

TRUST BOARD

28 October 2016

Paper Title:	Monitor Quarterly Return and Declaration - FSRR
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Agenda Item:	15

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 2 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	3	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 two 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 each 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. Clarity has been provided on the conditions for accessing the STF funding, with the financial element being wholly dependant on the Trust delivering the full control total.

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
NHSI 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

NHS IMPROVEMENT QUARTERLY RETURN AND DECLARATION

1 INTRODUCTION

NHS Foundation Trusts are required to make quarterly submissions to NHS Improvement to confirm their Risk Rating under the 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 NHSI 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 2 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 September 2016 (Quarter 2 submission).

Rating	Score
Capital Servicing Cover	3
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 2 and the Financial Mitigation slides.

The planned surplus for the year is behind plan by £890k as at 30th September 2016. The forecast outturn position is still predicting a £1.3m surplus (£2.1m including the STF funding).

Target	Q2 Performance
Planned Surplus of £660k	£890k behind plan
Planned Cash Balance £13,652k	£1,414k behind plan
Planned Capital Expenditure:	£313k Underspending at Month 6

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. The probable case plan variance is £317k adverse, and mitigation plans have been identified to target an improvement in the position of £471k, resulting in a favourable variance from plan of £154k.

There are a number of risks that have materialised of £513k all of which are being taken forward by members of the senior team. Further mitigation plans have been identified that are being developed to offset the risks which amount to £361k. In addition to the mitigation plans that have been initially quantified, noted above, a further list of schemes are being progressed to offset risks in delivering the planned surplus.

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
- No further 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
- Downside Mitigation plans including discretionary expenditure controls
- Bring forward planned CIPs for 2016/17 Agile Working savings
- Meridian Productivity have been engaged to target agency cost reduction on Acute and Specialist Inpatients wards, First Response Team and IHTT
- VAT rebate has been secured for the reclaimable VAT on managed service costs

- Providing the hosting services for a number of the Mental Health Vanguard schemes
- Targeted reduction on agency spend in the CMHTs
- Review of assets held by the Trust that are suitable for disposal
- 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

Risks for 2017/18

A number of new risks have been identified for 2017/18 that will require plans to address/mitigate the risk. Throughout the 2 year plan submission the risks will be considered alongside the cost pressures and cost improvement schemes for affordability. The new risks relate to:

- De-commissioning risk for Public Health Grant Funded services; proposals to be released next week by the Local Authority and expected to be material
- £700k non recurrent asset disposal and £250k VAT recovery to achieve 2016/17 control total
- £300k actions to achieve 2016/17 control total
- £1,000k unidentified CIPs
- £470k withholding of 0.5% of local CQUIN
- £370k apprenticeship levy
- £400k salary sacrifice income, subject to HMRC consultation changes

A cost improvement workshop has been held on 18th October 2016 to generate ideas for new cost reduction/ income generation plans to address the risks and cost pressures put forward in the 2017/18 financial plan. These plans will be reviewed and prioritised during October and November to highlight the schemes that can be fasttracked to support the 2016/17 position and those which will be included in the 2 year operational plan.

FBIC and 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
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