GLOUCESTERSHIRE HOSPITALS NHS FOUNDATION TRUST

MINUTES OF THE MEETING OF THE TRUST FINANCE COMMITTEE HELD IN THE BOARD ROOM, ALEXANDRA HOUSE, CHELTENHAM GENERAL HOSPITAL ON THURSDAY 29TH MARCH 2017 AT 9.00 AM

THESE MINUTES MAY BE MADE AVAILABLE TO THE PUBLIC AND PERSONS OUTSIDE THE TRUST AS PART OF THE TRUST'S COMPLIANCE WITH THE FREEDOM OF INFORMATION ACT 2000

PRESENT		
Stuart Diggles	SD	Interim Director of Finance
Tony Foster	TF	Non-Executive Director
Peter Lachecki	PL	Chair of the Trust
Deborah Lee	DL	Chief Executive
Keith Norton **(Chair)**	KN	Non-Executive Director
Dave Smith	DS	Director of Human Resources and Organisational Development
Sarah Stansfield	SS	Director of Operational Finance
GOVERNOR REPRESENTATIVE		
Alan Thomas	AT	Lead Governor
APOLOGIES		
Sean Elyan	SE	Medical Director
Dr Claire Feehily	CF	Non-Executive Director
Natasha Swinscoe	NS	Interim Chief Operating Officer
IN ATTENDANCE		
Louise Courtier	LC	Corporate Governance Administrator
David Hoppe	DH	NHSI
Neil Jackson	NJ	Director Of Estates & Facilities
Oliver Tracey	OT	NHSI
Martin Wood	MW	Trust Secretary

036/17 DECLARATIONS OF INTEREST **ACTION**

There were none.

037/17 MINUTES OF THE MEETING HELD ON 23rd FEBRUARY 2017

Agreed as correct record and signed by the chair.

038/17 MATTERS ARISING

February 2017 021/17 Deloitte Financial Report Review Recommendations

This report has now been circulated to the Council of Governors. *Completed as Matters Arising.*

CONCLUDED

February 2017 029/17 Finance Committee Work Plan

The capital programme will be split between Quality & Performance Committee & Finance Committee and is to be discussed between the chairs. **KN/CF**

ONGOING

039/16 FINANCIAL PERFORMANCE REPORT

The Director of Operational Finance has reported an overview of the financial performance of the Trust as at the end of Month 11 of the 2016/17 financial year. It provides the three primary financial statements along with detailed analysis of the variances and movements against the forecast position, including an analysis of movement in the forecast outturn. It also provides a summary of the variance against the planned position to NHS Improvement.

The key points to note were the financial position of the Trust at the end of Month 11 of the 2016/17 financial year is an operational deficit of £20.1m. This is an adverse variance to the forecast position of £0.7m, but a favourable variance of £0.1m to the original FRP forecast produced at Month 7. It represents an adverse variance to the original NHSI Plan of 34.2m.

The NHSI Plan and the planning process created are not as robust as would be expected. The Plan lacks granular supporting detail and as such comparisons are not necessarily to be relied upon in isolation for decision making or performance management purposes. The Trust's internal budget does not reconcile, either by cost category or phasing, to the NHSI Plan. The figures presented in this report as 'plan' reflect the figures as submitted to NHSI unless explicitly stated otherwise.

The Trust is forecasting an I&E deficit of £18.0m against a planned surplus of £18.2, representing a £36.2m adverse variance to the NHSI plan and negative available cash balance of £0.6m (after reserve funds) – based on borrowing received to date.

The Director of Operational Finance has advised that there is no prediction of future figures as they fall as they are but there is a good pay trend.

The Director of Operational Finance has advised that a month by month assessment would not be necessary and an annual assessment is standard for other NHS Trusts.

The agency and medical locum spends are improving in line with control and grip. The use of Locum's now needs Chief Executive sign off for pay in excess of the cap provided by NHSI. This is now becoming more comparable with Nursing in terms of grip and control.

There have been lessons learnt from KPMG assistance in that a more outward looking approach is needed and experience can be gained from other Trusts.

DL will check the Risk Register for SLA. **DL**

ACTION: The variance to the financial plan for the year-to-date will mean an increased scrutiny of the Trust financial position and an increased focus on cost recovery in the form of both Cost Improvement Programmes and agency expenditure reductions.

RESOLVED: The financial position for M11 shows an adverse variance to forecast of £0.7m, with a significant adverse variance to plan of £34.2m (inclusive of the STF funding for Q1 of the financial year). The forecast assumes no further STF funding is received in 2016/17 and a final forecast outturn of a deficit of £18.0m which represents an adverse variance to planned NHS Improvement control total of £36.2m.

040/17 DELOITTE FINANCIAL REPORTING REVIEW RECOMMENDATIONS

The Interim Finance Director presented the report to update the Finance Committee on the progress to date against the 34 recommendations which resulted from the Deloitte Review: Financial Reporting – Enhancing Transparency dated 17 August 2016.

The key points to note were a further amount of activity in relation to the recommendations has been completed in the last month. The summary of progress is:

- 4 recommendations are in progress (4 last month)
- 30 actions completed (30 last month)

Of the 30 actions completed, 18 can be viewed as now being incorporated as business as usual (BAU).

The first item still in progress relates to payments in relation to GP trainees, principle of advance payments secured, detailed mechanism to be agreed; escalation mechanisms for late payment to be included within provider agreements.

There are 2 items in progress relating to the Hereford Radiotherapy Unit; an external legal review has been requested.

The final item in progress relates to asset and estate valuation under MEAV-AS which is subject to an external valuation, a draft view is for a £6m reduction to overall estates valuation.

A closing report will be presented to the Board in May 2017.

ACTION: To continue to deliver against these recommendations still requires support from resource which is also required to support other initiatives. External costs for legal advice and valuations will be incurred.

RESOLVED: Good progress has continued to be made against the recommendations, especially in relation to those that are stated as being in progress but for which initial pieces of work are completed.

041/17 WORKFORCE UPDATE

The Director of Human Resources and Organisational Development presented the report to provide an overview of the workforce performance of the Trust as at the end of Month 11 of the 2016/17 financial year. It provides information on the pay spend, progress on agency expenditure control and movements in headcount.

The key points to note were it was disappointing to see an increase in the overall paybill between M10 and M11 of £0.45m. This had broken the trend of month on month reductions witnessed over the previous 4 months, returning the pay spend to the level of December 2016, still the second lowest level of this financial year. The reason for the increase is found in the unusually high number of bank holidays at the end of December/early January which is paid for in the February pay run. The excess this year was caused by Xmas and New Year falling at a weekend, necessitating in additional bank holidays at premium time being created. It is expected that this trend will reverse in March and pay spend will return to January levels. Agency expenditure remained level with the prior month with nursing expenditure stabilising and an increase in medical locums being balanced with a reduction in non-clinical agency. Whilst nursing appears to have shown a decrease, this is primarily due to an accounting adjustment and further analysis is required to understand the increase in medical locum expenditure. We continue to make inroads into qualified nursing vacancies which are now at 106 WTE, the lowest level for the whole of 2016/2017

Some departments have put a hold on vacancies to save money. This is being managed at VCP and pay savings are still being made.

All staff is now focusing on reducing the paybill and trends are heading in the right direction.

Any locums required for longer than 5 days need to go through VCP and gaps are being filled internally where possible. The whole process is to be reviewed in 6 months to ensure it is working and if any changes could be beneficial.

It has been highlighted that there are 3 locums that will need to be paid over the NHSI cap in order to keep the GOAM service in operation. There will be a conversation with NHSI as this is in breach of the cap agreed.

ACTION: The focus on reducing agency use and reducing vacancy levels appears to be having a positive impact and must be maintained and increased. In particular, planning for staffing over Easter needs to reflect the potential for additional spend with each work stream lead identifying their plans now.

In terms of the overall paybill, the phasing of the pay budget to reflect the potential spikes caused by bank holidays may need to be considered.

RESOLVED: It is very pleasing to see that the reductions in agency spend gained over the last few months have been maintained and this is reflective of both the grip applied by the work stream leads and by Divisional colleagues. The focus on medical locums must continue and in particular to both understand and address the reasons for the in-month increase.

042/17 REGULATORY REVIEW UPDATE & FINANCIAL RECOVERY PLAN

The Interim Director of Finance has advised that FRP delivery is to be discussed at next week's meeting in London however the plan is to be submitted tomorrow.

There has been more risk identified than anticipated and an open and honest conversation is required. The risks are understandable however there is a need to eliminate, control & mitigate.

043/17 COST IMPROVEMENT PROGRAMME UPDATE

The Interim Finance Director presented the report to provide an overview of the CIP performance for 2016/17 and planning for 2017/18.

The key points to note were the CIP performance at the end of month 11 is a saving of £6.6m. This is an adverse variance to the FRP plan of £2.9m YTD. This adverse variance has not impacted on the total Trust forecast outturn and as such for this year remains an issue of information capture rather than under delivery. KPI's are in development for 17/18 reporting. The Trust is continuing to work on the development of existing and new pipeline schemes to bridge the gap for 2017/18. Cross cutting work stream targets have been allocated and are being discussed with Divisions. Key focus continues to be on the personal accountability of the Accountable Persons (Divisional and Executive), strong performance management with dedicated support from PMO. The PMO is being strengthened to ensure delivery following handover from KPMG. All submitted PID's have been QIA'd by the Medical and Nursing Director and a further session is planned next week. The CIP target for 2017/18 remains £31.7m of which £24.0m currently has a level of maturity.

Council pilot for business rates reduction is not going ahead.

More work needs to be done to encourage and engage Consultants to take part in CIP.

Professor Tim Briggs work potentially won't be of benefit until 2018 but will be going forward.

RESOLVED: The CIP position for month 11 shows an adverse variance to the FRP plan of £2.9m. This does not impact on the total trust forecast outturn. KPI's are in development to ensure that recording of delivery of CIP plans is captured appropriately. An amount of work has been completed to improve the Trusts performance on the delivery of CIP.

(The Committee adjourned from 11:00 to 11:10)

044/17 BUDGET 2017 / 18

The Interim Finance Director presented the Budget Report to the Committee based on information available to date. This is a few more days off completion and an update will be provided to the Board on Friday with a view of completion for Main Board on 12th of April.

045/17 CAPITAL PROGRAMME 2017 / 18

The Interim Finance Director presented the report to update Finance Committee on the capital programme scope and approval process for 2017-18.

The key points to note were the capital programme is compiled into the following themes:

- Ongoing and committed schemes from 16/17 (e.g. SmartCare)
- Priority Health & Safety schemes
- Essential backlog maintenance
- Essential equipment replacement (via Medical Equipment Fund)
- Capital requirements from approved business cases as submitted by Divisions

A number of equipment replacement items fall outside the capital programme, alternative lease or managed service arrangements are being investigated to enable further asset replacement.

The capital programme schedule for 2017-18 is attached in appendix A of the report. the programme has been updated with the latest available programme information. The current internally funded schemes totalling £14.66m is aligned to a depreciation fund for 2017/18 of £12.70m resulting in a funding gap of £1.96m. Options to close this gap are included within the paper.

Schemes that are able to demonstrate a payback in the medium term (10 years) may be funded by further borrowing. Currently the utilisation of depreciation funding for additional assets is reducing the investment in existing asset maintenance and renewal. This is the purpose of deprecation funding, therefore wherever practicable the funding of additional assets should support effective payback on investment.

TLT held 5th of April will receive the risk assessment to provide assurance to the Board on 12th of April.

SD to liaise with NT for update to be provided.

ACTION: The attached programme presented to Finance Committee on 29th March for approval by the Board on 12th April.

RESOLVED: The attached programme balances available funding across the themes to address the highest risk issues. The risk of service interruption will continue however high risk items are being address by the programme.

046/17 CAPITAL FUNDING LINAC LEASE

The Interim Finance Director presented the report to the Committee to seek approval to continue with the previously approved purchase of a Linear Accelerator (LINAC) by way of a lease.

The key point to note was that the purchase of a LINAC has been previously approved (original case attached to the report as appendix A) and was to be sourced via a leasing agreement through NHS BSA under a scheme funded by the DoH. Accessibility to this scheme was then withdrawn.

The discounted price initially available was £1,668k, since approval the price has now increased by £39k to £1,707k.

A second potential funding route became available through a cancer fund by way of PDC which the Trust was encouraged to apply for. This application was then not successful.

Leasing options have now been sourced from 4 providers. The most competitive is Siemens Financial Services Limited (Siemens) at £49.5k per quarter; this is a £7k per quarter cost increase over the depreciation charge that would have been incurred if treated as a capital charge.

Over the life of the lease this would be a total cost of £1,979k, an increase of £272K which includes an 'embedded' cost of capital.

To mitigate this increase the service have outlined a series of further improvements that can now be achieved with a more modern and capable machine. A level of increased income is outlined below:

- A LINAC Truebeam is more efficient machine with capacity to treat more complex techniques that generate a higher tariff for adaptive therapy.
- Ave Attendances per month (based on figures from Hereford Truebeam LINAC) – 640
- 384 (60%) @ Complex Tariff £125.79 = £48.3k per month

This was agreed and approved by the Committee members.

ACTION: Not approving the lease will leave a service operating with a high risk of equipment failure and forego the availability of the discounted price. Procurement to move towards completion of a lease having confirmed the order with the equipment supplier. Estates to commence works for the equipment installation.

RESOLVED: The replacement LINAC has been required and expected for a prolonged period of time. Level s of service disruption has been increasing along with costs for repair and maintenance. The discounted price available is set to be removed and would further increase cost of replacement to the Trust. Cost increases seen since the initial approval can be mitigated through increased income. Recommended for approval by the Board.

047/17 THEATRES – MANAGED EQUIPMENT SERVICE

The Interim Finance Director presented the report as the Trust wishes to enter into a Managed Service Contract (MSC) for outsourcing the non-clinical operation of theatres as there are significant benefits to be accrued as a by-product of this venture.

Managed service models are a means of controlling high volume areas that require significant capital equipment investment and replacement. A number of models exist from small scale individually tailored purchase/lease schemes through to full service managed services within high complex environments such as Theatres.

The Division of Surgery, working in partnership with Trust Procurement, have been working up a proposal for the establishment of a managed service model for theatres covering Gloucester and Cheltenham acute sites based on a precedent set by another Trust.

This paper provides a briefing of the MSC proposal for consideration.

The key points to note were the scheme scope is limited, in the first instance, to acute theatres on Gloucester and Cheltenham sites. The MSC contract supports local ownership of decision making around management of the entire theatre service by the one company or the choice of selected suppliers for specific categories of equipment.

The MSC contract affords the opportunity for the purchase of theatre related medical devices and instrumentation with extended pay back terms, offsetting the availability of limited Trust Capital funds to support other schemes. The MSC will support the provision of a rolling replacement programme for specified equipment from suppliers selected by the Trust.

The MSC will support review of existing consumable/maintenance suppliers and conversion of existing contracts with the option to renegotiate improved longer contracts and streamline suppliers to secure economy of scale, where appropriate.

Monthly meeting between Trust and supplier to review performance, improvement savings and actual spend against predicted spend. VAT recovery opportunities are a feature of the MSC contract but opportunities will be dependent on the contract options selected and assurances provided by VAT experts and according to COS Heading 45. Evidence from a provider who has adopted the MSC model proposal for their theatres, has demonstrated savings values within the first period of commissioning. Any savings in relation to VAT require HMRC sign off of the scheme; savings can accrue from the date on which scheme approval is applied for.

The Division of Surgery orders non-pay consumables valuing around £15.7m plus VAT per year. Based on a detailed review at product level it has been concluded that of this £11.8m plus VAT is ordered by GRH and CGH theatres and would be valid for a managed service contract.
Three phasing options have been considered, described as lower, medium and higher risk depending on the potential effective dates of

the contract:

- The lower risk option achieves a discounted saving of £7.9m over 7 year period with £0.7m in year 1
- The medium risk option achieves a discounted saving of £8.1m over 7 year period with £0.9m in year 1
- The higher risk option achieves a discounted saving of £8.5m over 7 year period with £1.3m in year 1

All 3 options would also include a cash receipt of £3.0m in year 1.

The above analysis does not include the financial benefits of other operational savings through the transfer of other services into the contract and further VAT savings on other services expected to be incorporated within the contract.

The contract will be a multiple year contract; currently 8 years with options to extend, there will be termination clauses within this period. The initial term of the contract would give an indicative contract value of c. £120m (£15m per annum).

It has been agreed by the Committee that this scheme can continue to be developed.

SD to check with orthopaedic centre in London as to what scheme they are running. **SD**

Quality & Performance Committee will need assurance form an operation side. SD to discuss this with Natasha Swinscoe. **SD**

ACTION: The Board need to approve the MSC model proposal and contract terms, following which full stakeholder engagement and commissioning of plans with the supplier can commence.

RESOLVED: A Managed Service Model for theatres would provide the Trust with opportunities to offset capital costs for replacement equipment, implement an electronic stock management system to support local theatre CIP opportunities around theatre consumables management, drive further operational savings and have the opportunity to secure significant VAT reclaim benefits.

048/17 ROCHE MANAGED SERVICE CONTRACT

The Interim Finance Director presented the report to seek approval from the Finance Committee to extend the Roche Managed Service contract to a second term of 7 years as allowed within the contract and procurement processes.

The key points to note were The Roche Managed Service contract provides (including consumables) and maintains the Roche diagnostics core automated system which allows Chemical Pathology to deliver its Clinical Chemistry and Immunoassay requirements through a complete laboratory automation system.

The contract has been in place for 6 years following a compliant purchase process, the contract is on a 7 + 7 year basis, initial term due to expire in March 2018. The value of the 7 year extension is c. £14m in total. An early extension has been offered which potentially gives significant financial benefit to the Trust along with an offer of £10,000 for laboratory refurbishment and other support. The key financial savings are:

- 6% MES charge which has been negotiated down to 3% for the duration of the seven year extension. A total saving of £46,800 over three years and cost avoidance over the remaining term of the contract of £280,000
- Reduction in prices given for reagents over the remaining 2 year contract and the seven year extension period, 17/18 saving £78,896 then a cost avoidance of £631,168 for the extension

This has been agreed by the Committee.

ACTION: Not approving the extension will remove the ability to secure the above savings as detailed. Going to tender will absorb procurement resource and divert it from other activities with a view that the same level of savings and other support offered may not be realised.

RESOLVED: Finance Committee approve the extension to the Roche Managed Service contract.

049/17 TRAKCARE INCOME RECOVERY

The Interim Finance Director presented the report to brief the Committee on the financial impacts arising from the implementation of the TrakCare system. It will identify issues in a number of areas and explain the current status of any risks, mitigations in place (where possible) and look to identify the financial risks to delivery of the Financial Recovery Plan (FRP) in both 2016/17 and 2017/18.

The key points to note were there are a number of issues currently impacting the financial position related to the implementation and ongoing operational issues with TrakCare. These issues fall into 3 main categories:

- Backlogs of data entry
- Data quality
- Operational impact on activity levels

This report has been noted with concern. The required governance arrangements to be presented to the Board on April.

ACTION: The variance to financial plan for the year-to-date will mean an increased scrutiny of the Trust financial position and an increased focus on cost recovery in the form of both Cost Improvement Programmes and agency expenditure reductions.

RESOLVED: We currently cannot assure the income position for the 2017/18 financial year will be unaffected by these issues. The potential ‘worst case’ risk to income and the Financial Recovery Plan presented by current activity trends is shown within the paper.

050/17 BUS CONTRACT

The Director of Estates & Facilities presented the report to support the recommendation to implement this new service and commit to the contract with the preferred supplier.

The key points to note were the Trust bus service forms a key part of the 'Journey to Work' programme which aims to address the way staff travel to work, with the aims of easing the current issues around demand for car parking and helping staff find alternative ways to travel to work.

The wide-ranging staff engagement exercise completed in January and February 2017 demonstrated that the bus service is a key part of the travel solution and with some changes would play a significant role in reducing peak time parking congestion.

The 99 shuttle bus contract has been re-tendered and the preferred bidder is Pulhams Coaches. This service does not include the race course but instead will introduce a stop in Cheltenham town centre to connect with alternative services. It will continue to provide a free shuttle service between CGH and GRH and stop in Gloucester city centre. This will significantly improve transport integration for staff and give improved access from a wider range of park and ride facilities. Additional mitigations are being established to minimise any impacts for both patients and staff. The service will therefore provide the link to existing public travel nodes and the increased size of the buses will ensure peak demand can be met.

The Committee have approved this subject to final approval at the next Board Meeting.

ACTION: A wide communication plan is needed to inform staff and members of the public about the changes and alternative arrangements for travel to the hospital from Cheltenham race course. The Director of Estates & Facilities has advised we will continue to work with the transport team at Gloucestershire County Council to maximise public transport and other sustainable travel options for staff and public.

RESOLVED: The proposed changes will be challenging for a small group of staff. However the positive impact in supporting the 'Journey to Work' programme will help to improve transport for 90% of staff. It will ease the parking situation and help those who do not live near public transport to find a parking place. It will also help ward staff coming in for the afternoon shift to find somewhere to park and be able to attend shift on time. The procurement process has ensured that the best value service offer has been provided and the selected provider (Pulhams) has demonstrated the quality and commitment to provide a much improved service.

051/17 NHS PENSION SCHEME 2016-17 CONTRIBUTION ASSURANCE STATEMENT

The Interim Finance Director presented the annual report as the Trust is required to notify the NHS Pensions Agency of all contributions made by the Trust and its staff and to agree those balances.

This information is prepared by the Trust's payroll teams and checked by the Financial Accounts team at Financial Shared Services. This is then provided to GHFT for final assurance, by the Director of Operational Finance and submission, by the Director of Finance.

The key points to note were the data required to prepare the return will not be available until immediately after the close of the financial year on 31st March 2017. The deadline for submission of the information relating to the 2016/17 financial year is 7th April 2017.

This report has been noted by the Committee for assurance.

ACTION: This paper looks to brief the Committee on the requirements of the submissions and briefly outline the processes involved. It asks the Committee to agree submission of the required information by the Director of Finance in line with the deadlines.

RESOLVED: This forms part of the business as usual process of year-end accounting submissions and will need to be submitted by the Director of Finance by the above deadline.

052/17 REFERENCE COSTS

The Director of Operational Finance presented the report to the Committee to confirm in advance of the combined cost collection that it is satisfied with the Trust's costing processes and systems and that the trust will submit its combined cost collection return in accordance with NHS Improvements' Approved Costing Guidance. This includes the reference cost guidance, integration of education and training costs with reference costs and integration of reference costs and education and training guidance.

The key points to note were the costing submissions are built around both finance and activity data for the full financial year. The current issues around data quality and completeness as a result of the TrakCare implementation present a risk that the full 12 month activity data set required for costing may not be as robust as required. It is suggested that guidance is sought from the central costing team at the Department of Health as to the appropriate mitigation.

RESOLVED: This report has been noted by the Committee for assurance.

053/17 MATTERS TO BE ESCALATED TO THE BOARD

This was discussed and the following were recommended to go to the next Board Meeting:

- Capital Programme & scheme bids
- TrakCare
- Risk Around Locums

054/17 COMMENTS FROM GOVERNORS

The Lead Governor has requested an additional TrakCare paper for the upcoming Council Of Governors meeting.

055/17 COMMITTEE REFLECTION

NHSI – Clinical engagement is a long term challenge particularly around TIB with a risk that focus is lost.

It has been highlighted that late papers are becoming an issue. We need to allow sufficient time to read and consider these prior to meeting as a failure to do so puts added pressure on everyone involved.

056/17 ANY OTHER BUSINESS

Risk Register – Update will be added to the agenda for April.

Remuneration – Steve Webster has been appointed as Finance Director for the Trust.

057/17 DATE OF THE NEXT MEETING

The next meeting of the Gloucestershire Hospitals NHS Foundation Trust Finance Committee will be held on **Wednesday 26th April 2017** in the **Board Room, Alexandra House, Cheltenham General Hospital at 9AM.**

Papers for the next meeting:

Completed papers for the next meeting are to be logged with the Trust Secretary no later than 3pm on **Monday 17th April 2017**.

Chair
26th April 2017

GLOUCESTERSHIRE HOSPITALS NHS FOUNDATION TRUST

MINUTES OF THE MEETING OF THE TRUST FINANCE COMMITTEE HELD IN THE BOARD ROOM, ALEXANDRA HOUSE, CHELTENHAM GENERAL HOSPITAL ON WEDNESDAY 26th APRIL 2017 AT 9.00 AM

THESE MINUTES MAY BE MADE AVAILABLE TO THE PUBLIC AND PERSONS OUTSIDE THE TRUST AS PART OF THE TRUST'S COMPLIANCE WITH THE FREEDOM OF INFORMATION ACT 2000

PRESENT

Stuart Diggles	SD	Interim Finance Turnaround Advisor
Dr Claire Feehily	CF	Non-Executive Director
Tony Foster	TF	Non-Executive Director
Peter Lachecki	PL	Chair of the Trust
Deborah Lee	DL	Chief Executive
Keith Norton **(Chair)**	KN	Non-Executive Director
Dave Smith	DS	Director of Human Resources & Organisational Development
Sarah Stansfield	SS	Acting Director of Finance
Natasha Swinscoe	NS	Interim Chief Operating Officer

GOVERNOR REPRESENTATIVE

Alan Thomas	AT	Lead Governor

IN ATTENDANCE

Jill Wood		PA to Chair and Chief Executive

ACTION

The Chair advised members that the two main areas the Committee wished to focus on were:

- CIP Performance for last year and this year
- Medical Staff Costs and how to manage these.
  The Chief Executive advised that a letter had been received from NHS Improvement setting out medical locum reduction target 2017/18 (further discussed under item 64/17).

058/17 DECLARATIONS OF INTEREST

There were none.

059/17 MINUTES OF THE MEETING HELD ON 23rd FEBRUARY 2017

Agreed as correct record and signed by the Chair.

060/17 MATTERS ARISING

March 2017 038/17 Finance Committee Work Plan

The capital programme will be split between Quality & Performance Committee & Finance Committee. This was to be discussed between the chairs who had nothing to report except that there is a need to ensure that there are no gaps between the Committees. The Chief Executive suggested that the Finance Committee focus on the spend versus plan and that the Quality and Performance Committee focus on the operational consequences. Noted that the initial work has been done with monitoring included quarterly as a standing item on the Quality and Performance agenda. The Interim Chief Operating Officer to report to the July meeting assessment and headlines in respect of the end of Quarter 1. **NS**

CONCLUDED

March 039/17 Financial Performance Report

The Risk Register was discussed in detail under item 67/17.

March 047/17 Theatres – Managed Equipment Service

Dr Feehily asked when this information would be available. The Chief Executive advised that this had been delayed as clarification required around Sterile Services. The Interim Finance Turnaround Advisor advised that this was a significant CIP and was relatively tried and tested and there were other managed services in the NHS like this. He felt that this could start ahead of a CSSD transfer and has asked the Theatres team to put together a plan as to how to assess and mitigate any consequences of this.

The Chief Executive asked how we were going to parallel track the development of a subsidiary company; Neil Jackson, Estates and Facilities Director was looking at this with advice being taken from KPMG and Beechcroft in respect of tax savings etc. Noted that the Board has already endorsed a £200k spend.

In respect of SubCo it was noted that the 90 day staff consultation would be required.

Mr Foster asked how we would be minimising risk re VAT; The Interim Finance Turnaround Adviser advised that the usual approaches would be taken but that an HMRC risk remained. It was felt that the process should proceed with the relevant paperwork submitted to the HMRC; noted that the final scope of work will come with a level of risk.

The Directors of HR and OD advised that we would be able to test the attitude of Staff Side as he would be discussing GLANSCO with them shortly so would get a feel then.

061/17 FINANCIAL PERFORMANCE REPORT

The Acting Director of Finance advised that this month's report was shorter as we were in the process of finalising the final accounts; the figures contained in the report were subject to the finalisation of accounts and audit. In respect of Month 12 this will be circulated when finalised.

The Acting Director of Finance advised that the Trust had ended 2016/17 with a draft deficit of £34.2m with an impairment of £14.3. There was a £17.968m operational deficit against £18m target.

Balance Sheet and Cashflow included within the report. The stock movement on drugs is still being investigated.

In respect of Cashflow, Debtor balances have decreased significantly against their prior year carrying value, largely as a result of the significant focus on credit control over the past months. Trade Payables have decreased significantly against their prior year carrying value and reflect the management undertaken as part of distress funding arrangements.

The report also contained an overview of the Trust's financial performance against the trajectory initially developed at Month 7 as part of the Financial Recovery Plan (FRP) for information. The Trust has delivered a deficit position of £17.968m (including the Q1 STF funding of £3.225m). This represents a favourable variance to the original FRP forecast (produced at M7) of £32k for the year-to-date.

At the end of the 2016/17 financial year the Trust has delivered a year-to-date deficit position of £17.968m (including the Q1 STF funding of £3.225m). This represents an adverse variance to plan of £36.2m.

Draft accounts were submitted last night with sets available for members of the Committee.

The Chair asked if there had been any surprises. The Acting Finance Director advised the only issues were stock movement around drugs. There were no other liabilities which is a credit to the teams hard work and being on top of the forecast.

It was noted that contract agreement with GCS had been settled for 2016/17 at the end of March with no differences. In respect of 2017/18 Contract this would worked out by the end of Quarter 1 and in place by then; there were some minor financial movements to be manged in the process. The Chief Executive advised that we need to ensure that we deliver the service enshrined in the contract. The Interim Chief Operating Officer advised that a Service Schedule had been drawn up and discussions have taken place to refresh SLAs.

Dr Feehily congratulated the team for their work and asked how familiar the Auditors and NHSI with what we had done. The Acting Finance Director advised that the impairment was a matter of fact and that we are applying the rules. We have done more work with audit over the last 3 months which gives us assurance that there should not be any problems and the work has been through Audit Committee and other discussions.

A first draft of balances has been submitted with no reportable disputes seen yet; final draft expected next Wednesday.

The prior period investment is included in the accounts and we have explained the corrected financial position from prior period.

Mr Foster requested information regarding the £14.3m; the Interim Finance Turnaround Advisor advised that this was in respect of our Estate which is worth less than last year; a professional valuation had been done and the market had advised that it was worth less. A modern equivalent asset evaluation is now being used.

062/17 BUDGET UPDATE

The Acting Finance Director apologised to members that there was not a paper and gave a verbal update.

In respect of the £14.7m FRP the process is being worked through and the budget model is being re-built. The £14.7m deficit now worsened by recent pressures to £16.7m. The reason why there is no paper is that the Excel file corrupted 24 04 17 so it had to be re-built. During this a £1.3m error was discovered. This has been corrected.

The Acting Finance Director advised that the formal budget offers are expected early next week so that the Business Managers can discuss these with their Divisions and then these will be presented to May Board for sign off. Agreed that this item together with the Financial Plan has extended time on the Agenda. **MW**

The Acting Finance Director would circulate papers to the Committee beforehand in case any more clarity is required ahead of the Board meeting. **SS**

Dr Feehily asked how the TrakCare income would be factored in. The Interim Finance Turnaround Advisor advised that from an income perspective the numbers for Month 9, 10 and 11 have been looked at and we have built in phasing of income and how to recover. The pressure was £1m assessment impact. The Chief Executive felt that we need to understand the decision making process.

The Chief Executive advised that there needed to be a reconciliation of how pressures have been absorbed; the £2m will be required from CIP.

ACTION: At the May Board there is to be more time allocated on the agenda for approval of the Budget and Financial Plan. **MW**

063/17 DELOITTE FINANCIAL REPORTING REVIEW RECOMMENDATIONS

The paper updated members prior to the final closing report that will be presented to Trust Board in May on the progress to date against the 34 recommendations which resulted from the Deloitte Review.

The Acting Finance Director advised the item completed in month relates to asset and estate valuation under MEAV-AS which is subject to an external valuation, the final results from the valuation have been included in the draft accounts position for 2016/17 and reflect an overall reduction to estates valuation of £14.3m.

There were two items still in progress:

The first item still in progress relates to payments in relation to GP trainees, principle of advance payments secured, detailed mechanism to be agreed; escalation mechanisms for late payment to be included within provider agreements.

The second item in progress related to the Hereford Radiotherapy Unit and external legal review has been requested.

This is being looked at now in particular the I & E performance. If this does not make a profit a discussion will need to take place at Board level to discuss the ongoing service. Commissioner is largely NHS England. Agreed that this is a future item on the Finance Committee agenda before it is referred to Board. **SS/MW**

064/17 WORKFORCE REPORT – PERIOD TO 31 MARCH 2017

The Director of HR and OD updated members on the key points within the report.

Total pay expenditure remained relatively static between M11 and M12 with a marginal increase in expenditure of £0.05m over this period.

Nursing agency expenditure increased significantly between M11 and M12. This is partly a consequence of an adjustment actioned in M11 which artificially depressed pay spend which has been highlighted in the report previously. Investigations have taken place and it was noted that there was an uplift in ED turnover which needs to be addressed together with sickness in ED. Agency staff in 8A £47km, ACUA £9k and a high vacancy rate in Medicine of 21%.

Noted that March is traditionally a difficult month due to staff taking their remaining holiday and this needs to be managed throughout the year but still remains a challenge.

Noted that within Surgery there is a high use of High Dependency Units (HDU).

Recent recruitment endeavours have resulted in the offer of substantive positions of 22 experienced nurses in the pipeline; 7 foreign nurses have commenced and 29 nurses from the Philippines; we are currently looking at recruiting for India. A successful Open Day had been held with 82 offers made to qualified nurses. This should help support a reduction in future nurse agency spend.

Turnover is stabilising. Noted that we need to retain and recruit as quickly as we can but there is fine balance. There had been an uplift in Agency staff within IT Shared Services.

The Chair of the Trust asked looking forward in respect of April and May how do we learn from these peaks and how to manage them differently. The Director of HR and OD advised that this is being looked at including ensuring that rotas are done in advance.

In respect of Unscheduled Care Ward (4A) the Chief Executive queried where this additional investment had been signed off and how it had ended up as a cost pressure as it is not a new ward. The Director of HR and OD to provide this detail. **DS**

The Chief Executive asked if we were confident that we have controls in place in respect of enhanced staffing that additional staff are put in at point when substantive; the Director of HR and OD advised that he could not give assurance but would check what was being done in VCP. He confirmed that a degree of rigour was required together with a full breakdown.

In respect of the movement in spend within CITS the Acting Finance Director was looking at this with the Director of HR and OD.

The Acting Finance Director advised that the numbers were subject to the final report and accounts.

The Interim Finance Turnaround Advisor asked in respect of Agency whether when rotas are established is an uplift agreed for sickness and maternity; the Acting Finance Director will look at this and confirm. **SS**

The Chair asked what else do we need to do; the Director of HR and OD advised continuance of the same but that in the medical world there is a lack of resource. There is variable support from Divisions on Medical workstream and it was felt that Dr Elyan needed more support.

Dr Feehily asked that in respect of controls and mechanisms are they aware of these and do we need to apply specific pressure. Noted that risk based approach and prioritised controls are done at Audit and Assurance. Suggested that controls around Workforce is the next project.

Mr Foster asked if we knew where monies are being spent in each

Specialty and where the biggest problems are and what is being done. Noted that there are enhanced controls but there are national control issues and IR35. The Director of HR and OD will ask Dr Elyan to prepare a briefing note. **DS**

<u>Medical Locum reduction target 2017/18</u>

A letter had been received from NHS Improvement setting out a target of reducing year on year spend on medical locums; the saving for us is £1.157m next year and will be measured as part of our normal monthly returns. The Director of HR and OD had calculated an average spend of £693k per month up to Month 10; £120k a month less is required to hit the target. This has not been achieved since July last year but if we achieve our CIP target we will achieve this. We will need assurance with these splits

There are recruitment pressures and challenges in respect of costs of our Locums. We also need to make improvements in respect of our Bank process. There had been some issues with poor rotas last year and alternative rotas have been developed and creative ways of enhancing our recruitment package.

There is a concern in respect of IR35 and lines are not being held by all Trusts.

The Chief Executive felt that assurance is required in respect of what is in our control i.e. rotas and trajectories are required; she will pick this item up at Directors Group.

Dr Feehily asked how do we nurture the managerial skill set of Clinicians; noted that we rely on an exchange of operational and clinician to manage that risk and over time we will know who has this skill and where help is required.

The Chief Executive suggested using ILead to address some of these issues; agreed to share this letter with then next week and discuss how they will own this issue and how to have the difficult conversations. **DS/DL**

(The Committee adjourned from 10.40 -10.50 am)

065/17 REGULATORY REVIEW UPDATE

The Acting Director of Finance advised that the Trust had met with NHSI on 4 April 2017 and a briefing had been given to April Board. An e-mail had been received regarding our Control Total.

066/17 CIP REPORT – PERIOD TO 31 MARCH 2017

The report provided an overview of the CIP performance for 2016/17 and planning for 2017/18. For 2016/17 this was the closing position and was still movable due to year end; final figures to be reported 28 04 17 but £10.4m delivered versus £13m. Noted that we need £13m to hit £18m and work was being done to look at how this is classified.

Work will also be done to look at the actual improvements made to ensure processes are in place to deliver this year. This year we have a more granular plan and can track success and failure. Noted that Coventry have a model which we may look at as it can analyse off a more granular level.

The current process is that Business Partners sit with Operational Director and the TRIs to agree CIP target. At the Turnaround Implementation Board (TIB) each Division explains where they are month on month. In respect of Agency CIP the Interim Finance Turnaround Advisor thought that letters had gone to Divisions about this but he would clarify. **SD**

Dr Feehily asked whether the £2m to be added to 2017/18 was transparent.
The Interim Finance Turnaround Advisor confirmed it would once we have a view of where it will be achieved; it will be held centrally initially.

The Acting Finance Director circulated to members the latest position. Level 5 does not guarantee delivery; there is a monthly tracker built up on a scheme by scheme basis. Within the next 2 weeks final improvements will be made and there will be rag rated delivery risks. (this will be done by the PMO, owners of scheme and CIP team)

The Chief Executive was concerned about the Trust wide vacancy factor and queried if the rigour was right. The Interim Finance Turnaround Advisor felt that it was understated. The Chief Executive suggested that at the next TIB they look at evidence to underpin the number. Noted the Dops were awaiting their budgets to see this figure.

The Interim Finance Turnaround Advisor advised that there were still risks to delivery but the rag rating will give assurance.

067/17 FINANCE RISK REGISTER

Members advised that it was good to see the Risk Register which was very clear.

The Acting Finance Director advised that there were 9 risks, 2 currently rated 15

These two risks will be discussed a next week's Trust Leadership Team for consideration for inclusion on the Trust Risk Register. These are:

- Risk that the Trust does not achieve the required cost improvement resulting in failure to deliver the Financial Recovery Plan for FY18

- Risk that the Trust's expenditure exceeds the budgets set resulting in failure to deliver the FY18 Financial Recovery plan

The Chair confirmed that the Committee has the reassurance so was happy with the detail confirmed on the Register.

The Chief Executive explained to members the risk triggers.

The Chair of the Trust asked what the Financial Special Measures risk was assuming; the Acting Finance Director advised that this was part of the financial plan and was an interest pressure as we are in financial special measures at present.

Dr Feehily queried why the TrakCare risks were 4 for income and 5 for expenditure; the acting Finance Director advised that the risk had been assessed and the activity not done was £1m and that the broader activity not recorded be recouped.

The Chair thanked the team for their report.

068/17 CAPITAL PROGRAMME REPORT – PERIOD TO 31 MARCH 2017

Report noted for information.

The 2016-17 capital programme outturn is £0.1m below the target outturn of approx. £11.8m.

The Interim Finance Turnaround Advisor advised that the impact for this year had been built into the Plan already.

069/17 MATTERS TO BE ESCALATED TO THE BOARD

This was discussed and the following were recommended to go to the next Board meeting:

- Financial Plan and Budget
- Deloitte Recommendation; to be discussed at this Committee and then to the next Board meeting **SS**
- Financial Risk Register – Risks rated 15 to be put on the Trust Risk Register **SS**
- Medical Staffing – Director of HR and OD to do within the Workforce item **DS**
- Audit and Assurance – Report being done regarding Challenge and Assurance **SS**

070/17 COMMENTS FROM GOVERNORS

The Lead Governor commented as follows:

- Pleased to see that good progress had been made in respect of the Risk Register; he did comment that he was used to seeing 2 columns one advising what the risk was and one advising what the result would be. Thought would be given to adding an extra column in respect of Impact.
- Workforce – The Lead Governor advised that Governors hear a lot of anecdotal comments. He wanted to be assured that we are paying the right amounts and the significance of overpayments. The Acting Finance Director advised that this was assured as part of the Audit programme but was not a material issue.
- Annual Accounts – The Lead Governor asked what Governors might expect to receive and when. The Acting Finance Director advised that she would prepare a note for the Council of Governors advising timings etc. She will also ensure that the statutory duties for Governors are met and explain the accounts and year end. She also confirmed that she was happy to deliver a learning session. **SS**

071/17 COMMITTEE REFLECTION

The Chair felt that it had been a good meeting.

072/17 ANY OTHER BUSINESS

There were no items

073/17 DATE OF THE NEXT MEETING

The next meeting of the Gloucestershire Hospitals NHS Foundation Trust Finance Committee will be held on **Wednesday 24th May 2017** in the **Boardroom, Alexandra House, Cheltenham** at **9.00 a.m.**

Papers for the next meeting:

Completed papers for the next meeting are to be lodged with the Trust Secretary no later than 3.00 p.m. on **Monday 15th May 2017**.

Chair
24th May 2017