

**TRUST BOARD**  
**26<sup>th</sup> January 2012**

<b>TITLE</b>	<b>Minutes of the Finance Committee meetings held on 16<sup>th</sup> November 2011 and 21<sup>st</sup> December 2011</b>
<b>EXECUTIVE SUMMARY</b>	<p>The minutes of the Finance Committee meetings held on 16<sup>th</sup> November 2011 and 21<sup>st</sup> December 2011 are attached for noting. The key points are: -</p> <ul style="list-style-type: none"> <li>▪ <b>Finance Report to 30<sup>th</sup> November 2011</b> – reviewed the month 8 financial position of the Trust, the operational issues driving the results and the detailed forecast for the full year;</li> <li>▪ <b>Business Planning 2012/13</b> – received an update on the process for business planning for 2012/13 and discussed next steps and Finance Committee involvement;</li> <li>▪ <b>Business Case Midwifery Led Unit</b> – reviewed the Business Case for the above and after gaining a fuller understanding of issues ratified the case and recommended Trust Board approval; and</li> <li>▪ <b>Charitable Funds</b> – received an update from Barclays Wealth on the performance of the portfolio and agreed that the investment strategy needed to be reviewed.</li> </ul>
<b>BOARD ASSURANCE (Risk) / IMPLICATIONS</b>	The Board is assured by the scrutiny provided by the Finance Committee on matters of financial risk.
<b>STAKEHOLDER / PATIENT IMPACT AND VIEWS</b>	None obtained.
<b>EQUALITY AND DIVERSITY ISSUES</b>	None that I am aware of.
<b>LEGAL ISSUES</b>	None that I am aware of.
<b>The Trust Board is asked to:</b>	Note the minutes of the Finance Committee meetings held on 16 <sup>th</sup> November 2011 and 21 <sup>st</sup> December 2011.
<b>Submitted by:</b>	Jim Gollan, Non-Executive Director and Committee Chair Paul Doyle, Deputy Director of Finance
<b>Date:</b>	18 <sup>th</sup> January 2012
<b>Decision:</b>	For Noting

**TRUST BOARD**  
**26<sup>th</sup> January 2012**

**Minutes of the Finance Committee meeting held on 16<sup>th</sup> November 2011**

<b>PRESENT:</b>	Mr. Peter Taylor Mr. Clive Goodwin Mr. Andrew Liles Mr. Paul Doyle	Non-Executive Director (Chair) Non-Executive Director Chief Executive Deputy Director of Finance
<b>IN ATTENDANCE</b>	Ms. Claire Braithwaite Ms. Aasiya Moreea Ms. Colleen Sherlock Mr. Stephen Hepworth	Associate Director, Performance Improvement Head of Information Head of Workforce Intelligence Associate Director Business Development (Item 7)
<b>SECRETARY:</b>	Ms. Desireé Irving-Brown	Assistant Director, Financial Management
<b>APOLOGIES:</b>	Mr. Jim Gollan Ms. Valerie Bartlett Mr. John Headley Ms. Raj Bhamber	Non-Executive Director (Chair) Deputy Chief Executive Director of Finance and Information Director of Workforce & Organisational Development

**Actions**

**1. Introductions and Apologies**

The apologies are noted above. It was noted that the meeting constituted a quorum.

**2. Minutes of the Meeting held on 19<sup>th</sup> October 2011**

The minutes of the meeting held on 19<sup>th</sup> October 2011 were agreed.

**3. Matters Arising**

3.1 Action Points List

It was agreed that the action list would be addressed at the end of the meeting as most of the items were on the agenda.

**4. Activity, Workforce and Finance**

4.1 Activity

The Head of Information talked through the activity graphs and forecasts. Day cases continued to be below plan in October, and the Associate Director, Performance Improvement was asked to provide a forecast based on current wait lists.

CB/VB

The drop in non-elective admissions was noted. Peter Taylor requested details on whether this was due to the change to ambulatory pathways, or due to a drop in attendances.

CB/AM

#### 4.2 Operational Performance Report

The Associate Director, Performance Management provided a summary of the operational performance report. Performance against the 18 week target continued to improve with most specialties now achieving the target. Orthopaedics and General Surgery continued to be behind, but Orthopaedics should hit the target by the end of November. This has been achieved through increasing the average wait times. More work is required to be comfortably within the target, and competitor wait times would now be targeted.

The Chief Executive explained that the limiting factors on elective work were around theatre capacity and elective bed availability.

The Associate Director, Performance Management explained the changes in the A&E and MAU models and the effect on admission levels. Length of stay had stabilised at the end of October, but was beginning to creep up again in November. The 4 hour wait times continue to be challenging. Quarter 3 results are close to targets and further measures have been brought in until the CDU opens in December. There is a risk that the 95% target would not be achieved.

Clive Goodwin asked whether finances were a limiting factor. The Associate Director, Performance Management said that that this was not the case, and that opening beds was currently not an option, and therefore the funds were being invested in the most beneficial areas.

Peter Taylor raised a point about Ambulance wait times. The Associate Director, Performance Management replied that the redesign of A&E would alleviate some of these issues, and that the Trust was talking to SECAMB daily in an effort to improve flow.

The Chief Executive suggested that the Board visit A&E and the bed managers. It was also pointed out that last year MAU and A&E were areas of concern, but that this year MAU had been resolved with A&E remaining an issue.

#### 4.3 Workforce Report

The Head of Workforce Intelligence provided a summary of the workforce report. Vacancies had dropped in October after two months of increases. A third of the vacancies occurred in Diagnostics & Therapeutics and exit interviews are being reviewed to understand the reasons, although the Surrey Pathology project was part of the reason.

The ongoing increase in medical agency costs was discussed. The drive to recruit more doctors onto the internal bank is progressing well, and the latest employment drive has resulted in 18 doctors being processed into the Trust.

The decrease in WTE's despite increasing costs had been investigated. Invoices had been checked against bookings and only one instance of a WTE not appearing on the booking system was found. All suppliers have been advised that no invoices would be paid if the WTE was not booked through the proper channels. There is further work to be done around the coding of extra payments.

The Workforce team were reviewing retention and training procedures for Health Care Assistants with a view to improving retention.

The Workforce Report was noted by the Committee.

#### 4.4 Finance Report

The Deputy Director of Finance summarised the key points of the Finance Report. The sensitivity of the Monitor Metrics was discussed with specific reference to the ongoing shortfall on EBITDA.

It was pointed out that the risk around CQUINS highlighted on appendix 5 had not been built into the forecast as there was ongoing work to increase the level of performance.

The focus for CIPs had now shifted to 2012/13, with the forecast for the current year now £11.5m.

Clive Goodwin asked whether the savings from CIPs were being reinvested appropriately, and whether this could be isolated for communication purposes. If available, Clive Goodwin to share presentation from the conference he attended.

CG

It was requested that a note be placed in the commentary to clearly show the impact of the Epsom transaction, and the offset against the below the line budget.

DIB

#### 4.5 Finance Forecast and Drivers

The Deputy Director of Finance tabled a summary of the current forecast phasing and the challenges contained within it. The surpluses in January and March 2012 were questioned, and Clive Goodwin requested further information on what explicit changes were being made to achieve these figures.

PD

It was suggested that this report be presented at the next Executive Finance meeting and also that the Board be notified that the forecast was under rigorous review.

PD

It was confirmed that the quarter one position has still not been agreed with the PCT. The PCT have outsourced the reconciliation process, and the external company's data manipulation does not match expected outputs from the Trust.

## **5. Commercial Group**

### 5.1 Minutes of meeting held on 13<sup>th</sup> October 2011

Noted.

### 5.2 Feedback from meeting held 10<sup>th</sup> November 2011

Peter Taylor requested that a full supply chain review be undertaken by the Commercial Group and reported back to the Finance Committee. This is to be added to the Schedule of Business for both meetings.

PD/DIB

## 6. Capital

### 6.1 Capital Report

The Capital Report for October was noted. Clive Goodwin queried whether the tender waiver for A&E had yet been noted by the Finance Committee.

PD

### 6.2 Draft minutes of Capital Control Group meeting held on 7<sup>th</sup> November 2011

The draft minutes were noted.

## 7. Business Development Strategy

The Associate Director, Business Development explained the rationale behind the paper and how the strategy addresses the growth potential of specifically identified areas. This paper had been discussed with TEC and the Divisions and TEC had identified which specialist services should be developed. The next step is to prioritise which aspects to focus on.

Moving more work into the community is also being considered, especially in areas where services are not currently provided. Clive Goodwin asked what the financial upside and timescales of this would be. The Associate Director, Business Development stated that initiatives were still being investigated and therefore this information was not yet available. Priority would be given to work which could be done within existing fixed costs.

It was recommended that the paper be taken to the Board.

## 8. Review of EQUIP

The Associate Director, Performance Improvement presented a paper on the restructure of the Programme Management Office (PMO) and EQUIP teams. Clive Goodwin agreed to visit the PMO and bring a project manager in with him to talk to the team to ensure the objectives could be achieved within the new structure.

CG/CB

## 9. Identification of Financial Risks

### 9.1 Financial Risks

It was suggested that the forecast surplus and the risks incorporated within it be placed on the Risk Register. This would be agreed at the next meeting of the Committee once updated data is available.

PD

### 9.2 Key Points to take to Trust Board

Three items are to be taken to the Trust Board in October. These were:

- End of year forecast;
- Project Management Office review; and
- Business Development Strategy.

**10. Items for Information**

10.1 Schedule of Business

Noted. It was requested that a review of the supply chain would be entered onto the draft schedule of business; this would be subject to the review being initiated by the Commercial Group as detailed in point 5 above.

10.2 Business Cases Approved by TEC

None.

10.3 Tender Waivers >£50k

None.

10.4 Treasury Management Report

The paper was noted by the Committee. It was agreed that a short narrative report be provided for future meetings without the detailed financial data.

**11. Any Other Business**

None.

**12. Date and Time of Next Meeting**

Wednesday 21<sup>st</sup> December 2011 at 8.30 a.m. at Level 2 Seminar Room, St. Peter's Hospital.

**TRUST BOARD**Date: 26<sup>th</sup> January 2012**Title: Minutes of the Finance Committee meeting held on 21<sup>st</sup> December 2011**

<b>PRESENT:</b>	Mr. Jim Gollan	Non-Executive Director (Chair)
	Mr. Peter Taylor	Non-Executive Director
	Mr. Clive Goodwin	Non-Executive Director
	Mr. Andrew Liles	Chief Executive
	Mr. John Headley	Director of Finance and Information
	Ms. Valerie Bartlett	Deputy Chief Executive
	Ms. Raj Bhamber	Director of Workforce & Organisational Development
	Ms. Suzanne Rankin	Chief Nurse
	Mr. Paul Doyle	Deputy Director of Finance
<b>IN ATTENDANCE</b>	Ms. Aasiya Moreea	Head of Information
	Mr. Wayne Hawkes	Barclays Wealth (agenda item 9.1)
	Ms. Jane Wilcock	Barclays Wealth (agenda item 9.1)
<b>SECRETARY:</b>	Ms. Desireé Irving-Brown	Assistant Director, Financial Management
<b>APOLOGIES:</b>	None	

**Actions****1. Introductions and Apologies**

There were no apologies. It was noted that the meeting constituted a quorum.

**2. Minutes of the Meeting held on 16<sup>th</sup> November 2011**

The minutes of the meeting held on 16<sup>th</sup> November 2011 were agreed.

**3. Matters Arising****3.1 Action Points List****3.1.1 Action point 3**

The Deputy Chief Executive provided an update, stating that the issue was twofold, firstly a counting change had occurred, and secondly, the removal of AAU from A&E.

**3.1.2 Action point 10**

It was agreed that the Deputy Chief Executive would contact Clive Goodwin to arrange for a visit.

VB

All other action points were either completed or on the agenda.

## 4. Activity, Workforce and Finance

### 4.1 Activity

The Head of Information circulated a new forecast for activity, as well as a comparison of non-elective admissions compared to prior year, which had been normalised for counting changes. This report showed that non elective admissions are lower than last year, and this reduction has only been partially offset by an increase in ambulatory patients. The Deputy Chief Executive stated that more time was required to analyse this and advise the Committee what the impact of this was on patients as well as income.

VB/AM

Clive Goodwin asked whether the numbers in the revised activity forecast would affect the financial forecast, it was confirmed that the two forecasts were not connected at this stage.

### 4.2 Operational Performance Report

The Deputy Chief Executive summarised the operational challenges, and advised that the situation was similar across the whole of Surrey. A piece of work had been done to investigate the whole system, and this would be circulated to the Committee.

VB

The current issues were both internal and external. The Clinical Decisions Unit in A&E has now been opened and this has already reduced the ambulance waiting times. All elective procedures that were cancelled have now been rebooked, and there is no plan to slow down elective work as was done last year.

The Chief Executive pointed out that all margins (both operational and financial) are really tight and therefore sensitive to small changes. It was agreed that this would need to be debated by the Trust Board, including assumptions around capacity, CIP's and EBITDA for 2012/13, so that these sensitivities can be properly understood and provided for in the plan.

JH

### 4.3 Workforce Report

The Workforce Report was noted by the Committee.

The Director of Workforce and Occupational Development asked that a consolidated report combining agency WTE and cost be brought to the next Committee meeting.

PD

### 4.4 Finance Report

The Director of Finance and Information summarised the key points of the Finance Report. The in-month performance was £0.2m behind plan, largely due to increases in non-pay, and a breakdown of this variance was provided. Income came in stronger than anticipated due to an increase in elective activity.

Quarter one has now been reconciled with NHS Surrey and the figure is in line with what has been reported in the accounts.

Winter pressure costs are starting to flow through into the accounts. There is more work to be done around supplies and procurement, including enhanced stock controls following the internal audit, and managers are being pushed to provide better responses to the audit report.

It appears that CIP's are being removed from budgets from non-pay rather than pay during the budget setting process, as managers find it difficult to reduce headcount.

Clive Goodwin asked about the CIP's reported as coming from the previous year. It was agreed that a meeting would be set up to discuss the counting and budget setting process outside of this meeting.

DIB

#### 4.5 Finance Assumptions and Monthly Detail

The Director of Finance and Information briefly outlined the paper and advised that the forecast had been reduced due to additional initiatives to address winter pressures.

The income forecast had been arrived at by reviewing the proportion of income earned in the last four months of the previous two financial years, and applying this to the year to date figure already reported.

The Deputy Director of Finance talked through the risk table in the Finance Report, highlighting that a further rise in winter pressures (especially those associated around sharp increases in trauma) and potential fines would be the largest risks which could cause a further decline in the forecast.

Clive Goodwin asked whether there was any potential upside, and the Director of Finance and Information confirmed that any potential upside would depend on demand. Peter Taylor suggested there may be a further risk due to lack of budgetary control.

Jim Gollan asked what the latitude was before the FRR dropped below 3. The Deputy Director of Finance advised that the surplus could drop further than currently predicted and still produce an FRR of 3. Jim Gollan also asked whether there were any provision releases allowed for in the forecast. The Deputy Director of Finance confirmed that there were none.

The Director of Workforce and Occupational Development asked whether NHS Surrey would be able to pay the forecast over-performance. The Director of Finance and Information advised that their outlook was improving and that they are expected to be in a position to settle any over-performance.

#### 4.6 Business Planning Process for 2012-13

The Director of Finance and Information provided an update on the Operating Framework, which, although not as bad as in previous years, will still provide a challenging financial year. The tariff reduction is anticipated to be 1.8%, but will be partially offset by a 1% increase in CQUIN's.

Jim Gollan invited the group to discuss lessons learned in previous years. Peter Taylor suggested four items as follows:

- The EQUIP agenda needs to be more closely aligned to the Trust's objectives;
- Purchasing needs to be improved to a total cost/supply chain scenario to really reduce expenditure;
- Budget management has to be a focus ensuring managers understand that it is not acceptable to under-perform on budgets; and
- Operational system issues (e.g. capacity issues) need to be addressed in the business plans.

The Director of Finance and Information suggested that more attention needed to be given to the spend run-rates in the last quarter when phasing the budget for the new financial year. Also, the split between income and expenditure needs to be more accurate.

The Chief Executive suggested that better capacity plans which fit the objectives should be created.

Peter Taylor asked whether it would be possible to pull out the top high risk assumptions at divisional level, and whether lead indicators could be introduced to flag the risk areas are occurring in advance, for example EBITDA % and CIPS performance.

PD

It was also suggested that the Non-Executive Directors might like to attend some of the business planning reviews to get a sense of the process. The February dates will be confirmed to the NEDs.

## 5. Commercial Group

### 5.1 Minutes of meeting held on 10<sup>th</sup> November 2011

Noted.

### 5.2 Feedback from meeting held 08<sup>th</sup> December 2011

Noted

## 6. Capital

### 6.1 Capital Report

The report was noted.

### 6.2 Draft minutes of Capital Control Group meeting held on 7<sup>th</sup> November 2011

The draft minutes were noted.

### 6.3 Business Case – Operating Table Replacement Programme

The business case was approved subject to further information being provided on value for money, as it was deemed to be unusual that a supplier would guarantee a competitive price and allow withdrawal from the contract without penalty.

JH

6.4 Business Case – Anaesthetic Machine Replacement Programme

Approved as in 6.3 above

JH

6.5 Business Case – Midwifery Led Birthing Unit

The Chief Nurse explained that the case did not only relate to generating new income, but also to protecting market share and remaining competitive, as many neighbouring units already offer this service.

Clive Goodwin questioned whether, given the quantum involved, this was the Trust's number one priority for capital. The Chief Executive explained the planning process that had gone into getting a Board approved capital plan for 2011/12 of which this was an approved scheme.

The business case was approved subject to a framework being developed to ensure accountability and measurement for the delivery of the project was clear and monitored

JH

**7. Identification of Financial Risks**7.1 Financial Risks

The risks were discussed extensively in section 4.5.

7.2 Key Points to take to Trust Board

There was no Trust Board meeting in December.

**8. Items for Information**8.1 Schedule of Business

Noted.

8.2 Business Cases Approved by TEC

The two business cases were noted by the Committee.

8.3 Tender Waivers >£50k

The tender waiver was noted by the Committee.

8.4 Treasury Management Report

Noted

**9. Charitable Funds**9.1 Update from Barclays Wealth

The two representatives from Barclays Wealth attended this part of the meeting. An update was provided on a request that had been made previously regarding the reduction of the total cost of the portfolio, which has now been implemented. The WM charity report was handed to the

Director of Finance and Information, and this report suggests that the Trust is typical of the sector.

Jim Gollan asked whether Barclays clients were “de-risking”; Wayne Hawkes advised that this was the case in general, but not with his clients specifically. Clients were, however, giving clearer, more restrictive mandates. Jim Gollan advised that the Trust was not yet in a position to provide an updated mandate, but would like to do so.

The Deputy Director of Finance advised that the Trust would want to draw down on funds in the near future.

The overall performance of the fund was discussed, with the current trend over the past 4 years yielding net earnings of around 10% despite currently being in a loss situation. This was comparable to what could have been earned in regular deposit account.

The Chief Executive asked what the guidelines were around ethical criteria, and the Deputy Director of Finance advised that they included alcohol, drugs and armaments.

It was confirmed that now that consolidated fund investment was being undertaken (as opposed to direct share ownership) that there was a risk that these criteria were being breached as companies below the holding investment groups were not scrutinised for ethical purposes. The Chief Executive suggested that stricter controls be brought into place, and Jane Wilcock advised that this may have a negative impact on the fund performance.

#### 9.2 Quarter 2 Charitable Funds Report

The report was noted.

#### 9.3 Update on Spending Plans

It was agreed that this would be discussed in the January meeting.

The Chief Executive advised that a celebrity Children's Appeal would be held in the near future, and this would require drawing up a framework around handling this project, including appointing a professional fundraising manager, and plans to avoid pitfalls. The Finance Committee would be asked to assist with this.

### **10. Any Other Business**

None.

### **11. Date and Time of Next Meeting**

Wednesday 18<sup>th</sup> January 2012 at 8.30a.m. at Level 2 Seminar Room, St. Peter's Hospital.