

SHEFFIELD TEACHING HOSPITALS NHS FOUNDATION TRUST

MINUTES OF THE FINANCE COMMITTEE MEETING – 6 JUNE 2011

Present: V Powell (Chair)
H Chapman
J Donnelly
N Priestley
D Stone
B Nicholas (for Ms Major)
J Clawson (for Mr Gwilliam) - For items 1-8

1. Apologies

Sir Andrew Cash, Ms Major and Mr Gwilliam

2. Minutes of the Previous Meeting

The minutes of the previous meeting on 9 May 2011 were agreed as a correct record.

3. Matters Arising

• **Lead Unit Review**

Mr Priestley reported that outstanding Lead Unit balances had fallen from £9m to £7.1m at the end of April. This improvement follows the issue being raised regularly at PATCH. However this is still at an unacceptably high level.

Lead unit issues were to be raised again later that day at PATCH. In particular, the emphasis is now to ensure agreement in principle by all local DGHs to use of a standard contract with firm business rules (“Lead Unit Business Agreement”).

It was noted that whilst good progress being made there needed to be a timescale and targets set to bring this issue to a conclusion.

Action: Mr Wilson/Mr Priestley

4. Organisational Performance

• **Patient Activity**

Professor Chapman reported that activity had been high in the first two months of the year. However, she expressed concern that elective activity was still being cancelled at NGH due to the high level of emergencies. Full Contract monitoring data will be available for Month 2 at the next meeting.

• **A&E 4 Hour Target**

Professor Chapman noted that A&E attendances remained high. Reported performance against the 95% 4 hour wait target has dipped because walk-in centre

activity can no longer be included. Activity in Minor Injuries, eye casualty and emergency dental is still being counted and this helps overall target delivery. Professor Chapman warned that the DoH might soon require performance to be reported separately for each campus. She noted that it is now planned to appoint 3 additional consultants in A&E to bolster performance and quality. However, periodic bed shortages remain a problem.

- **18 Weeks RTT Targets**

Professor Chapman reported that monitoring against the suite of 18 weeks RTT targets was now in place. She noted that some software gaps on the new PAS remained regarding reporting on the 95th percentile position, although this will be manually monitored for Month 2. Full understanding of the performance against the new targets will not be possible before Month 2 results are available.

- **C Difficile**

Professor Chapman noted that STH's 2011/12 target had been substantially reduced below 2010/11 outturn. Results in the first two months mean that the Quarter 1 target has already been breached. An action plan is in place with the aim of getting back into "run rate balance" as soon as possible. This is focussing on regular deep cleaning, PPIs, etc.

- **Cancer Waiting Times**

Mrs Nicholas reported that meeting the 62-day wait cancer targets remain a substantial risk for Q1. An action plan has been put in place with an escalation system. However, the results remain borderline.

It was agreed that performance against the Cancer Waits and C Difficile targets would be included on all future agendas under the Organisational Performance heading.

Action: Mr Wilson

5. **2011/12 Financial Plan Update**

Month 1 results

Mr Priestley reported that Month 1 budget reports had been provided to Budgetholders. However, due to delays in resolution of the contract negotiations, no changes in contract income had been reflected. Month 2 will be the first month where aggregate reports for the whole Trust will be produced,

2011/12 Contract Negotiations

Mr Priestley outlined the key elements of the Heads of Terms for the Contract agreement which include:

- The nature of the non-recurrent neutralisation process which is linked to emergency readmissions < 30 days not being applied.
- Assurances on transformation funding.

- Agreement to resolve two ongoing issues for application from 2012/13 onwards:
 - ◆ Classification disputes for activity in certain specialties (essentially whether they should these be counted as Outpatient Procedures or Day Cases)
 - ◆ The appropriateness of current STH practice in counting outpatient ward visits.

He noted that other commissioners still need to confirm their agreement to the overall deal, although it was felt that the onus remains on NHS Sheffield to deliver this.

Mr Stone noted the £3m investment in Community/Social Services. He queried whether this investment was sufficient. Professor Chapman expressed concern that part was attributable to the GP Assessment Unit and the cost effectiveness of this remains unproven.

Mrs Nicholas noted that the GPAU costings (£1.2m) had been shared. She would formally write to NHS Sheffield in an attempt to accelerate the review of the impact and effectiveness of the scheme.

Professor Chapman expressed concern that whilst the £3m investment had been agreed in the contract and access was to be relatively flexible, NHS Sheffield appeared to be backing away from this and is now suggesting that business cases are required before funding can be released.

Mr Priestley noted that there was still a need to finalise the CQUIN schemes. The aim will be to achieve a more even distribution of targets and delivery across the year.

Mrs Nicholas noted that a significant workload remains to finalise the contract documentation. The Annual Contract Agreement is aimed to be finalised by 10 June 2011. Then the detailed contract schedules will be developed to apply with the new standard contract. Also a new local implementation agreement to apply with the standard contract will be required before the final contract can be signed. She noted that NHS Sheffield is resistant to an interim stage of sign-off of the Annual Contract Agreement. The scope to push for some form of interim sign-off was discussed.

Mr Powell queried what the net activity reduction had been agreed in the 2011/12 contract. Mr Priestley noted that this was around £7m-£8m. If the demand reduction can be achieved this will mean that the Trust has to downsize. This could leave residual unrecovered costs which could mean that the transitional funding commitment from NHS Sheffield could be called upon.

He noted that the finalised costed activity plan and resultant allocations would be made for Month 2 reports.

Mr Powell noted that there remained a number of key issues to progress with NHS Sheffield. These include:

- GPAU review
- Finalising Terms of Reference for the Continuing Care review
- Confirming the processes for accessing the £3m community/social services investment
- Reluctance of NHS Sheffield to sign the ACA in advance of finalising the standard contract.

He suggested that these needed to be highlighted at Chairman and Chief Executive level until satisfactorily resolved.

Directorate 4th Cut Plan

Mr Priestley presented a summary of 4th cut financial plans. These show an aggregate deficit of £4.1m, although they contain significant risks to delivery. He estimated that in addition to this value, risks of slippage in P&E delivery, overly optimistic income assumptions and other delivery risks brought the financial gap to a potential £12m. This represents an assessment of the financial challenge which will have to be addressed this year. The contract income reduction would be an additional challenge for some Directorates.

6. Monitor 2011/12 Annual Plan Submission

Mr Priestley highlighted the key issues inherent in the 2011/12 Monitor Plan return:

- Non-compliance with the Q1 C Difficile target had been highlighted.
- An annual I&E surplus of £3m had been declared in line with the decision at the last Board meeting.
- A Financial Risk Rating of 3 (an I&E surplus of £4m-£5m more would be necessary to deliver a higher rating).

He noted that the Plan narrative will go to the next Board of Directors meeting.

7. Balance Sheet Review

Mr Priestley presented an appraisal of the year end balance sheet. Key features he noted were:

- Outstanding receivable balances have significantly reduced in 2010/11.
- However, old debtor balances remain high.
- Cash Balances were £64.9m.
- Working capital resilience has been assessed as £19m.

8. Sales Ledger Review

Mr Priestley reported that progress had been slower than expected in implementing the changes arising from the Sales Ledger review. This was mainly due to long term staff absences. Significant reliance continues to be placed on the external consultant. The main focus has been to change systems and processes, although this needs to be supplemented with cultural changes within the sales ledger team and within the wider organisation. In particular it is now important to engage directorates in issues such as resolving disputes on long standing issues.

9. Transfer of Community Services – Financial Update

Mr Priestley reported that the budget setting process was largely complete. There remains a gap of around £0.8m which will be resolved through delivery of P&E,

although the QIPP and Management cost savings plans totalled around £1.9m. A formal financial review is planned for June.

He noted that the Corporate Departments restructure had been signed off by TEG the previous week. The consultation with staff and staff side was due to start the following day. He noted that NHS Sheffield had underwritten savings targets for 6 months. However, the process was likely to extend beyond 30 September 2011 which will potentially result in a delay in delivering management cost savings over and above that covered by NHS Sheffield.

10. Any Other Business

None.

11. Items for future meetings

SLR/PLICs update – July

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

- Key Performance targets.
- Contract issues/next steps.

13. Date of Next Meeting

11 July 2011 at 10.00 am in the TEG Meeting Room, 11 Broomfield Road.

Apologies – Mr Donnelly