

**TRUST BOARD**  
**26<sup>th</sup> August 2010**

<b>TITLE</b>	<b>Minutes of the Finance Committee meeting held on 21<sup>st</sup> July 2010.</b>
<b>EXECUTIVE SUMMARY</b>	<p>The minutes of the Finance Committee meeting held on 21<sup>st</sup> July 2010 are attached for noting. The following are the key points: -</p> <ul style="list-style-type: none"> <li>▪ <b>Finance Report to 30<sup>th</sup> June 2010</b> – figures showed that the Trust had a surplus against budget of £566k. It was noted that activity income was net of a £1.2m deduction for the effect of the non-elective cap;</li> <li>▪ <b>Action Plans</b> – reviewed progress plans in respect of temporary staffing and non-elective cap initiatives; and</li> <li>▪ <b>Compliance Framework 2010/11</b> – reviewed the forecast Financial Risk Ratings for the four quarters to 30<sup>th</sup> June 2011 and noted the performance against the ten risk indicators issued by Monitor; and</li> <li>▪ <b>Annual Report to Trust Board</b> – reviewed and approved the annual report on the Committee's meetings.</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 meeting held on 21 <sup>st</sup> July 2010.
<b>Submitted by:</b>	Nadeem Aziz, Non-Executive Director and Committee Chair Paul Doyle, Deputy Director of Finance
<b>Date:</b>	13 <sup>th</sup> August 2010
<b>Decision:</b>	For Noting

**TRUST BOARD**  
**26<sup>th</sup> August 2010****Minutes of the Finance Committee Meeting held on 21<sup>st</sup> July 2010**

<b>PRESENT:</b>	Mr. Nadeem Aziz	Non-Executive Director and Committee Chair
	Mr. Terry Price	Non-Executive Director
	Mr. Peter Taylor	Non-Executive Director
	Mr. John Headley	Director of Finance and Information
	Ms. Valerie Howell	Deputy Chief Executive
	Ms. Caroline Becher	Chief Nurse
<b>IN ATTENDANCE:</b>	Mr. Paul Doyle	Deputy Director of Finance
	Mr Jeremy Over	Deputy Director of Workforce & Organisational Development
<b>SECRETARY:</b>	Ms. Desireé Irving-Brown	Assistant Director Financial Management
<b>APOLOGIES:</b>	Ms. Raj Bhamber	Director of Workforce & Organisational Development
	Mr. Andrew Liles	Chief Executive

**Actions****1. Apologies & Welcomes**

Apologies were as noted above.

Nadeem Aziz thanked Peter Taylor for the clean handover of the Finance Committee and welcomed everyone to the meeting.

**2. Minutes of the Meeting held on 16<sup>th</sup> June 2010**

The minutes of the meeting held on 16<sup>th</sup> June 2010 were agreed. It was also decided that the minutes of these meetings should be agreed by the Finance Committee prior to being tabled at the Trust Board, and therefore would appear at the Trust Board a month later. Minutes would be circulated electronically in the interim for accuracy.

PD

**3. Matters Arising****(i) Action Points List**

The Deputy Director of Finance provided a verbal update on the review of BMI Runnymede accounts. No data has been received by the Runnymede to date. This will be followed up with a view to carrying out the review in September once annual leave commitments were out of the way.

It was agreed that the CIP's action points be carried over to the August meeting due to holiday commitments, and that a detailed review of CIP's would be conducted then.

All other items on the Action Points list had been either been completed, were not yet due or were agenda items.

(ii) NEL Cap Initiatives

The Deputy Chief Executive provided the background to the paper that was tabled on Reducing Emergency Admissions and discussed the initiatives for reducing these admissions. There are to be various initiatives which will be trialled to test effectiveness. Most of these are short term measures, with the longer term goal of improving Community Partner Relationships still being planned. Nadeem Aziz queried the rating system for the projects, and it was explained that the RAG rating is based on implementation progress, and not on success of the initiative, green projects are already in place, red projects are still in planning. Peter Taylor suggested there be a formal criteria drawn up to detail the length of the trial period and the measure for success, to ensure that unsuccessful projects are not prolonged unnecessarily.

The Deputy Chief Executive referred to a survey that was undertaken one morning which revealed that, of 23 patients present in A&E, 10 did not need to be there. Peter Taylor suggested a further survey be conducted, and that the findings be presented at the Trust Board. The Deputy Chief Executive mentioned that this raised a larger strategic question around the type of service provided for A&E (for example "Primary Care at the front door") and that this should be tackled by winter.

Nadeem Aziz questioned whether the effect of these actions were reflected in the forecast, which the Director of Finance and Information confirmed they were, but suggested discussing this in the Finance Report section of the meeting.

Nadeem Aziz suggested the Reducing Emergencies action plan be updated and presented monthly for the next 3 months so that the Committee can monitor progress.

VH

#### **4. Activity, Workforce and Finance**

(i) Activity Report

Nadeem Aziz noted that some descriptions and numbers had changed since the June report. The Director of Finance and Information advised that the term "non-elective" had been replaced by "Maternity" to better describe the activity included. Furthermore, the calculation basis for the actuals had been brought in line with that of the 2010/11 plan, so the numbers changed. Nadeem Aziz requested that narrative be included on the schedule if such changes are made in future, and that any changes to the numbers be rolled into the current month.

The Deputy Chief Executive provided an update on current Trust activity levels, and pointed out that elective admissions were down on plan, which is a concern. The over-performance in all other activities could prove a challenge to NHS Surrey, and this has been noted in the risk register. The increase in Maternity is most likely due to the refurbishment of the unit, but this activity will be monitored to ensure this is not an anomaly.

Nadeem Aziz requested a capacity utilisation report. The Deputy Chief Executive suggested this take the form of an occupancy report. Terry Price mentioned that the cost of this is picked up in the finance report, but not the related activity. The Director of Finance and Information questioned whether occupancy should be included on the Trust Scorecard, to which the Committee agreed.

VH/JH

Peter Taylor mentioned that he had seen complaints about elective procedure cancellations, and the Chief Nurse suggested these should all be put through PALS so that the root cause (such as capacity issues or lack of due process) could be identified.

The Deputy Director of Finance tabled a graph detailing the relationship between GP referrals and first outpatient appointments. This graph showed that in 2009/10 an average conversion of referrals to first appointments of 80% occurred. The graph indicates that approximately 40% of referrals are seen in the month of referral, with 60% occurring within 60 days, and the 80% point being reached in 90 days. The Deputy Chief Executive stated that this information could be used for planning purposes, and the Committee agreed that the trends would be monitored to identify any significant variance from the 80% conversion trend. Nadeem Aziz requested that the conversion factor be added to the graph

DIB

#### (ii) Workforce Report

The Deputy Director of Workforce and Development presented the Workforce Report and summarised by confirming that all the indicators have remained stable. It was noted that the appraisal indicator had in fact gone up to 83% (from 72.8% on the report), which is a good achievement.

Nadeem Aziz suggested that the Trust Board might be updated on the low sickness rates of the Trust which are below the national average.

#### (iii) Finance Report as at 30<sup>th</sup> June 2010

The Director of Finance and Information presented the Finance Report for the year to date 30<sup>th</sup> June 2010. It was noted the scorecard was mostly green, and the red indicator for Capital spend was not a concern at this time. A detailed review of the CIP's would occur in August. The Director of Finance and Information provided details about the £566k year to date positive variance to budget, including 4.1% variance in revenue due to over performance, the 3.6% increase in pay costs, and the 2.6% increase in non pay costs.

Although the CIP's are currently 11% (£163k) behind target, both the Director of Finance and Information and the Deputy Chief Executive assured the Committee that this was being relentlessly pursued with the Directorates through performance meetings.

The Director of Finance and Information stated £1m had been held back year to date to cover the risk that NHS Surrey could possibly not be able to pay for over performance. It was also mentioned that NHS Surrey had provided details around the shadow GP commissioning project in Surrey, and that the consortium in North West Surrey would be in surplus, despite the overall region being in deficit. Peter Taylor asked that this intelligence be brought to the Trust Board, as it may be useful in

discussions with Monitor.

Nadeem Aziz felt that the table in section 7.2 needed to be extended to include opportunities that were not included in the forecast, also quantified by impact on EBITDA, and also that further information should be provided about mitigating action being taken for issues raised as risks.

PD

Terry Price asked whether it was possible to attach a cost of the over performance in revenue in some specialties, and the Director of Finance and Information responded that this would eventually be dealt with by SLR.

(iv) CIP's 2010/11

As agreed a detailed review of the CIP's programme would occur at the August meeting.

(v) Compliance Framework 2010/11

The Deputy Director of Finance presented the paper setting out the Monitor requirements that would be used by the Board to self-certify quarterly the ongoing financial viability of the Trust once it achieves Foundation Trust status. The paper was prepared on the basis of year to date quarterly positions rather than in-quarter positions.

It was noted that the first table indicates the Trust is forecast to achieve a "4" each quarter, which will satisfy the Monitor requirements, but that in the second table (on risk indicators) there are two red ratings that require action. An action plan for the aged debt is currently being drawn up and will be presented to the next Committee meeting. The Director of Finance and Information requested that SBS benchmarks are sourced so that the current Debtor's indicator can be compared to surrounding Trusts. For capital expenditure this was being monitored through the Capital Control Group. Peter Taylor requested that some notes be attached to the second table to explain the reason for a red rating.

PD

The Director of Finance and Information suggested this be presented to the Board in context of Appendix 1 of the Finance Report, along with some narrative, so that it all ties together. This was agreed.

JH

## 5. Review of Temporary Staffing

The Deputy Director of Workforce and Development outlined the work currently being done to reduce the amount of temporary staffing used by the Trust. Further work is to be done on establishing the root cause of the agency spend issue.

The Chief Nurse stated that the Bank database had to be increased, that Bank pay should be more attractive and that regular recruitment days should be held.

The Deputy Chief Executive suggested that there may be a fundamental issue with control, and that the individuals responsible for requesting agency staff may not have the skills to manage financial planning. The Chief Nurse confirmed that a new decision tree had been implemented for booking for nursing shifts. The Deputy Director of Workforce and

Development reported that there had been a decrease in agency shifts booked following this implementation.

Nadeem Aziz suggested that the impact of tighter controls should be reflected in the forecast. The risk of agency costs increasing in light of new legislation was also raised, and this should be noted in the Finance Report once the legislation came into force.

The Committee requested a clear action plan, including milestones and quantified targets to be presented at the next Committee meeting. A quarterly review should be held thereafter, to ensure progress is being made.

JO

## 6. Long Term Financial Model

The Director of Finance and Information confirmed that the LTFM was now being updated to be based on the month 3 forecast, and that new assumptions were being included to allow for the two year pay freeze, but stated that this was unlikely to result in a saving, as it would be absorbed by an assumed decrease in the Tariff. It was mentioned that the assumption for non-elective activity should be brought in line with that of elective activity, but that this would need to be further discussed with the Deputy Chief Executive and Trust Board before implementing this.

## 7. Expenses Policy

The draft Expenses Policy was reviewed, and the Committee raised several questions around terminology. It was agreed that some clarification was required and that the Deputy Director of Finance would discuss these with Terry Price and re-circulate the policy electronically for approval by the Committee.

PD

It was also confirmed that managers are being asked to sign off that the travel claim is correct, and not the monetary value of the claim.

## 8. Annual Draft Report to the Trust Board

The Committee reviewed the draft Annual Report and requested that more detail be inserted regarding the achievements of the Committee over the year, including the separating of the Charitable funds and the more forward looking focus now engaged.

It was agreed that the amended report would then be presented to the July Trust Board meeting.

PD

## 9. Annual Accounts Information

The Deputy Director of Finance detailed the additional information regarding the Annual Accounts that had been requested by the Audit Committee about Sickness Absence and Management Costs. The Committee requested that information regarding 2010/11 year to date and end of year forecast Management Costs be brought to the next meeting.

PD

## 10. Identification of Financial Risks

(i) Items for Risk Register

There were no items to add to the Risk Register, as the issues around NHS Surrey's budget exposure are already documented.

(ii) Key Points to take to Trust Board

It was agreed that the following were key points to take to the Trust Board: -

- Reviewed monitor metrics and a paper explaining year to date performance and the underlying factors of the end of year forecast.
- Financial risk related to NHS Surrey's budget situation

**11. Items for Information**

(i) Schedule of Business 2010/11

The Committee noted the draft Schedule of Business for 2010/11 and requested further changes be reflected for the next Committee meeting.

(ii) Business Cases approved by the Trust Executive Committee

The Committee noted that there were no Business Cases approved by the Trust Executive Committee in June. It was noted that there would be a business case relating to a Facilities electricity supply upgrade presented in August due to the large value of the case.

(iii) Tender Waivers

There were no Waivers in June for the Committee to review.

(iv) Terms of Reference Approved by Board

The final Terms of Reference were presented for information following approval at the June Trust Board meeting.

**12. Any Other Business**

Nadeem Aziz requested that the papers for the Finance Committee be distributed with sufficient time for preparation for the meeting. Nadeem Aziz noted that significant work had been done to produce the papers, but that to enable good governance he would like the papers by the Friday prior to the Committee meeting. The Director of Finance and Information explained the tight time frames between month end close and the Finance Committee Meeting, and that an electronic version of the papers could be circulated, to which the Committee agreed.

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

Wednesday 18<sup>th</sup> August 2010 at 8.30 a.m. at St. Peter's, Level 2 Seminar Room.