

Finance Committee

Key summary points from the meeting held on 29th July 2014

1. Finance

Month 3 position

The Board's papers report the position. Finance Committee commentary on this is given below.

The Committee draw attention to the continued overspend against the profiled budget and how the run rate for monthly pay expenditure remains consistently above budget through the first quarter despite additional controls implemented since May. Whilst income and non-pay expenditure are broadly in line with budget the continued and cumulative overspend on pay is a serious concern and at this stage there is little evidence of the trend changing,

In summary:

- Run rate projected to result in I&E deficit of £15m prior to further action,
- "Rectification" measures of £7m effect in 2014/15 required to bring the deficit back to the budgeted £8.2m. The majority of these measures are "management" rather than "finance" proposed thus offer greater ownership and accountability although they lack assurance,
- Increased deficit adding to severe cash flow position and unsustainably poor rate of creditor payments.

Issues within this position to draw to the Board's attention:

- The deficit position reflects [amongst other things] the continued provision and cost of escalation capacity and also assumed emergency threshold financial penalties.
- The special internal audit report on pay controls still awaited.
- A lack of assurance to the Board, from the Finance Committee review, as to returning monthly pay levels to budget and also a lack of assurance that the [mostly pay related] rectification measures can actually be delivered and effective in eliminating the additional run-rate deficit now projected. Some two thirds of the "rectification" measures are RAG rated red or amber at this stage.
- The need for a resolution to the Trust's underlying liquidity shortfall is urgent and not limited to the securing of temporary loans to fund in-year deficits. Cash cover for the planned deficit and sufficient to remedy the underlying current liabilities is required as reflected in the Trust's submission to the NTDA.

2. Other Business

- Historic Due Diligence (HDD) Action Plan – on track but no new closed issues to report. One HDD recommendation is that major projects should see a post project review undertaken and reported. The Committee concur with this and propose that such a review report is made in respect of any project that required a Board level business case approval prior to commencement.
- A quarterly report on charitable funds was reviewed. This included a further interim discussion of strategy and fundraising in advance of a final report to the Corporate Trustee in Autumn 2014. The Committee noted approvals against funds of £611k including a number of significant sums applied in conjunction with capital planning priorities.
- Notification has been received that Ernst and Young have been awarded the contract for the audit of charitable funds accounts from 2015/16.
- Losses and special payments were reviewed with nothing to draw to the Board's attention.
- Finally, the FT Network update as to funding prospects for 2015/16 was received. This included reference to the likelihood of a further annual round of efficiency saving assumptions [likely to be set at 4%] and this, with other measures, pointing to another very challenging funding context. The Committee [in the context of national difficulties not just at SaTH] question the sustainability of this financial regime given cumulative efficiency assumptions of some 20% over recent years and also in the context of such as staffing level expectations and reporting. The FTN refer to the potential for “mass provider financial distress”.

Name of Chair: Dennis Jones

Date report prepared: 30th July 2014