

## PUBLIC BOARD MEETING

28 April 2016

Paper Title:	Monitor Quarterly Return and Declaration - CoSRR
Lead Director:	Liz Romaniak, Director of Finance Contracting & Facilities
Paper Authors:	Claire Risdon, Deputy Director of Finance
Agenda Item:	17
Presented for:	Approval

### 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 has achieved the target, Quarter 4 final FSRR is a rating of 4.

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	4	4	4	4
Liquidity rating	4	4	4	4
I&E Margin rating	4	4	4	4
I&E Margin Variance From Plan rating	3	3	3	3
Overall Financial Sustainability Risk Rating	4	4	4	4

### RISK ISSUES IDENTIFIED FOR DISCUSSION:

The 2015/16 draft accounts have been submitted to Monitor on 22<sup>nd</sup> April 2016. The accounts will be audited during May and finalised for submission on 27<sup>th</sup> May 2016, and therefore may be subject to change.

Whilst the Trust has successfully met the Monitor financial metrics for 2015/16 it has proved challenging. The financial landscape for 2016/17 is equally as challenging.

Furthermore, Monitor have issues new agency control totals for 2016/17 with the value set at £7,840k, which is 36% less than the actual spend for 2015/16. A bank and agency project is being established to drive through the changes needed to manage within the cap, with key representatives from the Trust engaged in the project.

**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 <b>Value for Money</b> 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

# 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 has delivered for all 4 quarters.

The Trust projects maintaining a FSRR of 4 under the revised RAF, for each quarter of 2016/17.

## 2 YEAR TO DATE POSITION

The Trust has achieved the following Continuity of Service Risk Ratings as at 31<sup>st</sup> March 2016 (Quarter 4 submission).

Rating	Score
Capital Servicing Cover	4
Liquidity Cover	4
I&E Margin	4
I&E Margin Variance	3
<b>OVERALL RATING</b>	<b>4</b>

Full details of year to date performance are provided in the Financial Performance Dashboard for Quarter 4.

The Trust implemented a cash management action plan in January 2016 to bring the cash balance back in line with plan, which was successfully implemented and the cash balance at 31<sup>st</sup> March 2016 was slightly ahead of plan by £157k.

The planned surplus for the year was slightly ahead of plan by £1k (at £1,347k). A technical adjustment for impairment of assets was reported through the SOCI in 2015/16 of £2,009k impacting on the below the line position.

Target	Q4 Performance
Planned Surplus:	£1k ahead of plan
Planned Cash Balance:	£157k ahead plan
Planned Capital Expenditure:	£17k over plan

## 3 QUARTER FOUR AND FINAL POSITION

The Trust projected attainment of the Continuity of Service Risk Rating for each quarter end during 2015/16 under the current RAF. The final position for Quarter 4 is as follows:

Rating	Score
Capital Servicing Cover	4
Liquidity Cover	4
I&E Margin	4
I&E Margin Variance	3
<b>OVERALL RATING</b>	<b>4</b>

Full details of the projections are provided in the Quarter 4 Financial Performance Dashboard.

#### 4 KEY FINANCIAL RISKS AND MITIGATIONS

In reviewing the financial position and projected risks for 2016/17 the FBIC was 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

- Maintaining nil OOA placements
- Achieving CQUIN Targets
- Management of Medical Locum Costs including junior doctor rota pressures
- Management of admin hub 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. Costs will need to be carefully managed during 2016/17
- Cost pressures that have been unfunded during the 2016/17 planning round
- Limited contingency to mitigate revenue overspend in 2016/17

##### External Risk Factors

- Further pressure to achieve the £1.8m control total / 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 intention to move to Market Rents
- Monitor Agency Expenditure and price caps
- Social care pressures
- 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 and work via West Yorkshire U&E Care Vanguard
- CQUIN Action plan monitoring
- Limited uncommitted reserves
- Pro-active HR support to redeploy staff should services be de-commissioned
- Moor Lane Overage funding assumed in base plan 2016/17
- Downside Mitigation plans including discretionary expenditure controls and bringing forward Planned CIPs
- 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

- 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 specification is likely to be known in Q1 of 2016/17

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. The Trust board agreed to submit the financial plan for 2016/17 for a £1.3m surplus, as accepting a further stretch with the level of risk and limited flexibilities would be unachievable.

## 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

## 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

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Signature

\_\_\_\_\_

Name

Simon Large

Name

Liz Romaniak

Capacity

Chief Executive

Capacity

Director of Finance, Contracting & Facilities

Date

28/01/2016

Date

28/01/2016