

**TRUST BOARD**  
**28<sup>th</sup> November 2013**

<b>TITLE</b>	<b>Minutes of the Finance Committee meeting held on 23<sup>rd</sup> October 2013</b>
<b>EXECUTIVE SUMMARY</b>	<p>The minutes of the Finance Committee meeting held on 23<sup>rd</sup> October 2013 are attached for noting. The key points are: -</p> <ul style="list-style-type: none"> <li>▪ <b>Financial Position as at 30<sup>th</sup> September 2013</b> – the Committee reviewed the month 6 financial position, noting the latest trends and the risks and opportunities associated with the revised forecast. It was agreed that this should lead to a Board discussion on finances as part of the half year finance report;</li> <li>▪ <b>Monitor Compliance Return Quarter 2</b> – reviewed and approved the finance elements of the compliance return for quarter 2, noting the change to the new risk assessment framework;</li> <li>▪ <b>Annual Claims Report</b> – following a Board request reviewed issue of self-insurance versus the NHSLA scheme and it was recommended that no change be made at the present time; and</li> <li>▪ <b>Business Case: Ambulatory Care Unit</b> – discussed and approved this business case.</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>LINK TO STRATEGIC OBJECTIVE</b>	<b>SO4:</b> To improve the productivity and efficiency of the Trust in a financially sustainable manner, within an effective governance framework.
<b>STAKEHOLDER / PATIENT IMPACT AND VIEWS</b>	The impact on stakeholders through the Trust achieving its required financial targets, hence enabling the appropriate investment into services and infrastructure.
<b>EQUALITY AND DIVERSITY ISSUES</b>	None that we are aware of.
<b>LEGAL ISSUES</b>	None that we are aware of.
<b>The Trust Board is asked to:</b>	Receive the minutes of the Finance Committee meeting held on 23 <sup>rd</sup> October 2013.
<b>Submitted by:</b>	Jim Gollan, Non-Executive Director and Committee Chair Paul Doyle, Deputy Director of Finance
<b>Date:</b>	20 <sup>th</sup> November 2013
<b>Decision:</b>	To Receive.

## Minutes of the Finance Committee meeting held on 23<sup>rd</sup> October 2013

<b>PRESENT:</b>	Mr. Jim Gollan	Non-Executive Director (Chair)
	Mr. Peter Taylor	Non-Executive Director
	Mr. Clive Goodwin	Non-Executive Director
	Ms. Valerie Bartlett	Deputy Chief Executive
	Mr. Simon Marshall	Director of Finance and Information
<b>IN ATTENDANCE</b>	Ms. Suzanne Rankin	Chief Nurse
	Mr. Paul Doyle	Deputy Director of Finance
<b>SECRETARY:</b>	Ms. Desireé Irving-Brown	Assistant Director, Financial Management

### APOLOGIES:

### Actions

#### 1. Introductions and Apologies

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

#### 2. Minutes of the Meeting held on 18<sup>th</sup> September 2013

The minutes of the meeting held on 18<sup>th</sup> September 2013 were agreed.

#### 3. Matters Arising

##### Actions List

The Deputy Chief Executive explained that there is a weekly meeting on Wednesdays with the CCG so it is difficult to make the Finance Committee. Jim Gollan asked that, due to the changing nature of the Finance Committee requiring more focus on operational issues, the Deputy Chief Executive ensures that someone from operations attends in future. The Deputy Chief Executive confirmed that if she is unable to attend, the Associate Director of Operations for Medicine would be the nominated alternate.

#### 4. Finances as at 30<sup>th</sup> September 2013

##### 4.1 Operational Report

Jim Gollan summarised by stating that the Trust made most of the targets, but that there were rising issues with RTT.

The Deputy Chief Executive responded by stating that September was an unusual and heavy month, and that the Trust had the busiest day ever during this month and that it is worrying that this happened in September.

There has been a significant rise in acuity, coupled with longer length of stay. There are changes coming into play to mitigate some of these issues in winter, but the Trust can't survive on its own without support from Community and Mental Health services, and there are rising concerns about Virgin Care.

The Deputy Chief Executive explained that, operationally, the Trust has been working very hard for the past three months to set up the OPAL team with Virgin, which they are supposed to match, but which at present they are not. Benchmarking shows Surrey County provides an amount of community service which falls into the lower quartile nationally. This has an impact on the hospital, as the patients have nowhere to go.

Jim Gollan asked what the evidence base was for the mitigating actions being taken, as it seems changes are frequently being made, but the Trust is reaching a point where internal reform won't resolve the capacity issues. The Deputy Chief Executive confirmed that there is evidence of models from elsewhere for each new initiative, which can be shared. The Trust has worked hard with commissioners to implement new initiatives and the next step is 24/7 in the Division of Medicine, but once that's in place, there is nothing else that can be done internally, there will need to be reform in the rest of the system.

Peter Taylor stated that the Trust should be really clear about the proportion of CIPs not achieving due to operational issues; that said, operational issues should not be used as an excuse not to control costs.

Clive Goodwin stated that it appeared that the Trust seems to take all the risk to do the right thing, and always takes the hit to make targets, but there is a need to sit back and decide whether this is right, and whether the actions taken add value every time. The Deputy Chief Executive responded that there is no guiding principle which brings the system together. The Director of Finance and Information stated that there is so much uncertainty around how the initiatives will pan out. The Chief Nurse suggested the lever should be "commissioning pathways" rather than the patient geography. Services should be commissioned jointly across pathways,.

Jim Gollan suggested a discussion at the Board as to how the Trust moves away from carrying all the risk. The second issue for the Board is the impact on the financial situation if nothing changes, which should be addressed in planning to get away from running month to month.

The Deputy Chief Executive stated that she is confident that there is progress on the RTT issues, the internal pathways are being addressed and she isn't as concerned about this as other issues in the system.

#### 4.2 Finance Report

The Director of Finance and Information summarised the in-month performance by stating that the original plan was for a £0.4m surplus, but the actual position was break even, so it's disappointing and the Trust is now £1.1m behind plan year to date. There is a complex set of issues around operational pressures, but most significantly around temporary staff, especially medical staff. There has been a 16% year on year increase in total temporary staff costs, but medical staff agency is up by 50% on last year. This undermines the CIP achievement as a large proportion of the programme was built around reducing agency rather than taking posts out. Other issues affecting CIP achievement, like procurement, needed to be accelerated

Peter Taylor stated that medical staffing was not a new issue. The Director of Finance and Information confirmed this, but stated that the teams are addressing the issues by trying to negotiate lower rates and moving agency

staff onto the bank by offering “professional validation”, but, although A&E is at least a third of the problem, the issues are not just in A&E. The other two thirds are around vacancy/sickness cover at high premiums for example. Other initiatives include tackling on call rates, not paying full rates for off-site cover and also moving individuals to internal bank.

Clive Goodwin described the following matrix and asked whether the variances could be analysed in this way.

	Elective	NEL	HR	RTT	etc	etc	etc	
	1	2	3	4	5	6	7	Total £
Volume								
Income								
Direct Costs								
Pay								
Non Pay								
Gross Margin								
CIPS								
CAPEX								
Penalties								
WTE								

This would help compartmentalise issues, and focus on the financial impact and where operational issues need a deeper dive and where the Trust just has to say no. This may help narrow the scope and allow focus on the key issues. The Director of Finance and Information agreed that this would be useful for the Board.

SM

Jim Gollan asked whether there were any concerns about cash. The Director of Finance and Information stated that the Trust can withstand this as part of it has been tracking down in terms of who to bill for specialist commissioning and SIFT, for example. Also, the Trust still needed to invoice for over-performance.

#### 4.3 Income and Cost Drivers

A paper was circulated, which goes some way to address Clive Goodwin's question above, but the format needs to be refined.

#### 4.4 Forecast and Risk/Opportunities

The forecast is signalling that the Trust will stand still for the next 6 months in terms of EBITDA, and that the upside from the current position comes from not using impairments and other below the line adjustments. There are a few upsides on the risk table which have not yet been played in, but not many. Some downsides are more “withstandable” than others. There is a risk around CQUINS and it is a stretching target.

Clive Goodwin asked whether there is a minimum surplus number required to achieve to secure the FRR. The Director of Finance and Information confirmed that £1.5m will result in a weak three, but there are trip hazards within the new metrics and this will be covered during the agenda item relating to the Monitor return.

The risks are significant and landing anyone of the big issues the wrong way will have a detrimental impact. There are ways to de-risk, all will incur more costs to secure targets, but there is a balancing point.

#### 4.5 Capital Report

The Director of Finance and Information summarised by stating that there has been some slippage, for example the Admissions Lounge, but that these schemes aren't lost, they are just operational priorities being managed. The Trust has now caught up to plan and is now looking at planning for next year. There are several large schemes, for example an expanded A&E, and if the surplus isn't brought up to at least £3m next year, the Trust won't be able to sustain the capital projects required to deliver operational performance.

#### 4.6 Monitor Quarter 2 Compliance Return

Jim Gollan asked for an explanation on the extent to which there is a hand over from one framework to another, and also the extent to which risks under the two systems differ.

The Deputy Director of Finance responded that the new system moves from five metrics to two metrics, and that the rating is 1 to 4 instead of 1 to 5. Under the new system the Trust will achieve a four for the rest of the year. If the Trust only breaks even, then a three would be achieved. In terms of sensitivities, most occur in the last quarter. There will be an issue if money is borrowed to make capital investments, because if the surplus is not sufficient, this will cause metrics to drop.

The Committee supported recommending to the Board that the quarter two report be submitted to Monitor, but there needs to be a clear steer on what the consequences are, and choices that will need to be made.

PD

### **5. Ashford OPD Capital Project Closure Report**

Jim Gollan asked about the context for this review as it was not clear what the terms of reference are for a closure report, and therefore not all the questions on finance have been addressed – for example, did the project deliver to scope or were bits scraped out of other projects to subsidise this it.

The Director of Finance and Information responded that there were some items over and above the scope, like inefficient heating that were not anticipated, but this was covered off by a VAT gain. Other issues, such as asbestos, weren't anticipated, and the lesson for future is to set aside more for this element. Other than that, the project was generally on time and budget.

It was suggested that there is a need to rejig the closure report to get the financial focus covered for the Finance Committee, as the Committee doesn't require all the details that were included for operational feedback.

Furthermore, it was suggested that there is a need for a disciplined two stage project sign off where cases come back to the Finance Committee for approval after tender.

### **6. Annual Claims Report**

A question was raised as to whether the Trust should self-insure or whether CNST is the appropriate option. The Director of Finance & Information responded that it's very risky to move away from CNST, as the market is untested, and even though CNST is expensive in terms of the Trust subsidising others claims since it doesn't usually make claims, there isn't an adequate alternative in place. Therefore it was recommended not to change yet, as a new national system is being proposed.

## 7. Finance Hot Topics – CIP's Strategy and Opportunities

Not discussed today, see the schedule of business below. This is to be brought back in November.

## 8. Identification of Financial Risks

### 8.1 Items for the Risk Register

No new items noted.

### 8.2 Key Points to take to Trust Board

These were:

- The need to signal to the Board the change of forecast on the back of on-going operational pressures and explaining the impact of these pressures on the high level figures; as well as the continuing impact of agency costs. This should include an explanation of why the forecast is £1.5m and the risks therein and how it's communicated.
- Explain the Monitor change in regime; agree a communication piece and the need to flag changing metrics and what the impact is.

## 9. Items for Information

### 9.1 Schedule of Business

Jim Gollan pointed out that the Committee had not discussed the CIP strategy and asked whether this was an issue The Director of Finance & Information suggested that business planning was now in progress so it was possible to get an understanding of where TASC and Medicine will be going, therefore this could be brought back in November.

PD

### 9.2 Business Case Approvals

The business case approvals by TEC were noted.

### 9.3 Business Case – Ambulatory Care Unit

Jim Gollan asked for a walk through of the financials. The Director of Finance and Information summarised by stating that the aim was to rework how patients get into the system to prevent admissions into the hospital. This requires extra staff upfront, but should release costs somewhere further down the system. The Trust has approached the CCG to help fund this investment.

There will be a marginal detriment to the Trust financially, but it should ease the pressure in the hospital. This solution was recommended by ECIST and should give a slicker patient flow. The full year cost will be £600k, which translates to £255k for the balance of this year, and the Trust is asking the CCG to fund the £255k this year.

9.4 Tender Waivers >£50k

None.

9.5 Monitor – Quarter 1 Review

The Deputy Director of Finance summarised by stating that ASPH looked okay in the scheme of things at quarter 1. The Director of Finance and Information stated that things are looking even more difficult for most Trusts in quarter two, and next year will be very difficult. There has been no relief on the acute section of the Health Service, with pressures getting worse.

**10. Any Other Business**

Jim Gollan thanked Peter Taylor, on behalf of the Committee, for 6 years' service to the Trust.

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

Wednesday 20<sup>th</sup> November 2013 at 8.00am in Room 2, Chertsey House, St. Peter's Hospital