

TRUST BOARD
27 April 2017

Paper Title:	NHS Improvement Quarterly Return and Declaration
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Agenda Item:	

1. Purpose of this Report:

The purpose of this report is to present the Quarter 4 NHS Improvement financial submission to the Trust Board for approval.

2. Summary of Key Points

The key points in considering this report are that the Trust has delivered the following financial indicators for quarter 4 of 2016/17:

- Revenue position 6k over achievement against planned control total (excluding national incentives);
- Cash position of £14,529k (£60k below plan), a good outcome given the loss of STF cash (now due 2017/18);
- Capital costs of £3,853k (£3k below plan), and including managing a number of 'enabling' in-year pressures;
- Use of Resources score of 1 (requires confirmation by NHS Improvement);
- National STF funding has been confirmed of £1,555k, comprising £790k core and £765k incentives.

3. Board / Committee Consideration

The Board are asked to consider the assurances provided and to approve the Quarter 4 submission to NHS Improvement.

KEY ISSUES AND REQUIREMENTS OF THIS REPORT:

NHS Foundation Trusts are required to make quarterly submissions to NHS Improvement to confirm their Risk Rating under the Single Oversight Framework (SOF). The Risk Assessment Rating now only incorporates one rating which is for the Use of Resources (UoR).

The Trust submitted a draft 'key data' position to NHS Improvement on 19th April to allow consolidation of the national provider position. NHS Improvement confirmed Sustainability and Transformation Funding (STF) core and incentive payments to providers on 24th April to support draft accounts submissions on 26th April 2017.

The Trust will report achievement of the control total (£6k better than plan), generating additional STF incentive payments relating to planned surplus, profit on asset disposals and discount rate cost pressures. As a result of robust recovery planning the Trust is reporting achievement of the

planned UoR rating of '1' for Quarter 4 and achieved the following actual FSRR/ UoR for 2016/17:

	Q1 FSRR	Q2 FSRR	Q3 UoR	Q4 UoR
Capital Service Cover rating	2	3	2	1
Liquidity rating	4	4	1	1
I&E Margin rating	2	2	3	1
I&E Margin Variance From Plan rating	2	2	3	1
Agency rating	N/A	N/A	1	1
Overall NHS Improvement Rating	3	3	2	1

4. Financial Implications:

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

Revenue No Capital No

5. Legal Implications

There are no legal implications associated with this paper.

6. Assurance:

	Assurance provided?
Board Assurance Framework	Yes
CQC (see below)	No
NHSI Single Oversight Framework	Yes – UoR Rating
Other (please specify):	

This paper provides assurance in relation to the following CQC Themes:

Well led:	The leadership, management and governance of the organisation make sure it's providing high-quality care that is based around individual needs, encourages learning and innovation, and promotes an open and fair culture.
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7. Equality Impact Assessment [Delete if committee](#)

There is no equality impact assessment required for this report.

8. Previous Meetings/Committees Where the Report Has Been Considered: [delete if committee](#)

Highlight whether the paper has been discussed at any of the following meetings by placing a tick in the relevant box(es):

Audit Committee <input type="checkbox"/>	Quality & Safety Committee <input type="checkbox"/>	Remuneration Committee <input type="checkbox"/>	FB&I Committee <input type="checkbox"/> Yes
Executive Management team <input type="checkbox"/>	Directors Meeting <input type="checkbox"/>	Chair of Committee's Meeting <input type="checkbox"/>	MH Legislation Committee <input type="checkbox"/>

9. Risk Issues Identified for Discussion

The Trust is pleased to report that the control total for 2016/17 has been met. However the Trust still faces significant financial challenges moving into 2017/18 that require close and continued management. The Internal and External risk factors for discussion are included in the body of the report.

10. Links to Strategic Drivers

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

11. Publication Under Freedom of Information Act [delete if committee](#)

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

12. Recommendations:

The Board is asked to:

- **Approve** the UoR Risk Rating and quarterly submission to NHS Improvement, noting the recommendation of the FBIC.

NHS IMPROVEMENT QUARTERLY RETURN

1 INTRODUCTION

NHS Foundation Trusts are required to make quarterly submissions to NHS Improvement to confirm their Risk Rating under the Single Oversight Framework (SOF). The Risk Assessment Rating now only incorporates one rating which is for the Use of Resources (UoR).

This paper considers the UoR, and outlines key issues which the FBIC is specifically asked to formally consider in endorsing the risk assessment and to be taken into account when the Board considers the NHSI submission.

The Trust submitted a draft 'key data' position to NHS Improvement on 19th April to allow consolidation of the national provider position. NHS Improvement confirmed Sustainability and Transformation Funding (STF) core and incentive payments to providers on 24th April to support draft accounts submissions on 26th April 2017.

The Trust expects to report achievement of the control total (£6k better than plan), generating additional STF incentive payments relating to planned surplus, profit on asset disposals and discount rate cost pressures.

In October 2016 the FSRR metrics changed to UoR metrics under the new Single Oversight Framework and included an additional metric in relation to agency spend. The new ratings change the scoring from FSRR (4= best and 1= worst) to the Use of Resources ratings being a 1 for the best score and 4 for the lowest score. The Trust achieved planned Financial Sustainability Risk Rating (FSRR) of '3' for the first 2 quarters and a planned UoR rating of '2' for Quarter 3, but experienced a deteriorating I&E margin and I&E margin variance leading to a re-forecast and recovery planning. As a result of robust recovery planning the Trust is reporting achievement of the planned UoR rating of '1' for Quarter 4.

2 YEAR TO DATE POSITION

The Trust experienced sustained financial challenges throughout 2016/17. Following rigorous internal assessment of actions already in train and further measures agreed during November, December and into January, the Trust made the difficult decision to submit a re-forecast £494k potential shortfall against the Control Total at Quarter 3. Ramifications were:

- Immediate action required to develop a recovery plan that targeted achievement of the Control Total (this was already underway, but from Quarter 3 with support via NHSI);
- Loss of access to £790k Sustainability and Transformation Funding (STF) unless the position was fully recovered during quarter 4;
- Re-segmentation;
- Restrictions on access to national transformation funding;
- Consequences for the wider Provider Sector if the position was not recovered.

Despite projecting a £494k risk to delivery of the Trust's planned surplus at Quarter 3, sustained and positive financial recovery was reported for each of months 10 and 11, giving assurance that forecasts were accurate and the position robustly managed; this continued into month 12.

The Trust has achieved the following UoR Rating as at 31 March 2017 (Quarter 4).

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

Full details of the full year performance are provided in the Financial Performance Dashboard for Quarter 4. As at 31 March:

- Cash was £60k less than planned, reflecting loss of STF core funding now due in 2017/18;
- The surplus was £6k more than planned; and
- Capital expenditure was £3k less than planned.

As a result of delivering the planned surplus, the Trust expects to fully achieve £790k core Sustainability and Transformation Funding (STF). Further STF incentives of £197k and £568k bonus STF has been included in the draft accounts on the advice of NHS Improvement on 24 April; following assimilation of national provider performance. Incentives relate to the following items:

- Surplus on asset disposals of £155k for the Trust;
- Managing national cost pressures following a change in the discount rate of £36k for the Trust; and
- Over achievement against the Trust's internal control total £6k for the Trust.

Incentives are excluded from the table below;

Target	Q4 Performance
Planned Surplus:	£6k ahead of plan
Planned Cash Balance:	£60k behind plan
Planned Capital Expenditure:	£3k underspend against plan

3 KEY FORWARD FINANCIAL RISKS AND MITIGATIONS

Financial Risks and Mitigations

The Trust is pleased to report that the control total for 2016/17 has been met. However the Trust still faces significant financial challenges moving into 2017/18 that require close and continued management. Key discussion points referenced and taken into account by the Board when approving the Operational Plan are:

Internal Risk Factors for 2017/18

- Delivery of the challenging and back end weighted CIP programme for 2017/18;
- Back end phasing of the plan (including national CQUINs), exacerbating delivery risks should any slippage materialise;
- Estates rationalisations have been included in financial plans for 2017/18. The CCG is responsible for the financial impact of voids in NHSPS/CHP community properties. Despite having contractual liability, the CCG recently proposed that voids for 2017/18 associated with the Trust's estate rationalisation plan will deducted from the CCG contract value;
- Over spending in Inpatient services, including impacts from rising patient acuity and escorting driving higher specialising costs and cover for deteriorating inpatient area sickness absence;
- High continued use of agency staffing relative to peers and NHS benchmarks;

- Sustaining tight control of OOA placements – no budget for 2017/18;
- CQUIN Targets have been forecast to achieve 95% of national CQUINs and 50% of local CQUINs for 2017/18;
- Lack of non recurrent funding to pump prime efficiencies and target Corporate Overhead benchmarked cost reductions;
- Failure to 'grow' staff bank or peripatetic workforce solutions as an alternative to agency staff;
- Reducing Medical Locum Costs to below 2017/18 'expenditure cap' including junior doctor rota pressures and failure to achieve medical price or wage cap rates especially linked to new IR35 requirements.

External Risk Factors for 2017/18

- National announcement of Public Health Budget Cuts exacerbated by Local Authority budget pressures meaning minimum cuts of 5% 2017/18 and 10% 2018/19;
- The impacts of social care, voluntary care sector and acute pressures on community teams;
- Service tenders by commissioners;
- NHSE have extended the Community Dental contract by a total of 18 months to September 2018, requiring service re-design activities in advance of the delayed procurement;
- De-commissioning impacts for Public Health Grant Funded services in relation to SMS Services;
- The scale of Public Health Grant budget reductions is larger than originally anticipated at 5% (exacerbated by unfunded pay and prices) for 2017/18;
- Uncertainties of new contract models for diabetes and Accountable Care Systems.

Mitigations plans required during 2017/18

- Targeted reductions in temporary staffing costs for 13 inpatient areas;
- Close monitoring of CQUIN schemes via Business Unit Performance meetings;
- Deploying uncommitted reserves;
- Full review of revenue expenditure to identify opportunities to capitalise;
- Review of asset disposals and opportunities to bring forward where processes in train and potential for surplus on disposal;
- Optimising local and national Commissioner funding streams;
- Expansion of internal nursing staff bank, re-recruitment to peripatetic nursing team and optimising staff working restricted overtime (restricted to ensure EWTD compliance);
- Continuation of controls on annual leave, with only staff on long term sick/ maternity having permission to carry forward annual leave and quarterly leave reviews;
- Sickness management training for managers to ensure consistent policy application;
- Non Medical agency price cap/wage cap compliance monitored by EMT and Deputy Directors;
- Medical price/wage cap progress overseen by Medical Director/Deputy and EMT;
- Continuation of financial controls that were introduced during 2016/17 to support delivery of the control total. Financial controls will be received at the end of Quarter 1 of 2017/18 to determine requirement going forward;
- Corporate Services benchmarking – departmental plans are being developed in Quarter 1 of 2017/18 to target cost reductions where benchmarks exceed benchmarked costs;
- Continued promotion of the Widening Access Scheme to secure repayments from HMRC.

The Trust was emphatic throughout 2016/17 that the Quarter 3 forecast did not signal any lessening of Board commitment or determination. The Trust assured NHSI that further detailed activities would continue to target an outturn that was as close as possible to the Board Approved control total and the Trust is pleased to report that the actions taken have been successful in delivering the planned position.