

Board of Directors - Public

Subject:	Report of the Finance Committee	27/07/17												
Prepared By:	Neal Gossage - NED, Chair of Finance Committee													
Approved By:	Neal Gossage - NED, Chair of Finance Committee													
Presented By:	Neal Gossage - NED, Chair of Finance Committee													
Purpose														
The Finance Committee met on 25 th July 2017. This paper informs members of the key matters discussed and assurances received for reporting to the Board of Directors:			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										
		x												
Risks/Issues														
Financial	As indicated in the reports to the Committee.													
Patient Impact														
Staff Impact														
Services														
Reputational														
Committees/groups where this item has been presented before														
N/A														
Update														
<p>The Trust reported a deficit of £10.03m for the first quarter of the year - £0.05m (0.5%) better than plan.</p> <p>A forecast for the year was prepared following the release of the month 3 accounts and the forecast remains the same as the control total with a full year deficit of £37.62m. This assumes full receipt of the STF funds. However, there are significant risks attached to the forecast notably in the delivery of the CIP programme and commissioner challenges which appear to be increasing in terms of size and frequency.</p> <p>The CIP target for the year is £16.26m of which £10.04m relates to the Trust and £6.22m relates to the Alliance. Whilst the Trust target is broadly considered to achievable, the Alliance target is at considerable risk with major projects (including LoS (£3.2m) and decommissioning/reconfiguration (£3.0m – all STP related and not yet started) being behind plan. Moreover, the Alliance work plan is expected to deliver savings of £30.9m in the current year and the plan is largely backend loaded as follows:</p> <table border="0"> <tr> <td>Q1</td> <td>£2.6m</td> </tr> <tr> <td>Q2</td> <td>£5.7m</td> </tr> <tr> <td>Q3</td> <td>£10.0m</td> </tr> <tr> <td>Q4</td> <td>£12.7m</td> </tr> <tr> <td>Total</td> <td>£30.9m</td> </tr> </table> <p>If the Trust element of the plan is not delivered (£6.22m), the STF funding could be put at risk.</p>					Q1	£2.6m	Q2	£5.7m	Q3	£10.0m	Q4	£12.7m	Total	£30.9m
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Commissioners are increasingly challenging Trust income particularly around Demand related QIPP, notices on block funded services and CQUINS and the scale of the challenges is increasing.

For these reasons together with a current underperformance by four of the five clinical divisions, the risk range on the control total is a downside of £16.1m (assuming 75% of the STF is not received) and an upside of £3.7m.

The committee will continue to monitor progress particularly around divisional performance and the QIPP projects.

1.2 NHSI Monthly Reporting

As noted in the committee report last month, the Trust is required to self-certify the monthly information submitted to NHSI. Because of the timing of the submission of the certificate, the return was authorised by the CFO and Company Secretary during the month.

2 Matters discussed at the Committee meeting

2.1 Alliance Progress Report

The committee reviewed the ALB report for June 2017 with particular emphasis on the work plan and the governance arrangements. Projects are centred on four main areas: Urgent and Proactive Care, Elective Care, Women's and Children's and Mental Health and Community.

At the end of month 3, the Alliance had delivered savings of £2.0m against a plan of £2.5m – the position has deteriorated since month 2. Remedial actions are being put in place but the current forecast savings for the full year are £29.31m against a plan of £30.9m. The plan is backend loaded so there are considerable risks of under-delivery in quarters 3 and 4.

2.2 Divisional Review – Surgery

The committee reviewed the performance of the division and noted that the division is 32% behind its financial target at the end of the first quarter. The shortfall was fairly evenly spread between income and expenditure as a result of a shortfall in income and a reliance on temporary staff as the division currently has vacancies of 84 wtes. Around £400k of the income shortfall was attributable to holiday patterns being inconsistent with the previous year (i.e. additional holidays were taken in the first quarter of 2017/18 in comparison with 2016/17). The income is therefore planned to recover as more hours are worked in the remainder of the year. The division has a plan in place to reduce the overall variance to plan to just over £100k by the end of the year.

Remedial actions are being put in place in order to secure the full year position.

2.3 Finance and CIP Month 3

The finance pack was reviewed in detail and several risks in delivery of the full year control total were noted. These are discussed above.

2.4 Reference Costs update

Work is on track to submit the Reference Costs by early next month (the NHSI deadline for submission is August 23). Thereafter the PLICS system will be further developed to better understand patient cost drivers. The committee delegated authority to the CFO and the Head of Education and Training to submit reference costs to NHSI.

2.5 Capital Planning Group Summary

The committee reviewed and noted the report. Loans for capital expenditure have still not been formally approved by NHSI and this is starting to impact on the ability of the Trust to deliver its capital programme.

2.6 BAF

The committee reviewed principal risk 4 (Financial Sustainability) and did not advise any change to the residual risk rating.

The rating will be reviewed in future months in view of the risks identified in delivery of the control total for 2017/18 as noted above.

2.7 Committee Annual Plan

The committee reviewed the annual plan and approved it subject a change of review dates for the PFI to align it with the Joint Liaison Committee.