Ashford and St. Peter's Hospitals NHS
NHS Trust

TRUST BOARD
29th April 2010

TITLE	**Minutes of the Finance Committee meetings held on 17th March 2010 and 21st April 2010.**
EXECUTIVE SUMMARY	The minutes of the two Finance Committee meetings held in March (approved) and April (draft) are attached for noting. The following are the key points: - ▪ **Finance Report to 31st March 2010** – draft figures showed that the Trust would have a surplus of £6,875k before impairments; ▪ **Temporary Staff Expenditure** - reviewed action plans for reducing temporary staff expenditure; ▪ **2010/11 Budget Setting** – reviewed and approved the 2010/11 budget and reviewed in detail the CIP plans; ▪ **Capital Programme** – reviewed and approved the 2010/11 capital programme; ▪ **LTFM** – reviewed changes to the LTFM; and ▪ **Reviews** – reviewed papers on the InHealth contract and Procurement.
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	None obtained.
EQUALITY AND DIVERSITY ISSUES	None that I am aware of.
LEGAL ISSUES	None that I am aware of.
The Trust Board is asked to:	Note the minutes of the Finance Committee meeting held on 17th March 2010 and 21st April 2010.
Submitted by:	Paul Doyle, Deputy Director of Finance
Date:	21st April 2010
Decision:	For Noting

Ashford and St. Peter's Hospitals NHS
NHS Trust

TRUST BOARD
Date: 29th April 2010

Title: Minutes of the Finance Committee Meeting held on 17th March 2010

PRESENT:	Mr. Peter Taylor	Non-Executive Director and Committee Chair
	Mr. Terry Price	Non-Executive Director
	Mr. Andrew Liles	Chief Executive
	Mr. John Headley	Director of Finance & Information
	Ms. Raj Bhamber	Director of Workforce & Organisational Development
	Mr. Paul Bentley	Director of Strategy
	Ms. Vanessa Avlonitis	Deputy Chief Nurse (for Chief Nurse)
IN ATTENDANCE:	Ms. Anne Dawson	Business Support Consultant, South East Coast SHA
	Ms. June Harrison	Business Support Accountant, South East Coast SHA
SECRETARY:	Mr. Paul Doyle	Deputy Director of Finance
APOLOGIES:	Ms. Valerie Howell	Chief Operating Officer
	Ms. Caroline Becher	Chief Nurse

Actions

1. Apologies

These were as noted above.

2. Minutes of the Meeting held on 17th February 2010

The minutes of the meeting held on 17th February 2010 were agreed.

3. Matters Arising

(i) Action Points List

The item on GP referral trends analysis was outstanding and would be carried over to the next meeting when the Chief Operating Officer would update the Committee. — VH

The item on revised accounting policies would be reviewed at the April Audit Committee meeting. — PD

All other items on the Action Points list had been either been completed, were not yet due or were agenda items.

4. Finance, Activity and Workforce

(i) Finance Report as at 28th February 2010

The Director of Finance & Information presented the Finance Report to

the Committee and noted that the Trust was reporting an actual surplus of £4.0m which was on budget. This was an improvement of £5k against budget compared to the January position.

The Committee went through Appendix 1 of the report in detail and the Director of Finance & Information gave key messages in terms of activity up by 4.2% and income by 2.3%, pay over by 1.2% and non-pay over by 5.4%. The income position reflected the agreement reached with NHS Surrey.

Terry Price asked what the key messages were from the graph on work sent out (appendix 4). The Chief Executive said that he was used to seeing graphs that spiked near to the year end, and in particular this year with the challenge of meeting the 18 week target for Trauma & Orthopaedics. The April performance review meetings would be used to identify drivers for this.

Peter Taylor stated that there as now more detail behind the numbers which was good. He questioned the overspend on Supplies & Services – Clinical and the Director of Finance & Information pointed out that this included an underachievement of £208 year to date on the prosthesis CIP.

In respect of pay Peter Taylor though that the Trust had done well to keep the overspend down to 1.2% but thought that a plan was needed to bring down the temporary staff spend, in particular agency. The Director of Workforce & Organisational Development reported that pay controls had been implemented which was confirmed by the Deputy Chief Nurse. A piece of work had been completed over the last couple of weeks and it was clear that medical agency was a challenge. There is a schedule of who was in place and plans to reduce them. It was agreed that the Director of Workforce & Organisational Development would bring an action plan to the next meeting on agency/temporary staff. RB

The Director of Finance & Information highlighted the current position with regard to the CIP programme which was on track with the replacement programmes. The Chief Executive stated that the Trust needed to move towards hitting its original plans in future years.

The Director of Finance & Information pointed out the capital programme would be spending c£3m in March to hit the plan. He also highlighted the improved aged debt position shown in appendix 9

The Director of Finance & Information also reported that following the revaluation of the Trust estate, impairments were likely to be higher than the £1.3m originally estimated. Discussions were ongoing with the valuer.

(ii) <u>Forecast Outturn</u>

The Deputy Director of Finance briefed the Committee on the forecast position which was that the Trust would achieve the surplus position as per the plan for the year. It was pointed out that this was before the effect of the revised valuation of the Trust estate was taken into account.

(iii) <u>Activity Report</u>

The activity report detailed the activity to date which in most cases was in excess of plan, particularly with regard to emergency admissions. The Committee noted the report.

(iv) Workforce Report

The Director of Workforce & Organisational Development presented the Workforce Report which showed an increase in the vacancy factor which was expected. In respect of agency staff it was hoped that the Trust bank would be enlarged to help reduce reliance on agency workers. It was also reported that non-clinical posts were being appointed on fixed term contracts of no more than nine months.

5. 2010/11 Finances

(i) Budget

The Director of Finance & Information presented the paper setting out the proposed budget for 2010/11. The process for getting to the budget started in October 2009 with a Business Planning day and Directorates had all been through meetings with Executive Directors to get to this position. The bottom line surplus of £3.3m was in line with the IBP projection.

The largest element of income was in respect of the NHS Surrey contract at £167.5m. The Director of Strategy reported that NHS Surrey was lagging behind the national timetable in terms of agreeing an SLA. Provisional agreement had been reached with officers of the PCT however the financial position and the recent change in CEO at the PCT had delayed the final approval. The Director of Strategy highlighted that no over-performance had been built into the budget this year.

The Chief Executive highlighted that the proposed SLA was less than that for 2009/10 once adjusted for the 2009/10 deal. This reflected the expected reduction in emergency activity, however the Trust would still be paid for work done under national frameworks. The NW Surrey Transformation Board is undertaking a lot of work that should lead to these reductions.

Peter Taylor expressed concern about the delay in reaching agreement and asked what would be done if agreement was reached at a lower amount. The Director of Finance & Information reported that cost pressures, contingency and CIP's would be reviewed in order to get back to the £3.3m surplus target.

The Director of Finance & Information also reported that the final budget would be subject to any amendments arising from the valuation of the Trust estate, in terms of depreciation and PDC dividend.

The Committee approved the draft budget for 2010/11 which would now go to the Trust Board for final approval. In doing so it noted the outstanding issue of the agreement with NHS Surrey.

(ii) Cost Improvement Programme PD/BJ

This was covered by the budget paper presented in item 5(i). Terry Price asked for further detailed information to be presented on CIP's. The

Deputy Director of Finance reported that it was planned to have Barrie Jones at the April meeting to go through this.

(iii) Capital Programme

The Director of Strategy presented the paper setting out the proposed capital programme for 2010/11. This had been derived from Directorate plans which had been refined after a number of iterations. On top of this had been overlaid the organisational requirements.

The plan currently included £3m for the Renal scheme which it was proposed to fund through a capital loan. The organisational and financial issues at NHS Surrey had meant that the renal tender had been delayed, however the structure of the plan meant that the loan would not be taken until actually needed. It would also be subject to business case approval.

The Director of Strategy pointed out that the Cardiology scheme had been moved by one year which was a change from the IBP. However it was felt that the Trust was not putting itself at risk as there was currently a second re-locatable unit on site.

Terry Price asked about the list of bids from Directorates that had not been funded yet, in particular Imaging where issues relating to equipment had been raised at Clinical Governance. The Director of Strategy responded that this was always the difficulty in reaching the final plan and assessing competing pressures. There would need to be phasing over the years for such bids.

Peter Taylor asked what bottlenecks there foreseen for 2010/11. The Director of Strategy replied that this would probably be around approval of detailed planning permission, even though the Masterplan had been approved.

The Committee approved the draft capital budget for 2010/11 which would now go to the Trust Board for final approval.

6. Service Line Reporting – Quarter 2 2009/10

The Director of Finance & Information presented a paper on the Service Line Reporting (SLR) data for the six months to 30th September 2009. Page 2 of the report showed that there were some consistent messages between the financial years for clinical directorates, although some areas (e.g. Imaging) had been aided by the effect of tariff changes.

Page 4 of the report gave a detailed breakdown of performance by clinical directorate. It was thought likely that control would still be through budgets but that SLR would come more to the fore. There was also mixed messages arising in respect of this as for example, Trauma & Orthopaedics was challenged in budgetary management, however under SLR it provided a high contribution.

Terry Price pointed out that it flagged up other issues i.e. Therapies. The Director of Finance & Information reported that this was a good reminder of contractual issues and loss making services that SLR would draw out.

The roll out of Service Line Management (SLM) was being done under

the Building Stronger Clinical Directorates delivery programme. A workshop for this delivery programme was being held on 31st March 2010 for general managers.

It was agreed that the Director of Finance & Information would initiate a Board discussion about SLR data and what it wanted to see. JH

7. Long Term Financial Model

(i) DH Version

The Director of Finance & Information presented the paper highlighting the amendments that had been made between the Board to Board meeting held on 22nd February 2010 and the submission to the Department of Health on 1st March 2010. It was important to note that EBITDA, surplus and financial risk ratings remained unchanged, with changes being in respect of activity, income and wte. There had also been some text changes in the IBP.

Peter Taylor expressed concern that the issue had arisen and stated that a process was needed that validated data in a better way. The Director of Finance & Information reported that an audit trail between versions had now been prepared which should highlight such issues. In addition some resource within the finance team had been switched to assist with the FT application work.

(ii) Next Steps and Process

The Director of Finance & Information reported that revised iterations of the LTFM would be brought to the April and May Committee meetings along with an audit trail of changes made. JH

Terry Price asked whether monthly meetings were going to be sufficient. The Director of Finance & Information responded that monthly meetings were fine at the present time but that the Committee/Trust might have to move to monthly meetings if required.

(iii) Private Patient Cap

The Deputy Director of Finance reported that work was ongoing on the revised Private Patient Cap due to issues with analysing 2002/03 data. An update would be brought to the next meeting. PD

8. Expenses Policy

Peter Taylor asked that comments about the draft Expenses Policy be sent to the Deputy Director of Finance. It was agreed that once all comments had been received and reviewed the revised draft would be brought to a future meeting for approval. PD

9. Identification of Financial Risks

The Committee discussed the financial risks and decided that these remained as: -

- Work sent out
- Agency costs

- NHS Surrey agreement
- Valuation and impairment of Trust estate

Additional risks around the 2010/11 capital programme and the recalculation of the LTFM were added.

10. Items for Information

(i) Schedule of Business 2009/10

The Committee noted the Schedule of Business for 2009/10.

It was agreed that a draft schedule for 2010/11 would be brought to the next meeting for discussion. PD

(ii) Business Cases approved by the Trust Executive Committee

The Committee noted the Business Case approved by the Trust Executive Committee in February.

(iii) Tender Waivers

The Deputy Director of Finance presented the report on tender waivers in February 2010, explaining that the increase was due to capital schemes needing completion by the end of the financial year. There would be a number of waivers in March 2010 as well.

The Committee noted the Tender Waivers Report.

11. Any Other Business

There were no items raised under any other business.

12. Date and Time of Next Meeting

Wednesday 21st April 2010 at 8.30 a.m. at St. Peter's, Level 2 Seminar Room.

Ashford and St. Peter's Hospitals NHS
NHS Trust

TRUST BOARD
Date: 29th April 2010

Title: Draft Minutes of the Finance Committee Meeting held on 21st April 2010

PRESENT:	Mr. Peter Taylor	Non-Executive Director and Committee Chair
	Mr. Terry Price	Non-Executive Director
	Mr. John Headley	Director of Finance & Information
	Ms. Valerie Howell	Chief Operating Officer
	Ms. Raj Bhamber	Director of Workforce & Organisational Development
IN ATTENDANCE:	Mr. Paul Doyle	Deputy Director of Finance
	Mr. Barrie Jones	Assistant Chief Operating Officer
	Ms. Catherine Townsend	BUSM for Cardiology
	Ms. Sheila Ashmore	Head of Procurement
SECRETARY:	Mr. Stuart Adds	Directorate Accountant
APOLOGIES:	Mr. Andrew Liles	Chief Executive
	Mr. Norman Critchlow	Non-Executive Director

Actions

1. Apologies

These were as noted above.

2. Minutes of the Meeting held on 17th March 2010

The minutes of the meeting held on 17th March 2010 were agreed.

3. Matters Arising

(i) Action Points List

All items on the Action Points list had been either been completed, were not yet due or were agenda items.

(ii) Action plan for agency

The Director of Workforce & Organisational Development presented the paper setting out the actions to monitor and reduce temporary staffing spend. The report identified vacancies in hot spot areas such as medical staffing in Paediatrics, Emergency Medicine and Anaesthetics being a major cause of temporary staff usage.

Terry Price commented that as there are always vacancies arising could the Trust not recruit before the vacancy appears, and if the supply of medical staff is not there, what can be done to get into the supply. The Chief Operating Officer responded that medical staffing pressures in the

areas above are not restricted to just this Trust, and that managers are doing all they can to manage the workload in the most cost effective ways.

Peter Taylor asked that a paper be brought to the Finance Committee at the July meeting looking at the long term issues of recruitment and how to address them, and the processes around policies, have they been reviewed, are they robust. This should then be taken to the Trust Board at a later stage. RB

4. Review of InHealth Contract

Catherine Townsend presented the paper on the InHealth contract review outlining the history of the how the contract was agreed and has been extended over the last ten years, bringing to the attention of the Committee that the contract expires in June 2010.

The Committee discussed the paper and agreed that a tendering process should be entered into, with an in-house bid considered to at least give a benchmark for others wishing to tender.

The Director of Finance & Information is to bring to the July Finance Committee a paper giving an update on the feasibility of an in-house tender and the timeline for a full tender exercise. JH

The Committee agreed that the current contract with InHealth should be extended to April 2011 to allow for the tendering process to take place. Terry Price requested that a short paper outlining the need to extend the contract should be taken to the Trust Board. JH

5. Review of Procurement

Sheila Ashmore presented the paper on the Review of Procurement, which outlined how the department was structured and the type of work that is undertaken.

The department has achieved £685k of savings for 2009/10 with an additional £389k in cost avoidance projects; the challenge for 2010/11 is to continue making savings with a potentially reducing headcount.

6. Finance, Activity and Workforce

(v) Finance Report as at 31st March 2010

The Deputy Director of Finance presented the Finance Update for the twelve months to 31st March 2010 to the Committee and noted that the Trust was reporting an actual operational surplus of £6.275m which was £1.450m above budget. This was due to an accounting adjustment for partial spells to align the Trust with the accounts of NHS Surrey. This issue had come to light in March.

The CIP savings of £6.6m would be achieved and the Capital Resource Limit had been achieved but due to various year end adjustments the accounts would show the actual spend reduced by £300k.

(vi) Activity Report

The Chief Operating Officer presented the Activity Report to the Committee explaining that March had been a very busy month, which is partly due to there being no school holidays or bank holidays.

There continues to be a rise in emergency admissions and under the Operating Framework for 2010/11 there is a cap on income for any emergency work done in excess of 2008/09 levels.

Peter Taylor queried whether the rise in elective work is a result of market share increases or other factors, and asked that a paper be brought back to next months Finance Committee and then to the Trust Board in May or June. PB/JH

Peter Taylor asked for a paper on the detailed budgets and the activity plan, and how the Trust will tackle the challenge of the emergency admissions cap to be taken to the Trust Board. This followed the agreement of an SLA with NHS Surrey. The Director of Finance & Information and the Chief Operating Officer are to discuss which Trust Board meeting the paper should be taken to. JH/VH

(vii) Workforce Report

The Director of Workforce & Organisational Development presented the Workforce Report which showed that the overall establishment was in target. Staff appraisals were short of the 85% target at 71.9% but were higher than average for acute Trusts, and work was being undertaken on simplifying the documentation to help improve the current performance.

7. 2010/11 Finances – Cost Improvement Programme

Barrie Jones informed the Committee that £11.5m CIPs had been identified so far, £9m of which will be taken out of the budgets. Each scheme had been RAG rated and there are detailed templates behind each scheme.

A CIP Programme Board has been set up which is chaired by the Director of Finance & Information and the Chief Operating Officer.

The Director of Finance & Information explained that feedback from the Strategic Health Authority and the Department of Health on the 2011/12 and 2012/13 CIPs included in the Foundation Trust application required further work. Barrie Jones explained that a CIP workshop had been held the previous week looking at this, with five key areas identified and groups of senior management coming back at the beginning of May with plans to achieve CIPs.

Peter Taylor asked that when evaluating schemes it is important to measure the impact of quality and patient satisfaction, and requested that a three year CIP plan be taken to the Trust Board in May. BJ/JH

8. Long Term Financial Model

(iv) Updated Version

The Director of Finance & Information presented the paper highlighting the amendments that had been made since the 1st March 2010 version of the Long Term Financial Model. There had been an alignment to the

provisional year end position for 2009/10, reflection of the estate revaluation, small changes to 2010/11 activity assumptions, 2010/11 income aligned to the NHS Surrey SLA less an amount for demand management/contract challenge and the Cardiology development had been pushed back one year.

The Committee discussed and noted the updated IBP figures.

The Committee then discussed potential issues that may arise in the Department of Health phase of the Foundation Trust application.

(v) Private Patient Cap

The Deputy Director of Finance presented a paper on the Private Patient Cap outlining that the estimate following the revised Monitor guidance gave a smaller margin for growth in private patient income than under the previous guidelines. There was still the potential to expand that income in the future if required.

(iii) Compliance Framework 2010/11

The Deputy Director of Finance explained that there had been changes made by Monitor and that the Finance Report for 2010/11 would be improved as a result. The Committee noted this change.

9. Debt Collection & Bad Debt Policy

(i) Debt Collection Process

The Committee noted the review of the current process in relation to Trust debt and in particular Overseas Visitors. It was agreed that an update on the process, in particular Overseas Visitors, would be brought back to the September meeting. PD

(ii) Bad Debt Provision Policy

The Deputy Director of Finance presented the paper on the proposed bad/doubtful debt provision. The Committee approved the basis of a bad/doubtful debt provision for the Trust.

10. Identification of Financial Risks

(i) Items for Risk Register

No items were identified for inclusion on the Risk Register.

(ii) Key Points to take to Trust Board

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

- InHealth contract to be extended whilst tender prepared;
- Marketing update to reviewed by Finance Committee and will then be brought to the Trust Board;
- 2010/1 budget update following agreement with NHS Surrey and actions for reducing the risk of the emergency income cap;
- CIP's for 2010/11 are to be linked to quality indicators; and
- Updated LTFM was reviewed.

11. Items for Information

(i) Schedule of Business 2010/11

The Committee noted the draft Schedule of Business for 2010/11. Peter Taylor requested that a rota of who is to attend each Finance Committee be prepared and then link the attendance into the Schedule of Business. PD

The Committee agreed that the Terms of Reference should be reviewed at the May meeting. JH

Peter Taylor requested that the paper on temporary staffing be added to the Schedule of Business for July, papers on Marketing and Budgets be added to May and a review of the revised Debtors process be added to September. PD

Terry Price requested that CIPs were added to the Schedule of Business on a quarterly basis, starting from July 2010. PD

Peter Taylor thought that the Committee should produce an Annual Report for 2009/10. JH

(ii) Business Cases approved by the Trust Executive Committee

The Committee noted that there were no Business Case approved by the Trust Executive Committee in March.

(iii) Tender Waivers

The Deputy Director of Finance presented the report on tender waivers in March 2010. It was agreed that the Director of Finance & Information would send a communication out to the Trust stating that no more tender waivers will be accepted unless for exceptional items. JH

The Committee noted the Tender Waivers Report.

12. Any Other Business

There were no items raised under any other business.

13. Date and Time of Next Meeting

Wednesday 19th May 2010 at 8.30 a.m. at St. Peter's, Level 2 Seminar Room.

Charitable Funds

14. Charitable Funds Report – Quarter 3 2009/10

The Committee noted the Charitable Funds Report.

15. Any Other Business

There were no items raised under any other business.