

BEDFORD HOSPITAL FINANCE COMMITTEE
Minutes of the Bedford Hospital Finance Committee
Held at 10.00am on Tuesday 18th October 2011
In the Committee Room, Bedford Hospital

Present:	Mr D Gear, Non Executive Director, Chairman (DG) Mr G Johns Non Executive Director (GJ) Mr I Pickering, Non Executive Director (IP) Mr R Rankmore, Trust Chairman (RR) Mr D Richards, Interim Director of Finance (DR) Miss E Goddard, Chief Operating Officer (EG) Mr E J Neale, Medical Director (EN) Miss E Jones, Director of Nursing & Patient Services (EJ)
In attendance	Mr A Dickinson, Trust Board Secretary (ALD) Mr M Outen, Head of Financial Management (MO) Mrs H Mulhern-Wilson, Deputy Director of Finance and Performance (HMW) Mrs A Buck Associate Director, Human Resources (AB)

		Action
1.	APOLOGIES FOR ABSENCE Mr J Harrison, Chief Executive (JH) - called away for most of the meeting Mr P Hutt, Non Executive Director (PH) Mr N Benjamin, Director of Organisational Development, (NB)	
2.	DECLARATIONS OF INTEREST There were no new declarations of interest.	
3.	MINUTES OF THE MEETING OF THE BEDFORD HOSPITAL NHS TRUST FINANCE COMMITTEE HELD ON TUESDAY 20th SEPTEMBER 2011 These were agreed as a correct record.	
4.	ACTION LOG 88. Finance Department Restructuring – on programme. A further report would be made in December. 97. Review of Terms of Reference – the latest draft was circulated. Comments should be sent to the Chairman or the Interim Director of Finance by the end of the month. It was agreed that quorum should be either the Medical Director or Director of Nursing & Patient Services. 102. Reports to include forecast activity – on agenda. 103. Benchmark maternity costs – this work was in hand via the Audit Commission and Ernst & Young. A report will be submitted to the Committee in December. Mr Rankmore fully supported the use of the expertise of the Audit Commission in this matter. 104. CIPs – add narrative to table – this will be done for the next meeting.	
5.	MATTERS ARISING There were no other matters arising.	
6.	ACHIEVEMENT OF FINANCIAL PLAN 6.1 Revenue Income and Expenditure Month 6 The Interim Director of Finance reported on the disappointing position during September. Income had been disappointing and costs had continued to rise. Income to date was ahead of plan, by £1.8m, but there was a mitigation £1.7m for	

contract penalties. There were serious concerns over the expenditure position with pay cost overspending by £0.9m, non-pay by £1.5m and the savings programme £1.4m behind the profile agreed with the Strategic Health Authority. The Trust had to improve its flexibility in downsizing when appropriate and control temporary staffing costs while maintaining quality. There were issues in relation to stores issues and an audit was in progress. The main area which was a challenge in relation to cost improvement was theatres. The overall forecast now was a deficit of £3.9m i.e. under performance against the target by £5.2m. He drew attention to some new issues which had arisen in relation to GSTS contract and a challenge in relation to income from NHS Bedfordshire. The Ernst & Young project had however started and intensive work was being done with the Clinical Business Units.

The Chairman found the position depressing and asked about the implications for cash. The Interim Director of Finance advised that a deficit of £5m could be managed if necessary. Mr Johns asked about the likelihood of success for turning round the situation, which would be a major task. He asked whether efforts were being made to reduce the potential penalties on readmissions to improve the position. The Chief Operating Officer advised on the details of work that was going into this and that themes were emerging, relevant to the whole health economy. Mr Pickering was concerned that it was now too late to affect the position significantly during the current year. The best that could be expected was probably a £2m deficit. It was important to take action now which would mean that plans were in place to deal with the situation going forward into 2012/13. The Interim Director of Finance advised that there were potential economies through reduced use of temporary staff and generally minimising the cost of additional work. The Chief Operating Officer advised that was scope for efficiency e.g. one additional case per operating list. There was however a lead time into certain measures. Mr Rankmore felt that the situation was unacceptable. The finances of the organisation had to be better managed, there needed to be more understanding of why the Trust was overspending and why it was not responding. There had been a false sense of security that transformation funding would solve the problem. It would not. The current position would have an impact on the Trust's potential Foundation Trust status. The Trust must become more efficient, money must be taken out of the system and the executives must act to drive transformation forward throughout the Trust. At this stage he could see no evidence of this happening. Performance must step up a level. The Chairman was concerned that the organisation appeared unresponsive to management direction. The Director of Nursing & Patient Services felt that there were some quick wins possible in relation to temporary staffing. The Interim Director of Finance agreed to make further information available on this to the executive team. He advised that currently all services made some contribution to the Trust's overheads and that unless services which were removed were replaced, it would take time for the trust to reduce its fixed assets. Mr Pickering and Mr Johns both stressed the importance of looking at the short term i.e. the rest of the financial year and the position going forward in the future. The Chief Operating Officer confirmed that Clinical Business Units were fully aware of the situation and were already acting. The Ernst & Young benchmarking programme would indicate areas where quick wins were possible. Mr Pickering asked for proposals to be put to the Board in November and indeed for when the Trust met the Strategic Health Authority at the end of the month, as the Strategic Health Authority would want to know how the problem had arisen and why it was not being dealt with appropriately. The Board must be seen to be solving the short term issues. The Interim Director of Finance believed that the external resource now in place would enable a credible plan for the future to be produced that should be ready by November and he believed that some transitional funding would be available. The committee asked for an update to be provided at the next meeting of the Trust Board and for the committee's concerns to be communicated to the Chief Executive so that immediate action could be started towards the transformation programme and identifying short term measures to address the situation. The Chief Operating Officer believed that

there was scope to use staffing more flexibly, while continue to provide a safe service. The Trust was good at flexing up but not so good at flexing down. There was however limited capacity to push forward in the current year on the transformation measures e.g. some theatre transformation.

7. Presentation – Surgery Clinical Business Unit

Hilary Jones, Associate Director of Operations Elective Business Units, and Ian Pridding, Clinical Business Unit Manager, in attendance.

The Clinical Business Unit Manager outlined the service issues facing the unit: 18-week backlog, Service Level Agreement delivery, readmissions, new-to-follow up ratio, and subspecialisation. In relation to income, this was behind plan for trauma and orthopaedics and oral surgery although reduced outpatient waiting times would improve this in the short term. There were issues nationally in relation to orthodontic follow up ratios. Additional costs were linked to increased activity in urology, trauma and orthopaedics, general surgery and audiology. Locums had now been appointed to keep this going and reduce the backlog and the introduction of a joint replacement database would assist to reduce the excess orthopaedic new to follow up ratio. The Clinical Business Unit was undertaking an analysis of readmissions and redesigning pathways to deal with the issues raised. The Interim Director of Finance challenged the Clinical Business Unit on their expected end of year position. The Associate Director said she expected the overspend to be no more than £500k although further initiatives were needed to deliver this. The Chief Operating Officer felt they were doable but at high risk and time-consuming. Mr Rankmore asked whether clinicians were signed up to the Clinical Business Unit's activities. The CBU Manager confirmed that there was increasing clinical support and that new consultants often brought new, more effective ways of working. The Associate Director advised that the Clinical Business Unit was already looking at CIPs for 2012/13 in terms of additional day cases, income generation and better theatre utilisation and work had already been done to reduce expenditure on locum doctors. Mr Johns was puzzled that the additional activity undertaken by the unit was not seen to be producing more profit. The Clinical Business Unit Manager advised that in relation to Moorfields, the majority of extra income was simply passed through to them. The Clinical Business Unit representatives were thanked for their presentation and withdrew.

8. 8.3 Activity update

The paper was received and an update would be provided for the November meeting. Mr Pickering queried the impact of clearing the 18-week backlog and was advised that there were issues with the PCT regarding treating patients too soon.

9. LONGER TERM FINANCIAL VIABILITY

9.1 Financial Risk Rating – September 2011

The Committee noted that the score was 2 a red rating because of the low EBITDA rating and the low income and expenditure surplus margin. Additional financial risks remained as previously although the Interim Director of Finance advised that a write-off of sums claimed from SEPT would improve the debtor situation.

9.2 Recommendations for the Development and Update of the Long Term Financial Model

The Interim Director of Finance explained that there was a need to refresh the long term financial model from November. Consultants had been employed because there were not the internal resources to ensure that the basic data and assumptions for the model were correct. The Committee asked that the assumptions used were agreed by the Trust Board before inclusion in the model.

10. MILTON KEYNES COMMUNITY HEALTH SERVICES HOSTING

An update paper had been circulated the previous day. The Interim Director of Finance explained the Trust's aim was simply to provide performance management and receive a hosting fee but there were issues with regard to different regional

views about the Department of Health's perception of what was appropriate. Discussions were still in progress. The Director of Nursing & Patient Services advised that the quality due diligence report was still awaited. The Chairman was concerned that the work involved in the project at this stage was potentially a diversion from what the Trust should be doing. It was agreed that an update should be provided to the Board meeting, including the strategic argument for the proposal.

11. EXTERNAL SUPPORT FOR THE TRUST'S EFFICIENCY PROGRAMME UPDATE

The Interim Director of Finance advised that a team of up to ten was now on site and was discussing the reporting structure. Basically the team was supporting the clinical teams to deliver this. The project to date was going well. Mr Pickering asked that the output due at the end of November should include appropriate bridge analyses.

12. GSTS PATHOLOGY CONTRACT

The Committee considered the paper from the Interim Director of Finance and was disappointed by the situation which had arisen. The Director explained that this was because the baseline of tests undertaken had been set too low and the lack of remedial measures specified for failure to introduce the proposed new costing system from September 2010. In relation to the pathology consortium proposal, there were significant procurement issues. Discussions were continuing and indeed the Chief Executive was discussing the matter with his opposite number from GSTS during this meeting. Mr Pickering felt it was important to understand the reason for the increase in the number of tests. Mr Rankmore stressed the strategic importance of the contract and congratulated the Interim Director of Finance for pursuing the issues now identified. The Committee agreed that in view of the weaknesses discovered in this contract other contracts should be reviewed to see whether they were sufficiently robust.

13. ESTATES KPIs

These were received. Mr Pickering queried the backlog maintenance figure and was assured that this was in line with previous reports.

14. DATE, TIME AND PLACE OF NEXT MEETING

The next meeting of this Committee would be held on 15th November 2011 at 10am in the Committee Room. It was agreed that the December meeting should take place on the 20th December, the day before the Trust Board. The programme of meetings for 2012 was agreed as follows:-

17 January
21 February
20 March
17 April
15 May
19 June
17 July
21 August
18 September
16 October
20 November
11 or 18 December

Alan Dickinson Dictated 23/10/11
Rosemary Roberts Transcription completed 25/10/11