REPORT TO:	**BOARD OF DIRECTORS**
DATE:	**9 DECEMBER 2016**
SUBJECT:	**FINANCE AND PERFORMANCE COMMITTEE CHAIR REPORT**
BOARD SPONSOR:	**FINANCE AND PERFORMANCE COMMITTEE**
PAPER AUTHOR:	**CHAIR OF THE FINANCE AND PERFORMANCE COMMITTEE**
PURPOSE:	**Discussion**

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, delivery of any financial undertakings to 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.

6 DECEMBER 2016 MEETING

The committee reviewed the following matters

Finance at Month 7

- M7 I&E deficit is £12.7M YTD.
- Agency usage was at its highest all year in M7 particularly driven by medical cover was 67% of the spend and much higher than in other trusts (34%) in the region.
- A robust process to challenge Agency spend is now in place.
- Achieving the CIPs target remains a challenge. Reported CIPS in month are £1.2m against a plan of £2.0m
- Against the £20m target for 2016/17, £3.5m (risk adjusted) plans are still required
- Cash continues to be a drain although through sound management the cash balance at month end was £11.7m
- Capital expenditure to date is £1.2m below plan
- The overall Financial Stability Risk Rating for the YTD is 1.
- Financial performance continues to be a high risk for the Trust and the Board is asked to consider all further options if the Trust is to avoid financial special

measures.

The contents of the Integrated Performance Report (separate item on the Board agenda) sets out the following:

- Dashboard, summary and headlines on pages 3 to 6
- Trust wide financial performance is set out on pages 7 to 30;
- Divisional performance is shown on pages 31 to 37;
- Cost Improvement appendices are shown on pages 38 to 39;
- Finance Metrics are shown on pages 40 to 43;
- Definitions used in the Finance Report are set out on page 44.

NHSI update

- The CQC inspection report was considered positively by NHSI.
- To avoid Financial Special Measures the Trust must show an improving run rate, that all possible is being done to improve the position and that there is a clear recovery plan (clinical strategy for EKHUFT) with the leadership capacity and capability necessary to deliver it.
- NHSI have appointed a senior reviewer to help us and assess our progress. The Governors will need to be briefed on this area.
- The actions to improve the Trusts finances considered by the board were discussed and progress reported e.g the recruitment of 28 posts have been delayed.
- The yearend 'best', 'likely' and 'worst' case forecast(£19, £24 and £32m) deficits were flagged.
- NHSI had asked the Trust to complete a "Grip and Control" assessment to demonstrate all the actions currently being taken to control the financial position.
- Given the NHS wide pressures and speed at which contracts are expected to be signed this year, NHSI has already made provision for settlement of disputes between providers and CCGs..

Carter Report

- **Actions recommended by this report, and previously presented to the FCP, are being followed up but require greater focus and urgency given the Trust's financial state.**
- The report was discussed. The Trust has been flagged as a Pathfinder for corporate services consolidation.. , Pathology services continue to be considered as a combined service with MTW
- The FPC discussed the reasons that a private provider could deliver services at less cost than EKHUFT and how the Trust could learn from a more sophisticated approach to becoming more productive and cost effective.

Performance

- 18weeks was reviewed in-depth by the Committee as an area of focus.
- The Trust has failed to deliver compliance against the agreed 18 week RTT trajectory timelines for September 2016. Contributing factors include: capacity and demand; vacancies in some specialties; long term sickness within medical workforce.
- CCGs have been asked by NHSI to address referrals and offer more patient choice to reduce T&O demand.
- NHS England requested that the CCG engage a Programme Director (NHS Elect Associate) to work across all 4 CCGs and the Trust to develop an improvement plan for 18 week RTT recovery. A subsequent improvement trajectory has been developed with key actions across the health economy, more specifically for the

CCG's to manage demand and commission capacity in line with a compliant RTT pathway. The Improvement Plan includes actions, specific and time bound with appropriate milestones.

- The Programme Director is supporting the CCG and Trust to ensure that there is a sustainable plan moving forward. It will be necessary to ensure that these are reflected in the commissioner's intentions for 17/19 and beyond and that the RTT pathway is consistent with the approach being taken with the Sustainability and Transformation Plan.
- Outpatients are 9.4% below plan
- Elective inpatient care is 11.2% below plan
- Non-Elective admissions are 5.7% below plan
- Critical Care 26.8% above plan
- A&E attendances are 7.2% above plan

ECIP Report

- ECIP (Mark Ellis) reviewed ED during November. The workforce is well motivated and delivering good care.
- The ECIP report has been focussed on what the Trust can do internally.
- ED medical leadership needs improving and there is greaeter need for standardisation and improvement. The senior Consultants needs to take a "command and control" approach and work more closely with the senior Nurses. The Trust may need to focus on recruiting new medical leaders for this area.
- Appointing more acute Physicians would enable better patient flow
- There is a need to train Junior Doctors in SAFER and other improvement measures.
- The A&E are stifled from changing due to a very congested hospital; the two must work better together.
- There is a need to create a vision for ED
- Locums do not take the required ownership of performance and although safe need to share the Trust's vision for ED and strive to meet the standards. Clinical leaders need to set minimum standards on this.
- The Trust needs faster responses and support from specialties. Internal Professional standards may help this
- Super discharge week should reduce pressure on beds and therefore improve ED. Support from outside the hospital in the health economy is weak.

Specialist Services Presentation

- YTD the division is over performing financially due to strong NICU performance as well as Maternity and Obstetrics pricing corrections.
- Work is being done to review and reduce the cost of drugs and we are working with commissioners on this.
- MTW are looking to significantly increase the cost of oncology services (circa £800K increase potentially) which creates a risk to EKHUFT
- Despite Dermatology outsourcing work and using locums it is slightly over performing financially. This is helping RTT.
- Renal are over performing due to high activity.
- Paediatrics are underperforming particularly in OP where multi-disciplinary OP activity is low.
- Women's health and Cancer Services are behind plan due to lower than expected activity driven by vacancies and lower cancer growth than planned.
- Primary Care referrals are 10% above plan for Specialist services.
- All specialties are meeting RTT except Gynaecology (which is 78% RTT)
- Gynaecology has reduced capacity due to a retirement. Extra lists are being put

on an outsourcing considered to improve this. Once the backlog is cleared the Specialty should be able to meet demand.
- Agency staffing is forecast to reduce from a September peak for the rest of the year.
- RE raised the fact that Women's Health may need a strategic review of the services to develop an improvement strategy and plan. The ET agreed to consider this.

Corporate Plan Update
- The draft plan was submitted on time in November and the control targets were accepted. These are a deficit of £6.5M for 17/18 assuming £14m STF funding and £25m of CIPs
- The CCG contract was flagged as a risk given a large financial planning gap. Contracts are expected to be signed by 23rd December.
- The FPC was concerned that GPs would be under pressure due over the next 2 years and it was felt the Trust needed to identify the risks and be able to track delivery of CCG plans to restrict activity.

STP
- The Trust CEO is expected to chair the hospital care work stream
- Work is currently underway modelling area activity and opportunities but mush remains to be done.

Richard Earland
- The contribution made by Richard to the FPC was recognised and apprecaied

8 NOVEMBER 2016 MEETING

Performance
- There was a discussion about the need to review the current waiting list trend in conjunction with next year's contract offer from the CCGs.
- The RTT target was not met in September the main driver being more than planned number of T&O referrals from CCGs and lack of CCG commissioned outsourcing. There is a need to make the position clearly visible to the Board. RTT is not now expected to deliver until March 2017 and a summary of the major RTT issues was requested in future reports.

Emergency Care Recovery Plan
- Mark Ellis and Lisa Riley attended the meeting on behalf of the Emergency Care Improvement Programme (ECIP)
- ECIP presented about the challenge and process for change.
- ECIP recognised the 4 hour target was not just an EKHUFT issue but a system wide issue and ECIP would raise this with the system with CCGs as a prime focus of change.
- There is now a system A&E delivery board and they need to take ownership for the issue resolution.
- New sustainable pathways in the Trust are required but many of these changes are already underway.
- Securing some capacity to make change possible was to be addressed with the system by ECIP after the FPC.

Cancer Performance

- There was an update on the cancer performance. The number of patients waiting longer than 62 days has fallen 6%.
- The Cancer Compliance Team have been removed from routine work to focus on cancer waiting lists management. We are not meeting 62 days and 31 day subsequent surgery (issue in Urology).
- The Urology issues are being addressed and better patient tracking and pathway milestone review is occurring.
- The target for compliance is by January in 2017
- A revised internal capacity model was discussed for Urology which gave assurance to the FPC
- The Specialty is looking to create a zero tolerance to patients waiting more than 100 days for non-clinical reasons.

Finance at Month 6

- M6 I&E deficit is £1.6M. Cumulative deficit £11M YTD. This included first quarter STF but no STF for Q2.
- New target agreed with NHSi for YE is £19.24m deficit requires £5m improvement from prior forecast.
- Will require CIP improvement and delay of non-essential spend which will be robustly QIA'd and run rate will need to fall significantly in Q4 to hit the target.
- The Agency target will be regarded by the Trust as secondary to the total deficit target and this has been discussed with NHSi.
- Pay is consistent with month 1-5 but has not fallen as required. If current trajectories continue this would lead to the Agency staff ceiling being breached.
- CIPs reported are £7.3m vs £7.9 target YTD
- CCGs challenges are being resolved or escalated.
- Cash is currently over plan but would be impacted if CCG s delayed payments. The need to highlight the revised position to the Governors was discussed

Surgical Services Presentation

- Over performing in most areas other than EL DC (ophthalmology reporting and General Surgery)
- T&O waiting list is growing as CCG referrals are above plan and patients are not being referred to independentproviders to the required levels. An initiative is in place to change this by CCGs.
- The Division is behind plan by £0.86m mainly driven by low T&O and General Surgery activity. This underperformance occurred in Q1 whereas Q2 has met plan. Catch up on T&O is underway and General Surgery has met plan in Q2.
- Pay is overspent YTD mainly driven by Agency. Nursing Agency is being reduced. Medical agency is proving more stubborn but is being addressed by implementing an RMO model from mid-October.
- Medical outliers are proving a challenge to the Division and delaying elective surgery.
- CIPs are proving challenging as the theatre efficiency per session is increasing but the number of sessions is falling compared to the prior year. When benchmarked General Surgery is below the NHS average productivity.
- RTT is beginning to improve in Oral Surgery and will improve in ENT when Otology backlog is addressed outsourcing work to London
- Ophthalmology is underperforming as outsourcing is reduced but has been temporarily addressed from October onwards.

- T&O is underperforming but CCGs are also over referring. Outsourced work has been reduced but CCGs are to outsource more T&O work.
- General Surgery is underperforming. Income per list has increased from a more complex case mix. High BMI patients are taking up a lot of time per operation reducing the ability to operate on other cases.
- There is a significant issue where elective patients are being cancelled due to medical patients taking up more than planned beds.
- The forecast for the year end is that the Division expects to come in on plan
- The FPC felt Divisional presentations of information were improving.

Contract Performance
- The size and number of contract challenges were discussed

Workforce and Agency Management
- Divisions have been through all staff groups and flagged the risk of non-replacement. The assessment is a £1.2 -1.5M savings potential from this.
- NHSi have requested a lot of data on Agency and the Board has to provide assurance to NHSi that controls are in place on Agency.

Plan update
- Draft plans are to be submitted 24 November and final plans by 23rd December.
- All Divisional meetings have been held.
- The CCG contract offer was received late and is £361m. Current year income is c£385m.
- CCG's are looking for the Trust to reduced follow up OP by 80%in a number of specialities and first attendances by 20%.
- The Trust is expecting to retaina PBR contract.
- The Board will review the draft plan and then allocate sign off authority
- There is a need for Divisions to review the ability to deliver activity in lines with plans.

STP Update
- The STP is not produced at a provider level and cannot provide targets by organisation.
- The STP identified limited gains from system wide change in 17/18
- There is clear guidance the whole system must move at the same speed which will delay theEast Kent consultation on the clinical strategy until June 2017 at the earliest
- The STPis looking at options for back office shared services

Capital Report
- Capital is currently forecast to underspent in 2016/17 and options to manage and balance this from 2017/18 capital spend so both years budgets are met were being considered.

PAS Replacement
- There will be a delay to PAS implementation which will potentially enable the changeover to be less disruptive.

BAF Update
- There was discussion of the BAF statements in regard to the RTT trajectory as the Trust has now missed trajectory
- There was also a discussion regarding the accuracy of the BAF

- There was a need to review where a risk had not been mitigated to learn from the situation.

RECOMMENDATIONS AND ACTION REQUIRED:

Discuss and note the report.