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SHEFFIELD TEACHING HOSPITALS NHS FOUNDATION TRUST

MINUTES OF THE FINANCE COMMITTEE MEETING – 11 APRIL 2011

Present: V Powell (Chair)
A Cash (for items 1 – 6)
J Donnelly
M Gwilliam
K Major
N Priestley
D Stone

In attendance: R Wilson
P Harrison (YHHA)

1. Apologies

Professor Chapman

2. Minutes of the Previous Meeting

The minutes of the previous meeting on 7 February 2011 were agreed as a correct record.

3. Matters Arising

- **NHS Sheffield Financial Position – Plan**

Mr Priestley reported that the Q1/Q2/Q3 income challenges by commissioners had been resolved with relatively few concessions by STH. Overall about £250k of income had been conceded beyond the Trust's stated position in order to get a deal. Agreements had also been put in place regarding the provisional year end values for issues such as CQUIN.

He noted that the NHSS position was now slightly better than had previously been forecast, partly due to an improved position on the provider arm. However, it appeared that the Health Authority required NHSS to not achieve a surplus any higher than the its control total of £0.5m.

Mr Stone queried how this left the Trust in terms of any outstanding obligations from the previous agreement to help NHS Sheffield achieve savings of £6 million. Mr Priestley confirmed that NHS Sheffield should now achieve its desired outturn position and there were no further issues to resolve in that area. It was still possible for new issues to be raised for Q4 and this would be considered as part of the year-end processes.

- **Lead Unit Review**

Mr Priestley reported that a further internal review had been conducted of the options for lead unit arrangements regarding the employment of Junior Doctors. The main alternatives for STH are:

- Cease to be a lead unit
- Continue as a lead unit but only on the basis of an agreed business agreement which sets out roles and responsibilities including financial rules.
- Continue as a lead employer on the basis of an agreed business agreement and with payroll responsibilities subcontracted to the Trusts where trainees are based

There is a strong desire not to cease to be a lead unit in the short-term during this time of transition of educational contracting responsibility from SHAs.

The consensus was that the second option is preferred at this stage, since it should be the most easily achievable. The concern is that a lead employer model would be difficult to agree and would have a long lead time to implementation. This could be a reserve option if improvements do not occur.

Mr Priestley reported that the issue was being highlighted with the other Trust Chief Executives, with the focus on reducing indebtedness both in terms of backlog debts and on an ongoing basis. It is planned that Directors of Finance and Medical Directors attend the PATCH meeting on 9 June 2011 to discuss this issue.

Mr Wilson reported that the outstanding debtors had reduced by £1m during March from £8.9m to £7.9m. Further payments had been received in early April.

Sir Andrew requested a summary of relative indebtedness at the year end.

Action: Mr Wilson

Mr Wilson reported that a further meeting with all Trusts was arranged for 18 April 2011 which is aimed to finalise the Lead Unit Business Agreement documentation.

4. <u>2010/11 Financial position at 28 February 2011</u>

Mr Priestley reported that the Month 11 YTD position was a deficit of just over £10.7m before the offset of attributable uncommitted contingencies (£11m). The net position is therefore a small YTD surplus of £0.3m.

The Trust had had two good months and the overall position at the year-end should deliver the financial plan result in cash terms. However he noted that there remained a number of large deficits in some of the Directorates.

He noted that the Q1/Q2/Q3 income settlement with commissioners had not resulted in a greater loss of income than had already been provided for in the YTD position.

The MARS process had resulted in provisional approvals which would cost £2.0m in termination costs to save £2.3m recurrently. The affected staff had now been provided with the compromise agreements. Mr Gwilliam also noted the progress on other workforce cost reduction projects.

Mr Priestley noted that the level of impairments was likely to be higher than previously expected and this could reduce the reported I&E position. However he noted that this was non-cash and regarded as a technical item by Monitor.

He noted that the outturn position was likely to deliver a Financial Risk Rating of 4 in the Monitor assessments.

5. <u>Organisational Performance</u>

It was noted that activity performance against targets had been good over the last two months. However the level of referrals has remained down and this means that the outturn OP waiting lists are lower than last year, but still above the level planned at the start of the year. This is emerging as a key issue in the 2011/12 Contract negotiations.

Mr Donnelly queried if this indicated that a surge in referrals was likely from April. Ms Major noted that this was difficult to judge; the fear is that referrals will operate on a "stop-start" basis in 2011/12.

It was noted that the new A&E targets were now in place and an action plan for delivery had been presented to TEG by Professor Chapman. This will recommend the appointment of additional consultants. However three are already approved and funded in central reserves. Professor Richmond has written to request a recruitment plan.

6. <u>2011/12 Financial Plan Update</u>

- **2011/12 Contract negotiations**

Mr Priestley reported that Sir Andrew had written to raise a number of challenges to the priorities in the NHS Sheffield financial plan. However to date there had been no formal response.

The technical process of re-pricing the baseline contract value was largely complete from the STH perspective. A 'refresh' to the Version 2 "Quotes" was due to be sent to commissioners the following day. This process has been hampered by lack of response (comment/query/challenge) from commissioners to date. This is only now starting to occur.

The STH 2011/12 Financial Plan assumes neither a re-pricing gain or loss and this has been provisionally agreed with Commissioners. Initial analysis suggests that STH would make a re-pricing gain but this is before the inevitable challenges to come from commissioners.

The approach to emergency readmissions within 30 days is likely to be contentious. Whilst the PbR guidance has been “toned down” slightly since the Road test, it remains highly unfair to providers. The STH stance is likely to be that this represents a re-pricing loss which must be offset against any other pricing gains in any neutrality debate. It was noted that most East Midlands providers had managed to retain this funding initially as part of an overall deal.

Progress in consolidating the NHSS QIPP plan remains slow. Most of the existing QIPP schemes have a high risk rating attached to delivery. Proposals have been put forward by STH Directorates for the areas that savings could be most efficiently and appropriately made. However, the NHSS response has largely been to request STH to work up these proposals in more detail and this is likely to take some time.

Sir Andrew emphasised that the imperative is now to work with NHSS to effectively redraft their QIPP plan. This needs to focus on reducing emergency admissions, reducing spend on continuing care and on elective commissioning (reducing demand for Orthopaedics and making decisions on raising referral criteria for other services).

He noted that the recent announcements of closure of two homes by NHSS indicated that they were prepared to make the ‘hard decisions’, but appeared unclear where to target.

Ms Major highlighted that NHSS had the highest level of spending on continuing care of any PCT in England, both in absolute terms and per head of population. It is a clear outlier and if this performance were just to be improved to the bottom of the upper quartile, the level of spend would reduce by £16m per annum. This is clearly an area to target in terms of procurement, tightening up approval specifications and for periodic review of the care supplied to existing recipients.

Sir Andrew noted that internal STH Plans now needed to be integrated with those of NHSS. He noted that £25m of activity for Sheffield residents occurred outside of the NHS. The challenge is to work with commissioners to repatriate some of this work to mitigate the impact of overall commissioning reductions. Overall he noted that STH will probably have to be prepared to take a ‘hit’ on income in order to help NHSS achieve balance.

Mr Powell noted that this process was unlikely to be completed by the end of April, but clearly substantial progress would be required by then.

- **Directorate Third cut Financial Plans**

Mr Priestley reported that the aggregate position of the recently submitted plans was a deficit of £8.6m which is a reduction of around £6m from the second cut submissions. The planned delivery of P&E is £26.4m which is in excess of the 2011/12 targets, but does not make sufficient in-roads into offsetting the underlying deficits brought forward from prior years. He also expressed concern that elements of some of the Plans appeared to be highly optimistic. Directorate Reviews are planned for later in April.

- **Developing P&E Plans**

Sir Andrew noted that a specification for further consultancy to assist with delivery of P&E is being drafted. Mr Powell suggested that a review of return on previous consultancy spend was required. He also suggested that the consultancy payment could be linked to delivery of savings.

- **2011/12 Capital programme/5 year plan.**

Mr Priestley explained that the 5 year capital plan had been reprioritised to reflect an assumption that I&E surpluses would not be available over the next four years. This significantly reduces resources. Most of the reductions have been on ring-fenced budgets and by squeezing existing scheme costs. There is currently a small overcommitment in 2011/12 but this should be manageable due to likely slippage. The final plan will be presented to the April Board of Directors meeting.

Action: Mr Priestley

7. Transfer of Community Services – Financial Update

The process of budget setting is ongoing and is at the 'confirm and challenge' stage. This should be finalised by mid-May.

The corporate functions integration plans are being worked up. These will then have to be consulted upon with staff side during May/June.

Mr Powell noted that progress on delivery of the required level of Management Cost savings was to be reviewed at the Investment Committee meeting on 27 April.

8. Finance Committee 2011/12 Work Plan

Mr Priestley explained that the intention behind this work plan was to better organise the workload of the committee and also to allow more time to reflect on certain key areas e.g. Balance Sheet. Also, it was important to review the Monitor in-year financial declarations.

Mr Powell requested that more detailed feedback be given on the Performance Management process being undertaken with Red* directorates.

9. Monitor 2010/11 Q3 feedback

The contents of the report were noted.

10. <u>Monitor “Key learnings from Regulatory action in 2010”</u>

The key lessons to learn are the importance of the Board:

- Reviewing itself
- Ensuring that the information it receives is high quality, appropriate and sufficient for its purposes
- Properly plans in both the short-term and strategically, especially on financial issues.

The contents of the report were noted and discussed. It was agreed that a copy of the papers should be appended to the minutes for the Board’s consideration.

11. <u>Any Other Business</u>

None

12. <u>Items for future meetings</u>

None highlighted in addition to work plan

13. <u>Items to be brought to the Board of Directors’ attention</u>

- Position on 2011/12 contract negotiations
- Directorate 3rd Cut 2011/12 Financial plans
- Proposal for further consultancy input into delivery of P&E.
- Monitor “Key learnings from Regulatory action in 2010”

14. <u>Date of Next Meeting</u>

9 May 2011 at 10.00 a.m. in the TEG Meeting Room, 11 Broomfield Road.

Apologies – Mr Donnelly.