

**TRUST BOARD**  
**31<sup>st</sup> March 2016**

<b>Agenda item number</b>	5.3
<b>Title of paper</b>	<b>Minutes of the Financial Management Committee meetings held on 21<sup>st</sup> January 2016 and 18<sup>th</sup> February 2016</b>
Confidential?	
Suitable for public access?	√
<b>Papers which this particular paper relates to?</b>	No
<b><u>Strategic objective(s):</u></b>	
Best outcomes	√
Excellent experience	√
Skilled & motivated teams	√
Top productivity	√
<b><u>ASPH value(s):</u></b>	
Patients first	√
Personal responsibility	√
Passion for excellence	√
Pride in our team	√
<b>Executive summary</b>	<p>The minutes of the Financial Management Committee meetings held on 21<sup>st</sup> January 2016 and 18<sup>th</sup> February 2016 are attached for noting. The key points are: -</p> <p>21<sup>st</sup> January 2016:</p> <ul style="list-style-type: none"> <li>• The Monitor Letter regarding business plans and control totals for 2016/17; and</li> <li>• The Q3 Financial position and assurance required about the current cash position which was below plan.</li> </ul> <p>18<sup>th</sup> February 2016:</p> <ul style="list-style-type: none"> <li>• The NWS CCG 2015/16 year end agreement and updated financial forecast incorporating the impact of this; and</li> <li>• The assurance needed around the robustness on the 2016/17 plans and how they addressed capacity, workforce, CIP and investment issues.</li> </ul>
<b>Recommendation</b>	Receive and note
<b>Specific issues checklist :</b>	

Quality and safety issues?		
Patient impact issues?		
Employee issues?		
Other stakeholder issues?	√	The impact on stakeholders through the Trust achieving its required financial targets, hence enabling the appropriate investment into services and infrastructure.
Equality & diversity issues?		
Finance issues?	√	
Legal issues?		
Risk issues? Link to relevant BAF item number if so	√	Aligns with monitoring various risks on the Trust Risk Register in respect of (i) performance targets, (ii) CIP's, (iii) temporary/agency staff expenditure and (iv) budget management.
<b>Author</b>	Paul Doyle, Deputy Director of Finance Please approach for any further information required.	
<b>Presented by</b>	Nadeem Aziz, Non-Executive Director and Committee Chair	
<b>Date</b>	24 <sup>th</sup> March 2016	
<b>Board action</b>	Receive	

**FINANCIAL MANAGEMENT COMMITTEE MEETING  
MINUTES  
21<sup>ST</sup> JANUARY 2016**

<b>PRESENT:</b>	Nadeem Aziz Peter Taylor Clive Goodwin Simon Marshall Bob Peet	Non-Executive Director (Chair) Non-Executive Director Non-Executive Director Director of Finance and Information Chief Operating Officer
<b>IN ATTENDANCE</b>	Suzanne Rankin Paul Doyle Colleen Sherlock	Chief Executive Deputy Director of Finance Head of Workforce Planning and Intelligence (agenda item 5)
<b>SECRETARY:</b>	Des Irving-Brown	Assistant Director, Financial Management
<b>APOLOGIES:</b>	None	

**Actions**

**1. Apologies for Absence**

As above.

**2. Minutes of the Meeting held on 19<sup>th</sup> November 2015**

Minutes of the meeting held on the 19<sup>th</sup> November 2015 were agreed.

**3. Matters Arising – Actions List**

- 1) Item 1: The Director of Finance and Information advised that the Endoscopy business case will be brought back for review in March, as there have been delays.
- 2) Item 2: This has been completed as far as possible on the “Income Price Volume Analysis” paper, so it should be removed from the actions list.
- 3) Item 5: The Director of Finance and Information provided an update, stating that meetings are held every week, and that a financial incentive would not drive the changes required. This will be removed from the action list.

It was noted that all action points were to be discussed as agenda items.

**4. Operational Performance Report**

This paper was noted. As a detailed presentation on A&E was made at the last Trust Board meeting, and Chief Operating Officer would be making another presentation on Operational performance at the next Board, there were no further questions on the paper.

**5. Workforce Report**

The Head of Workforce Planning and Intelligence presented the Workforce Report to the Committee and mentioned that the report was still being built up to include other staff groups, which will happen once the Medical and Nursing reports have been

embedded.

The trends on the nursing graphs were discussed, and it was mentioned that the agency spend was lower in December, although not as low as previously reported. The increased WTE forecast for Q4 was discussed, and it was noted that an increase forecast in spend was not as pronounced, and this was due to the expectation that agency would continue to drop as a proportion of spend. It was also noted, that whilst the WTE for registered nursing was required, it was unlikely that all demand would be filled, and that is reflected in the £'s forecast.

Peter Taylor asked whether any analysis could be done to tie in with the Carter report, and the Chief Executive suggested that a triangulation could be done aligning safer staffing level reports held by the Chief Nurse, fill levels and length of stay/quality outcomes, to be included in this report.

CS

It was suggested that a bigger impact would come from reviewing the Medical footprint and the decision making capability, and this would need to be considered going forward.

It was noted that there is still difficulty in enforcing the NHS capped rates for medical staff, and this will continue until the Centre mandates using these rates.

## 6. Finances as at 31<sup>st</sup> December 2015

### 6.1 Operational Effectiveness/Efficiency Metrics

The Director of Finance and Information stated that, considering that December is typically a difficult month, the indicators were fairly good. Nadeem Aziz asked how it compared to last year December, it was agreed this information would be circulated.

SM/PD

The Director of Finance and Information stated that there should be a change to the "RAG" rating on Excess Bed Days, as reducing them is good.

DIB/SM

A discussion on length of stay ensued, and whether the drop compared to last year could be explained and replicated. The Director of Finance and Information explained that more detail would be available once the Divisional Business plans were finalised, and would be picked up in the March meeting when the business plan was signed off.

There were no significant movements from previous months and no further questions were raised.

### 6.2 Activity Income Analysis

The Assistant Director, Financial Management explained the changes in the report since last month, which related mostly to changes in MSK pathway and Dermatology pricing. The movement in the variance columns was also explained. The Committee agreed that the paper would continue to be presented quarterly (unless there were any significant changes) and would only be discussed by exception.

The Committee discussed the impact of the MSK pathway changes on the variances and profitability, and the Director of Finance and Information explained that the service would still subject to a tender, so the future performance was still unclear.

### 6.3 Detailed CIP Analysis

Nadeem Aziz noted the CIP programme was performing well, especially compared to previous years and asked what was being done differently. The Assistant Director, Financial Management explained that Business Development Managers were now embedded in the business, and were taking ownership of the schemes within the Divisions.

The Director of Finance and Information explained the agency premium release CIP and the Brookson scheme.

Nadeem Aziz asked whether the right elements of savings were being identified, and whether the right tracking process was in place, as this will survive through integration. This was noted by the Committee, who agreed that the issues around integration would be discussed at a different forum.

#### 6.4 Finance Report

The Director of Finance and Information mentioned that the performance was better than forecast, in part because the Junior Doctor strike was cancelled in December, and also due to the operational planning being good, creating more capacity than expected going into Christmas.

Active discussions are being undertaken regarding the end of year settlement, although specialist commissioners have not engaged in the process, and this needs to be escalated.

Nadeem Aziz asked for assurance around the cash position. The Director of Finance and Information stated that in part, stalling the capital programme, linked to delays in the Endoscopy project will help, although this wasn't planned. The over-performance of income for this year is currently being chased (as per year end deals comment above) and Specialist Commissioners are being actively chased for last year's outstanding debts. The end of year cash figure is expected to be around £8m.

#### 6.5 Forecast – Risk and Opportunities

The Director of Finance and Information stated that the paper outlined how the year end position would be landed, but there is a bit of downside risk. It is not expected that all of this will happen, and many of the risks are linked together. Nadeem Aziz pointed out that it looked fairly close to the margins and needed to be tracked closely.

The Director of Finance and Information responded that there are some provisions being taken up, for example for Junior Doctor Banding payments.

The Deputy Director of Finance explained the metrics in terms of the forecast, and that performance was on the margins, making achieving the ratings quite sensitive.

#### 6.6 Monitor Compliance Return Quarter 3

The Deputy Director of Finance stated that this was the standard paper for the Board.

There is, as yet, no clarity on the plan for the first two quarters of 2016/17, so at this stage, it is not suggested that the statement around achieving a 3 will be changed.

The paper was noted.

## **7. Service Line Reporting Update – Month 7**

The Director of Finance and Information stated that broadly the trends and issues are in line with previous months. Some areas have been tidied up, like Urology and Vascular where allocations have been refined.

Nadeem Aziz asked what the Unallocated column represented. The Director of Finance and Information explained that there were some elements of activity that could not get pushed out to the Divisions and were held centrally.

Nadeem Aziz asked what the issues were around WHPS division. The Director of Finance and Information explained there were some issues around the income levels in NICU and maternity, with expenditure issues linked to specialist nursing on the Paediatric wards and doubling up of some consultants costs.

## **8. Business Planning 2016/17**

The Director of Finance and Information noted that this was the first view of the 2016/17 plan the Committee had seen. The bridge in the paper is the goal, and therefore some reducing of investments and pushing harder on CIP's still has to happen to bring the Divisional plans in line with the top level view.

The process is well under way, but some tough decisions need to be taken to land the final position, so this is a progress report rather than a final view.

The Committee then discussed the Sustainability and Transformation Fund letter received from Monitor last week. The Director of Finance and Information explained the terms of the letter, stating that in order to deliver this, the CIPs would have to be increased significantly, which would be a massive stretch, and all the performance targets would have to be met. The additional income would have to be unspent on the I&E as it needed to contribute directly to the bottom line, the only benefit of it was additional cash in the bank. Enquiries are being undertaken to establish whether there was any room for negotiation on the control total, for example possibly take less cash for a lower surplus, and what other Trusts are doing.

This would have to be taken to the Trust Board for discussion and agreement.

The Committee noted the document as received.

## **9. Identification of Financial Risks**

### 9.1 Items for Risk Register

None noted.

### 9.2 Key Points to take to Trust Board

The key points for the Board:

- 1) The Monitor Letter regarding business plans and control totals for 2016/17
- 2) The standard Monitor sign off.

## **10. Items for Information or Approval**

10.1 Schedule of Business

No change – noted and approved.

10.2 Business Case Approvals

The paper was noted.

10.3 Tender Waivers>£50k

None

10.4 Product Price Benchmark Metrics

The paper was noted.

**11. Any Other Business**

None Noted.

**12. Date and Time of Next Meeting**

Thursday 18<sup>th</sup> February 2016 at 8.30am in Room 2, Chertsey House, St. Peter's Hospital

**FINANCIAL MANAGEMENT COMMITTEE MEETING  
MINUTES  
18<sup>TH</sup> FEBRUARY 2016**

<b>PRESENT:</b>	Nadeem Aziz Peter Taylor Bob Peet	Non-Executive Director (Chair) Non-Executive Director Chief Operating Officer
<b>IN ATTENDANCE</b>	Valerie Bartlett David Fluck Paul Doyle Colleen Sherlock	Deputy Chief Executive Medical Director Deputy Director of Finance Head of Workforce Planning and Intelligence (agenda item 5)
<b>SECRETARY:</b>	Des Irving-Brown	Assistant Director, Financial Management
<b>APOLOGIES:</b>	Simon Marshall Clive Goodwin	Director of Finance and Information Non-Executive Director

**Actions**

**1. Apologies for Absence**

As above.

**2. Minutes of the Meeting held on 21<sup>st</sup> January 2016**

Minutes of the meeting held on the 21<sup>st</sup> January 2016 were agreed.

**3. Matters Arising – Actions List**

Item 1: The Deputy Director of Finance advised that, following a review of facilities at Royal Surrey, the Trust will progress the endoscopy building work on the ASPH site as the rate of growth exceeds capacity at either site. This is part of the normal capital plan and won't be escalated further; it is separate from the merger.

Nadeem Aziz asked that the Committee be mindful of items raised in this Committee that apply to the merger and may need to be escalated to another Committee to deal with. This may be in the form of a Joint Finance Committee or the Joint Board. It was suggested that this be discussed at the first Joint Board to be determine what the correct forum for escalation will be.

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

**4. Operational Performance Report**

The Chief Operating Officer summarised the current issues, stating that A&E performance for January was just under 88%. In December the performance of the Trust was 98<sup>th</sup> out of 130 Trusts, but the benchmark for January is not yet available. Admissions are up year on year, so despite attendances in A&E being in line with last year, there is increased pressure on flow due to increased admissions.

Nadeem Aziz asked what assurance the Committee can take that the initiatives the

Trust has undertaken are going to improve the trajectories, because at the moment the Trust is slipping further. The Chief Operating Officer referred to a further meeting to be held next week, but Nadeem Aziz responded that further meetings were not going to answer the question on the effectiveness of the measures and financial investments. The Chief Operating Officer explained the initiatives that were underway including the Urgent Care Centre and the medical model.

Nadeem Aziz stated that the current measures are headline outcomes, but that a lower level of measures (a more granular level of tracking) is required so that the Committee can see exactly what's working and what isn't shifting the trajectory.

BP

The Chief Operating Officer mentioned that the RSCH A&E performance is not much better than ASPH and Peter Taylor asked how this would impact the merger, as amalgamating two sets of problems could make a bigger problem. The Medical Director stated that the issues at RSCH are well understood, and he is confident that these issues can be resolved fairly easily as they are not as complex as at ASPH.

The Chief Operating Officer flagged that whilst the cancer targets were met in Q3, there is some risk that this may not be the case in Q4, and there is a lot of effort going in to address this.

In response to the agreement with NWS CCG, the Chief Operating Officer pointed out that outsourcing and weekend lists have been reduced for the remainder of the year in order to reduce the cost of delivering planned activity, whilst maintaining RTT targets.

This paper was noted.

## 5. Workforce Report

The Head of Workforce Planning and Intelligence presented the Workforce Report to the Committee and mentioned that the report was a reduced version this month, as the team is busy upgrading the Healthroster system.

Monitor has contacted the Trust to advise that ASPH is in the top 10% of Trusts exceeding the capped rates, and is also in excess of 1% above the cap, so this paper forms the basis of the Trust's response to Monitor.

It is proving quite difficult to achieve the second reduction in the caps which came into effect on 1<sup>st</sup> February 2016. Most of the agencies used are "framework"; however, this is not always possible when specialist staff are required, especially for medical staff. However, the Trust is holding the line wherever possible.

Nadeem Aziz asked what the consequence would be as a result of missing the targets with Monitor. The Head of Workforce Planning explained that the Trust is still trying to hit the target by March, with recruitment still in full swing, and the overseas nurses now starting to come on line. Monitor has agreed to a revised trajectory already, and the Trust has asked Monitor for a steer on how to create a level playing field, as whilst ASPH is sticking to the rates and reporting genuine statistics, it appears that other Trusts may not be doing the same, which is distorting the market, and Monitor needs to step in to deal with this.

Nadeem Aziz suggested that both RSCH and ASPH take the same approach to agency caps, so there are no issues when the merger occurs.

The Deputy Chief Executive asked whether there is a bigger strategic conversation to be had around staff retention across both Trusts, addressing education especially,

and pooling resources to address challenges in the future. It was agreed that this should occur at the joint Board meetings.

The Head of Workforce Planning and Intelligence also provided an update on A&E around medical staffing, and the changes planned with the current model.

This paper was noted.

## 6. Finances as at 31<sup>st</sup> January 2016

### 6.1 Operational Effectiveness/Efficiency Metrics

The Deputy Director of Finance stated that there were a few things that flagged up in January including reduced length of stay, and increased readmissions, and it is still unclear whether the new medical model is driving this, therefore, more trend analysis is required before a clear link is made. Nadeem Aziz asked that the readmission metric be reviewed and drivers explained.

BP/SM

Pay was higher in the month, with non-pay being lower, driving the movement in the pay and non-pay metrics.

The paper was noted by the Committee.

### 6.2 Finance Report

The Deputy Director of Finance reported that the Trust was still ahead of budget year to date, with January marginally below forecast. The junior doctors strike had an impact on the financials, but this had been captured in the forecast. Pay was £150k higher than forecast and non-pay £150k lower, so the two were offset, but income came in slightly lower which drove the marginal in-month adverse variance to forecast.

Peter Taylor asked for a review of the proposed 2016/17 non pay budget vs this year's forecast outturn.

PD

CIP's are still on forecast, capital continues to slip, but there is still a significant amount to be spent in February and March.

Nadeem Aziz asked whether Theatre Utilisation could be captured somewhere, and the Deputy Director of Finance agreed to consider this.

PD

Peter Taylor asked about cash, which is slightly better this month. The Deputy Director of Finance stated that several quarterly receipts came through in January, which helped. The NHSE prior year outstanding payments will be escalated, and the payments are expected in March. A deal with NWS CCG has been agreed, and the cash is expected to be received in March.

The paper was noted by the Committee.

### 6.3 Forecast – Risk and Opportunities

The Deputy Director of Finance stated that the paper was prepared on the day the NWS CCG deal was finalised, and therefore the impact of the deal is not fully captured. The finance team is still working on the final implications on the forecast and an updated version of this paper is being prepared in time for the February Board meeting.

Achieving an FSRR of 3 is now very tight and at risk, especially in light of the risk sharing agreement that had been reached, however, the merger and depreciation upsides will be fully realised in order to mitigate any potential downside. In addition plans around reduced outsourcing and weekend working which have been already implemented. A notification has gone out to all senior managers about limiting minor capital and discretionary expenditure for the next six weeks in order to reduce exposure.

In terms of the specific QIPP and CQUIN points, these have now mainly been removed following the CCG agreement, although residual CQUIN risk remains for other commissioners.

The paper was noted.

## **7. Business Planning 2016/17**

The Deputy Director of Finance stated that the paper was an update from last month and included the draft submission that was made to Monitor in February, along with the proposed bridge required to achieve the Monitor revenue control total.

It was pointed out that the main piece now is around the discussions with commissioners, as negotiations have only just started and there is a lot to do to conclude these. This is a key tenet of the planning so that the income target in the plans can be reviewed to ensure it is realistic.

Peter Taylor suggested a tough and realistic view needed to be taken on the planned EBITDA as the Trust has struggled in the past to achieve planned EBITDA targets.

Nadeem Aziz asked for reassurance around:

(i) Capacity and capacity planning – specifically in terms of the growth the Trust has seen in areas like A&E which have significant impact on costs and performance, and which have been growing steadily, what provision has been made for this? The Deputy Director of Finance stated that there is provision for a small amount of additional beds in A&E as well money for the Urgent Care Centre. In addition some of the recruitment activity would help in this area;

(ii) Workforce planning – whatever capacity has been planned, what is the ability to recruit into the workforce required to meet the capacity. The Head of Workforce Planning and Intelligence confirmed that the Divisional workforce plans are currently being reviewed in light of ability to recruit and current workforce trends;

(iii) CIP's – the split between cost and income was discussed, and it was noted that previous performance has been good and this should be sustained, and success should be shared with RSCH so as not to lose progress and

(iv) Capital Investments – this year capital investments have been significantly reduced, mainly due to access issues, and therefore infrastructure has not been maintained and this is a worry. The Deputy Director of Finance stated that the capital plan has been slightly reduced from this year, and there are a few large schemes already committed (like endoscopy) which will account for a big chunk of the plan. There will be challenges to the programme, and these will be flagged when the plan goes to the Board for approval.

The above points will be more thoroughly addressed in the March paper.

Nadeem Aziz asked what level of contingency will be held in the plan generally to deal with uncertainty. The Deputy Director of Finance stated that there is no capital contingency, and slippage will create a buffer within the programme, unless the Board wants to spend more cash. In terms of revenue budgets, the contingency is currently £1.5m with the control total plan.

The paper was noted.

## **8. Identification of Financial Risks**

### 8.1 Items for Risk Register

None noted.

### 8.2 Key Points to take to Trust Board

The key points for the Board:

- 3) discussion about what the correct joint forum for escalation of merger related issues will be;
- 4) the NWS CCG agreement and updated forecast incorporating the impact of this; and
- 5) the assurance needed around robustness on 2016/17 plans in both organisations, including risks around lack of capital investment. Reciprocating actions required for both Trust Boards.

Actions for Workforce and Organisational Development Committee:

- 1) Actions for the Workforce and Organisational Development Committee around leakage of agency rates and the robustness and deliverability of plans for 2016/17 workforce plan.

## **9. Items for Information or Approval**

### 9.1 Schedule of Business

No change – paper was noted.

### 9.2 Business Case Approvals

There was one business case approved by TEC during January 2016 for a Consultant Anaesthetist Intensivist Reappointment.

The paper was noted.

### 9.3 Tender Waivers >£50k

There was one tender waiver in January 2016 relating to patient experience software for £166k over 3 years. It was noted that this is only the second tender waiver in this financial year, and the first since August 2015 including revenue and capital spend.

The paper was noted by the Committee.

## **10. Any Other Business**

None Noted.

**11. Date and Time of Next Meeting**

Thursday 24<sup>th</sup> March 2016 at 8.30am in Room 2, Chertsey House, St. Peter's Hospital