

# Chairman's Summary Report - Finance and Performance Committee 30 July 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 <sup>th</sup> July 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 SR9 on the BAF (that there is a failure to deliver the recurrent CIP).</p>	<p>The Trust has identified an element of vacancies that can be identified as recurrent CIP</p> <p>Continuing work to develop PID pipeline</p> <p>The Clinical Excellence programme is well supported</p>	<p>At month 3, the Trust is forecasting to deliver £4.899m which is a shortfall of £20.101m against the CIP Target. The Trust's recurrent YTD delivery is £0.194m with forecast outturn of £2.361m and the Trust's non-recurrent YTD delivery is £1.291m with forecast outturn of £2.538m</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 SR9 on the BAF (that the underlying deficit in the medium term is not eliminated).</p>	<p>The Trust has received payment for 2017/18</p>	<p>An invoice for 2018/19 has been raised and the Trust continues to pursue payment.</p>	Initial in year score amber.

Board Assurance Framework	Loss of Emergency Admissions Income.  In support of SR9 on the BAF	The Trust has agreed a risk/gain share agreement with Staffordshire CCGs including MRET and is in discussions with Wolverhampton CCG to adopt this model.	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 has now submitted a case for the Frailty/ambulatory care unit to be funded.	Initial risk is rated amber and remains amber.
Board Assurance Framework	Provider Sustainability Fund (PSF).  In support of SR9 on the BAF.	The Trust achieved its financial plan for month 3, excluding PSF.	The financial position and increased CIP phasing for the year remains extremely challenging.  The Trust did not achieve its ED phasing at M3 and therefore did not earn the PSF payment for that element (30%).	Initial risk is rated high red and remains high red.
Board Assurance Framework	Capital Programme.  In support of SR11 on the BAF.	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. All required information is being collated.	The Trust has constrained capital available due to the reduced depreciation resulting from the Alternative Site Valuation methodology on valuing its assets.	Initial risk is rated high amber and altered to medium amber.
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.  The Trust is chasing a date for the resolution of the arbitration case	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.  The Trust has kept the debtor in the 2017/18 accounts.  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.	Initial risk is rated amber and remains amber.
Risk Register	*NEW RISK* The cost of the Agenda for Change pay award is greater than the funding available	Central funding has been identified to fund the Agenda for Change pay award.	Analysis suggests a shortfall in funding of at least £300k on an annual basis and no guarantees for future years yet.	Initial risk is rated as 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 *
The Committee will examine in more detail:			

- - Detailed activity/income/capacity plan for 2018/19	CFO/COO	August 2018	
- Review of Primary Care Directorate	CFO/COO/DCOO	August 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 25<sup>th</sup> July 2018:

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

- There had been **no significant changes** in month
- SR8 had been updated. It was also noted that theatre efficiency savings were likely to be contributing to achieving the commissioned activity levels rather counted towards CIP and this would be reflected in a further update

### b) The Committee discussed the **five year backlog maintenance programme** and noted the following:

- The Risk Adjusted Backlog liability over the next 5 years for all RWT sites is £19.6m approximately representing £113/m2.
- RWT backlog costs are below the median for Trusts in the Midlands and East.
- The backlog costs at Cannock had not been fully anticipated at the time of transfer
- The report will be updated annually

The Committee approved the report.

### c) The Committee discussed the **2018/19 AfC staff pay award** and the risk that the award would not be fully funded.

NHSI have allocated the Trust £4.755m which will be paid in tranches over the next 12 months. The finance department has analysed the potential shortfall and concluded the figure will be at least £300k and possibly considerably higher.

The Committee discussed the complexities of the award and the steps being taken to educate and inform staff and managers.

It was not yet clear how the award will be funded in future years. The committee asked for this to be added to the risk register.

The committee also noted that further public sector pay increases have just been announced covering dental and medical staff but no details are yet available or if there will be any central funding (thought unlikely). The committee asked for this to be added to the risk register.

### d) The Committee received **the Financial Recovery Board** report and noted:

- The **2018/19 CIP Target is £25.000m**. This is broken down into a £15m recurrent CIP Target and £10m non-recurrent CIP Target. **At month 2, the Trust is forecasting to deliver £4.899m which is a shortfall of £20.1m** against the CIP Target. The Trust's recurrent YTD delivery is £0.19m with forecast outturn of £2.36m and the Trust's non-recurrent YTD delivery is £1.29m with forecast outturn of £2.54m.

- The Trust had visited Musgrove Park to learn how they had approached CIP and service improvement. A report of the findings is being prepared and will come to F&S in August.
  - The COO, CFO and DSPP had met to identify further CIP programmes
  - The COO and DSPP had agreed a further secondment of an individual to the redesign team to support the programme
  - The Committee noted that the feedback to the Trust's annual plan stated that the Trust would be put on enhanced CIP monitoring by NHSI
- e) The Committee scrutinised the **Finance Report and Supplementary Finance Report for Month 3** and highlighted the following issues:
- The Trust is behind the year to date financial plan at month three by £444k, which is made up of £514k unachieved PSF (A&E delivery component) and £69k ahead of plan on all other budgets
  - Income shows a favourable variance to plan of £2m year to date, however, there was a £2m benefit due to one off items in June, without these one off benefits patient income would be on plan year to date.
  - Expenditure is adverse to plan by £2m year to date which is predominately due to pay expenditure exceeding the budget.
  - **Financial Risks:** This financial year is expected to be one of the most challenging years that the Trust has experienced and the key risks were:
    - 1) A high activity and income plan, of which, most can be delivered within the existing cost base but some will need investment in capacity (£1-7m).
    - 2) A low contingency compared to previous years.
    - 3) A £25m CIP target and a £9.8m vacancy factor, both of which have only been partially delivered in quarter one.
    - 4) The nationally agreed pay award which, although trailed as fully funded, appears to be a cost pressure which is currently being calculated.
    - 5) Agreeing funding for the AEC/frailty model of care and/ or securing transition funding for the 2017/18 ward closure (£1.1m).
    - 6) Confirmation of the £6m funding for MSFT support.
  - **Cash:** At the 31st May 2018 the Trust had a cash balance of £9.0m which is £1.4m above the plan.
  - The Committee asked for further detail on specialties that were not making a financial contribution to the Trust
- f) The Committee received the **Temporary Staffing Expenditure Dashboard** report and the report on temporary staffing bank usage and noted:
- That bank staff usage started to increase as agency use was reducing. A deep dive exercise had taken place but further work needs to be done to understand the reasons for the increase.
- g) The Committee discussed the **quarterly cash flow report**, noting that:
- The Trust's cash position as at 30th June 2018 is £9.0m; £1.4m above the NHSI Plan of £7.6m. The Committee discussed the unacceptable debtor position for Walsall Trust and the position of the Local Authority.

An internal cash flow forecast has been produced based on a combination of Income Contracts, NHSi operational plan assumptions, average run rates for income and costs and assumptions around expected future events. The current internal forecast for the year-end cash balance is £4.6m. This is £14.7m lower than the NHSi Plan submitted in June of £19.3m. There are pinch points in January and February 2019 when either revenue or capital payments will need to be slightly delayed to avoid the need to borrow money from the centre. The chair asked for this report to be circulated to all the NEDs

The finance department continues to ensure cash flow forecasting and monitoring are a priority. The internal cash flow forecast does demonstrate that with close cash management the Trust is not expecting to require a cash loan in this financial year. However, the position was very tight heading into 2019

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

- Cancelled **operations targets were met.**
- **RTT performance saw further improvement during June.** 18 weeks incomplete target improved slightly to 90.7% against a target of 92%.The diagnostics position had improved.
- Urgent Care – **Urgent care performance improved in June 2018.** Performance deteriorated in June, giving an overall combined figure of 92.13% in quarter 1 against a target of 95%. G Nuttall informed the Committee that the Trust were in the top quartile nationally.

Ambulance Handover – The fine for Ambulances during June was £21,000. There were no patients who breached the 12 hour decision to admit target during June 2018. There was a 3% increase of ambulance conveyances in June and a 7% increase in July. The average A&E attendance July 2017 was 377 and is now 399.

- Cancer Waiting Times – Performance remains challenging. Of note are the following:

**2 Week Wait:** the breaches in month were as follows; 9.3% internal issues (capacity) and 30.7% were patient choice

**2WW Breast Symptomatic:** the breaches in month were as follows; 62.1% were due to capacity issues and 37.9% were patient choice

**31 Day to Treatment:** 17 patient breaches in month.

**31 Day Sub Surgery:** 5 patient breaches in month.

**62 Day to Treatment:** 51 patient breaches in month.

**62 Day Screening:** 3 patient breaches in month.

**Patients over 104 days** - Following May 2018 month end final upload 14 patients were treated at 104+ days on a cancer pathway during the month, all of these patients had a harm review and no harm was identified.

A discussion also took place regarding the 62 day wait target. G Nuttall informed the Committee that referrals had increased by 5 – 30%. The total number of 62 day wait patients in June was 127 and is 105 in July.

The Committee also discussed the breast symptomatic waiting times, noting that the target was just being met, and the support available for patients who were waiting for treatment.

- Sickness – Sickness absence continues with a downward trend.
- Mandatory Training – Concerns regarding the amount of mandatory training that was overdue were expressed. It was acknowledged that the training target was set locally by the Trust and will be reviewed. Appraisal and mandatory training completion will be required for pay progression under the new pay system.

i) The Committee discussed the Cancer Action Plan and IST report, noting the following:

- The Elective Intensive Support Team (IST) was asked by NHS Improvement Midlands and East regional team to review cancer pathways, processes, reports and systems designed to manage and sustain the national cancer waiting times standards at the Royal Wolverhampton NHS Trust (RWT).
- RWT completed a self-assessment using the IST Cancer Sustainability Assessment Tool (Cancer SAT) and an onsite review structured around the tool was undertaken by IST on 6th and 7th June 2018. RWT requested a specific focus on breast, gynaecology, dermatology and lower GI as part of the onsite review.

j) The Committee discussed the **Performance on Fines** and queried whether a number of fines indicated should in fact be levied. This will be checked

k) The Committee discussed **the quarterly contracting report**

All Statutory contracts have been agreed. Contract management is on-going with no significant issues to report. The Aligned Incentive Scheme for Staffordshire CCGS has been agreed and in light of this arrangement discussions are well developed with Wolverhampton CCG to develop a similar arrangement – with agreement expected imminently.

CQUIN – The Trust has reviewed the risks to CQUIN performance. Full compliance is made more difficult than in previous years due to the nature of the revised national CQUINS. Expected levels of compliance for the year ahead are estimated to be between 65% and 80%. Action plans are in place to address all CQUIN requirements and each CQUIN lead is required to provide quarterly updates on progress against CQUIN and the associated action plans. Agreement of the Aligned Incentive Scheme will offset issues identified as within the Block Arrangements, RWT has, with commissioners included CQUIN income at 90%. RWT have been notified that it achieved 85% of CQUIN monies against the forecast achievement of 82%.

l) The Committee noted **the quarterly tender report**

m) The Committee received a verbal **STP update**

The Black Country STP capital bids had been submitted and approved. The Trust had been made aware of the priority order and that the bids for West Park and Cancer are within the top 10.

Meetings have taken place with Royal Stoke University Hospital (UHNM) to discuss opportunities to work together to gain more work from the private sector.

The Black Country STP had participated in some ICS Development Workshops

n) The Committee discussed the **Black Country Pathology Services Partnership Agreement** and clarified that the interim arrangements may last until early 2020. The Committee was content for the report to go to the Board for approval of the PA

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

- Financial monitoring return and Commentary for Month 2.
- Annual Work Plan.
- Finance Minutes.
- Capital Report.

**Chairman of Finance and Performance Committee**

**29<sup>th</sup> July 2018**