Bradford District Care NHS
NHS Foundation Trust

BOARD MEETING

23 February 2017

Paper Title:	Financial Recovery Plan
Section:	Public
Lead Director:	Liz Romaniak, Director of Finance
Paper Author:	Liz Romaniak, Director of Finance
Agenda Item:	**10**
Presented For:	Assurance

1. Purpose of this Report:

After submitting an adverse re-forecast of £494k below plan at Quarter 3 the Board was required to develop a Financial Recovery Plan to identify actions that would mitigate the projected variance. A first draft plan was shared with NHS Improvement on 31st January with details outlined in this paper.

2. Summary of Key Points

A number of the actions need more detailed work to scoped and finalise absolute cost reductions, including work to conduct an asset lives review. Target ranges for each action have been drafted and shared with NHS Improvement. Actions are being discussed on a weekly basis by the Executive Management Team, with each having an Executive Director Lead.

3. Board / Committee Consideration

The Board is asked to approve the Financial Recovery Plan and consider the adequacy of attendant actions.

4. Financial Implications

There are no direct financial implications / costs associated with this paper. (See section risk for financial risk assessment).

5. Legal Implications

There are no direct legal implications/costs associated with this paper.

6. Assurance

	Assurance provided?
Board Assurance Framework	Yes
CQC Themes (see below)	No
Monitor Risk Assessment Framework	Yes – Financial Sustainability Risk Rating & Segmentation
Other (please specify): No	

7. Equality Impact Assessment

There are no direct equality implications/costs associated with this paper.

8. Previous Meetings/Committees Where the Report Has Been Considered:

Audit Committee		Quality & Safety Committee		Remuneration Committee		FB&I Committee	
Executive Management Team	✕	Directors' Meeting		Chair of Committees' Meeting		MH Legislation Committee	

8. Risk Issues Identified for Discussion

Following rigorous assessment of actions already in train, new controls introduced, further measures agreed during November, December and into January, the Trust forecast a £494k potential shortfall against the Trust Control Total of £1,352k plan surplus. The ramifications of the re-forecast are serious and include:

- Immediately developing recovery actions that target achievement of the Control Total (the Trust was already doing this but this will now be a formal, scrutinised and supported process via NHSI);
- Loss of £790k Sustainability and Transformation Funding (STF) unless the position can be fully recovered during quarter 4;
- Re-segmentation;
- Restrictions on access to national transformation funding;
- Consequences for the wider Provider Sector if full recovery cannot be achieved in the final 2.5 months.

9. Links to Strategic Drivers

Patient Experience	Quality	Value for Money	Relationships
The revised RAF is incorporates Capital servicing, liquidity, planned surplus and variance from plan metrics, with additional ***Value for Money*** measures signaled for the future.			

10. Publication under Freedom of Information Act

This paper has been made available under the Freedom of Information Act.

11. Recommendations:

That the Board:

- **Approves** the Financial Recovery Plan actions and adequacy of supporting systems and actions;
- **Agrees** a monthly update at Board and ongoing and detailed scrutiny at the Finance Business & Investment Committee

1. QUARTER 3 RE-FORECAST

The Trust took the difficult decision to submit a formal re-forecast at Q3 deviating by £494k (adverse) from the Board approved Control Total of £1,350k for 2016/17. Adverse performance would mean the Trust additionally forfeits £790k STF and faces a £1,284k composite plan variance. The decision was made following detailed and continued discussion with the Executive, Finance Business & Investment Committee and Board.

The Trust has experienced significant and sustained financial challenges throughout 2016/17, with recovery planning a key focus throughout. Despite rigorous actions already in train, new controls being introduced and further measures agreed between November and January, the Trust assessed that there remained a real prospect that despite best endeavours the Trust Control Total might not be achieved.

The Finance Committee reluctantly but unanimously agreed a revised forecast that reflected a probable presently unmitigated risk of £494k. All were agreed that this assessment of the balance of risk and probability was consistent with Trust values of openness and transparency but did not in any way signal a lack of continued attention or diligence and further potential recovery actions were already being scoped.

The Trust escalated concern that elevated year to date risks had potential to adversely impact the forecast to NHS Improvement at Month 8, describing actions that were in train and taking steps to re-review the NHSI financial recovery checklist. Further contact was made in advance of, and following, FBIC discussions at Q3. The Trust has followed the steps in NHS Improvement guidance that are required prior to a re-forecast.

The re-forecast does not signal any lack of Board, Executive or management determination, but the balance of probability at the end of quarter 3 and with no uncommitted reserves or balance sheet flexibility. The Trust has assured NHSI that further activities were underway and will continue with vigour to target an outturn that is as close as possible to the Board approved plan but understands a re-forecast has serious repercussions and inevitably drives increased external scrutiny and support.

The Board has provided specific Assurance statements to NHSI as set out in section 4 and will now, supported by the Finance, Business and Investment Committee, oversee the implementation of detailed actions outlined in this paper. The Director of Finance spoke with the Trust's Regional NHS Improvement Director on 7th February to provide a more detailed action plan update and liaised with NHS Improvement in advance of submitting the Month 10 position.

2. YEAR TO DATE POSITION

The Trust has achieved a Use of Resources Rating of 2 for the 9 months ending 31st December driven by sustained Income & Expenditure pressures.

Rating	Score
Capital Servicing Cover	2
Liquidity Cover	1
I&E Margin	3
I&E Margin Variance	3
Agency rating	1
OVERALL RATING	**2**

The year to date reported deficit of £920k excluding profits on disposal/impairments is £1,916k behind plan, reflecting £593k forfeited STF and £1,323k other net plan pressures. These reflect the following 4 key service risk areas offset by under spending and expenditure controls applied in other areas:

- £0.4m Specialist Inpatient pay over spend driven by Dementia Assessment Unit (DAU) safer staffing pressures*
- £1m Adult Acute Mental Health inpatient pay pressures driven by specialling and patient acuity, vacancy and sickness pressures leading to elevated temporary staffing costs and medical locum pay and wage cap non-compliance
- £0.4m IM&T pressures offset by non recurrent IM&T income
- £0.6m Estates and Facilities recovery plan slippage and upfront enabling CIP costs

3. STRAIGHT LINE FORECAST AND IMPROVEMENTS REQUIRED

The year to date control total position is a deficit of £920k with STF funding of £593k forfeited as at Q3; driving an average run rate of £102k deficit and a straight line forecast of £1,227k deficit. The Trust has a planned surplus of £1,350k excluding STF requiring average run rate improvements of £2,577k if the plan position before STF is to be achieved.

The following adjustments totalling £2,083k have already been factored into the Q3 reconciliation of the straight line forecast of £1,227k (deficit) to the Q3 re-forecast:

i) £245k Net adverse straight line forecast adjustments reflecting net income over expenditure received in the first 9 months and including £775k overage.

ii) (£1,238k) Net Favourable straight line forecast adjustments in the final quarter; comprising:
    - net (of expenditure) new income streams
    - back end phasing of national CQUINs that are forecast to achieve 100%
    - £400k CCG contribution to DAU safer staffing cost pressures*

iii) (£828k) Favourable anticipated benefit from further expenditure controls and recovery actions already being progressed across the Trust including a focused Estates recovery plan

iv) £598k Adverse probable case impacts of downside risk factors assessed as having a high probability of materialising and requiring mitigation

v) (£860k) Favourable further mitigations already in train and factored into the forecast

These are expected to achieve a surplus £856k against a Trust control total of £1,350k (before STF), resulting in an adverse plan variance of £494k (Quarter 3 Re-forecast). Before taking into account any further mitigations this would jeopardise £790k STF and mean a composite variance of £1,284k.

4. QUARTER 4 ACTION PLAN – PROGRESS UPDATE

Further work is already progressing with pace to scope and implement additional measures that would mitigate the forecast risks and/or any further adverse movements (and to optimise existing vacancy, agency and discretionary expenditure controls).

As yet most scoping activities are still in train, with the greatest scope financially expected to accrue from an externally facilitated review of asset lives and negotiations in relation to outstanding disputed property charges.

- Finance - Widening Access Training outstanding (Employer) claims (£30k to £75k)

- Estates Recovery Plan - Negotiation of outstanding property charges (£84k to £167k)
- Estates - Capitalise allowable Vandalism / works programme (£24k)
- Estates - Asset life review (£0 to £150k)
- 2 shift system options appraisal (£2k to £4k)
- Non Clinical Agency expenditure controls (£0 to £20k)
- Medical Locums – Target achievement of national caps (£0 assume to meet forecast)
- Meridian Project – Temporary Staffing controls and E-Rostering optimisation (£0 to £30k)
- Goods Received Not Invoiced (GRNI) Review (£0 to £5k)
- Review of VAT recovery (-£25k to £25k)

Target ranges have been identified to support an assessment of the ongoing risk to delivery that can be adjusted as scoping progresses. The key risks relate to i) timescales attached to the asset life work plan (7 weeks) and successful navigation of audit, ii) negotiations in relation to property charges with consistent difficulties in securing the timely engagement of the landlord.

5. CONCLUSION

Actions are being overseen by Executive Director leads and on a weekly basis at the Executive Management Team. The Finance, Business and Investment Committee will continue to review financial recovery planning at each meeting during 2016/17. The Trust is continuing to seek out best practice, reduce agency expenditure and identify technical opportunities to improve the position and has targeted all opportunities highlighted in the helpful NHS Improvement checklist.

The forecast provides little or no flexibility to absorb further in-year pressures; a key part of the decision by the Trust to alert NHS Improvement to an elevated risk to delivery at Quarter 4. All attention is now on targeting the best possible outturn position and concluding scoping activities and rapidly moving to implementation.