

EAST KENT HOSPITALS UNIVERSITY NHS FOUNDATION TRUST**REPORT TO: BOARD OF DIRECTORS****DATE: 10 JUNE 2016****REPORT FROM: FINANCE AND PERFORMANCE COMMITTEE CHAIR REPORT****PURPOSE: DISCUSSION****PURPOSE OF THE COMMITTEE:**

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, delivery of any financial undertakings to Monitor 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.

EXECUTIVE SUMMARY

The report seeks to answer the following questions in relation to performance:

1. What went well over the period reported?
2. What concerns were highlighted?
3. Were the annual objectives for 2015/16 met?
4. Looking forward, what are the annual objectives for 2016/17 and what are the risks to achieving these?

REPORT FROM COMMITTEE MEETING HELD ON 3 MAY 2016

1. The following went well over the reporting period:
 - a. Draft accounts for 2015/16 prepared and submitted on time.
 - b. Tentative contract for clinical services agreed with local CCGs in broad terms.
 - c. FPC assured that the new integrated performance report is on schedule and will be used for presenting the April 2016 information. It was noted that the report would be accompanied by commentary/explanations and any actions required so that the FPC received sound understanding of all key issues, including performance breaches.
 - d. Safer Bundle has been implemented in two wards as a pilot
2. The following concerns were highlighted:
 - a. Monitor continues to raise concerns around finances, quality, workforce, and ED – pace of change and achieving an appropriate balance between the conflicting aims whilst there continues to be increased demand for our services.
 - b. 2015/16 CIPS reported on plan but consist of almost a quarter (as reported) are non-recurring items. This has put further pressure on the Trust's finances and increased the need to deliver sustainable cost reductions.
 - c. Agency spend is still proving stubbornly high and has gone back to higher than the

last 3-4 months. Total for 2015/16 was £26.2m and £29.5 including locums.

3. Progress was made against each of the objectives under review by the Finance and Performance Committee, below is the high level achievement, more details is provided in Appendix 1:
 - a. Deliver Improvements in patient access performance to meet the standards expected by patients as outlined in the NHS Constitution and our Provider Licence with Monitor - Partial
 - b. Improve the Trust's financial performance through delivery of the 2015/16 Cost Improvement Programme and effective cost control – Good (downgraded to partial)
 - c. Develop, engage and consult on a clinically and commissioner supported strategy that achieves both clinical and financial stability - Limited

FPC recommended and it was agreed at the Board meeting in May 2016 to downgrade to “partial” the achievement in relation to 3b to reflect that, whilst the Trust had met its financial plan, the position was not positive in relation to CIP delivery and run rate reduction.

3c was amended from “limited” to “partial” to reflect that a lot of work had taken place over the year but the directive from NHS England to produce a sustainability and transformation plan had refocused the work and timescales.

4. The following annual objectives were discussed in relation to “Provision”, following approval at Board, in terms of the risks and will form a key part of the Committees work programme for 2016/17:
 - a. Implement a new Integrated Performance Report by May 2016.
 - b. Submit a financially sustainable plan for 2016 /17 and the following 4 years that meets the agreed control totals, by June 2016.
 - c. Agree core services and a timetable to review and refresh these services, by September 2016.
 - d. Be recognised as a provider of high quality care and as a system leader by NHS, social care and other public sector partners, as measured by 360 feedback from partners, by December 2017.
 - e. Achieve a net positive balance on press coverage as measured by press, Trust data and social media, by January 2017.
 - f. Develop and grow a number of whole system leaders, joint appointments that cross the boundaries of the whole health care economy and are designed around the patient pathway.
 - g. Delivery of £20m cash releasing, recurrent saving by March 2017.
 - h. Hit a year end deficit plan of £12.5m (after adjusting for any portion of STF funding not provided by Department of health), by March 2017.
 - i. Continue to progress improvements in 7 day services focussing on the implementation of priority schemes agreed following further work internally and benchmarked with other similar organisations.

The following annual objectives were discussed in relation to “Partnership”, following approval at Board, in terms of the risks and will form a key part of the Committees work programme for 2016/17:

- a. Submit an agreed Sustainability and Transformation Plan (STP) by 30 June 2016 that would define and enable delivery of:
 - an agreed financial improvement trajectory;
 - a comprehensive clinical productivity improvement programme; and
 - a sustainable clinical model for the Trust.
- b. To submit by June 2016, with partners, a single Local Digital Roadmap which will outline how we will use technology to provide improved patient services.
- c. Working with CCGs commence formal consultation on a sustainable clinical

configuration by December 2016

- d. By working with the Vanguard, increase community provision to transfer the equivalent of 60 acute beds in patient activity, by March 2017.
- e. To deliver an estates strategy that supports the Trust's clinical configurations by March 2017.
- f. Continue to work with MTW on a joint pathology project, delivering a signed commercial agreement with external partners by June 2017. Report will be made back to the Board and FIC at key stages of the procurement process.

DRAFT REPORT FROM COMMITTEE MEETING HELD ON 7 JUNE 2016

The meeting reviewed the following matters

- **Combined Performance Report.** The new IPR was commended
- **Finance at Month 12**
 - The new Finance report was discussed giving more visibility of issues and future
 - There was discussion of the timing of the committee which currently means the data presented is 6 weeks old. There maybe a need to move the FPC forward by circa 2 weeks
 - Business rates were discussed. EKHUFT is one of the Trusts looking at potential Business Rate rebates.
 - The run rate was discussed as this was not yet falling. OH reported that the expenditure headline run rate went up but if unavoidable increases from NI, pay award and Jnr Doctors strike was removed the underlying run rate was downward and the run rate reduction was on target. Pressures still exists from RTT etc.
 - STF funding was also flagged as a risk as the exact deductions for failing targets has not yet been clarified.
 - The report showed the current estimated risks to the position and these risks were discussed
 - Cash was discussed and the extension of the working capital facility by NHSi reported.
- **Turnaround Programme** - There was a discussion lead by the Turnaround Director. Areas discussed were:
 - YTD CIP delivery was £0.5 against a plan of £0.6M
 - The profile of savings is set to increase over future months
 - The Forecast CIPS are circa £17.5M but only £14.5M once risk adjusted. As result a further £5-6M of plans are needed to hit the required total.
 - Workforce need to find plans for a further £2M.
 - The main clinical schemes are in Theatres and Outpatients. Activity will be tracked to check for delivery.
 - CIPs were therefore flagged as a risk both to achieve the internal plan and if further plans are required if NHSi insisted on breakeven. These additional plans would cause major clinical service impacts.
 - The Chair expressed disappointment that we did not have £20M of executable, risk adjusted CIP plans. The £20M was seen as being an extremely stretching target.
- **Theatre and Outpatient Efficiencies Update** – Four Eyes presented their work to date and indicated early signs were the Theatre efficiency programme is beginning to deliver efficiencies. Data was gathered in March looking at operating times and list planning. The aim is to minimise cancelled lists which are not being re-used to avoid missed theatre time. Weekly reviews of session plans in the next 6, 4 and 2 weeks are carried out. The team assured the FPC there were beginning to see signs of improvements and some examples of cancelled weekend extra sessions were identified. Missed opportunities are starting to fall and weekly activity is showing an increase. The improvement has been made by consulting

with Surgeons and doing the support work better. This is also making theatre staff feel more empowered. Feedback was also received on Outpatients. Again diagnostics have been run to improve processes and 10 specialties are beginning to increase patients seen by reducing empty slots.

- **Surgical Divisional Reporting** - A report was received from Surgery on their business planning process. The Division had identified capacity gaps and how these gaps could be filled. Some CIPs cross over with Clinical Support and require joint work. The Division is also looking to work with Spencer Wing in Canterbury to increase income. Total FY CIP plans are £4.8M vs a target of £5.9M. Further plans are being sought to close the gap e.g. outpatient reductions, Patient Navigator and Max Fax productivity. There are plans to reduce Q1 expense run rate. There was a discussion that clinical leads need recognition for what they have contributed to Purchasing savings.
- **Specialty Division Reporting** – A report was received from the Specialist Services Division on their business planning process. There was better engagement of staff in the 16/17 planning process. CIPs have been identified through project management groups with clinical involvement. The division has planned on the basis of capacity e.g. in Dermatology. Extra Cancer MDT income is expected and some Paediatric block increases. Expenses have increased mainly due to NI and the full year impact of recruited staff. The CIP target is £1.2M and most have plans identified with a £200K shortfall risk adjusted. Out Patient schemes are still to be reviewed and Midwifery change is being investigated. The Division is looking to reduce agency spend by £0.5M, by employing £0.3M of permanent staff (mainly in Dermatology and Oncology). The Divisions March run rate was flat but included NIC and pay award increases. Once excluded the run rate is downward.
- **Soft FM Contract Update** – Serco have flagged an exposure to the end of the soft FM contract of £2M for NLW changes. The Trust will look at the market position and the Government NLW changes. The ET will keep the FPC informed but more detail is needed from SERCO on how its cost estimates are derived before any decisions are made.
- **Patient Flow business Case** – an update was given about the proposal from Four Eyes for patient flow improvement. As the trust is working on this already in the areas Four Eyes raised the recommendation is not to proceed with this case. This was agreed by FPC.
- **2016/17 Plan Update** – The Director of Finance and Performance discussed the 2016/17 Operational Business Plan with the FPC. There is still no accepted control total yet and NHSI have flagged providers wont breakeven in 2016/17. The Trust has missed some trajectories. Contracts have also been signed. The main contracts are on a PBR basis. Management Board approved an investment in staffing to defend the PBR contract as strong challenges are expected from CCG's.

BOARD ACTION:

To note and discuss the report from the Finance and Performance Committee, in particular:

- Month 1 financial performance position.
- The latest turnaround position.
- Soft FM Contract Update (item for June Board)