

## Council of Governors

<b>Subject:</b>	Finance Committee report to Board	<b>Date: 11<sup>th</sup> August 2020</b>		
<b>Prepared By:</b>	Neal Gossage, Chair of Finance Committee			
<b>Approved By:</b>	Neal Gossage, Chair of Finance Committee			
<b>Presented By:</b>	Neal Gossage, Chair of Finance Committee			
<b>Purpose</b>				
To update the Council of Governors with regard to the activities of the Finance Committee and highlight the key discussions			<b>Approval</b>	
			<b>Assurance</b>	<b>x</b>
			<b>Update</b>	
			<b>Consider</b>	
<b>Strategic Objectives</b>				
<b>To provide outstanding care to our patients</b>	<b>To support each other to do a great job</b>	<b>To inspire excellence</b>	<b>To get the most from our resources</b>	<b>To play a leading role in transforming health and care services</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>
		<b>x</b>		
<b>Risks/Issues</b>				
<b>Financial</b>	Failure to work effectively across the system could have a detrimental impact on the financial performance of the Trust and the ICP/ICS			
<b>Patient Impact</b>	Inability to agree and implement seamless patient pathways could have a negative impact on our patient population			
<b>Staff Impact</b>	Failure to engage staff in new ways of working could delay the implementation of new processes			
<b>Services</b>	Inability to agree and implement seamless patient pathways could have a negative impact on our service provision			
<b>Reputational</b>	Lack of engagement in the ICP/ICS could result in negative publicity			
<b>Committees/groups where this item has been presented before</b>				
Board of Directors 5 <sup>th</sup> March, 2 <sup>nd</sup> April, 7 <sup>th</sup> May, 2 <sup>nd</sup> July and 6 <sup>th</sup> August				
<b>Executive Summary</b>				
<p>The Committee has met on five occasions since the last Council of Governors meeting in February 2020.</p> <p>The meetings was quorate, the Minutes approved and there were no declarations of interest pertaining to items on the agendas</p> <p>The Council of Governors are asked to accept the content of the Report and note the items highlighted below:</p> <p><u>Financing Arrangements &amp; BAF</u></p> <p>At a meeting held on 14<sup>th</sup> July 2020 conducted by NHSI for all NHS Finance Directors, future financing arrangements were discussed. It was announced that the block contract and ‘top-up’ arrangements put in place for the period up until 31 July 2020 would continue into August 2020 and possibly into September 2020.</p> <p>From October 2020 to March 2021, similar arrangements will apply (with values being reviewed) but with ‘cap and collar’ arrangements also being put in place. Covid-19 funding will continue but on a block basis based on previous monthly claims.</p>				

This places uncertainty over the Trust's funding arrangements for the remainder of the current financial year and this has been reflected in the BAF where the assurance rating for PR4 has been changed from 'positive' to 'inconclusive'.

Formal guidance on the future funding regime is expected from NHSI, and once received, will be reviewed by the finance committee to gain further assurance.

### NHIS

The finance committee reviews the performance of NHIS on a quarterly basis and received the report for the quarter to June 2020.

NHIS has been under pressure during the Covid period and has supported additional VPN and Teams queries following a switch to remote or home working for some members of staff. In addition, new hardware was sourced and there was an increase in the number of support calls received.

The committee noted that service standards were maintained throughout the quarter and only one performance standard was breached (average speed to answer). In addition, NHIS achieved a break-even position for the period and is expected to maintain that performance through to the year end.

The committee thanked the manager and staff of NHIS for the work carried out at a time of stress and an increased workload.

### BAF

The committee discussed PR4 (Failure to achieve the Trust's financial strategy). The risk score was not changed but the level of assurance was reduced from 'positive' to 'inconclusive' for the reasons noted above in relation to the uncertainty over the ongoing funding regime and effect on the Trust's five year financial strategy.

### Month 3 financial performance

In line with the current funding regime, the Trust achieved a break-even position for the first quarter net of claimed £11.6m 'true-up' funding (£7.9m for Covid-related costs and £3.7m to cover the shortfall in the block contract and 'top-up' funding).

### ICS Update

The ICS reported a break-even position at M2 but that is predicated on receipt of 'true-up' funding in the same way as for SFH. However, the CCG reported an overspend in May 2020 of £11.2m against 1/12 of the available funds and there is some uncertainty as to whether this shortfall will be fully funded.

### Month 12 (Year-end) Performance

The Trust reported a deficit for the year of £42.3m - £0.8m behind plan. However, the impact of Covid-19 on staff holidays meant that the Trust was not able to recalculate the annual leave accrual as planned. This would have amounted to a benefit of £0.8m so net of this adjustment – which qualified for 'PSF Eligibility Cover' - the Trust achieved its control total before PSF, FRF and MRET. The ICS also achieved its control total so PSF, FRF and MRET were earned for the year meaning that post these adjustments and the holiday pay accrual, the net control total was also achieved.

The FIP target for the year (£12.8m) was also delivered but £8.1m (63%) of that total came from

non-recurrent savings. This led to the underlying deficit being £12.1m worse than the full year plan.

Overall, this was an excellent achievement by the Trust and its finance team at a time when safety and quality standards were maintained and improved.

#### Covid-19 and 2020/21 Planning

As previously reported, the normal tariff used to determine income has been replaced by a form of block contract for the period April – July 2020. The income payments are based on the actual income for the period April 2019 to February 2020 adjusted for certain items such as inflation. In addition, a ‘top-up’ payment will be received to ensure that the Trust effectively breaks even for the first four months of the current financial year.

On top of this, NHSI/E will reimburse all reasonable revenue and capital costs during the Covid-19 crisis. The first claim for revenue cost support of just over £1m has been received. Costs associated with the indirect consequences of Covid-19 in 2019/20 have been reimbursed subject to an underpayment of £84k and a decision on the reimbursement of capital costs is awaited.

Estimates of Covid-related revenue and capital costs for 2020/21 have been provided to NHSI/E and these costs, if deemed to be reasonable, will be reimbursed. Capital projects with a value in excess of £250,000 need central approval. The Committee approved a business case for Integrated Operating Theatre (value £305,770) which will now be subject to the NHSI approval process.

Planning for 2020/21 has been suspended until the end of July 2020 and the Trust is awaiting guidance as how/whether planning will be required for the current financial year. In the meantime, 2020/21 budgets will be set based on last year’s performance plus inflation.

By the end of the financial year, the Trust will enter a ‘Reset’ period but it is not clear at this stage how that reset process will work or the impact of the process on the five year financial plan.

#### Remedial Works at Mansfield Community Hospital

Work has commenced on the project to ensure that all staff and patients at MCH can be safely evacuated in the event of a fire. Further risk assessments carried out have indicated that some patients would not be able to evacuate an area horizontally to an adjacent area. This, together with staff concerns, have required a reappraisal of options for the future of MCH.

Seven options were presented to the committee following appraisal by the executive team. The option deemed to be the most appropriate for MCH was to re-commission the full bed base at MCH to create a full inpatient facility. This requires capital investment of £1.7m and the work involved may mean that MCH capacity will not be available to meet 2020/21 Winter pressures.

The committee supported this option subject to Board approval and securing further emergency capital funding to complete the project.