

Board of Directors Cover Sheet

Subject:	Finance Committee Report		Date: 24/10/17	
Prepared By:	Paul Robinson, Chief Financial Officer			
Approved By:	Neal Gossage, NED, Finance Committee Chair			
Presented By:	Neal Gossage, NED, Finance Committee Chair			
Purpose				
The Finance Committee met on 24 October 2017 and this paper summarises key matters discussed and matters to be brought to the attention of the board.			Decision	
			Approval	
			Assurance	X
Strategic Objectives				
To provide outstanding care to our patients	To support each other to do a great job	To inspire excellence	To get the most from our resources	To play a leading role in transforming health and care services
X	X	X	X	X
Overall Level of Assurance				
	Significant	Sufficient	Limited	None
n/a				
Risks/Issues				
Financial	n/a			
Patient Impact	n/a			
Staff Impact	n/a			
Services	n/a			
Reputational	n/a			
Committees/groups where this item has been presented before				
n/a				
Executive Summary				
<u>Matters to be brought to the attention of the Board</u>				
1.1 Alliance Progress Report				
<p>The committee received the Alliance Progress Report which was due to be discussed at the Alliance Leadership Board meeting on 25 October 2017. Financial savings fell sharply in Q2 at a time when the savings target increased. At the end of Q2, the Alliance had delivered £5.24m of savings against a year to date plan of £8.19m – a shortfall of £2.95m or 36% below plan. The full year QIPP plan is for savings of £30.9m and the latest forecast suggests that £29.3m of savings will be delivered. All four work streams have a red RAG rating except for Maternity, Paediatrics and Children's which is not planned to deliver savings until Q4.</p> <p>The Committee was <u>not assured</u> that the forecast for the full year will be delivered and requested an update following the Alliance Board Meeting on 25 October 2017.</p> <p>There is a consequent risk to the SFH forecast which has not yet been quantified but there is little evidence that demand reduction planned following the implementation of alliance actions will be fully realised.</p>				
1.2 BAF				
<p>The Committee reviewed principal risk 4 (Financial sustainability) and did not recommend a change to the residual risk rating. However, it is evident that the risk associated with financial delivery is increasing and the Committee will continue to monitor the risk rating at future meetings.</p>				

1.3 Financial Planning and Budgeting 2018/19

The Committee received a paper summarising the approach to planning for 2018/19 and agreed with the approach to be adopted.

When the 2017/18 control total was agreed with NHSI, the 2018/19 target was also agreed. For 2018/19, the agreed total may be analysed as follows:

Control total pre STF	(£36.8m)
STF	£8.8m
Control total after STF	(£28.0m)

Agency cost ceiling	£17.9m
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This leads to a CIP target for the year of £17.9m - £1.7m more than the target for 2017/18. This includes planned further QIPP savings from the system.

The Finance team will now test all the assumptions made when the control target was agreed to ascertain whether they are still acceptable and reasonable. This will take into account anticipated pay inflation following the announcement to ease the pay cap in the NHS.

The findings of the review will be reported to the Finance Committee in December but the target is considered to be very challenging - noting that the PFI costs are relatively fixed. Divisions will be asked to consider what productivity improvements can be made to assist in delivery of the control total in 2018/19.

1.4 Capital Expenditure

The Committee noted that the capex plan has not been delivered so far in 2017/18 and this is a direct result of funding not yet being agreed by NHSI/DoH. This is now impacting on operational delivery but it is understood that the plan has now been agreed by NHSI and is awaiting final DoH/Treasury approval.

SFH has been invited to submit its capital plan for 2018/19 as soon as is practically possible so that a similar delay in approval and funding should not happen next year.

1.5 Surgery Division Deep Dive

The Committee reviewed the division earlier this year and noted that the divisional budget had not been delivered. The division at Q2 reported a £2m shortfall against budget – a deterioration in the performance reported earlier this year. This was very disappointing and was mainly due to:

- Under-delivery of the CIP programme (£0.9m)
- Overspends on clinical supplies (£0.2m)
- Overspends on medical pay (£0.3m)

However, it should be noted that income of around £0.6m for the year to date (mainly for rehab) has been received by the discharging specialty as a result of higher discharges from Ward 41, Fernwood, Sconce, Chatsworth, Lindhurst and Oakham.

Work is currently underway to ascertain whether this additional income has boosted the income of the discharging specialty and that the amount is equivalent to the loss of income in the surgery division.

Mitigating actions are being taken and are expected to reduce the year end shortfall to budget to a loss of £1.6m

The committee was assured that the new forecast has been incorporated into the overall Trust forecast.

Matters discussed at the Committee meeting

2.1 Finance report for the 6 months to 30 September 2017

The Committee reviewed the report for Q2 and noted that the performance for the year to date (before STF) was broadly in line with plan except for capital expenditure as noted above. However, the Q2 ED 4 hour target was not achieved in Q2 and that reduced the STF for the quarter by £0.53m. The Trust is still forecasting to deliver its control total pre-STF for the full year although many assumptions have been made in arriving at that forecast which will be tested in the coming months.

Cash at the quarter end was in line with plan and the cash position is assured until Christmas.

The Committee noted the submission of the NHSI Monthly Reporting summary as commented on in previous Finance Committee reports.

2.2 PFI Governance and Contract Performance Management Report

The Committee reviewed the report and noted that this report will be submitted to the Finance Committee on a quarterly basis in order to strengthen governance over the PFI contract.

The Committee was assured by the report and asked for future quarterly reports to be submitted in a similar form to improve governance over the PFI contract.

2.3 Procurement Strategy

The Committee reviewed the updated procurement strategy and accepted the strategy with procurement shifting its focus to become “commercial advisors” rather than gatekeepers monitoring tactical spend.

The Committee noted that procurement does not currently influence estates, pharmacy and IT expenditure and asked the head of procurement to extend its sphere of influence to include those areas of Trust expenditure.

2.4 CIP performance

The Committee noted that CIP delivery for 2017/18 is forecast to be just over £12m - £4.0m short of the target of £16.2m (including the STP QIPP programme).

The predicted shortfall is primarily due to an estimated shortfall in delivery of the STP CIP programme but the shortfall has been partially mitigated through savings in interest charges and depreciation.

The main areas of concern are with patient flow (planned £3.2m savings equally divided between SFH and the STP) with a forecast outcome of just £176k and Theatres (planned savings of £920k) with a forecast outcome of £166k. Work is underway to establish how productivity can be improved to improve delivery of this work stream.

2.5 Capital Planning Group report

The Committee noted the report but queried whether charitable funds should be used to refurbish the KMH reception area.

2.6 Committee Workplan

The Committee approved the Workplan for 2018 in line with the plan for 2017 approved by the Board at the September meeting.