

REPORT TO:	BOARD OF DIRECTORS
DATE:	11 AUGUST 2017
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:	NONE

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.

4 JULY 2017 MEETING

The committee reviewed the following matters

- **Financial Special Measures (FSM)/Financial Recovery Plan (FRP)**
 - A meeting was held with NHS Improvement (NHSI) on 3 July. FPC received feedback that the Deputy Chief Executive of NHSI commended the positive work undertaken by the Trust to date, and that it was doing well compared with majority of other Trusts in FSM. It was emphasised that July, August and September 2017 will be critical months as the amount of Cost Improvement Programmes (CIPs) that the Trust will need to deliver will significantly increase. The Trust will therefore need to maintain focus on delivery of its CIPs.
 - The next meeting with NHSI will be in early August 2017. The Trust will need to present detailed Quarter 1 results against its FRP.
 - NHSI are looking for assurance to understand how the Trust will maintain focus and scrutiny of its financial recovery plan once it exits

- FSM.
- NHSI's Financial Improvement Director presented a report on the process for developing and implementing the 2018/19 CIPs and Financial Improvement Plan. The paper identified a three stage process:-
 - Gaining understanding and commitment across Divisions through a focused engagement process that will run from June to July 2017.
 - Distilling Divisional interactions into key themes and opportunities in July 2017. This will involve use of business intelligence and appropriate benchmarking tools.
 - Organising to execute so as to ensure full CIPs development with the aim of having 50% of FY19 CIPs green by the end of September 2017 and 100% green by December 2017.
- **Update on CIPs**
 - The Trust was at 99% green against the identification and development of its FY18 CIPs target of £32m. The delivery of this will be robustly monitored.
 - As mentioned above, plans are in place to ensure the Trust identifies and fully develops 50% of FY19 CIPs by September; and achieves 100% green by Christmas. This will give the Trust a head start in organising delivery well before the start of the new financial year in April.
- **Acute Medical Take at Kent and Canterbury Hospital**
 - The Acute Medical Take move successfully took place on 19 June 2017. This has led to a reduction of 39 beds (an outcome of Patient Flow I Programme).
 - Patient Flow II programme is currently being worked through. The programme aims to further reduce a total of 88 beds by October. Of this, 66 will be reduced by August.
- **M2 Finance**
 - The main highlights from the report are:
 - M2 Income and Expenditure (I&E) deficit is £2.02m (£1m better than plan) deficit in month and £5.51m deficit year to date (YTD) (£1.16m better than plan).
 - Income was £2.1m higher than in month 1 and is £0.7m behind plan YTD.
 - Pay was in line with the 2016/17 average after allowing for annual pay inflation.
 - Agency spend of £0.7m has been transferred to Bank staffing.
 - CIPs of £3.36m YTD are £0.6m ahead of plan.
 - Cash was £12.9m at the month end. No more money was borrowed from Department of Health (DoH) but creditors were extended a further 2 days.
- **M2 Performance and Activity**
 - The main highlights from the report are:
 - Primary Care referrals were 4% above plan.
 - The Trust delivered 4% over-performance on New Outpatient attendances. Follow-up attendances also over-performed plan.
 - The Trust over-achieved Daycase plan by 6%, which eradicated the Year to Date (YTD) variance. Despite the

- improved performance Orthopaedic services remain a risk.
 - Performance against the 4 hour A&E wait target was 76.8% against the NHSI trajectory of 75.0%.
 - Performance had improved against the 18 weeks Referral to Treatment (RTT) standard.
 - The Trust reported 36 breaches in relation to the number of patients waiting over 52 weeks for first definitive treatment, an increase of 7 from the previous month.
 - Performance against Cancer 62 day RTT standard was 69.83% against the improvement trajectory of 66.00%.
 - The Trust had met the 6 week Referral to Diagnostic standard with a compliance of 99.36%.
- **Surgical Services Division Presentation**
 - The Committee received a presentation from Surgical Services Division and acknowledged the good work of its staff. This was around new income opportunities that are being pursued, including the development of partnership working with Ashford One around utilising theatre space to accommodate day surgery, and centralising cataracts at Buckland Hospital.
 - The Division was commended for the positive work in identifying and progressing its FY18 CIPs target of £7.6m; majority of which are now green.
 - The Division is ahead of plan financially mainly due to lower use of the independent sector and clinical supplies.
 - The Division's major risks to delivery relate to the impact of high levels of non-elective work impacting planned care and the recruitment of staff.
- **Business Cases**
 - The Implementation of the Advanced Clinical Care Practitioner (ACP) Business Case was discussed and recommended to the Board for approval. The ACP Business Case was circulated to the Board separately due to sensitivities of the information.
 - The Dementia Village Proposal was discussed and recommended to the Board for approval. Due to the required timeframe for this proposal to be approved Board approval will be undertaken as a virtual item and the outcome reported in the Chair's report to the next public Board. The Trust will discuss this proposal with NHSI.
 - The additional costs in relation to replacement of existing MRI Static and Mobile Scanners at Kent and Canterbury Hospital was discussed and recommended to the Board for approval. This was on the conditions that:
 - i) the underlying reasons for the project costs increase be fully investigated;
 - ii) the Trust should enter into robust negotiations with Siemens to significantly reduce the costs increase perhaps through some sort of risk-share regime.An update will be provided to the Committee in August 2017.
- **Commercial Income**
 - The Committee was presented with a review of the commercial income opportunities which had been agreed as part of the CIPs. The target value for commercial income is £969K.
 - Further updates on laundry and occupational health are expected to

be provided to the Committee in August.

8 AUGUST 2017 MEETING

The committee reviewed the following matters

- **Dementia Village**
 - The dementia village initiative is a research based project aimed at developing and testing new and sustainable models of care for people living with dementia. Some of the key objectives and desired outcomes for this EU funded project include
 - Integrated community and rehabilitation care in purpose-fitted guesthouses accessible to public and private patients.
 - Promoting safe use of appropriate technologies and innovation.
 - A platform for specialist training, development and research as well as publications in international peer review journals.
 - Collaborative working and knowledge sharing amongst EU funding partners, universities and EKHUFT aimed at improving healthcare of older people (HCOOP).
 - Partners will be responsible for delivering their discrete research project workstreams in accordance with agreed quality standards and overall objectives.
 - Given its novel nature, proposal for this research initiative has received thorough scrutiny internally from FPC and Board and externally from NHS Improvement (NHSI). A comprehensive log of potential issues and risks has been done.
 - Whilst FPC and Trust Board have approved proposal, Deputy Chief Executive will provide quarterly reports to FPC on how any potential issues are being resolved and risks mitigated as this programme of work progresses.
- **Workforce Establishment Control**
 - FPC will receive, at its next meeting in September, a paper on how workforce establishment control system will be implemented. The paper will include a high-level work plan. This piece of work will enable availability of more accurate workforce data, better reconciliations with financial ledger and more efficient use of electronic staff record (ESR) system. HR are working with Finance Team to ensure that the Trust develops and actively maintains key workforce data in support of its CIPs programme. The Executive Management Team will review the initial outcome of this work prior to it being presented to NHSI at the next Financial Special Meeting (FSM) meeting on 11 September 2017.
- **Financial Special Measures (FSM)/Financial Recovery Plan (FRP)**
 - The last meeting with NHSI was held on 1 August 2017. It was yet another very positive meeting where Deputy Chief Executive of NHSI acknowledged the good progress the Trust has made towards delivering its FRP.
 - Further progress was noted in relation to FY19 CIPs identification and development.
 - NHSI are supporting the Trust in developing workforce data and in doing a deep dive for cardiology.
 - The NHSI team were pleased to learn that the Trust has recruited a new Director of Finance and Performance who starts in October 2017.
 - The next meeting with NHSI will be held on 11 September 2017. The

Trust will be required to supply workforce data, assurance around Length of Stay (LoS) analysis in relation to Patient Flow II Programme, flag any income risks, and contingency plans for 2017/18.

- The Trust has flagged on a number of occasions at Financial Improvement Oversight Group (FIOG), Financial Improvement Committee (FIC) and FPC that month 4 income will be lower than plan. The Trust is working to ensure that it delivers as planned across the whole of Q2 period. Actions are being taken to develop a further £1m of CIPs and additional activity are planned to plug any shortfall.
- **CIPs**
 - Whilst the Trust is driving delivery of its FY18 CIP schemes, the biggest risk in Q2 is Patient Flow II Programme, which has a total net value of £2.1m. There is an urgent need to revisit length of stay (LoS) reduction target by conducting appropriate analysis to better align LoS with required number of beds earmarked for closure. Additionally, since this programme is one of the largest, it could benefit from more devoted resource, clearer and robust plans as well as increased delivery pace.
 - Work has begun on identifying FY19 CIPs. The teams are on track to come up with £7.5m CIP by mid-August and for 50% of FY19 target (£15m) to be identified green by the end of September.
- **Divisional Presentation: Specialist Services Division**
 - The Division was above plan to date in relation to income. There was an underperformance in month 3 for dermatology. Mitigation plans are in place.
 - Challenges for the Division are around delivery of CIPs, particularly adding 2 neo-natal cots to drive income. Initial costs to put this in place are considerably higher than original plans. Alternative ideas are being explored to manage this.
 - The Division would benefit from additional resources and support around Getting It Right First (GIRFT) in gynaecology in relation to Service Line Reporting (SLR).
- **Performance**
 - Primary Care referrals were 2% above plan.
 - The Trust was within 0.7% of the New Outpatient Plan.
 - The Trust over achieved Daycase plan by 4%. Despite this, performance in Orthopaedic services remain a high risk.
 - In Quarter 1 both non-elective and A&E activity is at expected levels, with sites continuing to see an uplift in the proportion of majors attending compared to previous year.
 - Performance against 4 hour A&E wait target was 78.2% against the NHSI trajectory of 80.0%. Whilst this fell short of trajectory, it represents an improvement on previous month.
 - Performance against the 18 weeks Referral to Treatment (RTT) standard decreased to 85.07%.
 - The number of patients waiting over 52 weeks for first treatment decreased from 36 to 30.
 - Performance against the cancer 62 day RTT standard was 74.47% against trajectory of 76.80%.
 - The 6 week Referral to Diagnostic standard has been met with a compliance of 99.46%.

- **Finance**
 - The Trust reported a deficit in month of £1.1m (excluding Sustainability and Transformation Funding (STF)) against a plan of a £1.5m deficit.
 - The year to date deficit is £6.6m against a plan of £8.2m.
 - Agency and locum spend was £1.9m in month which was an increase of £0.4m on the previous month's figure.
 - The total pay bill was £28.7m, an increase on £0.2m on the May figure.
 - In relation to activity, outpatients was 8.3% below plan, elective inpatient care was 3.1% above plan, non-elective admissions were 0.8% below plan, and A&E attendance 2.3% below plan.
 - The reported CIPs in the month was £1.8m against a plan of £2.0m.
 - Cash balance at month end was £7.9m.
 - Capital expenditure for the month was 7% under plan.
- **Emergency Department (ED) attendance analysis report**
 - An analysis, covering February to July 2017, was undertaken to determine the proportion of patients presenting at ED that could have been cared for in primary care by GPs. Using statistical process control (SPC) modelling, this study found that 25% of ED attendance across EKHUFT could have been seen by GPs. These are patients that fall into the category of "*no investigation with no significant treatment*". At national level, this category of attendance could be as high as 49% (discharged without treatment 11% plus received advice only 38%).
 - The above results will be used to engage Clinical Commissioning Groups (CCGs) and system partners around GP streaming and demand management discussions at the Single Oversight Group (SOG) meeting in August.
 - Additionally, adequate time has been set aside at the September Board Development Day for detailed discussions of the emergency care pathway.
- **Replacement of Existing MRI Static and Mobile Scanners at Kent and Canterbury Hospital**
 - This was discussed at the last month's FPC meeting and there were questions raised regarding the additional costs and whether this was a cost overrun. A further paper was presented that identified that there was no cost overrun. The issue had to do with using correct data and information to estimate cost. FPC noted the finance update paper presented.
 - The system for costing up similar asset procurement has since been strengthened and appropriate lessons learned. This includes
 - New sections are being added to business case template that require confirmation of capital costs and sign-off by strategic estates.
 - Strategic estates and head of engineering and compliance will now become more directly involved in providing accurate cost information for business cases.
 - For projects valued over £1m, a Steering Group chaired by respective Divisional or Corporate Director will be established to oversee process and governance. This group will in turn report to the Strategic Investment Group (SIG).

- **Serco Soft FM Contract**
 - FPC received updates on the on-going work between the Trust and Serco in relation to potential cost savings and productivity opportunities.
- **Board Assurance Framework (BAF)**
 - FPC discussed and reviewed BAF (governance and systems) and what has been achieved to date along with outstanding risks.
 - FPC endorsed the considered opinion of Integrated Audit & Governance Committee (IAGC) at its July 2017 meeting. This is in relation to how reconciled are internal priorities with National priorities and Sustainability and Transformation Programme (STP) funding.

Commercial Income

- **Laundry**
 - The Trust is in discussions with Medway NHS Foundation Trust (MFT) around consolidation of laundry service provision.
- **Occupational Health**
 - Progress update was provided on the consolidation of Occupational Health services for Kent and Medway. There may be competition from other partners who are equally interested in providing Kent wide Occupational Health Services across the STP footprint. Further update would be provided to FPC in 3 months.

RECOMMENDATIONS AND ACTION REQUIRED:

Discuss the report and approve the business cases as noted below.

- i) Implementation of the Advanced Clinical Care Practitioner (ACP) Business Case.
- ii) The additional costs in relation to the replacement of the existing MRI Static and Mobile Scanners at Kent and Canterbury Hospital.