

**Board of Directors' Meeting Report – 5 October 2016**

**Agenda item 91/16**

<b>Title</b>	Report from the Finance and Resources Committee
<b>Sponsoring Director</b>	David Parkins – Non-Executive Director
<b>Author</b>	David Parkins – Chair of Finance and Resources Committee
<b>Purpose</b>	To update the Trust Board on the meeting of the FRC held on 21 September 2016
<b>Previously considered at</b>	N/A
<p><b>Executive Summary</b> This paper summarises the issues considered at the meeting which included:</p> <ul style="list-style-type: none"> <li>• Statutory and Mandatory Training</li> <li>• HR Performance including Recruitment and Retention</li> <li>• HR &amp; OD Strategy progress</li> <li>• Month 5 Board Finance Report</li> <li>• Financial Improvement Programme including CIPs</li> <li>• Cash Flow and Loans</li> <li>• BAF Review of Risk 4 &amp; 5</li> <li>• Estates Capital Projects not funded</li> <li>• PACS replacement proposal</li> <li>• Operational performance – update on system wide projects</li> </ul>	
<b>Related Trust Objectives</b>	Financial and Operational Sustainability
<b>Related Risk</b>	All BAF risks
<b>Essex Success Regime</b>	No impact.
<b>Legal implications / regulatory requirements</b>	Additional scrutiny of Finance issues, NHSI FRR
<b>Quality assessment impact</b>	QIA's are applied to the financial recovery plan actions and to all CIP programmes
<b>Equality assessment impact</b>	As far as can be considered this paper has no detrimental impact for the 8 protected characteristics under the Equality Act 2010
<p><b>Recommendations:</b> The Board is asked to receive assurance from the report.</p>	

## **Report from the Finance and Resources Committee**

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### **Background**

The purpose of the Committee is to provide the Board with an objective review of the financial position of the Trust and oversee the delivery of financial performance. This report sets out the issues considered at the 21 September meeting.

### **Statutory and Mandatory Training**

The Committee reviewed the compliance level for statutory and mandatory training. The compliance level continues to improve and is now at 79% for all core topics for all staff, and at 82% for all staff excluding Bank. However the Trust has not achieved the target of 85%. A number of interventions have been introduced to further improve performance.

The Committee expressed concern over the significant number of 'did not attend' at the courses. The Committee will monitor progress on this matter.

### **HR Performance including Recruitment and retention**

The trend of workforce KPIs indicates improvements in a number of areas, however, further progress is needed:

- Appraisal compliance rate in August was 70%, up from 66% in May. The Trust remains on target to reach compliance at 85% by June 2017.
- The Trust's overall vacancy rate at the end of August was 9.35%, up from 9.28% in May. New nurse recruitment continues to be difficult, however, extensive plans for improvement are being followed. The Committee were not assured that recruitment plans would be achieved in the year and concerns were expressed over the impact on financial performance.
- Agency spend continues to be above average and is being closely managed
- The Trust's sickness absence rate has increased slightly from 3.6% in May to 3.8% in July. A revised sickness absence policy is due for approval in September.
- The Trust's turnover rate is stable at 12.4% against a target of 9.7%. Changes to exit interview procedures have recently been introduced.

### **HR and OD Strategy**

The action plan covering the first year of the strategy was presented. Good progress is being made and there are only a small number of areas for concern where remedial action is being taken.

### **Month 5 Board Finance Report**

There was a deficit of £1.5m in August which increased the cumulative deficit to £6.0m, slightly adverse to the revised plan.

- The Committee expressed concern that pay costs were up in the month. The Committee noted the processes in place to control pay costs and action taken with Directorates to ensure that this trend does not continue.
- Cash balances finished the month at £7.0m. There was no further cash support drawn down in August.
- Capital spend for August was £0.5m bringing the cumulative spend to £2.9m below plan by £1.7m. This is due to slippage in some schemes that will recover by the year end.
- Financial Sustainability Risk Rating remains at 2 out of maximum score of 4.

### **Financial Improvement Programme including CIPs**

The Committee discussed the current performance. The Trust has achieved savings of £5.9m for the year to date, which is £0.8m favourable to plan. The Committee also received an update from Grant Thornton on their work to deliver £3.9m of savings this financial year.

The Committee were assured that the trust was on track to deliver the programme. Further detail was requested from Grant Thornton to enable the Committee to form a view on their plans to deliver £3.9m of savings this financial year.

### **Cash Flow and Loans**

The Committee received an update on the current cash position and the ITFF (Independent Trust Finance Facility) loans. The Committee noted that further funds will have to be applied for on a month by month basis. The Committee also noted the actions in hand to ensure that the Trust meets the loan conditions.

### **BAF Review**

The Committee received an updated review of BAF Risks 4 and 5 and considered the conclusions:

Risks 4 ('Trust not being financially sustainable'), it is recommended that the current risk level remains at 25. However, the target level for risk 4 likelihood should be increased from 1 (rare) to 3 (possible) giving an overall target of 15. The Committee felt that this was a more realistic medium term target.

Risk 5 (Inability to recruit and retain staff), it is recommended that this risk remains at 25

### **Estates Capital Projects not funded**

A report was presented on the key estates capital projects that were not included in the 2016/17 capital plan. The report covered Estates, IT and Medical equipment and identified mitigating actions in place. The Committee expressed particular concern regarding the disaster recovery plan for the IT datacentre and the potential unavailability of IT services for up to 12 weeks.

### **PACS Replacement Proposal**

The full business case was presented to the Committee and, after discussion, the Committee agreed to recommend the business case to the Board for approval.

### **Operational performance – update on system wide projects**

The Board received a written report on the three system wide action plans covering the key operational standards.

### **Recommendations**

The Board is asked to note the report and the assurance conclusions.