

Chairman's Report of the Finance and Performance Committee 1 October 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	19 th September 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/In dicator	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>In month five the Trust has achieved £3.111m of CIP which is an under recovery of £2.671m against the CIP plan of £5.782m. In addition of the CIP delivered there is a £2.451m recurrent full year effect against the planned £15.0m and £4.317m Non recurrent against a £10.0m plan.</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> <p>This is being escalated.</p>	Initial in year score amber.
Board Assurance Framework	<p>Loss of Emergency Admissions Income.</p> <p>In support of SR9 on the BAF</p>	<p>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.</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 is now re- submitting a case for the Frailty/ambulatory care unit to be funded.</p>	Initial risk is rated amber and remains amber.

Board Assurance Framework	Provider Sustainability Fund (PSF). In support of SR9 on the BAF.	The Trust did not achieve its financial plan for M5.	The financial position and increased CIP phasing for the year remains extremely challenging. The Trust did not achieve its ED phasing for Q1 and therefore did not earn the PSF payment for that element (30%). The performance against the ED Q2 trajectory remains very finely balanced.	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 submitted the required business cases and is working through the questions/comments raised by NHS Improvement. The Trust hasn't yet received the cash.	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 th October 2017/ 14 November/15 December 2017/8 th March 2018/14 th August 2018/20 th September 2018. The Trust has kept the debtor in the 2017/18 accounts.	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.	The calculation of the cost compared to the funding shows a £0.6m current deficit which will increase as the vacancy rate is reduced.	Initial risk is rated as 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 *
The Committee will examine in more detail:			
- 5 year backlog programme based on new External Consultant Review	CFO/HoED	July 2018 - Complete	<div style="background-color: green; height: 20px; width: 100%;"></div> <div style="background-color: yellow; height: 20px; width: 100%;"></div>
- Detailed activity/income/capacity plan for 2018/19	CFO/COO	July 2018 - Complete	
- Review of Primary Care Directorate	CFO/COO/DCOO	July 2018 – Now Nov 2018	
- Long Term Financial Model	CFO/DCFO	Nov 2018 following Forecast year End	
- Review of the Spell/FCE medicine change in coding	CFO/COO	Nov 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 20th June 2018:**

- a) The Committee discussed matters arising including an **update from a meeting with NHS Improvement (NHS I) on a review of the Cost Improvement Programme (CIP)** that had happened in between committee dates. NHS I were concerned at the level of achievement being made **but were not able to suggest any obvious areas of CIP that were missing**. NHS I had raised a vacancy freeze, whether there were any potential land sales, private sector repatriation and revaluing land and buildings. All of these issues had either been actioned (Land and buildings revalued) or were part of the current financial plan.
- b) The Committee **discussed the BAF and noted:**
- There had been **no significant changes** in month as in July there had been a restructuring of the BAF and wholesale update of the risks.
 - That there was a **new risk (SR12) related to mortality** which would be added to the BAF and assigned to the Quality Governance and Assurance Committee.
 - That an additional entry would be added to the risk register with regard to the part unfunded cost pressure for the **Agenda for Change pay award estimated at £600k**.
- c) The Committee discussed the Long Term Financial Model and noted:
- The update of the **LTFM had been deferred to November to reflect the forecast outturn for the Trust** which was due to be discussed in October at Committee.
 - That there was uncertainty in the **national planning round in terms of the funding allocations, the degree of change in contracting mechanisms/tariff and the date for release of the national planning guidance** and how this fitted with the proposed 10 year NHS plan. In absence of clear dates/guidance the Trust intended to continue with its own contracting intentions/contract negotiations and budget setting annual plan to the same timescale as the previous year.
- d) The Committee scrutinised the **Finance Report and Supplementary Finance Report for Month 5 and highlighted the following issues:**
- The Trust is **behind the financial plan at month 5 by £1.346m including the Provider Stability Fund (PSF) or £0.376m excluding the PSF**. The PSF is underperforming by £0.97m as the Trust did not achieve its A&E Q1 trajectory and it is finely balanced for Q2 but prudently the Trust has assumed not achieved.
 - **Income has a positive variance to plan of £4.254m**, which includes a release of £0.4m in month due to fines provision no longer needed. August was the 2nd highest income month of the year **with all areas of activity above plan except for daycases**. This was predominantly due to one specialty - clinical haematology which was under review by Division 2. **The Committee asked for assurance on this issue at the next meeting.**
 - **Expenditure is adverse to plan by £5.5m (excluding reserves and CIP)** which is **predominately due to pay expenditure exceeding the budget by £4.5m** which also includes the backpay of the Agenda for Change pay award. The pay award had **been calculated as underfunded by £0.6m in a full year**. Whilst there was a reduction in agency pay in month medical bank, nursing bank and underlying establishment pay spend were all up in month. **The Committee asked for assurance on the deep dive on pay spend at the next meeting.**
- A contextual point was noted that local Trusts were extending notice periods to 3 months to keep staff which would force the Trust to respond.
- **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 low contingency reserve compared to previous years.
 - 2) A £25m CIP target and a £9.8m vacancy factor, both of which have only been partially delivered in the first five months of the year.

- 3) The nationally agreed Agenda for Change pay award has identified a £0.6m funding shortfall
- 4) Agreeing funding for the AEC/frailty model of care and/or securing transition funding for the 2017/18 ward closure (£1.1m)
- 5) Payment of the £6m MSFT support

- **Cash:** At the 31st August 2018 the Trust had a **cash balance of £13.4m which was £1.6m above the plan.**
 - The Committee commented on the costs of the use of **temporary staff in primary care** (Division 3) and how this related to the primary care business cases that were broadly cost neutral when approved. The operational input had been through the Group manager but this would involve the DCOO for Division 3 in future. It was also noted that **Division 3 had significant challenges in radiology due to vacancies and demand.** The Committee agreed to invite the DCOO for Division 3 to the November meeting.
 - **Payment of suppliers:** The committee were keen to keep a close review of supplier payment terms and noted that the **methodology for calculating 30 day payment had been corrected showing a technical deterioration.** It was confirmed that **93% of suppliers were being paid within 40 days** and to the Trust's knowledge this was not creating any operational difficulties. In order to move to 30 days this would require a further £4m of working capital which the Trust did not feel was a good use of cash. This would potentially require the Trust to take a working capital loan from the DH at which point a condition of the loan would be to extend creditors to 90 days.
- e) 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 5, the Trust is forecasting to deliver £6.769m which is a shortfall of £18.231m** against the CIP Target. The Trust's recurrent YTD delivery is £0.446m with forecast outturn of £2.451m and the Trust's non-recurrent YTD delivery is £2.665m with forecast outturn of £4.317m.
 - 33 PIDs have been approved by FRB.
 - The Trust has approached **NHS I for any potential areas that were not covered and no significant missed opportunities had been identified** beyond those referred to at 2) a).
 - Further work was being done **comparing non-recurrent CIP and vacancy factor to 2017/18.**
 - Further opportunity to find **procurement savings was being explored with UHNM** and it was noted that NHS supply chain had changed its contract from DHL to Unipart as part of a new future operating model.
 - It was noted that the **outpatient project was on track to achieve its transactional savings plan.**
- f) The Committee received an update on the **Performance Element of the IQP Report (National & Contractual Standards)** with the following issues:
- RTT Waiting Times – Performance reached the recovery trajectory figure for August, **achieving 90.98% for the month.** Each directorate continues to be monitored against their individual trajectories for both activity numbers and backlog reduction for each month. Diagnostic waiting times saw a slight deterioration during August. The pressure **points continue in Cardiac diagnostic testing** - additional sessions are utilised to keep up with demand.
 - Urgent Care – Total time spent in the Emergency Department improved during August and the Trust was in the top 30 nationally, however, the 95% target was not met. There were 2 x 12 hour breaches during August due to Mental Health bed availability.

The Trust had attended a NHSI/NHSE risk summit to discuss the impact of the CQC report for Dudley Hospital and Shrewsbury & Telford Hospital NHS Trust (SATH) Emergency Departments (ED). **Any decisions on capacity at SATH would impact on the Trust and contingency planning was underway.** Should further admissions from Shropshire be received it was noted that the Trust would need **to renegotiate its Marginal rate of Emergency**

Threshold.

- Ambulance Handover – Ambulance handover had improved during August, with an increase of 5 – 6% ambulance conveyances. The Trust **has also been receiving regular diverts from Russells Hall Hospital**.
- Winter Capital Funds – 3 business cases for additional funding, **totalling £1.85m, had been approved by NHS I** but would need to be spent by 24/12/18. The schemes consisted of; 1 additional MRI pad (£50k), reconfiguration of some minor cubicles within the Emergency Department to reconfigure the Paediatric waiting area (£500k already in the Capital Programme) and refurbishment of a ward that will be opened to assist with winter pressures.
- Cancer Waiting Times – The performance figures are as follows:
 - **2 Week Wait:** the breaches in month were as follows; 56.8% were due to internal issues (capacity) and 43.2% were patient choice.
 - **2WW Breast Symptomatic:** the breaches in month were as follows; 25.9% were due to capacity issues and 74.1% were patient choice.
 - **31 Day to Treatment:** 24 patient breaches in month, 18 were due to capacity issues, 3 complex cases and 3 patient initiated.
 - **31 Day Sub Surgery:** 9 patient breaches in month; 8 were due to capacity issues and 1 patient initiated.
 - **31 Day Sub Radiotherapy:** 36 patient breaches in month; 35 were due to capacity issues and 1 patient initiated.
 - **62 Day to Treatment:** 54 patient breaches in month.
 - **62 Day Screening:** 2 patient breaches in month.
 - **62 Day Consultant Upgrade:** 18 patient breaches in month.
 - **Patients over 104 days** - Following July 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.

The Committee noted that this **was the most challenging performance for the Trust** and had set a target of treating 105 patients per month, based on static referrals. However, the number of referrals had increased meaning that the baseline would need to increase to 118 to ensure that the Trust can treat patients from the backlog. The baseline has been increased from September onwards, however it was noted if the number of referrals keep increasing it would have a negative impact.

It was noted that there had been a **deterioration of national cancer performance linked in part to the electronic referral system** which had generated an increase in the number of referrals. In addition there was a high number of DNA's (20%) of patients that were being referred via the fast track pathway and it was believed that this was in part due to GPs not informing patients that this referral was for potential cancer treatment and therefore urgent.

The national Cancer Intensive Support Team are working with the Trust as well as the Cancer Alliance. The national team are identifying a lack of diagnostic workforce capacity caused by national shortages as well as some process improvement opportunities. **The Committee will receive a full report in October.**

- g) The Committee noted the **Performance on Fines** report.
- h) The Committee received an SLR report based on 2 months due to reference cost production which included bubble charts. One challenge regarding the data on critical care was being reviewed.
- i) The Committee **noted the following reports:**
 - Financial monitoring return and Commentary for Month 5.
 - Financial Monitoring NHS I template.
 - Annual Work Plan.
 - Finance Minutes.
 - Capital Report.

- j) At Any Other Business the Committee **were informed that Sandwell and West Birmingham had made a commercial offer concerning their specialist pathology service** which would probably require a variant to the business case/agreements in place.