

TRUST BOARD
26th January 2017

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| AGENDA ITEM NUMBER | 6.3 | |
| TITLE OF PAPER | Financial Management Committee Minutes | |
| Confidential | | |
| Suitable for public access | √ | |
| PLEASE DETAIL BELOW THE OTHER SUB-COMMITTEE(S), MEETINGS THIS PAPER HAS BEEN VIEWED | | |
| These minutes were reviewed and approved at the Financial Management Committee meeting held on 19 th January 2017. | | |
| STRATEGIC OBJECTIVE(S): | | |
| Best outcomes | √ | |
| Excellent experience | √ | |
| Skilled & motivated teams | √ | |
| Top productivity | √ | |
| EXECUTIVE SUMMARY | <p>The minutes of the Financial Management Committee meeting held on 17th November 2016 are attached for noting. The key points are:</p> <ul style="list-style-type: none"> - • month 7 finances were slightly off track and a separate risks and opportunities paper regarding the forecast outturn was considered by the Committee; • reviewed a year to date capital report which set out the reasons for the main project variances and reviewed the forecast for the year; • reviewed and discussed the draft NHSI two year plan submission and the risks inherent within it. The Committee recommended that a letter be submitted to NHSI along with the plan setting out the risks to delivering the control totals. <p>Since that meeting there has been an extraordinary meeting of the Committee held on 16th January 2017 to discuss the financial forecast for 2016/17. The minutes of this meeting will be reported to the February meeting.</p> | |
| RECOMMENDATION | Receive and note the paper | |
| SPECIFIC ISSUES CHECKLIST: | | |
| Quality and safety | | |
| Patient impact | | |
| Employee | | |
| Other stakeholder | The impact on stakeholders through the Trust achieving its required financial targets, hence enabling the appropriate investment into services and infrastructure. | |

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| Equality & diversity | |
| Finance | |
| Legal | |
| Link to relevant Board Assurance Framework Principle Risk | Financial risks 4. |
| AUTHOR NAME/ROLE | Paul Doyle, Deputy Director of Finance Please approach for any further information required. |
| PRESENTED BY DIRECTOR NAME/ROLE | Meyrick Vevers, Non-Executive Director and Acting Committee Chair |
| DATE | 19 th January 2017 |
| TRUST BOARD ACTION | Receive |

TRUST BOARD
26th January 2017

FINANCIAL MANAGEMENT COMMITTEE MEETING
MINUTES
17th November 2016

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|----------------------|--|---|
| PRESENT: | Meyrick Vevers Neil Hayward Simon Marshall Lorraine Knight | Non-Executive Director (Chair) Non-Executive Director Director of Finance and Information Interim Chief Operating Officer |
| IN ATTENDANCE | Louise McKenzie Suzanne Rankin Colleen Sherlock Paul Doyle Terry Price Keith Malcouronne Stephen Hepworth Lucy Bubb | Director of Workforce Transformation Chief Executive Head of Workforce Planning and Intelligence Deputy Director of Finance Non-Executive Director Non-Executive Director Acting Commercial Director Deloitte (Well Led Review Observer) |
| SECRETARY: | Des Irving-Brown | Assistant Director, Financial Management |
| APOLOGIES: | Nadeem Aziz | Non-Executive Director |

Actions

1. Introductions and Apologies for Absence

Meyrick Vevers welcomed everyone to the meeting and stated that the meeting was quorate. The meeting had been opened up to fellow Non-Executive Directors.

2. Minutes of the Meeting held on 20th October 2016

Minutes of the meeting held on the 20th October 2016 were agreed.

It was suggested that Carter is added as a standing agenda item on the Schedule of Business, and updates will be provided as they are made available by the centre. The Committee agreed this recommendation.

PD

3. Matters Arising – Actions List

Item 1: The Director of Finance and Information explained that it would be difficult to align the detail for the Workforce Report and Finance Report to produce one report, hence the recommendation to keep them separate. The Committee agreed with the recommendation.

It was noted that all other action points were either not yet due or were to be discussed as agenda items.

4. Finances as at 31st October 2016

4.1 Contracts – Risk Share Update

The Committee discussed the timing for adjusting the NHSI end of year forecast which would have to be submitted on 17th January 2017 and would therefore have to be approved by the Board before that. As there was no Board meeting in December it was agreed that a view would be considered in November, and an extraordinary Board meeting would be called should further changes and approval be required.

The Director of Finance and Information stated that in terms of a contract update, the substance of the 2016/17 contract had been agreed, and the quarter 1 reconciliation had been completed, however the risk share arrangement is still being discussed.

Discussions around winter and stopping elective work and waiving the fines associated with this will have an impact on the risk share, and this has to be worked through.

4.2 Operational Effectiveness/Efficiency Metrics

The Director of Finance and Information talked through the monthly operational metrics paper, highlighting that some metrics are worse than expected, such as the agency metric, due to agency spend going up in October. Substantive recruitment is still the focus, although with Christmas holidays and staff winter illness increasing, trends would suggest this adverse movement may continue.

Neil Hayward mentioned that the October metrics appeared to be improved compared to earlier in the year, which reflects the efforts of the organisation to continuously address challenges. The question arose however as to why it was expected that this would all slip over winter, notwithstanding the challenges that would arise in the wider system (especially in social care, which has already flagged up that it will be challenged over winter). The Director of Finance and Information explained that the pressures would be on length of stay, patients staying longer, and excess bed days which attracts only partial compensation. Even though there may be more funding to open additional beds; that would be a last resort option, as the focus will be on improving flow.

The paper was noted by the Committee.

4.3 Capital Report

The Director of Finance and Information stated that the Trust is still behind plan on the capital programme, but assured the Committee that everything is in place to ensure the plan is achieved by the end of the year.

Going forward, cash availability would be a driver in determining the capital programme, but clinical need and maximum impact on delivering targets would be the primary drivers in prioritising schemes that would be rolled forward.

This paper was noted by the Committee.

4.4 Finance Report

The Director of Finance and Information presented the report and described the underlying challenges within the October figures, such as the initiation of the iMSK contract, for which all the data is not yet available from the wider system.

There are some indications that work has shifted under the iMSK service, with

Pain coming into line, and reduced work internally in T&O, but there is no indication as yet as to what other activity within the system is doing.

Agency spend was up, but this was offset by income and some other efficiencies, which has led to a good in-month position, despite providing for some of the unknowns around iMSK.

Terry Price suggested that, given the risk around iMSK, at least another month's worth of figures would be preferable before asking the Board to make a decision on changing the forecast. It was agreed that this was a sensible suggestion, but further conversations would need to be held to decide final timings.

Therefore, focus on cost control is imperative, and some of this has to occur in the wider system to allow the CCG to operate within this budget.

Meyrick Vevers questioned the level of "Unallocated" CIP, and the Deputy Director of Finance explained that this mainly consists of procurement CIP's which are being delivered, but which cannot be allocated easily to Divisions due to the nature of the schemes.

The paper was noted by the Committee.

4.5 Forecast – Risk and Opportunities

Neil Hayward observed that there was a forecast for 2016/17 to be decided, and a plan for 2017/18, which will be affected by the 2016/17 forecast, to be submitted, but the timing of the two is not aligned. The Trust is flagging up more downside potential for the current forecast than upside, which would suggest a risk to the 2017/18 plan as well. The extent to which the Trust has leverage to negotiate the targets was queried, given that the Trust has been recognised as an exemplar site.

The Director of Finance and Information responded that it depends how the shortfall manifests itself. If the pressure is due to cost, then it will impact the following year, as it will roll forward, but if it is offset by increased income, then that may not necessarily roll forward, as the CCG cannot afford it. The risk around this forecast would have to be described in the 2017/18 plan. This would be revisited at the December Financial Management Committee meeting.

The paper was noted by the Committee.

5. Business Planning

5.1 Draft NHSI Plan Submission

The Director of Finance and Information ran through the slide pack, emphasising that the Trust is part of a wider system and has to operate within that context.

The cost bridge is the real issue, as those costs are very likely to materialise, with the first income slide being the Trust internal view based on internal assumptions, not increasing at the same rate as the costs. The third bridge is the commissioner view which shows the income going down, which is the most significant issue.

In terms of cost pressures, CNST is a significant challenge, increasing in total by 40% of which 17.5% is covered in tariff, leaving a £1.1m challenge which was not considered in the control total which has been set.

The second issue is around the services which will be lost next year, most significantly the Sexual Health Service. The costs coming out will not offset the income lost. The iMSK issue is slightly different, as the service has been retained, but there is a significant risk around the activity reductions expected within the block contract. Again, these issues have not been allowed for in the control total from the centre.

This has led to an extra ask of circa £5m over and above that assumed by NHSI when setting the tariffs, and this will have to be delivered through additional CIP's above the 2% assumed in tariffs.

The third issue is around the level of QIPP's both assumed internally (£5m) and that set by the Commissioners (c£19m). Part of the reason for this difference is that internally, only local issues which the Trust can influence have been considered, whereas Commissioners are playing in system wide STP changes they are expecting to occur, but the Trust may not be able to influence all of these, and they don't necessarily result in a cost reduction to the Trust. Discussions on this continue

Neil Hayward questioned whether it was possible to present a plan that was more credible than what the control target would suggest. The Director of Finance and Information explained some of the consequences of not signing up to the control total, such as not getting Q1 of STF if the November submission doesn't reflect the control total. In addition the centre is not offering any room for manoeuvre or recognition of the local challenges facing the Trust.

The Director of Finance and Information replied that increasingly the challenges that need to be resolved are interlinked, referring to the diagram in the presentation. The Chief Executive explained that even though the Trust is an exemplar, there are still better models of care and efficiencies that can be achieved, and the "GIRFT" (Getting It Tight First Time) model is being implemented to push the organisation towards that.

Neil Hayward asked that before the plan is agreed by the Board, that the Trust Executives signoff that the Clinicians who need to deliver the savings are signed up to the challenge.

The Director of Finance and Information continued through the slide pack, explaining that where costs are coming out off the back of service reduction, overheads will also need to reduce. Also, non-clinical income will need to increase, and some difficult options will need to be considered. Trying to stop the growth is a system wide problem, but one that needs to be seriously addressed in order to deliver the plan.

Neil Hayward asked what the Trust Executive recommendation was on signing up to the control total. The Chief Executive replied that she would recommend signing up to the control total to ensure the momentum and that the credibility the Trust has built up is not lost. The Interim Chief Operating Officer stated that she did not think the Trust had an option, as negotiating the control total was not available. The Director of Finance and Information stated that he agreed, but if the Trust is going to go for it, there has to be a proper effort to achieve it, as it holds a lot of risk.

Meyrick Vevers asked what the Trust would need from Commissioners in order to help the Trust deliver the plan. The Chief Executive stated that realistic assumptions around growth and deliverable QIPP/STP plans resulting in a fair commissioning contract would be required.

The Committee suggested that since the control total was going to be submitted in the draft plan, then it needed to be framed in context of the ability of the Trust to deliver its share, and how much will be dependent on the wider system delivering its part. The Trust should also flag up the risks and potential downside that could arise.

Terry Price asked whether the Board could see a copy of the draft letter that will go with the submission before the Board meeting next week, and the letter should include what the Trust thinks the control total should be. SM/SR

The Committee agreed that it would sign up to the control total, including all the operational metrics, and would recommend this to the Trust Board.

The paper was noted by the Committee.

8.2 Draft Plan Self-Certification

The Deputy Director of Finance highlighted that the Committee was signing up to the Control Total for the next two years.

The paper was noted by the Committee.

6. Operational Performance Report

6.1 ASPH NHSI Performance

The Interim Chief Operating Officer introduced the report and provided a detailed update on October's performance stating that the A&E performance was below the agreed trajectory, with October performance at 92.7%, but that this was representative of A&E performance nationally.

There was a rise in attendances and admissions in October, leading to pressure in the ED department, with patients waiting in ED overnight.

Cancer performance is below plan (yet to be validated) for October and there is a joint improvement plan with the CCG, with additional resources being deployed to chase down these targets.

Other targets had been met (although for RTT, some specialties are below target and work was being done to address these issues).

The Director of Finance and Information asked about the ability of the Trust to minimise cancellations over winter. The Interim Chief Operating Officer has said that plans involving Ashford as much as possible for surgical work have been generated to address this.

6.2 Operational Performance Report

This paper was noted.

7. Workforce Report

The Director of Workforce Transformation introduced the report, and stated that the focus this month was on medical agency, with more context to be provided on the appendix regarding local benchmarking.

The Head of Workforce Planning and Intelligence explained that pay spend had gone up in the month, mostly linked to agency, but that agency was still lower than for the same period last year. A medical workforce group has been set up in order to try and address some of the recruitment and agency rate issues.

The benchmark report shows that the Trust is ranked 25th out of 52 Trusts in the South as being over the ceiling, but it doesn't show the nuances behind the targets.

This paper was noted.

8. Identification of Financial Risks

8.1 Items for Risk Register

No new risks noted.

8.2 Key Points to take to Trust Board

The key points to take to the Trust Board Meeting in November 2016 were:

- 2016/17 forecast; and
- Two year plans for 2017/18 and 2018/19.

9. Items for Information or Approval

9.1 Schedule of Business

This paper was noted.

9.2 Business Case Approvals

There were no Business Cases presented for consideration by the Commercial Group in October 2016.

10.3 Tender Waivers >£50k

There were no single tender waivers over £50k in October 2016.

10. Any Other Business

There were no items of any other business.

11 Date and Time of Next Meeting

Thursday 22nd December 2016 at 8.30am in Room 2, Chertsey House, St. Peter's Hospital. Availability for this meeting was discussed as Meyrick Vevers could not attend but Terry Price confirmed he can make it so it was agreed the meeting should go ahead.