Trust Board Meeting in Public: Wednesday 18 January 2017
TB2017.08

<table>
<thead>
<tr>
<th>Title</th>
<th>Finance &amp; Performance Committee Chairman’s Report</th>
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<tr>
<td>Status</td>
<td>For discussion</td>
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<tr>
<td>History</td>
<td>The Finance and Performance Committee provides a regular report to the Board.</td>
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<th>Board Lead(s)</th>
<th>Mr Peter Ward, Committee Chairman</th>
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<td>Key purpose</td>
<td>Strategy</td>
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1. Introduction

The Finance and Performance Committee met on 14 December 2016. The main issues raised and discussed at the meeting are set out below.

2. Significant issues of interest to the Board

The following issues of interest have been highlighted for the Trust Board:

a) The Finance and Performance Committee heard that the Trust had been notified by NHS Improvement [NHSI] on 25 November 2016 that it had decided to open an investigation in relation to the Trust’s operational and financial performance and related governance arrangements. The Trust’ performance against the 4 hour Emergency Department [ED] standard deteriorated in October, and this was reported by exception to the Trust Board at its meeting held on 9 November 2016.

An action plan to improve performance against the 4 hour ED standard was developed in collaboration with the clinical divisions, and with the involvement of NHS Improvement. An update on A&E performance was produced, outlining the diagnostic, the solutions proposed and the quality and governance framework. This update (dated 9 November 2016) was shared with members of the Board and the Council of Governors.

A significant improvement in A&E performance has been achieved since early November 2016, and this has been recognised by NHS Improvement.

Detailed proposals for performance improvement had been submitted for further consideration to the Trust Management Executive on 8 December 2016.

The committee was assured that mechanisms had been put in place to deliver operational and financial standards, but full assurance in relation to the sustainability of the plan could not yet be provided.

b) The Integrated Performance Report for Month 7 was received, noting:

- Increased activity was reported in the Emergency Department [ED]. In October, 3469 people waited over four hours in the Trust's emergency department, equating to monthly performance on 73.89% against the 95% standard – the lowest in England.

- Two of the eight national cancer waiting time standards were not met in October: 62 day waits from urgent GP referral and 31 day waits for first treatment. It was reported that action was being taken to improve waits from urgent GP referral but the national standard had not been met in Q2;

- Performance against the 18 week Referral to Treat [RTT] incomplete pathways had deteriorated since June. The standard of 92% of people on Incomplete pathways to planned care waiting for no more than 18 weeks was not achieved, the number of people waiting for elective care was 3.24% up on July and 7.4% more people were waiting for over 18 weeks.

- Delayed transfers of Care in OUH beds peaked at 131 on 13 October, but by 17 November, were at the lowest level since July.
c) The Director of Clinical Services confirmed that the Trust would aim to operate above its trajectory for the rest of 2016/17:

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<th>Nov-16</th>
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<tr>
<td>4 hour wait %</td>
<td>91.5%</td>
<td>90.9%</td>
<td>89.1%</td>
<td>91.3%</td>
<td>89.9%</td>
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noting that the key risks to achieving and sustaining performance above the trajectory and reaching the national standards included:

- Delayed transfers of care.
- Delays in discharge from the Trust’s HART [Home Assessment and Reablement Team] service.
- Repatriation pressures (on the transfer of patients to local acute hospitals).
- Other hospitals diverting admissions, with paediatrics a particular current issue.
- Border discharge issues to Northamptonshire and Warwickshire.
- Staffing.

d) The Committee received a specific report from the Medicine Rehabilitation and Cardiac division which updated the Committee on current performance against the divisional Cost Improvement Programme [CIP], and on plans currently being implemented within the department to improve operational and financial performance.

e) The Committee received a report on the Trust’s financial performance to 31 October 2016. Points of note included:

- An EBITDA\(^1\) of £52.21m against the plan of £55.73m, an adverse variance of £3.52m;
- The year to date position included £16.74m non-recurrent items; this was £3.24m higher than the £13.5m included within the Trust control total and is £11.34m ahead of plan.
- The Trust had been set an agency cap by NHSI of £18.1m. In order to achieve this, the Trust must spend below £1.5m per month on agency. At the end of October, the average monthly expenditure was £1.31m, with a cumulative expenditure of £9.79m, which is £2.26m below the cap for the period.
- The Q3 average non-pay expenditure was reported at £30.42m compared with £32.05m monthly average in Q2, a decrease of £1.63m;
- Cash was at £59.26m as at 30 October 2016, £30.1m below the plan.

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\(^1\) Earnings before interest, tax, depreciation and amortization
The Trust’s plan for 2016/17 requires delivery of a planned surplus of £33.9m (the largest of any trust) to achieve the control total of £16.27m (again, the most challenging of any trust), and the year to date planned surplus showed an adverse variance of £1.9m.

Against a target of £50.9m to be delivered through Cost Improvement Programmes [CIP], as at the end of October schemes had been developed with a total value of £46.76m, and work was reported to be continuing across the Divisions to identify additional schemes to close the gap of £4.13m.

It was emphasised that financial recovery would require a continued effort, and therefore, weekly financial recovery meetings had been scheduled for the remainder of the financial year. The Committee welcomed evidence of the partnership working between Clinical and Corporate divisions, and the demonstrable commitment of the whole team to recover the financial position.

f) The monthly report to NHSI was received, highlighting the following points:

- A meeting took place on 23 November 2016 involving NHS Improvement (led by Deputy Regional Director Kate Holden), NHS England (led by Rachel Pearce), Oxfordshire CCG and OUH. The examined the reasons behind national standards not being met on four hour waits, RTT Incompletes and Cancer 62 day waits from urgent GP referral. The meeting considered the actions taken and planned by OUH and Oxfordshire CCG. A further meeting will be held on 23 January 2016, at which progress on the action plans will be scrutinised and particular focus given to the impact of the RTT backlog in the context of contractual arrangements agreed by then.

- Having been advised of the appeal process to follow on payment of provider Sustainability and Transformation Funding withheld due to operational performance, OUH appealed for payment of the Quarter 2 payments for four hour waits and RTT Incompletes (£212,500 per month for each) on the grounds that:
  - there has been a material change in the underlying assumptions;
  - the Trust and its lead commissioner share a clear understanding of the root causes of this change; and
  - there is a clear and credible plan to recover a Year to Date trajectory.

- In response to a query, NHS Improvement clarified that OUH would not have access to funds from the national £130m investment in radiotherapy equipment.

- It being discovered that Health Education England was inviting local bids for access to the national £8m for maternity safety training, a bid was made by OUH.

g) The Committee received an update on 2017-2019 NHS Operational Planning and Contracting.
The committee noted the progress made on the financial plans for 2017/18 and 2018/19, including those areas remaining that require finalisation.

The Committee approved the final planning assumptions and delegated authority to the Trust Management Executive to submit a final plan on 23 December 2016, agreeing to the control total and its terms, subject to change control and amendments not creating a further risk in excess of £5m impact on the overall planned surplus.

Authority was delegated to the Trust Management Executive to approve the final contract terms in advance of planned signature by 23 December 2016, including agreement to non-compliant contracts.

h) At its last meeting, the Committee had received an update on the Buckinghamshire, Oxfordshire and Berkshire West [BOB] Sustainability and Transformation Plan [STP], as led by the Oxfordshire Clinical Commissioning Group [OCCG]. At that time, the Trust could not endorse presentation of the BOB STP as being in financial balance. Further work has subsequently been undertaken on the range of schemes proposed, and the Trust remains committed to supporting development of a robust and deliverable plan.

i) The Committee received an update on the budget setting process for 2017/18 and 2018/19 budgets. It was noted that the baseline budget for 2017/18 would be based on the current Divisional 2016/17 budgets, adjusted for the full year effects of adjustments agreed in 2016/17 e.g. the HART service. Whilst, this meant that any un-delivered CIPs and shortfalls against Commissioner Income would be carried forward into 2017/18, the issues that occurred within the historical budgets regarding compounded CIP targets would not re-occur. The Divisional budgets would be set on an EBITDA level that supported the delivery of the Trusts Financial Plan.

j) The Committee received an update on capital prioritisation 2017/18 and beyond. It was noted the projection for the year end was £29.9m, a variance of £5.4m to plan. Underspend against the plan of £5.4m had been deferred to help fund schemes in 2017/18. To inform the future allocation of funding within the Capital Programme, a prioritised list of the Trust’s future capital requirements was developed for the period 2017/18-2020/21. It was noted that this would require continuous modification to align with both the master plan and the proposed 5 year implementation plan.

k) The Director of Clinical Services reported to the committee that that while provision had been made to cover all shifts in the critical care unit at the Horton over the Christmas period and into the New Year (using agency cover at times) - it was anticipated that beyond the end of January 2017 (with more staff due to leave), it was likely that staffing levels would only be sufficient at best to sustain 4 beds (reduced from the current 6 beds). Shortages were suffered mainly in nurse staffing, and difficulties in recruitment and retention stemmed from, at least in part, the de-skilling experienced, in what is de facto a lower level of critical care service offered at the Horton than at the JR and Churchill. The provision of A&E at the Horton was dependent upon the ability to sustain a Level 2 Critical Care facility on-site.
3. Key Risks Discussed

The following risks were discussed:

- The Committee considered in detail the risks associated with the current financial position, partially related to the challenges faced in delivering Cost Improvement Programmes and agency spend.
- The Committee considered risks associated with operational performance delivery.
- The Committee discussed the level of assurance that could be provided around the management of major capital projects, both PFI and non PFI.
- The Committee discussed critical care services at the Horton, and current difficulties in recruiting.

4. Key Action Agreed

The Committee agreed actions as follows:

- The Chief Finance officer would revise the finance report to be more user friendly and explanatory. The NHSI monthly report would also form part of the finance report going forward.
- Clinical Divisions had been asked to identify specific measures to be taken within each service line to secure recovery of the financial plan, eliminating the CIP shortfall.
- To report to the Trust Board on the level of assurance in relation to the management of major capital projects (both PFI and non-PFI);
- To report on the progress in the process for capital allocation 2017-19;
- To receive updates from the Task Forces established to provide delivery of operational and financial milestones across all divisions, including in relation to the Elective Pathways for Urology and Orthopaedics, to obtain further assurance in relation to the effectiveness of measures taken to secure a sustainable EBITDA run-rate within each division, and measures taken to improve the operational performance trajectories;
- To refer to TME delegated authority to approve final contract terms for Operational Planning and Contracting 2017-19, in advance of planned signature by 23 December 2016
- To refer to TME the risk register for update and revision of the current operational and financial risks

5. Future Business

Areas upon which the Committee will be focusing in the next three months include continued review of:

- the integrated performance of the Trust;
- the financial performance against plan for 2016/17;
- Capital Prioritisation for the Trust 2016/17 and planning for 2017-2019;
- in-year delivery of annual efficiency savings for 2016/17;
- review of the budget-setting process for 2017/18
- provision of critical care services at the Horton General Hospital
and consideration of:

- delivery of performance against divisional budgets and transformation plans, with clear accountability for financial performance by budget holder;
- Delivery against trajectories for improved operational performance and the delivery of access standards.
- the Business Planning Process for 2017/18;
- the level of assurance around the management of PFI/Non PFI contracts and;
- The Board Assurance Framework and Corporate Risk Register.

6. Recommendation

The Trust Board is asked to note the contents of this paper.

Mr Peter Ward  
Finance and Performance Committee Chairman

January 2017