

Objective 5 – Well Led			
Priority ID and reference	5.A Live within our means to remain financially sustainable	Director responsible	Chief Finance Officer
		Initial Risk	S5 x L3 = 15
Key Action for 2014/15 objectives and description of any potential significant risk to this priority	5.A.1 Failure to deliver income plan	Current rating	S5 x L3 = 15
		Target risk score	S4 x L2 = 8
		Linked to Risk	1601
Controls in place (to manage the risk)		Gaps in Control	
1) Business Plans and budgets (activity and financial) savings / transformation plans 2) Signed contracts with both main sets of commissioners (NHSE and CCGs). 3) Contract management process in place - clearer and better structure than last year 4) Health system Local Transformation Board (LTB) - now augmented (July 2013) with a Finance e sub-group which is discussing forecast outturn on the contract (however, current changes to LTB suggest a controls gap) 5) Financial reporting, including forecast scenarios presented to Board		1) The pause of the LTB meaning there is no forum to discuss health system action on non elective activity actions 2) No agreement over repayment of withheld marginal rate emergency tariff 3) CCG plans make significant assumptions on activity reductions that are not being adjusted by them in response to actual outturn and there is a widening gap between their plan and actuals – this is impacting elective activity as well as driving cost and providing the “wrong” income. 4) NHS England Contract is subject to a potentially wide-ranging contract variation around “national QIPP & national CQUIN” that has not been agreed;	
Potential Sources of Assurance (documented evidence of controls effectiveness)		Actual Assurances: Positive (+) or Negative (-)	
1) Financial performance and contractual reporting to Exec Committee, Finance & Workforce Management Board and Trust Board (including CQUIN reporting process). 2) Performance Review (PMO) and Exec Quality and Risk process with Divisions, monthly contract cycle with CCGs. Service line reporting process 3) Outputs and reporting from contract and information teams 4) Output and reporting from LTB health system management (e.g.: System Remodeling group) 5) Output of Contract Management Process		Positive (+) 2013/14 activity and income met the Plan (+) Reconciliation process working with CCGs at the moment (avoiding delay to disputes) (+) settlement of 13/14 Surrey income dispute. Negative (-) At M06 there continues to be adverse variance against plan – this includes the maternity pathway, radiology income and elective activity (-) From July to September emergency activity is higher than it has ever been, putting pressure on elective income, costs and providing the “wrong” income. (-) Too much non elective activity, not enough elective.	
Gaps in assurance		Assurance Level gained: Amber	
None as yet, but adverse variances within the actual value of income collected leaves this as amber.			
Mitigating actions underway		Progress against mitigation (including dates, notes on slippage or controls/ assurance failing).	
1) Regular Contract monitoring meetings in place and working – payments being made by CCGs; 2) Ongoing internal review actions operating – income variances being tracked and fed into PMO discussions – specific detail being followed up in adverse areas (eg: radiology, maternity) 3) Trust has started action in respect of the 30% marginal rate tariff payment and asking for a contribution from the 70% withheld.		Actions proceeding to timetable	
Update by	PS 24/10/14	Date discussed at Board	To be discussed at October Board

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Priority ID and reference	5.A Live within our means to remain financially sustainable	Director responsible	Chief Finance Officer
Key Action for 2014/15 objectives and description of any potential significant risk to this priority	5.A.2 Failure to stop divisional overspending against budget	Initial Risk	S5 x L3 = 15
		Current rating	S5 x L3 = 15
		Target risk score	S3 x L2 = 6
		Linked to Risk	1602
Controls in place (to manage the risk)		Gaps in Control	
1) Business Plans and budgets (activity and financial) savings / transformation plans 2) Divisional activity plans agreed & signed off 3) Internal Performance Review (PMO) process and CEO review 6) Forecast scenarios presented to Board		1) There are some areas in the Trust where variance from budget is significant and reduction of spend is not appropriate – these budgets need to be reviewed (and that will form part of 2015/16 budget setting)	
Potential Sources of Assurance (documented evidence of controls effectiveness)		Actual Assurances: Positive (+) or Negative (-)	
1) Financial performance and contractual reporting to Exec Committee, Finance & Workforce Management Board and Trust Board (including CQUIN reporting process). 2) Performance Review (PMO) and Exec Quality and Risk process with Divisions, monthly contract cycle with CCGs. Service line reporting process 3) Outputs and reporting from contract and information teams 4) Output in financial reporting describes improvement and risk mitigation. 5) Agency PMO.		Positive (+) Corporate budgets within tolerance. (+) budgets corrected for undeliverable savings and contingency found. Negative (-) Emergency activity pressures are greater than expected (-) At M06 all Divisions are overspent. (-) Although CSS overspend action completed, overspend is now above agreed levels (-) Overall agency cost remains high. Overall risk for BAF “red” – assurance rating also “red” noting position on overspend action planning.	
Gaps in assurance			Assurance Level gained: Red
(1) Overspends have continued since previous action planning round – all action plans being reviewed, whatever the justification for overspending.			
Mitigating actions underway		Progress against mitigation (including dates, notes on slippage or controls/ assurance failing)	
1) PMO/Performance structure continues - augmented by M06 CEO review 2) Controls are being exercised in divisions and centrally (vacancies are passed through Execs, procurement management etc) 3) Contingency action around emergency and elective activity is now being considered.		Actions proceeding to timetable	
Update by	PS 24/10/14	Date discussed at Board	To be discussed at October Board

Objective 5 – Well Led			
Priority ID and reference	5.A Live within our means to remain financially sustainable	Director responsible	Chief Finance Officer
Key Action for 2014/15 objectives and description of any potential significant risk to this priority	5.A.3 Unable to provide realistic medium term financial plan	Initial Risk	S5 x L3 = 15
		Current rating	S4 x L3 = 12
		Target risk score	S4 x L2 = 8
		Linked to Risk	1603
Controls in place (to manage the risk)		Gaps in Control	
<ol style="list-style-type: none"> Items referred to in 5.A.1 and 5.A.2 above V3.0 long term financial model and integrated business plan completed (submitted to TDA in February 2014) V4.0 now approaching completion TDA Plan submitted January 2014 Timetable for refreshed IBP and LTFM going forward is part of national planning guidance (next iteration due 20 June) 		<ol style="list-style-type: none"> Items listed above (5.A.1, and 5.A.2) are applicable here Elements of 2014/15 planning cannot yet be incorporated in Trust financial planning (e.g.: Better Care Fund implications) because of lack of detail. Lack of alignment between CCG activity plans and actual performance. Reliance on centrally determined rules for PbR, Better Care Fund and the wider NHS finance regime. 	
Potential Sources of Assurance (documented evidence of controls effectiveness)		Actual Assurances: Positive (+) or Negative (-)	
<ol style="list-style-type: none"> Delivery of current year financial plans Delivery of long term financial model and integrated business plan documentation, and delivery against them 		<p>Positive</p> <p>(+) Delivery of performance in 2013/14</p> <p>(+) 4 versions of LTFM submitted – each has passed muster with TDA high level review although it has not been subject to full challenge and scrutiny.</p> <p>(+) LTFM submitted describes viable position</p> <p>(+) TDA have provided approval to proceed with FT timeline after Readiness Review.</p> <p>Negative</p> <p>(-) Performance in 2014/15 provides risk</p> <p>(-) alignment with CCG plans is not clear. There are significant differences between actual performance on activity and CCG plans.</p> <p>(-) Lack of clarity on significant changes from Better Care Fund.</p> <p>Overall, on basis of current assumptions and delivery of LTFM, RAG reduced to amber. Assurance RAG amber.</p>	
Gaps in assurance			Assurance Level gained: Amber
Revised LTFM (long term financial model) and IBP (Integrated Business Plan) currently being prepared but not yet complete			
Mitigating actions underway		Progress against mitigation (including dates, notes on slippage or controls/ assurance failing).	
1) Review of LTFM (long term financial model) and IBP (Integrated Business Plan) according to TDA timetable		1) 30/10/13	
Update by	PS 24/10/14	Date discussed at Board	To be discussed at October Board

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Key Action for 2014/15 objectives and description of any potential significant risk to this priority	5.A.4 Liquidity: Inability to pay creditors / staff resulting from insufficient cash due to poor liquid position	Initial Risk	S5 x L3 = 15
		Current rating	S5 x L3 = 15
		Target risk score	S4 x L3 = 12
		Linked to Risk	1604
Controls in place (to manage the risk)		Gaps in Control	
1) Bi weekly review of forward cash flow by finance team and CFO 2) Cash and working capital policy and strategy 3) Annual cash plan linked to business plan and capital plan (see link with Risk 1134)		No significant gaps in control identified	
Potential Sources of Assurance (documented evidence of controls effectiveness)		Actual Assurances: Positive (+) or Negative (-)	
1) Twice monthly reporting to CFO by finance team, SBS reporting on bank balance 2) Monthly finance reporting to Management Board and Trust Board		<p>Positive (+) Positive cash flow reported for 2013/14 - temporary borrowing needed in 2013/14, but reasons for that were delays in agreements (CCG and TDA) – temporary borrowing repaid in full by 31 March 2013 (+) Liquid ratio has followed expectations</p> <p>Negative (-) no confirmed additional cash to resolve underlying liquidity problem – likely to be resolved in FT application process – potentially through a working capital loan (-) cash flow dependent on financial outturn described in 5.A.1 and 5.A.2 above.</p> <p>Overall rating “red” noting risk to forecast I&E. Assurance RAG "amber" - no current cash problem but underlying problem unresolved.</p>	
Gaps in assurance			Assurance Level gained: Amber
In terms of cash flow management to end year, no material gaps in assurance. In terms of resolving the actual risk (liquidity), there is no confirmation of additional cash to resolve SoFP weakness.			
Mitigating actions underway		Progress against mitigation (including dates, notes on slippage or controls/ assurance failing).	
1) Day to day cash control is main action currently, coupled with actions to maintain service income and manage spend 2) Long term financial model, and TDA plan now provides additional validation of the level of cash injection required and the interaction from an improving financial position within the model 3) Discussion will continue with the TDA as the FT timeline progresses.		Actions proceeding to timetable	
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