



Report to: Finance and Investment Committee

Title of Report: Finance and Investment Assurance Report to Trust Board

Date of meeting: 1 June 2017

Recommendation: For information and assurance

Chairperson: John Brougham

Purpose The report summarises the assurances received, approvals, recommendations and decisions made by the Finance and Investment Committee at its meeting on 25 May 2017.

Background The Committee meets monthly and provides assurance on:

- Scheduled reports from all Trust operational committees with a finance and information technology brief according to an established work programme.

ICT Infrastructure Programme Update & Systems and security update

The Committee received an update from the CIO on the progress of the infrastructure improvement plan which is now scheduled to be complete by July 2017. In the one month period preceding the recent international cyber attack, there had been a number of service incidents related to network performance and availability. Further improvement work is expected to complete on this in the next 2-3 weeks, with additional assurance being sought from the network supplier regarding ongoing performance and support.

A briefing was then provided to the Committee on the recent cyber attack, confirming that the Trust had not directly been affected by the attack but had taken the proactive decision to close down external links in to the Trust and patch end user devices and servers to reduce future risk. Disruption to patient services had been minimised during this period. The Committee

recommends a briefing regarding the network issues and cyber attack response, to the June Board.

The CIO advised the Committee that the impact of resource redirection in response to the recommendations made as a result of the national cyber attack had meant that programme activities had been temporarily suspended. Activities have now recommenced, however this has had an impact on timescales, particularly for end user devices and application migration. A more detailed report including impact on key milestones, will be brought to the June Committee.

Financial Performance

1. I&E Deficit

The April deficit of £4.4m was £0.7m higher than the budget of £3.7m, mainly due to lower revenues of £0.6m. The Committee was assured that £0.5m of the income underperformance was due to a budgeting error of not taking full account of the number of weekends and bank holidays in the month, and this would be reversed over the remaining 11 months.

CIPs of £0.3m were £0.1m below budget. Agency costs of £1.9m were £0.1m better than the budget of £2.0m, based on the trajectory to deliver the NHSI full year control total of £24.0m, but £0.2m higher than the internal target of £1.7m (annually £17.0m). Total pay was £0.1m higher than budget at £19.2m.

The Committee's main focus was on the actions to mitigate the risks in not achieving the very challenging budget deficit for the year of £15.0m and also on achieving each quarter's budgeted deficit, on which £7.5m of STF funding is based. The Committee reviewed the plans, including revenues, CIPs, pay, including agency costs, and the reduction of DToCs, which impacts all the above.

The Committee was assured that plans in place would enable the Trust to achieve the first quarter's deficit target of no more than £9.1m. The big challenge for the Trust is to reduce the deficit each subsequent quarter, resulting in a fourth quarter surplus of £1.7m. Most of this improvement is planned to come from a growing CIP projection, with a target of £21.9m for the year, £7.2m (49%) higher than last

year's record level.

The Committee was assured by the Executive team's commitment and drive to achieve the CIPs target, but recognise that it is too early to be assured that the target can be achieved. There is a high degree of confidence that the original plan of £13.7m of CIPs will be achieved. However the £8.2m balance is extremely challenging. £3.0m is dependent upon the extra social care funding to local authorities freeing up the equivalent of 22 beds throughout the year, and plans to identify and deliver an additional £5.2m of cost reductions are being actively worked on. One such plan which is well developed is driving down agency costs from the budgeted £24.0m to £17.0m, with the net saving of switching to permanent/bank costs contributing to the CIP target.

The Committee was assured that the Executive would not approve any CIP plans which would compromise patient safety.

The Committee recommends that a paper on the status of actions and risks to deliver the quarterly and full year deficit budgets is presented to Part 2 of the June Board.

The Committee reviewed a report containing updates on the trust's responses to the recommendations contained in the Carter Report. The Committee requested a detailed report on benchmarking in corporate and non-clinical areas be presented in June.

2. Capital Programme and Funding

The budgeted capital spend for the year is £23.0m, of which £6.0m funding is in place from authorised spend, (depreciation plus agreed carry forward approval less loan repayments), and £17.0m is dependent on a successful ITFF loan application scheduled for submission in July. This requires careful prioritisation of capital spend before approval is received for any spend above the £6.0m. Capital spend in April was £0.2m. The TEC have agreed a set of criteria with spend to ensure patient safety as the number one priority, followed by spend in support of Trust strategy, including CIPs.

The Committee expressed its support for the approach and urged that there should be no slippage in presenting the

ITFF submission to the June FIC and July Board for approval to meet the July submission date to NHSI.

The Committee recommends that the briefing paper covering capital Programme prioritisation and funding is presented to Part 2 of the June Board.

3. Revenue Funding

The Committee reviewed and approved an interim revenue support loan application of £4.2m to the DoH to cover revenue funding requirements in May.

The Committee recommends that acceptance of the loan and conditions are ratified in part 1 of the June Board.

Corporate Risk Register (CRR)

The Committee reviewed the risks under its remit rated at 15 and above for inclusion in the CRR. Three risks were flagged as being potential escalations to the CRR. The Committee asked that the details risks and mitigating plans for each be presented and reviewed at the June FIC.

The Committee also requested that the risk of the ICT Transformation Programme failing to deliver be reviewed at the June FIC to ensure that mitigations are appropriate given the IT security and performance issues experienced in May.

Service Line reporting

The Committee was assured that the setting up of a steering group, with strong clinical and operational expertise, will accelerate the drive to achieve accurate and reliable costing at service and patient level, which in turn will help drive efficiency improvements. The Committee noted that four service level areas had been chosen for early investigation and requested an update on progress at the September Finance & Investment Committee.

Business Cases

The Committee reviewed two business cases:

Outline business case (OBC) for Watford Theatre Reconfiguration

At the April FIC the Committee reviewed and supported a draft OBC, subject to some minor changes, and sharing with NHSI for feedback, before presenting the OBC to the May FIC.

The proposed costs and benefits are unchanged from the draft; to achieve full and updated compliance and provide additional capacity to meet surgical demand over the next 7 to 10 years, by upgrading the existing 5 theatres and build a 6th at an estimated cost of £14.3m.

The only material change from the draft is the addition of 6 months to the timescales to allow for ITFF approval, resulting in slippage of construction start and finish dates. Completion is now targeted for 2020.

Following review and discussion the Committee recommends the OBC is presented to part 1 of the June Board for approval and submission to NHSI.

Strategic Outline Case (SOC) for Long Term Car Parking Solution for WHHT

The Committee reviewed the SOC, following updates to the draft reviewed in April, for the provision and management of car park services at all 3 sites. The proposal includes constructing multi storey car parks at Watford and St Albans. The Committee agreed with the proposed way forward, and recommends the paper be presented for approval to part 2 of the June Board

Internal Audit Reports

The Committee reviewed two reports, completed in Q4 of 2016/17, on controls within its remit, covering Procurement /Contract Management, and Cost Improvement Plans. The IA opinion on both was that the controls in place gave the Board partial assurance that controls were appropriate.

The Committee noted the report and supported the actions, agreed by the relevant responsible Trust executives, to improve controls to a level where they provide at least substantial assurance to the Board.

The Committee noted that of the 9 recommended corrective actions covering the 2 audits, 2 had already been implemented, 4 are due for completion in June, 2 in July and 1 in October.

The Committee requested that the CFO gives a brief quarterly update, by exception, on any audit recommendations that are overdue for completion.

Review of Policies

The Committee was assured that all 5 Finance policies under its remit were up to date, and that of the 30 policies covering ICT and Information and Information governance, 23 were up to date and 7 were out of date and all scheduled to be updated and approved by the end of July.

The Committee requested that the CIO confirms at the August FIC that all policies have been brought up to date.

Procurement Strategy Update

The Committee received an update on progress on status against targets agreed by the Committee in November 2016, including the Procurement Transformation Plan.

The Committee was encouraged by the progress being made on a number of fronts, in particular increasing collaboration with other Trusts, a Carter Review recommendation.

The latest data from the newly established national price purchase index benchmarking tool (PPIB) shows that the prices paid by the Trust for its top 100 products by value are 1% better than the national median.

The Committee will receive quarterly updates on progress against the plans.

Risks to refer to risk register

None.

Issues to escalate

The Committee recommends the following:

in Part 1 of the June Board for ratification:

1. acceptance of the terms and conditions of the Interim Revenue Support Loan of £4.2m

in Part 1 of the June Board for assurance:

2. a paper covering the IT issues and actions taken in May

in Part 1 of the June Board for approval:

3. the outline business case on the Watford theatre reconfiguration project

in Part 2 of the June Board for assurance:

4. a paper on the status of actions and risks to deliver the quarterly and full year deficit budgets
5. a briefing paper covering Capital programme prioritisation and funding

in Part 2 of the June Board for approval:

6. the strategic outline case for a long-term parking solution at WHHT

Attendance record

Attended

John Brougham, Non-Executive Director (Chair)

Helen Brown, Director of Strategy & Corporate Affairs

Jeremy Livingstone, Divisional Director, Surgery, Anaesthetics & Cancer

Lesley Headland, Chair of Staffside

Lisa Emery, Chief Information Officer
Mike van der Watt, Medical Director
Phil Townsend, Non-Executive Director
Stephen Dunham, Assistant Director of Finance & Commercial Development
Tom Drabble, Patients' representative
Prof. Steve Barnett, WHHT Chairman

Apologies

Don Richards, Chief Financial Officer
Freddie Banks, Associate Medical Director for Clinical Strategy
Katie Fisher, Chief Executive
Kevin Howell, Director of Environment
Sally Tucker, Chief Operating Officer

Clerk

Clare Ransom, Executive Assistant