REPORT TO:	**BOARD OF DIRECTORS**
DATE:	**6 OCTOBER 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:	**DISCUSSION**
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.

3 OCTOBER 2017 MEETING

The committee reviewed the following matters

- **Financial Special Measures (FSM) Financial Recovery Plan (FRP)**
  - The last meeting with NHS Improvement (NHSI) was held on 11 September.
  - The meeting was positive as the Trust was ahead of plan.
  - The next meeting will be held on Monday 9 October and will include A&E performance risks as well as any impact on Trust financial position.
  - The indicative costs for implementing A&E recovery plan is currently estimated at £6-7M. Whilst the Trust is exploring how this can be funded internally, the option of external funding by commissioners or centrally will be a key topic for discussion at the meeting with NHSI on 9 October.

- **Cost Improvement Programmes (CIPs) – Delivery Update**

- Month 5 delivered £9.7M CIPs of which £7.8M is recurrent.
- 45% of CIPs are within workforce.
- FY18 forecast is £32M. Of this, £2.1m will be non-recurrent. Divisions are continuously looking for opportunities to convert any non-recurrent to recurrent savings whilst at the same time utilising contingency schemes to ensure any gaps are filled.
- Patient Flow 2 was discussed and the expected savings have been revised to £1.1M in FY18. This is as a result of the number of beds that can be decommissioned.
- Further work to expand Patient Flow 2 in 2018/19 is being undertaken.
- An external consultancy firm has been commissioned to review flow with a particular focus on improving the Emergency Department (ED) performance. As a part of this work they will be asked to identify efficiency opportunities.
- Notwithstanding the above, it is worth reemphasizing the importance of improving patient flow at pace whilst giving considerations to out of hospital care investment and review of surgical bed configuration. This will help relieve operational pressures and improve performance across access targets.
- On FY19 CIP, £13.4M (i.e. 44%) of the £30M target are green. This is very close to the challenge given by NHSI to achieve 50% green by end of September.

- **Service Line Reporting (SLR) Review**
  - FPC commended the rigorous analysis carried out by SLR review team and the Programme Support Office (PSO). The work provides serious benchmarks of where the services that are not making a contribution need to be as well as a menu of improvement opportunities.
  - The seven services reviewed are: Endoscopy, Neurology, Cardiology, Orthopaedics, ENT/Audiology, Vascular and Obstetrics. Community Paediatrics was not covered as it is under a Royal College review.
  - Opportunities to increase contribution to bottom-line exist across all services reviewed. It is envisaged that implementation of improvement and benefits realization will span the next two years. Focus will of course be given to programmes that could deliver in current year.
  - The potential for Neurology to build links with Kings was discussed. The second phase of review will be led by operational teams and will explore potentials for such partnerships.
  - Initial clinical feedback has been mixed. More outreach and engagement will be critical to success going forward.
  - The SLR action plans for 2017/18 savings will be updated and presented at the November FPC.
  - Cardiology and Endoscopy teams will update action plans and feedback to the FPC in the December.

- **Urgent Care & Long Term Condition (UC&LTC) Presentation**
  - The Division reported on the A&E performance.
    - The 4 hour standard is not being met. The Trust is currently at 70.1%. Whilst minors are around the 90% range, the main problem is with majors at 50.9%.
    - There is a comprehensive ED recovery plan that has been put in place and approved by system partners and NHSI.
  - Some of the actions put in place over the last couple of weeks include:
    - meetings of all specialties are now held twice a week involving

all areas of the A&E solution.
    - It has been agreed that A&E doctors can make a decision to admit a patient themselves thus removing reliance on some specialty doctors.
    - The Deputy Director of HR is working with finance to put in place additional resource that will be dedicated to UC&LTC recruitment.
    - A new process is being put in place to streamline and expedite on-boarding of doctors that have been offered appointments.
  - **Finance**
    - The impact of A&E transfer from Kent & Canterbury Hospital was discussed. The net financial effect on the Trust is being reviewed.
    - The Division is looking at how activity shortfalls in elective care can be recovered and how recording can be improved.
  - **Agency**
    - Agency expenditure was circa £1.15M in Month 5 for medics (mainly A&E middle/Senior House Officer (SHO) levels covering Deanery gaps and vacancies) and £0.6M (for Nursing again mainly for A&E driven by vacancies).
    - Active recruitment of 19 consultants is underway with offers issued.
    - Safe Care and its implications on Rostering is being reviewed in regard to Nursing staffing.

- **M5 Finance**
  - The main highlights from the report are:
    - Month 5 income & expenditure (I&E) deficit is £2.5M in month (on plan after NHSI adjustments) and £10.4M year to date (YTD) (£0.6M better than plan).
    - Pay £28.7M, £0.2M higher than July driven by temporary staffing which was running very high at £3.9M.
    - Non-pay is £1M overspent which is driven by overspend on pass through drugs (off set by income), and maintenance contracts within Support Services.
    - In-month CIPs of £2.3M bringing YTD CIPs to £9.7M (£0.3M above plan).
    - Cash remains a key issue that needs to be continually monitored.

- **Performance**
  - The Trust is behind on all the constitutional targets other than diagnostics.
    - August performance against Cancer 62 day Referral to Treatment (RTT) standard was 73.28% against the improvement trajectory of 83.40%. A total of 2,714 patients are on an active cancer pathway. 30 patients were waiting 104 days or more for treatment.
    - Performance in August against the 18 weeks RTT standard had decreased to 82.58%. There had been an increase to 31 in the number of patients waiting over 52 weeks for first treatment.
    - August performance against the A&E 4 hour wait target was 70.1% against the NHSI trajectory of 87.0%, a decrease in performance compared to the previous month. Two 12 hour

trolley waits were reported in month.
    - The 6 week referral to diagnostic standard was met for August 2017 with a compliance of 99.14%. As at the end of the month there were 120 patients who had waited over 6 weeks for their diagnostic procedure. Of this, 94 were in Radiology.

- **Patient Administration System Implementation**
    - The potential impact on income was discussed. No firm number can be determined yet as go live date and timeline for implementation is being reviewed. If this can be done over a bank holiday the impact may be reduced.
    - FPC was concerned about introducing an additional risk this year when so many existing risks were being managed but assurance was given that the system risks were being managed to a minimum.
    - FPC requested good notice of when go live will occur.

- **Capital Reprioritisation**
    - Capital was planned at £17.2M for 2017/18. CT Spec has been delayed due to clashes with Magnetic Resonance Imaging (MRI) replacement. Non capital funding options are being considered for the Queen Elizabeth the Queen Mother (QEQM) Cathlab replacement, thereby delaying spend in 2017/18. The "invest to save" allocation has not been required to generate CIPs. This has released funds for re-investment.
    - New plans include Orthopaedics and Outpatient developments; Ambulatory care in QEQM to improve A&E; additional spend on ITU equipment at William Harvey Hospital (WHH) due to the Kent and Canterbury Hospital move; videoconferencing improvement to help Multi-Disciplinary Teams (MDTs); fire improvement works and minor equipment.
    - This would leave unallocated funds, the options for which are yet to be agreed.
    - The new Director of Finance and Performance has been asked to review the capital prioritisation process**.**

- **Update on Contract Negotiation with Clinical Commissioning Groups (CCGs)**
    - Memorandum of Understanding (MoU) has been agreed with CCGs, that resolves outstanding financial disputes. Key components of the MoU are:
        - CCGs will pay all outstanding 2016/17 challenges.
        - CCGs wish to work on tiers of care and clinical pathways transformation covering: pneumonia, frailty, short term beds, rheumatology out patients, cardiology and respiratory medicine. This is aimed at reducing demand whilst insulating the Trust from the impact of activity reductions.
        - Some additional challenges of 2017/18 still remain.
        - The intention is for CCGs to fund stranded costs resulting from these changes.
        - There is a risk if the clinical teams do not become actively involved in developing, agreeing and implementing the pathways as Commissioners will challenge the Trust's finances. The Trust therefore needs both operational and clinical team buy-in.

RECOMMENDATIONS AND ACTION REQUIRED:

i) Discuss and note the report.