

REPORT TO:	BOARD OF DIRECTORS
DATE:	9 FEBRUARY 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:	DISCUSSION
APPENDICES:	APPENDIX 1: MONTH 8 FINANCE REPORT APPENDIX 2: MONTH 9 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.

2 JANUARY 2018 MEETING

The committee reviewed the following matters

- **Financial Special Measures (FSM) Financial Recovery Plan (FRP)**
 - The next meeting is on 8 January 2018 and there will be a discussion on the potential exit of the Trust from FSM.
 - The Director of Finance and Performance has retained PricewaterhouseCoopers (PwC) to help conduct an internal assessment in preparedness for the Trust to exit FSM. PwC will also be evaluating the Trust's systems and controls to ensure they are fit for purpose after exiting FSM.
- **Cost Improvement Programmes (CIPs) – Delivery Update**
 - Month 8 Year to Date (YTD) CIPs were £18.8m, recovering last month's shortfall by bringing forward some schemes.
 - 16% of CIPs are non-recurrent.

- Review underway to ensure 2017/18 CIPs can be achieved.
- The Financial Improvement Director was pleased with the efforts being made by the Divisions in delivering the £32m by the end of 2017/18.
- Expense control issues were discussed as temporary staffing had increased driven by A&E pressures.
- For 2018/19 £20.7m schemes have been identified, of this £15m is green. The target is to achieve £30m CIPs for Financial Year (FY) 2018/19. Work is currently underway to identify additional £10m to close the gap. These schemes are going to be linked with the Trust's Clinical Strategy.
- As we are in the last quarter of the financial year, FPC expressed the importance of delivering elective planned activity. This means managing both beds and workforce to ensure delivery.
- **Procurement Strategy Group (PSG)**
 - The FPC reviewed a paper on the Trust's Procurement Strategy and the work being done by the Procurement Strategy Group, who are tasked with ensuring that the Trust complies with best practice and NHS guidelines for procurement.
 - Additionally the PSG Terms of Reference (ToR) were discussed and approved.
- **Clinical Support Services Division (CSSD)**
 - Whilst CSSD are performing well to date and achieving targets the areas of challenge remain maximising, scanning and reporting capacity are areas for improvement.
 - Income was ahead of plan in Month 8 driven by homecare income catch up from prior months.
 - Physiotherapy income has underachieved the plan YTD and although has improved recently it is still a concern.
 - The new MRI scanners have come online in January and the Division is looking to reduce the number and cost of portable outsourced MRIs.
 - In light of the above the Division will need to be focussed on realising their income plan for the last quarter of the year.
 - To improve efficiency the Division will need to access the support of the transformation team.
 - With regards to CIPs the Division is performing well. It is ahead of plan for FY 2017/18 and proceeding well in identifying schemes for FY 2018/19.
- **Month 8 Finance**
 - The main highlights from the report are:
 - Month 8 income & expenditure (I&E) deficit is £0.3m in month (£0.1m behind plan). However, after NHS Improvement (NHSI) adjustments the Trust is on plan at £14.2m Year to Date (YTD) deficit.
 - Pay £30.2m, £0.9m higher than October driven by temporary staffing which was running high at £4.8m (agency/bank/locum and overtime) and £0.7m higher than last month. This means the Trust has to remain focussed on driving down agency spend.
 - CIPs YTD were £18.8m (£0.2m higher than plan of which 16.5% is non-recurrent).
 - Cash remains a key issue that needs to be continually

monitored and is £1.4m at the end of November. No money was borrowed in month but £2.6m is required for December.

- **Risks**

- The Trust's current and future risks to the 2017/18 financial position were reviewed.
- The key risk to achieving financial control total is driven by the need to fund the A&E recovery plan. Discussions are still underway with NHSI on how this is going to be funded.
- This will be discussed with NHSI at the next meeting with them on the 8 January.

- **Performance**

- The activity was discussed and A&E hit 79.9% in Month 8 against the NHSI trajectory of 90%. A&E has come under significant pressure over the last couple of weeks and some of this pressure was driven by lack of access to GPs and issues with NHS111. The system issues are being addressed in part by the establishment of a system wide Programme Management Office (PMO) resourced by Carnall Farrar, a management consultancy firm.
- 20/20 Delivery are carrying out the third rapid improvement sprint in January and this is aimed at driving improvement around safe discharges.
- FPC received and reviewed Emergency Department (ED) Improvement Sustainability Plan. This aims to ensure that the gains and improvements are taken forward and embedded.
- In relation to our constitutional targets, cancer 62 day Referral to Treatment (RTT) performance is at 71.69% against a trajectory target of 85.8%. One of the key bottlenecks for cancer delivery is due to diagnostic access, which currently has a significant backlog and is an area which requires major focus from management. 18 Weeks RTT standard fell further in November to 80.87% but additional capacity e.g. in Gynaecology is coming on line now. The number of patients waiting over 52 weeks for first treatment increased to 67.
- In November primary care referrals were at expected levels, the YTD variance is approximately -1,400. Referrals are comfortably within normal levels and are within 1% of those observed last year.
- Accident & Emergency activity was -3% below expected levels in November but continues to track within 2% of expected activity levels.
- The 6 week referral to diagnostic standard was met in November with a compliance of 99.85%. As at the end of the month there were 22 patients who had waited over 6 weeks for their diagnostic procedure.

6 FEBRUARY 2018 MEETING

The committee reviewed the following matters

- **Financial Special Measures (FSM) Financial Recovery Plan (FRP)**

- There was no FSM meeting held in January as the meeting was cancelled. This was a positive message as if NHSI had concerns about the Trust a further meeting would have been requested.
- NHSI would like to see the Trust exit FSM. The Trust has cost risks of £11m that could impact on it exiting FSM, and there are ongoing discussions to mitigate these risks, which are mainly driven by the A&E and winter pressures.

- PricewaterhouseCoopers (PwC) have undertaken a review of the Trust's position in regard to it meeting the criteria for exiting FSM.
- NHSI will be undertaking a Deep Dive Review on 8 February.
- NHSI need to understand what elements of the A&E costs relate to performance improvement and how much relates to safety. In addition NHSI are wanting to understand the impact in 2018/19.
- There were questions raised about how the Trust could better plan for the impact of winter and the Director of Finance and Performance stated that the cost of A&E would be looked at for 2018/19. Pressures on the health system are growing year on year and control total restrictions make planning difficult.
- It was noted the need to consider new options including out of hospital care to help resolve patient flow issues.
- **PwC Review of Criteria for Exiting FSM**
 - To exit FSM the Trust needs to resolve its financial and operational issues.
 - The PwC review concluded:
 - The Trust has made good progress.
 - Less reliance on the leadership of the Financial Improvement Director and build a better resourced Programme Management Office (PMO).
 - Leadership needs to be made permanent.
 - A&E and winter issues were an issue.
 - Cancer targets needed addressing.
 - There is a need to streamline payroll and agency control.
 - It was recommended to centralise cost control.
 - A sustainable plan was needed for 2018/19 onwards.
 - There is a need for effective medical engagement and how this can be addressed is being considered by the Executive Team.
 - It was felt there were no surprises in the report that the Trust was not already aware of but there needed to focus on cost control rather than income.
 - There is a need to support Clinicians in order that they can take up leadership roles successfully.
 - This report has not been fully discussed by the Executive Team due to the timing of its delivery.
 - The clinical model finally adopted is important in relation to the Trust's staff model.
 - It is felt the Trust is unlikely to be able to exit FSM before the end of the current financial year as some of the flagged risks have now crystallised.
- **Cost Improvement Programmes (CIPs) – Delivery Update**
 - Month 9 Year to Date (YTD) CIPs were £22m achieved.
 - This is £0.2m YTD behind target (the Trust was £0.5m ahead of plan in November).
 - The Head of PMO will re-forecast the 2017/18 expected CIP delivery.
 - The method of reviewing CIP progress through the rest of the year was discussed and a Star Chamber approach was suggested and it would be considered.
 - It is vital that the PMO team is appropriately resourced.
 - It is proving challenging to move the 2018/19 programme past the identification of £20m of schemes.
 - Some additional schemes require Board decision.

- This will mean addressing what services the Trust provides and their profitability.
- **Urgent Care & Long Term Condition (UL&TC) – Divisional Presentation**
 - Activity is generally lower than plan. Out-patients and elective work has been cancelled to help address the current bed issue. However, the case mix of activity is richer.
 - January spend is looking similar to December for agency staff but further recruitment is underway. Medical recruitment is looking positive but nursing has seen a high turnover. One of the drivers for this is the pressure that staff are currently working under.
 - The ability to recruit staff from abroad was discussed and it was considered that linking to St Bartholomew's Hospital or Oxford University Hospitals NHS Foundation Trust may support the Trust to improve its ability to recruit abroad, as they had successfully achieved recruiting from abroad.
 - The Trust is expecting an upturn on elective income as winter pressures ease.
 - In relation to CIPs the Division is over achieving, including starting to deliver on Patient Flow 2.
 - There is a need for the Director of Finance and Performance and Medical Director to further investigate how patient notes can be improved to support accurate clinical coding.
 - Green CIPs for 2018/19 are already at £15m and further schemes are being looked at.
 - There is an issue around the Deanery not sending as many Junior Doctors to the Trust as required which pushes up agency costs.
 - Service Line Reporting (SLR) for cardiology, endoscopy and neurology has identified improvements. The Trust uses 18 weeks in endoscopy to support in house consultants, and needs to improve recruitment to reduce this cost.
 - There has been an issue in endoscopy, where the Trust had chosen to outsource endoscope cleaning but the company chosen is pulling out of the contract.
 - Neuro-rehabilitation is profitable and the Trust will be looking at expanding this service.
 - UCL&TC may need some additional Information resource to ensure data can be analysed.
- **Financial Position and Financial Risks**
 - The Month 9 Position is £17.1m deficit which is on plan YTD.
 - Income for winter pressures is £1.5m which is offset by cost.
 - Pay reduced in December due to both lower agency levels and one off catch up agency costs.
 - The Trust mitigations regarding its forecast control total, include reviewing and challenging the A&E recovery plan.
 - In addition the Trust is reviewing vacancies and any possible discretionary spend and depreciation review.
 - If the Trust under recovers in 2017/18 then it will be expected to recover any shortfall in 2018/19.
 - The FPC discussed the deliverability of CIPs for 2018/19. Generally it was felt the Trust was unable to deliver £40m of CIPs in 2018/19, which may result in pressures against the control total.
 - NHSI will be visiting the Trust on 8 February to review the forecast.

- **Board Assurance Framework (BAF) and Annual Priorities 2017/18: Quarter 3**
 - The BAF was discussed and includes the risks around A&E.
 - These have also been considered by the Integrated Audit and Governance Committee (IAGC).
 - The partnership performance should be reported against the externally imposed timelines and where these change it would be accepted that the internal achievement timeline would change.
- **Emergency Department (ED) Recovery Plan**
 - Perfect fortnight had commenced the week of 29 January where the Trust's partners come into the hospital and support a review of every patient in our hospitals. This will provide a greater understanding of the cause of delays and actions will be implemented. This would also include a plan focussing on releasing capacity in the community to significantly more discharges and enable the Trust to return to an improved bed occupancy.
 - Carnall Farrar have reviewed the A&E recovery plan and the rapid improvement work supported by 2020 Delivery and have identified five key workstreams, these will ensure focus of improvement delivery and impact. Improving patient flow was a key element.
 - Improve ways of working with EKHUFT staff.
 - Reduce activity inflow at EKHUFT.
 - Optimise EKHUFT site management.
 - Optimise discharge process and times.
 - East Kent system-wide capacity.
 - There was less overcrowding being seen in the EDs.
 - The level of reduction in the 4 hour wait breaches was not being achieved as was hoped, but positive work is being undertaken to improve performance and to ensure sustainability.
 - Safety of patients was paramount and being monitored closely as well as monitoring the impact on staff and the working environment and pressure.
- **Performance**
 - In December primary care referrals were 15% below expected levels and this increased the YTD variance to approximately -2,500.
 - The Trust under achieved the new outpatient plan for December with appointments -9% (-1,699) under plan. This has increased the YTD variance to -2%.
 - In December the Trust under-achieved the daycase plan by -227 patients, however the YTD performance remains at planned levels.
 - A&E continues to track within 2% of expected activity levels.
 - December performance against the A&E 4 hour target was 73.6%, against the NHSI trajectory of 90%. This is a decreased performance compared to the previous month. There were two 12 hour trolley waits for December compared to zero for the previous three months.
 - December performance decreased to 78.67% against the 18 weeks Referral to Treatment (RTT) standard.
 - The number of patients waiting over 52 weeks for first treatment has increased to 80. This is above the trajectory submitted to NHSI.
 - December performance in relation to the cancer 62 day RTT standard is currently 74.48% against the improvement trajectory of 86%, validation continues until the beginning of February in line with the national time table. The total number of patients on an active cancer

pathway is 2,318. There are currently 23 patients waiting 104 days or more for treatment, a significant reduction over the past year.

- The Trust's overall Patient Tracking List (PTL) size has been decreasing over the past six months from approximately 3,100 to circa 2,300 in the previous three months. There is also a decrease in the total number of patients over 62 days on the PTL (both diagnosed and undiagnosed) which has been an average of 180 over the past year, but is currently 160 patients over 62 days.
- The standard regarding the 6 week referral to diagnostic was met in December with a compliance of 99.4%. As at the end of the month there were 52 patients who had waited over 6 weeks for their diagnostic procedure.

RECOMMENDATIONS AND ACTION REQUIRED:

- i) Discuss and note the report.