Ashford and St. Peter's Hospitals NHS
NHS Foundation Trust

TRUST BOARD
31st March 2011

TITLE	**Minutes of the Finance Committee meeting held on 16th February 2011**
EXECUTIVE SUMMARY	The minutes of the Finance Committee meeting held on 16th February 2011 are attached for noting. The key points are: - ▪ **Finance Report to 31st January 2011** – the results showed that the Trust had a small surplus against budget, CIP's are on forecast and the year end forecast remained at £3.3m; ▪ **Workforce Benchmarking** – the Committee reviewed a benchmarking report on key workforce information with comparisons against other FT's; ▪ **Working Capital Loan** – the Committee discussed a proposal to repay the working capital loan early and its potential effects on the Trust' Financial Risk Rating; ▪ **Imaging Equipment** – discussed a proposal for a managed equipment service covering Imaging equipment. Further work was required and an update would be presented at the next meeting; and ▪ **Budget 2011/12** – the Committee received an update on the budget and capital planning process for 2011/12 and in particular the ongoing discussions with NHS Surrey. It noted that a final version of the budget would be brought to the March meeting for approval.
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 16th February 2011.
Submitted by:	Peter Taylor, Non-Executive Director and Committee Chair Paul Doyle, Deputy Director of Finance
Date:	23rd March 2011
Decision:	For Noting

Ashford and St. Peter's Hospitals NHS
NHS Foundation Trust

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Minutes of the Finance Committee meeting held on 16th February 2011

PRESENT:	Mr. Peter Taylor	Non-Executive Director (Chair)
	Mr. Terry Price	Non-Executive Director
	Mr. Andrew Liles	Chief Executive
	Ms. Valerie Bartlett	Deputy Chief Executive
	Ms. Raj Bhamber	Director of Workforce & Organisational Development
	Ms. Suzanne Rankin	Chief Nurse
	Mr. Paul Doyle	Deputy Director of Finance
IN ATTENDANCE:	Ms. Susan Farrell	Operations Manager, Imaging
	Ms. Tracey Paton	Consilium
	Mr. John Hadley	Divisional Director, Surgery
SECRETARY:	Ms. Desireé Irving-Brown	Assistant Director Financial Management
APOLOGIES:	Mr. John Headley	Director of Finance and Information

Actions

1. Apologies

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

2. Minutes of the Meeting held on 19th January 2011

The minutes of the meeting held on 19th January 2011 were agreed.

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 Deputy Chief Executive presented the activity report, and highlighted that emergency admissions had remained high in January, whilst elective work has dropped off. It was mentioned that the drop in elective work was in part due to winter pressures and the related cancellation of elective work, but that there is still an underlying issue with declining elective work which needs to be addressed.

There are still issues around discharging patients into the community hospitals, which are being addressed with community partners, however, discharge into social care has improved and is going well.

Terry Price questioned whether the comment around "coding still in progress" relating to Outpatient Procedures was still relevant. The Deputy Chief Executive confirmed that it was, and that this is part of the natural process of "getting better".

Peter Taylor reminded the Committee that the issues around elective work and initiatives to reduce emergency admissions still needed to be discussed, and that this would need to be raised once the current capacity issues have been addressed.

The Deputy Director of Finance tabled graphs showing the year on year trends for outpatients. Whilst there are more outpatients in 2010/11 than in 2009/10, the trends follow a similar pattern, with a decline in December and January.

The Chief Executive suggested that the activity assumptions included in the business plan be tested by specialty to ensure they make sense.

(ii) Workforce and Benchmarking

The Director of Workforce & Organisational Development presented the updated workforce report, which included benchmarking against other FT's in the region. This shows that the Trust compared favourably in most areas.

It was mentioned that administration and management expenditure was higher than the average, but that this related to expenditure within the clinical areas rather than the traditional back office functions. This has been raised with the Associate Director of Operations, and a review of the divisional middle management structure will be undertaken.

(iii) Management Costs

The Assistant Director, Financial Management presented a paper on the year to date management costs of the Trust, including a projection to 31st March 2011. It is forecast that management costs for 2010/11 will be higher than in 2009/10 due to a variety of factors including Foundation Trust related expenditure and the full year effects of various investments that were made towards the end of 2009/10.

It was agreed that further work would be done to provide an understanding of the increase since 2009/10, including one-off items, changes in WTE and the possible impact on 2011/12, which would be presented at the March Committee meeting. DIB

It was acknowledged that, whilst the Finance team produce this report, it is not an issue the Finance team can resolve in isolation, and that the actions have to be owned and resolved by the budget holders. Once the detailed analysis has been undertaken, a plan would be drawn up to reduce management costs.

(iv) Finance Report as at 31st January 2011

The Deputy Director of Finance provided a summary of the current financial position, stating that whilst EBITDA remains behind target, the year to date surplus is ahead of target, as are CIPs. The Monitor FRR is

still 4, and the Trust is on track to achieve the £3.3m target surplus.

The Committee discussed and noted the finance report.

(v) CIPS Balance Scorecard

The Committee noted the CIP's balanced scorecard, and it was confirmed that the Trust was still on target to achieve £9m CIP's as planned.

(vi) Working Capital Loan – Early Repayment Proposal

The Deputy Director of Finance explained the proposal to repay the balance of the Working Capital Loan early, and the highlighted the impact this would have on the current Monitor FRR. Early repayment will reduce the long term loan and cash balances on the balance sheet, which depresses the liquidity ratio and would be likely to result in an FRR of 3 for this metric. This will reduce the overall FRR to 3.3 which is below the 4 target.

The Committee felt that it would be better, if possible, to retain an FRR of 4, and therefore further options should be considered such as paying half in March and half in September, or settling it all in September. It was agreed that due to the small timeframe available, these options would be considered by the Chief Executive and Peter Taylor and finalised before the deadline for a decision of 22nd February 2011. This would be reported to the Trust Board. PD

5. Capital Programme

(i) Capital Programme 2010/11 Update

The Deputy Chief Executive presented the schedule of 2010/11 capital spend, which was noted by the Committee.

(ii) Project and Variance Report as at 31st January 2011

The Deputy Chief Executive provided a summary of the year to date capital spend and the major projects which have now commenced, including the decked car park which is due to be completed earlier than scheduled.

It was suggested that committed, but unspent capital remaining at the year- end be reported as such, as it will be rolled into next year's plan as this is permissible under FT status, and the Trust has more control over the timing of spend.

(iii) Minutes of Capital Control Group meetings held on 10th January 2011 and 7th February 2011 (draft)

The minutes of these two meetings were noted.

6. Imaging Equipment Proposal

The Imaging Operations Manager presented a presented a paper detailing the various options for renewing the imaging equipment of the Trust. The three options presented were purchasing outright, leasing and

managed equipment services, and the paper recommended the managed equipment option as the favoured route. It is a method of refreshing all the equipment quickly without the capital layout.

The bulk of the saving is around VAT which will not be passed on, but this is subject to approval by the HMRC, who could also change the rules around these types of schemes in the future, so this is not a guaranteed saving.

The Committee requested that further detail around the savings be provided, including MRI moving in house and the proposed CIPs around having new equipment. Since this will affect the EBITDA, it is essential that the annual recurring operational expense (circa £2m a year) be recovered through CIPs or savings elsewhere, as this level of expenditure will not be offset by an opposite release in depreciation. The move from below the line to above the line expenditure affects the Monitor metrics.

Terry Price emphasised the need to be very clear with the specifications with tendering, and that more than one option may be required. It will be up to the Trust Board to approve the plan to go out to tender. JH

It was agreed that an updated paper would be brought to the next Committee meeting.

7. Business Planning 2011/12 Update

The Deputy Director of Finance presented the 2011/12 business planning update paper which set out the latest position for the Trust, including options depending on agreement with NHS Surrey and the issue around Pathology network implementation costs.

The Committee noted the update and was satisfied with the progress to date.

8. Treasury Management Policy

The Deputy Director of Finance highlighted the changes in the policy, which mainly centred on removing references to pre FT guidance and updating for borrowings and covenants. The Committee approved the policy, which will now be presented to the Trust Board for approval. PD

9. Business Case Process

(i) Updated Business Case Guidelines

The document was reviewed by the Committee and two changes were requested, namely that the Finance Committee needs to appear on the flow chart after Trust Executive Committee and before Trust Board and secondly, further clarification was required as to when the business case should go to the Business Case Review Group and when it should go to the Capital Control Group. This was because some projects may include both capital elements and service redesign etc and therefore should go to both groups – this will need to be specified in the document as well as the flow chart. JH

(ii) Commercial Group

The proposal and Terms of Reference were approved by the Committee.

10. Identification of Financial Risks

(i) Items for Risk Register

No Items were highlighted.

(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 need to ensure elective activity and emergency admission reduction plans are revisited once current capacity issues are cleared;
- The Trust is still on track to achieve £3.3m surplus;
- Update on 2011/12 SLA contract negotiations; and
- Update on early repayment of loan.

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: - PD

- Remove the demand management/marketing presentation until further notice.
- Add temporary staffing review to the April meeting

(ii) Business Cases approved by the Trust Executive Committee

The Committee noted the business case for two replacement Consultants in A&E that was approved by Trust Executive Committee.

(iii) Tender Waivers

There were no Tender Waivers in January.

12. Any Other Business

The Trust Board agreed that the option to buy top-up additional Directors' and Officers' liability cover should be examined by the Finance Committee.

The insurance brokers have been contacted, and they are in the process of sending information through. A paper will be presented at the March Finance Committee meeting JH

13. Date and Time of Next Meeting

Wednesday 23rd March 2011 at 8.30 a.m. at Level 2 Seminar Room, St. Peter's Hospital.