Agenda item 11
Paper J

THE NEWCASTLE UPON TYNE HOSPITALS NHS FOUNDATION TRUST

COUNCIL OF GOVERNORS

EXECUTIVE REPORT – CURRENT ISSUES

1. Finance and Overall Trading Position (Month 4 as at 31st July 2008)

The Finance Director shall give a presentation with particular emphasis on Income trend and emerging cost pressures. See attached dashboards. Further information will be provided in relation to the end of August position at the meeting.

A financial risk rating of 4.4 will be noted.

2. Patient Care Performance

The attached dashboards are self-explanatory. The Nursing & Patient Services Director will provide a commentary and seek comment on any aspect of distinct interest.

3. Healthcare Acquired Infection

Addressed under Matters Arising.

It is to be noted that an enhanced incidence of MRSA bacteraemia in July (6 cases) and August (5 cases) has put the Trust at the risk of not achieving the target of no more than 46 cases in 2008/09. This issue shall be considered in further detail at the meeting.

4. Monitor (Quarter 1 2008/09) Analysis

(i) The current ratings are

- **Financial Risk** 4 (range 1 – worst; 5 best)
- **Governance Risk** Green (range Red – high; Amber – Moderate; Green – low)
- **Mandatory Service Risk** Green

A one page at a glance Summary is attached together with complimentary aggregate performance data of the Foundation Trust sector all of which is provided on a need to know basis and to inform dialogue.

(ii) This all serves to reflect a satisfactory situation although as will be highlighted under 1 above. The Board is mindful of and taking the necessary action to mitigate against uncertainty as a consequence of national economic pressures and continue to ensure envisaged levels of productivity and cost containment are sustained.

5. Transforming Newcastle Hospitals (TNH) Investment Programme

Progress can be advised of.

(i) Freeman Hospital: Northern Centre for Cancer Care and the Renal Services Centre.

- Construction is now complete and to budget.
- Commissioning is underway with an occupation planned. The Outpatient Clinic for Renal patients is set to open on 22nd September 2008 and the first radiotherapy treatment session will commence on 13th October 2008.
- There will be dual running between the Northern Centre for Cancer Treatment, Newcastle General Hospital and the new facility up and until 19th January 2009 when the commissioning and decommissioning linea accelerators and a range of associated technology will be completed.
- Occupation of facilities that are linked to the specialist RO (Reverse Osmosis)Water System that services bed head points hence enabling haemodialysis to be undertaken in the Renal Services Centre continue to be of the subject of delay because of specialist user concern in relation to the effective design and safe operation of the plant and distribution network. Securing necessary quality assurance is proving to be a problematical issue. An update on developments will be given at the meeting.

(ii) Royal Victoria Infirmary.

Excellent progress with demonstrable quality of installation and finish is to be noted.

Informal visits by Governors to view the facilities and address progress are welcomed. Do not hesitate to contact Mrs J Ward in the Project Office (0191 2820291) and Mr Headley, Project Director will put the necessary arrangements in hand

6. IM&T Strategic Partner – Developing the Newcastle 'E-Record'

The 18 month implementation programme has satisfactorily reached the conclusion of the "proof of principle" phase. All in all, good progress can be advised of.

7. Redevelopment of the Newcastle General Hospital site

The planning application submitted on 18th December 2007 was finally registered on 25th July 2008.

It is anticipated that the Newcastle City Development Control Committee and are expected to determine the application on 23rd October 2008

8. The Sir Bobby Robson Foundation

The fundraising has reached £756,691 and fitting out of the Clinical Trials Unit within the new Cancer Centre is now underway.

9. Key Impact Documents from Government/Regulators

(i) NHS Constitution – Consultation (Department of Health July 2008)

Addressed under Matters Arising. Consultation closes on 17th October 2008.

(ii) Changes to arrangements for regulating NHS bodies in relation to healthcare associated infections for 2009/10: a consultation for the NHS (Department of Health 11th August 2008)

The current inspection programme against the Code of Practice for the Prevention and Control of Healthcare Associated Infections (HCAI) by the Healthcare Commission, provides reassurance to the public and patients that the required standards are being met in relation to infection control. It also reassures organisations that they are taking the necessary measures to prevent and control infections, highlighting any steps that need to be taken to improve their services and patient care.

From April 2009, the Care Quality Commission will take over responsibility for health and social care regulation. It will continue to monitor compliance on HCAI by the NHS, but will be able to use additional enforcement powers and take prompt action where patients are at risk.

This document launches a ten-week consultation with the NHS on proposals for how the Care Quality Commission will carry out these functions in 2009/10 and improve services for patients across England.

(iii) Review of Foundation Trust Annual Plans 2008/09 (Monitor 21st August 2008)

Addressed under item 12. Foundation trusts have signalled their response to Lord Darzi's NHS review with plans for capital expenditure of £1.4billion. Significant investments will include the provision of services previously delivered by primary care trusts and some major redevelopment plans. The investments will enable trusts to develop services and make improvements to the environment in which they are provided.

The strong financial performance of foundation trusts is expected to continue in 2008/09, with a combined net surplus (before exceptional items) of £339 million forecast. Most Foundation Trusts intend to utilise their financial freedoms, some to deliver ambitious developments over the short to medium term. Over the next few years Monitor expects to see an increasing number of trusts using their surplus income and cash balances as a platform to undertake staged redevelopment and replacement of existing facilities.

In the area of governance, MRSA and C.difficile, a new national target for 2008/09, are seen as the key risks in the delivery of service performance. Most NHS Foundation Trust Boards are anticipating the successful delivery of all of the main targets within the contractual arrangements agreed with their commissioners. The delivery of 18-weeks waiting targets by the end of 2008 is not seen as a risk by any of the Foundation Trusts.

(iv) "Making Healthcare Safer for Patients" – Healthcare Commission Annual Report 2007/08 (August)

The report describes improvements in Annual Health Check performance by Trusts in 2007/08 in comparison with the previous year. 120 acute hospital Trusts were inspected for compliance with the "Code of Hygiene" and the Commission flags the intention to inspect all acute hospitals in the course of 2008/09. An overview of the national maternity services review is given (as reported to Governors in July). 2008/09 will in large measure be a transition year to the establishment of the Care Quality Commission in April 2009.

(v) Independent Inquiry into Access to Health Care for people with learning Disabilities – Published July 2008

The Inquiry was established to identify action needed to ensure adults and children with learning disabilities receive appropriate treatment, primarily in General Acute health care and with reference to wider health services.

The Inquiry Chairman Sir Jonathon Michael has written to the Trust and in particular to stress:

"You may wonder whether this is relevant to you and your organisation. I asked myself the same question when the Secretary of State for Health approached me to lead the Inquiry; as a former consultant physician and ex Chief Executive of Guy's and St Thomas' NHS FT, I did not have any special expertise in learning disabilities.

I have since recognised that addressing the difficulties faced by people with learning disabilities in accessing high standards of healthcare does not require specialist knowledge about learning disabilities. The requirement is to make the health system across the country work as effectively for the most vulnerable group of the population, as it does for any other.

It was shocking to realise that the cases described in Mencap's report 'Death by Indifference' were by no means isolated, despite the existence of a clear framework of legislation against discrimination and requirements on all NHS organisations that they comply with the law. Those with accountability for the management and governance of NHS organisations need to assure themselves of their compliance. Indeed, I hope that my report prompts you to ask questions about your own service.

I also hope my report is of very practical value to you and your Trust. I am clear that we do not need new legislation or policy framework. Many of the most important changes are relatively easy to make and there are examples of very good practice in my report to illustrate this. They show, for example, how to make 'reasonable adjustments' to services, as defined in legislation. This ensures that 'equal' (not necessarily 'the same') treatment can be provided for

people with learning difficulties when they try to do access the NHS as others do when they are physically ill".

The Inquiry found convincing evidence that people with learning difficulties have higher levels of unmet need and receive less effective treatment, no matter what the extent of legislation. In particular good practice was '**very patchy and far from common'.**

There are 10 recommendations which concern the 'reasonable adjustments' that are needed to make health care services as accessible to people with learning disabilities as they are to other people. An annual health check; support when a visit to hospital is needed; help to communicate; better information, and tighter inspection and regulation will all work to reduce inequalities in access to and outcomes from healthcare services.

The issue has been touched upon by Governors at a previous meeting and now with the publication of the Inquiry findings and recommendations, the Chairman and the Nursing and Patient Services Director will be driving matters forward and shall be seeking the commitment of a group of elected Governors to assist in the task. The involvement of Professor Jean Potts in some early deliberation has been invaluable.

(vi) Department of Health Organ Donation Task Force

The Secretary of state has accepted all of some 14 recommendations arising out of a report from the Organ Donation Task Force (ODTF) and endorsed findings which put in place a broad spectrum of changes necessary to increase organ donation by 50% over the next 5 years. This, if successful shall result in an additional 1200 organs a year being available.

Specifically the ODTF report recommendation 4 states "discussions about donation should be part of all end of life care where appropriate. Each Trust should have an identified clinical donation champion and a Trust Donation Committee to help achieve this".

The National Blood and Transplant Authority is seeking a commitment from the Trust to introduce and develop systems and practice with reporting to national level and monitoring by NHSBT and the ODTF Programme Delivery Board.

As things stand in the North East Donor Transplant Coordinators are employed by the Trust but it does appear shall be transferred to NHSBT employment in 2009/10. Across the country a further 100 coordinator posts are to be established and NHSBT shall be assigning these to the Trusts on a full or part time basis.

As a leading transplant centre (213 solid organs transplanted per annum) we believe we are very pro-active in this area and shall await development at a national level. In the meantime Mrs Heather Abrahams has kindly agreed to chair the Donation Committee and a Clinical Donation Champion is to be appointed although this cannot be done with independent external assessor participation, endorsed by the ODTF Programme Delivery Board.

(viii) Payments by Results (Pbr) Data Assurance Framework 2007/08 – Audit commission

Received at the time of writing, the report contains the summary analysis arising from the Pbr clinical coding audit undertaken at all Acute Trusts in England.
It provides the first ever comprehensive national picture of the quality of data underpinning not only financial but clinical and commissioning information.

The findings and impact (if any) on the Trust are to be addressed by the Board of Directors.

10. Expressions of Interest for the provision of 'Primary Medical Care and related services' in Newcastle upon Tyne and Greater Tyneside

NHS 'North of Tyne' has advised of the outcome and an update will be given at the meetings on developments.

11. Sale of the Sanderson Hospital Site

The deteriorating economic climate and particularly the slump in the housing market have served to frustrate completion of the sale to Taylor Wimpey UK Ltd. Hence the housing development for which a planning approval was secured in January 2008 is no longer likely to proceed. An update will be given at the meeting.

12. Trust Website

Upgrading and refurbishment of the web-site has proved more challenging than envisaged. Governor input is sought and the pro-active involvement of Mr Maurice Harvey in pursuing further enhancement is already very much appreciated.

13. Business Director

Martin Pettifor left the Trust in August 2008 and steps are being taken to replace this Executive Director post with a Chief Operating Officer or equivalent, to directly assist and deputise for the Chief Executive in a range of operational and strategic matters, as well as taking the lead in new business, external relations and membership development.

Sir Leonard Fenwick CBE
Chief Executive
12th September 2008

THE NEWCASTLE UPON TYNE HOSPITALS NHS FOUNDATION TRUST

FINANCIAL POSITION : JULY 2008

1. Executive Summary

This paper sets out the draft financial position of the Trust for the period from 1st April 2008 to 31st July 2008 (Month 4).

2. Summary of Financial Position : July 2008

A summary of the financial position is reported below:

a) **Income and Expenditure** • Financial Targets	The Trust reports an overall Risk Rating of 4.4 and this demonstrates satisfactory performance. It also reports an 'EBITDA' surplus of £19,786k (Plan: £20,294k) and an I&E surplus of £8,411k (Plan: £8,106k). The improvement on the prior period is due to income, primarily a credit resulting from the impact of the 'Emergency Activity Adjustment.' Expenditure pressures serve to reduce the resultant surplus.
• Income Position	Income exceeds financial plan by £6,447k and the following issues are noted. (a) Over performance against Service Level Agreements of £550k is reported (based on estimated income for Month 4). (b) The impact of the 'Emergency Activity Adjustment' is a benefit of £1,016k at month 4 [Plan (£1,333k): Actual (£317k)]. (c) Specialist Services report over performance of £2,298k. This results from over performance across the whole specialist portfolio including BMT, ECMO, Heart, Liver and Pancreatic Transplantation and in particular Adult VAD's. The position is also influenced by income and expenditure on high cost drugs, particularly Haemophilia Blood Products. This latter income is directly matched by spend. (d) Other NHS Patient Care Income reports a surplus against plan of £831k. This variance is due almost entirely to a positive variance on drugs excluded from PbR. This income is matched by spend. (e) 'Non-Patient Care Income' reports a surplus against plan of £1,661k. This relates to income for Research and Development recently advised by the Department of Health, and Category C income. This includes income for EU Emissions, additional Medical Physics and an expansion to Occupational Health trading.
a. Expenditure Position	In terms of expenditure the following issues are relevant : (a) The cost of Waiting List Initiative payments to the end of July 2008 totalled £2,442k and this is £1,741.1k more than anticipated. This is demonstrated as:

	Plan £'000	Actual £'000	Variance £'000
In house costs	323.3	178.5	1,461.2
Nuffield cost	376.6	636.6	260.0
Gateshead Contract		19.9	19.9
	700.4	2,441.5	1,741.1

This overspend is funded , in part, by slippage on service developments.

(b) Progress is slower than ideal as regards the identification of Directorate CIP plans. This presents as a cost variance of £2,864k in the month 4 accounts.

(c) Estates non-pay budgets are significantly overspent and the subject of investigation and discussion with senior personnel.

(d) The above pressures are afforded by an underspend against pay expenditure of £3,334k. A large proportion of this relates to medical staffing.

b) **<u>Cost Improvement Programme</u>** • 2008/09 CIP requirement = £13.6m • +c/f from prior years (net) = <u>£8.4m</u> £22.0m	The likely Corporate, Directorate & TNH savings forecast for 2008/09 as at the end of July 2008 is £15.2m (69.1% of target). There is still considerable concern that directorates have not sufficiently developed their savings plans, particularly those who carried forward significant undelivered balances from the previous financial year.
c) **<u>Capital Expenditure</u>** • 2008/09 Capital Plan = £33.0m • 2008/09 Forecast expenditure = £41.2m • £8.2m variance due to: o £3.6m Additional schemes funded by PDC o £0.6m Individual scheme overspends anticipated o £3.6m Additional schemes approved internally o £0.4m Other net movements	At July 2008, capital expenditure was £9.2m which is only £0.4m behind the plan profile. However, the forecast expenditure for the financial year is now £41.2m, which is £8.2m in excess of the capital plan – largely due to some additional schemes now approved that were not in the original capital plan (some of which are anticipated to be funded via additional PDC) and forecast overspends on some specific schemes.
d) **<u>Financial Risk Ratio</u>** • Consolidated Risk Rating, measures on a range of 1 (lowest rating) to 5 (highest rating). • Margin	The Trust Risk rating at the end of July 2008 was 4.4. This is a very acceptable result which demonstrates above satisfactory performance. Attention should be very much focused on maintaining the 'EBITDA' margin as this is a primary indicator of the efficiency of trading activities. Cost pressures, such as WLI costs, do restrict income contribution.
e) **<u>Liquidity</u>**	The Trust cash balance on 31st July 2008 was £53.3m of which £18.3m was invested in the PGO with an interest rate of 4.75% and £35m in commercial banks at a rate of 5.39%.

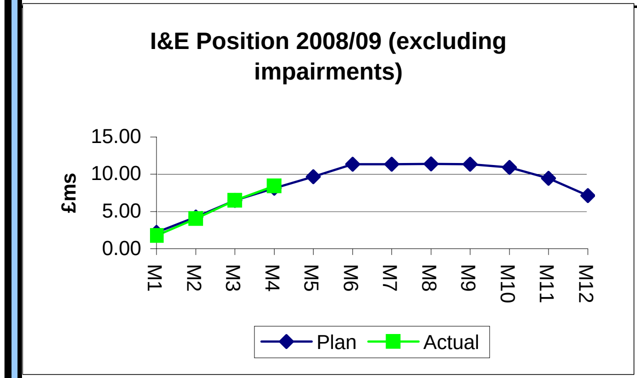
3. Recommendation

To receive the financial position for the period 1st April 2008 – 31st July 2008 and acknowledge a satisfactory position.

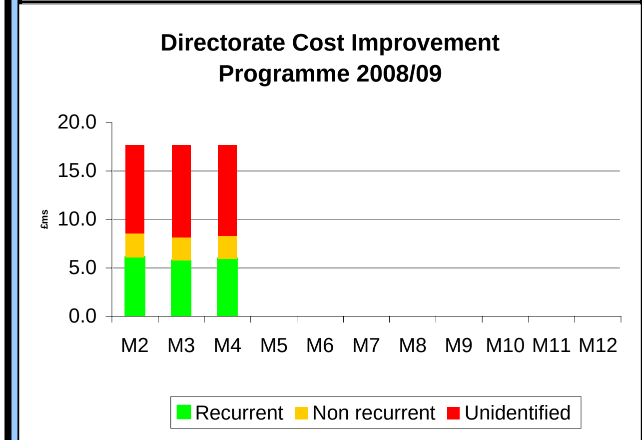
Angela Dragone
Deputy Finance Director
12th September 2008

Financial Overview as at 31st July 2008

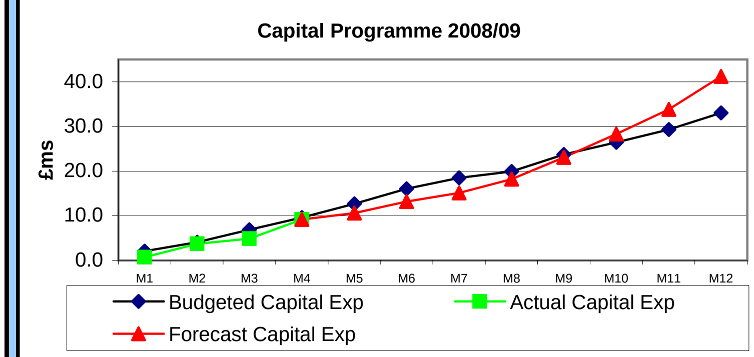
Income and Expenditure



	Plan £ms	Actual £ms	Variance £ms
EBITDA *****	20.3	19.8	-0.5
Operating Surplus	11.7	11.8	0.2
I&E Surplus £ms	8.1	8.4	0.3
Margins	**Plan %**	**Actual %**	**Variance %**
EBITDA Margin	9.0	8.6	-0.5
Operating Margin	5.2	5.1	-0.1



Balance Sheet



Liquidity	£ms	Risk
Cash	53.3	
Debtor Days	10.9	
Current Ratio (Liquidity)	1.5	
Working Capital Facility	50.0	
Prudential Borrowing Limit	129.1	
BPPC	87.15%	

RISKS

Delivery of SLA Activity	
Management of Waiting list initiative costs	
Achievement of CIP	
Estates/Energy and Utility expenditure pressures	
Forecasting cost consequences of 'NICE' drugs	
Recruitment to vacant posts	

Financial Risk Rating 4.4

Risk Rating Explanations

	Weighting	Actual	Rating	Risk Rating Explanations
Underlying Performance				
EBITDA Margin	25%	8.6%	3	Actual EBITDA divided by Income for the period
Achievement of Plan				
EBITDA Achieved	10%	97.5%	4	Actual EBITDA divided by Planned EBITDA
Financial Efficiency				
Return on assets excluding dividend	20.0%	8.5%	5	Surplus + dividend + impairments divided by average net assets
I&E Surplus Margin net of dividend	20.0%	3.6%	5	Surplus + impairment divided by income for the period
Liquidity				
Liquidity Ratio (days)	25%	52	5	Cash plus debtors plus unused working capital facility minus creditors and accrualsexpressed in number of days operating expenses that could be covered

The Newcastle upon Tyne Hospitals NHS Foundation Trust **Dashboard 1**

Healthcare Commission Targets **July 2008**

National Priority Indicators

Patient Focus and Access	Target	Mthly position	Risk rating	
Cancer 2 week wait (Jun 2008)	100%	100%		
Cancer 31 days (Jun 2008)	98%	100%		
Cancer 62 days (Jun 2008)	95%	95%		
18 wk pathway admitted care (prov)	90%	87.6%		↑
18 wk pathway non-admitted care (prov)	95%	95.3%		↑
Safety	**Target**	**YTD position**	**Risk rating**	
Reduction in MRSA bacteraemia	46	15		
Reduction in C Diff bacteraemia (age >2 years	550	115		
Health and Wellbeing				
Breast feeding initiation	>62.6%	58.90%		↓
Smoking during pregnancy	<14.6%	18.70%		↓
Clinical Quality				
Data Quality Maternity episodes - target and source of data to be established				

Existing Commitment Indicators

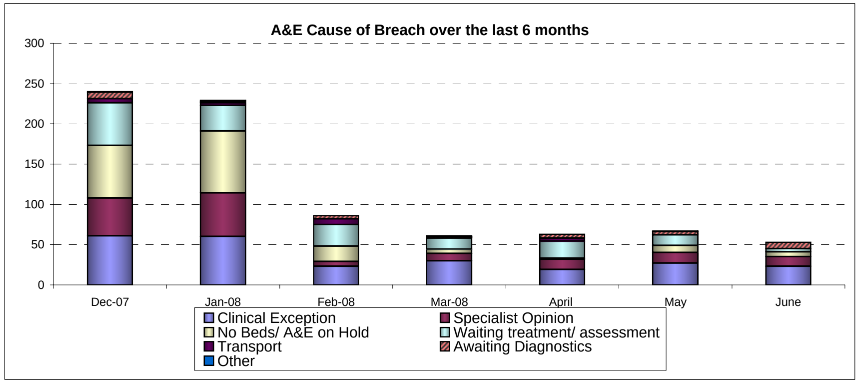
Health and Wellbeing	Target	YTD Position	Risk rating	
Data quality on ethnic group	100%	89%		↑
Clinical Quality				
Thrombolysis 60 min call to needle time (07/08)	68%	72.1%		

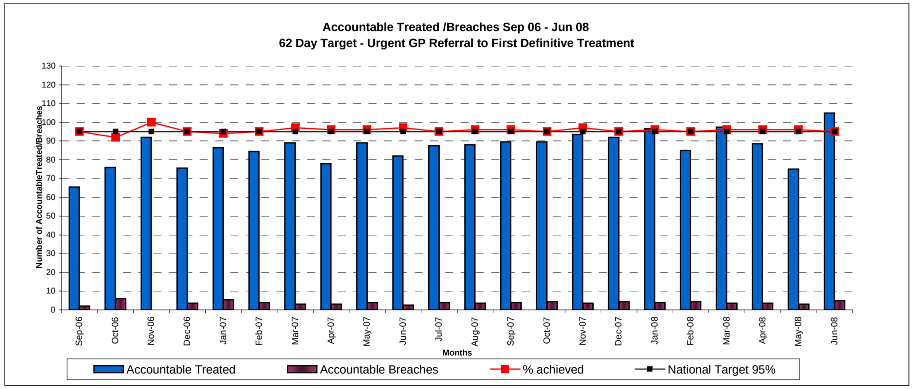
Patient Focus and Access	Target	YTD Position	Risk rating
Delayed transfers of care (Q1)	minimal	0.8%	
4 hour A&E wait (Q1)	98%	99.5%	
Inpatient and daycase 26 week wait (YTD)	0	0	
GP Outpatient 13 week wait (YTD)	0	0	
3 mth max wait for revascularisation (YTD)	0	0	
2 week rapid access chest pain clinic (Q1)	100%	100%	
Cancelled operations (Q1)	0.8%	0.4%	
Breaches of 28 day readmission (Q1)	<5%	3.6%	

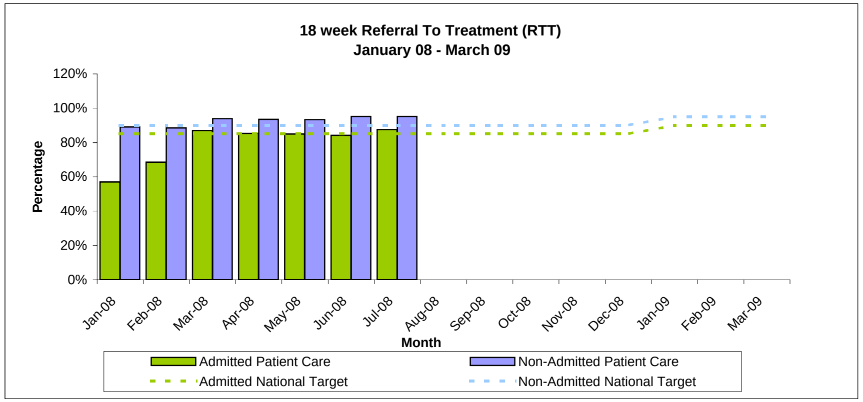
Local Stages of Treatment Indicators	Mthly position	Risk rating
6 week diagnostic wait	0	0	
20 week IP and DC wait	100%	100%	
11 week OP wait	100%	100%	

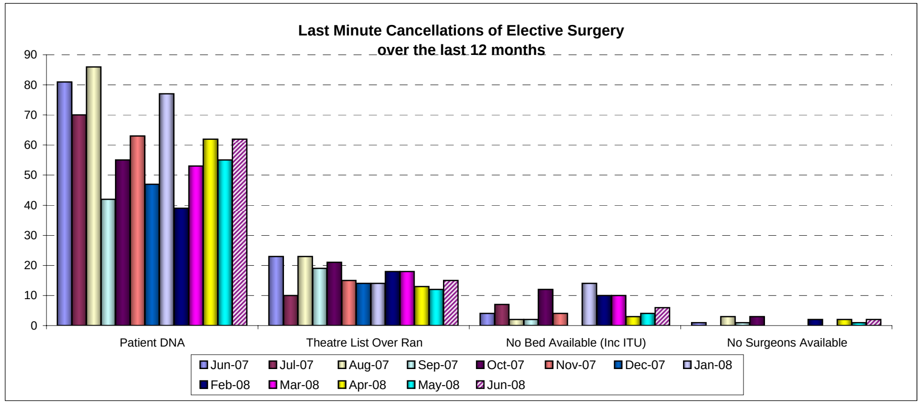
Risk ratings

High	
Medium	
Low	









Note: Activity Indicators marked with an "arrow" highlight movement in performance from the previous month, even if this is marginal.