NHS
Sherwood Forest Hospitals
NHS Foundation Trust

Council of Governors Cover Sheet

Subject:	**Finance Committee Report**	**Date:** 21st February 2018
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 19th December 2017 and 21st January 2018 and this paper summarises key matters discussed and matters to be brought to the attention of the board.	**Approval**	
	Assurance	✓
	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 Council

BAF

The committee considered the risks relating to principle risk 4 (Financial Sustainability) and advises that the residual risk should be increased to a score of 20 as a result of a change in status from possible to likely. The main reasons for this are:

- The deterioration in the Trust's financial performance in November 2017

- The widening range attached to the expected outturn for the year. Although the Trust is still forecasting to achieve its pre-STF control total, the downside risk of £8.0m and upside opportunity of £3.3m indicate more risk than at the end of October 2017

- The early draft of the 2018/19 budget indicates a gap against the already agreed control total of £35.9m (before CIP). Mitigations are currently being worked on but a significant gap remains to be filled by the CIP programme and the QIPP programme in the STP. For the current financial year, the target STP cost savings of £31m will be under-delivered by at least £10m.

Divisional Performance

The committee received a report and presentation from the Surgery Division as the division is now forecasting to end the financial year with a deficit of £2.54m (the deficit at the end of November 2017 was £2.8m).

This division has presented details of its performance to the committee on three occasions this year and has given different reasons for the under-performance including unexpected holidays taken at the start of the year, under-delivery of the CIP programme (notably on pay) and now the inability to close beds due to other divisions requiring beds to cope with Winter pressures.

A plan is in place to improve performance in the last quarter of the year but in the light of earlier assurances given and a deteriorating performance, the committee is not assured that the division is on track to deliver the year end forecast position.

The committee will formally write to the division to express its concern at the performance and seek further assurance on delivery of the year end forecast.

Urgent & Emergency Care Deep Dive

The committee reviewed the performance of the division as at month 9 (to 31 December 2017) and noted that the surplus at £4.54m was £1.39m (23%) behind plan. Income fell short of plan mainly because of activity levels in ED but the key issue was with pay – medical being overspent by £0.61m and nursing by £0.21m. There are a number of vacancies in the division and the division is working closely with HR to fill the vacancies substantively.

By the year end, the division is forecast to be £2.01m worse than plan with a risk range of around £0.5m either way.

Divisional performance is a significant risk in delivering the control total for 2017/18 as turnaround plans have not delivered fully or have delivered later than planned.

Alliance Progress Report and STP CIP Delivery

The committee reviewed the quarterly report and the STP now expects to deliver at least £10m less than the forecast QIPP programme for 2017/18. This has been predicted in previous finance committee reports particularly in the light of the fact that the majority of the savings were expected to be delivered in the second half of the financial year.

It is understood that the CEOs and CFOs of the Alliance members will now meet on a regular basis in an attempt to put in place a plan to recover as much as possible from the expected savings in the current year and perhaps, more importantly, plan for 2018/19.

NHIS financial performance

NHIS is on track to deliver a deficit at the year-end of £23k and is generally meeting its operational standards on call handling.

The committee asked for an update on the measures taken to improve cyber security following the attack earlier this year and was assured on the work being undertaken to improve security whilst at the same time ensuring ‘usability’ of the systems.

Financial Reports – December 2017

The committee noted the report and the small deterioration in the financial performance in the month. The outturn range is now a downside of £6.6m and an upside of £2.9m. The key risks within that relate to CQUIN and commissioner challenges. It appears that the CCG itself could report a deficit of £22m worse than plan for 2017/18 of which £12m has been ‘accepted’ by NHSE. The CFO will discuss the position with the new CCG CFO to ascertain how the residual gap may impact on the outturn for SFH this year.

The CIP is now forecast to end the year at £15.5m - £0.7m below forecast but there is an expectation that the gap can be eliminated through non-recurrent schemes. This is a good performance bearing in mind the shortfall in the system delivery of its CIP target.

Since the month 8 pack was produced the Trust has received confirmation of the capital loans for 2017/18 and it is now anticipated that the capital plan will be achieved by the year end.

Overall the Trust is forecasting to deliver its control total (pre-STF) for the year but will fall short against the post-STF target as a result of the loss of the ED portion of the STF in quarters two and three.

Financial Planning and Budgeting

Divisional financial planning forms have now been received and indicate a shortfall of £18.6m in relation to the control total for 2018/19. In addition, the CIP programme is expected to deliver £17.3m next year giving an overall gap of £35.9m. The majority of the shortfall (£10m) relates to the carry over from 2017/18 together with undelivered changes in service delivery (£3m) and new risks (£5.6m)

Work is now underway to 'plug the gap' and develop a CIP programme across 9 key programmes. However, there is clearly a significant risk of under-performance in 2018/19.

Reference Costs Update

The outputs of the reference costs collection have now been released by NHSI and it is pleasing to note that the Reference Costs Index (RCI) for SFH has fallen from 109 to 104. However, this is still 4% worse than the national average and is consistent with the earlier data published in relation to the Carter review. Each point of the RCI gives a potential cost saving opportunity to SFH of c£2.5m so a performance in line with the average for the sector could generate costs savings of around £10m for the Trust.

Work is now underway to understand the data and carry out a benchmarking exercise which will inform the 2018/19 planning process. This will be conducted in parallel with a review of the strategic facilities and bed options being considered by the Trust.

Model Hospital Demonstration

The committee received a demonstration of the model hospital system and agreed that it is a very useful tool to identify possible schemes for the FIP. The data largely come from the reference cost submission and allow comparison of performance with other trusts in a number of areas (the parameters are user defined). The Trust's Reference Cost Index of 104 could be reduced by using the data or at least identifying if there are 'positive' reasons for an outlier performance.

NHSI update

The committee noted the letter from NHSI dated 15 December 2017 setting out details of additional funding available to the Trust as outlined in last month's Budget. The funds will be delivered in two tranches – the first tranche will provide £907k and the second will provide £592k but this must be spent on specific projects and only with the prior approval of NHSI.

The letter indicates that the first tranche is expected to lead to an improvement in the Trust's forecast outturn for the year so it appears as though the funds cannot be used to alleviate Winter pressures. Clarification is being sought on this point by the CFO.