

REPORT TO:	BOARD OF DIRECTORS
DATE:	6 APRIL 2018
SUBJECT:	FINANCE AND PERFORMANCE COMMITTEE (FPC) CHAIR REPORT
BOARD SPONSOR:	FINANCE AND PERFORMANCE COMMITTEE
PAPER AUTHOR:	CHAIR OF THE FINANCE AND PERFORMANCE COMMITTEE
PURPOSE:	APPROVAL
APPENDICES:	APPENDIX 1: MONTH 10 FINANCE REPORT APPENDIX 2: FPC TERMS OF REFERENCE (ToR) APPENDIX 3: MONTH 11 FINANCE REPORT

BACKGROUND AND EXECUTIVE SUMMARY:

The purpose of the Committee is to maintain a detailed overview of the Trust's assets and resources in relation to the achievement of financial targets and business objectives and the financial stability of the Trust. This will include:-

- Overseeing the development and maintenance of the Trust's Financial Recovery Plan (FRP), delivery of any financial undertakings to NHS Improvement (NHSI) in place, and medium and long term financial strategy.
- Reviewing and monitoring financial plans and their link to operational performance overseeing financial risk evaluation, measurement and management.
- Scrutiny and approval of business cases and oversight of the capital programme.
- Maintaining oversight of the finance function, key financial policies and other financial issues that may arise.

The Committee also has a role in monitoring the performance and activity of the Trust.

3 April 2018 Meeting

The committee reviewed the following matters:

- **Specialist Services – Divisional Presentation**
 - Out Patients are underperforming in Dermatology and Gynaecology but recovery plan are in place for both these areas.
 - The anti-coagulation service is moving out to the community service.
 - In Patient underperformance is driven by medical staffing for Gynaecology and a remediation plan has been produced to address this.
 - Cancer 62 day access target has not been met in 2½ years. In order to resolve this non-compliance, in part, the Kent and Medway Cancer Alliance are looking at implementing a pan-regional management of the cancer targets utilising hospital capacity across the Kent and Medway Sustainability and Transformation Partnership (STP) footprint.

- Additionally, the Trust has now given targets for each cancer area so non-compliance can be quickly flagged. Dermatology is a key driver in achieving the target. In some specialities higher compliance will be needed whilst improvements against compliance are made in all specialities to allow the Trust to meet the 85% target in September.
- The Division has been asked to submit a detailed recovery plan to the FPC at a future meeting.
- The Division needs cross Divisional support and prioritisation to meet the cancer targets.
- The Division also needs support to meet Obstetrics improvement which will reduce Clinical Negligence Scheme for Trusts (CNST) premiums.
- **Financial Special Measures (FSM) Financial Recovery Plan (FRP)**
 - There has been no NHS Improvement (NHSI) FSM meeting since November. However, a meeting is scheduled for the end of April to review the Trust's FSM status.
 - The Trust has responded to queries from NHSI on the Trust's A&E investments.
 - The Trust has been asked to produce a realistic but challenging business plan for 2018/19.
 - The full year effect of the continuation of the A&E investments was discussed. Business cases associated with A&E will be brought to the FPC and Board through the Management Board.
- **Cost Improvement Programmes (CIPs) – Delivery Update**
 - Month 11 Year to Date (YTD) CIPs were £29m.
 - This is £0.2m YTD ahead of target.
 - In Month 12 it is expected that the Trust will fully achieve the £32m CIP target for 2017/18.
 - For 2018/19 we have pipeline figures of £22m, of which £16m is green. It is worth noting however, that we have been unable to increase the value of green schemes since the end of last year. Continued focus needs to be placed on this area to progress the green status.
 - The Trust stands a risk of operating an open ended timeline in confirming CIPs for 2018/19. As such we should have a clear deadline for finalising CIPs. Since we are in a new financial year this should be finalised within the next couple of months.
 - There are other large potential schemes which could at a stretch achieve up to £30m, such as orthopaedic elective centre and other commercial opportunities.
- **Update on Agency Spend**
 - Agency spend reduction accounts for circa £8m for 2018/19 CIP.
 - The Deputy Director of HR will present to FPC a description of robust Agency control measures and governance that will enable the Trust to achieve the 2018/19 agency spend reduction.
- **Financial Position and Financial Risks**
 - The month 11 position is a £26m deficit (after NHSI adjustments) which is £6.5m behind plan YTD.
 - The month 11 position unadjusted is £19.8m deficit, £12.4m behind plan YTD.
 - Cash is £0.8m ahead of plan.

- A&E Recovery spend in ULTC is £5.3m which is offset by £1.5m income YTD.
- Pay decreased in February £0.2m due to lower agency levels due to the shorter month.
- The Forecast before adjustments remains as last month as a deficit of £30.1m
- Risks still remain not included in the forecast principally in relation to Clinical Commissioning Group (CCG) Challenges.
- The cash pressures were discussed. CCGs will now release £5.5m of cash based on expert determination.
- Borrowing now stands at £31m and means the Trust is incurring high interest costs due to the amount of borrowing.
- **Financial Risk Review**
 - The estate condition was discussed and the plan contains £2m of unallocated capital which could be used to help address the estate condition to some extent.
 - The Board needs to review its risk appetite around the estate quality.
 - Winter spend was discussed. The 2017/18 investments had been explained to NHSI but future spend to continue these investments would need to go through the Trusts governance process.
- **Month 11 Performance and Activity Report**
 - Out Patients performance is down and a factor are booking issues.
 - Full elective Orthopaedics has only just resumed in April after a period of planned cancellations due to an NHSI directive to focus on non-elective activity.
- **Emergency Care Recovery Plan**
 - There was a slight recovery in February against the A&E 4 hour wait target and initial figures suggest March could show further improvement.
 - The Rapid Assessment and Treatment (RAT) model as well as Silver Command in the Emergency Department (ED) have helped the improvement.
- **Update on Ledger Services**
 - The Trust needs to update its ledger system support and is considering both outsourcing and consortium solutions. This is being done as part of the STP collaborative working.
 - A paper for consideration will be brought to the FPC at a future meeting.
- **Business Rates**
 - The Trust is part of a national consortium of 20 Trusts seeking to reduce business rates. If this is successful the Trust could potentially recoup a significant amount of money.

6 MARCH 2018 MEETING

The committee reviewed the following matters:

- The Chairman and Chief Executive Officer (CEO) will meet with their counterparts in EKMS to explore the relationship and identify a scope for improving efficiency.

- **Surgical Services – Divisional Presentation**
 - Primary care referrals continue to be lower than expected driven by Trauma & Orthopaedics (T&O) as Clinical Commissioning Groups (CCGs) are reducing these referrals. Out Patients and electives are under performing both in T&O and ophthalmology but action plans are in place to address these areas.
 - The Division is underperforming in financial terms at month 10 by £264k due to low elective work activity driven by cancellations to maintain the availability of beds for winter operational pressures.
 - Non-electives are £2.6m over income driven by case mix with critical care overperforming.
 - Pay is £1.4m overspent driven by agency staff to support medical patients.
 - The total cost to the Division in supporting other services is circa £5m.
 - The Division has created as much additional capacity it can but requires beds to be freed up to be able to deliver elective opportunities.
- **Financial Special Measures (FSM) Financial Recovery Plan (FRP)**
 - There was no FSM meeting held since the last meeting in November 2017. Another meeting would be scheduled by NHSI for late March to cover the expected 2017/18 outturn.
 - NHSI had met with the Trust and undertaken a deep dive into the A&E expenditure and are preparing a paper to explain the benefits of this spend in terms of securing safe services.
 - The Financial Improvement Director explained that NHSI were supportive of the Trust exiting FSM providing it evidenced strong governance and demonstrated improvement with A&E performance.
 - The 2018/19 plan needed to show strong but realistic assumptions on the Cost Improvement Programmes (CIPs).
 - The Trust needs to be robust in terms of ensuring it receives income that is appropriately paid by the CCGs.
- **Cost Improvement Programmes (CIPs) – Delivery Update**
 - Month 10 Year to Date (YTD) CIPs were £25.6m.
 - This is £0.1m YTD ahead of target (the Trust was £0.3m behind plan in December).
 - The Director of Finance and Performance and the Head of Programme Management Office (PMO) are meeting weekly with Divisional Directors to maintain focus on CIP delivery in 2017/18. It was anticipated that the Trust will meet its £32m target for 2017/18.
 - For 2018/19 £22m of CIPs has been identified, including schemes for elective orthopaedics, along with consideration regarding elderly care patient flow that are likely to generate an addition of circa £9m.
 - The size of the agency staff CIPs was flagged as a risk but the Trust has firm plans in place to underpin this area.
 - The FPC acknowledged the hard work and commitment of the Trust PMO and divisional staff in achieving the successful CIP delivery.
- **Financial Position and Financial Risks**
 - The month 10 position is a £19.8m deficit (after NHSI adjustments) which is £2.3m behind plan YTD.
 - The month 10 position unadjusted is £13.4m deficit, which is £6.4m behind plan YTD.

- Cash is £2.8m ahead of plan.
- A&E recovery spend in Urgent Care & Long Term Conditions (ULTC) is £3.8m which is offset by £1.5m income YTD.
- The forecast before adjustments remains as the previous month of a deficit of £30.1m.
- Risks still remain that are not included in the forecast, principally in relation to CCG Challenges.
- The Trust mitigations include reviewing and challenging the A&E recovery plan.
- In addition the Trust is reviewing vacancies and any possible discretionary spend.
- If the Trust under recovers in 2017/18 it will be expected to recover any shortfall in 2018/19.
- The proposed revised finance report was reviewed and a reduction in the volume of pages was agreed. The report needs to focus on the drivers for the required changes.
- The impact of the A&E improvement spend of £9m was reviewed and a consistent improvement trend can be demonstrated. The cost is largely driven by the provision of additional beds and loss of elective activity. NHSI have posed a number of questions regarding this expenditure that the Trust was addressing as these form the basis of the next FSM meeting.
- Financial risks were discussed and no new risks had been identified. Risk SRR5: Failure to achieve financial plans as agreed by NHSI under the FSM regime, had increased as the Trust will not achieve its plan.
- Concern was raised regarding the number of staff leaving the Trust particularly in UC<C and the FPC requested feedback from the Director of HR.
- **Capital Report**
 - The Trust is potentially to overspend of this capital budget by around £250k. Expenditure is being reviewed to reduce the level of spend and remain within budget.
- **Service Line Reporting(SLR) and Reference Costs**
 - SLR reports were received along with trend analysis for each specialty. Overall the Trust has a contribution of 16% which is 3% below target. The Trust needs to review the surgery cost for UC<C. The FPC needed to understand the top three services that are making the least contribution and would review these at the May FPC meeting. This was around identifying whether the service is properly funded; if it is something to invest in; should it be divested.
 - The FPC received an update on the last published Reference and Training cost submitted by the Trust. The Trust's costs had increased in relative terms to the national average by 2.97% in 2016/17.
 - The FPC also received a report regarding the process for production of 2017/18 Reference Costs and agreed that the process and resources were sufficient.
- **Month 10 Performance and Activity Report**
 - Outpatient activity in ophthalmology and dermatology are under plan and T&O are underperforming on elective work.
 - 18 weeks Referral to Treatment (RTT) is being impacted by cancelled elective activity. The Trust plan is to achieve 86% by the end of next

- year.
 - In relation to the cancer standard the number of 2 week waits has improved but GP RTT has remained at similar levels all throughout the year.
 - The resolution of the constitutional standards will take up to two years to resolve, which will need to be agreed with the CCGs in relation to funding provision. It is important that the Trust resolves the cancer performance and action plans are in place to address this.
- **Emergency Care Recovery Plan**
 - There is a need to review the physical space in A&E to support improving the A&E performance in the Trust.
 - The Trust also needs to ensure it optimising bed numbers to ensure Length of Stay (LoS) is optimised.
 - The Trust needs to look at and consider innovative ways of delivering care outside of the hospital working collaboratively with the CCGs.
- **Strategic Priorities 2018/19**
 - The provision strategic priorities were discussed. In relation to improving people's experience metrics and the following was agreed:
 - Compliance with the 4 hour A&E wait standard (performance).
 - Number of patients seen by a clinician in the first hour (performance).
 - Bed occupancy (performance).
 - Emergency re-admission rate (quality).
 - Friends and Family test (Emergency Department (ED)) (quality).
 - The delivery of value for money metrics was discussed and the following metrics were agreed:
 - Income: achievement against plan.
 - Expenditure: achievement against plan.
 - CIPs: achievement against plan.
 - Increasing the contribution of services (specific services to be targeted and agreed).
 - The partnerships strategic priorities were also discussed. This included:
 - Five key specific areas as part of the Kent and Medway Sustainability and Transformation Plan;
 - Finalise a 5 year estates strategy;
 - Work with partner organisations to develop an East Kent Accountable Care Partnership.
 - The Trust will need to work with the CCGs to consult on its clinical strategy.
- **FPC Effectiveness Review**
 - The FPC reviewed and approved the revised FPC ToR and recommended these for approval by the Board.
 - The recommendations from the outcome of the effectiveness survey were also agreed and adopted by the FPC.

RECOMMENDATIONS AND ACTION REQUIRED:

The Board is asked to:

- Discuss and note the report.
- Approve the revised FPC ToR.