

Trust Board Meeting in Public: Wednesday 8 March 2017

TB2017.29

<b>Title</b>	<b>Finance &amp; Performance Committee Chairman's Report</b>
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<b>Status</b>	<b>For discussion</b>
<b>History</b>	The Finance and Performance Committee provides a regular report to the Board.

<b>Board Lead(s)</b>	<b>Mr Peter Ward, Committee Chairman</b>			
<b>Key purpose</b>	Strategy	<b>Assurance</b>	Policy	Performance

## 1. Introduction

The Finance and Performance Committee met on 21 February 2017. 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 Committee was updated on action being taken to deliver the performance improvement plans developed in relation to the 4 hour ED standard, cancer standards and the 18 week Referral to Treatment [RTT] standard, in the context of NHS Improvement investigating the Trust's operational and financial performance and related governance arrangements, as previously notified.
- b) Performance against the 4 hour ED standard was reported to have been above trajectory in December 2016. However, the performance trajectory had not been met in January 2017, at 84.84%, when the reasons for deterioration in performance included:
  - A drop in the rate of discharge from OUH's General and Acute beds which by early February had still not recovered to pre-Christmas levels;
  - High bed occupancy in January, reaching 98% in the last week of the month;
  - A higher conversion rate to admission in people aged >70 (suggesting frailer inpatients), coupled with a slower rate of discharge, with 7% fewer patients discharged in the first four weeks of January 2017, compared to the first four weeks of November 2016. The reduction in discharges since Christmas had seen 4 hour waits worsen, and bed occupancy rise.

As has previously been discussed by the Committee, and by the Trust Board, it is recognised that achievement of the 95% standard through and beyond the winter will depend on system-wide capacity.

The Committee heard that there was no evidence that the deterioration in performance experienced in October 2016 had been caused by the bed realignment programme, and members were supportive of the Trust's commitment to change the way in which hospital beds are used; to achieve the sustainable solution of more care being provided closer to home.

It was acknowledged that, with bed occupancy remaining high, and with limited availability of community hospital beds and limited capacity to support patients going home, even small weekly increases in ED attendances and admissions could have an adverse impact on 4 hour waits.

It was noted that NHS England's Board had been told at its meeting on 9 February 2017 that in the year to November 2016, A&E attendances in England had risen by 4.5% compared to the previous twelve months. The Committee was told that for OUH the equivalent figure was 8.25% and non-elective first finished consultant episodes (FFCEs) had risen over the same period by 9.5%.

The Committee heard that the Trust will continue to aim to operate at above the trajectory for performance against the 4 hour ED standard in February and March 2017 (91.3% and 89.9% respectively). Progress on the performance improvement plan for urgent care is being reported to and monitored by the Trust Management Executive [TME], and the Committee will expect to receive regular updates.

- c) The Committee was advised that in November and December 2016, four of eight national cancer waiting time standards had not been met.

As had been reported to the Trust Board in January 2017, waits for diagnostics and reporting were identified as key causal factors in cancer waiting times. It was confirmed that these had been addressed in the performance improvement plan for cancer, with particular focus on the Urology and Gynaecological Oncology tumour site groups, which accounted for a high proportion of current >62 day waits, as well Lower Gastro-Intestinal [GI] and Upper GI tumour site groups (accounting for 15% of breaches in December).

The Committee was provided with examples of action taken to simplify and shorten the prostate cancer pathway, including:

- Provision of rapid telephone consultation for patients, to determine which patients wish to proceed to investigation and follow-up;
- Direct booking of MRI scan and follow-up biopsy without waiting for the MRI report (as 95% of patients go on from MRI to biopsy); with added capacity provided by a member of the Urology nursing team who had been trained to carry out targeted biopsies in late 2016;
- Completion of MRI reports at least 24 hours before the biopsy date (breaches of this are being escalated).

It was noted that the Trust had advised Oxfordshire Clinical Commissioning Group [OCCG], NHS Improvement [NHSI] and NHS England [NHSE] that, although there was a steady reduction in the number of patients waiting >62 days from GP referral to first treatment, the time taken to clear the backlog, and the need to treat new referrals, meant that the 85% standard was unlikely to be met before April 2017.

Progress on the performance improvement plan for cancer is being reported to and monitored by the TME, and the Committee will expect to receive regular updates.

- d) The Committee noted that the standard of 92% of people on Incomplete pathways to planned care waiting for no more than 18 weeks [the 18 week Incomplete RTT standard] had not been met since June 2015, and performance had been below 90% since June 2016.

An update was provided on immediate actions that were already being taken, and on the plan that was being developed to assess the potential to create capacity to deliver elective activity in 2017/18 (outpatients/day cases/inpatients) at a level required to deliver the national RTT standard on a sustainable basis and simultaneously to avoid premium rate working during 2017/18.

Progress on the performance improvement plan for Referral to Treatment [RTT] is being reported to and monitored by the TME, and the Committee will expect to receive regular updates.

- e) The regular Integrated Performance Report for Month 9 was considered, highlighting other headlines on performance as follows:
- 136 of 11,338 patients receiving diagnostic tests or imaging in December had waited for over six weeks (representing 1.19%), meaning that the national

standard of no more than 1% waiting over six weeks had not been met for the first time since June 2014;

- 33 elective admissions were cancelled for non-clinical reasons, compared to 44 in November. At 0.41% of admissions, this was at the second-lowest level seen in the past six months
  - 14 urgent cancellations took place in December 2016, with none of these patients experiencing a cancellation for a second time.
  - On 3 and 16 January 2017 the Trust had to stop all non-urgent elective operations on the John Radcliffe site to create more urgent capacity and flow
  - Three cases of Clostridium Difficile had been reported in December 2016 and no cases of MRSA bacteraemia.
  - 96.92% of adult inpatients were risk assessed for Venous Thromboembolism (VTE) within 24 hours of admission, above the 95% national standard.
- f) The Committee received a report on the Trust's financial performance to 31 December 2016. Points of note included:
- As at the end of Month 9, the Trust was reporting an EBITDA<sup>1</sup> of £52.87m, £20.05m behind plan
  - The year to date position included £17.43m of non-recurrent items relating to VAT reclaims, stock adjustments and the release of historical creditor provisions no longer required;
  - At the end of Q3, the Trust was reporting a retained surplus of £5.62m, £18.45m adverse against a planned surplus of £24.07m;
  - The Trust had lost £6.63m of STF funding due to the Trust's failure to meet its operational performance trajectory in Q2 and its control total in Q3;
  - The control total deficit was £1.26m, £12.11m adverse behind plan;
  - Cash was at £54.72m as at 31 December 2016, £33.33m below the plan;
  - At the end of December, the average monthly expenditure was £1.28m, with a cumulative expenditure of £11.54m, £2.66m below the cap for the period;
  - At the end of Q3 the Trust had developed schemes under the Cost Improvement Programme [CIP] with a total value of £46.76m against the target of £50.9m. leaving a gap of £4.13m.
- g) The Committee's attention was drawn to NHS Improvement's recent publication of data on the financial performance of NHS providers in England, noting that NHSI had acknowledged that NHS providers were 'experiencing one of the most challenging winters on record due to a huge increase in the demand for urgent and emergency care'.

The published data showed that OUH was continuing to perform well compared to other trusts across the country. Unlike most trusts, OUH was still forecasting a surplus for 2016/17 and the EBITDA margin (a measure of operating performance) was 7.1% to the end of Q3, compared to a national figure of 2.7%.

However, it was recognised that despite considerable efforts made by staff to improve productivity and recover the financial position, the Trust's financial position had deteriorated in recent months, threatening delivery of the financial plan for 2016/17.

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<sup>1</sup> Earnings before interest, tax, depreciation and amortization

The Committee endorsed the need to achieve the planned surplus each year, in order to fund the long term capital investment in the services that the Trust provides.

- h) An update on performance of the financial recovery plan was presented, reporting that:
- Month 10 income was up by £2m, but there had been no significant reduction in pay and non-pay;
  - Operational financial improvement measures needed to be implemented to deliver £4m per month from non-contracted costs from February;
  - External support for financial recovery and productivity had been launched, and it was expected that savings on non-pay costs should be realised in March.

Dependent upon the delivery of savings on non-contracted costs, with the aid of external support for financial recovery and productivity, and with some technical measures, the Committee was presented with forecast scenarios that showed the Trust could deliver a surplus, pre-Sustainability and Transformation Funding [STF].

- i) The Committee received an update on 2017-2019 NHS Operational Planning and Contracting noting that contracts with specialist commissioners and with OCCG had been signed in January 2017.

Under the contract with NHS England [NHSE] for specialist services, the risk for delivery of the Quality, Innovation, Productivity and Prevention [QIPP] programme was noted to sit with NHSE, and the Committee heard that Trust will be actively monitoring this situation via regular meetings with NHSE that have already been put in place.

The contract with OCCG had been set up with system risk management arrangements in place, and the Committee noted that the Trust's Chief Finance Officer had been designated as Senior Responsible Officer for application of the risk sharing process.

- j) The Committee received an update on the budget setting process for 2017/18 and 2018/19 budgets, and heard that final financial Divisional budgets with agreed capacity plans, workforce, productivities and financial plans were due to be completed by the end of March. The Committee noted that it would be the Divisions' responsibility for obtaining local agreement to their financial plans from individual budget managers.

The Committee will review the Trust's financial plans for 2017/18, which will be submitted for approval by the Board.

- k) The current status and arrangements relating to contract management was reviewed, and recommendations made to improve the arrangements through the introduction of more formal structured management processes, to drive quality service and improve value from suppliers. The Committee will receive an update at its meeting in June 2017.

### 3. Key Risks Discussed

Key risks discussed included:

- The risks associated with delivery of operational performance standards.  
This included detailed consideration of the plans to improve performance specifically in relation to the 4 hour ED standard, Cancer standards and the 18 week RTT standard, in respect of which the Committee will seek further assurance that implementation of the plans is delivering performance in line with the trajectories set;
- The risks associated with the current financial position, and the challenges that threatened delivery of the financial plan for 2016/17;
- The risks associated with the management of high value contracts, both under the Private Finance Initiative [PFI] and non PFI;
- In review of the extract of the assigned risks from the Board Assurance Framework [BAF] and Corporate Risk Register [CRR], the Committee suggested that the Trust Management Executive [TME] should consider adding to the CRR a risk in relation to contract management. The Committee also asked that TME review the risk scores, key controls and contingency plans recorded in relation to risks associated with:
  - Delivery of the required level of CIP;
  - Delivery of the 18 week incomplete RTT standard;
  - Delivery of Cancer standards; and
  - Poor cost-effectiveness of services.

### 4. Key Action Agreed

The Committee agreed actions which included the following:

- The team of Executive Directors is to be asked to develop an integrated report on operational and financial performance, incorporating quality performance metrics, to provide information at clinical service level for scrutiny by the Committee, and it was agreed that an illustrative report will be produced for consideration by the Committee at its meeting in April 2017, focused on one or more of the clinical service areas having a high impact on 18 week RTT performance.
- Action plans developed in response to performance issues should expressly link actions to the causal factors identified.
- Regular updates are to be provided on progress in the performance improvement plans in relation to the 4 hour ED standard, Cancer standards and the 18 week RTT standard.
- An update is to be provided on the introduction of formal, structured contract management processes;
- TME is to be asked to review the Corporate Risk Register, to reflect the Committee's discussion of current operational and financial risks.

## 5. Future Business

Areas upon which the Committee will be focusing at its meeting in April include 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 and contracting for 2017-2019;
- in-year delivery of annual efficiency savings for 2016/17;
- Review of Trusts Financial Plans for 2017/18

and consideration of:

- delivery of performance against financial recovery plans;
- delivery against trajectories for improved operational performance and the delivery of access standards;
- the Business Planning Process for 2017/18;
- 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**

**March 2017**