

<b>Reporting to:</b>	<b>TRUST BOARD - 27 MARCH 2014</b>
<b>Title</b>	TRUST COMMITTEE MEETINGS UPDATE
<b>Sponsoring Director</b>	Julia Clarke, Director of Corporate Governance
<b>Executive Summary</b>	<p>The Trust Committee update contain a summary of the key points of each meeting from the Committee Chair:</p> <p>Audit Committee (05.03.14) Chair : Robin Hooper</p> <p>Finance Committee (25.03.14)* Chair : Dennis Jones</p> <p>Clinical Quality &amp; Safety Committee (17.03.14) Chair : Simon Walford</p> <p>Risk Committee (03.03.14) : Chair : Peter Herring</p> <p>*Due to the proximity of this Committee meeting to the Trust Board meeting, the papers will be sent electronically to Members, tabled at the meeting and also uploaded on to the Trust website.</p>
<b>Strategic Priorities</b> <input checked="" type="checkbox"/> Quality and Safety <input checked="" type="checkbox"/> Healthcare Standards <input checked="" type="checkbox"/> People and Innovation <input type="checkbox"/> Community and Partnership <input checked="" type="checkbox"/> Financial Strength	<b>Operational Objectives</b> <p>Provide the best clinical outcomes, patient safety and patient experience</p> <p>Deliver consistently high performance healthcare standards</p> <p>Strive for excellence through people and innovation</p> <p>Build a sustainable future</p>
<b>Board Assurance Framework (BAF) Risks</b>	<input checked="" type="checkbox"/> If we do not deliver <b>safe care</b> then patients may suffer avoidable harm and poor clinical outcomes and experience <input checked="" type="checkbox"/> If we do not implement our <b>falls</b> prevention strategy then patients may suffer serious injury <input checked="" type="checkbox"/> If we do not achieve safe and efficient <b>patient flow</b> and improve our processes and capacity and demand planning then we will fail the national quality and performance standards <input type="checkbox"/> If we do not have a clear <b>clinical service vision</b> then we may not deliver the best services to patients <input checked="" type="checkbox"/> If we do not get good levels of <b>staff engagement</b> to get a culture of continuous improvement then staff morale and patient outcomes may not improve <input checked="" type="checkbox"/> If we are unable to resolve our (historic) shortfall in <b>liquidity</b> and the structural imbalance in the Trust's <b>Income &amp; Expenditure</b> position then we will not be able to fulfil our financial duties and address the modernisation of our ageing estate and equipment
<b>Care Quality Commission (CQC) Domains</b>	<input checked="" type="checkbox"/> Safe <input checked="" type="checkbox"/> Effective <input type="checkbox"/> Caring <input type="checkbox"/> Responsive <input checked="" type="checkbox"/> Well led
<input checked="" type="checkbox"/> <b>Receive</b> <input checked="" type="checkbox"/> <b>Review</b> <input type="checkbox"/> <b>Note</b> <input type="checkbox"/> <b>Approve</b>	<b>Recommendation</b> <b>To RECEIVE and REVIEW Committee updates.</b>



## Audit Committee

Key summary points from the meeting held on Wednesday 5 March 2014

1. The Committee received a progress report from KPMG and were advised of work to review the Trust's Value for Money (VFM) arrangements against the two criteria of securing financial resilience and economy, efficiency and effectiveness. There was discussion around the issue of liquidity in relation to the 'going concern' issue, which although not directly relevant to non-FTs does need to be considered as a year-end issue. The issue of non-performance of commissioners was discussed and the auditors expressed the view that this was best delivered through Board to Board meetings rather than adversarial means. There was discussion around the realistic delivery of a £22m CIP target, given the Trust's previous performance and whether an over-reliance on this would mean that the current predicted deficit of £7.8m was over-optimistic. The impact of the QIA process on the overall Programme was also discussed and the need for early identification of substitute schemes so that the full-year effect could be achieved as well as the development of a clear two year rolling programme of CIPs. The Board needs assurance on these issues.

2. The Committee agreed that the Discharge Audit, originally planned for Q4 of 13/14 should be re-scheduled to Q2 14/15 to allow management changes to bed in.

3. The Committee discussed the Cash management and Budgetary Control Audits and expressed concern about the delay to the Futurefit programme and the impact this would have on the Trust's financial sustainability; as the strategic solution could be unduly delayed by political intervention. There was also recognition that for 2014/15 financial planning purposes the Board needed to be assured around the assumptions underpinning budget management eg sickness etc. The Auditors had also sent a letter separately to the chair of Audit Committee (see Attachment 1), which has been circulated to Board members regarding concerns about the current and forecast position of the Trust. Although their audits did not identify significant control issues there were concerns about the Trust's outcome position if no mitigating action were taken and recommended

1. Liaison with Commissioners regarding levels of income available to the trust
2. A credible, sustained and realistic plan that is clearly seen as the responsibility of all staff to deliver

The Audit Chair's response is attached (Attachment 2)

4. The Committee received the 18 week RTT Audit and the Fynamore Follow-up audit, which both received limited assurance and highlighted that whilst good work and clear protocols and understanding were in place in the Patient access Centre (PAC) this left roughly 40% of activity without such a robust framework. It was noted that these audits will be followed up by Finance Committee and the booking & Scheduling Board, but until process and systems are firmly in place, with adequate staff training, this continues to be a risk for the Trust and the rigour within PAC needs to be built upon. Due to the seriousness of concerns this is issue included in the Internal Audit Forward Plan for 2014/15 (see attachment 3) and will be reaudited in 2014/15.

5. The Committee received an update from Lorna Barry – Counter Fraud Specialist and were delighted to hear that NHS Protect had stated that the arrangement SaTH in terms of engagement at all levels and particularly the involvement of Counter Fraud in its Policy Approval process was 'the best they've seen in the NHS'

Mr R Hooper  
Chair of Audit Committee  
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25 February 2014

Dear Robin

## **Internal Audit: Financial position of the Trust**

Further to the completion of our recent financial controls audits I am compelled to write to you with my serious concerns regarding the current and forecast financial position of the Trust. Our recent reviews into Cash Management and Budgetary Control, whilst not identifying significant control issues, did raise concerns about the Trust's outcomes in these areas. In particular:

- The Trust's **current cash position** which was £3.3m in October and had been supported by a £3m loan from the NTDA and £1m overpayment from Specialised Commissioning; and
- The forecast cash position is a year end overdraft of £9.6m if no mitigating actions are taken.

Whilst I am aware that these positions have been reported at Board level, including mitigating plans to reduce the potential overdraft at year to £5.2m, I am concerned that the Trust takes every action at its disposal to remedy the financial position whilst maintaining appropriate levels of care for its patients. A failure to do so will bring serious consequences to the entity, which include liquidity and, potentially, going concern issues as well as serious interest from regulators and the press.

It is true to say that the Trust has been financially challenged for some years but in my experience of working with the Trust it has never reached the levels of cash and forecasts being reported. Equally, I understand some of the current position relates to historical issues. However, I consider it is incumbent on the Board of the Trust to take these matters seriously and consider how best to address them whilst taking appropriate levels of scrutiny, interest and follow up in the actions of management. I see this taking two courses:

1. To liaise with your commissioners to determine the levels of income they are able to provide the Trust; and
2. For the Trust to have a credible, sustained and realistic plan that is clearly seen as the responsibility of all staff at the Trust to deliver.

**Deloitte.**

I would welcome further discussion in this matter.

Yours sincerely

A handwritten signature in black ink, appearing to read "Gus Miah". The signature is written in a cursive style with a large initial "G" and a stylized "M".

Gus Miah, Head of Internal Audit  
Deloitte LLP

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12 March 2014

Dear Gus

### **Internal Audit: Financial Position of Trust**

Thank you for your letter dated 25 February, which I received on 5 March regarding concerns about the Trust's current and forecast financial position. Whilst recognising the historic nature of the financial challenges faced by the Trust you express concern about current levels of liquidity and encourage the Board to take these matters seriously.

In the interest of transparency I will share your letter with the full Board. I recognise that you have extended the scope of the audit comment to ensure that the Board were discharging their responsibilities in addressing these serious issues.

I am sure you will be aware that the Board is very focused on the need to live within its means and given the long-term underinvestment in the balance sheet, which in itself is a function of the ongoing structural deficit which has been acknowledged as a legacy issues from trying to run two small/medium hospitals with a full range of identical and duplicated services on both sites.

The Board have been considering the short, medium and long-term options available to us to deliver our financial, performance and safety duties, whilst moving to a sustainable model. We fully accept that the Trust cannot continue to operate in the way that it historically has and that we need to provide clear leadership in moving to a sustainable model that provides high quality but affordable healthcare to our communities.

This imperative has been the subject of health economy-wide discussions and is being led by the clinical leaders, with this Trust Board taking a positive and clear view on negotiating some external investment in our balance sheet in the form of transitional support as we move towards a new integrated and sustainable clinical service model being developed by the *futurefit* programme, which will take some time to shape and then implement.

There is much work going on behind the scenes and with all key stakeholders about the best way forward for acute and community hospital services and your concerns are just another reason why this work needs to be progressed without delay. We will be presenting our two year business plan to the Board at the end of March and then our five year plan at the end of June which will provide a clear route map to sustainability for SATH NHS Trust

On behalf of the Audit Committee, I can assure you that the Board has given a great deal of scrutiny and challenge to these issues and fully recognise the seriousness of the position. Going forward these matters will continue to be treated as the highest priority and with full recognition of their importance at Board meetings, Finance Committee and Audit Committee as well as by the whole organisation, and we will continue to work with the local health economy to share all issues and work towards a sustainable solution for the benefit of the communities we serve.

Yours sincerely

Robin Hooper  
(Non-Executive Director)  
SaTH Audit Committee Chair

Developing the Plan	Internal Audit Plan 2014/15	2014/15 Indicative Timing	Alternative Reviews	Appendices
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### 3. 2014/15 Indicative Timing

The table below sets out the individual core and advisory internal audit reviews proposed for 2014/15, levels of prior year assurance / coverage, timing of reviews which will be agreed with audit sponsors and named audit contacts.

Audit Area	2013/14 Assurance	2014/15 Timing				Audit Sponsor
		Q1	Q2	Q3	Q4	
<b>Governance statement</b>						
Assurance Framework	Substantial					Julia Clarke
<b>Core internal audit</b>						
Cash management	Substantial					Neil Nisbet
Income and debtors	Substantial					Neil Nisbet
Payments and creditors	Substantial					Neil Nisbet
Budgetary Control	Moderate					Neil Nisbet
Data Quality	n/a					Neil Nisbet
Workforce Budget Controls	n/a					Debbie Kadum & Sarah Bloomfield
<b>Payroll</b>						
Payroll	Substantial					Neil Nisbet
<b>IT Controls</b>						
IT Controls	TBC					Neil Nisbet
<b>Performance reviews</b>						
Workforce: Junior Doctor Sickness	n/a					Edwin Borman
Financial Recovery Plan	n/a					Neil Nisbet
Monitor Quality Governance Assurance Framework	n/a					Sarah Bloomfield & Julia Clarke
Contract Review	n/a					Neil Nisbet
<b>Contract management</b>						
Planning, control and Audit Committee attendance	n/a					

## Risk Committee

Key summary points from the meeting held on 3<sup>rd</sup> March 2014

The Committee:

- Agreed the prioritisation of risks which had taken place at Operational Risk Group.
- Updated the Board Assurance Framework including adding a new risk to the framework. This is the risk to sustainability of clinical services due to potential shortages of key clinical staff and was rated red. The Committee agreed that the 'safe care' risk had improved from 'amber' to an 'amber green' rating. Assurance was taken from the monthly performance report which has shown improving quality metrics; and from the latest Intelligent Monitoring Report (IMR) from the Care Quality Commission (CQC) where the Trust rating has improved from level 1 to level 4. It was felt that the IMR provided good assurance as the Trust was doing well on a large number of the clinical outcomes reported. The Committee felt that the falls risk had also improved from 'red' to 'amber' as the number of falls is decreasing and the falls action plan is delivering improvements. The 'clinical service vision' risk had deteriorated from an 'amber' position to 'amber red' largely due to proposed delays in the 'futurefit' programme.
- Received the Internal Audit report on the Board Assurance Framework which gave substantial assurance on the processes in place.
- Reviewed the Risk Management Strategy, Risk Committee Annual Report and Risk Committee Terms of Reference

Chair: Peter Herring

3<sup>rd</sup> March 2014

## Quality and Safety Committee

Key summary points from the meeting held on 17<sup>th</sup> March 2014

Our pre-meeting visit to RSH theatres gave us great confidence in the leadership and quality of patient care in that facility. Particularly creditable was full compliance with staff appraisal and mandatory training through an actively managed programme. We were able to see the substantial donations of equipment from the League of Friends clearly appreciated and in daily use.

We have discussed the reasons why “Ward to Board” metrics do not seem to be improving as fast as anticipated but remain confident that the issues are being kept under direct scrutiny of the senior team.

We have been keen to be assured that the conclusions of root cause analysis which follows every serious incident is factored into quality improvement strategies at every level of the organisation. The committee understands that this remains an area of constructive development. In terms of what goes wrong, we do now have some analysis of common themes and trends and we wonder if a general summary of the changes to operational systems and clinical care derived from this learning should be summarised for the Board in its public sessions.

We have on-going concerns about the QIPP programme across the wider health economy and how we will need to address the quality impact on hospital services of any more concrete proposals that may come forward. We would hope to see more constructive and open channels for discussion about the potential impact of initiatives on clinical and professional standards earlier in the formulation of wider strategy and a clearer understanding within the wider economy of the responsibilities of the Trust Board for patient safety, experience and outcomes within the hospitals.

Simon Walford, Chairman

19<sup>th</sup> March 2014