

PRIVATE BOARD MEETING

28 July 2016

Paper Title:	Monitor Quarterly Return and Declaration - FSRR
Lead Director:	Liz Romaniak, Director of Finance Contracting & Facilities
Paper Authors:	Claire Risdon, Deputy Director of Finance
Agenda Item:	14
Presented for:	Discussion

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) Financial 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 2016/17 and a minimum rating of FSRR of a 3 during the year. The quarter 1 final FSRR is a rating of 3.

The Trust projects to achieve the following FSRR for 2016/17:

	Q1 2016/17	Q2 2016/17	Q3 2016/17	Q4 2016/17
Capital Service Cover rating	2	2	2	4
Liquidity rating	4	4	4	4
I&E Margin rating	2	2	2	4
I&E Margin Variance From Plan rating	2	2	2	3
Overall Financial Sustainability Risk Rating	3	3	3	4

RISK ISSUES IDENTIFIED FOR DISCUSSION:

The financial position for quarter one has proved challenging and a range of actions are now being taken to target cost reduction plans to ensure delivery of the year end surplus. These actions will be discussed with FBIC at the July meeting.

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The capital plan is expected to be fully expended in 2016/17, subject to urgent clarification by NHS Improvement in relation to capital control totals. Without early confirmation of any national constraints it will be difficult to retain a firm grip on the overall programme.

The Sustainability and Transformation Fund guidance has now been published, highlighting that achievement of the fund is based on achieving the year end planned surplus and achievement of monthly trajectories for RTT targets. Further work is needed with NHS Improvement to clarify how the RTT targets apply to Mental Health Trusts and formal agreement of the trajectories

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) Financial 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 2016/17 and a minimum rating of FSRR of a 3 during the year. The quarter 1 final FSRR is a rating of 3.

The Trust projects maintaining a FSRR of 3 under the revised RAF, for each quarter of 2016/17.

2 YEAR TO DATE POSITION

The Trust has achieved the following Financial Sustainability Risk Ratings as at 30th June 2016 (Quarter 1 submission).

Rating	Score
Capital Servicing Cover	2
Liquidity Cover	4
I&E Margin	2
I&E Margin Variance	2
OVERALL RATING	3

Full details of year to date performance are provided in the Financial Performance Dashboard for Quarter 1.

The planned surplus for the year is behind plan by was slightly ahead of plan by £646k as at 30th June 2016. The forecast outturn position is still predicting a £1.3m surplus (£2.1m including the STF funding).

Target	Q4 Performance
Planned Surplus:	£646k behind plan
Planned Cash Balance:	£1,268k behind plan
Planned Capital Expenditure:	£366k Underspending at Month 3

3 KEY FINANCIAL RISKS AND MITIGATIONS

In reviewing the financial position and projected risks for 2016/17 the Executive Management Team was considered key in-year and potential risks and mitigations.

EMT considered actions to address probable case plan variance of £0.3 to £0.5m and to identify additional mitigations in the event that other identified worst case risks/uncertainties materialise.

A detailed action plan has been agreed by the Executive and is targeting cost mitigations upwards of £1million.

Key discussion points referenced and taken into account by EMT when approving the submission were:

Internal Risk Factors

- Maintaining nil OOA placements and noting elevated Older People's occupancy
- Achieving 100% CQUIN Targets
- Management of Medical Locum Costs including junior doctor rota pressures
- Management of admin hub and reception pressures
- Management of Estates cost pressures
- IM&T Strategy and Structures and management of agency staffing pressures
- Delivering a challenging Cost reduction programme
- ITC trading risks have been mitigated by deploying contingency reserves, reducing staffing rosters to reflect reduced occupancy and benefiting from longer than expected admissions for residual admission (prior to closure).
- Management of community nursing team pressures
- Cost pressures that have been unfunded during the 2016/17 planning round including continence, IM&T, estates and community services
- Limited contingency to mitigate revenue overspend in 2016/17
- Failure to achieve quarter end plan financial targets increasing risk of achieving £790k STF funding

External Risk Factors

- Confirmation of capital control total
- National announcement of 2-year Public Health Budget Cuts and uncertain risk share liabilities, impact for future planning rounds
- NHS Property services billing and management cost pressures including intention to move to Market Rents and uncertain compensating CCG income streams
- Late billing of prior year medical agency costs (Pulse) and limited medical agency responsiveness to price caps
- Social care pressures on Trust services and demand
- Service tenders by a number of Trust commissioners

Mitigations

- Acute Care Pathway Work and embedded actions supported by investment in First Response/IHTT, MIND Sanctuary and S136 suite and work via West Yorkshire U&E Care Vanguard
- CQUIN Action plan monitoring
- CQUIN and high risk CIP reserve
- Pro-active HR support to redeploy staff should services be de-commissioned

- Moor Lane Overage funding projected to over achieve by £68k against plan £700k (non recurrent) by the end of August
- Fast Tracked disposal plan for Stoney Ridge Hospital site and other Estates cost mitigation plans including benchmarking action plan
- Downside Mitigation plans including discretionary expenditure controls
- Bringing forward Planned CIPs / detailed workforce planning for 2016/17 Agile Working savings
- Use of Capital contingency reserves and re-profiling to meet control total requirements
- Pro-active agency cap negotiations with agencies and on a contract by contract basis to achieve price reductions supported by creation of internal nursing staff bank, peripatetic nursing team and introduction of restricted overtime (to ensure EWTD compliance) and E-Rostering
- Medical staff vacancy, absence and locum cover tracking and use of fixed term contracts
- New project reporting through Change Programme Board for Bank and Agency spend. Agency control totals for Business Units and Support Departments
- Local Authority confirmation that Children's services procurement is not expected to impact 2016/17 contract. Confirmation of Children's service specifications were expected to be known in Q1 of 2016/17 but is now expected in early Q2. The Health Visiting and FNP contract has been extended to 30th September 2017, with an option to extend a further 6 months. A decision in relation to procurement effective from the end of this contract date is expected imminently.

Board reviewed the quarter end and forecast position, and considered key variances, key risks, opportunities and mitigations and was satisfied that the Trust will achieve an FSRR of at least a 3 during 2016/17, but noted the potential risks and mitigations as outlined above.

4 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

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

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 NHS Improvement (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 

Name

Capacity

Date

Signature 

Name

Capacity

Date