

TRUST BOARD
31st October 2013

TITLE	Minutes of the Finance Committee meeting held on 18th September 2013
EXECUTIVE SUMMARY	<p>The minutes of the Finance Committee meeting held on 18th September 2013 are attached for noting. The key points are: -</p> <ul style="list-style-type: none"> ▪ Financial Position as at 31st August 2013 – the Committee reviewed the month 5 financial position, noting the latest trends and the risks and opportunities associated with the forecast. It was agreed that this should lead to a Board discussion on finances; ▪ Monitor Risk Assessment Framework – noted the changes to Monitor finance reporting effective from 1st October 2013; ▪ Contracting Review – reviewed performance against the SLA's at quarter 1, in particular CQUIN's and penalties; and ▪ Business Case – Model of Care for Older Persons – discussed and approved this business case in principle pending discussions on funding from commissioners.
BOARD ASSURANCE (Risk) / IMPLICATIONS	The Board is assured by the scrutiny provided by the Finance Committee on matters of financial risk.
STAKEHOLDER / PATIENT IMPACT AND VIEWS	The impact on stakeholders through the Trust achieving its required financial targets, hence enabling the appropriate investment into services and infrastructure.
EQUALITY AND DIVERSITY ISSUES	None that we are aware of.
LEGAL ISSUES	None that we are aware of.
The Trust Board is asked to:	Note and receive the minutes of the Finance Committee meeting held on 18 th September 2013.
Submitted by:	Jim Gollan, Non-Executive Director and Committee Chair
Date:	23 rd October 2013
Decision:	For Receiving

TRUST BOARDDate: 31st October 2013Title: Minutes of the Finance Committee meeting held on 18th September 2013

PRESENT:	Mr. Jim Gollan Mr. Peter Taylor Mr. Simon Marshall	Non-Executive Director (Chair) Non-Executive Director Director of Finance and Information
IN ATTENDANCE	Dr. David Fluck Mr. Paul Doyle	Medical Director Deputy Director of Finance
SECRETARY:	Ms. Desireé Irving-Brown	Assistant Director, Financial Management
APOLOGIES:	Ms. Valerie Bartlett Mr. Clive Goodwin	Deputy Chief Executive Non-Executive Director

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 19th July 2013

The minutes of the meeting held on 19th July 2013 were agreed.

3. Matters ArisingActions List

3. Marketing effectiveness: The Director of Finance and Information stated that the Trust was not targeted enough on marketing, as most initiatives are very general, therefore it is difficult to identify where efforts are adding benefits. David Fluck suggested that the Strategic Delivery Board should identify which services to market, then decide where to make the marketing effort. Peter Taylor suggested the need to identify the services where market share is relevant, and only look at high volume, high profit, and stable services. Jim Gollan suggested this be brought back in January 2014 and that Peter Taylor be invited back to attend if available.

SM

8. Performance: Unfortunately nobody was available to attend this meeting in place of the Deputy Chief Executive. This will be followed up for next month.

SM

4. Finances as at 31st August 20134.1 Finance Report

The Director of Finance and Information stated that the year to date gap to budget had improved slightly, but that there was now a risk that the planned surplus would not met.

The 2013/14 plan was based around assumptions that beds could not be

closed, so a lot of the savings were around agency premiums and other initiatives which were proving difficult to achieve. The Director of Finance and Information stated that currently the Executive Directors wanted to hold the forecast: there were some areas of expenditure that could be delayed but this will involve difficult decisions.

The Director of Finance and Information stated that a significant issue was the 4 hour A&E target which has to be delivered. The Trust will not get a share of the additional government funding to aid improvements, even though nationally we were in bottom quartile. Jim Gollan stated that the Board needs to understand how much needs to be spent to achieve the target. David Fluck stated that the Trust is in a place where it is adding to the system to force change, but is not yet in the place where it can start taking resources out.

Jim Gollan summarised by stating that there was a need to review the actions which could be taken to make performance more solid, with the assumption that A&E targets have to be delivered. The Committee will have to report to the Board that this discussion has taken place and there are a number of risks which have to be raised. The Trust is committed to achieving the A&E target and is in a transition phase which incurs cost which it will not incur in future. It should then set out the story about the impact on surplus and list the decisions or options which would have to be taken to secure the planned surplus.

SM/JG

The Director of Finance and Information mentioned that it appears that the ability to borrow is significantly constrained under the new Monitor regime, so this impacts the flexibility to pursue change.

Jim Gollan asked whether there was anything worrying in terms of working capital. The Deputy Director of Finance responded that the payment for the – over-performance (£3.5m) was yet to be paid, and also, some contractual issues still need to be resolved and that the aim was to improve the situation by mid-October.

4.2 Income and Cost Drivers

The Director of Finance and Information explained that this addresses the actions list point and the focus was on unit cost charges. The expectation would be that on average, income would go down by 1.3% and cost would follow. In reality, some costs are going down by more than 1.3%, but others are increasing considerably.

For example, in A&E, activity is going up, but costs are going in faster, therefore the unit cost is going up even though activity is up. In terms of Inpatients, the Clinical Decision Unit also attracted higher unit costs, which reflects the cost of poor patient flow. Gastroenterology is struggling on pay. In Obstetrics it looks like the cost base is going up, but it's not, it's an issue with coding the income, which is being addressed.

Jim Gollan stated that this still came back to Clive Goodwin's question, which was around looking at margins and understanding why over-performance is causing a degradation in profit, or at least not improving profit. To answer this required a review of the marginal costs rather than unit costs because unit cost isn't going to answer the question. The Director of Finance and Information stated that the biggest factor is the A&E tariff is low but cost is high and this impacts margins significantly as activity goes up.

This item would be carried forward.

4.3 Forecast and Risk/Opportunities

Covered during the discussion of the Finance Report.

4.4 Operational and Performance Metrics

Jim Gollan stated that no one from operations was available to discuss these and that the Committee was working towards arranging cover when the Deputy Chief Executive is not available (as per the action point in 3 above).

The Director of Finance and Information mentioned that managers need to watch the 18 weeks lists, to avoid outsourcing, especially when theatres are underutilised.

4.5 Capital Reforecast

This discussion followed a request by Monitor for the Trust to reforecast its capital programme for 2013/14. The main message was that the Trust would spend the total amount as intended, but in a different profile and form.

5. Activity and SLR Report

The Director of Finance and Information summarised the report, drawing out the following points:

- Medicine - issues around A&E department
- Theatres – urology and vascular both had known issues, but Colorectal was a bit of a worry, as it is small
- Trauma & Orthopaedics - looks fine
- Womens Health & Paediatrics - had a big issue around the change in maternity tariffs, so besides expecting obstetrics to improve, the rest looks fine.

6. Contracting Review

The Director of Finance and Information ran through the report, stating that CQUIN delivery gets harder as the year goes on (especially on discharge and readmissions). In terms of QIPP, the Trust can only see movement in Pathology, but otherwise, there is a big gap between plans and actual delivery.

David Fluck mentioned that emergency readmissions had a blip in July, and it looks like it might be difficult to achieve the quarter two target, and this may be an additional penalty on top of the existing readmission penalty. It is difficult to sign up to this, and also not all the bits are in place to help deliver this.

Payment runs in quarters, if a target is missed in a quarter, the Trust won't get paid for that quarter only. Jim Gollan asked what had been assumed in the forecast, as it looks like quarter two will not be achieved. The Director of Finance and Information responded that the big risk is quarter four, as the target is toughest then. The Deputy Director of Finance confirmed that the forecast assumes 100% delivery of CQUIN, but other provisions were factored in to cover potential downside.

7. Finance Hot Topics

Not discussed.

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:

- Forecast: this should be discussed during the closed board as the planned surplus is looking increasingly challenging. This will be reviewed and brought back the following month with a robust explanation of organisational priorities and risks. This needs to be explained in a coherent and transparent way.

9. Items for Information

9.1 Schedule of Business

Noted. Jim Gollan requested that prior months be removed and the schedule updated to include a review of Committee priorities for 2013/14.

PD

9.2 Business Case Approvals

The business case approvals by TEC were noted.

9.3 Business Case - Model of Care for Older Persons

The Director of Finance and Information stated it is hoped that this will be funded through reablement funding, but presently there is difficulty in demonstrating benefits to CCG so that it continues to fund it on an ongoing basis. It will be a cost pressure if the extra funding required is not recurrent. There is a need to ensure make the Trust makes the most of what it can deliver. Therefore it is still subject to final negotiations, and the Finance Committee approved the business case in principle subject to favourable outcome from this negotiation.

9.4 Tender Waivers >£50k

Jim Gollan asked whether there were any concerns with the waiver listed. The Director of Finance and Information explained that it was a lot of money, but that it had been explained. Jim Gollan asked whether there should be a message to the organisation to avoid these waivers. The Committee was reluctant to push through tender waivers of this size, and the Trust should follow proper tender process. There should be a requirement to review the project afterwards to ensure the best price was received (to demonstrate value for money). All projects that are tender waived should be subject to this, and if the amount is over the threshold level of £100k, there should be an independent review.

9.5 Monitor – Risk Assessment Framework

The Deputy Director of Finance explained that the new system starts on 1st

October 2013, and flagged that the review presented only covered the financial elements, it was assumed that the governance elements would be reviewed elsewhere.

The Director of Finance and Information briefly described that a 2 rating was the minimum threshold for issues. Jim Gollan asked what comprised the cash figure for the liquidity calculation - the Deputy Director of Finance responded that it was current assets less stock.

The Director of Finance and Information confirmed that tighter balance sheet management was required.

10. Any Other Business

None.

11. Date and Time of Next Meeting

Wednesday 23rd October 2013 at 8.30am in Room 2, Chertsey House, St. Peter's Hospital