HSC FINANCE SCRUTINY QUESTIONS

NOVEMBER 2017

1. Please summarise the Trust's 2017/18 financial plan – i.e. your start position, agreed control total, key elements of the plan including STF (sustainability and transformation funding).

The Trust has accepted its 17/18 control total of £18.0m deficit excluding STF of £10.2m (i.e. £7.7m deficit including £10.2m STF) and accepted its 17/18 agency ceiling of £16.7m. Planned 17/18 Cost Improvement Plans (CIPs) are £23.3m (5.1% of operational expenses). As at 30th June 2017 the Trust had identified schemes in excess of £23.3m as 'in delivery', having met appropriate governance and assurance tests and defined responsibilities as validated by both the internal PMO and PWC.

2. Please set out your current 2017/18 forecast outturn position and key risks to delivery.

The Trust continues to work to deliver its 17/18 control total (as per above).

Key risks to delivery include:

- Lost income associated with the Cyber attack in May 2017, and ongoing data validation and IT costs post Lorenzo implementation.
- Significant slippage against agreed Service Level Agreement (SLA) income and activity plans, and the risk associated with effecting recovery over winter.
- TPP exit costs and post transfer costs have proved significantly higher than anticipated.
- Ensuring the CIP schemes approved are delivered in line with planned scope and timescales.
- Ensuring that activity capture and recording systems are embedded and effective post Lorenzo implementation.
- Materially divergent expectations of outturn SLA performance with its local CCG.

3. Please identify any significant commissioning / contractual issues not yet reflected into the 2017/18 plan (i.e. differences between commissioner and provider positions)

The Trust and its main local commissioner presently hold different expectations in respect of the likely full year outturn income expenditure position. Both parties have been engaged in discussions to consider options to bridge and mitigate this gap. There is on-going discussion / negotiation and a verbal update will be provided to the Committee

4. Please summarise your 2017/18 savings plans, current progress and expected impacts / key risks.

The Trust's 17/18 planned CIPs, actual year to date (YTD) at end September 2017 and forecast position is summarised in the table below.

Work stream Category	CIP Plan	Actual YTD £000's	Forecast £000's	Var £000's
Model Hospital - Theatre efficiency	2,623	245	1,902	-721
Model Hospital - Outpatient efficiency	1,165	80	271	-894
Model Hospital - Job Planning	842	0	0	-842
Model Hospital - Clinical Admin	605	0	194	-411
Model Hospital - Patient flow	870	348	870	0
Model Hospital - Other	387	0	158	-229
Utilisation of vacant posts	2,929	1,298	2,827	-102
Divisional - Pay schemes G&C	5,604	4,000	8,034	2,430
Divisional - Non pay schemes	5,544	3,035	6,766	1,222
Divisional - Local income schemes	1,151	125	336	-815
Divisional -Income capture & coding	1,579	541	1,392	-187
Total	**23,300**	**9,672**	**22,751**	**-549**

Key risks to delivery have been identified and mitigations put in place. Key actions taken by the Trust to deliver its 17/18 savings (CIP) plan have included:

- Grip & Control arrangements were implemented in Q4 16/17 and have been sustained and embedded in 17/18.

- Appointment of Price Waterhouse Cooper (PWC) and 4 Eyes Insight to provide CIP development support – Feb 17 to Jun 17.
- Appointment of Turnaround Director to lead delivery of CIPs from April 2017.
- Establishment of Trust PMO to support and ensure delivery of CIPs– substantively staffed as at July 2017.

In addition, the Trust has reviewed and further strengthened its governance and accountability arrangements to provide greater assurance regarding CIP delivery. This has included:

- Weekly CIP Programme Management Board, reporting to monthly Transformation Group and Finance & Risk Committees.
- Trust Board review of monthly CIP delivery.
- Bi- weekly support and review from the NHSI Transaction Support team lead.
- Monthly and Quarterly performance review meetings with NHSI regional support teams.

5. Please summarise CQUINs that apply to your organisation in 2017/18, financial value and expected outturn position

As a feature of its Service Level Agreements with both local and national commissioners (NHSE), the receipt of element of the financial value of the agreements is dependent upon the agreed achievement of a range of clinical quality targets. Some of these targets are defined national and some have been agreed locally. The value of the SLA that is dependent upon achievement of the CQUIN targets is £4.5m. The Trust through comprehensive and effective project management of these targets expects to achieve at least 95% of the available value.

6. Please set out the longer term financial outlook for your organisation and summarise the key elements of your longer term financial sustainability plan

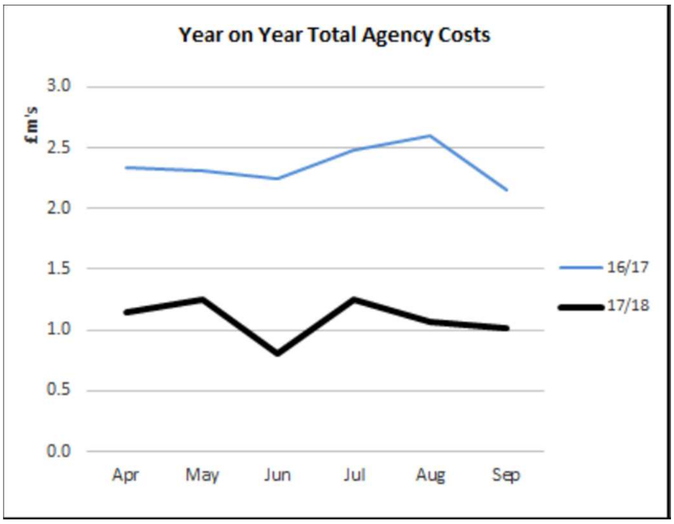
The longer term financial outlook for the Trust will continue to be challenging. This reflects both its underlying deficit position and also the continuing national requirement for health providers and systems to deliver significant ongoing levels of efficiency. The Trust is confident that a large measure of these savings can be delivered through its consistent focus upon delivering clinical productivity improvements and embedding effective systems of demand and capacity management across the Trust’s operations. However, whilst significant, these actions are unlikely to be sufficient in of themselves to return the Trust to recurring financial balance. Further strategy and service change reconfiguration working in conjunction with local health partners will be required to achieve this aim.

7. How has the Trust reviewed its effectiveness and value for money in delivering service outcomes?

The Trust has over the last year undertaken a detailed benchmarking comparison of its cost and financial performance relative to appropriate peers. The outcomes of this exercise have proved important in framing the Trust’s overall approach to delivering improved financial importance. In addition the Trust continues to actively utilise the 'Model Hospital' efficiency platform developed and maintained by NHS Improvement, which allows the Trust to assess the effectiveness and value of a range of its services against other local and national providers.

The Trust has undertaken significant work over the last year to strengthen service line reporting, to enable more granular understanding of drivers of service costs and the overall positive or negative contributions to the Trust's financial position of different. One area which demonstrates the impact of the enhanced focus and grip on service costs is workforce expenditure – the largest component of Trust costs. The chart below demonstrates how year on year pay costs are reducing, despite activity levels increasing.

The Trust has also proactively manged and reduced agency expenditure which has significantly reduced this year to date compared to 16/17, as shown in the chart below.



8. How is your organisation working in partnership to deliver improved system-wide sustainability?

The Trust is an active partner in the Hertfordshire and West Essex STP and is providing leadership across a range of work streams, including Cancer, Procurement and Pharmacy. Additionally the Trust is exploring ways to further collaborate with partners to scale up and reduce the service costs across a range of services including pathology services, bank and agency services plus Workforce and Pharmacy functions.