

## Council of Governors

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|--|--|---|--|--------------------------------|
| <b>Subject:</b>  | Finance Committee Report                           |   | <b>Date:</b> 14th May 2019               |                                |
| <b>Prepared By:</b>  | Neal Gossage, NED, Finance Committee Chair         |   |  |                                |
| <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 23 <sup>rd</sup> April 2019 and this paper summarises key matters discussed .   |  |   | <b>Approval</b>                          |                                |
|  |  |   | <b>Assurance</b>                         | <b>X</b>                       |
|  |  |   | <b>Update</b>                            |                                |
|  |  |   | <b>Consider</b>                          |                                |
| <b>Strategic Objectives</b>  |  |   |  |                                |
| <b>To provide outstanding care</b>   | <b>To promote and support health and wellbeing</b> | <b>To maximise the potential of our workforce</b> | <b>To continuously learn and improve</b> | <b>To achieve better value</b> |
| <b>X</b>   | <b>X</b>   | <b>X</b>  | <b>X</b>                                 | <b>X</b>                       |
| <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>   |  |   |  |                                |
| <p>1.1 PFI Performance Issues</p> <p>The Trust has been managing significant under-performance issues by the PFI subcontractors. In particular, Skanska has breached its contractual performance obligations - particularly in relation to the water supply. Whilst some progress has been made, further work is required to ensure that the water quality is consistently up to expected standards. In addition, a Warning Notice has been issued to Medirest requiring domestic service standards to be improved.</p> <p>Project Co has responded positively to these issues and is seeking to reach a settlement with the Trust in order to maintain a satisfactory working relationship. However, the Trust reserves the right to take the matter to court if it cannot be satisfactorily resolved via a 'wrap-up' settlement agreement.</p> <p>The committee also noted that the Trust falls short of its peer group in Model Hospital comparisons in a number of areas – notably in the Estates &amp; Facilities Cost per WAU. The Trust cost is 38% higher than the peer median measure. It is not completely clear what is driving this difference so the Head of Estates and Facilities will provide further analysis at the July committee meeting.</p> <p>1.2 Medical Pay</p> <p>The committee received a report on medical pay. In 2018/19, medical pay costs at £59.7m were £6.3m (12%) above plan despite FIP and FRP savings of £950,000 being delivered in the year. Agency expenditure was also £0.7m below plan. All divisions showed an adverse variance to</p> |  |   |  |                                |

budget in the year with surgery accounting for 45% of the overspend. The overall overspend was mainly caused by the number of WTEs being 57 above budget but it is not immediately apparent as to what is driving this. The Medical Task Force will report back to the finance committee to explain what is causing this overspend and what actions are being taken to avoid such overspends in the future.

### 1.3 Financial Performance 2018/19 and Associated FIP/FRP

It is pleasing to note that the Trust delivered a pre-PSF deficit for 2018/19 of £46.25m - £0.11m better than plan. As a result of the under-achievement of QIPP, the post-PSF deficit was £34.92m for the year - £0.95m worse than plan. Since the month 12 accounts were produced, the Trust has been notified that it will receive 'bonus' PSF amounting to £7.58m so the post PSF deficit including this bonus will now be £6.63m better than plan. Both of these deficits are shown before any surplus arising on the revaluation of assets but this adjustment will further reduce the reported deficit.

The committee also noted that the FIP and FRP programmes delivered £16.5m of savings during the year - £11k better than the revised plan but £0.8m worse than the original plan of £17.3m. EY assisted in the development of the FRP plan and a number of lessons have been learned from the programmes in the year including:

- Plan early and thoroughly test the 'robustness' of the plans
- Identify which 'unpalatable' schemes require executive approval before they are incorporated into divisional plans
- Ensure that 'grip and control' is maintained throughout the year as only 52% of the 'grip and control' target was delivered in 2018/19.

FIP plans are more advanced for 2019/20 than they were in 2018/19 and the central finance team will assist in testing the robustness of the plans to provide further assurance that unrealistic assumptions are not being made in divisional plans.

### 1.4 Additional Finance Committee Meeting

The committee agreed to hold an additional meeting in May to review progress on the divisional performance review system. Previously, the committee has asked divisions to present improvement plans on a rotational basis but this process will now be conducted by the finance team and assurance will be provided to the committee as part of the monthly reporting cycle.

### 1.5 System Control Total

In 2019/20, SFH is being asked to 'sign up' to a system control total. This is effectively an amalgamation of the control totals of the member organisations. If this is done, the ICS will be able to access transformation funding. At the time of writing, NUH has not 'signed up' to its control total for 2019/20 so delivery of the system control total carries a relatively high risk of non-delivery. The mid-Notts ICP expects to receive at least one third of the ICS transformation funding but this funding can only be accessed if the system control total is accepted.

There are a number of options open to SFH but after much discussion, the committee recommends that the system control total is accepted but only on the condition that at least one third of the transformation funding is made available to the mid-Notts ICP. It is hoped that NUH will 'sign up' to the system control total in which case SFH would have increased assurance of delivery of the overall control total.

Other matters discussed by the committee

## 2.1 NHIS Quarterly Report

The committee noted the report and the generally satisfactory call handling performance. NHIS achieved a break-even position for the year ended 31 March 2019 – in line with plan.

## 2.2 Reference Costs Submission

The committee noted that the submission for this year will be partly a PLICS submission and partly a reference costs submission. The submission will be approved by the committee at its July meeting prior to it being sent to NHSI

## 2.3 BAF

The committee reviewed PR4 and PR6 and confirmed the changes recommended at the last finance committee meeting.