REPORT TO:	**BOARD OF DIRECTORS**
DATE:	**8 DECEMBER 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.

7 November 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 9 October. The meeting was positive with the Trust ahead of plan.
  - The next meeting with NHSI will be held on 16 November and will include A&E performance risks as well as any impact on Trust financial position. The Committee heard that the estimated costs of the A&E recovery plan were around £9m it was agreed that this could not be covered entirely by additional Cost Improvement Programmes (CIPs). The Trust is in discussion with NHSI on how these extra costs can be funded.
  - Based on the Trust's continued good performance on FRP to date, NHSI are considering a possible exit from FSM in the first part of 2018.

- **Cost Improvement Programmes (CIPs) – Delivery Update**
  - Month 6 delivered £12.1m CIPs against a plan of £11.8m. Of this, £2.2m is non-recurrent.
  - On financial year (FY) 2018/19, £17.5m of schemes have been identified to date with £14m green at 7 November. The aim, as requested by NHSI, is to have the FY18/19 £30m CIP requirement at 100% green by end of December. For this to be achieved, it is important to note that the Trust will need to deliver a number of transformational changes.
  - There is circa £5m risk associated with Urgent Care & Long Term Conditions (UC&LTCs) run rate. The Project Support Office (PSO) is currently looking for additional £1.5m CIP to contribute towards offsetting this cost. This will largely be done through non-recurrent CIPs.
  - There are also pressures on the achievement of Commissioning for Quality and Innovation (CQUIN) and possible challenges from the Clinical Commissioning Groups in relation to coding areas which could increase the CIP requirement.
  - Costs in relation to delayed transfers of care (DTOC) attributed to the NHS should be assessed with a view to recording as CIP.
  - The process and governance around CIP has been commended by internal audit. This needs to be maintained to ensure that the transparency of delivery is preserved.

- **Urgent Care & Long Term Condition (UC&LTC) Agency Spend**
  - Agency spend in UC&LTC is running very high. This is partly due to A&E staff turnover which has risen from 14% to 16%.
  - Additional offers of posts to new staff have been made but there remains the challenge of streamlining prolonged leadtime of onboarding staff.
  - A review of long term agency staff is being carried out.
  - passing the International English Language Test System (IELTS) remains a challenge when recruiting overseas doctors. The Trust is considering all the assessment options to reduce unnecessary delays.
  - Work is currently underway within the Sustainability and Transformation Plan (STP) to achieve greater collaboration to reduce the element of competition with regard to bank rates for both doctors and nurses. The aim is to move to a single rate card for medical staff in January. Further work is required on this and may result in differentiated rates in relation to hard to fill areas.

- **Surgical Services Division Presentation**
  - Referrals from Clinical Commissioning Groups (CCGs), particularly in Trauma & Orthopaedic (T&O) are down 9%, whilst Ophthalmology referrals are significantly increased.
  - Outpatient is under plan particularly in Ophthalmology and T&O. This needs to be monitored as it may lead to a decrease in demand for elective surgery.
  - The CCGs need to sign the additional contract variation for follow-up Ophthalmology work.
  - Waiting list initiatives and Consultant recruitment have been delayed. The Division is working on options to pick-up the resultant capacity shortfalls.

  - T&O and Ear Nose and Throat (ENT) are currently being reviewed to see if increased efficiencies can be achieved. Full recovery of the workload cannot currently be confirmed.
  - Although non-elective activity is down the case mix has ensured income is retained.
  - Pre-operative assessments are 15% behind plan but actions to close the gap are in place.
  - Year to Date (YTD) Income is £280K adverse to plan. This is due to the fact non elective work is covering the shortfall in elective work.
  - T&O national benchmarking review has shown prosthesis costs are the lowest in the country.
  - good control on expenditure has ensured the Division is performing better than plan.
  - CIP's are currently performing well but there could be shortfalls in the theatre capacity CIP where the target is currently held centrally.
  - the Division will have a better view of their projected outturn by the end of November.

- **Performance**
  - Cancer performance in September was 73.5% against 85.9% trajectory. It was confirmed that the action plan to address cancer performance was in place and being delivered but FPC have requested further assurance on this for their December 2018 meeting.
  - NHS Constitutional standards have not been met for a long period particularly Cancer and Referral to Treatment (RTT). The importance of putting in a place a credible recovery plan which can be fully executed cannot be overemphasized. Fresh perspectives and innovative thinking will be required to ensure the Trust is back on track to achieving key access targets especially Cancer and RTT.
  - A&E has improved slightly to 70.5% vs a target of 90%.
  - Diagnostic standard continues to be achieved.
  - **Action:-** The Chief Executive Officer (CEO) and Chief Operating Officer to meet produce robust plans to improve Cancer and RTT.

- **Capital**
  - Expenditure was 4% below plan at circa £300K.
  - The Strategic Investment Group (SIG) has reprioritised the capital spend based on programme delays.
  - The above reprioritisation included SIG agreement that the Cardiac Care Unit (CCU) at William Harvey Hospital (WHH) needed to be resituated to be compliant with the Heath Technical Memorandums and Health Building Notes. This work will cost £2.8m and the option was recommended by Management Board. The CCU move would be an interim move pending the final STP plan. The CCU investment was approved.

- **M6 Finance**
  - The main highlights from the report are:
    - Month 6 income & expenditure (I&E) deficit is £1.4m in-month (on plan after NHSI adjustments) and £11.8m year to date (YTD) (£0.5m better than plan).
    - Pay £29m, £0.3m higher than plan driven by temporary staffing which was running high at £3.5m.

        - Non-pay is £0.4m underspent which is mainly driven by pass through drugs (off set by income).
        - Cash remains a key issue that needs to be continually monitored but was £2M ahead of plan
    - **Risks**
        - As the Trust is halfway through financial year, a financial risk review has been undertaken.
        - It has been identified that risks could be in the region of £9.3m.
        - Other cost pressures include A&E investments and Consultant Job planning.
        - Once the Trust has fully quantified these current and any potential future risks, appropriate mitigations will be put in place. The approach to flagging risks and changes to NHSI will be adopted.

- **Board Assurance Framework (BAF)**
    - The paper was reviewed at the Integrated Audit and Governance Committee (IAGC).
    - The assurance was considered to be good as the BAF gave the Board high visibility of risks.

- **Commissioning for Quality and Innovation (CQUIN)**
    - The CQUIN risk has been considered by category of delivery.
    - At month 6 of reporting the forecast year-end financial risk is £1.6M (72% achievement). Two areas of concern are: the uptake of flu vaccinations, and further efforts will be made to improve uptake; and Sepsis which is improving and more patients are being identified and being assessed.
    - The Trust is waiting to hear back from CCGs on quarter one achievement.

- **Business Planning**
    - No planning deadlines have been received from NHSI as yet.
    - The Trust is working to an expected submission in February 2018 in line with the previous years' timetable.
    - The expected control total is circa £15m (after excluding Sustainability and Transformation Funding STF).
    - The planning process will be driven by Divisions undertaking capacity and demand analysis along with appropriate inputs from management team and senior stakeholders.
    - These integrated plans will drive income, workforce and associated costs.
    - Any impact on current year's forecast would be incorporated into 2018/19 plan.
    - The first draft plan will be presented to the FPC in December 2017 and final plan sign off expected in February 2018.
    - Divisional meetings are underway and the Council of Governors (COGs) will be informed of the process and their involvement agreed.
    - The CIP expectation is currently £30m but may vary as the plan is progressed.

- **Quality, Innovation, Productivity and Prevention (QIPP)**
    - The Memorandum of Understanding (MoU) was discussed and the

risk around the Trust engaging in the joint QIPP development was raised. Lack of engagement could cost the Trust £2.3m.

- **Emergency Department (ED) - 2020**
    - The Trust has been working with 2020Delivery a healthcare performance improvement consultancy to improve ED performance.
    - The aim is to achieve 87.7% by Christmas. A plan to hit 95% will then be put in place.
    - The Trust's Head of Transformation will start in November to help take this work forward.
    - Whilst Month 6 performance stood at 70.51%, NHSI report that the last week of October showed performance at 81%. The challenge is for the Trust to hold any incremental improvement and sustain new ways of working, processes and systems in order to drive continuous improvement.
    - Initial review identified issues relating to operating at full capacity and also a lack of A&E space.
    - The key is to open bed space earlier in the day by
        - better use of the discharge lounge.
        - discharging more patients earlier.
        - holding "huddles" several times a day to consider tactical discharge improvement.
        - reviewing the reasons for non-admitted patient delays to improve discharge times.
    - The impacts of the current changes will be reviewed and future changes made as required based on the initial findings.
    - **Action:-** The Chief Operating Officer is to oversee production of a comprehensive sustainability plan in order to ensure all changes, processes and systems are fully embedded and sustained whilst Trust staff are continuously improving performance once 2020 Delivery finish their work.

- **Consultant Job Planning**
    - Management Board had received and agreed a report to progress to the pay implementation stage following the job planning process that had been started around 2 years ago. There is a significant financial risk currently at £1.208k, rising to £2.2m, and no financial provision has been made. The divisional leadership teams have been advised of the need to mitigate the risk and this may result in a need to identify further CIP opportunities. .
    - The process of job planning has now been on-going for over 2 years and pressure is building to address pay levels resulting from the job planning.
    - **Action:-** Given the change in Accountable Officer and Director of Finance and Performance it was agreed that the Executive Management Team revisit this item and make a recommendation to the Committee and Trust Board.

<u>5 December 2017 meeting</u>

The committee reviewed the following matters

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

- NHSI was pleased with the Trust's progress against its FRP. There are still elements that need to be delivered on, particularly in relation to the ED recovery plan. It was hoped that at the next meeting with NHSI on 8 January 2018 following: a review of the Trust's position around ED; month 8 finance position; CIP delivery for 2017/18 and identified green CIPs for 2018/19; and a reduction in agency spend, that a date would be set for the Trust to exit FSM by the end of the financial year.

- **Cost Improvement Programmes (CIPs) – Delivery Update**
    - Progress is being made to achieve the £32m CIPs target for 2017/18. However, month 7 fell short of plan by £0.6m. There is a recovery plan in place to ensure the target is achieved at year-end.
    - CIPs for 2018/19 totalling £20m have been identified and of which 75% are rated as green but there was still work to be done to get this to 100% green by the end of December. There is a significant risk that the total of £30m will not be identified by the year-end. This is a much better position than the previous year at this point in relation to having identified CIPs for the next financial year. It is also well ahead of most other Trusts.
    - A review has been undertaken on the top 3 areas for 2018/19, which include:
        - agency spend in urgent care;
        - Trust wide recruitment plan reducing agency expenditure;
        - endoscopy around reducing expenditure on the 18 weeks managed service contract.
    - Market Factor Forces (MFF) was discussed as at present the Trust's MFF is at 4.5%, which is lower than all of its peers that are between 7.4%-10.0%. If the Trust was at the lower end of this range it would equate to a gain of some £15m. The Chair, Chief Executive Officer and Director of Finance and Performance have been asked to raise this inequity with NHSI/NHS England.
    - A report was received on the Service Line Reporting review undertaken on the 7 services making a negative contribution using a methodology to look at opportunities to improve the contribution. CIPs have been identified for these services for the current year and the next financial year. A review of further services will take place in January 2018 using the same methodology.

- **Specialist Services Division Presentation**
    - FPC noted and commended the Division on its good performance.
    - The Division was forecasting a surplus of £790k by year end.
    - The cancer 62 day wait performance had improved, in June there were 220 patients and had reduced to currently 116 patients. It was anticipated to achieve 85% of this target by 31 March 2018.
    - Areas of concern were regarding dermatology capacity, gynaecology capacity/backlog and cancer 62 day performance.

- **ED Recovery plan**
    - There has been a commendable improvement in ED performance.
    - Funding support for the improvement plan and winter pressures is being sought by the Director of Finance and Performance.
    - The Trust achieved 81.1% against the A&E 4 hour wait target at the

end of November and hoped to achieve 85% by the end of December.
- Single Oversight Meetings continued to be held but the frequency of these had now been reduced from weekly to fortnightly.

- **Performance**
  - Primary Care referrals are at expected levels.
  - The Trust significantly underperformed against the new outpatient plan in September with appointments -11% (+2,474) below plan this has increased the YTD variance -3%.
  - The New Outpatient capacity delivered by the Trust in October matched demand for the first time since January 2017, with the number of patients waiting to be seen for a first consultant led appointment plateauing at 30,500 patients. This new trend is expected to continue during the remainder of the year with plans to substantively deliver the additional activity now being realised.
  - Elective Admissions are 5% behind the plan in the YTD, with large underperformances observed in Orthopaedics, Cardiology, Gynaecology and Paediatrics. The Trust has secured additional theatre capacity to improve the position over the remainder of the year, although recovery plans would be dependent on access to acute beds in early December and from mid-February.
  - Accident & Emergency activity was -4% below expected levels in October but continues to track within 2% of expected activity levels.
  - October performance against the 18 weeks RTT standard decreased to 81.18%. In November 2017 the Trust delivered capacity in line with demand and as such the waiting list growth has plateaued for the first time since February 2017. Sustainable long terms plans to resolve capacity constraints and deliver RTT 2017/18 trajectory are planned to start and come in to effect from quarter three/four.
  - The number of patients waiting over 52 weeks for first treatment has increased to 66. This is above the trajectory submitted to NHSI, General Surgery (20), Gynaecology (24), ENT (3), Urology (1), Gastroenterology (1), Dermatology (1) and Other Specs (1).
  - Cancer 62 day GP Referral to Treatment Standard, September performance was 71.80% against the improvement trajectory of 85.60%. The total number of patients on an active cancer pathway is 2,489. There are currently 28 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 five months from approximately 3,100 to circa 2,500 in the previous two 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 130.
  - The Trust met the 6 Week referral to diagnostic standard in October 2017 with a compliance of 99.59%. As at the end of the month there were 63 patients who had waited over 6 weeks for their diagnostic procedure.

- **M7 Finance**
  - The main highlights from the report are:
    - The Trust has generated a consolidated deficit year to date of £12.9m, £0.2m ahead of plan.
    - Pay over spent by £0.5m in month as planned agency CIPs

could not be delivered.

- Non pay is over spent by £0.3m driven mainly by Health and Social Village bed costs, 18 weeks and scanning service costs.
- Non-pay is £0.4m underspent which is mainly driven by pass through drugs (off set by income).
- Cash remains a key issue that needs to be continually monitored but was £4.8M ahead of plan at 10.1m (as at 31[t] October)
- Although CIPs increased £0.5m in month they were £0.6m behind plan in month due to the planned increase in delivery and are behind YTD plan for the first time this year by £0.2m.

- **SLR – Q2 2017/18**
  - FPC received a Q2 report on SLR for 2017/18 and is in line with the previous year 2016/17.

RECOMMENDATIONS AND ACTION REQUIRED:

i) Discuss and note the report.