

**TRUST BOARD**  
**26<sup>th</sup> October 2017**

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| <b>AGENDA ITEM NUMBER</b>   | <b>6.3</b>   |  |
| <b>TITLE OF PAPER</b>   | <b>Financial Management Committee Minutes</b>  |  |
| Confidential  |  |  |
| Suitable for public access  | √  |  |
| <b>PLEASE DETAIL BELOW THE OTHER SUB-COMMITTEE(S), MEETINGS THIS PAPER HAS BEEN VIEWED</b>                                    |  |  |
| These minutes were reviewed and approved at the Financial Management Committee meeting held on 19 <sup>th</sup> October 2017. |  |  |
| <b>STRATEGIC OBJECTIVE(S):</b>  |  |  |
| Best outcomes   | √  |  |
| Excellent experience  | √  |  |
| Skilled & motivated teams   | √  |  |
| Top productivity  | √  |  |
| <b>EXECUTIVE SUMMARY</b>  | <p>The minutes of the Financial Management Committee meeting held on 21<sup>st</sup> September 2017 are attached for noting. The key points are:</p> <ul style="list-style-type: none"> <li>-</li> <li>• reviewed operational performance, in particular the A&amp;E performance and the size of the waiting list for RTT and their impact on ongoing finances;</li> <li>• reviewed month 5 finances which were noted as being behind plan with a reduced likelihood of meeting the Q2 STF control total; and</li> <li>• the key risk now is the Trust's ability to deliver its NHSI control total for the full year.</li> </ul> |  |
| <b>RECOMMENDATION</b>   | Receive and note the paper   |  |
| <b>SPECIFIC ISSUES CHECKLIST:</b>   |  |  |
| 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.   |  |
| Equality & diversity  |  |  |
| Finance   |  |  |
| Legal   |  |  |

|   |   |
|---|---|
| Link to relevant Board Assurance Framework Principle Risk | Financial risks 4.  |
| <b>AUTHOR NAME/ROLE</b>                                   | Paul Doyle, Deputy Director of Finance<br>Please approach for any further information required. |
| <b>PRESENTED BY</b>                                       | Meyrick Vevers, Non-Executive Director and Committee Chair                                      |
| <b>DATE</b>   | 19 October 2017   |
| <b>TRUST BOARD ACTION</b>                                 | Receive   |

**TRUST BOARD**  
**26<sup>th</sup> October 2017**

**FINANCIAL MANAGEMENT COMMITTEE MEETING**  
**MINUTES**  
**21<sup>st</sup> September 2017**

|                      |   |   |
|----------------------|---|---|
| <b>PRESENT:</b>      | Meyrick Vevers<br>Neil Hayward<br>Simon Marshall<br>Tom Smerdon<br>James Thomas | Non-Executive Director (Chair)<br>Non-Executive Director<br>Director of Finance and Information<br>Director of Operations – Unplanned Care<br>Director of Operations – Planned Care |
| <b>IN ATTENDANCE</b> | Andy Field<br>Paul Doyle<br>Colleen Sherlock                                    | Chairman<br>Deputy Director of Finance<br>Head of Workforce Planning and Intelligence   |
| <b>SECRETARY:</b>    | Des Irving-Brown  | Assistant Director, Financial Management  |
| <b>APOLOGIES:</b>    | Suzanne Rankin  | Chief Executive   |

**Actions**

**1. Introductions and Apologies for Absence**

Meyrick Vevers welcomed everyone to the meeting, noted that there was one apology and stated that the meeting was quorate.

**2. Minutes of the Meeting held on 20<sup>th</sup> July 2017**

Minutes of the meeting held on the 20<sup>th</sup> July 2017 were agreed.

**3. Matters Arising – Actions List**

1. Item 1: Site Walk Around - Meyrick Vevers provided an update, stating that a few people took up the offer. This action can now be removed.
2. Item 2: Additional Theatre Metric - Meyrick Vevers noted that the Theatre metric action was still outstanding and asked whether the Committee should be concerned about that or whether the action should be removed. The Committee agreed that the metric should stay on; the Director of Operations – Planned Care suggested either the number of patients operated on per week or the number of lists used per week could be used as a metric. The Director of Finance and Information stated that it needed to link into finances, and that income per theatre minute or something along those lines would be most appropriate. This will be reviewed and introduced within the next month or two.

SM

It was noted that all the action points were either completed, on the agenda or not yet due.

#### 4. Operational Performance Report

The Director of Operations – Unplanned Care introduced the report and stated that the August A&E performance was below the agreed trajectory at 92.2% - this was 1.4% down on July's performance of 93.6%. The adverse movement was linked to high levels of staff annual leave, and lower levels of available agency staff.

Neil Hayward challenged the issue around leave, stating that the holiday period should be planned for properly, as it is a known annual event. The Director of Operations – Unplanned Care agreed, and stated that they are already looking at how the Christmas rotas are planned, with a view to improving the process and avoiding a similar issue next year. The issue was not so much the planned leave as it was the unavailability of temporary staff to cover the leave.

Neil Hayward asked for an update on leave planning for Christmas with an assurance on its adequacy.

TS

Andy Field asked how the August result compared to the same time last year. The Director of Operations – Unplanned Care stated that last year was 92.4% so not too different, but a ward was closed for refurbishment from the middle of August 2017, which had an impact on flow.

Meyrick Vevers asked whether the ongoing pressures were having an adverse effect on staff morale. The Director of Operations – Unplanned Care responded that this was a factor, as when pressure is less, staff feel they can provide a better service.

The cancer position in respect to the two week rule was slightly below the target in August (92.9% vs 93% target), but this is typical for the holiday period and is linked to patients being away on holiday. The 62 day position for August has still not been validated due to delays in results of tests being received, and the figure is likely to improve, although it probably won't hit the 85% target.

The Director of Operations – Planned Care explained the RTT results, stating that the Trust is compliant Trust wide at (92.8%) although within that there are some specialties where performance requires improvement. This issue started over Christmas and New Year in the previous financial year, when elective surgery was cancelled in line with NHSI instructions, and some specialties have not yet recovered from this.

Meyrick Vevers asked whether any "sub-scale" services were driving non-compliance. The Director of Operations – Unplanned Care replied that this was not specifically a factor. A major driver is that more people are needing surgery, so waiting lists are growing compared to last year.

The Director of Finance and Information explained that clearing this growing waiting list is better for patients and would help the financial position, but would have an adverse impact on the CCG. This is the tension in the system, and needs to be addressed. In the absence of admitted wait time targets, the Trust needs to decide on an internal target and also how this will be met within capacity constraints.

Neil Hayward stated that the Trust always strives to meet all the targets and help the local system, but if in doing so, it is compromising patient experience, this needs to be flagged to the Board and discussions also need to be conducted around the system to address this. Meyrick Vevers asked whether the materiality

of the impact on the patients versus the impact on the CCG can be assessed to facilitate the conversations that need to be had. This will need to be done ahead of the Board meeting next week, as it will inform the decision about the forecast that will be submitted to NHSI in October.

JT/SM

Neil Hayward asked about the league table of A&E performance and how the Trust had moved since the last report. The Director of Operations – Unplanned Care replied that the Trust had improved slightly, but is broadly in the same place. Neil Hayward asked that the improvement plan to be brought back in October for review.

TS

The Committee noted the report.

## **5. Workforce Report**

The Head of Workforce Planning and Intelligence provided an update on medical recruitment outlining the current visit to India to identify potential medical placement staff, which appears to be going well.

In terms of temporary staffing, there were 300 fewer temporary staff shifts used in August 2017 compared to August 2016, and the average cost for a medical agency shift has gone down from £930 a shift to £880 a shift. The cost of nursing bank shifts hasn't changed, but nurse agency shifts are £20 a shift lower than last year, and medical locum shifts are £80 a shift lower compared to last year. In real terms, the pay bill is relatively static month on month, whereas in the past, it would increase month on month.

Andy Field asked about bank work and staff feeling pressured to do bank shifts rather than doing it voluntarily. The Head of Workforce Planning explained that this is a known issue, and the bank rates are being reviewed in context of other local Trusts to see if external staff can be attracted, but the underlying issue is the high vacancy rate, because just paying existing staff more won't resolve the shortfall of staff.

Meyrick Vevers asked about the risk posed by other Trusts offering incentives. The Head of Workforce Planning explained that whilst pay is an issue, it's not the biggest reason for people leaving, it's more around line management and social arrangements, and this needs to be addressed to improve retention.

The paper was noted by the Committee.

## **6. Finances as at 31<sup>st</sup> August 2017**

### 6.1 Operational Effectiveness/Efficiency Metrics

The Director of Finance and Information explained that the August performance was disappointing in terms of length of stay, which was up despite a ward closure which would usually reduce length of stay.

Day case rates and readmissions reflected the usual holiday trends. Overall, performance seems to be at a plateau and efficiencies are not being driven out. This is a reflection of the wider issues, and it is proving stubbornly difficult to drive costs out of the system, and this is the challenge.

Meyrick Vevers asked about the ongoing reduction in the birth rate, and the requirement for a sustained cost response. The Director of Finance and Information explained that there is a unique issue within that area, where high

levels of midwives are currently on maternity leave, causing pressure on temporary staffing, and also, birth rates are volatile month on month, so it's difficult to plan and respond adequately without using agency staff when staff numbers are already low.

The paper was noted by the Committee.

## 6.2 Finance Report

The Director of Finance and Information introduced the report, providing context around the changes since the previous report. The August numbers look worse due in part to the dropping out of the Q2 STF in the month, and also a year to date adjustment of CQUIN in line with plan. Overall, year to date, the Trust is just below breakeven, and it is expected to be on breakeven by the end of Q2.

Neil Hayward asked about the STF target triggers and the Deputy Director of Finance explained that the financial target has to be met in order to access any of the money, so nothing is received, even if the A&E target is achieved.

In terms of achieving the forecast, part of the response will be the stepping up of elective work discussed in item 4 above. There are issues around resource constraints and winter etc that need to be considered. There are other potential mitigations such as the prior year issue with NHSE which is due to be resolved this week.

The discussion around the need to clear patient backlogs, and the potential impact on the CCG continued, and the issues in delivering the JDP and reducing demand on the CCG side were explained. The virtual fracture clinic was discussed, including the impact on tariff, the improved service to patients, and the factors which need to be in place to reduce costs in response to the lower income (such as consultant of the week etc).

Neil Hayward asked about the non-pay cost pressures such as premises and energy costs. The Director of Finance and Information explained the pressures on energy costs relating to price and issues with overseas supply and pointed out that the pressures are expected to continue. Drugs spend is an issue due to non-delivery of QIPPS (partially offset in income). CIP's are still delivering in respect of procurement; however, further opportunities need to be explored.

Neil Hayward then asked about whether specialty reviews were taking place in order to address non-performance, as this could potentially help the forecast. The Director of Finance and Information responded that this was being done, but it wouldn't produce a quick response, although some savings are expected.

## 6.3 Forecast - Risk and Opportunities

The Director of Finance and Information introduced the forecast paper.

Neil Hayward asked whether a further column could be added for the Board paper to reflect the Director of Finance and Information's view of the most likely outcome. The Director of Finance and Information stated that the most likely outcome was a breakeven position, and this could be added. Within this, there are risks around staffing levels, and non-pay, which is unlikely to shift. However it is probable that activity levels will result in a small surplus in Q3, but this is dependent on several factors.

Andy Field asked whether other Trusts were in a similar situation, and how the

system was likely to react to any reduction in forecast, and proposed increase in activity. The Director of Finance and Information explained that the risks have been flagged up to NHSI, and they are aware of the issues, and although any forecast reduction might appear large for the size of Trust, and is likely to draw attention, would be at least a breakeven position, and not a loss, so this is still a better position relative to other organisations.

Another consideration is at what level of underperformance (on financial targets) NHSI intervention will occur, but the Trust would put itself into a recovery process before it gets to that position.

Neil Hayward summed up by saying they are looking to the Director of Finance and Information to describe the mostly likely outcome, and what would be required (a) to get there and (b) to improve on that, along with a recommendation/steer on the preferred option.

Neil Hayward expressed frustration about any reduction in the forecast, as discussions were had at budget setting around not signing up to the control total, which was an option, as it was felt to be extremely stretching. The Director of Finance and Information explained that there were bigger risks to income under the alternative scenario than those presented by the loss of STF, and would have meant the Trust would be operating in a loss position, which would be untenable.

It was agreed that a further meeting via telephone would be held following the month 6 results and prior to the final forecast submission to NHSI in mid-October.

The paper was noted by the Committee.

## **7. Director of Finance & Information Hot Topics**

### 7.1 Well Led Review – Terms of Reference

The Deputy Director of Finance explained that this was for due process, and needed to be flagged as a few minor points have changed.

The recommendation on the paper was agreed by the Committee, and this will be presented to the Board.

## **8. Stroke Business Case**

This paper was deferred until the next meeting.

## **9. Identification of Financial Risks**

### 9.1 Items for Risk Register

The risks would be updated to reflect the latest financial position and the risks to the forecast. The paper was noted by the Committee.

### 9.2 Key Points to take to Trust Board

The following points were to be taken to the Trust Board:

- Financial forecast, most likely outcomes, required actions to achieve it and a recommendation on preferred option
- Revised Terms of Reference
- UOR and single oversight review summary

## **10. Items for Information or Approval**

### 10.1 Schedule of Business

This paper was noted.

### 10.2 Business Case Approvals

The following Business Cases were approved by the Commercial Group in July/August:

- Replacement of 2.0 WTE Consultant Obstetrician & Gynaecologists - approved; and
- Replacement of 1.8 WTE Care of Elderly Consultants – approved.

Meyrick Vevers asked why cases for Consultant recruitment were being presented, as this seemed to be business as usual. The Director of Finance and Information explained that under the SFIs, given the level investment, it was necessary to provide this information to the Committee for scrutiny. It was suggested that further thought be given to how these are presented, and that a rolling log of YTD approvals, and actual recruitment be kept alongside this report for context.

PD

### 10.3 Tender Waivers >£50k

There was one single tender waiver over £50k in August 2017. This related to a software contract of £120k which was awarded based on previous process, but the cost was higher than expected due to additional modules required.

The Director of Finance and Information explained the exceptional circumstances around how this had occurred why the outcome was unavoidable. The paper included 6 recommendations of how this type of situation would be prevented in future. The Committee requested confirmation that these had been implemented. It was also suggested that this issue be taken to the Audit Committee.

SM

### 10.4 UoR and Single Oversight Review

Meyrick Vevers asked the Deputy Director of Finance to provide a hard copy of the executive summary for review. It was suggested that a summary be provided to be Board to ensure everyone understood the implications of the changes and what would be expected of them.

PD

The paper was noted by the Committee.

## **11. Any Other Business**

No other business was raised.

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

Thursday 19<sup>th</sup> October 2017 at 11.00am in Room 2, Chertsey House, St. Peter's Hospital.