

## Board of Directors Cover Sheet

<b>Subject:</b>	<b>Finance Committee Report</b>		<b>Date: 29/03/18</b>	
<b>Prepared By:</b>	Paul Robinson, Chief Financial Officer			
<b>Approved By:</b>	Neal Gossage, NED, Finance Committee Chair			
<b>Presented By:</b>	Neal Gossage, NED, Finance Committee Chair			
<b>Purpose</b>				
The Finance Committee met on 27 <sup>th</sup> March 2018 and this paper summarises key matters discussed and matters to be brought to the attention of the board.			<b>Decision</b>	
			<b>Approval</b>	
			<b>Assurance</b>	X
<b>Strategic Objectives</b>				
<b>To provide outstanding care to our patients</b>	<b>To support each other to do a great job</b>	<b>To inspire excellence</b>	<b>To get the most from our resources</b>	<b>To play a leading role in transforming health and care services</b>
X	X	X	X	X
<b>Overall Level of Assurance</b>				
	<b>Significant</b>	<b>Sufficient</b>	<b>Limited</b>	<b>None</b>
n/a				
<b>Risks/Issues</b>				
<b>Financial</b>	n/a			
<b>Patient Impact</b>	n/a			
<b>Staff Impact</b>	n/a			
<b>Services</b>	n/a			
<b>Reputational</b>	n/a			
<b>Committees/groups where this item has been presented before</b>				
n/a				
<b>Executive Summary</b>				
Matters to be brought to the attention of the board:				
1.1	<p><b>BAF</b> The committee considered the risks relating to principle risk 4 (Financial Sustainability) and does not propose any change in the overall score of 20 at present. It is recognised that there is a reasonable prospect of achieving the control total (pre STF) for 2017/18 but considerable risk remains in relation to the 2018/19 budget. The risk will continue to be reviewed at each meeting as the plans for 2018/19 are finalised and the performance against the plan is tracked.</p>			
1.2	<p><b>2018/19 Plan</b> The committee noted that the draft plan was submitted in accordance with the NHSI timetable. The plan indicated that the control total previously agreed with NHSI will be achieved for 2018/19.</p> <p>On further probing, it became apparent that further work is needed to finalise the plan particularly in relation to the FIP and divisional plans. Although there are over 170 initiatives within the 2018/19 FIP at present, very few initiatives have firm deliverable plans and outcomes for the year. Further work is required to finalise the plans to provide assurance that the 2018/19 is achievable and that the control total can be delivered. The committee was not assured on the 2018/19 plan but recognises that further assurance may be provided as the FIP and divisional plans are developed during April 2018.</p>			

The committee will review the 2018/19 final plan at its April 2018 meeting before it is submitted to NHSI.

### 1.3 Outturn 2017/18

The committee noted that the Trust is still forecasting to achieve its control total before STF for 2018/19 but also recognised that the 4 hour wait target in ED was not achieved in quarters two and three and it is highly unlikely that the target will be achieved for March 2018. Accordingly, the control total post STF will not be achieved for 2018/19. Directors will be aware that winter pressures have been more than evident this year so NHSI has introduced a new initiative which will provide further funds for the Trust. In the case of SFH, the 'miss' on the ED STF target for March 2018 (£900k) will be compensated for by the new initiative of equivalent value so the performance against the control total for Q4 will not be affected by the 'miss' on the 4 hour target for March.

The committee thanked the finance team for the way in which the finances of the Trust were controlled during 2017/18 and noted that the forecast for the control total had not changed since the middle of 2017 despite the severe pressures faced within the NHS during the winter.

### 1.4 Medway PAS system

This matter was brought to the committee without a business case as the proposed expenditure needs to be considered by the full board and approved (or otherwise) at its meeting on 29 March 2018. No business case was presented and no prior paper was submitted to the committee. The committee expressed its disappointment at the approach taken over this matter especially when the board will be invited to approve expenditure of around £2m over seven years at its meeting on 29 March 2018. In addition, there was little justification for what was effectively a single tender waiver situation.

Despite this, the committee did not feel it was appropriate to enter into a seven year agreement when the current agreement expires at the end of 2018. The head of procurement was asked to go back to the supplier to seek a break clause after five years in view of the developing competition in this market.

Matters discussed by the committee:

### 2.1 Divisional performance - Surgery

The surgery division appeared before the committee for the fourth time this year in view of the material change in the expected outturn for the division for 2017/18. The division is now forecasting to deliver a shortfall to its 2017/18 control total of £3.25m whereas the previous forecast suggested an adverse variance of £2.5m. However, the committee noted that the initiatives agreed at the last meeting had been implemented and that the run rate was now in line with expectations. The adverse movement in the forecast reflects the national edict to cancel elective surgery during the January/February period to allow beds to be used for emergencies. In addition, three days of elective activity was lost due to adverse weather. These affected the divisional performance by £0.68m so only a small part of the movement in the forecast variance to the divisional forecast was due to controllable activity.

In view of this, the division has reasonable confidence that its plans for 2018/19 are realistic.

## 2.2 NHIS financial performance

NHIS is on track to deliver a small underspend on its target by the year end 2017/18. The KPI performance on operational standards was not made available in the report but will be circulated in due course.

The committee discussed the proposed improvements in cyber security and received assurance that the plans put in place following the cyber attack last year are on track to deliver. All computers with old operating systems (such as Windows XP) will be phased out by the end of Q1 2018/19 and there is a plan to upgrade the server operating systems (which date back to 2003). The committee believes that significant investment in this area is required and noted that expenditure on IT is a significant element of the 2018/19 capital plan.

## 2.3 PPIB - Procurement

The committee note that SFH had been ranked 108th in its procurement performance. However, when the head of procurement challenged this, it became apparent that SFH was not being fairly compared with other trusts – for example certain items were being purchased at higher than normal prices pending wider buying initiatives, SFH has significant rebate arrangements and the trust has a disproportionate number of manual purchase orders. The initial gap of £1.2m represents a ‘real’ gap of £0.6m once these factors are taken into account. The procurement team is now working on this gap using a pareto approach to identify where further savings can be made.

The committee noted two internal audit reports (procurement and stock management) where significant assurance had been given.

## 2.3 Financial Reports – February 2018

The committee noted the report and the reduction in the risk range attached to the financial outturn for 2018. The position with the CCG has now largely been closed down so there is every indication that the control total for 2017/18 will be delivered.

It is anticipated that the CIP programme will deliver against its target in 2017/18 despite the shortfall in the QIPP element and the agency cap has been achieved or bettered since the middle of 2017. This is a credible performance given the financial challenges during the year.

## 2.4 External audit

The committee approved the audit fee following the appointment of a new auditor for this year and noted that the fee is marginally higher than the fee charged by the previous auditor.

## 2.5 Capital Planning Group

The committee noted the report of the CPG.