SHEFFIELD TEACHING HOSPITALS NHS FOUNDATION TRUST

MINUTES OF THE FINANCE COMMITTEE MEETING – 9 MAY 2011

Present: D Stone (Chair)
A Cash (for items 1 – 3)
H Chapman
M Gwilliam
K Major
N Priestley

In attendance: R Wilson

1. Apologies

Mr Donnelly, Mr Powell.

2. Minutes of the Previous Meeting

The minutes of the previous meeting on 11 April 2011 were agreed as a correct record.

3. Matters Arising

- **Lead Unit Review**

Mr Wilson fed back on the last meeting of the Lead Unit project group which is tasked with drafting a legally binding Lead Unit Business Agreement ("LUBA"). He confirmed that the meeting had gone well and all the key STH aspirations were reflected in the document. This document is being redrafted to reflect the comments made at the meeting. This should reflect the finally agreed version. Mr Wilson also noted the level of overall indebtedness with local Trusts as summarised on the enclosed paper. Lead Unit debt had reduced to £7.87m at 31 March 2011 but he also noted that a number of further payments had been received in April. Sir Andrew noted that the Lead Unit arrangements were on the agenda for the next PATCH meeting on 6 June 2011. He planned to secure Chief Executive sign-up to:

- The principles and processes in the LUBA
- Continued progress in substantially reducing the outstanding Lead Unit debt.

He requested a briefing paper be drafted one week in advance of the meeting.

Action: Mr Wilson

He requested that Mr Wilson or Mr Priestley should also attend the PATCH meeting.

Action: Mr Wilson and Mr Priestley to confirm attendance.

4. 2010/11 Financial position at 31 March 2011

The creditable outturn position of the Trust in 2010/11 was noted. Mr Powell noted that the position was well explained in the reporting pack and suggested that the rest of the meeting should focus on issues affecting the future.

5. Organisational Performance

Professor Chapman noted that the 18 week RTT target had been met, but there remained many underlying issues. The 2010/11 95% A&E target had been met, but had been failed in April 2011. She expressed concern that performance measures in 2011/12 may now exclude Walk-in centre, Minor Injuries Unit, eye casualty and dental emergencies. This would severely inhibit chances of compliance. However getting definitional clarity had been problematic.

Ms Major noted that the 62 day cancer wait target (GP referrals) had been failed in two quarters in 2010/11. A further failure in Q1 would result in an automatic red rating. The poor results in April already indicated that there was a high chance of this.

6. 2011/12 Contract negotiations

Mr Priestley reported that NHS Sheffield had submitted a contract settlement proposal on 29 April 2011 on behalf of the FT consortium. A clarification meeting had been held on 3 May 2011.

The proposal had been accompanied by a summary on the update to the NHSS 2011/12 Financial Plan. This now contained less provision for activity growth (£2m); various cost pressures including drugs and ambulance service resilience (£2m); contingency (£1m); and assumes additional support from non-recurrent funds (£2m). Consequently the QIPP requirement is reduced from £27m to £21m (£20m to £13m relating to STH). He noted that the QIPP plan has been updated to remove overly ambitious or unidentified schemes.

The contract proposal seeks to:

- reduce the total contract value by £11m to remove pricing gains,
- agree further reductions in activity,
- increase closing waiting lists
- link emergency readmissions < 30 days with the urgent care QIPP

Overall this aims to reduce contract quote by £11m for pricing; £4m on planned activity; £2m on long term conditions and £6.3m on non-elective activity.

Each aspect of this proposal was debated in turn.

Mr Priestley noted that neutralisation of the pricing gains was not a definite concession and needed to be linked to other issues including rebate of readmissions funding and investment in schemes to reduce delayed transfers of care.

Professor Chapman was clear that there was considerable risk of non-compliance with 18 Week RTT targets if waiting lists were allowed to drift out from the 31 March 2011 position (by £3m in the NHSS proposal). This would leave minimal margin for adverse events. This is particularly so given the more onerous standards in 2011/12. It is much more difficult now to manage the monthly results. Mr Priestley noted that the closing position at 31 March 2011 was still above the target level agreed in the 2010/11 contract.

Ms Major noted that the Trust was already at considerable risk of missing key targets in 2011/12 (cancer waiting times; A&E targets and C Diff). This presented considerable risk of achieving adverse Monitor compliance ratings. She suggested that taking further risks on another key target such as 18 WRTT would leave the Trust very exposed.

Mr Priestley clarified that any agreed reduction in waiting list trajectories would be part of the planned £4m saving on planned work; not in addition. Also this saving would only be non-recurrent.

Professor Chapman stressed that the appropriate solution is to set reasonable and realistic referral thresholds for primary care. She suggested that to date NHSS had failed to do this for most conditions.

Sir Andrew accepted this view but suggested that a further review of the modelling was necessary to confirm the reasonableness of the STH stance. Ms Major agreed to do this.

Action: Ms Major

Mr Priestley referred to the £13m of QIPP now aimed for STH services. He observed that this was not affordable by STH and would incur non-recurrent transition costs. He also queried whether the current plans were credible or deliverable.

Mr Priestley noted that the potential staff reduction costs had been modelled in outline, but the NHSS QIPP plans were insufficiently robust and ill-defined to allow any action to be taken. Professor Chapman concurred and suggested that further ward closures were not tenable with the current level of outliers.

Mr Priestley outlined the potential response to the NHSS proposal. An alternative package could be proposed which focussed on investment to reduce delayed transfers of care and a more equitable split of risk on emergencies around a more realistic envelope. The largest amount that STH would risk share on was £3m-£4m

The initial results of the GP Assessment Unit were discussed. It was agreed that these were disappointing. Mr Stone stressed that any decisions on the future of the unit must be commissioner-led to avoid suggestions of Trust negativity. He suggested that a review of the service should be put forward as part of the STH response.

It was agreed that STH must not sign up to a contract which exposes it to unacceptable risk.

The STH response would be drafted for consideration at TEG on 11 May 2011.

Action: Mrs Nicholas

7. 2011/12 Financial Plan Update

Mr Priestley reported that 4th cut P&E plans had been submitted by most directorates. These now showed balance for most directorates but with an overall deficit of £4m. He expressed concern that this had been achieved by overly optimistic planning assumptions. Analysis of third cut plans indicated a potential £12m underlying problem remained. The Trust's 2011/12 Financial Plan made provision for this, but this then left minimal scope to absorb any unexpected cost pressures and income losses. Sir Andrew expressed a preference that any support to Directorates should be provided at an early stage of the year.

8. Monitor 2011/12 Annual Plan Assumptions

Mr Priestley noted that the 2011/12 – 2013/14 Monitor Plan was due for submission at the end of May. Some of the planned underlying assumptions are:

- No new FTFF loans or PFI schemes
- No new Public Dividend Capital
- No significant changes arising from revaluation of the estate on 31.3.13
- Rate of CQUIN remains at 1.5%
- National efficiency rate remains at -4%
- Tariff uplift covers inflation and other pressures

These assumptions were accepted as reasonable

Further reflection is required on the losses which could arise on the transition to national education and training tariffs; from emergency readmissions and the emergency threshold. At this stage of the contract negotiations the potential income losses arising from activity reductions is also difficult to assess, particularly for future years. Ms Major cautioned that further income losses could arise from the transition to national specialist commissioning if this led to more standard unit prices.

Determining the level of planned surplus would also be challenging given the many financial and operational uncertainties.

9. Transfer of Community Services – Financial Update

Mr Priestley noted that a Budget setting follow-up meeting had been arranged for later in the month.

10. Monitor Q4 submission

The contents of the submission were noted. The key points of concern are the high level of debtors above 90 days and the governance failure on 62 Cancer waits (GP referral).

11. 2010/11 Capital Programme Outturn report

The contents of the report were noted. Mr Priestley explained that the major underspend arises from the full drawdown of the FTFF loan in 2010/11 which could not be spent in that year and operational and planning constraints. The under spend will be reinstated in full in 2011/12.

12. 2010/11 CQUIN Report

The contents of the report were noted. The actual outturn was approximately £0.5m better than previously forecast. It could be even better if the VTE target was accepted as having been met.

13. Update to Monitor's Financial assumptions

The paper set out Monitor's assumptions for national efficiency requirements. Mr Priestley noted that further efficiency requirements had been identified and quantified for: readmissions < 30 days non-payment; the non-elective threshold and potential discounts on tariff. He noted that this helpfully highlighted the cumulative pressure on efficiency delivery facing all acute providers and had attracted media attention.

14. Any Other Business

None

15. Items for future meetings

None highlighted in addition to work plan

16. Items to be brought to the Board of Directors' attention

- 2010/11 outturn.
- Position on 2011/12 contract negotiations
- Directorate 2011/12 Financial plans.

17. Date of Next Meeting

6 June 2011 at 10.00 a.m. in the TEG Meeting Room, 11 Broomfield Road.