

Board of Directors Meeting in Public - Cover Sheet

Subject:	Finance Committee Report		Date: 28 th March 2019	
Prepared By:	Neal Gossage, NED, Finance Committee Chair			
Approved By:	Neal Gossage, NED, Finance Committee Chair			
Presented By:	Neal Gossage, NED, Finance Committee Chair			
Purpose				
The Finance Committee met on 26 th March 2019 and this paper summarises key matters discussed and matters to be brought to the attention of the board.			Approval	
			Assurance	X
			Update	
			Consider	
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				
Matters to be brought to the attention of the board:				
1.1 Cost per Weighted Average Unit (WAU)				
<p>The committee received a report on the WAU for nursing and midwifery costs. It was noted that SFH has the 8th highest nursing and midwifery pay costs per WAU in the country. The cost per WAU is £888 compared to a similar trust figure of £754 and outstanding trust figure of £654. This is skewed by a particularly high cost per WAU for HCSWs.</p> <p>There are a number of factors which affect this including the numbers of ANPs, the care hours per patient day and length of stay. Further investigation is required to understand the reasons for this cost and a full report will be brought back to the committee by June 2019.</p> <p>In addition, the pay costs for band 8c-9 at £958k are around 100% higher than outstanding trusts and the national median. This is partly due to the divisional structure at SFH but also the fact that many nurses in management positions are at the top of their pay scales. This requires further investigation and a report will be brought back to the finance committee by the middle of the year.</p>				
1.2 Financial Planning and Budgeting				
<p>The 2019/20 contract was signed on 21 March 2019 and the committee recommends approval of the plan by the Board prior to submission of the operational plan on 4 April 2019.</p>				

The plan shows a deficit for 2019/20 of £41.5m before PSF, FRF and MRET and a deficit of £14.9m after those adjustments. This plan incorporates a FIP target of £12.8m – 4% of turnover and slightly below the FIP/FRP target in 2018/19.

There are some differences in the approach to the income plan in that the SFH plan is aligned with the system and the contract value is based on maintaining the total SFH cost base for current activity levels. The contract value is then varied to reflect increases or reductions in activity at a marginal rate such that the fixed cost base of SFH is ‘covered’ by the contract thus removing exposure to contractual challenges in the year.

The risks to delivery of the plan were considered including the PSF from the system (given that NUH has not yet accepted its control total for 2019/20) and commissioner affordability given that the CCG is in financial turnaround. Both system-level and SFH plans need to be ‘worked up’ to assure delivery but SFH is much more advanced in its planning process than it was at the same time last year.

1.3 Financial Performance 2018/19

The Trust is on target to deliver its control total pre-PSF for the current financial year. The deficit is now expected to be £46.4m for the year but there will be a shortfall of £2.4m post-PSF mainly due to the non-delivery of the system control total for the last three quarters of the year and the fact that SFH will not deliver the 95% ED target in March 2019.

The committee noted continuing overspends on medical pay and requested further analysis of this including how much is due to additional activity, higher than expected sickness and inefficiency.

The surgery division continues to perform well behind plan and has done so for two years. The committee will ask the surgery division to attend the next committee meeting to outline the plans for 2019/20 and provide assurance that the plan can be delivered for next year.

1.4 BAF

The committee reviewed PR4 and PR6.

The current risk exposure for PR4 (Financial sustainability) was discussed and it is considered that the risk exposure has reduced as a result of well controlled finances in the last two years and improved relationships with NHSI (including the lifting of section 111). Accordingly, the committee recommends that the exposure for this risk is reduced from 4 (somewhat likely) to 3 (possible)

In the light of improved system working, better relationships and lessons from the Better Together programme, the committee considers that the risks associated with PR6 (Breakdown of Strategic Partnerships) has reduced and therefore recommends the likelihood of such an event should be reduced from 5 to 4.

1.5 Committee Terms of Reference and Workplan

The committee reviewed the terms of reference and workplan and confirmed its acceptance of the draft with some minor amendments. The annual committee effectiveness review was presented and the committee considers it to be a fair reflection of the workings of the committee in 2018/19.

1.6 360 Assurance Reports

The committee received two assurance reports for procurement and the integrity of the general ledger. Both reports showed significant assurance.

Other matters discussed by the committee

2.1 Better Together Progress Report

The committee noted the report and the under-delivery of QIPP of £2m at month 10. The outturn is now expected to be a shortfall to plan of £3m.

2.2 Financial Strategy

The committee reviewed the updated financial strategy and noted that the strategy assumptions are completely aligned with the Trust strategy. The key pillars of the strategy are to:

- Become financially sustainable
- Work with partners to deliver efficiencies
- Maximise the use of our resources

The strategy is predicated on the understanding that NHSI will allow the Trust to achieve these plans over the next five years.

2.3 Investment Governance Group Update

The committee noted the report of the IGG and the work carried out in connection with planning for 2019/20.