

## Board of Directors Meeting in Public - Cover Sheet

### All reports **MUST** have a cover sheet

<b>Subject:</b>	Report of the Finance Committee	<b>Date:</b> 4 <sup>th</sup> March 2021								
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<b>Approved By:</b>	Neal Gossage, NED									
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<b>Purpose</b>										
This paper summarises the assurance provided by the Finance Committee around financial management in the Trust and records matters the Committee considers need to be brought to the attention of the Board of Directors		<table border="1"> <tr> <td><b>Approval</b></td> <td></td> </tr> <tr> <td><b>Assurance</b></td> <td>X</td> </tr> <tr> <td><b>Update</b></td> <td>X</td> </tr> <tr> <td><b>Consider</b></td> <td></td> </tr> </table>	<b>Approval</b>		<b>Assurance</b>	X	<b>Update</b>	X	<b>Consider</b>	
<b>Approval</b>										
<b>Assurance</b>	X									
<b>Update</b>	X									
<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>								
		X								
<b>Overall Level of Assurance</b>										
	<b>Significant</b>	<b>Sufficient</b>								
		X								
		<b>Limited</b>								
		<b>None</b>								
<b>Risks/Issues</b>										
<b>Financial</b>	<b>Performance and financial forecasts</b>									
<b>Patient Impact</b>										
<b>Staff Impact</b>										
<b>Services</b>										
<b>Reputational</b>										
<b>Committees/groups where this item has been presented before</b>										
N/A										
<b>Executive Summary</b>										
<p>A virtual meeting of the Finance Committee was held on 23 February 2021 due to the Covid-19 restrictions. The meeting mainly focussed on 2021/22 planning including progress on the Financial Improvement Plan (FIP).</p> <p><u>Matters to be brought to the attention of the board:</u></p> <p>1.1 2021/22 Plan</p> <p>NHSIE has not issued planning guidance yet but it is anticipated that guidance will be issued in April 2021 with plans due to be submitted by June 2021. Targets will be set at ICS level with each organisation in the ICS being provided with its own targets.</p> <p>The work carried out to date to establish baseline costs has focussed on certain assumptions including the treatment of Covid costs (including vaccinations), FRF and support for higher CNST costs.</p> <p>The Board agreed a financial strategy for 2019/20 to 2023/24 based on the structural, strategic and operational drivers of the deficit first identified in conjunction with PWC. Since the strategy was agreed, the Covid pandemic has materially affected the whole NHS and for the years 2019/20 to 2021/22, a gap of £35m has emerged between the strategy and the latest financial projection. The FIP programme was suspended in 2020/21 and inflation in that period has been much higher than expected – especially for CNST costs. In addition, delivery of the FIP in the last two years</p>										

incorporated a significant element of non-recurrent savings and these were not accounted for in the original strategy.

Further work is now required to establish how much of the gap can be 'plugged' but it must be recognised that the scope for significant savings in 2021/22 could be impeded by the need to deliver the recovery programme and reduce the backlog for services.

A further update will be provided once the planning guidance is issued and a first draft of the 2021/22 numbers is produced. For the first quarter of 2021/22, the existing prospective block contract arrangements will continue.

## 1.2 FIP

Despite the lack of formal guidance, work is ongoing to identify and develop a FIP programme for 2021/22. Plans are being 'worked up' at divisional level and so far, schemes providing savings of around £16m in a full year have been identified. The plans need to be refined and phased and QIAs will be prepared to ensure that the schemes do not materially impact on the recovery programme.

It is anticipated that the FIP target for 2021/22 will be around £13.5m.

## 1.3 Capital allocation

Capital allocations at ICS level have not yet been agreed for 2021/22. It is anticipated that capital will be allocated on three bases: 'BAU/run-rate allocations expected to be around £10m; major projects (such as the proposed new theatre block) and the very large scale site redevelopments (such as the estate changes proposed at NUH).

Given the state of government finances, it may be unrealistic to expect major capital funding to be made available next year but SFH will continue to refine the new theatre block plan to have the best chance of securing funding once it becomes available.

## Other matters discussed by the Committee

### 2.1 Month 10 Financial Report

The committee noted the deficit of £3.9m for the year to date - £1.3m better than the phase 3 financial plan. The deficit for the full year is now expected to be £9.2m - £0.5m better than plan.

### 2.2 ICS developments

ICS planning continues and is controlled by three main groups: recovery cell, clinical excellence group and finance directors' group. These will focus on developing a system-wide plan aligned with the strategy which is clinically-focussed and outcomes based whilst being financially sustainable.

The governance arrangements are yet to be established but an ICS finance committee is in the process of being established.

### 2.3 PFI Governance

The committee noted the progress being made with the PFI contract.

#### 2.4 Estates Strategy

The committee received and noted the draft estates strategy. In summary, the strategy, which is aligned to the trust strategy, identifies areas we need to invest in at all the hospital sites in order to provide a high-performing, safe and compliant estate.

The committee also reviewed the options available for soft FM services when the contract comes up for renewal in 2022.

#### 2.5 BAF

The committee reviewed the BAF for PR4 and does not propose any changes to the risk rating at present given the current uncertainty of the financial regime. Mitigations are in place to reduce the risk of the Trust failing to achieve financial sustainability.