Performance Governance "Light" Committee – Minute of Meeting
Thursday 02 July at 09.30am
Via Microsoft Teams

1.0 Attendance

Present: **Non-Executive Members**

Sheila Cowan (Chair)
Linda Semple
Marc Mazzucco
Joyce White
Ewing Hope

Board Advisor/Ex-Officio

Lesley Bowie	Board Chair
Gordon James	Chief Executive
David Stonehouse	Interim Director of Finance
In Attendance: Jennifer Wilson	Nurse Director
Roisin Kavanagh	Director of Pharmacy
Shirley Taylor	Committee Secretary (Minutes)

1.1 Apologies

The chair welcomed everyone to the committee. Apologies were received from Kirstin Dickson and Crawford McGuffie.

2. Financial Management Report

The Director of Finance shared the month 2 presentation with an agreed deficit plan of £45m inclusive of £10.9m sustainability plan. A deficit of £8.1m was reported, excluding HSCPs, with £0.550m adverse plan after two months. Savings delivery is being tracked and although subject to validation is showing £7.4m has been delivered.

The acute budget has been set with outturn levels, there are some pressures at month 2 however divisional review meetings are in place. This is being worked through at divisional level and the acute position is driven by under delivery of the savings programme.

Within ISS, £0-.6m is underspent with further developments to be incurred. Corporate is also underspent with some elements offsetting spend within the acute position.

Sizeable underspends are noted within the IJBs. Funding is in place in all budgets to ensure the commitment is delivered in terms of the reduced working week.

An additional £1.5m of access funding has been received for planned care and the delivery of this will be tracked. Another £6m of funding has been confirmed to deliver access targets for the remainder of the year.

In terms of risk the prescribing spend information at month 2 is in arrears at the moment but should still be on track. There may be some issues with non-pay inflation so this will be closely monitored. Unscheduled care will be managed through into the winter period and will factor into discussions regarding flow. Agenda for Change band 5-6 reviews are a key area of focus although there is a provision for this from last year's accounts. Respiratory will also be monitored closely.

Members were asked to advise what further detail would be required within the reports.

The Chair noted that the overall run-rate position appeared positive, with performance tracking at approximately £8m, however further detail was requested in a number of areas; clarification was requested on the profile of savings delivery given that limited savings has been reflected in months 1 and 2 and whether this represented a risk to delivery or whether savings were expected to be realised later in the year. Further detail was sought regarding the supplies and services position, including the overall underspend and the equipment overspend, and whether these variances reflected a temporary timing issue or would continue through the year. The NHS element of the partnership budgets was also highlighted in that the NHS element of the partnership budgets was currently underspent and clarification was requested on the underlying drivers of the current underspend. Finally, further information was requested on the risks outlined within the report, specifically the likelihood of those risks materialising and their potential financial impact.

The Director of Finance responded that a number of budget transactions still required to be processed which would alter the current position such as nursing budgets which were currently underspent, this is partly linked to the delivery of the savings programme however expenditure on bank nursing is performing better than anticipated. Housekeeping adjustments remain to be completed across a number of areas including drug expenditure. Over the coming months the finance team will be placing a greater emphasis on forward-looking analysis and forecasting. Further work will be undertaken to review the consumable and equipment spend and the current position remains favourable against the non-pay budgets overall. Historically, budgets had been set on an outturn basis in areas with recurring overspends. Increased grip and control arrangements are being applied in these areas. The Board recognises that there is a need for improvement in the ability to monitor consumable expenditure against activity levels to provide greater assurance over budget management.

In terms of the partnership budget positions there is a greater need for scrutiny and challenge to understand the cause of underspends which were thought to largely relate to vacancies. Discussions should not solely focus on financial performance but consideration should also be given to service quality implications and whether budgets were being managed effectively to deliver intended services. The Chief Executive added that this has been discussed at CMT and agreed that more challenge and scrutiny of partnership positions was required. In particular, attention would be given to community health worker vacancies and the impact that recruitment challenges may be having on delayed discharges and service delivery. It was also noted that robust virement processed should be in place and where funding is transferred from the Board to IJBs, there must be transparency regarding how those resources are being utilised and if not utilised as intended there should be clear discussion and challenge around this.

The current financial position was supported but it was highlighted there was a need for improved forecasting, greater understanding of non-pay expenditure trends, enhanced scrutiny of IJB underspends and vacancy positons, clear linkage between financial performance, workforce capacity and service delivery outcomes and stronger assurance that resources allocated through partnerships are being utilised effectively to support organisational responsibilities and priorities.

A committee member questioned whether there was a clear action plan for delivery of the acute savings target not achieved to date and how savings were being targeted across divisions and services, it was also question as to whether the organisation has sufficient visibility of delivery risks within high-pressured areas. The Director of Finance responded that the most significant risk was under-deliver of the overall savings programme. More than £10m of the schemes are currently assessed as high-risk (red-rated) with a further proportion rated as amber. A number of savings have already been identified but require to be formally transacted into budgets so delivery of the schemes continues to represent a significant challenge.

In terms of the better Value Savings Programme each division has been assigned specific savings measures and targets with the areas presenting the greatest risk of delivery being ED and Medicine. Work continues to identify additional opportunities and actions outwith acute services may help to alleviate pressure and contribute towards mitigation of the acute financial position.

A committee member raised concerns regarding the £0.5m adverse variance whilst largely progressing schemes assessed as green-rated with future delivery being increasingly dependent on amber and red-rated schemes giving a greater level of complexity and uncertainty. Greater understanding is required on the likely year-end outturn position, a realistic worst-case scenario and what actions are required to moved schemes from red to amber and then to green. The Director of Finance agreed that additional transparency would be beneficial however noted that green-rated schemes are not automatically regarded as easy savings to make. The Chief Executive emphasised the considerable effort being undertaken through the organisation and highlighted that green and amber schemes are supported by detailed POAPs and EQIAs and operational delivery plans are being completed where required. There is a greater need for detail and scrutiny regarding acute service delivery plans and savings delivery is routinely reviewed through divisional

meetings and CMT discussions. It was also noted that the plan does not include capital-to-revenue transfers and opportunities may exist in relation to CNORIS and prescribing Budgets towards year end.

A question was raised as to whether there had been any specific recommendations from External Audit on the FMR. The primary audit messages related to transparency and understand of savings delivery assumptions and although the report has been reviewed through a short life working group planned enhancements are being made to the report including improved visibility of monthly run-rate performance, clear narrative explaining variances, identification of recovery actions where performance is off track, alignment with monthly divisional assurance frameworks and greater emphasis on continuous improvement in financial reporting.

Workforce establishment reporting was discussed and it was agreed this would be considered as part of the improvements noted above.

ACTION – David Stonehouse

Outcome: *The committee received the Financial Management Report*

3. Best Value Update Plan

The Director of Finance reported continued improvement in the savings programme position with green-rated schemes now totalling £21.5m, an increase from £20.5m reported in May. A further £1.1m of identified savings is expected to move into the green category. £1.8m remained in amber and £7.9m remains in red. The largest element of risk continues to be within acute services, in particular the £4.2m efficiency programme. Further work is underway with finance colleagues to reconcile divisional plans, ensuring savings ae accurately reflected and remove any potential double counting. Overall the direction of travel is positive although significant delivery risks remain.

A number of areas contributing to savings delivery and future opportunities were reported. Nurse bank expenditure remains a key areas of focus with implementation of approved business cases expected to support recurring savings. Mental health escalation capacity arrangement s are expected to generate approximately £1m recurring benefit, although recruitment timelines mean some benefits will not be realised until later in the year.

Further opportunities continue to be explore through IT modernisation, overtime reduction, disestablishment of long-term vacant posts, invest-to-save initiatives and workforce redesign and advanced practitioner roles.

It was highlighted that NHS Scotland's £25m invest-to-save programme has attracted significant interest with 15 bids being submitted locally. An emphasis is being placed on advanced practitioner roles to support medical capacity and deliver services more efficiently.

Further work is also being undertaken through the redeployment process, current expenditure relating to staff awaiting redeployment was estimated to be between

£2.5 and £4m. The objective is to move staff more quickly into substantive vacancies to reduce ongoing cost pressures and improve workforce utilisation. Reduced working week funding and capital-to-revenue transfers continue to be monitored carefully. It was emphasised that non-recurring funding should not be relied upon to support recurring expenditure pressures.

It was questioned whether this position had been discussed at the Assurance Board and whether there had been any consideration of consequences should savings fail to materialise. It was responded that the assurance board discussions focussed primarily on moving schemes from red and amber into green through stronger delivery planning and mitigation. At this stage it was the view that appropriate actions were being taken and there was a reasonable degree of assurance regarding the current trajectory. The £45m control total should be viewed as the minimum level of delivery expected rather than an aspirational target.

Members discussed benchmarking opportunities identified through the assurance board process including average length of stay, hospital flow and discharge performance, polypharmacy reviews, medical locum expenditure and workforce productivity measures. The Director of Pharmacy emphasised that medicines optimisation work should be viewed as a quality and patient safety initiative, with financial benefits being secondary to ensuring patient receive the appropriate medical reviews and treatment.

The Nurse Director added that nursing services have already undertaken significant work to address unfunded capacity and improve supplementary staffing controls. Future savings delivery will be highly dependent on improvements in hospital flow, management of front-door pressures, success of wider unscheduled care improvement plans and continued discipline around workforce establishment and bank staffing expenditure. It was agreed it would be helpful to receive further updates directly from operational teams on the progress of improvement plans.

The Chief Executive advised that the assurance board have received updates on all previously identified actions and progress reports will continue to be provided at future meetings. A large multidisciplinary workshop has taken place involving more than 50 clinical and operational colleagues. The workshop focussed on identifying actions required to improve hospital flow and operational efficiency. A range of additional improvement opportunities and actions have been identified and are being progressed.

Members requested that future reporting should contain the savings delivery schedule and show the savings plan vs actual savings achieved to provide clearer visibility of delivery by programme to strengthen monitoring and support more focussed scrutiny especially within areas at risk of under-delivery.

It was agreed the Best Value Service Report would be updated to include actuals vs plan by service area.

ACTION – David Stonehouse

Outcome: *The committee received the plan*

3. Date and Time of Next Meeting

The next meeting will take place on Thursday 30th July at 14:00pm