

**TRUST BOARD**  
**27<sup>th</sup> October 2011**

<b>TITLE</b>	<b>Minutes of the Finance Committee meeting held on 21<sup>st</sup> September 2011</b>
<b>EXECUTIVE SUMMARY</b>	<p>The minutes of the Finance Committee meeting held on 21<sup>st</sup> September 2011 are attached for noting. The key points are: -</p> <ul style="list-style-type: none"> <li>▪ <b>Finance Report to 31<sup>st</sup> August 2011</b> – reviewed the month 5 financial position of the Trust and in particular the operational issues that had affected the results. It was noted that work was on-going on a finance recovery project plan;</li> <li>▪ <b>Service Line Reporting</b> – reviewed quarter one SLR data and heard from two clinicians on their experience of SLR/SLM in action;</li> <li>▪ <b>Capital</b> – reviewed and approved the business case for the Ramp demolition and also noted that a re-phased capital programme for 2011/12 had been submitted to Monitor at their request;</li> <li>▪ <b>Financial Modelling</b> – reviewed the model that the Trust would use for assessing the financial element of the bid for Epsom Hospital; and</li> <li>▪ <b>Charitable Funds</b> – reviewed the quarter one funds report.</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> September 2011.
<b>Submitted by:</b>	Jim Gollan, Non-Executive Director and Committee Chair Paul Doyle, Deputy Director of Finance
<b>Date:</b>	19 <sup>th</sup> October 2011
<b>Decision:</b>	For Noting

**TRUST BOARD**  
**27<sup>th</sup> October 2011**

**Minutes of the Finance Committee meeting held on 21<sup>st</sup> September 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. Raj Bhamber	Director of Workforce & Organisational Development
	Mr. Paul Doyle	Deputy Director of Finance
<b>IN ATTENDANCE:</b>	Ms. Colleen Sherlock	Head of Workforce Intelligence
	Ms. Claire Braithwaite	Associate Director Performance Improvement
	Mr. Andy Thomas	Finance Lead, Epsom Transaction (item 6)
	Dr. Mike Baxter	Medical Director (item 5)
	Dr. Paul Crawshaw	Divisional Director Women's Health and Paediatrics (item 5)
<b>SECRETARY:</b>	Ms. Desireé Irving-Brown	Assistant Director Financial Management
<b>APOLOGIES:</b>	Ms. Valerie Bartlett	Deputy Chief Executive

**Actions**

**1. Introductions and Apologies**

Apologies were as noted above. It was noted that the meeting constituted a quorum.

**2. Minutes of the Meeting held on 17<sup>th</sup> August 2011**

The minutes of the meeting held on 17<sup>th</sup> August 2011 were agreed.

**3. Matters Arising**

3.1 Action Points List

*3.1.1 Runnymede Profit Share* - This has now been reviewed and the accounts have been adjusted to reflect the latest information.

*3.1.2 Feedback on Monitor phone call* - The Chief Executive reported that the phone call went well, but that the Deputy Chief Executive should be in attendance for future quarterly calls.

*3.1.3 Day case activity analysis*- The Associate Director, Performance Improvement stated that more work was to be done to understand the trends.

CB

All other action points were either not yet due or were on the agenda.

## 4. Activity, Workforce and Finance

### 4.1 Activity

The Director of Finance and Information pointed out that overall, year to date activity was 5% lower than last year to date. The seasonal dip in August was anticipated, but April started off slowly as well. Further work is required to understand the case mix changes embedded within the variances.

DIB

Jim Gollan asked which elements of activity could be controlled and the Director of Finance and Information explained that whilst Elective activity could be controlled, Emergency activity could not. The Chief Executive mentioned GP referral trends, which were declining, and the link to uncompetitive wait times in key areas.

Peter Taylor asked about the impact on market share. The Director of Finance and Information replied that there was evidence of a national trend in activity; however, the neighbouring Trusts were not reflecting this as their income appears to be growing. Since market share is due to be discussed at the Trust Board, no further discussion was held at this meeting.

### 4.2 Operational Performance Report

This Operational Performance Report was noted by the Committee. The overall position on length of stay was that August had improved, however non-elective length of stay was still high, therefore there were fewer patients, but no reduction in beds. Peter Taylor asked what had changed in the system, and the Associate Director Process Improvement replied that work was underway to understand the drivers of this increased length of stay.

CB

### 4.3 Workforce Report

The Workforce Report was noted by the Committee.

The Director of Finance and Information indicated that an investigation was required to understand the reported reduction in medical agency whole time equivalents, as there has been no significant reduction in expenditure.

CS

The Head of Workforce Intelligence told the committee that 20 doctors had been recruited onto the internal bank in August, and that further recruitment would be undertaken at the BMJ fair, both for the bank, and for the substantive posts in A&E.

The increase in bank was noted, it was assumed that the impact of the summer holidays was reflected here, as A&E had slowed down in August and there were no unfunded escalation beds.

### 4.4 Finance Report

The Director of Finance and Information explained that August had not been a good month financially due to the expected dip in income, but there had been an in-month surplus, and should this level of surplus

continue to the end of the year, the target would be met.

Pay costs continue to reduce each month, however, non pay continued to rise. Factors contributing to this increase included a rise in drugs and blood product spend, which was offset by an increase in drugs income, costs associated with the Epsom bid, EOC and consultancy costs.

The CIP's forecast continues to improve; it is now on £10.8m, £0.4m up on last month. It was confirmed that £10.8m was included in the forecast and the Director of Finance and Information was reasonably confident that the Trust was moving towards the £12m target.

The Chief Executive asked whether income comparisons were like for like in terms of Emergency Activity, the Director of Finance and Information explained that month 1 had still not been signed off by the PCT, and therefore it was not possible to make a judgement yet.

#### 4.4 Finance Recovery Project Plan

The Deputy Director of Finance tabled the Finance Recovery Project Plan and mentioned that the report was still being worked up, and as such not all the figures had been finalised.

The Director of Finance and Information explained that section 7 related to making sure coding is accurate. Section 8 was around re-energising and focussing the marketing strategy and section 10 involved capturing non contract activities with the PCT. The intention was to notify the PCT in September of activity which would be stopped if payment was not confirmed.

The Chief Executive explained that benefits would be achieved from all the initiatives, however, these may not all occur in this financial year.

Jim Gollan asked what the best way of giving oversight would be. The Committee agreed it would be incorporated into a monthly update on business planning.

Jim Gollan thanked the Finance team for their contribution and challenge in difficult times.

## **5. Service Line Reporting**

The Medical Director, Dr Mike Baxter, and Divisional Director for Women's Health and Paediatric Services, Dr Paul Crawshaw, attended the meeting to provide feedback on their experiences with Service Line Reporting (SLR) within the Trust.

Dr Baxter explained how SLR data was being used within Trauma and Orthopaedics to identify issues around length of stay, and also outliers in spend.

Dr Crawshaw explained his experiences with using the data, and that although there were limitations in the system, these were understood, and the data was improving with each release. He had used the data to pick up services where activity was too low to cover the costs, and also areas where tariff was too low to cover fixed costs.

Jim Gollan asked how internal conflicts around cross charging were handled. Dr Crawshaw stated that this point had not yet been reached, as feedback was still being directed via the SLR team to improve data.

The quarter 1 performance report was noted.

The Director of Finance and Information mentioned that direct costs and income were controlled by the Divisions, but the software was limited for use by support services so the stage had not yet been reached where Consultants challenge each other.

Dr Crawshaw explained the Consultant's away day that was held for his Division, and the positive engagement towards SLR. Dr Baxter mentioned that the ENT services had now determined how many cases were required to make a profit.

Jim Gollan asked what was required from the Clinicians perspective. Dr Crawshaw replied that improved interfaces and more live data would be useful.

The Director of Finance and Information highlighted 3 developments that were contained in the report, these were moving to monthly reporting, using Qlikview as an interface and introducing benchmarking.

## **6. Epsom Acquisition**

Jim Gollan stated the purpose of the report was to understand the projections and what the next steps would be.

Andy Thomas talked through the projections, highlighting the forecast Epsom deficit. The issue was around how the Trust would absorb this position. It was explained preliminary forecasts had been prepared along with potential synergies. All finances had been risk rated.

The next steps included clarifying whether any financial support would be available, creating a downside projection and working through the PwC due diligence report which was due to be received soon. PwC advise a detailed report be written so that the Board members understand the level of risks involved. Peter Taylor asked that the PwC due diligence be circulated.

JH

It was mentioned that the Royal Surrey intended to bid with a private company.

The Chief Executive stated that the bid would only proceed if it made the organisation stronger and if a good job could be done for Epsom.

Further discussions would be held by the Strategy Committee and fed back to this Committee. The legal undertakings document was noted.

## **7. Commercial Group**

There was no meeting held in August, therefore no minutes were presented. The Director of Finance and Information provided a brief summary of the discussion held at the meeting on 8<sup>th</sup> September, which revolved around private patient income.

## 8. Capital

### 8.1 Capital Report

The capital report was noted.

### 8.2 Draft Minutes of Capital Control Group meeting held on 5<sup>th</sup> September 2011

The minutes were noted

### 8.3 The Ramp Demolition – Tender Approval

Peter Taylor asked whether there were any potential surprises involved, for example around asbestos. The Deputy Director of Finance stated that parts of the Ramp had already been demolished and that this had not come up as an issue. The tender was approved.

### 8.4 Monitor Capital Reforecast

The Deputy Director of Finance explained that as the quarter one capital spend was less than 75% of plan, Monitor had asked for a reforecast of the plan. The paper was noted.

## 9. Catering Contract Update

It was agreed that this would not be covered as a discussion was due to be held at Trust Board.

## 10. Charitable Funds

### 10.1 Charitable Funds Report - Quarter 1

Jim Gollan asked about the delay in receiving this information. The Deputy Director of Finance replied that it depended on the broker providing the data. This would have to be faster once the accounts have to be consolidated with the main Trust.

Jim Gollan inquired about auditing the funds. The Deputy Director of Finance confirmed that internal audit did a cyclical audit every three years, and the accounts were audited annually by KPMG.

Jim Gollan suggested that the values may be lower in quarter 2 based on the current financial climate, and expressed concern around whether the risk profiles were appropriate.

The Director of Finance and Information suggested that the long term performance of the fund should be considered, and that it generally performed well even though the risk profile was higher, and therefore it yields better returns than a low risk portfolio.

The issue of governance of the Charitable Funds was once again raised and whether independent trustees were required. Peter Taylor explained that it was not only the scrutinising of finances that was involved, but also what the money is spent on and how it's collected.

Jim Gollan asked that a meeting with Barclays be set up, and a report on

governance arrangements, funds management tender and the way forward be brought back in January 2012.

PD

### 10.2 Ministerial Review of NHS Charity Governance

This paper was noted.

## **11. Identification of Financial Risks**

### 11.1 Financial Risks

The report presented was to invite discussion in preparation for the agenda item in October, and to ensure all salient points were covered.

It was suggested that a point on commissioning and provider relations be included.

The Director of Finance and Information thanked the Committee for their input and would bring back a document for further discussion and agreement.

### 11.2 Key Points to take to Trust Board

Two items are to be taken to the Trust Board in September. These were:

- Feedback on Epsom Bid and next steps
- Brief comments on August financial results.

## **12. Items for Information**

### 12.1 Schedule of Business

Noted.

### 12.2 Business Cases Approved by TEC

This was noted.

### 12.3 Tender Waivers >£50k

The Waiver was noted by the Committee.

## **13. Any Other Business**

None.

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

Wednesday 19<sup>th</sup> October 2011 at 8.30 a.m. at Level 2 Seminar Room, St. Peter's Hospital.