Three Trusts Boards in Common – 12 June 2019

Report from the Finance and Performance Committee in common held on 3 May 2019 and 7 June 2019

1. Introduction

The Finance and Performance Committee in common met on 3 May 2019 and on 7 June 2019. Below is a summary of the main issues discussed.

2. Items discussed at 3 May 2019 meeting

a. <u>Trusts Financial Performance – month 12</u>

- The month 12 financial position was noted.
- MEHT – The Trust was £0.1m favourable to reforecast plan before its share of group MSB transformation costs. However the revised plan of £60.7 included £1.3m of transformation costs which out turned at £2.0m and therefore the reported year end position was £0.6m adverse to the revised plan.
- SUHFT - The Trust delivered its pre-PSF control total for the year with a deficit of £21.3m.
- BTUH - The Trust closed the year £4.6m behind the year-to-date planned deficit of £26.9m. This included £2m of group transformation costs which had not been included in the plan

The Committee noted and received assurance from the report.

b. <u>BTUH Internal Audit Report on financial controls</u>

- The internal audit report on BTUH financial governance was presented to the Committee. The report was commissioned following a significant deterioration in BTUH financial position at month 9.
- The review of governance arrangements had identified a number of areas where the Trust could improve its financial governance arrangements in relation to reporting and governance.
- The review of the robustness of the financial forecasting processes concluded that although there was a sound approach to forecasting, there was a lack of transparency in forecast adjustments and their impact on the outturn position, information which subsequently did not flow to the financial reporting to aid the reader's appreciation of factors which have affected the outturn and forecast position.
- An action plan has been put in place for the recommendations outlined in the reports and is being monitored by BTUH's audit committee.

The Committee received the report.

c. <u>Cost improvement plans 19/20</u>

- The CIP target for the group is £40.1m (Mid Essex £13.7m, Southend £12.4m and Basildon £14.0m)
- The delivery of the programme will be monitored by the Sites, in a new standardised CIP tracker which is being adopted at each site. This will enable consistent reporting across the Group.
- The CMO team will be responsible for the project delivery and milestones in the tracker and the Finance department will be responsible for recording the financial delivery of each scheme.
- On a risk-adjusted basis there is more work to be done to ensure that all schemes are progressed through to the delivery stage, and additional schemes should be identified

to provide mitigation for any shortfall in planned delivery from existing schemes. However it is anticipated that the Group will collectively deliver upon its agreed CIP targets in 19/20.
- The executive team had expressed more confidence in the 19/20 plan with a more robust process than in previous years.

The Committee received assurance from the report.

d. <u>Process for monitoring CIPS by the committee</u>
- A new process for monitoring CIPs by the Committee was presented.
- The Committee reiterated the accountability of the directorates in delivering the CIP targets and a discussion followed regarding consistency of the consequences for non-delivery of the plans. This matter will be discussed at the executive team and a feedback will be provided to the Committee.

The Committee approved the process for monitoring CIP subject to a monthly report being presented at the SGF.

e. <u>Process for approval of Transformation cost</u>
- A detailed breakdown of the 2019/20 transformation cost £10.2m was noted. The original plan shows a total of £10.2m, and as per the revised plan a lower case and higher case scenario have been identified as £7.2m and £8.45m respectively with an uncommitted balance of £3m under the lower case scenario. The 2019/20 trust investment plans were also presented.
- After submission of the operational plan, the system has been told that there is a regional approach to achieve financial balance and have been requested to contribute to the gap of £25m for the Cambridgeshire and Peterborough STP. Concerns have been expressed and a revised operational plan was resubmitted to NHSI on 15 May.

The Committee noted the update.

f. <u>Nursing Recruitment Business Case- Revised</u>
- At the last meeting, the Committee sought clarification on the net cost of the business case in years 3 onwards and a report was presented to that effect at the Committee's satisfaction.
- It was agreed that a mid-progress review of the recruitment programme will be presented at the December meeting.
- The Committee was of the view that the way business cases are developed and evaluated should be revised. It was agreed that the template would be reviewed in 3 months time.

The Committee noted and received assurance from the report.

g. <u>Annual National cost collection pre-submission</u>
- The annual national cost collection pre-submission report for 2018/19 was presented to the Committee.
- The Approved Costing Guidance requires an increased level of board assurance from 2018/19 onwards.
- NHSI has two processes in place for reviewing the accuracy of costing submissions – the Costing Assurance Programme undertaken by EY and NHSI post submission reviews.
- Mid Essex Hospital - reference costs were last was audited in 2014/15 through the audit assurance programme the trust will be audited every 3 years, with the next audit expected to be the 2018/19 submission..
- Southend Hospital – the last reference cost audit was undertaken on the 2014/15 reference cost submission, under the NHSI assurance programme the Trust will be audited for the 2018/19 submission.

- Basildon Hospital - was last covered by the Costing Assurance programme undertaken by EY for the 2017/18 submission. The outcome of the Audit was received from EY in March 2019.
- The review undertaken by NHSI confirms that the process is robust and sound and this provides an additional level of assurance.
- It was noted that clinical engagement is still a challenge and more work is being undertaken with clinicians to ensure they are involved in the costing process.

The Committee approved the process for the submission of the Annual National Cost Collection and agreed that an internal audit review will be conducted to seek assurance on the process.

h. <u>Capital Risks profile</u>

- A detailed report on the management of High and Significant risks identified by external auditing of the condition of the estate (6 facet survey) was presented to the Committee.
- The overall backlog has reduced during the last three years due to investment via the capital programme. However this does not represent the true picture as plant and equipment previously identified as fit for purpose reach their end of life.
- The high and significant backlog items have been resolved by the STP programme.
- Given the limited capital availability, the allocation had to be managed in a way that maximises the benefit and categorised by element and by criticality of service for high and significant risk items. The proposal is to develop a 5 year plan for all capital expenditure.
- It was confirmed that the risks identified do not compromise patient safety.
- The suggestion is to come up with a crystallised plan at the October meeting.
- The committee positively acknowledged the process outlined in the report and suggested that a summary of all capital risks is presented to the committee on a monthly basis.

The Committee approved the process and the interim reporting arrangements.

i. <u>Operational Performance – March</u>

- The Committee noted that the operational performance of the three Trusts had been discussed in detail at the respective Site Governance Forums.

The Committee noted and received assurance from the report.

j. <u>BAF Risks</u>

- The BAF Risks allocated to the Committee were reviewed and approved by the Committee subject to some changes.

3. Items discussed at 7 June 2019 meeting

a. <u>Trusts Financial Performance – month 1</u>

- The month 1 financial position was noted.
- MEHT – April was favourable to plan by £1.2m despite a shortfall in clinical income. This was achieved by underspends on pay due to a continued improvement in agency spend combined with lower bank and substantive costs.
- SUHFT - For the Month of April, the pre-PSF position is a deficit of £1.8m, which is £0.3m adverse to the Trust's internal plan. The Trust did however achieve its PSF, FRF and MRET funding for the month, as the Trust delivered against its NHSI plan which is set at a less challenging position for the initial part of the year.
- BTUH - Income is £0.4m behind budget, which is directly attributable to a loss of specialised income within the CTC division within April 2019. There has been an issue with medical equipment and speedy remedial action has been put in place to resolve. At this point in time, it is anticipated that this income will be recovered in future months.

- The Committee suggested that the CFO and Directors of Finance explore the possibility of a quarterly reforecast to ensure a true picture of the financial position.
- The Committee considered the CIP plan for each Trust and reiterated the importance of having a standardised approach across the three Trusts in terms of process as well as reporting.
- MEHT - The CIPs plan for 2019-20 is challenging but deliverable at £13.7m and currently only 3% is unidentified and this is planned to be identified by Month 2 reporting.
- SUHFT - The Trust has been able to identify its full target of £12.5m for 19/20 (of which £4.2m is rated green), and work is ongoing to identify a further £1.2m of schemes to mitigate slippage risks. However, a significant proportion of the CIP programme is still in the ideas of design phases of the programme pipeline. These would require focused effort to progress the projects through the gateways and minimise the risk of slippages.
- BTUH – The Trust has a challenging CIP plan for 2019/20 of £15m. This has been apportioned across Pay & Non Pay and also divisions are being asked to deliver additional income to meet the plan submitted to NHSI.
- The Committee expressed its concerns regarding the visibility of the details behind each CIP plan in view of the process that was approved at the last meeting.
- It was noted that there is a detailed plan in place for the CIP programme and progress is being monitored closely internally. A comprehensive report will be presented to the Committee going forward to provide assurance. It was also suggested that each site should report consistently on its CIP programme.
- At the previous meeting, the Committee questioned the accountability of the directorates in delivering the CIP targets and consequences for non-delivery of the plans. The Executive Team had discussed and it was agreed that this issue should be looked at under two fronts: skills gaps/capacity or lack of commitment and will power from Directorates. In the event of the latter, this would be followed through the performance framework already in place. Otherwise, some capacity building and support will be provided to the directorates.

The Committee received assurance from the report subject to the reporting being standardised across the three Trusts and the detailed CIP plans are made more visible.

b. <u>MEHT Pay Cost analysis</u>

- Following discussion at the Committee in March regarding the drivers of the deficit at MEHT, a detailed analysis has been undertaken on the high pay cost which was highlighted as the most significant contributor to the increased cost base.
- The findings reveal that the workforce establishment size at Mid Essex is greater than at Basildon and Southend, (after adjusting for turnover to make reasonable comparison). This suggests that by working together there should be the opportunity make workforce reductions and efficiencies.
- As is generally accepted, the level of temporary workforce filling the establishment at Mid Essex is a significant contributor to the financial position and work to improve the substantive workforce is well under way. An improved level of substantive workforce should enable the Trust to properly identify and deliver the best ways to reduce the overall establishment and deliver efficiencies.
- Following this analysis, it has been recognised that a thorough exercise should be undertaken to understand the granular details behind the establishment and the rationale behind each category as well as the investment required. A discussion has taken place with PA consulting to support this work and it is expected that this will be completed in two to three months' time. In the meantime, the different phases underpinning this work will be outlined and an update on progress will be provided at the next meeting.

The Committee noted the report.

c. <u>Merger Update</u>

- The OBC, Patient Benefit Case and Post Implementation plan are being drafted and are due to be submitted to NHSI in September/October.
- The Independent Reconfiguration Panel (IRP) will make their recommendation on the clinical reconfiguration case on 19 July and will be sent back to the Secretary of State for a decision.
- There are still some challenges around the capital money of £118m and there is a possibility this could be affected. A request for draw down has been sent to NHSI but the request has been turned down due to the referral.
- There is a proposal to implement some small scale clinical reconfiguration for the benefit of patients and a thorough discussion will take place at the Boards in Common on 14 June with a detailed rationale on the recommendations.
- If the proposal is agreed, it will imply some reshuffle in the capital programme and some difficult decisions will have to be made.
- There are also going to be some repercussions on BTUH capital programme which need to be addressed.

The Committee noted the update.

d. <u>Digital Services update</u>

- The Committee was provided with an overview of the current challenges and issues experienced by digital services, the progress of the digital transformation programme and investment.
- The Digital Investment Strategy (previously referred to as the Cloud Computing Programme) has been developed supporting a 3 year Transformation Programme for the Group. A Strategic Outline Case is being developed with completion in July.
- The Microsoft desktop operating system, Windows 7 is due to go End-of-Life (EoL) in January 2020. A significant proportion of the Group's computer estate is still running on the Windows 7 operating system. Whilst the migration from Windows 7 to Windows 10 is within the scope of the Digital Investment Strategy, urgent short-term actions are required to mitigate the risk of service interruption resulting from unsupported software.
- The capital investment programme for 2019/20 has been reviewed in partnership with the site based finance teams and any programme slippage has been re-profiled to offset the current risks and manage the Windows 10 migration.

The Committee received assurance from the report<u>, subject to the resolution of the funding of the necessary changes</u>.

e. <u>Estates Exception Report</u>

- The MSB group commissioned identical estates condition surveys for each of the three Trusts so that direct comparison could be made. The resultant survey allows for Condition Categories to be allocated to properties on a facet by facet basis together with a summary of remedial costs to bring each facet up to a safe and sound condition.
- A risk assessment is undertaken which gives a score for Severity and Probability allowing the Risk Scored Backlog to be calculated.
- Previously the Trusts have allocated a sum of money for estates capital works. This notionally gets split into three distinct areas: Known and anticipated spend from 6 facet survey' Estates related issues which have emerged in year' Issues which are Trust priorities for instance a CQC visit
- For 19/20 this approach remains unchanged and allocation has been made on a risk based approach.
- Alternative capital sources are being investigated to enable additional backlog works to be undertaken. Indicative meetings have been held with Salix, a centrally funded organisation which is able to provide interest free loans to public sector organisations.
- Loans are provided for schemes which can demonstrate a reduction in carbon emmissions. Many backlog schemes meet this criteria and an application is in progress with the aim to be concluded by Sep 2019.
- Detailed 5 year capital planning is in progress and due for presentation in October 2019.

The Committee received assurance from the report.

f. <u>Operational Performance – April</u>

- The Committee noted that the operational performance of the three Trusts had been discussed in detail at the respective Site Governance Forums.

  The Committee received assurance from the report.

g. <u>BAF Risks</u>

- The BAF Risks allocated to the Committee were reviewed and approved by the Committee subject to some amendments.

4. Recommendation

The three Trusts Boards in common is asked to note the update and receive assurance from the report.