REPORT TO:	**BOARD OF DIRECTORS**
DATE:	**8 JUNE 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 12 FINANCE REPORT** **APPENDIX 2: MONTH 1 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 the 2018/19 capital plan.
- 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.

5 June 2018 Meeting

The Committee reviewed the following matters:

1. **Urgent Care & Long Term Condition (UC&LTC) – Divisional Presentation:**
   - 1.1. In the year ending March 2018 the following were the main highlights for the year:
     - (a) A&E activity was below plan 2.7%.
     - (b) Out Patient (OP) Follow Ups (FUs) were under plan (Rheumatology and Endocrinology).
     - (c) Non-elective (NEL) Inpatient (IP) activity was lower than plan but as patients are more complex income was above plan.
     - (d) Cost Improvement Programme (CIP) schemes were over recovered by £1m.
     - (e) The Division was £6.5m worse than plan due to additional winter costs. Business cases were currently going through to agree what items will continue in 2018/19.
   - 1.2. For month 1 of 2018/19 the following were the main highlights:

(a) Endocrinology is behind plan in OP FUs but has 5 staff coming on board which will allow this to be recovered later in the year.
(b) The Division is projected to achieve its production plan for the year.
(c) After taking into account new business cases, the position will be circa £0.3m ahead of plan for month 1 despite high agency spend due to high income levels.
(d) Some areas of shortage for medical staff could be addressed by recruiting shared posts with the new Kent and Medway Medical School.
(e) Compared to last April, this month's costs are circa £1.5m higher than last year. The Division will therefore need increase focus on cost control, on discretionary spend and agency costs.
(f) CIPs in April achieved £1.2m against a plan of £1.5m.
(g) Risks still exist on medical staffing but Queen Elizabeth the Queen Mother Hospital (QEQMH) have successfully recruited to several middle grade posts in the Emergency Department. However, risks still exist in respiratory and Health Care of Older People (HCOOP). The age profile of consultants was discussed and proactive early recruitment will be considered.
(h) The Interim Chief Operating Officer is working closely with the Division to flex bed capacity to meet demands throughout the year. As such the Division is beginning winter planning much earlier in the year to mitigate any risks.
(i) There may be opportunities to grow cardiology and endoscopy Joint Advisory Group (JAG) accreditation above current planned levels.

2. Financial Special Measures (FSM) and Financial Recovery Plan (FRP)

2.1. There was an FSM meeting on 18 May 2018 at which the 2018/19 plan was discussed. Support was requested for additional capital and support of the Subco development. The conversation at this FSM meeting generally went well.

2.2. NHS Improvement (NHSI) are requesting that the Trust:
(a) Delivers its Income & Expenditure (I&E) rates for Q1.
(b) develop a 2 to 3 year operational plan by Q3 that demonstrates improvements in our run-rates. This plan will be developed with the support of NHSI.
(c) improve upon the constitutional targets for A&E, Referral to Treatment (RTT) and cancer.

2.3. In relation to our current FRP the key risks to our delivery of the plan include Subco delivery and agency spend. It is worth noting that our agency cap for the Financial Year 19 (FY) is £19m, which is less than last year's £23m.

2.4. The Trust needs to have an increased level of accurate reporting around budgeted Whole Time Equivalent (WTE) against actual. Key messages have to be filtered to Divisions to ensure that the budgeted workforce costs are not exceeded.

2.5. The Trust retained PricewaterhouseCoopers (PwC) at the end of last year to review our governance and control regime in preparedness to exit FSM. We have been working through the PwC recommendations. The outstanding 10 recommendations are being addressed.

3. Cost Improvement Programmes (CIPs) – Delivery Update

3.1. Month 1 CIPs were £1.2m of which half was non recurrent, against a plan of £1.5m.
3.2. This is £0.3m behind of target.
3.3. For 2018/19 we have a target of £30m CIP, of which we have £25m identified. We have £21m green schemes and a £5m gap that still needs to be finalised by the end of August.

4. Financial Position and Financial Risks

4.1. M1 Position is a £4.9m deficit (after NHSI adjustments) which is £0.4m ahead of plan Year to Date (YTD). This is mainly driven by low non pay expenditure.
4.2. The month 1 position unadjusted is £5m deficit, £0.3m behind plan YTD.
4.3. It is assumed that the Trust will not receive Sustainability and Transformation Funding (STF) for 2018/19, as we have not accepted the control total.
4.4. Cash is £16.3m, £0.7m ahead of plan. The Trust's total borrowings are now £48.5m.
4.5. Pay decreased in April £0.5m due to lower use of bank staff as operational pressure reduced.
4.6. Elective income was also lower than planned and needs to be recovered.
4.7. Pay is showing a 9% increase year on year which means that a focus needs to be maintained on recruitment, retention and control in the use of agency staff. It was discussed that it would be useful if the Board received a report on staffing within UC&LTC which is the highest risk area.
4.8. Risks remain in relation to Clinical Commissioning Group (CCG) challenges, CIP delivery and activity related costs.
4.9. Capital programme is £16m (including the Dementia Village).

5. Business Planning 2018/19

5.1. The control total was £6.5m but the Board finally agreed a CIP of £30m and a deficit of £30m assuming no fines and no STF funding.
5.2. The plan has been submitted to NHSI and the Trust is awaiting its approval.

6. Sustainability and Transformation Partnership (STP) Budget

6.1. 2017/18 EKHUFT contributed £717k.
6.2. For 2018/19 the STP contribution will be £766k but this covers additional costs for the consultation support for the additional work
6.3. Whilst the budget was approved the Trust will continue to review STP progress with a view to forming a view on its benefits.

7. Financial Risks Review

7.1. There were no new risks but risk SRR5: Failure to achieve financial plans as agreed by NHSI under the FSM regime; has been downgraded from 25 to 20. This is because the extremely likely element of the rating has been moved to likely, reflecting the increased optimism in month 1 of the financial year. The 2017/18 Commissioning for Quality and Innovation (CQUIN) has been removed but a 2018/19 CQUIN will be opened.

8. Emergency Department (ED) Strategic Report

8.1. The Interim Chief Operating Officer (COO) has taken charge of the improvement programme of ED, detailed plans are in place based on a rigorous data driven review. This review entailed an evaluation of what is currently working and what is not working based on evidence.

8.2. In relation to Referral to Treatment (RTT) and cancer a similar approach is being undertaken, which will hopefully culminate in credible recovery plans. The Interim COO will share with the FPC the recovery plans at the July 2018 FPC meeting.

9. Month 1 Performance and Activity Report

9.1. A&E performance was 76.9% against the NHSI trajectory of 78.6%. There was a single 12 hour trolley wait in April.

9.2. Performance against the 18 weeks Referral to Treatment (RTT) standard has improved to 76.66%. The number of patients waiting over 52 weeks for first treatment increased to 222.

9.3. Performance against the cancer 62 day GP RTT standard was 65.45% against the improvement trajectory of 78.11%.

9.4. The standard regarding the 6 week referral to diagnostic standard had been met with a compliance of 99.37%, 92 patients had waited over 6 weeks for this diagnostic procedure.

9.5. Primary Care referrals were 14% above expected levels.

9.6. The Trust achieved the new outpatient plan with appointments 6% above planned levels, as well as the follow up outpatient plan.

9.7. The Trust over-achieved the daycase plan by 322 patients, underperformances were seen in key elective specialties including orthopaedics, gynaecology, ophthalmology and ENT.

9.8. Elective admissions were 5% behind the plan.

9.9. There was a spike in non-elective admissions to surgical specialities affecting trauma and urology patients. This will be closely monitored but it is expected that the activity will return to normal levels.

8 May 2018 Meeting

The committee reviewed the following matters:

10. Clinical Support Services – Divisional Presentation:

10.1. Financial Year (FY) 2017/18:

(a) The year ended £485k favourable to budget.
(b) Achieved £4.6m of CIPs well above the initial target.
(c) The contribution rate of 18% was achieved by the Division and this is an improvement on last year's rates.

10.2. FY 2018/19:

(a) A key risk is histopathology delivery due to staffing gaps which the Division is looking to recruit into.
(b) Immunology also has only one consultant and is therefore also a risk.
(c) 7 day working in therapies will be delayed as staff recruitment has proved challenging.
(d) The Division has identified £2m of green CIP schemes but is looking for circa £1.3m of additional CIP plans.
(e) The STP system is looking at how it can create maximum savings by repatriating or outsourcing some tests.
(f) Understanding the impact of tiers of care on the service needs

to be fully understood and can be helped by clear communication with CCGs.

11. Financial Special Measures (FSM) Financial Recovery Plan (FRP)

11.1. No NHSI FSM meeting has occurred since November but a planning meeting was held the previous week. The next meeting will be held on 18 May 2018.

12. Cost Improvement Programmes (CIPs) – Delivery Update

12.1. Month 12 Full Year CIPs were £33.1m.
12.2. This is £0.8m ahead of target.
12.3. For 2018/19 the Trust has pipeline figures of circa £14m green schemes with amber and red schemes taking the total to £32m.
12.4. These require additional progress on finalising SubCo, elective orthopaedics and private work.
12.5. To support this requirement the Programme Management Office (PMO) needs to be strengthened.

13. Service Line Reporting (SLR)

13.1. The new SLR report was discussed which indicates market strength and profitability. It will show movement in the SLR position over time.
13.2. Further work is required to review the profitability of services. The FPC requested a paper be received in August considering the strategy in relation individual services. Based on this paper the Board will need to decide on whether the Trust wishes to continue to provide these individual services.

14. Financial Position and Financial Risks

14.1. The Full Year Position is a £29.9m deficit (after NHSI adjustments) which is £11m behind plan YTD. This was mainly driven by winter pressures.
14.2. The month 12 position unadjusted is £20.8m deficit, £15.4m behind plan YTD.
14.3. A £4.2m incentive STF payment was made to the Trust in March which improved our unadjusted outturn.
14.4. Cash is £7.2m, £4.2m ahead of plan but after borrowing £14.4m in March.
14.5. A&E Recovery spend/income loss in UC&LTC is £9.6m which is offset by £1.5m income YTD.
14.6. Pay increased in March £1.4m due to winter pressure spend.
14.7. Risks still remain in relation to CCG challenges.

15. Draft Annual Accounts

15.1. The accounts will be formally signed off in May 2018.
15.2. The main movements to the last figures presented is the additional £4.2m for STF.

16. Financial Risk Review

16.1. There is a significant risk in relation to finance department staffing levels. A recruitment plan is being developed to mitigate this risk.

17. Capital Plan 2018/19

17.1. The Q4 capital report for 2017/18 was discussed and noted.
17.2. The Capital Plan commitments for 2018/19 of £16m (including the

Dementia Village) was considered and approved.

18. Month 12 Performance and Activity Report

18.1. A&E performance has improved to 78.8%.
18.2. RTT has issues in General Surgery, Gynaecology and Trauma & Orthopaedics (T&O) which are creating plans.
18.3. The Trust failed to achieve the 2 week wait cancer standard in March but is back on track. The 62 week wait particularly in urology has not been met due to the demand level.

19. Contract Negotiations 2018/19

19.1. The Trust has agreed a baseline of £419m with our CCGs with no fines to be levied.
19.2. There are still disputes in regard to the recoding of data but determination has minimised the finance impact.

20. Board Assurance Framework (BAF)

20.1. Both of the highlighted risks relate to partnership working and the non-delivery has been driven by some of our partners but the amalgamation of CCGs will help work with the system.
20.2. Risks still remain in working with social services.
20.3. The BAF was approved.

21. Commercial Strategy

21.1. The aim is to grow commercial income 10% per annum, generate a return of over 20% and 12 months payback.
21.2. 5 key income generation areas were considered:
21.3. Private Patients.
21.4. Trading services.
21.5. Strategic Partnerships.
21.6. Commissioned and Contract activities.
21.7. Academic development.
21.8. There was a discussion on the method of setting East Kent Medical Services (EKMS) financial targets. Appropriate governance for all our subsidiaries will be reviewed.
21.9. The Chief Executive will review the capability and capacity to deliver this new commercial income utilising either internal or external resource and also considering the type of resource required.

22. Pharmacy Dispensing

22.1. The paper summarising the opportunity to provide a GP pharmacy was discussed. This proposal now includes other opportunities, e.g. retail sales, home care, outpatient and discharge pharmacy etc.
22.2. The concept was supported but further work on the economic return which could be generated was required.

RECOMMENDATIONS AND ACTION REQUIRED:

The Board is asked to discuss and note the report, and approve:-

a) the £16m (including the Dementia Village) 2018/19 capital plan as approved by the FPC.