Committee wanted continued oversight on this and in particular the link between the paybill and activity seen.**
- f) The Committee received an update on the **Performance Element of the IQP Report (National & Contractual Standards)** with the following issues:
 - Performance in the **last quarter had been challenging although for A&E performance the Trust had remained in the top 50 nationally** and it was acknowledged the extreme weather conditions had been a contributing factor.
 - **Staff flu vaccinations were about 60%** which was lower than the previous year despite increased efforts.
 - **Patient Experience**
51 operations had been cancelled in March which was an increase on the same period last year (29) and was a reflection of the **continued urgent care pressures on beds**. The Committee noted that 10 of the cancellations related to theatre roof tiles which had now been repaired.
 - **Urgent Care**
The Trust had continued to be **very challenged during March** with the **A&E 4 hour target dropping to 85.08%** (against a 95% target). External work had indicated that the Wolverhampton economy had the 15th highest volume of attendances.
 - **Cancer**
The performance against standards was very challenged in March with 6 of the 9 standards not being achieved. One of the key concerns was a 30% increase in referrals for breast cancer which was believed to be a local issue and the Trust was developing a business case for additional **resources to bring performance back within standard**. The Committee noted the intense focus being placed on the Trust by NHS Improvement to address this performance and all relevant clinicians were involved in trying to find solutions.
- g) The Committee reviewed the **Performance on Fines and noted the drop in fines from £65k to £55k** from February to March in total although the Trust had been fined for late SI reporting.
- h) The Committee received a contracting and Commissioning update and **noted that the Trust had avoided expert determination with Staffordshire and agreed a contract with them**. All healthcare contracts had now been agreed and a default notice with Wolverhampton City Council now closed. There was one performance notice open that was with NHS England for oral surgery RTT.

The Committee further noted that Service Level Agreements with other providers were in the process of being updated for the Agenda for Change pay award and the implications of GDPR.
- i) The Committee **received a tender update report** noting:
 - The Trust were **successful in the bid for the 2 year contract for Community Cytology Outreach Service**.
 - The Trust **had failed to retain the Occupational Health Service** for students with Wolverhampton University despite scoring 89%.
 - The Trust was bidding for Occupational Health Services for staff at the University and an APMS contract in Walsall
- j) **Cancer Action Plan**
The Committee **received a detailed action plan which** had been agreed with commissioners. Given the level of focus placed on the Trust the Committee agreed this would be an objective for the forthcoming year to ensure oversight and delivery.
- k) **Procurement Strategy**
the Committee received a detailed report and noted the good progress on CIP savings and the collaborative

partnership with UHNM. The **Committee thanked the procurement team for their hard work.**

l) **Yearly Finance and Performance Committee Objectives**

The Committee agreed to focus on cash flow and Cancer Recovery Plan for its 2 objectives. The full wording and scope would be agreed at the next Committee.

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

- Financial monitoring return and Commentary for Month 12
- Financial Monitoring NHSI Return Commentary Template
- Annual Work Plan
- Finance minutes
- Capital programme Update

n) **Any Other business**

The Committee noted that the Trust had been notified that it is to receive £1.7m for the third linear accelerator replacement.

**Chairman of Finance and Performance Committee
25th April 2018**