

TRUST BOARD
29th September 2016

AGENDA ITEM NUMBER	6.3	
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 meetings held on 18 th August 2016 and 22 nd September 2016.		
STRATEGIC OBJECTIVE(S):		
Best outcomes	√	
Excellent experience	√	
Skilled & motivated teams	√	
Top productivity	√	
EXECUTIVE SUMMARY	<p>The minutes of the Financial Management Committee meetings held on 21st July 2016 and 18th August 2016 are attached for noting. The key points are: -</p> <ul style="list-style-type: none"> • Month 4 finances are currently behind plan and focus is required on the risks involved around the control total and how these would be managed; • Reviewed the detailed CIP plans for the year and the current RAG rating; • Received a review of the success of business cases and their implementation and in particular the lessons learnt; • Received a presentation on theatre utilisation and the issues around its maximisation; and • Reviewed and approved minor presentational changes the Treasury Management Policy on behalf of the Trust Board. 	
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	Nadeem Aziz, Non-Executive Director and Committee Chair
DATE	22 nd September 2016
TRUST BOARD ACTION	Receive

**FINANCIAL MANAGEMENT COMMITTEE MEETING
 MINUTES
 21st July 2016**

PRESENT:	Nadeem Aziz Peter Taylor Neil Hayward Meyrick Vevers, Simon Marshall Lorraine Knight	Non-Executive Director (Chair) Non-Executive Director Non-Executive Director Non-Executive Director Director of Finance and Information Interim Chief Operating Officer
IN ATTENDANCE	Suzanne Rankin Louise McKenzie Colleen Sherlock Paul Doyle	Chief Executive Director of Workforce Transformation Head of Workforce Planning and Resourcing Deputy Director of Finance
SECRETARY:	Des Irving-Brown	Assistant Director, Financial Management
APOLOGIES:	None	

Actions

1. Introductions and Apologies for Absence

Nadeem Aziz welcomed the two new Non-Executive Directors who were joining the Committee subject to ratification at the July Trust Board meeting.

2. Minutes of the Meeting held on 23rd June 2016

Minutes of the meeting held on the 23rd June 2016 were agreed.

3. Matters Arising – Actions List

Item 1: The Trust is in the final stage of finalising contracts and this report will be submitted once the process is complete.

Item 2: The Head of Workforce Planning and Resourcing stated that the NHSI has still not confirmed whether they would be able to provide the data requested, and if they do, it may not be in the format the Trust requested. Nadeem Aziz asked whether there was some other way to establish how the Trust is doing compared to others. The Head of Workforce Planning and Resourcing confirmed there was, from the local network that had been set up. This information would be fed back in due course.

CS

Item 4: The Director of Finance and Information stated that the Carter data has been slow in being released, and the latest reference costs will be submitted this week, so it is expected that a new set of metrics will be released later this year.

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 provided a detailed update on June performance stating that A&E performance was ahead of agreed trajectory for the month and finished on 92% vs the agreed trajectory of 88.7%. Attendances were down in the month compared to May, although admissions were consistent.

The Urgent Care Centre has been seeing 50% of ED patients. There will be an issue in July due to building works for a day and a half to expand the waiting area, which saw patients moved back to main A&E for that time. Despite this, the July average is tracking at 93%, which is still moving in the right direction. It seems, however, that the target has plateaued now.

Neil Hayward asked whether the Trust is able to achieve the 95%, or whether that is an impossible target, and if so, what is the internal measure the Trust should be held to. The Interim Chief Operating Officer said that it is not impossible for the Trust to hit 95%, and the Chief Executive explained that this may, however, not happen in the timeframes required (i.e. by October). This had been communicated to NHSI and the senior executive team has attended a meeting with NHSI to explain the issues and plans to address these. NHSI has endorsed these plans, however, the pressure continues for the Trust to meet the 95% trajectory in October to secure the STF money.

The Deputy Director of Finance confirmed that the Trust will lose part of the STF income if the trajectory is not met for each target.

The RTT targets have been met, but the surgical team continues to struggle in plastic and general surgery.

The Trust was compliant with all cancer targets except 62 day, which is moving the wrong way. A review of the process will commence tomorrow, supported by an external specialist. It is expected they will flag the sequential nature of the diagnostic process, and the internal tracking as the key issues. There is only one person doing all the tracking, each patient is only tracked weekly, rather than daily.

4.2 Operational Performance Report

This paper was noted.

5. Workforce Report

The Head of Workforce Planning and Resourcing provided an update on the Workforce Report, explaining the background to the report which aims to link the changes/issues around workforce and the impacts on finances.

The qualified nurses spend will stay within budget financially, but the WTE may go above budget as skill mix may differ, and agency usage staff reduces

The Committee discussed the local factors impacting workforce in terms of recruitment and temporary staff cover, the differing approaches between neighbouring Trusts (and budgets) and the potential impact in the future.

It was noted that the size of workforce is constrained to some degree by the colleges and the intakes they accept, which dictates the availability of qualified staff in the market.

Nadeem Aziz asked whether the Brexit vote has had an impact of the mood of overseas staff. The Director of Workforce Transformation stated that there had been some concerns raised by staff about being victimised in the local communities where they live, which may cause them to leave, but no direct impact on the Trust staffing had occurred as yet.

Nadeem Aziz asked about sickness and how it impacts motivation. The Director of Workforce Transformation said that the figures in the report represent an improvement. There had been more training around emotional resilience and it seems to be having a positive impact, as had increased recruitment, which has had a positive impact on morale.

The medical staffing graphs, which show that the WTE is consistently below plan, but the £'s are above plan, reflect the high cost of medical agencies, and the continued breach of rate caps, as well as national staff shortages.

The diary carding appeal process, which will have a significant cost impact on the Trust, was explained by the Director of Workforce Transformation. There were gaps in the rotas in December 2015 due to shortages in staff from the deanery, and this led to a non-compliant rota, and has attracted additional staff costs. A “lessons learnt” piece is being undertaken by Peter Wilkinson (Divisional Director for AMES). The rotas have also been changed to be compliant since 1 April 2016, and the latest diary carding exercise has come back as compliant. In the longer term, the “banding” system has been discarded in the new contract, so this will not be an issue once the new contract starts to roll out, but it will take 18 months to implement the new contract.

The Deputy Director of Finance confirmed that the in-year cost for 2016/17 is contained in the existing forecast, but the accruals for back payments may be insufficient – total quantum is still being reviewed..

This paper was noted.

6. Finances as at 30th June 2016

6.1 Contracts – Update

The Director of Finance and Information provided a brief update on the contract position, including the protracted nature of this contracting round. It is partly because of late changes from the centre, but it also highlights how difficult it has been to reconcile the available funds and the existing/expected activity. The inability to agree the contract has tested relationships, but it is expected that the contracts will be signed by 29th July 2016.

The NHSE contract has been signed, but the value is unrealistically low compared to last year's outturn, with price changes in drugs & devices driving most of the savings, and these price changes have been really late in being driven through the system, therefore the contract is likely to over-perform.

The Director of Finance and Information described the risk sharing arrangement with NWS CCG, and the difficulties with landing the agreement. The rationale behind this agreement is that both parties will work together to deliver the savings/reduced activity through the system, however, given the historical ability of the CCG to deliver savings, this may end up being a one way risk share with the Trust underpinning the risk and paying £2m back to the CCG, and therefore the Trust will have to work very hard to help the CCG deliver their side, as ultimately there is finite funding available

to the entire system. There is a joint programme board to oversee the delivery of these initiatives. A joint delivery Director, who will be based at the CCG, has been appointed to deliver the programme.

Nadeem Aziz asked how this would be monitored going forward. The Director of Finance and Information stated that the MSK contract was part of the delivery programme, and that contract would be brought to the Board before signing.

The MSK project was explained to the Committee, and was described as better for the patient, and the right thing to do, however, it does come with a high level of commercial risk.

This paper was noted.

6.2 Operational Effectiveness/Efficiency Metrics

The Director of Finance and Information provided a brief update stating that the report represented an internal view only and didn't represent the system. The hospital has been under pressure in June and the metrics reflect this. The in-month picture was reflective of a good enough month, but in an environment where there is pressure to reduce activity and release savings, the report will take a different shape.

Nadeem Aziz asked for an analysis on the cause and effect of the metrics, and what drives volatility within the indicators.

SM

The paper was noted by the Committee.

6.3 CIP Review

The Director of Finance and Information described the process for generating and delivering CIP's, which is devolved to the Divisions. The Committee discussed the shortfall and it was explained that the shortfall is lower than last month, and continues to improve. It is typical for this time of year.

Nadeem Aziz summarised that the Committee can take assurance that the process in place is robust.

The paper was noted by the Committee.

6.4 Sustainability and Transformation Fund Access Criteria

The Deputy Director of Finance explained the criteria that have been set to enable to Trust to access the funding. This has been achieved for quarter 1.

The Committee discussed the background to the STF scheme, and the Chief Executive explained that there is no clarity around what happens to the £8.4m next year i.e. whether all, or part, of it would be recurrent.

The paper was noted by the Committee.

6.5 Finance Report

The Director of Finance and Information stated that in bottom line terms, the budget has been achieved, and the quarter 1 STF money has been factored in, hence the large in-month surplus.

Nadeem Aziz asked whether, given the declining cash position, there should be

some additional working capital analysis within the paper. Peter Taylor asked whether there will be an impact on the capital programme from the reduced cash. The Director of Finance and Information stated that the cash figure is expected to be rebuilt, as some of the shortfall was due to late commissioner payments (£1.5m) which will be recovered, and therefore, there isn't an immediate need to manage the capital programme.

The Director of Finance and Information explained the factors that contributed to the Q1 position, and the trends that are emerging, like increased drugs and outsourcing costs.

The paper was noted by the Committee.

6.6 NHSI Compliance Return Quarter 1

The Deputy Director of Finance explained there was a significant risk around the assurance statement for quarter 1 of 2017/18 as there are many unknowns around the budget and STF. It has been assumed that, all things being equal, the Trust should continue to achieve a minimum financial risk rating of 3.

The paper was noted by the Committee.

7. Sustainability & Transformation – 5 Year Financial Plans Update

The Director of Finance and Information stated that the paper has been submitted for Surrey Heartlands. It is a very high level plan, which doesn't go down to individual organisation level, although it's clear it would place a great deal of pressure on the acute environment, as it proposed moving a significant amount of activity to other settings. The paper was received favourably by the centre, and the next phase will now proceed. A governance arrangement has to be agreed to move the project forward, and this is in progress.

The paper was noted by the Committee.

8. Business Case Review

Nadeem Aziz stated that the paper would be taken as read, and that he was encouraged by the "lessons learnt" section.

Neil Hayward asked whether the criteria for agreeing Business Cases could be circulated.

SM

Nadeem Aziz asked whether enough contingency is being built into plans. The Director of Finance and Information agreed that there could be more, but given restrictions on funding, this would be difficult to do.

The paper was noted by the Committee.

9. Draft Annual Report to Trust Board

The paper as taken as read and was approved by the Committee for submission to the Trust Board.

10. Identification of Financial Risks

10.1 Items for Risk Register

The paper was noted by the Committee.

10.2 Key Points to take to Trust Board

The key points for the Board:

- 1) The quarter 1 NHSI Submission; and
- 2) the Committee Annual Report.

11. Items for Information or Approval

11.1 Schedule of Business

No change – paper was noted.

11.2 Business Case Approvals

The four Business Cases approved by the newly formed Commercial Group during June were noted by the Committee. These were:

- Vascular Junior Doctor Cover;
- Anaesthetic Consultant;
- Cardiology Consultant; and
- Consultant Paediatrician.

11.3 Tender Waivers >£50k

There were no tender waivers over £50k in June.

11.4 NHSI Consultation – Single Oversight Framework

This paper was noted by the Committee.

12. Any Other Business

None.

13. Date and Time of Next Meeting

Thursday 18th August 2016 at 8.30am in Room 2, Chertsey House, St. Peter's Hospital

**FINANCIAL MANAGEMENT COMMITTEE MEETING
MINUTES
18th August 2016**

PRESENT:	Nadeem Aziz Peter Taylor Neil Hayward Meyrick Vevers Simon Marshall Lorraine Knight	Non-Executive Director (Chair) Non-Executive Director Non-Executive Director Non-Executive Director Director of Finance and Information Interim Chief Operating Officer
IN ATTENDANCE	Suzanne Rankin Louise McKenzie Paul Doyle James Thomas, Den Hallett & Libby Hough	Chief Executive Director of Workforce Transformation Deputy Director of Finance TASCC Senior Management Team (agenda item 4.1)
SECRETARY:	Des Irving-Brown	Assistant Director, Financial Management
APOLOGIES:	None	

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 21st July 2016

Minutes of the meeting held on the 21st July 2016 were agreed.

3. Matters Arising – Actions List

Item 1: The Director of Finance and Information advised that the Risk Share has been agreed, but there has been a change in management at the CCG, so discussions are ongoing about how it will be applied. The Director of Finance and Information explained the tensions between the QIPP plans and actual delivery, and the ability to release cost off the back of activity reduction, as generally, activity is on the rise, and small scale reductions in discreet areas have minimal impact on the cost base.

Neil Hayward asked about the banding appeal. The Deputy Director of Finance explained that the old year costs were approximately £0.5m, of which £0.2m was already provided for, and the balance was included in the month 4 figures, partially offset by other provisions. The in- year costs have been provided for as well. Going forward, the latest diary carding exercise came back as compliant, so no further provisions are required.

The Director of Finance and Information also stated that the diary banding exercise will disappear with the new contract, with a new “fining” system in place where fines will go to a central fund rather than to individuals. There is no funding in budgets or forecast to deal with this potential fine cost, which is as yet unknown.

Item 3: The Director of Finance and Information advised that this is slow going as it would be linked to Carter data which has been slow in coming online, and it’s being

made available in drips by various service. Nadeem Aziz asked when output would be available. The Director of Finance and Information stated that the first cut of 2016/17 SLR will be available at the September meeting, and this would give an indication on where costs were going.

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 Theatre Utilisation/Efficiency Presentation

The Associate Director of Operations for TASCSC introduced the Theatres senior management team, and then took the Committee through a presentation which provided a detailed insight into the Theatre process, starting with the Theatre Pathway and the impact on utilisation if sessions start late or end late (or both). The Trust records a late start plus overrun as under-utilised, as staff have been paid from 8.30am, and there are knock on effects of a late start, even if the number of hours equated to a full session. This may be different to other Trusts who may record 100% utilisation if the full session (in hours) is used regardless of start or finish times.

Neil Hayward asked why the Trust chooses to use a tougher metric that makes utilisation look worse. The Associate Director of Operations, TASCSC said the reason was twofold a) it gives the team more to go at as it's more accurate, and b) it is consistent with the TPOT methodology (a generally accepted standard of good practice) introduced nationally a few years ago.

The terminology of "Session utilisation" was also clarified by way of an example: using 9 sessions out of 10 available, equating to 90% is what some organisations report as theatre utilisation, vs "In-session utilisation" which is the actual utilisation within a single available session, which is what the Trust is reporting.

The Trust would be aiming for about 85% as the average in-session utilisation.

It was also noted that utilisation is not a measure of productivity, as a list could be 100% utilised in terms of hours, but only one procedure is done when 4 should have been done. Therefore, complimentary measures of throughput and productivity are generated alongside utilisation for each session. This will highlight variation in clinical practice, which is reviewed in context of safety and outcomes.

The Associate Director of Operations, TASCSC then highlighted the current challenges and the actions being taken. These included Trust bed capacity issues; staffing (anaesthetists and theatre staff) and patients not being well enough for surgery or not turning up. Some actions include text reminder service, evening calls, benchmarking, sharing theatre efficiency metrics and pre-assessment questionnaires instead of appointments.

The Committee thanked the TASCSC management team for the informative presentation, and suggested that outputs from the benchmarking exercise be brought to the committee in due course.

4.2 ASPH NHSI Performance

The Interim Chief Operating Officer provided a detailed update on July performance stating that A&E performance was 93.8% which was above trajectory, however, the August trajectory is challenged due in part to the new rotation of junior doctors and

high levels of junior doctor sickness during the month. This has been managed by ensuring that staff that were not following the correct sickness policy procedures were not paid.

A significant exit block identified was reduced availability of staff in the hospital as well in the Community in August due to holidays which is causing patients staying in ED overnight, which is affecting morning flow and causing breaches the following day. This is not unexpected for August; however, the planned trajectory doesn't reflect this expected dip, as the original proposed trajectories were not agreed by the Commissioner.

Whilst trajectories continue to be under pressure, the recovery time between "bad days" has significantly reduced, and therefore performance is becoming more sustainable. As raised last month, NHSI has reviewed the improvement plans and signed these off.

A discussion ensued regarding the details of the performance, the implications for Trusts not achieving trajectories, and the impact on STF monies included in the Trust Budgets. The risk of regulatory action due to non-compliance is slim, as the Trust is not far off the trajectory.

Cancer targets were flagged, all of which are being met except 62 day, which is on 77% but will be 71% in August and continues to be fragile. The biggest challenges are in Urology and Colorectal. A delay in diagnostics has been exposed, which is being addressed. System experts have provided a draft report, but nothing ground breaking has been presented (nothing the Trust didn't already know) which is disappointing. Much of the issue is linked to low volumes resulting in high % variances when delays occur.

Stroke performance – LOS is an issue which requires work to reduce it.

Meyrick Vevers raised a question about A&E admissions and the sharp rise in AECU, and the Interim Chief Operating Officer explained that this is in line with the Trust ambition of re-directing patients away from A&E, which has seen fewer patients in main A&E.

4.3 Operational Performance Report

This paper was noted.

5. Workforce Report

The Director of Workforce Transformation provided an update on the Workforce Report, explaining that the Head of Workforce Planning and Intelligence is on holiday, so some questions may need to be addressed next month.

WTE levels had reduced in July in line with prior forecast.

In terms of agency caps, it would appear that the Trust is an outlier in terms of the strictness with which the cap is applied, and this is being checked with local Trusts. A more strategic approach is being considered for predicting and recruiting to Junior Doctor gaps to avoid high agency costs due to Deanery supply shortfalls. Secondly, a more strategic approach is being taken with consultant recruitment on targeted posts, including international recruitment. Thirdly, a capability piece is being undertaken to establish how the medical workforce is currently deployed. This includes the staff who are undertaking rostering in the Divisions, and the possibility of introducing a rostering system.

Neil Hayward suggested that the current report provided a lot of data, but not enough commentary to provide context or the links to finances. It needs to include more analysis to help understanding. Nadeem Aziz explained that previously, the data in this report was not available at all, so this is a step forward and that the analysis would be a 'next steps' piece of work. It was agreed the Director Workforce Transformation and her team would review the current report with Director of Finance and Information in the light of comments made.

LM/SM

Peter Taylor raised a question about the nursing graphs, and the Assistant Director of Finance explained what the different lines on the WTE Nursing graph mean. It was noted that the dates on this WTE graph have not been updated.

CS

This paper was noted.

6. Finances as at 31st July 2016

6.1 Contracts – Update

Discussed in agenda item 3 above.

6.2 Operational Effectiveness/Efficiency Metrics

The paper was noted by the Committee.

6.3 Activity Income Analysis

This paper was not presented this month.

6.4 Finance Report

The Director of Finance and Information stated that the £0.4m adverse variance to plan was an in-month problem, and whilst it's a relatively small variance in the context of the overall plan, and should be recoverable, it cannot be allowed to continue, because if it does then delivery of the overall plan will be put at risk.

However, it was flagged that there were some challenging targets within the plan, such as the NHSI dictated agency cap, and high levels of CCG QUIPP's which were not worked up at budget setting time, and therefore unlikely to achieve, but still included in the plan.

There is a lot of pressure back from the market place in terms of the agency capped rates which the government set, as demand exceeds supply in the market. Therefore there will be an ongoing financial pressure, unless something changes strategically in how this is managed in terms of safety, finances and demand.

Additionally, there are still ongoing pressures in delivering the front end model and delivering the A&E trajectories. This spending has been ongoing, but whilst it had been covered off by additional income, this income has started to drop off, especially as LOS is not reducing, and elective surgery is being cancelled, to facilitate the flow required to achieve A&E targets. There are no costs coming out of the back end operations to fund the front end pressures.

A third issue is the CCG QIPP programme and the extent to which it will release costs in the Trust vs generating cost avoidance for the CCG. An example is MSK, which is currently £0.5m below plan, and a good result for the CCG, but no costs have come out, as cost can only come out when reduced activity is sustainable, and

marginal decreases won't result in cost saving.

Finally, additional cost pressures in the system impacting delivery are adding pressure to the existing operational overspends. Therefore, additional actions will need to be taken to ensure the in-month deficit does not continue.

Meyrick Vevers asked how many of the additional pressures can be avoided. The Director of Finance and Information explained that some of the pressures can be reduced if they are known about in advance, and some of the YTD spend like outsourcing will be coming to an end, so that will have a positive impact.

Neil Hayward asked when the outputs from actions will be presented. The Director of Finance and Information explained that the process would be that clinical conversations would be had with Divisions at the performance reviews happening today and tomorrow, and from that, the Directors will be developing an action plan that does not impact quality.

The Deputy Director of Finance confirmed that a risk and opportunities paper will be brought next month to flag the underlying pressures within the forecast. Nadeem Aziz asked that additionally, a contingency plan should be drawn-up to give visibility of extra measures which could be taken should the situation continue. The Chief Executive touched on the Trust's risk appetite in adopting suggested savings and in this context, the Trust will for driving out efficiencies first.

PD

In context, the Trust has delivered a £3.5m surplus year to date, including £2.1m of STF, and a financial risk rating of 4 which is a good position to be in.

The paper was noted by the Committee.

7. Sustainability & Transformation – 5 Year Financial Plans Update

The Director of Finance and Information stated there weren't any significant updates; the Centre gave the submission one of the highest ratings. It was noted that costs around this project are mounting.

The Joint Delivery Director has started at the CCG, which may have an impact on delivering QIPP's which will go some way to also delivering some of the programmes included in the STP.

The paper was noted by the Committee.

8. Treasury Management Policy Review

The paper was noted by the Committee and the changes approved.

9. Identification of Financial Risks

9.1 Items for Risk Register

The paper was noted by the Committee.

9.2 Key Points to take to Trust Board

There will not be a Trust Board Meeting in August 2016.

10. Items for Information or Approval

10.1 Schedule of Business

Paper was noted. It was agreed that the CCG QIPP schedule would be added to the agenda for a future meeting.

PD

10.2 Business Case Approvals

Only one case was considered by the Commercial Group in July 2016 (as below) but this was subsequently withdrawn by the Division:

- Consultant Orthopaedic Surgeon Reappointment after Retirement.

The paper was noted by the Committee.

10.3 Tender Waivers >£50k

There was one tender waiver over £50k in July for Concept Accommodation. The amount was £100,785 relating to ten section demonstration modular building (to include steel staircase & landing) for the A&E extension project. There was one supplier with a ready to go (second hand) solution whereas awaiting construction of a new unit would have added delays to the project.

Peter Taylor questioned why the waiver was required, when the plan to do this had been in train for some time. The Director of Finance and Information explained that the solution had changed when the second hand option became available, and the timing became critical at that point.

The paper was noted by the Committee.

11. Any Other Business

None.

12. Date and Time of Next Meeting

Thursday 22nd September 2016 at 8.30am in Room 2, Chertsey House, St. Peter's Hospital