

MSE Trusts Boards in Common – 13 November 2019

Report from the Finance and Performance Committee in common meetings held on 6 September 2019 and 4 October 2019

Introduction

The Finance and Performance Committee in common met on 6 September 2019 and on 4 October 2019. Below is a summary of the main issues discussed. Full minutes of the meeting are available to the Trust Boards.

Financial position – to month 5

At month 5 the year to date position of the three Trusts were:

- MEHT is £1.2m favourable to plan with continued shortfalls in income being offset by pay and non-pay underspends.
- SUHFT pre-PSF position (before national money and donated asset income and expenditure) is £1.4m adverse to plan. There is a difference in the phasing of the SUHFT plan agreed with NHSI and consequently the PSF And FRF are currently receivable.
- BTUH the Trust is £4.2m behind its pre-PSF/FRF plan of £12.2m deficit, missing its allocated PSF/FRF funding as a result.

At the September meeting the Committee requested an assessment of the MSE group forecast position based on month 5 financial performance and an overview of risks and mitigations. The forecasts provided is based on the most likely outcome for the year. All Trusts continue to be reliant on the delivery of challenging CIPs and other management actions. The forecast position projects that the group financial performance will exceed the approved control total of £110.6m deficit:

- MEHT and SUFT are forecasting to deliver a full year financial position in line with plan. It should be noted that SUHFT and MEHT are also carrying a significant net risk of £4.7m and £2.5m respectively that are not yet mitigated.
- However, BTUH forecast projects a deficit £9.9m adverse to plan. The financial recovery actions are currently not sufficient to recover the position to the extent that PSF and FRF would be payable and therefore £22.3m will be lost to the Trust. The consequence of this will require an increase in a cash loan to facilitate ongoing creditor and salary payments in March 2020.

The Committee were advised that a monthly reforecast will be carried out to ensure progress is measured and any deviations will be managed accordingly. Further work is required to calculate what this translates into regarding patients care and performance and a discussion with system partners is in hand.

The Committee:

- Discussed the conversation in hand with NHSI and the STP in relation to the projections.
- Discussed the implications of the results on future financial plans and agreed that a 'zero based budgeting' approach should be used for future budgets
- Questioned the application of CIP ideas across the three Trusts.
- Requested that CIP plans be tested for 'optimism bias'

The Committee agreed with the approach to the forecast and recommended that the required board assurance statement in relation to the forecast is approved by the Boards in common on 9 October prior to submission to NHSI on 15 October.

The Committee received assurance from the report.

Merger update

The Committee was updated on the recent developments and particularly:

- The CMA has confirmed its decreased role in reviewing mergers between NHS organisations.
- The timescale of 1 April 2020 for the merger is still looking promising
- Good progress has been made on the patient benefit case
- The Reporting Accountant scope has been reviewed and will most probably go to market in the next week
- The OBC and capital SOC has gone through the first stage with the regulator

- NHSI has raised a concern regarding the volume of activity outlined in the business case and this will be addressed in the next iteration of the OBC. A special Board meeting is being organised on the 30th of October to approve the revised case addressing all the concerns raised by NHSI.

The Committee noted the report.

Long-term Financial Model

An update on the long term financial model (LTFM) was presented to the Committee, in particular the revised assumptions and the approach to sensitivity analysis. It was agreed that the LTFM would need to be validated and refreshed to reflect a number of issues:

- Due Diligence Concerns
- BTUH 19/20 forecast deficit
- Clarification on provider support funding future period assumptions
- All scenarios needing to be fully modelled through (previously only counterfactual and preferred case)
- Sensitivity Analysis needed to be completed

The Committee:

- Questioned the assumption regarding the recurrent element of the adverse deficit by BTUH to be recovered through additional CIP requirement in 20/21 and 21/22.
- Agreed that a narrative should be added to the sensitivity analysis regarding revenue on a PBR contract and the inclusion of fines in the model.
- Suggested that a contingency should be added in the next revision of the LTFM

The Committee noted the report.

Long Term Planning Process

A progress update to the Committee on the long term planning process. The Committee noted that KPMG have been appointed to support the development of the Long Term Plan subject to NHSE/I Business case approval. A draft plan will be presented to the Committee on 8 November for discussion and comments.

Comprehensive Investment Appraisal model and business case template The Committee received and noted a report on the above and noted the standard approach to be adopted within the three Trusts.

New financial System proposal The Committee received a report on the proposed new system and broadly supported the options appraisal. The Committee also supported the decision of the CFO to further consider the recommendation prior to the consideration of the proposal at the next Boards in common meeting.

Capital Risk Summary

The Capital Risks summary report to the Committee.

The key points were:

- The Trust's Capital Programme is under review as an additional 20% funding has been allocated back from the Department of Health. The Capital team alongside the Managing Directors, Site Finance Leads and MSE Capital finance lead have reviewed how to manage this within the delivery timeline.
- The new programme has been agreed by the Executive team in principle.
- A detailed 5 year capital plan is also being progressed and due for presentation at the end of October 2019.
- After discussion, it was agreed that the revised capital programme should be presented to the next meeting with a view to have final approval from the Boards in common at the November meeting.

The Committee were assured by the report.

Outline Business Case – Digital Strategy

The outline business case for the digital transformation was presented to the Committee. It sets out a Digital Services response to the MSE group acute reconfiguration and to support the creation of a single merged Trust. It also addresses the urgent requirements to ensure the MSE group are compliant and adequately licenced to protect the environment and ensure the availability of its core and clinical systems to the group.

The key features are:

- The Hybrid Cloud technology design supports the Group's clinical reconfiguration provides scalable and cost effective platforms that support innovation, group merger activity and allow adoption of new and varied technologies.
- Whilst the Group is facing significant risks and issues due to ageing infrastructure and technology at/or approaching end of supported life, the future design and deployment plans mitigate these risks.
- Four options have been considered and the preferred option is to implement a hybrid cloud based solution, update all core infrastructure and desktop technology and purchase all required licencing. The overall cost of the recommended option is £39.91m covering the period 2019/20 to 2023/24.
- Initial indication is that approximately £19.37m of the cost of the programme is capitalised as it relates to implementation of systems and hardware. The remainder of the costs would be revenue expenditure primarily relating to Microsoft licence and hosting subscription charges.
- Further assessment will be undertaken within each phase and associated Business Cases.

The Committee:

- Recognised that the digital transformation work is an essential enabler for the merger.
- Noted that a meeting will be held on 23 October to discuss the market assessment and an update will be provided to the next meeting.
- Recognised that a communication plan will be needed to inform staff about the changes that will be happening and the rationale behind these.
- The Committee noted the phased but interdependent approach to transformation which will be supported by a number of more specific full business cases.

The Committee agreed to recommend the digital transformation business case to the boards in common for approval.

Integrated Performance Report

The operational performance of the three Trusts to June 2019 were presented to the Committee. It was noted that these had been discussed in detail at the respective Site Governance Forums. The Committee was assured by the reports.

David Parkins

President

MSE Finance and Performance Committee in Common