

## Board of Directors Cover Sheet

<b>Subject:</b>	<b>Finance Committee Report</b>		<b>Date: 26/06/18</b>	
<b>Prepared By:</b>	Paul Robinson, Chief Financial Officer			
<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 24 <sup>th</sup> July 2018 and this paper summarises key matters discussed and matters to be brought to the attention of the board.			<b>Decision</b>	
			<b>Approval</b>	
			<b>Assurance</b>	X
<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>
X	X	X	X	X
<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>				
<b>Matters to be brought to the attention of the board:</b>				
1.1 Q1 Outturn and Full Year Forecast				
<p>The committee noted that the Trust reported a post-PSF deficit in the quarter of £12.05m - £0.06m better than forecast. Within that, FIP under-delivered against the Q1 plan by £0.36m.</p> <p>A full reforecast was carried at the end of the quarter and the full year forecast is for the Trust to deliver its control total - a £33.97m deficit (after PSF). However, there is considerable risk within that forecast with a downside of £12.3m and an upside of £1.6m. The downside risk mainly results from the under-delivery of the FIP programme – the mid-case year end forecast at June 2018 was for FIP of £7.5m – some £9.8m short of the full year target of £17.3m. There is a real focus on delivering the FIP but the committee was not assured at this stage that sufficient work has been carried out to assure delivery of the FIP. The situation will be monitored during Q2.</p> <p>The committee may meet at the end of September 2018 to review the forecast at that time and establish if there is sufficient assurance that the forecast control total for the year end is capable of being delivered.</p>				
1.2 PFI Contract Management Report				
The committee received a further report from the Estates & Facilities Team as requested at the April 2018 meeting.				

There has been a deteriorating standard of hard floor cleanliness and the concerns expressed by the Trust have been slow in being addressed by the provider. There are further concerns that the deep clean programme may be delayed until August (and possibly further) and that the programme may not be completed in time before winter pressures hit the Trust.

In addition, a number of senior Medirest posts have been put at risk and it is not clear what effect that will have on staff morale.

The committee expressed its concern at the general lack of urgency in dealing with these issues and noted that the Trust has appointed a third party (P2G) to assist in managing the contract. The committee expects to see a much more robust approach in managing the soft FM contract to ensure that patients are treated efficiently in a safe and clean environment.

The committee requested and received model hospital reports for Estates and noted that the Trust is under-performing in 15 out of 27 of the activities compared. For Estates and Facilities Cost (per WAU), the Trust was 38% above its peer group median and that led to a letter being sent to the Trust chairman.

Broad measures are in place to try to maximise the use of the estate including the possible transfer of patients from Nottingham to improve utilisation in, for example, theatres and ICU. This could help to improve the Estates and Facilities Cost per WAU but some benchmarks (such as the cost of laundry per piece) do not relate to the configuration of the estate and need to be addressed.

Soft FM services come up for re-tendering in 2022 but the committee believes that improvements can be made before then.

The committee was not assured that everything is being done to maximise the performance of the estate but noted the activities being undertaken to improve the position. Performance will be reviewed again towards the end of 2018.

### 1.3 BAF

The committee reviewed the principal risks it is the lead committee for (PR4 Financial Sustainability and PR6 Breakdown of Strategic Partnerships) and is not recommending any changes to the risk ratings at present.

There is considerable risk in delivery of the control total for 2018/19 so PR4 will be reviewed again later in 2018 when the performance of the Trust until the end of August 2018 is known.

The committee may meet in September (a meeting is not currently scheduled) to review the position and ascertain whether any shortfall in performance at that time necessitates a change in the reported forecast to NHSI for the full year.

### 1.4 MRI Scanner

The committee reviewed the paper to provide a mobile MRI scanner service at Newark. A change in supplier is proposed (to In Health) on a 1+1 year contract and the change provides a cost saving of £20K pa together with a better service with more diagnostic techniques available. The committee approved the proposal but the proposal is subject to final board approval at its meeting on 26 July 2018.

## 1.5 Agenda for Change pay review

The Trust has been awarded £2.8m to cover the Agenda for Change pay review (for nurses). The amount awarded broadly equates to the cost of the pay review although other trusts are suggesting that the amount awarded will not be sufficient to cover the increase in costs.

There remains some uncertainty whether funding will be available for Medirest staff pay reviews. Some of these members of staff transferred under TUPE arrangements and others have been employed since then. The risk in this pay review not being funded amounts to £440k in total and when the claim is made, the Trust will find out whether all or a part of this pay review will be funded.

### **Matters discussed by the committee**

#### 2.1 NHIS Financial Performance

The committee reviewed the NHIS report and noted some discrepancies in the reported numbers. These will be investigated by the finance department and corrected where necessary. NHIS is currently expecting to report a deficit of £89k for the year and this has mainly been caused by a decision to purchase 'Intercept X' at a cost of £79k. This software will help to identify cyber attacks. It is anticipated that the deficit forecast can be reduced during the remainder of the year.

#### 2.2 Alliance Progress Report

The committee received the Alliance Progress Report and noted that delivery of the QIPP at month 2 was 29% behind plan. The QIPP was predicated on a reduction in demand for hospital services but non-elective admissions are 10% above plan for the year to date. Although PbR continues to operate for most services, the additional demand will put further pressure on the FIP programme and commissioners. There are no signs at present that demand will reduce in line with plan so commissioners will face further financial pressure as the year progresses.

#### 2.3 Reference Costs Submission

The committee noted that the reference costs submission needs to be made in August 2018 and that PLICS data will also be submitted on a voluntary basis. The committee received assurance that the necessary steps had been taken in relation to the process to generate reference costs and delegated authority to the CFO to submit the data at the appropriate time.

#### 2.3 NHSI Update

The committee received an update on NHSI's response to the final 2018/19 plan. NHSI noted the convergence of Trust income and CCG costs save for differences on assumptions driving the QIPP volume reductions. It was also noted that the FIP for 2018/19 is 'under-developed'.