

**TRUST BOARD**  
**24<sup>th</sup> February 2011**

<b>TITLE</b>	<b>Minutes of the Finance Committee meeting held on 19<sup>th</sup> January 2011</b>
<b>EXECUTIVE SUMMARY</b>	<p>The minutes of the Finance Committee meeting held on 19<sup>th</sup> January 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> December 2010</b> – the results showed that the Trust had a small deficit against budget, but that CIP's are on forecast and the year end forecast remained at £3.3m. The Committee discussed the capacity issues affecting the Trust and their impact on the finances. The latest position on the capital programme was noted;</li> <li>▪ <b>Monitor Compliance Return</b> – the Committee reviewed and approved the finance elements of the quarter 3 Monitor Compliance Return and advised the Trust Board accordingly;</li> <li>▪ <b>Service Line Reporting (SLR)</b> – the Committee reviewed the SLR data for the six months to 30<sup>th</sup> September 2010; and</li> <li>▪ <b>Business Plan 2011/12</b> – the Committee received an update on the business planning process for 2011/12.</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 19 <sup>th</sup> January 2011.
<b>Submitted by:</b>	Peter Taylor, Non-Executive Director and Committee Chair Paul Doyle, Deputy Director of Finance
<b>Date:</b>	16 <sup>th</sup> February 2011
<b>Decision:</b>	For Noting

**TRUST BOARD**  
**24<sup>th</sup> February 2011**

**Minutes of the Finance Committee meeting held on 19<sup>th</sup> January 2011**

<b>PRESENT:</b>	Mr. Peter Taylor	Non-Executive Director (Chair)
	Mr. Terry Price	Non-Executive Director
	Mr. John Headley	Director of Finance and Information
	Ms. Raj Bhamber	Director of Workforce & Organisational Development
	Ms. Valerie Howell	Deputy Chief Executive
	Mr. Paul Doyle	Deputy Director of Finance
<b>IN ATTENDANCE:</b>	Aileen McLeish	Trust Board Chairman
<b>SECRETARY:</b>	Ms. Desireé Irving-Brown	Assistant Director Financial Management
<b>APOLOGIES:</b>	Mr. Andrew Liles	Chief Executive

**Actions**

**1. Apologies**

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

**2. Minutes of the Meeting held on 16<sup>th</sup> December 2010**

The minutes of the meeting held on 16<sup>th</sup> December 2010 were agreed. Terry Price queried whether there had been any change with the EDF position raised in the last meeting, Peter Taylor confirmed this would be brought to the next Trust Board meeting

**3. Matters Arising**

(i) Action Points List

The Committee discussed all actions that were not covered by separate agenda items and agreed which were to be carried forward.

**4. Activity, Workforce and Finance**

(i) Activity Report

The Director of Finance and Information presented the activity report and provided an overview of the impact on activity, of the bad weather and pressures in A&E. This had resulted in elective and day case work being cancelled and therefore this activity being below plan in December, offset by a surge in A&E attendances and Emergency admissions.

Aileen McLeish queried the bed occupancy figure as it was lower than November; however the committee agreed this was probably due to

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more beds being opened. Peter Taylor requested that the bed numbers be given in this report in conjunction with the occupancy rate.

Peter Taylor asked whether the drop in outpatient attendances in December 2010 was comparable to the same period last year; this will be confirmed.

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#### (ii) Capacity Issues and Non-Elective Cap Initiatives Update

The Deputy Chief Executive explained in more detail the factors influencing the December activity which included the significant severity of the flu virus this season resulting in an increased volume of patients who were also sicker than usual; the impact of the poor weather resulting in increased trauma cases and respiratory illnesses; the combined impact of the slow down between Christmas and New Year and the knock on effect of the all the systems reopening again in January; the cancellation of elective procedures due to capacity issues and the delay in being able to discharge patients into community care. The need to review internal processes was also flagged.

It was agreed to forward the item on Non-Elective Cap initiatives.

#### (iii) Workforce Report

The Director of Workforce & Organisational Development presented the Workforce Report for December 2010. The relationship between the Christmas holidays and the ability to get temporary staff in over the period was discussed in relation to the drop in Agency spend in the month.

#### (iv) Finance Report as at 31<sup>st</sup> December 2010

The Director of Finance and Information presented the Finance Report for the year to date 31<sup>st</sup> December 2010. The current EBITDA position was discussed, as it remained below plan due to expenditure increases exceeding the increase in income. It was noted that the £3.3m forecast surplus would be under pressure due to the income cap deal with NHS Surrey of £173.25m, and that expenditure would need to be monitored closely. Peter Taylor pointed out that there would not be the same level of below the line reserves to replace lost EBITDA in following years, and therefore the PCT negotiations would be very important for 2011/12. It was asked that this be discussed in context of the Business Planning review in February's Committee meeting.

The Director of Finance and Information explained the bearing of case mix on the income received and pointed out that whilst activity is up by 1% year to date, the related income is up 3.3%, due to the type of work being done. Further understanding is required around the change in case mix and whether this is resulting in more complex procedures which are more expensive and therefore driving up costs and impacting on the EBITDA. The reduction in the profit share forecast for the BMI Runnymede was also discussed.

The Director of Finance and Information advised that a weekly Executive Directors meeting was now being held to ensure focus on the end of year position was being maintained. This was being supported by the Deputy Director of Finance and CIP Project Manager. The Committee

confirmed that the end of year surplus of £3.3m and a monitor rating of 4 was still the target.

The Director of Finance and Information confirmed that, whilst the CIP programme had fallen behind in December due to the original budget phasing being different to the actual schemes now in place, CIPS were still on target to be achieved by end of year.

The Deputy Director of Finance pointed out that the forecast capital spend had now dropped below plan as it is unlikely that the plan will be achieved in the remaining 3 months. As a Foundation Trust this underspend could be carried forward to 2011/12.

#### (v) CIPS Balance Scorecard

The Committee noted the CIP's balanced scorecard

### **5. Monitor Compliance Framework Return**

A draft copy of the finance elements of the first Monitor Compliance Framework Return for quarter 3 was tabled at the meeting. It was pointed out that whilst the numbers had been finalised, the commentary was yet to be completed.

The Deputy Director of Finance explained the layout of the form and highlighted that the figures were for the year to date to quarter three (nine months) even though Foundation Trust status only commenced in December 2010. The Financial Risk Rating for quarter 3 was 4.0 and the forecast for the next twelve months was a minimum rating of 3.

The Committee confirmed that the report tabled contained sufficient information to enable sign-off of the finance elements of the quarter 3 Compliance Return.

### **6. Service Line Reporting Update**

The Assistant Director, Financial Management presented the update paper on Service Line Reporting covering the period to 30<sup>th</sup> September 2010.

Patient Level Costing is now available; however, there are still some shortcomings in the system mainly due to insufficient Theatres data being available. This has resulted in an average costing method being applied, which produced skewing of data in some Divisions. The new Bluespier system in Theatres should correct this for future versions of the report.

It was confirmed that data had been released to the Divisions and that meetings were being scheduled to discuss the results in more detail with a view to refining apportionments, and also educating Divisions on how to use patient level costing to identify savings and process improvements. The data could also be used to improve patient experience and is therefore not only of interest from a Finance perspective.

A demonstration of the system will be arranged for the Non-Executive Directors in the new financial year.

## 7. Business Planning 2011/12

The Deputy Director of Finance provided an update on the Business Planning process for 2011/12 and mentioned that several Divisions had been given an extension to 31<sup>st</sup> January 2011 to complete their templates. It was also explained that the targets would be revisited in line with the Operating Framework, and that this would result in a deviation from the LTFM assumptions. The impact of the decrease in tariff and the “readmissions cap” was currently being “road-tested”, and an answer was expected by the end of January 2011.

The draft budget, including level of surplus and Financial Risk Ratings, would be discussed in depth at the Committee meeting in February.

## 8. Debtors Process Review

The Deputy Director of Finance confirmed that the two internal audit reports on Private Patient Income (including overseas visitors) and Accounts Receivable had now been received and responses to recommendations provided. A working group would be set-up to tackle debt with Overseas Private Patients.

The Director of Workforce & Organisational Development mentioned that several other Trusts had enjoyed success with tackling such issues, including posters and literature to ensure patients and staff were aware of the policies.

The Committee requested that support be provided to the Financial Services Team to ensure this proceeded, and that quarterly reports including milestones and progress updates be presented to the Finance Committee for review.

## 9. Future Contract Reviews

A list of contract values over £400k was presented to the Committee. It was suggested that several contracts on the list should be reviewed based on selected themes and these will be brought back to future meetings. These would be: -

- Pharmacy Purchasing
- Orthopaedics – Prosthesis
- Procurement
- Estates (including construction costs)

These reviews would look at value for money and the total cost of supply.

The above would be added to the Schedule of Business.

## 10. Identification of Financial Risks

### (i) Items for Risk Register

It was suggested that the entry on the Corporate Risk Register regarding the non-elective cap be updated to include the contract cap of £173.25m agreed with NHS Surrey.

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(ii) Key Points to take to the Trust Board

It was agreed that the following were key points to take to the Trust Board: -

- The NHS Surrey income cap and ongoing pressure on the £3.3m surplus;
- Approval of the finance elements of the quarter 3 Monitor Compliance Return;
- Movement away from the LTFM assumptions for 2011/12 planning; an
- The continued use of agency expenditure.

**11. Items for Information**(i) Schedule of Business 2010/11

The revised Schedule of Business was noted. It was suggested that the following be amended/added: -

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- some of the capital agenda items scheduled for February on funding and aged equipment be moved to the March meeting;
- overseas debtors process review (agenda item 8 above); and
- contract reviews (agenda item 9 above).

(ii) Business Cases approved by the Trust Executive Committee

There were no Business cases approved by TEC in December.

(iii) Tender Waivers

There were no Tender Waivers in December.

**12. Any Other Business**

The Director of Finance and Information raised the issue of the proposal regarding Surrey Pathology and suggested that an update be given to the Non-Executive Directors before the next Trust Board meeting.

The Director of Finance and Information also raised the issue of whether the Trust should consider the early repayment of the working capital loan to reduce interest in 2011/12 and 2012/13. The Deputy Director of Finance agreed to check if this was possible and if so bring a paper to the next Committee meeting.

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

Wednesday 16<sup>th</sup> February 2011 at 8.30 a.m. at Level 2 Seminar Room, St. Peter's Hospital.