

**TRUST BOARD**

**25 OCTOBER 2018**

Paper Title:	NHS Improvement Quarterly Return and Declaration
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Agenda Item:	<b>15</b>
Presented For:	Approval
Paper Category:	Governance & Compliance

<b>Executive Summary:</b>
<p>The purpose of this report is to recommend on behalf of the Finance, Business and Investment Committee, who met on 22<sup>nd</sup> October, the Quarter 2 NHS Improvement financial submission and end of year forecast for approval by the Trust Board.</p> <p>The year to date (deficit) position is favourable compared to plan, however ongoing and severe underlying Inpatient and medical locum cost pressures continue to impact. Over spending as a result of under performance against planned CIPs in those areas is being mitigated by non-recurrent under spending/mitigations and by deploying the high risk CIP reserve.</p> <p>Plans are being developed to recurrently reduce the Acute Mental Health inpatient nursing spend, and where possible identify recurrent savings for other budgets to manage the underlying risk going into the new financial year.</p> <p>Risks associated with the 0-19 service tender will be clearer in November following the contract award to the preferred provider.</p>

<b>Recommendations:</b>
<p>That the Committee:</p> <ul style="list-style-type: none"> <li>• <b>Approves</b> the UoR Risk Rating and quarterly NHS Improvement return submitted on 15 October (as recommended by EMT and FBIC).</li> </ul>

**Governance/Audit Trail:**

<b>Meetings where this item has previously been discussed (please mark with an X):</b>							
<b>Audit Committee</b>		<b>Quality &amp; Safety Committee</b>		<b>Remuneration Committee</b>		<b>Finance, Business &amp; Investment Committee</b>	<b>X</b>
<b>Executive Management Team</b>	<b>X</b>	<b>Directors</b>	<b>X</b>	<b>Chair of Committee Meetings</b>		<b>Mental Health Legislation Committee</b>	

<b>Council of Governors</b>	
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<b>This report supports the achievement of the following strategic aims of the Trust:</b> <i>(please mark those that apply with an X):</i>	
Consolidation of Market Share : being great in our patch	
Manage the impacts of the whole system of reduced health and social care funding: working in partnership to develop cost effective out of hospital services and pathways to support the delivery of sustainable services	
Secure Funding for new or expanded services	

<b>This report supports the achievement of the following Regulatory Requirements:</b> <i>(please mark those that apply with an X):</i>	
<b>Safe:</b> People who use our services are protected from abuse and avoidable harm	
<b>Caring:</b> Staff involve people who use our services and treat them with compassion, kindness, dignity and respect	
<b>Responsive:</b> Services are organised to meet the needs of people who use our services	
<b>Effective:</b> Care, treatment and support achieves good outcomes, helps to maintain quality of life people who use our services and is based on the best available evidence.	
<b>Well Led:</b> 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.	X
<b>NHSI Single Oversight Framework</b>	X

<b>Freedom of Information:</b>
<p><b>Publication Under Freedom of Information Act</b></p> <p>This paper has been made available under the Freedom of Information Act</p>

# NHS Improvement Quarterly Return and Declaration

## 1. Background and Context

NHS Foundation Trusts are required to make quarterly submissions to NHS Improvement to confirm their Risk Rating under the Single Oversight Framework (SOF). The Financial Risk Rating now reflects a single consolidated rating which is 'Use of Resources' (UoR).

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

The Trust forecasts achievement of the current control total and planned Provider Sustainability Funding (previously STF funding) and reports achievement of the planned UoR rating of '2' for Quarter 2. Planned and forecast UoR ratings are detailed below:

NHS Improvement Risk Rating	Q1 UoR Plan	Q1 UoR Actual	Q2 UoR Plan	Q2 UoR Actual	Q3 UoR Plan	Q3 UoR Forecast	Q4 UoR Plan	Q4 UoR Forecast
Capital Service Cover rating	4	4	2	2	2	1	1	1
Liquidity rating	1	1	1	1	1	1	1	1
I&E Margin rating	4	4	3	3	3	2	2	2
I&E Margin Variance From Plan rating	1	1	1	1	1	1	1	1
Agency rating	1	1	1	1	1	1	1	1
<b>Overall UoR Rating</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>

## 2. Considerations

Key points are that the Trust has delivered the following as at the current quarter end:

- Year to date financial position – £300k deficit against a planned deficit of £350k for month 6; or £50k better than planned;
- Forecast financial position – forecast delivery of the £388k agreed control total plus £993k planned PSF income; or a £1,381k surplus as planned;
- UoR score of '2' in the current quarter; as planned, and forecasting a UoR score of '1' as planned;
- Cash balances of £2.2m above plan – mainly attributable to receipt of unplanned 2017/18 incentive funding, under spending on capital expenditure and movements in working capital;
- Capital under spending of £0.4m reflecting in-year IM&T and Estates slippage on a number of schemes but forecast to be fully committed by the end of the year; and
- Under achievement of CIPs reflecting inpatient staffing and medical locum cost pressures and requiring non recurrent mitigation.

## 3. Implications

### 3.1 Legal and Constitutional

There are no legal or constitutional requirements in relation to this paper.

### **3.2 Resource**

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

### **3.3 Quality and Compliance**

Financial performance is a key measure under the NHS Improvement Single Oversight Framework. Cost improvements planned by the Trust are subject to a Quality Impact Assessment process overseen by the Medical Director and the Director of Nursing and Operations.

## **4. Risk Issues Identified**

In reviewing the financial position and projected risks for 2018/19 the Finance, Business and Investment Committee considered key known and potential risks and mitigations. Key discussion points referenced by FBIC when recommending the submission for approval by the Board were:

### **Internal Risk Factors**

- Inpatient staffing pressures resulting in increased use of temporary staffing to manage:
  - Increased acuity resulting in elevated special observation costs including specific high cost individuals whose care package and onward care plan requires discussion with Commissioners; and
  - Vacancy and Sickness absence levels.
- Delivery of the challenging 5% CIP programme.
- Management of Medical Locum Costs including junior doctor rota pressures and failure to achieve medical expenditure cap, price or wage cap rates.
- Community non pay pressures (mitigated by under spending on other service lines).
- The planned level of CQUIN achievement is 95% for 2018/19. The CQUIN profile for the national schemes are back end loaded and therefore the risk will not materialise until the end of the financial year. SystemOne reporting risks following the recent system implementation for Mental Health attach to Q2 CQUIN 9.
- Sustaining tight control of Out Of Area placements – no budget for 2018/19.

### **External Risk Factors**

- The ongoing Early Years' procurement requires further substantial resource reductions principally in 2019/20 and in 2020/21. Implications of the AFC pay deal and other inflationary pressures materially exacerbate the starting point efficiency requirement over the contract term. The mobilisation period introduces additional delivery risks given the degree of transformation and stretch in the service specification. If the Trust is not the provider of services going forward material stranded costs will need to be addressed. In either scenario we expect to need to target extremely challenging levels of efficiency in 2019/20 and in 2020/21.

- 2017/18 NHS Community Property invoice disputes remain outstanding. Significant progress has been made to resolve queries on the account, supported by NHS Improvement and the DHSC, however prior year 'true-up' have not yet been issued.

### **Mitigations**

- Additional targeted corporate and service financial efficiencies to mitigate the implications of the Early Years' procurement (regardless of outcome)
- Robust Executive and Board financial and Quality Impact Assessments prior to Early Years' Procurement tender decision making
- Deploy Contingency Reserves
- Proactive recruitment plans to fill inpatient vacancies and increase the Trusts staff bank provision
- Vacancy review to support mitigation of Early Years' services transition/service loss
- Review of Inpatient Ward staffing skills mix including therapeutic staffing complement
- 2 shift roster pilots
- Regular and escalated discussions with NHS Community Property landlords and support from NHS Improvement/ DHSC regional team to engage and secure action
- Executive weekly review of agency controls and breaches and actions to reduce usage and negotiate with agencies using rate card information for medics
- Medical staffing recruitment and employed on fixed term contracts and staff bank, re-introduction of associate specialist role being considered
- Carried forward discretionary controls
- Executive oversight of strategic efficiency action plan progressing additional CIPs
- Revised Board, Committee & Performance Management reporting and oversight of high risk areas including Business Unit risk/mitigation logs

### **6. Communication and Involvement**

The Board was sighted on key plan risks as part of the steps to agree the control total and additional scrutiny of key assumptions, risks and mitigation takes place at every Finance, Business and Investment Committee. Key messages are cascaded to staff by Senior Managers in Board in Brief and other internal communication routes.

### **7. Monitoring and review**

The Finance, Business and Investment Committee is required to formally recommend the NHS Improvement Quarterly submission to Trust Board at each quarter end and met to consider this submission on 22<sup>nd</sup> October 2018.