



**Agenda item: 15/48**

<b>Report to:</b>	Finance and Investment Committee
<b>Title of Report:</b>	Finance and Investment Assurance Report to Trust Board
<b>Date of meeting:</b>	4 May 2017
<b>Recommendation:</b>	For information and assurance
<b>Chairperson:</b>	John Brougham

**Purpose** The report summarises the assurances received, approvals, recommendations and decisions made by the Finance and Investment Committee at its meeting on 27 April 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.

**Business undertaken** Terms of Reference

The Committee noted the changes agreed at last month's meeting, and other potential changes that needed to be reviewed to ensure there were no overlaps or gaps in the responsibilities of any of the Board's sub committees following the change in governance in 2017/18.

The Committee asked that the Trust Secretary undertakes this review before the Terms of Reference are presented to the June Board for approval.

Committee Workplan

The Committee reviewed and agreed the workplan for 2017/18.

## ICT Infrastructure Programme Update

The Committee reviewed the progress of the plan which is now scheduled to be complete by July 2017. The CIO reported that all strands were on track apart from the roll out of end user devices, applications migration and telephony. VDI devices have been reviewed, and continue to be rolled out to applicable clinical areas, however further rollout will be dependent on demonstrable success in these areas.

The CIO updated the Committee on the impact of delayed milestones and mitigation plans that were being effected. An update on progress against these mitigations will come to the May Committee.

The CIO also provided an update to the Committee on an enhanced communications plan to ensure that clinicians are kept up to date in terms of progress on the programme.

The CIO also reported that additional resource has been recruited to the service support team. These resources will actively visit clinical areas of the Trust to offer support to users and to provide on the spot resolution to issues.

## Review of 2016/17 Financial Performance

### 1. Income and Expenditure (I&E) Deficit

Subject to final audit, the Trust's deficit for the year was £30.1m, £7.6m adverse to the budget of £22.5m, and £10.0m lower than in 2015/16.

Previous reports from the Committee highlighted two key risks in achieving the deficit budget, a claim by the financially challenged HVCCG to reverse the agreement made in writing with them at the start of the year for the non-charging of readmissions, and receiving the full budgeted £12.0m of S&T funding from NHSI, which is dependent on the Trust's deficit and operational performance.

Following arbitration the Trust had to pay HVCCG £3.8m for readmissions. This, in turn, meant that the Q4 deficit budget was not met, resulting in the loss of £3.0m S&T funding. In addition a further £0.75m S&T funding was not received relating to non-achievement of RTT targets in the year.

The Committee expressed its disappointment that a written agreement with the HVCCG, which was built into the budget, was overturned but was encouraged that excluding this £3.8m reverse, and the reduction in S&T funding, the Trust achieved its deficit target for the year.

The Committee was further encouraged by a number of significant improvements in the year, whilst recognising that deficit reduction programmes will need to accelerate further in future years to

deliver deficit targets en route to financial sustainability.

Notable improvements in the year include;

- CIPs of £14.7m, 4.6% of revenues, are the highest ever recorded in the Trust and higher than the original budget of £14.5m, albeit below the stretch target of £18.3m
- Agency costs reduced by £10.4m, 28%, down from £36.9m in 2015/16 to £26.5m. Whilst this is £2.1m more than target, the difference is more than accounted for by the unexpected level of increase in surge activity.

## 2. Capital Expenditure

Capital spend in the year totalled £13.9m. This is below the lower revised target of £16.1m, mainly due to project slippage caused by late approval of the loan. The Committee were pleased to hear that NHSI has agreed to ring-fence this spend to be carried forward into the 2017/18 capital budget.

## 2017/18 Financial Plan

The Committee reviewed a paper on the plan covering, I&E Deficit, Capital Expenditure and Funding.

### 1. I&E Deficit

The agreed plan is to achieve a deficit of no more than £15.0m in 2017/18, half the deficit in 2016/17.

The Committee reviewed a paper presented by the CFO. The focus of the Committee was to seek assurance that the key actions, risks and mitigations were in place for delivering the plan with clear management ownership and constant monitoring to ensure that appropriate recovery plans are activated where necessary.

The plan has a number of very stretching targets and significant risks that need constant focus by the Executive and oversight by the Finance and Investment Committee and Board.

The most challenging target is to deliver CIPs of £21.9m, 6.5% of revenues, almost half as much again as the record levels in 2016/17.

Currently there is confidence of achieving CIPs of £13.7m and a further £3.0m of savings are targeted which is dependent upon the extra social care funding to local authorities freeing up the equivalent of 22 beds throughout the year.

The Trust has now set a stretch target to reduce agency costs

below the NHSI control total of £24.4m down to £17.0m. Plans are being put in place to achieve this which would contribute to the CIP challenge to the extent that the agency costs reduction exceeded the increase in permanent/bank pay costs.

Other savings opportunities will be rigorously pursued, as ever enduring that patient safety is not compromised.

The Committee also reviewed key areas of revenue risk, and mitigating actions and plans, including CQUINs, QIPPs, and STF funding, which again is dependent upon achieving financial and operational targets.

The Committee was assured that, with the exception of CIPs, where work is ongoing to close the gap, appropriate plans and mitigating actions are close to being finalised to deliver the plan. However the Committee recognises that the deficit plan is extremely challenging, and all areas of progress against the plan, with emphasis on the items above, plus any required recovery actions will be reviewed in depth at the FIC every month

## 2. Capital Programme and Capital Funding

The proposed capital spend is £23m, including the £2m carried forward from last year. This spend is subject to approval of a £17.0m ITFF loan application which is scheduled to be submitted by the end of June.

The Committee recommends that the paper on the 2017/18 financial plan is presented to Part 2 of the May Board.

## Business Cases

The Committee reviewed two draft business cases:

### Outline business case (OBC) for Watford Theatre Reconfiguration

To achieve full and updated clinical compliance and provide additional capacity to meet surgical demand over the next 7 to 10 years, the proposal is to upgrade the existing 5 theatres and build a 6th at an estimated cost of £14.3m. The plan is to start construction in November 2017 and complete in December 2019.

The Committee reviewed the draft, supported the proposed approach and gave the go ahead for it to be shared with NHSI for comment and feedback before presentation of the proposed OBC to the May Committee and to the June Board for approval.

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

The Committee reviewed the draft for the provision of car park services at all three sites, with the target to be operating by Spring 2019, and agreed, following further work, that the final SOC be presented to the May Committee and June Board for approval.

### Loan Agreement

The Committee reviewed and approved the Interim Revenue Support Loan of £1.964k to cover April revenue cash requirements, and recommends the May Board ratifies this approval.

### Corporate Risk Register (CRR)

The Committee reviewed the remapping of the CRR to the FIC following the changes in Board sub committee governance from April. The FIC has responsibility for providing assurance to the Board, relating to two primary risks in the BAF, PR4 covering IT, information and information governance, and PR7 covering achieving financial targets, maintaining financial controls, and securing sufficient funding.

There are 6 risks with ratings from 16 to 20, and the Committee agreed that there were no issues or events to support any changes to the ratings last agreed by the Board.

The Committee noted that one risk, 3828, a PR5 risk had been incorrectly mapped against PR7, and asked that this risk should be reallocated to the appropriate sub committee.

### Board Assurance Framework (BAF)

The Committee reviewed the BAF ratings, controls, level of assurance and improvement actions relating to Principal Risks 4 and 7.

Following discussion the Committee agreed there should be no changes to the BAF ratings, but asked for a number of action plans to be updated before submission to the May Board.

### Internal Audit

The CFO gave a verbal update on two new internal audit reports and confirmed that they would both be on the agenda for review at the May Committee.

#### **Risks to refer to risk register**

None

#### **Issues to escalate**

The Committee recommends the following:  
in Part 1 of the May Board for ratification:

1. acceptance of the terms and conditions of the Interim Revenue

Support Loan of £1.964k

in Part 2 of the May Board for assurance:

2. a paper on the management of risks to achieve the 2017/18 deficit target and mitigating actions being undertaken

### **Attendance record**

#### Attended

John Brougham, Non-Executive Director (Chair)

Don Richards, Chief Financial Officer

Helen Brown, Director of Strategy & Corporate Affairs

Jeremy Livingstone, Divisional Director, Surgery, Anaesthetics & Cancer )

Katie Fisher, Chief Executive

Lisa Emery, Chief Information Officer

Paddy Hennessy, Associate Director of Environment

Phil Townsend, Non-Executive Director

Sally Tucker, Chief Operating Officer

Stephen Dunham, Assistant Director of Finance & Commercial Development

Tom Drabble, Patients' representative

Soheb Rafiq, Divisional Head of Finance, Surgery, Anaesthetics & Cancer (item 16)

#### Apologies

Kevin Howell, Director of Environment

Lesley Headland, Chair of Staffside

Mike van der Watt, Medical Director

Prof. Steve Barnett, WHHT Chairman

#### Clerk

Clare Ransom, Executive Assistant