

## TRUST BOARD

25th July 2019

|                 |  |
|-----------------|--|
| Paper Title:    | NHS Improvement Quarterly Return and Declaration                       |
| Section:        | Private  |
| Lead Director:  | Liz Romaniak, Director of Finance, Contracting, Estates and Facilities |
| Paper Author:   | Claire Risdon, Deputy Director of Finance                              |
| Agenda Item:    | <b>19</b>  |
| Presented For:  | Approval   |
| Paper Category: | Governance & Compliance  |

### Executive Summary:

The purpose of this report is to share the recommendation from the Finance Business and Investment Committee that Trust Board formally approve the Quarter 1 NHS Improvement financial submission.

Key points in considering this report are that the Trust has delivered the following financial indicators for quarter 1 of 2019/20:

- Revenue Control Total: £10k over achievement against an £854k plan deficit for quarter one.
- Actual cash was £49k above plan at £16,891k.
- Capital expenditure of £396k is £178k below plan due to the delayed delivery date of procured equipment (dental equipment, bladder scanners and boilers).
- Use of Resources score of 3 (requires confirmation by NHS Improvement).

### Recommendations:

That the Board:

- **Approves** the UoR Risk Rating and quarterly submission made to NHS Improvement.

## Governance/Audit Trail:

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

| This report supports the achievement of the following strategic aims of the Trust:<br>(please mark those that apply with an X):  |  |
|--|--|
| <b>Quality and Workforce:</b> to provide high quality, evidence-based services delivered by a diverse, motivated and engaged workforce                                       |  |
| <b>Integration and Partnerships:</b> to be influential in the development and delivery of new models of care locally and more widely across West Yorkshire and Harrogate STP |  |
| <b>Sustainability and Growth:</b> to maintain our financial viability whilst actively seeking appropriate new business opportunities   |  |

| This report supports the achievement of the following Regulatory Requirements:<br>(please mark those that apply with an X):   |   |
|---|---|
| <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 |

| Equality Impact Assessment : |
|------------------------------|
| Non applicable               |

| Freedom of Information:  |
|--|
| <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 Risk Assessment Rating now reflects a single consolidated rating which is 'Use of Resources' (UoR).

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

The Trust will forecast achievement of the control total and planned Provider Sustainability Funding (previously STF funding). The Trust is reporting achievement of the planned UoR rating of '1' for Quarter 3, which is consistent with plan, the forecast UoR ratings are shown below:

|                                    | Q1 Plan  | Q1 Actual | Q2 Plan  | Q2 Forecast | Q3 Plan  | Q3 Forecast | Q4 Plan  | Q4 Forecast |
|------------------------------------|----------|-----------|----------|-------------|----------|-------------|----------|-------------|
| Capital Service Cover rating       | 4        | 4         | 3        | 2           | 2        | 2           | 1        | 1           |
| Liquidity rating                   | 1        | 1         | 1        | 1           | 1        | 1           | 1        | 1           |
| I&E Margin rating                  | 4        | 4         | 4        | 3           | 3        | 3           | 2        | 2           |
| Variance from Control Total rating | 1        | 1         | 1        | 1           | 1        | 1           | 1        | 1           |
| Agency rating                      | 1        | 2         | 1        | 3           | 1        | 2           | 1        | 1           |
| <b>Overall UoR Rating</b>          | <b>3</b> | <b>3</b>  | <b>3</b> | <b>2</b>    | <b>2</b> | <b>2</b>    | <b>1</b> | <b>1</b>    |

## 2. Considerations

The key points are that the Trust has delivered the following financial indicators for quarter 1 of 2019/20:

- YTD financial position – £844k deficit against a planned deficit control total of £854k and therefore £10k better than plan.
- UoR of a 3 in M03 which is as planned.
- Cash – £49k below plan on cash balances.
- Capital – expenditure of £396k compared to a plan of £574k YTD.
- CIPs recurrent delivery risk of £548k in Month 3 due to increased costs in agency staffing, bank staff and medical locums. Non recurrent mitigations have been identified that offset the risk, with work now needed to identify recurrent solutions.

## 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. Any cost improvements planned by the Trust are subject to a Quality Impact Assessment process overseen by the Medical Director and the Chief Operating Officer.

### 4. Risk Issues Identified

In reviewing the financial position and projected risks for 2019/20 the Finance, Business and Investment Committee is asked to consider key known and potential risks and mitigations. Key discussion points referenced and requested to take place by FBIC when recommending the submission for approval are:

#### Internal Risk Factors

- **CQC:** The Trust received communications from the CQC on 28<sup>th</sup> March 2019 that highlighted significant concerns following their core service and well-led inspections. As part of a Rapid Improvement week the Trust took a number of immediate actions, including agreeing additional staffing on twilight shifts to support safety on the wards. The CCG is supportive of investment as part of the Trust's response, the process was agreed at the place-based Mental Health Partnership Board in April, with further discussion in May and June to consider joint priorities for Mental Health in aggregate. The Trust hopes to secure agreement for final priorities at the end of July. Other key impacts relate to the capital costs to progress nurse call and door alarms across the Trust's inpatient estate. Our ability to respond to this requires de-prioritisation of capital priorities as a consequence of current national CDEL pressures and the request for organisations to respond to regional capital control totals.
- **Agency costs** to cover vacancies, sickness and acuity on inpatient wards continues to pose a financial risk in 2019/20. Plans are in place to increase the Trust's internal staff bank by increasing bank only workers to 400 by December 2019, with the Trust adopting a 'bank first' methodology. More than 100 health care support workers are being pursued following a recent bank recruitment event. As a consequence of national and Trust bed pressures, elevated temporary staffing levels persist. Occupancy has remained high, with admissions to some leave beds despite approval of out of area placements on occasions where an external bed could not be secured.
- **Medical Locum** requirements to fill junior doctor rotation gaps, vacancies and cover sickness absence have remained high. The Trust continues to explore alternatives via fixed term contracts, targeting recruitment of current locums, overseas appointments, re-introduction of Associate Specialist roles in prescribed circumstances and alternative roles. The Trust has recently moved to the Functional Medical Model (from the previous Continuing Care Medical Model of named Consultants for service users), greater presence and clinical decision making is expected to be more attractive to permanent medical staffing and support more therapeutic, recovery focused care, with consequential reductions in acute episodes/special observations. The Trust has also secured a full complement of junior doctors for the next rotation.
- Sustaining tight control of **Out Of Area placements** for which there is no budget. The pressure on acute inpatient beds during the early part of 2019/20 has required support from the independent sector for out of area placements, the year to date costs in Month 3 amount to £372k and represent a key risk. This cost would have been higher had the Trust been able to secure external beds on all occasions when approval had been given.

- **Pay award funding:** The move away from the NHSI/provider piloted methodology used to directly distribute 2018/19 Agenda for Change pay deal funding, toward a 2019/20 tariff-based allocation, had a £2m materially adverse effect on the Trust's recurrent position. This is mitigated non-recurrently by a £1.06m 'other issues' adjustment to the Trust's Control Total. The funding gap is as a consequence of the Trust's differential pay cost weight, having two Council Public Health contracts, disproportionate numbers of staff on AFC pay scales and of at top of scale and of community-based band 5/6 staffing (where incremental progression steps are most acute). The Trust welcomes indications nationally from NHSE/I that funding for the pay award for Public Health contracts will be provided from 2019/20, however the basis of calculating the allocations and source of funding for Trusts has not been clarified.

## External Risk Factors

- **Recurrent Funding for NHS Employers' Pensions Contributions:** The Trust's plan, consistent with guidance, assumed no residual risk relating to the above, however the value, timing and route for funding beyond 2019/20 remains unclear. This is a key concern for the 2020/21 and Long Term Plan given the Trust's pay cost weight.
- **National CDEL Pressures:** The Trust and partner providers in the WY&H Partnership have responded proactively to the request to manage within regional capital control totals. However this inevitably increases the funding gap for subsequent financial years. The Trust requires access to around £38m capital and likely £28-30m financing in order to progress essential inpatient re-provision over the current estate strategy cycle. We have shared concerns about lack of any 2019/20 contingency and for subsequent financial years in a letter that accompanied our capital plan re-submission.
- **ICS and place-based control totals:** Governance arrangements are being established at 'place' to support the management of the place-based risks and mitigations. Programmes to support place-level systems efficiencies have been established and milestone plans are being developed. The programmes consist of Urgent Care; Planned Care; Prescribing; Procurement; Primary Care; Continuing Care; Estates and waiting times. Fixed Income principles have been developed and formally adopted for risk and gain sharing across the place and a System Finance & Performance Committee is overseeing in-year performance and long term plan development.
- The level of **efficiency requirement associated with Public Health contracts** has driven the requirement to target extremely challenging levels of efficiency to date and this continued with a further £1.3m cash reduction and unfunded AFC and inflation in 2019/20, and a further £1.7m cash reduction from 2020/21.
- Substantial Employer pensions changes from NHS Pensions for early retirements of VSMs under **Final Pay Controls**.
- Implementation of **IRFS16** is expected in 2020/21, work is still ongoing at a national level to provide clarity of leases that will be covered by the IFRS. At this stage the revenue impact for the Trust is unclear. A wider concern is the impact that the new IFRS will have on the NHS approved CDEL allocation, and the quality and safety impact of further restrictions on capital.

## Mitigations

- The Trust established a CEO-chaired Sustainability Board to monitor, report and mitigate in-year risks; track the Trust's underlying financial position, oversee the delivery of the Trust's challenging CIP programme; and to develop and oversee work streams that will progress work to agree a sustainable five year financial plan.
- Targeting additional in year CIP plans to mitigate in year risks and to support development of the challenging CIP requirement for 2020/21.
- Prioritising 2019/20 contract investment for Mental Health to support the additional costs required to respond to the CQC action plan.
- Deploy Development Reserves.
- Additional targeted corporate and service financial efficiencies to mitigate the implications of the 0-19 tender award.
- Robust Executive and Board financial and Quality Impact Assessments.
- Proactive recruitment plans to fill inpatient vacancies and increase the Trust's staff bank provision / review of bank pay rates and staff bank resourcing / optimising use of the Apprenticeship Levy to attract and retain staff.
- 2 shift roster pilots evaluated and additional pilots commenced.
- Executive weekly review of agency controls and breaches and actions to reduce usage and negotiate with agencies using rate card information for medics
- Discretionary controls and downside mitigations

## **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 review and formally recommend the NHS Improvement Quarterly submission to Trust Board following each quarter end.