

TRUST BOARD
1st May 2014

TITLE	Minutes of the Finance Committee meeting held on 19th March 2014
EXECUTIVE SUMMARY	<p>The minutes of the Finance Committee meeting held on 19th March 2014 are attached for noting. The key points are: -</p> <ul style="list-style-type: none"> ▪ Operational Performance – reviewed an overview of the Trust’s operational performance, obtaining an understanding of issues relating to the A&E and RTT targets; ▪ Financial Position as at 28th February 2014 – the Committee reviewed the month 11 financial position, noting the latest trends and the risks and opportunities associated with the forecast which was in a range of up to £1.5m; ▪ Budget Setting – reviewed the draft budget as part of the two year Monitor operational plans and made a recommendation for Trust Board approval; ▪ Working Capital Facility – reviewed and discussed a paper proposing that the facility be allowed to lapse when the current agreement expires and recommended this option to the Trust Board; and ▪ BAF – reviewed the financial risks for the BAF.
BOARD ASSURANCE (Risk) / IMPLICATIONS	The Board is assured by the scrutiny provided by the Finance Committee on matters of financial risk.
LINK TO STRATEGIC OBJECTIVE	SO4: Top productivity
LINK TO BAF	BAF 4.2; 4.3; 4.4
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 the minutes of the Finance Committee meetings held on 19 th March 2014.
Submitted by:	Jim Gollan, Non-Executive Director and Committee Chair Paul Doyle, Deputy Director of Finance
Date:	22 nd April 2014
Decision:	For Receiving

Minutes of the Finance Committee meeting held on 19th March 2014

PRESENT:	Mr. Jim Gollan	Non-Executive Director (Chair)
	Mr. Clive Goodwin	Non-Executive Director
	Mr. Terry Price	Non-Executive Director
	Ms. Valerie Bartlett	Deputy Chief Executive
	Mr. Simon Marshall	Director of Finance and Information
IN ATTENDANCE	Mr. Paul Doyle	Deputy Director of Finance
SECRETARY:	Ms. Desireé Irving-Brown	Assistant Director, Financial Management
APOLOGIES:	None	

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 26th February 2014

The minutes of the meeting held on 26th February 2014 were agreed subject to a change in wording in the last sentence of section 4.1 to read: "The Committee supported..."

PD

3. Matters Arising

Actions List

Item 5 (Monitor letter on Procurement): Jim Gollan updated the Committee stating that nothing further had yet been received from Monitor.

All other action points were either completed, not yet due or agenda items.

4. Finances as at 28th February 2014

4.1 Operational Performance Report

The Deputy Chief Executive provided a brief overview of performance highlighting the following two key issues:

- Four hour targets and
- RTT wait times

The four hour A&E target has been under pressure due to more attendances, and higher acuity. Despite significant investments internally, such as funding to boost the surgical emergency pathway, OPAL and the AECU, the Trust has struggled to achieve the targets due to the following factors:

Wider Surrey Emergency Care Pathway plans: The Deputy Chief Executive stated that these plans needed a lot of work for them to deliver. Jim Gollan asked whether anything could be done about this external issue. The Deputy

Chief Executive confirmed that the Trust was raising it with Monitor during their bi-weekly calls, and was also discussing it with the NWS CCG. If the CCG plan doesn't work, the Trust will struggle with the existing capacity, and also, it doesn't work in terms of how the contract has been negotiated.

Clive Goodwin asked which organisation controlled the flow of funds. The Director of Finance and Information explained that cash flowed directly from the Department of Health to the CCG, and that Local Area Teams do have levers they could use, but don't control the cash. The Deputy Chief Executive stated that the Trust is working on how to resolve the issue. Jim Gollan summarised by saying that the Trust needs a resolution so that it doesn't end up in a situation of significant over-performance at reduced margins, for which it may not get paid.

External Facilities: The Deputy Chief Executive added that there is no sense that the CCG is putting external facilities in place to reduce demand, and although relationships with Virgin are getting better, the community services that are currently provided still need improving.

Clive Goodwin suggested that, if the CCG have a flawed model it should be challenged. The incentives need to be changed, and the Trust should challenge who controls the funds if they aren't being spent effectively. The Director of Finance and Information explained that Virgin carries less risk because they downsize to fit their block contract, which the hospitals can't do as patients are presenting in A&E. Jim Gollan asked whether this should be a Finance hot topic next month. The Director of Finance and Information suggested it should be a Strategy Committee discussion which should probably be run as a workshop rather than a paper to be written. It should also wrap in the third point below.

Internal infrastructure: the Trust Executives are currently debating whether the organisation has been making the right decisions in terms of investment in people rather than infrastructure. It would appear that hospitals that have invested in infrastructure have had fewer issues through the winter.

SM

In terms of the RTT wait times, the Trust has been working hard on 18 weeks over the last four months and it has been tough going, with huge workloads. The Divisions have started to clear the non-admitted and incomplete pathways since February. The biggest challenge remains in General Surgery and T&O where backlogs won't be cleared until July. The private sector is unable to take some of the more complex work, and therefore there is no option but to do the work in-house.

4.2 Finance Report

The Director of Finance and Information summarised by stating that there are still risks around the level of surplus, still projected in the range of £1.0-£1.5m, and that these are mainly on expenditure. Overall, it is not expected that much will change in terms of trends. The black escalation status in the Trust caused some issues in February. Agency was an issue again, and teams continue to work to reduce this and improve recruitment.

All of the £9m over-performance from NWS CCG has been received now and all that remains is to land the Specialist Commissioning contract outturn and to secure the cash for their over-performance.

Jim Gollan asked what could arise between now and year end to affect the

surplus. The Director of Finance and Information explained that if activity suddenly goes up beyond levels in the finalised contract, or there are issues with the Specialist Commissioner contract, this could have a detrimental impact. However, there is no indication now that anything unexpected will come up with two weeks to go.

Terry Price raised a question about capital and whether the energy commissioning funding will be spent. The Deputy Director of Finance confirmed that the Trust would be able to justify the funding by the end of the year.

4.3 Forecast and Risk/Opportunities

Discussed as part of section 4.2 above.

5. Budget Setting Update

The Deputy Director of Finance noted that the date in the heading should be updated.

PD

The Director of Finance and Information stated that in terms of the income contract, the Trust has secured the 2013/14 outturn rolled into 2014/15, but this figure includes QIPP plans and some non-recurrent elements such as RTT work and other recurrent elements such as Rehabilitation and ICT. There is a small amount of over-performance included which will get paid.

The CCG will be paying £350k per month extra in the first 6 months to protect cash flow. Jim Gollan asked where the expected additional activity fits into this £2.8m of over-performance included in the plans. The Director of Finance and Information replied that on the plans there was potentially £9m of over-performance, but this would be on the back of items such as £4m QIPP not delivering, repatriation from other hospitals and some growth which the Trust has already notified to the CCG. Overall planned income levels were c£6m higher than contracts.

Clive Goodwin asked whether 2014/15 would be more “cash rich”. The Director of Finance and Information stated that the CCG is now more familiar with the various issues in the system, so there are clauses in the Heads of Terms so that validations aren't delayed and that payment won't be withheld. The CCG has to be more explicit in advance about potential challenges and fines, so these can't be applied retrospectively.

In terms of the other CCGs, they fall into 2 groups:

1. a number of CCG's that follow the same principles as NWS CCG, and
2. Specialist Commissioners, for which there will be an update for the Board next week.

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One further commissioning issue was flagged up, relating to Surrey Downs CCG where a rebate on the NEL threshold needs to be agreed, as work has been transferring to ASPH.

The Committee then discussed the investments going into the plan, which mainly fell into the following categories:

- 1) Safety: critical care, business plan to get to 7 days;
- 2) Emergency pathway: 2nd CT scanner at SPH, significant investments

- in consultants;
- 3) Workforce gaps;
- 4) Francis/quality – increases in nursing cover; and
- 5) Planned pathway - bariatric processes.

Terry Price asked whether the Board could have a schedule of gross and net investments. The Deputy Director of Finance confirmed that this would be done for the Board paper. Clive Goodwin asked that this be further detailed to differentiate between "filling gaps/catch-up investments" versus "genuine new investment".

PD

The Director of Finance and Information stated that a £1m expense contingency budget was within the plans.

The Deputy Director of Finance explained that in the plan, the EBITDA goes up by £1.8m but all of this improvement is reduced below the line through increased depreciation from MES and other large capital investments made in 2013/14.

Jim Gollan stated that the CIP's target is high, and asked for further details, especially in terms of income. The Director of Finance and Information responded that there are a raft of activities for which the Trust hasn't previously charged at all, or charged enough, but that there needs to be more visibility of how much of income is already secured. A discussion followed around procurement CIP's.

The Committee then discussed the bridge analysis in "Appendix A" on page 7 of the report. It is assumed that next year the Trust will spend more than this year, as it is trying to gear up for additional activity, which is also in the income figure.

The paper needed to bring out the shift in agency to substantive posts and show the head count increases funded through releasing agency premiums. The Trust has added 100 new posts to cope with additional activity.

PD

Jim Gollan asked what risks were inherent in the plan. The Director of Finance and Information stated that the difference between the contract value and planned over-performance of £6m, of which c£2.8m sat with NWS CCG, was a risk. Jim Gollan stated that the paper needed to reflect the risk around income CIP's as well as the risk around recruitment to new posts, which could cause more agency spend.

PD

The Deputy Director of Finance confirmed that the Monitor rating is forecast to be a 3 for both years one and two, as it will be for 2013/14.

Jim Gollan asked whether the Committee was happy to recommend the target to the Board. Clive Goodwin asked whether the budget set a framework within which Trust Executives should be happy to work. The Committee agreed that it would serve as an operational budget, but that there is a further conversation to be had about more strategic questions and what needs to be over-laid to achieve the Board's aspirations.

The Committee agreed to recommend the acceptance of the target to the Board, subject to a discussion at the next Board meeting to draw out the practicalities of delivering the plans, for example, what needs to shift in agency usage; what needs to happen to secure CIP's. The Committee recommends to the Board that the proposed budget represents a suitable

target, but that projected profitability is reducing after 2014/15.

6. Working Capital Facility

Jim Gollan summarised by stating that the recommendation in the paper is to not to renew the facility when it expires in April, because it is expensive, and it is not anticipated that the Trust will require it. The Deputy Director of Finance stated that the facility costs £60k to keep open (regardless of whether it's used), and the Trust had only had to use it on one occasion of one day since December 2010 when it was created. Nat West has indicated that the facility can be changed to a revolving credit facility at a cost that is much more expensive or, alternatively, it can be removed entirely.

Jim Gollan stated that his preference would be to keep something, as it would be more expensive to request an emergency facility, and asked whether the bank would be prepared to lend to a Trust with declining profitability. The Director of Finance and Information stated that payment issues would be known in advance, and the Trust can therefore plan for it, and reduce expenditure if necessary.

Terry Price stated that there shouldn't be a need to renew the facility as long as it keeps a good relationship with Nat West, they should provide an overdraft as a short term solution.

Clive Goodwin stated that the cost of holding the facility has ramped up materially, and seems unrealistic, but that he would still prefer to keep it in a changing and unpredictable landscape. The Director of Finance and Information responded that there should be more responsibility in managing cash, and that the cash flow should be more transparent in the Committee/Board papers, especially in respect of about what access the Trust has to cash. The Trust would also pursue the CCG's more actively for payment of over-performance in future. Cash balances were decent and were forecast to be £15.4m at 31st March 2015.

Jim Gollan agreed with Clive Goodwin, but could also see merit in the points made by The Director of Finance and Information. After debate the Committee agreed to recommend to the Trust Board that the facility should not be renewed, but that the Board paper would draw out the risks of taking this decision.

Terry Price asked whether the decision would be reflected in the Treasury Management Policy in April. The Deputy Director of Finance confirmed that it would.

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7. Identification of Financial Risks

7.1 BAF Strategic Objective 4 - Risks

The Director of Finance and Information stated that he was recommending that risk 4.4 around service line profitability would be closed – the Committee agreed to this.

Terry Price mentioned that there was a high degree of items “in progress” and several with future dates, for example, 4.3 – will the recruitment plan be delivered by 1 April 2014? The action plans needed more work as they seem to be a bit aspirational at present.

Clive Goodwin commented that the Trust needs to be far more ambitious and far more directive to deal with the risks.

7.2 Key Points to take to the Trust Board

The key points to take to the Trust Board were:

- Confirm the 2013/14 forecast within a range of £1m-£1.5m with some risks;
- Budget - recommendation to accept (subject to changes discussed);
- Working Capital Facility non-renewal;
- Propose a discussion at the Strategy Committee regarding NWS CCG unplanned care pathway, and aspirations to become a recognised emergency centre.

8. Items for Information

8.1 Schedule of Business

The updated Schedule of Business was noted.

8.2 Business Case Approvals

None.

8.3 Tender Waivers >£50k

The Director of Finance and Information explained that the upshot of the report was that the Trust needs to plan better, and avoid tender waivers entirely. Terry Price suggested that the Capital team should get a pre-approved schedule of rates going forward.

9. Any Other Business

None.

10. Date and Time of Next Meeting

Wednesday 16th April 2014 at 8.30am in Room 2, Chertsey House, St Peter's Hospital