

TRUST BOARD
24th November 2016

AGENDA ITEM NUMBER	6.4	
TITLE OF PAPER	Financial Management Committee Minutes	
Confidential		
Suitable for public access	√	
PLEASE DETAIL BELOW THE OTHER SUB-COMMITTEE(S), MEETINGS THIS PAPER HAS BEEN VIEWED		
These minutes were reviewed and approved at the Financial Management Committee meeting held on 17 th November 2016.		
STRATEGIC OBJECTIVE(S):		
Best outcomes	√	
Excellent experience	√	
Skilled & motivated teams	√	
Top productivity	√	
EXECUTIVE SUMMARY	<p>The minutes of the Financial Management Committee meeting held on 20th October 2016 are attached for noting. The key points are: -</p> <ul style="list-style-type: none"> • reviewed the first draft of the revamped Workforce Report for the Committee which was more focused on the financial consequences of workforce issues; • month 6 finances were back on track and the STF target had been achieved. A separate risks and opportunities paper regarding the forecast outturn was considered by the Committee; • reviewed the business planning framework for the two financial years 2017/18 and 2018/19 and the control totals that had been set by NHSI; and • approval of a Business Case for the colocation of critical care services. 	
RECOMMENDATION	Receive and note the paper	
SPECIFIC ISSUES CHECKLIST:		
Quality and safety		
Patient impact		
Employee		
Other stakeholder	The impact on stakeholders through the Trust achieving its required financial targets, hence enabling the appropriate investment into services and infrastructure.	
Equality & diversity		
Finance		

Legal	
Link to relevant Board Assurance Framework Principle Risk	Financial risks 4.
AUTHOR NAME/ROLE	Paul Doyle, Deputy Director of Finance Please approach for any further information required.
PRESENTED BY DIRECTOR NAME/ROLE	Meyrick Vevers, Non-Executive Director and Acting Committee Chair
DATE	17 th November 2016
TRUST BOARD ACTION	Receive

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24th November 2016

FINANCIAL MANAGEMENT COMMITTEE MEETING
MINUTES
20th October 2016

PRESENT:	Nadeem Aziz Meyrick Vevers Neil Hayward Simon Marshall Lorraine Knight	Non-Executive Director (Chair) Non-Executive Director Non-Executive Director Director of Finance and Information Interim Chief Operating Officer
IN ATTENDANCE	Louise McKenzie Colleen Sherlock Paul Doyle James Thomas	Director of Workforce Transformation Head of Workforce Planning and Intelligence Deputy Director of Finance Associate Director of Theatres, Surgery, and Critical Care (Observing)
SECRETARY:	Des Irving-Brown	Assistant Director, Financial Management
APOLOGIES:	Suzanne Rankin	Chief Executive

Actions

1. Introductions and Apologies for Absence

Nadeem Aziz welcomed everyone to the meeting and stated that the meeting was quorate.

2. Minutes of the Meeting held on 22nd September 2016

Minutes of the meeting held on the 22nd September 2016 were agreed.

3. Matters Arising – Actions List

Item 1: The Director of Finance and Information stated that a couple of Carter papers on Pharmacy and Procurement would be taken to the Trust Board this month. Nadeem Aziz asked whether the rest of the action point on Carter was an action that could be achieved. It was agreed that it would be removed from the action list and an update on the Carter work would be brought back when it was available.

It was noted that all other action points were either not yet due or were to be discussed as agenda items.

4. Operational Performance Report

4.1 ASPH NHSI Performance

The Interim Chief Operating Officer introduced the report and provided a detailed update on September performance stating that A&E performance was below the

agreed trajectory, with September performance at 93.6%. There was a 1% increase in attendances but admissions were down in the month.

The ED was still in “business continuity” for the first few days of September; this meant that all non-patient meetings were cancelled, a command centre was set up and service managers were on the wards three times a day to chase up delays. Elective (non-urgent) surgery was cancelled, which had an impact on margins.

The number of patients waiting for nursing home/CHC/packages of care all shot up over the summer and it's taking a long time to deal with the backlog.

A reset day (winter preparedness day) was held yesterday, with a plan created for every patient in the hospital.

A discharge to assess programme was implemented in September, and this has started to relieve pressure on hospital flow.

The Interim Chief Operating Officer explained that the pressures over August/September are not unusual in terms of summer holidays, but it seems worse than ever this year, and it looks like it will be an ongoing issue for the foreseeable future.

Meyrick Vevers asked what needs to be done to ensure everything possible had been attempted to avoid any further surprises. The Interim Chief Operating Officer stated that a range of actions and projects were in place, and everything within the control of the organisation was being carefully considered and planned ahead of winter, however, there would always be potential surprises for decisions taken outside of the organisation (e.g. in the community) over which the Trust has no control. The Trust is working with external bodies to minimise this risk.

RTT is being met at an aggregate level, with Cancer targets having been validated since the figures in the pack were published, and the 62 day target has now been met for two months in a row. This has been notified to NHSI as it impacts the STF.

Non-urgent TIA cases – performance was below 100% for the first time, with further detail having been requested to understand why.

It is expected that A&E will plateau around 93%, so it is possible that the recovery trajectory will not be met, and the Committee will be asked to debate the implications of this later.

It was acknowledged that, despite the challenges, overall the hospital service is good, and the Trust is coping well within the current environment.

4.2 Operational Performance Report

This paper was noted.

5. Workforce Report

Neil Hayward provided an update on the work being done to update the workforce report, and the first draft of the new style report had been presented today. The focus of this report would be “in year” and the report will comment on the current challenges that are impacting the finances. The Workforce and Organisational Development Committee would focus on the longer term view and would be looking at the wider workforce strategy, and any shortfalls to delivering this within

the financial envelope.

Nadeem Aziz suggested that the workforce commentary could be included in the Finance Report rather than a separate report entirely - he asked that this be considered and discussed off line, and a decision reported to the next Committee meeting.

CS/LM/PD

The Head of Workforce Planning and Intelligence explained the new graphs in the report stating that whilst the WTE was below plan, the £ spend was above plan.

The Director of Workforce Transformation advised the Committee that TEC had reviewed the medical spend year to date and that the Medical Director has set the Divisional Directors a target of reducing the medical agency spend by 20%.

Since then, NHSI has released a series of controls that have to be undertaken when incurring medical agency, including Chief Executive sign-off for all shifts to be paid at a rate higher than £120 an hour. A mandatory self-assessment checklist will need to be signed off by the Board (or relevant delegated sub-committee) and be submitted to NHSI at the end of November. It is yet to be agreed as to which Committee will sign this off.

A section on legislative changes and national challenges had now been included in the report along with the assumptions underpinning the data.

This paper was noted.

6. Finances as at 30th September 2016

6.1 Contracts – Update

The Director of Finance and Information stated that there were two elements to discuss being (i) the current year contract and (ii) the next two years.

In terms of the current year, this is not yet signed off, and the Trust is currently in discussions about quarter 1 and final settlement for that. However, it is expected that the CCG will be looking for a deal for the full year sooner rather than later, but the Trust believes it to be too soon to be considering this. The gap next year is expected to be even bigger.

In terms of the next two years, there are massive changes in the tariffs, with significant movements between Outpatients (tariffs going down) and Emergency and Maternity (tariffs going up), which better aligns the income to where the costs are, and this will provide net additional income to the Trust. This may cause further challenges to the CCG, as they will have to fund this. A second challenge will be specialist activity being shifted from NHSE to the CCGs, as this activity is underfunded.

The control target set for the Trust is massively challenging for agreeing contracts, and in terms of risks being flagged, these are (i) closing out of the current year contract, (ii) risk around a year end deal and (iii) the widening gap into the next financial year.

6.2 Operational Effectiveness/Efficiency Metrics

The Director of Finance and Information talked through the monthly operational metrics paper, highlighting that average LOS was a bit better, and it's not too dissimilar to last year quarter 4 and better than the rolling twelve month average.

All the metrics are broadly as expected.

Meyrick Vevers asked about the change in excess bed days, and the Director of Finance and Information explained about coding and estimating patient episodes for those discharged but not yet coded at the time of recording.

Nadeem Aziz asked whether an EBITDA excluding STF could be added to iron out the fluctuations caused by STF funding.

DIB

The paper was noted by the Committee.

6.3 Finance Report

The Director of Finance and Information stated that whilst the quarter 2 position was on target, it had been a tight stretch to achieve this. There were challenges for the balance of the year, with quarter 3 being a significant challenge and a possibility of quarter 4 not being achieved at all.

The Committee discussed the likelihood that a re-forecast might be required in quarter 3 and Meyrick Vevers asked what would happen if the target was missed and the forecast had not been restated to NHSI. The Director of Finance and Information explained that the NHSI would take the Board to task, and would remove some independence. At this stage, the Committee was being used as a sounding board about revising the forecast – the Trust Executives have not yet discussed or agreed reducing the forecast, and it was agreed that that should happen first, and a recommendation brought to the next Committee, so that the Committee can make a recommendation to the Board – the forecast can only be changed if agreed by the Board, understanding all of the risks in its construction.

SM

Nadeem Aziz asked what “other Agency” was and what was being done to reduce this. The Director of Finance and information replied that recruitment had occurred in several areas and interims would be leaving soon, with planned exit strategies for most of the high profile posts. Nadeem Aziz asked for more detail to be brought to the next Committee, with a list of the drivers and actions to be taken.

DIB/CS

Nadeem Aziz also asked what was driving Consultancy services. The Director of Finance and Information explained that activities such as external support for iMSK and STP work had not been budgeted for.

Capital expenditure is behind plan, and Nadeem Aziz asked whether this was causing any operational problems, or would it create problems into the back end of the year. The Director of Finance and Information explained that the programme would catch up in the back end of the year. The operational impact would come from the slippage in the co-location of Critical Care and HDU as the beds would not be opened in January as had been planned.

Nadeem Aziz asked about cash, and whether, whilst the Trust was on plan, it was close to the minimum threshold. The Deputy Director of Finance explained that this was not of concern, and that un-invoiced over-performance was a driver, as well as the biannual payment of PDC dividends in quarter 2. In addition the quarter 2 STF would not be received until November.

This paper was noted by the Committee.

6.4 Forecast - Risks and Opportunities

The Director of Finance and Information explained the report and that the figures

in the report referred to the end of year forecast. In terms of total risks, the biggest is the £4.3m of STF which would not be received if the operational financial targets are not met in the remainder of the financial year.

In terms of the risk share, there should be some mitigation from reduced tariffs through the assessment units, and there are a few other marginal upsides to play in. The Trust considers the risk share to be around £4m, but the CCG would like it to be £6m, so there is some additional risk around that.

Backlogs in activity are still an issue which pose a significant risk, as whilst RTT is on target in aggregate, some discreet areas are creeping up.

The Deputy Director of Finance explained that the operational risk is the bit that needs to be covered off to access the STF, and if these risks could be mitigated to quarter 4, then there is a chance that quarter 3 could be achieved.

A discussion needs to be had with the CCG and NHSI to set out these risks, and ask them for support to enable the Trust achieve its control total, and also to gain an understanding of their flexibility.

It was suggested that, on the balance of probabilities, the forecast would have to be reduced. If after the month 7 results and internal discussions (as at agenda item 6.3 above) a reduced forecast was considered likely then a paper to that effect would be brought to the Committee in November. This would then need to be agreed by the Board in November. Any proposed reduction in forecast would also need to be discussed with NHSI. (NB action captured under 6.3)

The paper was noted by the Committee.

6.5 NHSI Monitoring and Forecasts

The Deputy Director of Finance explained the changes in quarterly reporting following the introduction of the Single Oversight Framework. The timing of the allowed forecast changes to NHSI was further explained. Any changes in the forecast can only be done in the quarterly reporting cycle, and therefore, the November Board would have to approve any change in the forecast that would be submitted in January.

The paper was noted by the Committee.

7. Contracting Review

7.1 Contract Review

The paper gave more details on the position of individual contracts in 2016/17 and comments on 2017/18 planning. This was covered in 6.1 above.

7.2 CQUIN Dashboard

The Director of Finance and Information explained the dashboard. There is a comprehensive plan around the "Staff Wellbeing" scheme. Sepsis is the one to be flagged as the value across all these schemes is large, as well as 28 day diagnosis and 7 day working (although the value for these is smaller).

The paper was noted by the Committee.

8. Business Planning

8.1 ASPH Business Planning 2017/18 and 2018/19

The Director of Finance and Information advised the Committee that the Trust is now in the business planning cycle for the next two years, with the deadlines pulled forward compared to previous years, which is a significant challenge.

The ADO for TASCSC explained where his Division was in the process, with all major themes identified, and some further discussions planned to finalise outstanding issues.

The Director of Finance and Information explained that work is still being done to understand the tariff impact and the control totals set by NHSI.

Nadeem Aziz asked about the control totals, and how this is used going forward. The Director of Finance and Information explained that it is still unclear about when, if ever, the STF funding could be used to fund internal pressures, as currently, use of this money is frozen.

The paper was noted by the Committee.

8.2 Control Totals and STF Funds

The Deputy Director of Finance highlighted the two year control totals, with the agency target remaining frozen for the next two years – which indicates that the centre is probably acknowledging that the agency targets for this year were challenging, and there aren't further central schemes to alleviate the pressure in this area.

The paper was noted by the Committee.

9. Identification of Financial Risks

9.1 Items for Risk Register

No new risks noted.

9.2 Key Points to take to Trust Board

The key points to take to the Trust Board Meeting in October 2016 were:

- Quarter 2 Financial Position;
- End of year forecast; and
- St. Peter's Hospital West Site proposal.

10. Items for Information or Approval

10.1 Schedule of Business

This paper was noted. It was agreed that the Director of Finance and Information would review the schedule to ensure that it captured all relevant activity.

10.2 Business Case Approvals

One Business Case was considered by the Commercial Group in September 2016 (as below) which was approved for six months only to allow for a Business Case for substantive recruitment to be presented:

- Recruit to vacant ENT Consultant post – request for 12 months

The paper was noted by the Committee.

10.3 Tender Waivers >£50k

There were no single tender waivers over £50k in September 2016.

10.4 Policy for Remuneration of Governors' Expenses

The Deputy Director of Finance explained that this is a routine review of this policy, and nothing has changed since the last approval.

The paper was noted and approved by the Committee.

10.5 St. Peter's Hospital West Site

There are several complex issues involved in this potential sale, and Collier's was approached to help the Trust move through these issues, and provide a view on what the value would be under the current arrangement. The recommendation in the paper was to have an equal split of the proceeds which will de-risk the arrangement. The other party has accepted this proposal.

The Committee discussed the proposal, and agreed that it would recommend to the Board that it accept the equal split arrangement.

11. Any Other Business

An additional Business Case was included in this section. It had not been previously submitted as it was below the threshold for Committee sign-off, but following a review of the engineering costs, the revised capital costs have pushed the project above the £500k sign-off limit.

Neil Hayward asked what the implications of not doing this critical care scheme were. The Director of Finance and Information explained that having two segregated units was a clinical risk issue, which the Trust was trying to mitigate by co-locating instead. Capacity would also be improved in the process. It was suggested that the clinical model for staffing this unit be challenged by the Committee in the future.

Nadeem Aziz asked whether there was any scope in the overall capital programme to cover this increase in cost. The Director of Finance and Information suggested that all the schemes were likely to proceed as planned, so no, and the project that would have to be delayed was Stroke, which would need to be funded by the STF money (subject to central approval). The Deputy Director of Finance confirmed that this project would not cause an overspend in this financial year, but that slippage on other schemes will commit funds into the next financial year that will put pressure on what else can be funded.

It was agreed that a paper will be brought to the next Committee about the capital

actuals to month 7 and how that tracks forward this year and the following year.

12 Date and Time of Next Meeting

Thursday 17th November 2016 at 8.30am in Room 2, Chertsey House, St. Peter's Hospital