

TRUST BOARD
25th July 2013

TITLE	Minutes of the Finance Committee meeting held on 19th June 2013
EXECUTIVE SUMMARY	<p>The minutes of the Finance Committee meeting held on 19th June 2013 are attached for noting. The key points are: -</p> <ul style="list-style-type: none"> ▪ Financial Position as at 31st May 2013 – the Committee reviewed the month 2 financial position, noting the latest trends; ▪ Reference Cost Collection – reviewed and approved the costing methodology for the annual reference cost submission; ▪ Procurement – noted and discussed issue around procurement at the Trust; and ▪ Terms of Reference and Priorities – discussed and approved revised Terms of Reference and the priorities for the Committee in 2013/14. <p>Note that this paper has been prepared before Finance Committee discussion – the Committee Chair will update Board orally on that discussion.</p>
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: To improve the productivity and efficiency of the Trust in a financially sustainable manner, within an effective governance framework
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 19 th June 2013.
Submitted by:	Jim Gollan, Non-Executive Director and Committee Chair
Date:	18 th July 2013
Decision:	For Receiving

TRUST BOARD
Date: 25th July 2013

Title: Minutes of the Finance Committee meeting held on 19th June 2013

PRESENT:	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
IN ATTENDANCE	Mr. Paul Doyle	Deputy Director of Finance
	Mr. Andrew Liles	Chief Executive
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. The Committee was advised that the Deputy Chief Executive would attend from 9.45am. Jim Gollan requested that the July meeting be rescheduled to another date in week commencing 15th July 2013.

PD

2. Minutes of the Meeting held on 22nd May 2013

The minutes of the meeting held on 22nd May 2013 were agreed.

3. Matters Arising

3.1 Action point 3 - Efficiency Metrics

The Committee suggested the discussion on efficiency metrics be deferred until SLR information is available for the new financial year.

3.2 Action point 5 - Project Levers

This is in hand and Clive Goodwin is due to meet with the Deputy Chief Executive this week.

3.3 Action point 6(b) – Committee Membership

The Director of Workforce Transformation will not be attending the Finance Committee going forward, but will continue to focus on temporary staffing, not only in terms of spend, but also procurement and monitoring of temporary staff and the effectiveness of recruitment strategies for permanent staff.

4. Finances as at 31st May 2013

4.1 Finance Report

The Director of Finance and Information provided the headlines from the report. Income is holding up well, but the costs to run the service continues to cause pressure on the EBITDA. Factors such as: not closing unfunded beds; supporting twilight shifts; Medihome additional spend to clear beds; and outsourcing have all contributed to the increase in spend in month 2. In summary, there has been a crowding out of CIPS by operational pressures and elevated costs to address these pressures.

The cash figure was below forecast because the Specialist Commissioning Group has paid the Trust for May & June but not April, this is expected to fall back into line in June.

Peter Taylor raised a question about whether the budget is robust given the known A&E pressures. The Director of Finance and Information replied that there were measures in place, but that these have not been as effective as expected. Swift Ward is not cost effective to run, and the Trust is using agency doctors to provide services at night, which it can't afford to sustain at current levels, therefore a plan is required to exit these and get back to budget.

Jim Gollan asked whether there were any other concerns and the Director of Finance and Information replied that month 2 is the first month where there has been clarity around the activity, and what was surprising were penalties in terms of readmissions moving in the wrong direction. In addition there were other risks that needed to be managed in terms of ambulance turnaround times and CQUIN achievement.

Clive Goodwin asked for a piece of analysis, which shows a granular 3 month variance analysis which demonstrates the relationship between the increase in revenue at lower margin and increased in fixed costs (only the 3 biggest levers), because when the relationship moves adversely, it's more aggressive than when it moves favourably.

PD

Jim Gollan summarised by stating that the numbers are suggesting a re – examination of the trade-offs between clinical outcomes and internal capacity, and this is the message for the Trust Board.

Jim Gollan requested a summary on how the Trust intends to close gap, in the form of a risk schedule, for the next meeting.

SM

4.2 Summary of 2013/14 NHS Contract

Jim Gollan mentioned that, whilst he was happy with the report as a briefing document, he was struck by fact that CQUIN's are a large percentage of the target, which is large risk if not achieved. Peter Taylor asked whether there should be a change in the way quality is reported to the Board on the back of this. The Director of Finance and Information replied that perhaps this was the case, but the focus needed to be on planning and delivery. Jim Gollan suggested that the risk report is a better place to pick up any issues and highlight any non-achievement.

The Chief Executive stated that at the Strategic Delivery TEC, a CQUIN's paper is presented, and suggested that this will be a good report to bring to

the Finance Committee. The Director of Finance and Information agreed and this will be brought to a future meeting.

PD

5. Surrey Pathology Service

Jim Gollan asked whether the Committee was happy with the performance. The Director of Finance and Information replied that, as a shareholder, yes, but as a user, not necessarily, because turnaround times etc were not as expected, so this should be the focus going forward.

The Chief Executive explained that, strategically, it works, it's growing, and it has delivered CIP savings. In terms of users, the Trust has had some growing angst around turnaround times, lines of communications etc, so this will be taken up with Surrey Pathology Service. Quality is not as good as when it was in-house, but it is getting better.

Jim Gollan requested that the Trust Board be provided with a summary in the form the Chief Executive provided, rather than just the financial results.

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6. Service Line Reporting Update

This was for information only. The Director of Finance and Information provided some headlines on 2012/13 performance, stating that the Vascular service was still losing money because the SASH business had not been secured despite putting additional resources in. The underlying reasons for the other losses had not changed since the Q3 report.

Peter Taylor would like to see a projection of what will move forward etc (not necessarily a finance analysis, but written explanation of what is being done), not just an historical analysis.

Jim Gollan asked what the right context is to be looking at these reports. It is an increasing source of information on how to drive portfolio mix and needs to be seen at the Strategy Committee so that service development could be discussed in that context. Clive Goodwin suggested that this should be a source of decision making.

7. Reference Cost Collection 2012/13

The Committee approved the costing methodology to be used for the preparation of the reference cost submission for 2012/13.

The Chief Executive suggested that the reference cost indexation be provided for the Committee to review, to grow the corporate knowledge. The Deputy Director of Finance agreed to bring back all additional data to the July meeting. The Committee agreed that the team should go ahead and submit on 12th July 2013 and provide details at the July meeting.

PD

8. Improving Patient Facing Communications

Jim Gollan stated that this represented modest cost reductions and is a follow on from the CMAOR project, with an emphasis more on quality than finance, so should this be tracked by the Finance Committee? The Deputy Chief Executive suggested that the Trust Executives should look at this and decide if it is radical enough, and also stated that the Trust is still very old fashioned in the way it communicates with GPs and patients.

The Director of Finance and Information emphasised that this is a critical success factor and the Trust needs to ensure it is supported. The Chief Executive confirmed that he would feed this back at the next master class. A paper will be taken to the Strategic Delivery Committee as of result of discussions that have already been held by Executives. There is a desire to push it forward, as excellent customer satisfaction needs to be a much bigger priority, and not just incremental change.

9. Finance Hot Topics

The Director of Finance and Information tabled a paper on procurement and commercial culture, then explained that some of the current bad practice e.g. lending consignment stock to other sites (external organisations), for which the Trust is then paying for before it is actually used in Theatres; and free access to sales reps etc. all results in a breakdown in controls.

The challenge the Trust faces is how to rein this in, reduce clinical freedom and over stocking and take advantage of bulk buying etc. These are “hearts and minds” issues. Some tightening of controls from procurement are currently being undertaken, as well as softer work, such as getting procurement teams accepted as part of the divisional teams and building on-going relationships with suppliers. There are also plans to roll out training to develop internal commercial skills in terms of negotiations.

The procurement team is looking at its materials management process and how this is being managed to ensure there aren't any stock-out situations.

The Director of Finance and Information asked whether there was any guidance from the Committee about how to win “hearts and minds” and deliver the softer changes. He confirmed that the biggest issue has been identified in theatres (all the surgeons), therefore, the Trust does have target areas.

Jim Gollan broke the issue down as follows: 1) what makes surgeons respond, 2) how would the Board get them to own the problem? and 3) how to get clinicians to change practice, and recognise the link between updated training and profitability and embracing better practice.

Clive Goodwin stated that the procurement team needs to have absolute control of what gets into the stock room, and the softer control around choice of what is selected from store should be controlled by clinicians.

Peter Taylor suggested that: 1) the Trust needs to get the buying team to be part of divisional team and co-located. The buyers should report to divisions with a dotted line to procurement, 2) the surgeons should get the right to catalogue and technically specify products, but can't get involved in buying arrangements and price and 3) there should be supplier scrutiny to ensure suppliers were accredited to work with the Trust, but this requires buying clout.

The Director of Finance and Information stated that the procurement team is trying to introduce a new product review group to establish the correct balance in decision making (not just cost saving). The team will also work with Royal Surrey to get economies of scale.

The Director of Finance and Information confirmed that the Procurement Team will get a more coherent plan together with the local teams, and

introduce consequences linked to bad practice, and communications.

Clive Goodwin suggested that the Committee does not need to have a new topic every time for this forum and can continue discussions at subsequent meetings.

10. Finance Committee Governance

10.1 Terms of Reference Review

Jim Gollan requested that the standing agenda be changed to what we are working to currently. Secondly, he pointed out that the terms of reference promises the Board a finance report. If this is no longer required, then the wording needs to be changed. The Committee agreed that it doesn't see a need to bring the finance report to the Board, given its delegated authority, so the wording should be changed. The Committee will escalate the risk schedule to the board if required.

PD

The Chief Executive stated that there is a need to develop divisional teams to undertake performance management rather than just the Executives, but that the Executives need to understand the role of the Board in performance management. Currently, when metrics are taken to the Board, they don't get much challenge from the Board. There should be more Board assurance and challenge and deep analysis around non-quality and non-financial performance. He suggested that perhaps the Finance Committee has a role to play in more scrutiny on activity/operational performance and finance elements so that the Board can focus on non-financial issues. The Committee agreed to consider this point, maybe as finance hot topic next month. The Board would need to define what accountability really means as this would change the scope of what the Finance Committee does and also the style of the meeting. The Chief Executive will ask George Roe to investigate finance and performance committees at other Foundation Trusts to advise how this should look.

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10.2 Priorities for Committee 2013/14

Jim Gollan wanted to ensure that everyone agreed the priorities as discussed in March, e.g. risk based finance reporting, "think tank", lessons learnt. Peter Taylor suggested a review on marketing effectiveness, but the Director of Finance and Information replied that it was not a priority and that he will consider this and revert in September.

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11. Identification of Financial Risks

11.1 Items for the Risk Register

No new items noted.

11.2 Key Points to take to Trust Board

These were:

- The finance results year to date are behind target, therefore a re-examination of the trade-offs between clinical outcomes and internal capacity is required
- Terms of Reference

12. Items for Information

12.1 Schedule of Business

Noted.

12.2 Business Case Approvals

The cases were noted.

12.3 Tender Waivers >£50k

There were no tender waivers in excess of £50,000 in May.

12. Any Other Business

None noted.

13. Date and Time of Next Meeting (*Note change in date, time and venue*)

Friday 19th July 2013 at 2pm in the Finance Meeting Room, Chertsey House,
St. Peter's Hospital