

Audit Committee

Key summary points from the meeting held on **Thursday 4 February 2016**:

1. External Audit - Ernst & Young (EY)

EY submitted audit planning report outlining scope and audit approach for 2015/16 audit, which summarised the key issues and their strategy in relation to identified risks. It was noted that the risks considered included external influences, operational activities and financial risks for year ending 31 March 2016.

- **Financial Risk** There are some mandatory risks that will be considered as part of the Financial Statement Risks – (i) Risk of Management Override and (ii) Risk of Fraud in Revenue Recognition. There will also be an investigation of misstatement in relation to (iii) Property, Plant and Equipment revaluation following the recent revaluation of the Trust's Estate to test key assumptions made and accounting treatments during the process. They will also consider Achieving Break-even (taking into account the latest position and the approved Temporary Loan) and key controls in relation to Pay
- **Economy, Efficiency and Effectiveness** This comprises of 3 main aspects (i) Informed decision-making – which will consider break-even duty and CIP position (ii) sustainable resource deployment - which will consider performance against national performance targets and (a new criterion) working with partners and other third parties

The Audit Committee stressed that the auditors should begin the process by looking at the contractual arrangements commissioned at the beginning of the year and to consider the actual levels of activity experienced by SaTH and the impact of under-investment and under-commissioning from the outset in terms of patient experience, financial penalties and achieving national targets. Although there are planned changes nationally in relation to the penalties applied for non-achievement of targets the Trust has historically been blighted by having unrealistic and insufficient activity levels set in contracts which it was forced to accept following arbitration despite not matching actual demand. An analysis of Trust performance had accurate contract activity levels been set would be helpful and the Committee hoped the work by EY would reflect some of these aspects

Furthermore it was noted that for the last three years the Trust had been one of the top 40 performing hospitals in the country and received national recognition from CHKS across a range of performance and efficiency indicators. Audit Committee asked that EY deliver some headline findings at the April meeting

2. Appointment of External Auditors 2017/18

Following delegated authority from the January Trust Board, the Audit Committee approved the Terms of Reference for the Appointment panel and plan to have the process completed in April, subject to Procurement processes

Name of Chair: Robin Hooper

Date report prepared: 10th December 2015

Finance Committee

Key summary points for the board from the meeting held on 23rd February 2016:

Charitable Funds

The latest quarterly review of charitable funds was undertaken.

- Consolidation of Charitable Funds – agreed that the Trust did not wish to consolidate its charitable funds at the present time. To be reviewed again in 12 months time.
- The Investment Policy and Reserves Policy were considered and approved. To be reviewed again in 12 months time.

Sustainable Services Programme – Draft Strategic Outline Case

Kate Shaw, Associate Director of Service Transformation and Jill Price, Deputy Director of Finance attended the meeting to present the Draft Strategic Outline Case (SOC) for the Sustainable Services Programme.

The committee reviewed the capital and revenue impact of the options which identified affordability of the potential solutions at both PRH and RSH and noted the savings. The committee discussed the significance of the Sustainable Services Programme in terms of affordability and sustainability across the overall health economy.

The committee discussed the risks associated with delivery of the programme and noted the impact of the potential solution on the existing estate.

The Finance Committee approved the Draft Strategic Outline Case for onward submission to Trust Board and in due course to the Commissioners and NTDA.

Finance Report Month 10

The Trust forecasts an I&E outturn of £14.6 million, an improvement on the Stretch Target of £15.2 million.

Income, pay and non-pay positions were reviewed. Pay expenditure in month 10 amounted to £19.184 million. Agency spending had declined over the last two months and in January fell below the 8% ceiling as prescribed by the NTDA. Allowance had been made for an increase in non-pay costs between now and the year end.

Focus will turn to the development of a financial strategy for 2016/17.

Other Business

- Third party contracts – the committee approved the recommendation relating to awarding the Linen and Laundry Services contract. Invitation extended to Paula Davies, Head of Procurement to attend the next meeting to present procurement plans 2016/17.
- The committee received the latest summary of losses and special payments.

Name of Chair: Clive Deadman, 26 February 2016

Finance Committee

Key summary points for the board from the meeting held on 29th March 2016:

Non-Pay Savings 2016/17

Paula Davies, Head of Procurement attended the meeting to describe the non-pay cost improvement plans for 2016/17. To date potential savings amounting to £1,827,945 have been identified against a target of £2 million. The committee recognised the excellent work being undertaken within the Procurement Department, welcomed the business lead/clinician lead ownership of initiatives and offered all support to accelerate and build greater savings. It was noted that planned and claimed cumulative savings claimed over 4 years ending 31/3/17 amounted to approximately £10m (over 20%) and yet the budget for non-pay appeared to be going up.

Clear Design

The Finance Committee **APPROVED** the renewal of the contract with Clear Design who had been brought in during 2014 to develop an employer brand in a bid to improve the Trust's profile and presence in the employment market nationally.

Finance Report Month 11

The Trust continues to forecast an I&E outturn of £14.7 million, in line with the required Stretch Target. At this late stage in the financial year this forecast is expected to be achieved. This was warmly welcomed by the committee.

Financial Strategy 2016/17

The Committee considered the financial strategy for 2016/17 which would deliver a deficit in the year amounting to £5.9 million. The 5% budgeted growth in Pay, 10% budgeted growth in Non-pay and corresponding growth in income and CIP efficiencies needed to manage down the deficit was discussed and noted.

It was envisaged that there would be challenges delivering the planned Cost Improvement Programme of £13 million. To date cost savings amounting to £6.8 million had been identified and further actions to address the gap would be required. The committee noted the importance of inspiring and managing down unavailability rate from the current levels.

Given the CIP delivery risks the committee proposed to ask the Board if it would help if throughout 2016/7 the Finance/Sustainability Committee were to run a programme of reviews of critical CIP initiatives: these reviews would review CIP deliver risks/opportunities and invite owners of these CIP schemes for ask for more support/help in accelerating delivery.

Discussions were continuing with commissioners to agree contracts for 2016/17; to date no agreement has been reached.

Key risks were noted as being the effects of the CCG QIPP schemes on income, receipt of the Sustainability and Transformation Fund (£10.5 million) which is linked to the delivery of

performance targets and implementation of the new Agency cap rates within medical staff groups.

The 'sense-check' review testing the expenditure budgets against recent expenditure run rates was noted and welcomed and in conclusion the committee resolved to recommend the budget to the Board.

Other Business

- Sustainable Services Programme: Draft Governance Structure – received and approved by the committee.
- Shropshire Health Economy – Review of the five year financial position – received for information. Provides assurance around the findings initially identified by Neil Nisbet in an earlier review.
- The committee received the latest summary of losses and special payments.

Name of Chair: Clive Deadman

Date report prepared: 30th March 2016

Workforce Committee

Key summary points from the meeting held on 18th March 2016:

1. Staff survey

The Workforce Committee in March ran a Deep Dive workshop into Staff Survey results for 2015/16 with a focus on staff engagement.

The purpose of this session is support a greater level of understanding of the results, as the committee was able to focus on specific areas, staff groups and results.

An overview of results was provided, along with an in-depth look at staff engagement scores by team this provided a useful context to an informed discussion regarding focus for the year ahead.

Highlights included

- **Significant improvements against local year on year comparison**
- **Areas noted for significant improvement in staff engagement**
- **Important that we maintain momentum and focus on areas requiring improvement. Specifically, staff involvement and raising concerns.**
- **Agreement to have a narrow focus with big impact**
- **Trust wide Infographic to be disseminated amongst teams**

Victoria Maher
18th March 2016