

Finance and Investment Committee Report

Trust Board	Item: 11.1
Date: 27TH November 2013	Enclosure: R
Purpose of the Report: To report to Board on the meetings of the Finance and Investment Committee held on 20 September, 29 October, and 4 November 2013	
FOR: Information <input checked="" type="checkbox"/> Assurance <input type="checkbox"/> Discussion and input <input type="checkbox"/> Decision/approval <input type="checkbox"/>	
Sponsor (Executive Lead):	Michael Jennings
Author:	Michael Jennings
Author Contact Details:	
Risk Implications – Link to Assurance Framework or Corporate Risk Register:	None
Legal Regulatory / Reputation Implications:	None
Link to Relevant Corporate Objective:	
Document Previously Considered By:	None
Recommendations & Actions required by the Trust Board: The Board is asked to note the approved minutes of the meetings attached.	

Finance and Investment Committee 20/09/2013

The Committee held an additional meeting to consider the outline Estates Strategy and proposals for the Former Nurses Home, preliminary to agreeing to recommend to the Board on 25 September exercising time limited break clause on office accommodation.

Finance and Investment Committee 29/10/2013

Report in advance of full minutes

The Committee held a further additional meeting to consider and agree on behalf of the Board the second quarterly return to Monitor (due to be submitted by 31 October).

Finance and Investment Committee 4/11/3103

Report in advance of full minutes.

In September the Trust completed the reorganisation of the clinical divisions and now works on a service line basis, with twenty one service lines, organised into three divisions. As far as possible income and expenditure have now been allocated to services. It is expected that this process will be complete in the new financial year.

The Committee evaluated the half-year position on the basis of the new service lines. Overall the Trust continues in surplus at £0.1m and favourable to plan by £0.3m, but Month 6 was the first month this financial year that the Trust has had an adverse variance to plan, which would have been worse had it not been for adjustments in month, which reduced the deficit by half. Over-performance on non-elective income has been offset by underperformance in outpatient and elective income, and by overspends in pay and non-pay. Concerns continue about penalties on Day Case to Outpatients, First- to-Follow-up ratios, Re-admissions, and the Non-Elective Threshold Adjustment (NETA). Concerns also remain about outstanding debt, including with St George's. Contract income is ahead with the Royal Marsden, but behind with BMI.

Year-to-date performance on the Productivity or Cost Improvement Programme (CIP) has dropped a little to 93%. The Capital Programme is however now 9% ahead of plan. This has reduced the cash position, but is offset by the Department of health delaying taking payment of the Public Dividend Capital (PDC) payment.

The Committee reviewed the Year-End Forecast for 2013/14 and contract preparation for 2014/15. The Forecast showed that the Trust should be able to cope with adverse events and still hit its target surplus, though much will depend on the severity of the winter and the demands made on the Hospital.

As well as local discussions, a key factor is the national proposal for an Integration Transformation Fund, with £200m being taken out of the health budget and put into joint health and social care budgets with local authorities next year (£3.9 bn, in 2015/16). Clinical Commissioning Groups and councils are meant to produce submission by February next year, and it is crucial that the Hospital is party to their proposals should they affect the funding and delivery of acute care.

The Committee also reviewed progress on Systems Optimisation, Service Line Management (SLM) and its Principal and SLM Risk Registers, as well as a hospital-based financial comparison.

Finally the Committee received the *London Call to Action*, *Monitor FT Bulletin*, and *KPMG Economic Update*

Michael Jennings, Chairman

MINUTES OF THE FINANCE AND INVESTMENT COMMITTEE MEETING

**Held on: Wednesday 24 June 2013 at 10.00 am
In Seminar Room 1, Education Centre**

Present:	Michael Jennings	Non Executive Director (Chair)	MJ
	Ian Reynolds	Trust Chairman	IR
	Jacqueline Unsworth	Non-Executive Director	JU
	Sarah Tedford	Chief Operating Officer	ST
Apologies:	Kate Grime	Chief Executive	KG
	Joan Mulcahy	Non-Executive Director	JM
	Simon Milligan	Director of Finance	SM
In Attendance:	Duncan Burton	Director of Nursing and Patient Experience	DB
	David Grantham	Director of HR	DG
	Nicola Hunt	Productivity Director	NH
	Deborah Lawrenson	Company Secretary	DL
	Ursula Grueger	Deputy Director of Finance	UG
	Zenzo Ncube	Head of Financial Services (Acting)	ZN
	Simon Hirst	Commercial and Financial Contracts Manager (for item 10 only)	SH
	Alan Thorne	Divisional Manager – Ambulatory Care (for item 11 only)	AT

1	Apologies: noted above
2	<p>Minutes of the Last Meeting and Matter Arising</p> <p>The date of the meeting was incorrect on the header of the minutes and CIPs meeting was with St Georges Management not clinicians.</p>
3	<p>2013/14</p> <p>Finance Report</p> <p>UG presented a summary of the month 4 finance report.</p> <p>Overall the Trust has performed well in Month 4 showing a cumulative surplus three months earlier than planned. The favourable performance is driven by non-elective activity and nursing recruitment. UG advised will continue to monitor non- elective activity. The key area of concern for the Trust finance KPIs is the payment of suppliers and the receipt of debtors which remains under plan.</p> <p>The key movements for directorates were:</p> <p><u>Ambulatory Care</u></p> <p>The division reported a favourable year-to-date surplus of £160k, supported by good direct access and outpatients' performance. The division is underspent on pay due to vacancies but cost pressures on bank and agency sonographers continue in month.</p>

Medicine

Non elective income is high. The nursing costs continue to be higher than planned due to use of agency costs driven by over performance and nursing induction for new starters.

Surgery

The pay costs remain under pressure due to Locum Consultant and SPR covering a vacant post within Ophthalmology. The directorate non pay is overspent largely due to drugs within tariff.

Women's and Child Health

The division underspent in month due to income overperformance.

New Vic

The New Vic spend for the year was presented, ST spoke to the Orthopaedic Consultant to analyse work currently done at Kingston and identify what is current surplus of our needs. Finance and Commercial teams are working on freeing one theatre. It was noted the Committee is supportive of bringing the activity in-house and this will be recommended to the Board.

CIPs

The Trust has met 96% of its CIP target for month 4 with 95% achievement YTD; of this St George's income generation has the highest underperformance due to scheme not converting to activity but the Trust is looking at alternatives schemes. St Georges to be monitored closely despite current slippage overall compared to prior years the CIP's are in a favourable position.

IR requested a re-label from Improvement Programmes to Quality Control.

Forward looking approach for the 2014/15 schemes is required for CIP schemes, these should be included in the Horizon Scanning.

Cash

The Trust's cash position increased by £0.9m due to an increase in income received in month. MJ commented on the Balance Sheet as looking to be track to meet the Monitor plan.

IR challenged the decline in BPPC KPI to below 50% and requested MJ expressed concern on the likely risk as a result of the budget holder/ people change with SLM.A detailed paper will be required on the signatory levels and Proactis workflow filters or rules to understand requisition distribution to authorised signatories at the appropriate level.

Capital

Capital spend is below plan as a result of large estates schemes which have lengthy planning processes before works commence. The plan is strongly phased into quarters 2 and 3, the Trust is still expected to be on course to deliver the Capital plan. To avoid being in a similar position next financial year it is advisable to go out to tender in the last quarter of the financial year to increase the spend in quarter 1.

Financial Risk Rating (FRR)

In month 4 the Trust has a FRR of 3 and we should meet the annual plan. Our current over performance and nursing induction related costs are likely to push to a rating of 4.

Divisional forecast 2013-14

The Trust still expects to deliver its surplus on plan, despite cost pressure from nursing induction costs, locum and agency inclusive of corporate vacancies. All vacancies are expected to be filled. Overall the committee is content with the year-end forecast.

Aged Debtors

As at month 4 total debt stood at £4.7million. IR requested a follow up on the St Georges outstanding debt and requested for further information which highlights creditors versus debtors for this supplier.

MJ – the Committee needs to take a view on the recoverability of the PCT debt and further information on recoverability will be required from other District General Hospital's (DGH) to aid this decision.

Other

ST advised Outpatients team current doing some work to understand the over performance, as the CCG is concerned at the current rate. The length of stay is also being affected by the non-elective over performance. In the current patient group above 90 years old we have 51 patients who have been in patients over 21 days.

MJ remarked as a result of lengthy in-patient stays there will be cost pressures to the surplus.

ST surgery has now been devolved into 3 areas, MJ queried sign off of the Q1 position and high level of Maternity activity in relation to the three levels.

4

Monitor Return

UG presented the Monitor 2013/14 Annual Plan Review report. The report identified a key challenge as on-going non-elective pressures and stretched capacity. Uncertainty which affect Foundation Trusts that include our Trust as:

- Pay costs
- cost of delivering higher quality care
- fragility of the small and medium DGH model

IR observed there are market opportunities for the Trust given the close proximity of District General Hospitals within London. We need to consider as a Trust whether we adopt a competitive or collaborative approach to increase our market share.

DL advised the committee our regulator has given very positive feedback to the Trust our plan and recent communication with them.

5

SLM at KHT Proposed Journey

UG presented the 3 stages of the SLM implementation.

Month 5 the Trust will be reporting on the 3 divisional structure as discussed with the

	<p>Divisional Managers to come up with a joint agreed plan. MJ requested in Month 5 to have both the old and new reports to tabled together.</p> <p>ISLR structure to go live in M1 2014/15 and as per the project plan.</p> <p>The benefits of SLM:</p> <ul style="list-style-type: none"> • Income visibility to help identify variances • Budgetholders will be managed against their contribution and clearly show indirect costs/overheads <p>There is a training plan setup for the Divisional Directors and 17 leads to be discussed at DM's meeting.</p> <p>IR suggested top slice contingency risk approach will be ideal and should be held centrally. Adopting SLM for maintaining a profitable service line rewards should be given to staff /teams as an incentive to reinvestment in their medium or long terms team's needs.</p> <p>NH – early adopters of SLM once accredited will help define processes. Incentives should only be given to consistently delivering teams on financial and non-financial KPI's.</p> <p>JU – a clear vision and strategy is required for this process rather taking a short term view.</p> <p>The chair requested clarity of the processes involved to well equip the Board and Capital Investment Committee in responding to challenges or benefits equally. MJ advised overheads should be clearly distinguished between fixed and activity driven.</p>
<p>6</p>	<p>Contract Reviews</p> <p>The Trust's two contracts have been finalised, one with the CCGs and one with NHS England. The CCGs contract has been signed by the Trust, awaiting signature from the CCGs. NHS England specialised services contract has been signed by both parties.</p> <p>MJ contract penalties' need to be included in the planning stages and incorporated into the Horizon Scanning project.</p> <p>ST advised it is challenging to finalise contracts and as a result even more difficult to manage due to a lack of cohesive structure resulting from the re-organisation.</p> <p>MJ requested more clarity for future contracts which should highlight or clearly shows the:</p> <ol style="list-style-type: none"> 1. Assumptions made 2. Starting point (base) 3. Tariff risks 4. Penalties involved <p>The chair requested an update to the Board, as an FT we need proper planning by providing the above it simplifies the decision making process. [Action]</p>
	<p>GP Direct Access market analysis</p> <p>AT presented the Pathology and Radiology services to the committee, both services have year-on-year growth.</p>

	<p>The services are a good source of income to the Trust driven by the increased reliance on diagnostics' services by GP's which minimise Outpatient attendances and helps build relationships with the GP's.</p> <p>NH warned the committee the increase in activity without financial investment into these services is not sustainable. Budget planning should include these services and potential identification of the key partners to enable delivery of this direct access services.</p>
7	<p>Funding Challenges for Future Years</p> <p><u>£3.8bn Social Care Transfer</u></p> <p>UG tabled a paper with proposed social care integration pooled funding and the committee recommended the criteria should be included in Horizon Scanning.</p> <p>MJ recommended the Trust should look at the anticipated guidance to prepare for this change and start discussions early during contract/budget negotiations with CCGs and Local Authorities.</p> <p><u>Increases in Employers Pensions Costs</u></p> <p>DG tabled a paper pension which proposes to rebase the employee and employer contribution rates from April 2015. As an organisation we need to prepare for this change which has potential financial risks on the Trust surpluses. This item to be included on the risk register to focus the Trust</p>
	<p>Review of Effectiveness of Board Sub-Committees – FIC</p> <p>DL went through the responses received from the FIC members. The FIC members present felt rather review the capital budget they should have more visibility on the capital expenditure to enable better planning and monitoring. On the capital expenditure there should be clarity or a distinction between operational and strategic investment.</p> <p>The review of effectiveness responses to be tabled at the Audit Committee meeting.</p>
	<p>Review of Board Assurance Framework (BAF) Risks</p> <p>SH presented a paper recommending creation of a Ventures and Partnerships Risk Register (VAPRR) for the Trust. This risk register will be mainly for commercial contracts.</p> <p>MJ questioned the value of a strategic risks register, DL endorsed implementation of the strategic risk register as it will support FIC to monitor payments and CIP's. Additional this will help or feed into the BAF.</p> <p>DG – clarity is required as to which governance committee the VAPRR will be ratified. DL/SM to table the revised version at FIC and Trust Board.</p> <p>BAF Update</p> <p>DL went through the current ratings of Principal risks with 3 and 8 identified(DL). CRS upgrade or deployment was identified as worrying given we had offered £300k of the required £2million.</p> <p>The Non Executives present wanted the committee to note there wished to continue with</p>

	<p>the upgrade and there we should keep our options open. Other alternatives to deliver the CRS upgrades were pondered which included utilising contingency or reserves or Trust Board should revise our yearend outturn to meet this future investment.</p> <p>NH advised as the upgrade is a public issue a prompt decision has to be made.</p>
	<p>Systems Optimisation</p> <p>UG updated the group on finance and procurement Steering group led by SM, frequency of meetings. In addition to the group frequently meeting to discuss big item issues, there are scheduled site visits to other NHS Trusts using Integra to share knowledge.</p> <p>External expertise has also been sought from Grant Thornton to identify ways to maximise use of the Trust's ERP's.</p> <p>MJ advised further review of the authorisation process as discussed on the SLM people change.</p>
8	<p>Any Other Business</p> <p>DL requested the committee noted the tabled VAPRR was out-dated and not presented in a timely manner.</p> <p>FIC needs timely delivery of information to enhance good decision making.</p>
9	<p>Date of Next Meeting</p> <p>The next meeting is to be held on Monday, 04th November 2013 in the Education Centre, Lecture Theatre 2 at 14.00.</p>

FIC Action Sheet from July meeting

Item	Action	Status	Responsibility	Completed by when
1	Report on Proactis authorisation workflow	On agenda	UG	September FIC
2	Q1 Position sign-off	Verbal	UG	September FIC
3	Employer Pensions included on Risk Register	On agenda	DL	September FIC
4	Revised VAPRR	On agenda	SM/DL	September FIC
5	Review of Effectiveness of Board Sub-Committees	Verbal	DL	September FIC
6	Include Social care changes in Horizon scanning	On agenda	NH	August FIC
7	Report on St Georges creditors versus debtors position	On agenda	UG	September FIC
8	Maternity Level (???) DD training	On agenda	ST/UG	August FIC
9	M5 SLM Finance report to include old and new version	On agenda	SM	September FIC

**MINUTES OF THE EXTRAORDINARY FINANCE AND INVESTMENT COMMITTEE
MEETING**

**Held on: Wednesday 20 September 2013 at 9.00 am
In the Seminar Room 2, Education Centre**

Present:	Michael Jennings	Non Executive Director (Chair of FIC)	MJ
	Sian Bates	Chairman	SB
	Simon Milligan	Director of Finance	SM
	Jacqueline Unsworth	Non-Executive Director	JU
Apologies:	Hugh Gostling	Director of Estates and Facilities	HG
In Attendance:	Rachel Benton	Director of Strategic Development	RB
	Ursula Grueger	Deputy Director of Finance	UG
	Danny Craig	Head of Capital Projects - Interim	DC
	Zenzo Ncube	Acting Head of Financial Services	ZN

1	Apologies: noted above
2	<p>Office Accommodation Options</p> <p>The business case was presented which contained three options:</p> <ol style="list-style-type: none"> 1. Maintain leases of Argosy House and Hanover House but risk incurring large dilapidation charges to return the leased buildings to an acceptable state. 2. Extend the Hanover House lease and re-house staff from Argosy House. 3. Refurbish the Nurses Homes in two phases (two floors each) and move staff out of Argosy House, Hanover House and the Command Centre (phase one) and Regent Wing (phase two). The business case only considered the first phase. <p>The Chair queried what was the basis of the decision to utilise the old Nurses Home as Office accommodation and not clinical space. SM explained that various options were explored, including using the space as student accommodation, (deemed to be outside our core licences business services), clinical use (too costly to bring up to modern clinical standards).</p> <p>The capital investment required under option 3 (phase 1) is 2.2m. SM summarised that option 3 had the lowest Net Present Cost and had the greatest non- financial benefits and is the recommend option.</p> <p>SM advised that the Estates Strategy is considering expanding the Capital Programme and funding this from two possible sources.</p> <ol style="list-style-type: none"> 1. Borrow 2. Utilise cash resources of approximately £9m accumulated from surpluses.

	<p>SM reminded following the Committees recommendation this project requires Trust Board approval.</p> <p>The Chair noted the following:</p> <ul style="list-style-type: none"> • Very high risk of dilapidations costs on the Argosy House lease and the work needed to minimise these. • Furnishing and network costs were not included • There was no discussion of improved working conditions and link to the Estates strategy. • Tenure of the Nurses home should be confirmed. <p>The chair and voting members present agreed and endorsed option 3 to go forward to the Trust Board (Phase 1).</p>
6	<p>Estates Strategy – key potential schemes and emergent priorities</p> <p>RB presented a revised shorter version of the Estates Strategy which was reviewed at Trust Management Forum and the September Estates Strategy meeting.</p> <p>JU highlighted the comprehensive work conducted in the prioritisation and completion for the revised work streams. Maternity schemes are not an urgent case prior to Better Services Better Value strategy.</p> <p>SB asked for clarity on which of shortlisted schemes give the Trust a competitive advantage. RB agreed to add this into the Board Paper. RB to action.</p>
7	<p>Update on Prime Dispute</p> <p>SM presented a summary of the current issues and impacts around the facilities related aspects of the Prime contract. He explained that this was a difficult process as both organisations' management teams had not been involved in creating the contracts and there had been an element of organisational memory loss.</p> <p>As a result of the outcome of adjudication, Prime Private Patient costs are payable by the Trust of £0.4m (this is covered by a provision made in the last financial year).</p> <p>SB questioned the level of tolerance in the supplier relationship from the on-going disputes and the possibility of losing the concessions already made by Prime.</p> <p>It was agreed that a 'positive' chairman-to chairman level letter with the Trust final proposal appended as a technical annex would be sent to Prime. SM to action.</p>
8	<p>Pathology</p> <p>SM updated the committee on the progress of SW London Pathology and advised there will a formal document to be presented to the 3 Boards. The document will set out the following:</p> <ol style="list-style-type: none"> 1. Financial aspects – overall saving of £8.8m 2. Nature of the contract and heads of terms to enable the start of consultation 3. Issues and benefit shares <p>Transition costs will be around redundancy and capital funding of £1.5m. The chair raised concerns regarding the variability of savings reported. SM proposed that he,</p>

	Joan Mulcahy, MJ and Nicola Hunt meet prior to the Board meeting to review this. SM to action.
9	Date of Next Meeting The next meeting is to be held on Monday 04 th November 2013 in the Education Centre, Lecture Theatre 2 at 14:00.

FIC Action Sheet from September meeting

Item	Action	Status	Responsibility	Completed by when
1	Danny to clarify repairs costs	Verbal	DC/HG	October FIC
2	Danny to clarify Phase 1 related costs on the External Façade, Infrastructural (Lifts and Electrical)and Modernising the Buildings	On agenda	SM	October FIC
3	Seek Legal advice from Capsticks		SM	October FIC
4	Chairman to Chairmain letter to Prime		SM	August FIC
5	Pathology Contract		SM	August FIC
6	Pathology Contract – Transition Costs discussion		NH/JM/MJ	August FIC
7	Risk analysis of the effect of the funding changes to social care	On agenda	SM	August FIC
8	Finance report to be aligned to Monitor report information provided	Reports always aligned	SM	August FIC