

BOARD MEETING

28 January 2016

Paper Title:	Monitor Quarterly Return and Declaration - CoSRR
Lead Director:	Liz Romaniak, Director of Finance Contracting & Facilities
Paper Authors:	Liz Romaniak, Director of Finance Contracting & Facilities
Agenda Item:	11
Presented for:	Assurance

KEY ISSUES AND REQUIREMENTS OF THIS REPORT:

NHS Foundation Trusts are required to make quarterly submissions to Monitor to confirm their Risk Rating under the Monitor Risk Assessment Framework (RAF). The Risk Assessment Rating incorporates two separate ratings:

- i) Governance Rating and
- ii) Finance Sustainability Risk Rating (FSRR)

This paper considers the latter; the FSRR, and outlines key issues which the FBIC is specifically asked to consider in endorsing the proposed risk assessment and to be taken into account when the Board considers the governance statements that accompany the Monitor submission.

The Trust planned to achieve a FSRR of 4 for each quarter during 2015/16 and is on plan as at 31st December 2015.

The Trust projects maintaining a FSRR of 4 under the revised RAF, but notes some potential risk in relation to in-year phasing impacts following the introduction of changes to the Monitor RAF implemented from month 5.

These risks were considered separately in a private Board paper (June 2015).

RISK ISSUES IDENTIFIED FOR DISCUSSION:

The revised RAF financial health rating (FSRR) comprises 4 metrics:

- i) Capital Servicing Cover and
- ii) Liquidity Cover
- iii) Planned financial surplus (new)
- iv) Variance from plan (new)

Documents accompanying the RAF consultation also sign-posted Monitor’s intention to develop new Value for Money measures. Whilst the full scope and measurement of these is yet to be defined Monitor has already introduced new expenditure caps for agency nursing staff and is consulting on proposed price caps for all types of bank and agency staff.

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.			

FINANCIAL IMPLICATIONS:

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

ASSURANCE:

	Assurance provided?
Board Assurance Framework	No
Legal implications	No
CQC Fundamental Standards	No
Monitor Risk Assessment Framework	Yes – Financial Sustainability Risk Rating
Other (please specify):	

RECOMMENDATIONS:

Following more detailed review and approval by the FBIC, the Board is asked to:

- **Approve** the current and projected FSRR
- **Approve** the FSRR and Quarterly Template for submission to Monitor including consideration of the Board Governance Statements as appended below
- **Note** the recommendation of the FBIC to undertake a ‘deep dive’ into (to be confirmed following FBIC meeting)

The Board is also asked to

- **Consider and Agree** any additional exception reporting requested by Board via ‘deep dives’ at FBIC

MONITOR QUARTERLY RETURN AND DECLARATION

1 INTRODUCTION

NHS Foundation Trusts are required to make quarterly submissions to Monitor to confirm their Risk Rating under the Monitor Risk Assessment Framework (RAF). The Risk Assessment Rating incorporates two separate ratings:

- i) Governance Rating and
- ii) Finance Sustainability Risk Rating (FSRR)

This paper considers the latter; the FSRR, and outlines key issues which the FBIC is specifically asked to consider in endorsing the proposed risk assessment and to be taken into account when the Board considers the governance statements that accompany the Monitor submission.

The Trust planned to achieve a FSRR of 4 for each quarter during 2015/16 and is on plan as at 30th September 2015.

The Trust projects maintaining a FSRR of 4 under the revised RAF, but notes some potential risk in relation to in-year phasing impacts following the introduction of changes to the Monitor RAF implemented from month 5.

2 YEAR TO DATE POSITION

The Trust has achieved the following Continuity of Service Risk Ratings as at 31st December 2015 (Quarter 3 submission).

Rating	Score
Capital Servicing Cover	4
Liquidity Cover	4
I&E Margin	3
I&E Margin Variance	3
OVERALL RATING	4

Full details of year to date performance are provided in the Financial Performance Dashboard for Quarter 3.

The Trust is on track to achieve 2 key plan targets however cash is £1.4m behind plan as a consequence of the termination of NHS Professionals arrangements and settlement of residual liabilities, the phasing of redundancy payments (mitigated from Q3), under performance on the ITC and late payments from NHS Property services.

Target	Q3 Performance
Planned Surplus:	£1k ahead of plan
Planned Cash Balance:	£1,483k below plan
Planned Capital Expenditure:	£118k below plan

3 QUARTER THREE AND FULL YEAR PROJECTION

The Trust projects attainment of the planned Continuity of Service Risk Rating for each quarter end during 2015/16 under the current RAF.

Rating	Score
Capital Servicing Cover	4
Liquidity Cover	4
I&E Margin	4
I&E Margin Variance	3
OVERALL RATING	4

Full details of the projections are provided in the Quarter 3 Financial Performance Dashboard.

4 KEY FINANCIAL RISKS AND MITIGATIONS

In reviewing the financial forecast and projected risk rating for the remainder of the financial year the FBIC and Board is asked to consider key in-year and potential risks and mitigations. Key discussion points referenced within the financial performance report for 2015/16 and taken into account by FBIC when recommending the submission to Board are:

Internal Risk Factors

- Sustaining tight control of OOA placements
- Attainment of CQUIN Targets
- Management of Medical Locum Costs including junior doctor rota pressures
- Management of admin hub pressures including resolution of reception cover issues
- IM&T Strategy and Structures and management of agency staffing pressures
- Identifying recurrent CIPs before 1 April 2016 to mitigate BMDC de-commissioning impacts highlighted in the 2015/16 financial plan
- Achieving capital expenditure plan and balancing in year pressures

External Risk Factors

- Achieving planned activity levels for the new 12 bedded Intensive Therapy Centre which opened at the end of June (1 further admission approved at the time of writing)
- New 1% surplus FSRR metric; in-year phasing of planned position and Monitor RAF Consultation (implementation from Q2)
- National announcement of £200m Public Health Budget Cuts and uncertain risk share liabilities
- NHS Property Services has given notice to de-commission all residual Facilities contracts from 31 March 2016 giving a full year loss of £136k overhead cover
- Non Recurrent funding for a number of schemes including pressure ulcers
- Potential service tenders by commissioners

Mitigations

- Acute Care Pathway Work and embedded actions supported by investment in First Response/IHTT, MIND Sanctuary and S136 suite
- Non recurrent OOA placement budget for 2015/16
- CQUIN Action plan monitored via Locality Performance Meeting
- Uncommitted reserves
- Pro-active HR support re TUPE and redeployment where services de-commissioned to minimise redundancy costs and call against balance sheet provisions

- Moor Lane Overage clause
- Use of Capital contingency reserves and re-profiling Moorlands view refurbishment
- Monitor agency cap reductions for February and March are being actively managed. Staff paid over the monitor cap, are actively managed to ensure that end dates are negotiated where safe to do so, and negotiations are ongoing with agency to reduce rates to reflect the financial caps.
- Creation of internal nursing staff bank, peripatetic nursing team and introduction of restricted overtime (to ensure EWTD compliance)
- Downside Mitigation plans including discretionary expenditure controls and bringing forward Planned CIPs and consideration of a reduced planned surplus from 2016/17
- Children's Service Locality established to explore service re-design and efficiency opportunities including consideration of direct and overheads
- Indications that Children's services procurement is not likely to impact 2016/17 contract

FBIC and Board noted no known causes for concern in relation to the achievement of a FSRR of at least 3 for the following 12 calendar months but noted the potential risks and mitigations as outlined above. FBIC and Board did however discuss the elevated level of risks to achieving a planned surplus and proposed control total of £1.8m. This reflects impacts on (Local Authority commissioned) Public Health Grant funded services that are likely to require cash releasing efficiencies of c 11.8% (in addition to the control total challenge). This issue has not been resolved and will be the focus of prioritised planning work in the next month.

5 RECOMMENDATIONS

Following more detailed review and approval by the FBIC, the Board is asked to:

- **Approve** the current and projected FSRR
- **Approve** the FSRR and Quarterly Template for submission to Monitor including consideration of the Board Governance Statements as appended below
- **Note** the recommendation of the FBIC to undertake a 'deep dive' into (to be confirmed following FBIC meeting)

The Board is also asked to

- **Consider and Agree** any additional exception reporting requested by Board via 'deep dives' at FBIC

In Year Governance Statement from the Board of Bradford District Care NHS Foundation Trust

The board are required to respond "Confirmed" or "Not confirmed" to the following statements (see notes below)

Board Response

For finance, that:

The board anticipates that the trust will continue to maintain a financial sustainability risk rating of at least 3 over the next 12 months.

Confirmed

The Board anticipates that the trust's capital expenditure for the remainder of the financial year will not materially differ from the amended forecast in this financial return.

Confirmed

For governance, that:

The board is satisfied that plans in place are sufficient to ensure: ongoing compliance with all existing targets (after the application of thresholds) as set out in Appendix A of the Risk Assessment Framework; and a commitment to comply with all known targets going forwards.

Confirmed

Otherwise:

The board confirms that there are no matters arising in the quarter requiring an exception report to Monitor (per the Risk Assessment Framework, Table 3) which have not already been reported.

Confirmed

Consolidated subsidiaries:

Number of subsidiaries included in the finances of this return. This template should not include the results of your NHS charitable funds.

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Signed on behalf of the board of directors

Signature

Signature

Name

Simon Large

Name

Liz Romaniak

Capacity

Chief Executive

Capacity

Director of Finance, Contracting & Facilities

Date

28/01/2016

Date

28/01/2016