

**EAST KENT HOSPITALS UNIVERSITY NHS FOUNDATION TRUST**

<b>REPORT TO:</b>	<b>BOARD OF DIRECTORS</b>
<b>DATE:</b>	<b>9 SEPTEMBER 2016</b>
<b>SUBJECT:</b>	<b>FINANCE AND PERFORMANCE COMMITTEE CHAIR REPORT</b>
<b>BOARD SPONSOR:</b>	<b>CHAIR OF THE FINANCE AND PERFORMANCE COMMITTEE</b>
<b>PAPER AUTHOR:</b>	<b>CHAIR OF THE FINANCE AND PERFORMANCE COMMITTEE</b>
<b>PURPOSE:</b>	<b>Discussion</b>

**KEY ISSUES WHICH WILL BE FLAGGED TO THE 9 SEPTEMBER 2016 BOARD**

- Financial improvement reported. Partly driven by income from extra work.
- Performance risks – e.g. A&E trajectories with unprecedented demand. Current status of clinical performance as per the IPR. But unplanned activity still ahead of plan.
- Contract Performance Notices received from CCGs
- Control Total issue re 2016/17 plans
- CIP narrowing of gap but plans required for an additional £5m of CIPs
- Clinical Strategy financial implications. Assumptions being refined and developed.
- Soft FM update
- PAS implementation – risk on operational delivery and assurances around communication plans and project plans.
- Cash situation still risky.
- IPR : further review required but continuing improvements in data quality and presentation.
- Planned introduction of SLR will be positive and plans to be presented to Committee.
- The Committee is also keen to see how the demand and capacity model is being used in the Trust.
- It is clear that progress is being achieved but challenges remain and will need to be prioritised.
- Ensure appropriate read across at Board between FPC, SWC and Quality Committee to ensure all issues are linked.

**SUMMARY OF KEY AGENDA ITEMS AND BUSINESS:****1. MEETING HELD ON 6 SEPTEMBER 2016**

The meeting was shorter than usual due to the fact some of the committee were involved in the CQC visit meetings. The committee reviewed the following matters

**Finance at Month 4**

- Position I&E deficit £0.6M consistent with M3. Cumulative deficit £5.9M. This included first quarter STF.

- Pay is consistent with month 3 but has not fallen as needed due to activity pressures causing additional unplanned Agency spend. IF current trajectories continue this would lead to the Agency staff cap being breached.
- Agency recruitment controls were discussed and the difficulties of retaining staff raised. This issue and its links with the Strategic Workforce and Quality Committees will be raised with the board
- Income is high in U&LTC due to high A&E. Surgery income is below plan and needs some work to catch up later in the year.
- The CIP plan is still circa £5M below plan and will be reviewed post CQC.
- CCGs are issuing high challenges which presents a risk to I&E and cash if CCG stops paying the contracted value.
- Cash currently is over plan but would be impacted if CCG s delayed payments. This has been raised with NHSi.
- **Plan update**
  - The control total was discussed. Although Q1 STF funding was received as the control total has not been altered the Trust is now expecting not to receive STF in Qs 2-4.
  - The prospect of moving the Trust into Financial special measures was also raised.
  - It was flagged that the Trust needs to agree internally the best possible deliverable forecast which it then will need to deliver. The Trust needs to consider winter pressures and trajectory delivery in arriving at this forecast was raised. There also need to be links with the Quality and Workforce committees to ensure all issues are linked.
- **Turnaround Programme** - There was a discussion lead by the Turnaround Director. Areas discussed were:-
  - There was discussion that the FPC would receive metrics in Mth5 regarding theatre productivity
  - Underlying run rate was reduced below Q4 last year
  - It was considered that £30M of CIPs was undeliverable but £20m was still the 16/17 target.
- **Performance**
  - Diagnostics performance is on plan
  - Cancer 62 days is running below plan and will take until October to recover
  - RTT- struggling in Urology and gastro so unlikely we will hit 92 % by year end. This will be a key focus in the remainder of the year.
  - CCGs are working better with the Trust on A&E recovery as part of a system wide recovery board
  - There was a feeling that A&E had implemented changes but could do more however they were suffering from increased demand and acuity.
  - Recruitment of doctors and nurses was discussed. Progress is being made but continues to be a struggle. Having special measures removed would help recruitment.
  - Performance will also be discussed in the full board.
- **EKMS**
  - The FD and Chair had attended the EKMS board. They had been encouraged by progress at EKMS but had also challenged EKMS on how improvements could be made.

## 2. MEETING HELD ON 2 AUGUST 2016

### Finance at Month 3 (June 2016)

- I&E performance improved for month four. It was anticipated this trend would continue. Monthly outturn position £0.6m deficit. Forecast remained at £10m-£12m deficit.
- The Trust is managing its cash resources but there will be need for further cash injection during the year,
- Payroll costs had reduced, although use of agency remained high, particularly within Urgent Care Long Term Conditions Division. The Committee was assured the reasons for the level of spending were clear. All Divisions had trajectories to reduce spend.  
Committee would be looking for more detail as part of the next scheduled presentation from the Divisions.
- Independent sector usage (for less complex procedures) continued to meet increased demand.
- The Committee requested an update report on CCG's data challenges.
- There continues to be a gap between CIP financial targets and the value of CIP plans. Committee requested a report from the Turnaround Director for the September meeting to close the CIP gap linking to the run rate position. The risk adjusted total CIP plan at month 3 was shown as £13m excluding income growth. Financial plans require £20m of CIPs..
- Contract Performance Notices have been received from CCGs which could result in penalties and cash being withheld. This has not occurred to date. The Trust is addressing the issues raised.

### Month 3 Performance Report

- Increased non-elective activity continued. ED performance reported below trajectory at 85%, but anticipated to be brought back in line by September. The Committee requested an assurance report from the ECIP Programme Manager providing an independent assessment of emergency department performance.
- Monthly STP trajectories were now being submitted.
- The Committee requested an assurance paper to a future Committee on cancer performance. This report would identify the number of patients waiting up to 62 days, those waiting beyond 62 days and those beyond 104 days, and would outline the actions being taken to address the waiting list.
- Concern was noted around delayed transfers of care. The Committee noted planned work with partners in terms of a daily case load review.
- The Trust was making an application for National Funding for Urgent Care configuration.

### Capital Programme Update

- The Capital Paper reported progress against the £14.3m capital allocation for the year.
- The Committee asked that staff affected by building works be adequately consulted.
- The Committee discussed concerns around equipment replacement and training needs analysis. The Committee noted this would be discussed by the Quality Committee.

### Service Line Reporting

- The Committee welcomed a financial update on a service line reporting basis.

The Committee was assured this reconciled to the finance report and recognised the benefits to model future service provision and identify financial gains.

- A paper would be received at the next meeting with a proposal for investment in SLR. This would be considered by the Trust's Management Team in the first instance.

### **2016/17 Plan Update : Control Total Implications**

The Committee requested more detail on the implications (and scenarios) of accepting the control total set by NHSI. The scenarios prepared for the PRM have now been circulated to Board members. The FD explained the magnitude of the differences between the Trust's own plan and the financial impact if the suggested Control Totals were imposed.

### **Soft FM Contract Update**

The FPC continues to receive updates ahead of a paper to be brought to the October Board of Directors in closed session due to commercial sensitivities.

### **PAS Replacement Project**

The Committee received assurance around communications and project plans in place ahead of implementation.

The Committee would receive an update at its November Committee meeting ahead of go live.

### **Board Assurance Framework**

The Committee reviewed the financial elements of the Board Assurance Framework. The area reported as 'Red' related to pathology transition related to external risks.

## **3. MEETING HELD ON 5 JULY 2016**

### **Finance at Month 2 (May 2016)**

- The Trust still does not have a control total for 2016/17
- NHSi has announced that Providers are forecasting a £500M deficit in 2016/17
- All STP groups have been asked to come up with a plan for back office and pathology consolidation/savings
- STPs have also asked to flag if any services in an area are unsustainable financially and could be passed to another provider
- Financial performance is currently in line with the board approved plan
- FPC discussed risk and agreed that risks related to each paper should be reflected on during discussions.
- The level of CIPs was discussed as the risk adjusted CIPs are at £13m which is below plan.
- FRR was discussed as it is very sensitive to meeting plan.
- Risks are flagged in the paper but are not yet built into the forecast. Currently the forecast only includes delivery of £20M not £30M of CIPs. The FPC asked for a plan for how the CIP gap to £20m was to be delivered.
- The achievement of STF was discussed. There are significant uncertainties as NHSi have not yet defined the control totals or rules on STF qualification.
- Risks of contracting were discussed. The challenges from the CCGs and the response from the Trust was discussed. Challenges were £1.6m for the month. The majority of the challenges have been refuted or corrected. There was a TIA Day case challenge (circa £1.3m estimate for the year) which was reasonable and we are likely to lose this money. Also we will not be able to charge for some best practice tariffs. CQUIN is also unlikely to be fully paid due to know issues. Other penalties are likely to cost the Trust £500K. The challenge the Trust faces is to

deliver the elective work in order we can still achieve planned income levels. As a result of the conversation it was felt there was a need to discuss the relationship between the Trust and CCGs at the forthcoming Trust/CCG Board to Board.

- A review of risk and high level forecast was requested for the FPC in August along with an impact assessment.

### **Performance Report**

- The IPR and activity reports were discussed.
- There were 700 attendances in A&E on 4<sup>th</sup> July which was more than the Trust had ever seen in a single day. This was 12% above plan
- In addition referrals were running above plan. (4% in month and 7% YTD). The CCGs are trying to cross correlate this increase with lower consultant to consultant referrals.
- Cancer services are doing better on delivery and were moving toward trajectory.
- DM01 – diagnostics are on plan but at a cost
- The 18 week RTT is behind plan due to high referrals and the need for CCG's to take work from the backlog as agreed in the contract. In addition the CCG triage service is directing more than expected work to the Trust.
- The emergency pressure is creating bed challenges which could have an impact on elective surgery. This is also meaning that agency reductions can't be delivered as the emergency patient numbers are still high. It was agreed this would be raised at the Trust/CCG Board to Board.
- Mental health patients were also discussed as although they are small in number the nurse support requirements have a big impact on ED.
- There was a discussion on the fact all theatre sessions had not been delivered and despite an increase in patients per session the Trust is struggling to increase productivity.
- There was a discussion around what CCGs could do to help demand management
- There was also a discussion that some of the new medical models could not be expanded, even if working, as there was a lack of staff to deliver them.

### **Clinical Strategy (CS) Update**

There had been a prior discussion on the CS at the board. This board approved review was revised and submitted as part of the K&M STP plan. The slides show the updated position. These options leave a deficit of £23M in the Trust once CIPS and bed closures are factored in. The assumptions are very challenging and require £90M of savings over 5 years. Once even these are factored into the Kent & Medway plans these still leave a £200M gap across the region. Assumptions on the reconfiguration are high level currently and therefore hold a risk. Further review of these cases is required. There was a feeling the current plan was as good as possible at this stage and the figures and risks were noted but the plan was considered as the most appropriate way forward. There was a challenge that the large bed reduction was not delivering a significant new way of working which would deliver a bigger impact.

### **Soft FM Update**

An update was received on the SERCO request for additional money to support the national living wage. The Trust has flagged it is not responsible for the living wage increase per our contract. There is a positive dialogue and a benchmarking exercise is underway against other providers. Carter back office work will also inform this discussion. It is felt the threat to stop the service has now been removed but there is likely to be a cost impact.

**Finance Risk Register Review**

The finance risk register was discussed and main risks reviewed. Risk control was discussed. It was agreed that more attention needed to be focused on risk mitigation in future FPC meetings. It was recognised there is a need to define an approach to improving medical notes and therefore depth of HRG coding. It was flagged the Board needs to consider where it requires risks to sit whether with the risk owner or Finance area with non-financial owners.

**Developing the Finance Team**

The Finance team and Finance Governance was discussed. Much movement has been made on the Finance Governance issues flagged by GT. The wider trust Leadership Development Programme will be used to formalise development goals for Finance staff. An SLR development paper will be coming to the FPC in August. The FPC thought this should be considered a positive development.

**PAS/Maternity Replacement Update**

The maternity system has now been implemented and is the first of any SACP sponsored projects to go live. PAS changes were discussed and the risk planning for go live was considered. The main risks were flagged. FPC noted that by implementing the 18 week reporting module ahead of the new PAS cutover the risk profile of the project had been improved.. A review of all clinics and activity was being undertaken to see what activity could be reduced stopped around go live. The system data will be downloaded 7 times before go live as test runs. MTW will go live first and this will help flag any issues before the Trust goes live. There may be further work on communications required and the need for a revised communications plan was discussed. The potential for lost income from the change was flagged.

**Timing of Divisional Feedback**

This was discussed and agreed this should occur for only half an hour, one Division per month on a rolling basis from October. There should be clear guidelines on what needs to be presented.

**ACTION FOR BOARD:**

To discuss and note the report.