

TRUST BOARD MEETING

30 MAY 2019

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| Paper Title: | FBIC Annual Report 2018/19 |
| Lead Director: | Liz Romaniak, Director of Finance, Contracting and Facilities |
| Paper Author: | Claire Risdon, Deputy Director of Finance |
| Agenda Item: | 17.2 |
| Presented for: | Assurance |
| Paper Category: | Governance & Compliance |

Executive Summary:

The terms of reference of the Finance Business and Investment Committee (FBIC) require that it submits an Annual Report to the Board to summarise its work during the year and to identify how it has fulfilled the duties required by the Board.

The FBIC considered the draft Annual Report when it met on 8th May and agreed modest amendments that have been reflected within the attached which is recommended to Board.

Recommendations:

That the Finance, Business and Investment Committee:

- Consider and approve the FBIC Annual Report for 2018/19.

Governance/Audit Trail:

| Meetings where this item has previously been discussed (please mark with an X): | | | | | | | |
|---|--|----------------------------|--|-----------------------------|--|--|---|
| Audit Committee | | Quality & Safety Committee | | Remuneration Committee | | Finance, Business & Investment Committee | X |
| Senior Leadership Group | | Council of Governors | | Chair of Committee Meetings | | Mental Health Legislation Committee | |

This report supports the achievement of the following strategic aims of the Trust:
(please mark those that apply with an X):

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| Quality and Workforce: to provide high quality, evidence-based services delivered by a diverse, motivated and engaged workforce | X |
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| Integration and Partnerships: to be influential in the development and delivery of new models of care locally and more widely across West Yorkshire and Harrogate STP | |
| Sustainability and Growth: to maintain our financial viability whilst actively seeking appropriate new business opportunities | X |

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| This report supports the achievement of the following Regulatory Requirements: <i>(please mark those that apply with an X):</i> | |
| Safe: People who use our services are protected from abuse and avoidable harm | |
| Caring: Staff involve people who use our services and treat them with compassion, kindness, dignity and respect | |
| Responsive: Services are organised to meet the needs of people who use our services | |
| Effective: 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. | |
| 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. | X |
| NHSI Single Oversight Framework | X |

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| Equality Impact Assessment: |
| N/A. |

Finance, Business and Investment Committee Annual Report 2017/18

1. The Finance, Business and Investment Committee (FBIC) was established in September 2012 under Board delegation with approved terms of reference and meets every 6 weeks. The Committee's terms of reference require that an Annual Report is submitted to the Board to summarise its work over the past year and to identify how it has fulfilled the duties required by the Board. This report therefore outlines the work of the FBIC during 2018/19, highlighting key areas of work and areas of assurance.

FBIC Membership and meetings

2. The Committee comprises of Non-Executive Directors (NEDs) and members of EMT along with the Deputy Director of Finance. Membership of the Committee has changed during the year reflecting the new Executive Director and NED appointments; the Trust Chair was a member of the Committee until the new NED was in post and continues to support the Committee at times when quoracy is required. The FBIC has met ten times during 2018/19 and attendance at FBIC meetings is summarised below.

| Membership | Attendance |
|---------------------|----------------|
| Rob Vincent (Chair) | 10/10 meetings |
| Michael Smith | 6/8 meetings |
| David Banks | 9/10 meetings |
| Simon Lewis | 2/3 meetings |
| Liz Romaniak | 10/10 meetings |
| Sandra Knight | 10/10 meetings |
| Neil Cook | 2/2 meetings |
| Brent Kilmurray | 4/6 meetings |
| Sarah Jones | 1/2 meetings |
| Patrick Scott | 0/2 meetings |

3. The FBIC works to an annual plan of scheduled agenda topics, along with a range of specific issues which are subject to review. A rolling programme of actions is maintained and monitored accordingly. The Committee Chair has also updated the Board on any significant issues arising from each Committee meeting through his regular written/verbal reports and Committee minutes are circulated to all Board members. It reviewed its terms of reference in July 2018. The remainder of the report is divided under the Committee's three key objectives and then wider governance issues:

(i) Monitor financial performance of the Trust against plan, reporting any proposed remedial action to the Board as necessary

4. The FBIC's terms of reference require the Committee to consider the Trust's **medium to longer term financial strategy** and advise the Board as appropriate. The Committee considered both the draft and final financial plan (Revenue and Capital) including assessing the risks and reviewing the mitigation plans and requesting QIA scheduling, in advance of recommending the plans to Trust Board. The consideration included assessment of the Control Total, acceptance of the Provider Sustainability Funding (PSF) and Financial Recovery Funding (FRF), recognising that having a Control Total deficit results in the Trust being in formal Financial Recovery.

In recommending the financial plan to Trust Board the Committee highlighted the need to start planning ahead for 2020/21, when the Trust will need to operate without the non-recurrent (PSF and FRF) support that will be received in 2019/20.

5. The FBIC's terms of reference require the Committee to scrutinise the Trust's in-year financial performance, delivery against Cost Improvement Plans (CIPs), review the annual budget and the level of capital expenditure. The Committee has also paid particular attention during the year on the quarterly financial returns to NHS Improvement and consideration of control totals. The following items are highlighted from the discussions during the year:

- The Committee has used the **FBIC finance dashboard** to closely monitor income and expenditure levels, financial run rates and workforce issues that have had an impact on financial performance. The dashboard has been used to scrutinise financial performance throughout the year and enabled the Committee to make informed decisions about introducing additional controls to mitigate emerging financial risks; The finance dashboard was expanded in July 2018 to include further metrics for performance, workforce and quality indicators.
- The Committee has spent time on the scrutiny and review of the **quarterly submissions to NHS Improvement** to confirm the Trust's risk rating for the Use of Resources (UoR) score that is required under the Single Oversight Framework (SOF). Under the SOF, FTs are segmented into one of four categories, where 4 reflects providers receiving the most support, and 1 reflects providers with maximum autonomy (the most desired outcome). The Committee (and Board) approved a UoR score of 3 in quarter 1; a score of 2 in quarter 2; and a score of 1 in the final two quarters in 2018/19 and has reported achievement against plan in each quarter demonstrating strong performance against plan during the year. The Committee has also been apprised of the circumstances surrounding access to Provider Sustainability Funding (PSF) monies and the implications on the Trust's Control Total;
- The Committee has closely monitored the key **financial risks and mitigations** throughout the year. A separate schedule tracking key risks, their potential value and mitigations has been reviewed at each meeting. Many emergent risks have been service or workforce-related (including bank and agency expenditure, costs relating to special observations, locum costs and delivery of the challenging efficiency requirement), some of which relate to key projects within the Directors and Business Transformation (DBT) and Governance update, highlighted at paragraph 6;
- The Committee has held regular discussions about the **Capital programme**, monitoring a capital budget of £4,274k (excluding externally funded capital projects). The Committee has seen a number of re-prioritisation exercises undertaken to manage in-year pressures. At the end of 2018/19, the capital programme was delivered (just £2k under plan);
- Progress on **Cost improvement Plans** has also been regularly reported to Committee via the performance dashboard and the DBT monthly update and a number of substitution schemes identified where necessary. The Trust has experienced a very challenging environment to deliver a budgeted CIP programme of £7.351m. The programme included £1.195m plans that were non-recurrent in nature and delivery of a further £2m non-recurrent mitigations to offset in-year under performance; principally against inpatient and medical locum cost pressure reductions (in relation to which challenges were forecast consistently throughout the year).
- Progress on delivering the CQUIN schemes and the associated financial risks has been reported on a monthly basis through the performance dashboard and a further assurance

report received in March 2019. CQUIN achievement is 93% for 2018/19 (subject to commissioner final agreement of performance in May 2019).

- The Committee received regular reports in support of the Corporate Benchmarking programme and the actions that are being taken to provide assurance on the efficiency of the back-office functions.

(ii) Workforce issues affecting the trust's medium-term financial strategy

6. Our 2018/19 position has required the FBIC to undertake a greater focus on a number of **workforce issues**, which started to emerge in 2016/17 and have continued to impact on the Trust's operating and financial positions. Reports received have included:

- A review of the Trust's **Workforce Strategy**, with a focus on embedding robust workforce planning processes, and oversight of proactive e.g. NHSI 90 day improvement, approaches to recruitment and retention (including new ways to attract candidates in a competitive environment), activities to help retain existing staff and grow our future workforce, and addressing high level workforce risks;
- Implementation of the **Worksmart Strategy**, aimed at maximising digital opportunities that emerge following on from delivery of the agile programme (including mobile equipment deployed across our Wakefield services and embedding standardised approaches across all services relating to document management, printing and tethering);
- Discussion about the ongoing financial pressures surrounding **medical locums**. During the year, the Trust breached the medical locum expenditure cap set by NHS Improvement but has been proactive in monitoring expenditure weekly at EMT and discussed options on the future medical model for the Trust (functional medical model). This was a significant financial pressure for 2018/19;
- A review of the progress made for **interpreting** services against the revised project plan with pilot areas operating to identify impacts on quality of telephone interpreting and additional areas to be explored during 2018/19;
- A report highlighting the progress with developing the **E-Rostering** systems/ processes and next steps for developing the in-house **bank** to reduce **agency** costs. The report included an update on the work that is currently underway with NHS Improvement in respect of the development of a national acuity model for mental health services;
- A review of the **readiness** of the Trust to implement the national changes agreed in the 3 year pay deal **for Agenda for Change** staff;
- A report on **Talent and workforce transformation** which highlighted the priority areas for supporting transformation across the health and social care system and internally (including Workforce Planning and Development: Re-modelling, development and up-skilling of the existing workforce and introduction of new roles); Talent Management and Succession Planning; Targeted Recruitment and Retention in areas that are most problematic; Leadership development.

7. The Committee has regularly received a report from the **Directors Business and Transformation (DBT) Governance meetings** using a RAG rated system to provide assurance against projects seeking to implement significant change and transformation across the organisation. Projects are highlighted that were rated either red or amber during the year and required regular discussion:

- Mental health acute and community services, including medical staffing;
- Specialist inpatients, admin and dental services; and
- Procurement.

8. The Committee has received a regular update at each meeting on progress against the **Market Development Plan** (including the bid and tender log). These reports have provided assurance that the Trust has actively sought new business opportunities both within and outside its traditional footprint. The reports have also highlighted the changing environment where commissioners are using competitive tendering/re-procurement to introduce new efficiencies and alternative models of care. Some of the key issues considered have included the procurement of 0-19 services in Bradford and the risks associated with the service delivery model and financial envelope; community dental services (and the award of a new 5 year contract, subject to agreement of conditions precedent during the contract term) and the withdrawal from the Unscheduled Dental Care service contract. The Committee has been sighted on the implications of the Bradford Local Authority budget reductions in the procurement of Early Years Services. The Committee has had oversight of a number of successful bids including new monies from NHSE North to Wakefield Council where the Trust will be a sub-contractor for delivery of the Liaison and Diversion service.

9. The Committee has also progressed two specific elements of the Market Development Plan – development of a new Intellectual Property Rights (IPR) policy; and progress on the iCare programme. On IPR, the Committee agreed a new policy in 2017/18 and endorsed continued use of the policy in March 2019 that encourages a profit share agreement with staff who generate IPR work and agreed to work with Medipex, a specialist IP support provider to support ideas on a case by case basis. The Committee has also been apprised of a number of iCare projects that have produced tangible outcomes for staff and patients and in March 2019 received a report that highlighting 32 projects in different stages of development. The work of iCare is now expected to be mainstreamed into Trust business, linked closely with new crowd sourcing arrangements with an iCare social event held on 19th March 2019 to celebrate the years achievements and target innovations for digital developments.

(iii) Informatics

10. Informatics issues have remained high on the agenda and the Committee has reviewed both strategic and operational issues during the year including:

- Digital strategy progress update;
- Cyber strategy progress updates including Internal Audit report and associated action plan;
- The Informatics work plan including assurances of capacity within the team to support the Trusts digital workplans, including Capital; and
- readiness for the renewal of the Microsoft Licence agreement that is due for renewal in July 2019.

(iv) Provide an oversight of the development and implementation of financial systems across the Trust.

11. In June 2017, the Committee considered and supported a **Costing Transformation Programme** paper which outlined new governance and programme arrangements to establish an evidenced based approach to incorporate service line reporting, reference costs, education

training returns and use of the Patient Level Costings (PLICS) system. The Committee has received quarterly progress updates and has welcomed the agreement of the Rebasing exercise with local health commissioners, and successful negotiations of the Low Secure price review with NHS England. A **Service Level Agreement update** was presented in March 2019, which provided assurance on contractual arrangements, GDPR, DBS checks and supported prioritisation work on a number of SLAs, namely pharmacy, dental theatres and pathology, (the latter has also been discussed by the Quality and safety Committee and Trust Board) where the audit committee had requested additional detail in relation to clinical delivery risk (in the event that SLAs were not delivered in line with the service requirements).

v) Wider issues discussed

12. The Committee has paid particular attention to assurance on **health and safety compliance** during the year.

- having considered the **Health and Safety** annual report (June), **Estates Strategy** development update (due in May 2019), and revised health and safety policy (March). The Trust has demonstrated a proactive approach to health and safety reflected in a further consecutive Gold Award from RoSPA.
- The Committee considered the contractual risks for the **Clinical Waste** contract (service and financial) along with the mitigation plans which was presented in December 2018.
- The committee also received the annual update reports for **Environment & Energy** (October 2018); Local **Security Management** services (July 2018); **Ligature assessment** annual report (June 2018) and the **Lone working** devices options (March 2019).

13. In response to discussions at Audit Committee, **internal audit reports** that have implications on finance, workforce or wider resourcing are now also submitted to the FBIC for consideration. During the year the Committee considered **six high level assurance reports** (Financial forecasting; Financial systems; Reporting to NHS Improvement; Key Performance Indicators; Capital Programme; Budgetary Control & Reporting) and **ten significant level reports** (Recruitment & Retention; HR/ Payroll; Cyber security; Cost Improvement Plans; E-Rostering; Health & Safety; Attendance Management; Mandatory Training; Occupational Health and DBS & FPPR).

14. Finally, the Committee was kept informed and commented on the work with Clever Together to help produce the new five year **organisational strategy** and discussed using the iCare brand as the portal for crowdsourcing, with the ability to run a range of ideas and engagement campaigns in conjunction with staff to help identify and deliver quality improvements. The Committee also discussed span of control issues relating to future structures at the trust, linked to the organisational strategy.