

Board Assurance Report

PRINCIPAL RISK: 3 – FAILURE TO DELIVER AND MAINTAIN FINANCIAL SUSTAINABILITY		Executive Lead: Chief Finance Officer
Strategic Priorities		
SP1 – To consistently deliver safe, effective high quality care achieving a positive staff and patient experience		
SP5 – To provide efficient and cost effective services and deliver better value healthcare		
Purpose of Report:		
To provide assurance to the committee that the controls in place to manage/reduce risks identified in the Board Assurance Framework (BAF) Document have been tested. The outcome of testing the controls will result in either positive assurance being provided or where a negative result has been obtained an action plan will be provide with this report.		
Date Submitted to Finance Committee	August 2015	
Information contained within this report has been scrutinised and challenged by lead Committee(s) to assure themselves of the effective operation of each key control relating to the principal risk as detailed below: (Executive lead to insert names and dates of Committees who have reviewed this report)		
The first version of this report was presented to the Audit & Assurance Committee in September 2014, and subsequently in January and May 2015. The report is updated monthly and submitted to the Finance Committee.		
Discussions have taken place with the Chief Financial Officer and the Finance Team.		
Declaration: As lead executive, having taken reasonable steps to test the effectiveness of controls to mitigate the risks of not achieving clinical sustainability, I recommend to the Audit and Assurance Committee that appropriate actions are being taken to close gaps in assurance and controls.		
Recommendation to Audit and Assurance Committee: (To be completed by lead Executive)		
Members are requested to note the contents and approve the actions and time scales to close gaps in control and assurance.		
<i>The evidence required by committee should be: proportionate, appropriately independent, demonstrate controls have been robustly tested / audited</i>		
Report compiled by: Neil Wilkinson, Head of Compliance & Systems Latest review August 2015		

RISK 3.1 – Failing To Find A Solution To The PFI Excess Burden		
RAG: Gross Impact	5	Gross RAG Score: 20
Gross Likelihood	4	
Net Impact	4	Net RAG Score: 12
Net Likelihood	3	
Key Controls in place: (What controls/systems are in place to assist in securing delivery of our objectives)		
Relationship with Monitor		
Working capital facility (WCF) agreed with Monitor for Q1 of 2015/16		
Revenue loan agreed with Monitor for Q2 of 2015/16		
Sources of Assurance: (The evidence that shows we are reasonably managing our risks and objectives are being delivered)		
Monitor have requested they are updated if the Better Together Review outputs do not contribute to reduction of the PFI burden – evidenced through reporting to:		
<ul style="list-style-type: none"> • Board of Directors • Finance Committee • Monitor 		
PMO Director appointed to strengthen CIP development and monitoring processes, including CIP pipeline		
Ernst & Young report on the value of the PFI		
Potential support from the PFU (Private Finance Unit) to identify possible courses of action		
Assurance on Controls: (Where we have tested/audited our controls/systems to ensure they are adequate and effective)		
Monitor licence recognises the need to isolate the PFI impact from underlying financial performance		
Monitor are aware that a longer-term solution for the Trust excess PFI costs is required		
Monitor have raised this issue as part of the Better Together review and engagement with CCGs regarding the level of local health community contribution		
Gaps in Control: (Where are we failing to put controls/systems in place? Where are we failing in making them effective? Please ensure that for each gap you provide additional information in the action and timescales section on how the gap will be closed)		
C1 Monitor has told the Trust that no PFI funding assumptions should be built into the Annual Plan		
C2 The Trust is required to demonstrate a high level of performance and financial improvement as a pre-requisite to agreeing on-going external support		

Gaps in Assurance (Negative Evidence) (Where are we failing to test/audit that our controls/systems, on which we place reliance, are effective. Please ensure that for each gap you provide additional information in the action and timescales section on how the gap will be closed)					
A1 Formal commitment to liquidity support (loans/WCF) for future financial years will need to be applied for annually					
A2 Off track with CIP – liquidity support needs to be aligned with the Trust demonstrating delivery of CIPs					
A3 Improvement plan not yet submitted to Monitor					
Action and Time Scales to close Gaps in Control and Assurance					
Gap Ref No.	Action to close gap	Timescale	Lead Owner	Update	Closed (Y/N)
C1	On-going updates to Monitor and discussions with the CCGs	Throughout 2015/16	CFO	To be incorporated into future planning discussions	
C2	Evidence of improved financial performance and agreement with local health community on the level of recurrent support	Throughout 2015/16	CFO	Improvement plan to be submitted – routine monitoring and updates provided to Monitor Recurrent support to be incorporated into future planning discussions	
A1	Full year cash support requirements to be discussed and agreed with Monitor for remainder of 2015/16	Throughout Q2/3 of 2015/16	CFO	Q1 and Q2 in place – it is expected that full year requirements will be submitted to ITFF during Q3	
A1/A2	Funds are being drawn down on a monthly basis and future formal commitments to be sought beyond 2015/16	Q4 2015/16	CFO		
A3	Improvement plan to be submitted – routine monitoring and updates provided to Monitor	Q2 2015/16	CFO	External support has been appointed to conduct a review of 2015/16 plan and underlying financial position. Business case for turnaround support to be discussed with Monitor.	

RISK 3.2 Insufficient Cash Liquidity		
RAG: Gross Impact	5	Gross RAG Score: 20
Gross Likelihood	4	
Net Impact	5	Net RAG Score: 15
Net Likelihood	3	
Key Controls in place: (What controls/systems are in place to assist in securing delivery of our objectives)		
Cash management – daily monitoring of cash balances, restrictions on payments as required		
Cost control – routine monthly meetings with Finance and divisional staff in place to monitor and challenge actual and forecast outturn		
E-learning package for budget holders and additional face-to-face sessions to provide supplementary training		
Finance & Performance Managers aligned to divisions to provide robust support		
Review and reduction in financial authority levels		
PMO Director appointed to strengthen CIP development and monitoring processes, including CIP pipeline		
Potential recruitment of external professional support to produce formal turnaround plan for submission to Monitor in Q3		
Turnaround Board and c. 13 workstreams established to contribute to Turnaround – weekly meetings		
Initial focus on variable pay with detailed challenge on a weekly basis		
Sources of Assurance: (The evidence that shows we are reasonably managing our risks and objectives are being delivered)		
Support requirements of the value of the approved financial deficit submitted for 2015/16 – evidenced through reporting to:		
<ul style="list-style-type: none"> • Board of Directors • Finance Committee • Monitor 		
Monthly report to Board of Directors, sub committees and Executive Team / TMB outlining cash position and forecast cash flows		
Detailed budgets being scrutinised at Executive level and to be owned by all budget holders		
Assurance on Controls: (where we have tested/audited our controls/systems to ensure they are adequate and effective)		
Monitor licence recognises the negative impact of the PFI impact on the underlying financial performance		
Going Concern report accepted by external auditors and updates to each Audit & Assurance Committee meeting		
KPMG Governance Review – agreed at February 2014 Board of Directors meeting that all actions had been completed, including cash management actions		
Internal audit reports – Significant Assurance provide on Cash Management, Pay Expenditure, Key Financial Systems and Budgetary Control reports		
Cash flow forecast monitoring informs the management of payments/debts as necessary		
Additional Management Accounting resources to support the Trust have been identified and agreed remaining appointment in progress		

Gaps in Control: (Where are we failing to put controls/systems in place? Where are we failing in making them effective? Please ensure that for each gap you provide additional information in the action and timescales section on how the gap will be closed)					
C1 Relationship of Service Lines to divisional performance needs to be strengthened as identified in the Baker Tilly report					
C2 WCF/revenue loan in place for period ending 11 th October 2015 – to be finalised for remainder of year					
C3 Effectiveness of Divisional and Corporate cost controls					
C4 Improvement plan not yet submitted to Monitor					
Gaps in Assurance (Negative Evidence) (Where are we failing to test/audit that our controls/systems, on which we place reliance, are effective. Please ensure that for each gap you provide additional information in the action and timescales section on how the gap will be closed)					
A1 Formal commitment to liquidity support (loans/WCF) for future financial years will need to be applied for annually					
A2 Population of CIP delivery tracker – liquidity support needs to be aligned with the Trust demonstrating delivery of CIPs					
A3 Baker Tilly report identified areas for improvement					
A4 Fully understanding effects of new loan / working capital regime and associated risks, regarding ‘additional terms’					
Action and Time Scales to close Gaps in Control and Assurance					
Gap Ref No.	Action to close gap	Timescale	Lead Owner	Update	Closed (Y/N)
C1 & A3	Baker Tilly commissioned to carry out cost control and financial governance review	Nov 14	CFO	Recommendations agreed by the Executive Directors – paper presented to November A&AC and progress monitored through Finance Committee	
C1	On-going development of performance management arrangements at Service Line level	Dec 15	CFO	Service Lines provided operational plans to Strategic Planning in February 2015 – this will inform performance management of Service lines during 2015/16 Further work will be undertaken in 2015 to enhance the information provided to service lines, in support of performance management and strategic planning PLICS/Costing Accountants recruitment under way Project manager appointed to oversee review.	

C2	Loans / WCF agreement to be reached with Monitor	Throughout Q2/3 of 2015/16	CFO	Funding agreed for Q1 and Q2 – discussions on-going for remainder of year	
C3	Effectiveness of cost control	May 2015	CFO	Review of Financial Governance to be undertaken at Monitor’s request Budget reviews under way, to be undertaken by Deputy CFO August 2015	
C4	Discussions with Monitor to provide assurance that the plan accounts for the key risks and evidences sufficient improvement Phase 1 – short-term plan Phase 2 – long-term plan	Q2 2015/16 Q3 2015/16	CFO	Regular telephone discussions with Monitor to review progress PwC appointed to conduct a review of 2015/16 plan and underlying financial position – to be completed by 17 th August. Short term action plan to be submitted to Monitor on 30/9/15. To be inclusive of externally supported financial baseline work, emerging Turnaround and CIP programme and budget reviews Long term plan to be developed with support from Monitor. Business case for turnaround support to be discussed with Monitor. Current date of submission is 31/10/15.	
A1	Funds are being drawn down on a monthly basis and future formal commitments to be sought for the remainder of 2015/16 and future years	Q4	CFO		
A2	Strengthen CIP development and monitoring processes, including CIP pipeline and delivery tracker		PMO Director		
A4	Effects of new loan / working capital regime and Monitor approval process/requirements to be fully	Throughout 2015/16	CFO	Trust officers fully aware of process and regime, but clarification still required on	

	understood by Trust officers as required			any consequential impact of any 'additional terms' that may be applied	
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RISK 3.3 Failure to accurately determine, agree and achieve the financial plan					
RAG:	Gross Impact	5			Gross RAG Score: 20
	Gross Likelihood	4			
	Net Impact	4			Net RAG Score: 16
	Net Likelihood	4			
Key Controls in place: (What controls/systems are in place to assist in securing delivery of our objectives)					
PMO Director appointed to strengthen CIP development and monitoring processes, including CIP pipeline					
Appointment of PwC to review 2015/16 plan and provide assurance on underlying deficit to inform the revised turnaround plan to be submitted in Q3					
Potential recruitment of external professional support to produce formal turnaround plan for submission to Monitor in Q3					
Turnaround Board and c. 13 workstreams established to contribute to Turnaround – weekly meetings					
Initial focus on variable pay with detailed challenge on a weekly basis					
Quality assessed CIP programme					
Actively engaging with commissioners and other partners to deliver the 'Better Together' and Better Care Fund agendas through the Mid Notts. Joint working group					
Performance management of the plan					
Management of vacancies and locum/agency/bank staff usage					
Monthly divisional performance management meetings in place with full executive engagement					
Daily bed meeting to establish staffing requirements and minimise the use of ad-hoc staff					
Sources of Assurance: (The evidence that shows we are reasonably managing our risks and objectives are being delivered)					
Delivery Engine resource in place					
Monthly performance monitoring meetings with divisions and CCG / NHS England					
2015/16 contract agreed with CCG on PbR basis					
New nurse/admin bank process in place					
Independent review of the Annual Plan undertaken in November 2014					
External support appointed to conduct a review of 2015/16 plan and underlying financial position – Paul, please review and confirm if this is accurate					
CIP target based on 4% of Opex July 2015 to March 2016 (£6.5m), which is in line with national average					

Assurance on Controls: (Where we have tested/audited our controls/systems to ensure they are adequate and effective)					
QIA process in place for CIPs					
Benefits realisation of clinically led transformation programme, monitored through PMO					
External review on the effectiveness of Trust cost control measures commissioned – action plan agreed and submitted to A&AC November 2014 and progress monitored through Finance Committee					
Finance & Performance Managers aligned to divisions and taking a lead on all aspects of financial performance					
Patient level costing implementation project team being recruited – Trust identified as ‘Roadmap Partner’ within Monitor’s ‘Improving the costing of NHS services’ proposal – funding received within the 2014/15 Transformation Funding from the CCG					
Gaps in Control: (Where are we failing to put controls/systems in place? Where are we failing in making them effective? Please ensure that for each gap you provide additional information in the action and timescales section on how the gap will be closed)					
C1 Impact of ‘Better Together’ QIPP on contract impacts on ability of Trust to strip out associated costs where there is a reduction in demand and income					
C2 Expenditure on certain categories remains above target – e.g. agency / variable pay					
C3 Turnaround Plan in development					
Gaps in Assurance (Negative Evidence) (Where are we failing to test/audit that our controls/systems, on which we place reliance, are effective. Please ensure that for each gap you provide additional information in the action and timescales section on how the gap will be closed.)					
A1 Acceptance by Monitor that the plan accounts for the key risks and evidences sufficient improvement					
A2 Mitigation of performance risks to plan					
A3 Requirement for reinforcing ownership of Service Lines, divisional and Trust level					
A4 CIP schemes of required value not yet agreed for 2015/16					
A5 Further work required to develop and embed the CIP pipeline process					
A6 On-going recruitment to Trust establishment (nursing)					
A7 Baker Tilly report identified areas for improvement					
Action and Time Scales to close Gaps in Control and Assurance					
Gap Ref No.	Action to close gap	Timescale	Lead Owner	Update	Closed (Y/N)
C1	Trust divisional managers and corporate support are		Director of	Meetings taking place monthly	

	fully engaged with the joint meeting of CCG, SFG and CHP PMOs where the delivery and planning of QIPP and their impact at the respective organisations is closely monitored to help inform internal actions		Operations	DGMs involved in 2015/16 QIPP planning	
C2	Procurement Category Manager concentrating on reduction of agency spend	Q2 2015/16	Director of SPCD	Baker Tilly action plan agreed and progress monitored through Finance Committee Category Manager reviewing all agency contracts and future procurement options Work nearing finalisation on single agency (Master Vendor) provider model	
C2	Focus clearly in 2015/16 to deliver an improvement on current planned forecast deficit of £44.5m and associated loan requirements	Q3 2015/16	CFO / Turnaround Director	Short term action plan to be submitted to Monitor, suggested date 30/9/15. To be inclusive of externally supported financial baseline work, emerging Turnaround and CIP programme and budget reviews undertaken by CFO	
C3	Turnaround Plan in development	Q3 2015/16	Turnaround Director	Discussions on-going with Monitor regarding options for plan development support	
A1	Discussions with Monitor to provide assurance that the plan accounts for the key risks and evidences sufficient improvement Phase 1 – short-term plan	Q2 2015/16	CFO	Regular telephone discussions with Monitor to review progress External support appointed to conduct a review of 2015/16 plan and underlying financial position. Short term action plan to be submitted to Monitor, suggested date 30/9/15. To be inclusive of externally supported financial baseline work, emerging Turnaround and CIP programme and budget reviews	

	Phase 2 – long-term plan	Q3 2015/16		Long term plan to be developed with support from Monitor. Business case for turnaround support to be discussed with Monitor. Current date of submission is 31/10/15.	
A2 & A3	Clear triangulation and mapping of 2015/16 contract risks to division and service line	Q2 2015/16	CFO	Finance & Performance Managers aligned to divisions Sanction Reporting and Forecasting at Divisional level in place from Month 3 Active recruitment to PLICS implementation posts	
A4 & A5	Weekly Turnaround Board meetings in place to identify 2015/16 and future opportunities		Turnaround and PMO Directors	CIP workstreams updates are a Turnaround Board standing agenda item	Y
A6	Recruitment drive for substantive and bank staff		Director of HR	Continuing efforts both with the UK and across Europe	
A7	Implement recommendations / identified areas for improvement from Baker Tilly review	Nov 14	CFO	Recommendations agreed by the Executive Directors – paper presented to November A&AC and progress monitored through Finance Committee	