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| ABM University Health Board | |
| Date of Meeting: 23rd April 2018 Name of Meeting: Performance & Finance Committee Agenda item: 2h | |
| Subject | <i>Recovery and Sustainability Programme</i> |
| Prepared by | Dorothy Edwards, Deputy Director – Recovery & Sustainability |
| Approved by | Lynne Hamilton, Director of Finance |
| Presented by | Dorothy Edwards, Deputy Director – Recovery & Sustainability |

1.0 Situation

This report provides an update on the progress of the Recovery and Sustainability Programme in April 2018 in developing work stream project plans to deliver the financial savings programme for 2018/19 in line with the Health Boards Annual Plan. The paper provides an updated assessment of delivery confidence following the meeting held in March 2018 and seeks to provide assurance to the Board on progress since the last meeting. The paper refers to a separate agenda item that covers the approach to financial delivery and budget setting in more detail.

2.0 Background

The financial plan for 2018/19 is set out within the Annual Plan for the Health Board. This was agreed by the Board in March 2018 and includes a financial plan that indicates that the Board is planning to deliver a deficit position no worse than £25m by the end of the financial year 2018/19. The financial plan is intended to drive tangible, planned and sustainable progress towards a financially sustainable position. The Board has improved its position during 2017/18 and it is important that this progress is accelerated in 2018/19.

Performance and Finance Committee (PFC) received a comprehensive report in February setting out the approach to financial planning in 2018/19 and alignment with the Recovery and Sustainability (R&S) Programme which is providing the formal delivery and monitoring framework for savings realisation. An update on progress was also presented to the meeting in March.

The Board is focussed on reducing the Health Board's escalation status and the Recovery and Sustainability Programme has been reshaped to support this ambition. Programme work streams have been aligned to the financial plan (waterfall) to provide:

- greater transparency around accountability and delivery responsibility, with assigned Executive leads;
- assurance around the granularity, realism and deliverability of action plans;
- greater and ongoing visibility around progress and monitoring, including financial savings; quality, safety and performance impact; and wider benefits realisation;

- an escalation mechanism when delivery trajectories are not being met, to include recovery actions and remedial plans.

The Committee also noted the revised approach to budget setting and planning which includes:

- the rebasing of budgets to reflect the reduction in the underlying deficit by £2m to £34m
- the revised approach to budget setting with a change from a traditional flat line cost improvement programme (CIP) to a strategic savings programme to be delivered through Executive led work streams
- the revised approach to budget delegation and accountability through delegation letters from the Chief Executive to Service and Executive Directors
- a new approach to the management of reserves
- the launch of a new internal investment fund.

The Committee also noted the work being undertaken to:

- develop project outline documents for each work stream
- complete an initial RACI (defining who is Responsible, Accountable, a Consultee or recipient of Information)
- develop a programme risk register
- develop detailed milestones and a Gantt chart
- develop the CIP trackers to support reporting against both Unit and work stream delivery plans.

3.0 Assessment

At the last PFC meeting in March, a delivery confidence assessment was presented. The assessment highlighted that there was considerable further work required in the majority of work stream areas to improve delivery confidence. Only one work stream was assessed as having detailed plans with the level of granularity and financial profiling that was required to offer assurance to the Board. Subsequently, the Board meeting in March noted that full assurance could not be provided but that further work was being undertaken to strengthen project plans at a work stream level.

Since then, all work stream leads have been asked to strengthen their plans and a number of individual meetings have taken place with Senior Responsible Owners (SROs) and the Chief Executive to test plans. The R&S Programme Board met on 17th April and reviewed progress.

The Programme Board now have in place:

- A programme wide risk register, and risk logs held at a work stream level (there are a small number of work streams who are continuing to identify their risks)
- A Gantt chart with detailed milestones for quarter 1, and outline milestones for Q2-Q4 that will be firmed up each quarter
- An agreed RACI matrix
- Revised documentation for highlight reporting

- Revised CIP trackers which will be updated weekly which will be used to track progress on individual schemes and will supplement wider programme reporting through the Programme Board.

There has been progress in firming up plans in a number of areas and this work has aligned with the budget setting process to provide a monthly delivery profile that sets out how the savings will be realised across the financial year and within which Unit. This information has been updated on the CIP tracker.

There are some work streams where this is not possible as granular plans are not available and therefore indicative profiles have been used as part of the budget setting process which will be adjusted as plans develop.

The majority of work streams have an improved assessment as plans have been firmed up and further work has been undertaken to develop a robust financial profile. It is important to acknowledge that traditionally at this point in the financial year, it is not unusual to expect that there are gaps and risks within the financial savings plan. It is important however, that SROs and Delivery Units work closely together to identify schemes within the respective work stream areas and that all opportunities for savings are robustly tested. A pipeline approach should also be considered whereby new opportunities for recurring or non recurrent savings that can mitigate slippage in the overall programme.

In overall terms, delivery confidence has improved since March and a summary is provided at Appendix 1.

There are three areas where delivery confidence remains low:

- **Review of Mental Health Services** – this work stream was originally established on the premise that there was a significant gap between the Health Board's expenditure on mental health services (as evidenced in our programme budget) and the amount of funding within the ring fenced allocation. However, subsequent exploration has identified that there are a number of factors at play and that the actual gap between spend and programme budget is not significant. Attention has therefore switched to identifying other opportunities within mental health services including reviewing models of care, secondary care prescribing and opportunities for service transformation. Early discussions have taken place but there is no firm plan yet available. The SRO has been asked to develop a plan within the next 2 weeks
- **Workforce Redesign** – this work stream was established to focus on the potential opportunities for workforce resizing highlighted by PwC in their 2017 Opportunity assessment. A detailed analysis of the workforce profile across therapies and health sciences has been undertaken. A workshop will take place before the end of April to shape a delivery plan.
- **Reducing Waste, Harm & Variation** – the original 'Value Based Healthcare' and 'Clinical Administrative Commissioning' element of the financial plan was considered to not accurately describe the task required and therefore the more generic term is now used to describe the proposals. Work on clinical variation began in 2017/18 but the work is now being refreshed to focus on

other opportunities. Again, a more detailed plan has been requested from the SRO.

The appendix also contains an assessment of progress in taking forward a programme of service change which was initiated in 2017/18. Since March, progress has been made in shaping a number of service change proposals within each Delivery Unit. Some of these changes (alongside some changes initiated in 2017/18 on a temporary basis) are now the subject of formal engagement phase and will be discussed again with the Community Health Council in April prior to engagement in May and June. A verbal update will be provided to the Committee on this element of the programme.

Risk and Opportunity Assessment

In light of the current position, it is important that the Committee considers the impact of the current delivery status on its financial plan. Some initial work has been undertaken to identify risks and also potential mitigating opportunities. This is contained within a Risk and Opportunities Register which is set out at Appendix 2. This will be updated and presented to PFC on a monthly basis.

4.0 Recommendations

Performance and Finance Committee are requested to:

- Note the progress made since the last meeting in strengthening programme arrangements
- Note the improved delivery confidence in a number of areas
- Note the level of risk associated with a number of schemes where delivery confidence is low and the work that is being undertaken to develop detailed plans
- Discuss the risks and opportunities schedule and the potential actions that may need to be considered if the delivery confidence across the Programme as a whole worsens.

Recovery and Sustainability Programme – Assessment of Delivery Confidence – April 2018

| Work stream | Project | Financial Plan 2018/19 £m | Quarter 1 milestones | Monthly financial delivery profile | Last month PMO assessment (March) | This month PMO delivery assessment (April) |
|-------------------------------------|-------------------------------|-------------------------------------|-------------------------|---------------------------------------|--------------------------------------|---|
| Workforce Delivery | E Rostering | 3.500 (Unit cost down target) | Yes | Indicative | Medium | Medium |
| | Staff Health & Well Being | | Yes | Indicative | Low-Medium | Medium |
| | Premium cost | | Yes | Indicative | Low | Medium |
| Workforce Redesign | Schemes not yet identified | 1.700 | No | Indicative | Low | Low |
| Value Based Procurement | Procurement Initiatives | 2.500 | Yes | Indicative | Medium | Medium-High |
| | QVC Tier 1 | 1.500 | Yes | Indicative | Medium | Medium-High |
| Reducing Waste, Harm & Variation | Being scoped | 2.000 | No | Indicative | Low | Low |
| Medicines Management | Biosimilars Home care | 1.000 | Yes | Indicative | High | High |
| Mental Health Services | Being scoped | 2.250 | No | Indicative | Low | Low |
| Service Remodelling | | See separate analysis | | | | |

Recovery and Sustainability Programme (Service Remodelling) – Delivery Confidence - April 2018

| Work stream | Project | Financial Plan 2018-19 £m | Delivery quarter | Quarter 1 milestones | Monthly financial delivery profile | Last month PMO assessment (March) | This month PMO assessment (April) |
|-----------------|---|-------------------------------------|---|-------------------------|---------------------------------------|--|---|
| Singleton | iCOP model & redesign of rehabilitation | 0.806 | Q2 | Yes | Yes | Low | Low-Medium |
| Morrison | Remodelling of surgical beds | 1.129 | Q1/Q2 | Yes | Yes | Low | Medium |
| NPT | Improved community services | 0.806 | Q2 | Yes | Yes | Low | Medium |
| Hafod y Wennol | Remodel complex care | 0.263 | Q2 | No | No | Low | Low |
| POW | Remodel services (being scoped) | 1.080 | TBC | No | No | Low | Low |
| PCS (Gorseinon) | Remodel services | 0.375 | Options being assessed at Service Remodelling work stream meeting on 24/04/18 | | | | |
| PCS (Maesteg) | Remodel services | - | Options being assessed at Service Remodelling work stream meeting on 24/04/18 | | | | |
| | Total | 4.459 | | | | | |

Appendix 2

Risks and Opportunities Register – April 2018

| # | Issue | Description | Opportunity (Best Case) £000 | Risks (Worse Case) £000 | Most Likely £000 | Key Decision Point and Summary Mitigation | Risk Owner Name |
|----|--|--|------------------------------|-------------------------|------------------|---|--|
| | Annual Plan Deficit | | -25100 | -25100 | -25100 | | |
| 1 | Underlying Position Savings not Delivered | \$117 anticipated income not able to be recovered or offset by counter-charges | -500 | -1400 | -1400 | Review and discussions ongoing with LAs to develop a clear charging protocol and to review existing client arrangements. | David Roberts, Service Director, MH&LD |
| 2 | Underlying Position Savings not Delivered | Slippage or no plan to deliver the service changes anticipated within the underlying position | -500 | -1100 | -1100 | Consultation on some schemes has commenced and slippage is being minimised. Where no plan to deliver the service change is in place or service change is no longer considered viable, alternative schemes are being sought. | Sian Harrop-Griffiths, Director of Strategy |
| 3 | Operational expenditure reductions are not sustained | Operational expenditure reductions experienced in 2017/18 are not sustained and some increase in operational expenditure is experienced. | 0 | -2000 | -1000 | Financial Control measures to be continued, including vacancy control panel. | Chris White, Interim Chief Operating Officer |
| 4 | 2018/19 Savings not fully delivered | Not all of the £21.273m 2018/19 savings requirement has been fully identified. This therefore increases the risk of non-delivery | -2000 | -5000 | -5000 | The identification and delivery of savings are being closely reviewed by the Recovery & Sustainability Programme Board chaired by the CEO and through the Service Financial Recovery Meetings. Continued non-delivery will be escalated, to enable mitigating actions to be considered. | Lynne Hamilton, Director of Finance |
| 5 | ChC Ombudsman | The annual plan includes £1.5m for the settlement of ChC Ombudsman claims. There is a potential that if all claims are fully discharged in 2018/19, the impact could be higher than £1.5m | 0 | -600 | 0 | Review settlements and closures on a quarterly basis | Lynne Hamilton, Director of Finance |
| 6 | Nurse Staffing Act | The HB has reviewed the NSA compliance across the 39 wards included within the NSA. Whilst compliance has been confirmed with the basic principles of the NSA, further work is being undertaken on acuity and professional judgement | -500 | -1500 | -1000 | Initial scrutiny panels have been held. Further benchmarking and peer review to be undertaken prior to a follow up scrutiny panel | Angela Hopkins, Interim Director of Nursing & Patient Experience |
| 7 | Non-recurrent Mitigating Benefits | It is anticipated that Non-recurrent mitigating benefits will materialise in 2018/19 | 5000 | 3000 | 4000 | Whilst these non-recurrent mitigating benefits are not yet confirmed/planned based on previous years, this range would seem reasonable | Lynne Hamilton, Director of Finance |
| 8 | Mitigating Actions - Holding of Commitments | The financial plan includes a range of expenditure commitments to improve service sustainability and efficiency. To enable the identified risks to be managed some of these could be held back. | 0 | 1000 | 1000 | Expenditure commitments reviewed and commitments to be held identified. An assessment of the impact of these actions on performance and service delivery must be undertaken | Lynne Hamilton, Director of Finance |
| 9 | Mitigating Actions - Internal Invest to Save Programme | The HB has established an Internal Invest to Save programme. This could be held back if identified risks are not able to be managed | 1500 | 1500 | 1500 | Very few schemes have been identified against this internal Invest to Save Programme currently. Any use of this funding needs to be held until the end of Q1, whilst the risks and mitigations are assessed. | Lynne Hamilton, Director of Finance |
| 10 | Mitigating Actions - Further Enhanced Controls | In order to support the management of the identified risks, further enhanced controls could be introduced | 4000 | 4000 | 3000 | At the end of each month, the performance and the management of the identified risks will be assessed and further controls escalation measures taken as required. | Lynne Hamilton, Director of Finance |

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| - | 18,100 | - | 27,200 | - | 25,100 |
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