

**BEDFORD HOSPITAL FINANCE COMMITTEE**

**Minutes of the Bedford Hospital Finance Committee  
Held at 10.00am on Tuesday 19 April 2011  
In the Committee Room, Bedford Hospital**

**Present:**

Mr D Gear, Chairman (DG)  
Mr R Rankmore, Trust Chairman (RR)  
Mr J Harrison, Chief Executive (JH)  
Mrs L Hunt, Chief Operating Officer (LH)  
Mr N Benjamin, Director of Organisational Development (NB)  
Mr K Lewis, Non Executive Director (KL)  
Mr G Johns Non Executive Director (GJ)  
Mr I Pickering, Non Executive Director (IP)  
Mr P Hutt, Non Executive Director (PH)

**In attendance**

Mrs H Mulhern-Wilson, Deputy Director Finance & Performance (HMW)  
Mr M Outen, Head of Financial Management (MO)  
Mr D Richards, Interim Director of Finance (DR)

**1. APOLOGIES FOR ABSENCE**

Mr E J Neale, Medical Director (EN)  
Miss E Jones, Director of Nursing & Patient Services (EJ)  
Mr A Dickinson, Trust Board Secretary (ALD)

**2. MINUTES OF THE MEETING OF THE BEDFORD HOSPITAL NHS TRUST FINANCE COMMITTEE HELD ON TUESDAY 15 MARCH 2011**

4.3 Details recorded at the bottom of page 2 had been repeated at the top of page 3.

5.1 Correction to the sentence beginning The Chief Operating Officer to *confirmed that these targets were currently being met, although there was an issue of sustainability of performance.*

JH questioned the relevance of paragraph 5.1. To be removed.

5.4 Rolling 12-month Cash Flow forecast – JH suggested this be taken outside of the meeting and amended as necessary.

6. It was requested that the wording be changed from fantastic to significant

The following sentence had also been left incomplete :

The Chief Operating Officer felt there was some scope in relation to the new-to-follow-up ratio whereby..... The target is a number of specialties,

**3. ACTION LOG**

DG questioned the current length of the action log. RR commented that it suggested disarray. DR agreed that it required tidying up, with a review of completion dates.

71. To be removed

83/90 Report to be produced bi-monthly for committee

87. PH asked whether feedback had been received from Estates. DR agreed to take this up as part of CIP review.

NB commented that Occupational Health, and other services provided to 3<sup>rd</sup> parties were part of an on-going review, and he would report back in May. The meeting with the audit commission had been deferred until May.

88. Finance Department Structure  
DR provided verbal feedback that due to year end closure, the review had not been undertaken. IP commented that the process was to have been completed by the end of Dec 10. DR added that the setting of a date for the review was now important, and the finance team would turn their attention to this before the next finance committee. JH added that DR should be given a transition period, to formulate an opinion on areas requiring strengthening, and develop an implementation plan, and timescale. RR sought clarification of the consequences of the process, and the opportunities to develop a fully functioning department. DR added that he would welcome comment and feedback from colleagues.
89. Complete – To be removed
91. October Paybill Analysis  
NB provided verbal update. The vacancy process was being streamlined. Consultant vacancies would require the presentation of a business case. Call-out payments were currently being reviewed with new system to be implemented May/June 11.
92. Explanation of key variances  
Agenda item.
93. Workforce Report  
NB updated the committee that he was continuing to review and analyse the data and would report back. His initial view was that it was about effective day-day management. Agreed that this now be removed from the action log
94. Rolling 12 month cash flow forecast Agenda item
95. Operating Framework 2011/12  
DR provided verbal update. SLA negotiations were nearing completion, with the final stage being discussions around Non PBR activities.

#### **4. OPERATIONAL ISSUES**

##### **4.1 Overview narrative**

This report was noted.

##### **4.2 Financial Position at the end of March 2011**

DR reported that overall the revenue position was a surplus of £0.3m helped by the recent contract settlement. However, pay cost continue to rise. The surplus revenue position excluded the effect of £5.3m of asset impairments. The impairment effect will not count against achievement of revenue targets in the SHA's assessment of the Trust's financial performance.. Activity for the year was in excess of contracted amount by between 4-8%. Efficiencies fell short, delivering 76%, £3.8m of the required target. Capital expenditure was 2% more than the capital resource limit (CRL). Cash balances were managed to £4.5m achieving the EFL. The Financial Risk rating being recorded as a 3, against a target of 3.

NEDS were disappointed and surprised that the trust had exceeded the CRL having been reassured that achievement was possible. DR would be undertaking a review to ensure

adequate controls were in place in future.

PH thanked DR for the clarity with which the front summary presented the financial position. IP raised the point that the audit committee had concerns around the reconciliation of control accounts, and had this been completely resolved in order to provide sufficient evidence. On review of the finance report DG queried the £210k provision for rent charges, of which he was unaware. DR replied that this was a charge to SEPT for the use Weller Wing and had been a late disputed item, and it was appropriate to make a provision. IP asked whether the rent charge was based on capital charges. HMW responded it was based on market rental values, and added that legal advice was being obtained.

#### **4.3 Overview Report of Expenditure**

DR explained that the focus was on Clinical areas. LH asked how the 8% over-performance was reflected, along with the impact of CIPs. DR responded that CIPs need to be at an individual budget line level, and reports would need to be improved to provide a greater level of detail. New reports were being proposed to address the current issues. KL commented that the implementation of an effective cost system would address this. JH challenged this, and observed that an effective costing system would not resolve this, but would provide operational level detail and that the involvement of managers in narrative explanation would help. IP asked were the current data, and numbers available, being used effectively.

#### **4.4 Rolling 12-month Cash Flow Forecast**

DR updated the committee on the paper presented, highlighting how the position for 2010/11 had been impacted on as a result of over-performance charges not being paid in cash terms, and expenditure continuing to increase. He planned for better processes to be in place for 2011/12, whilst delivering CIPs and efficiency savings. JH outlined how capital expenditure would be controlled to assist the smoothing of cashflow, which had been missing in 2010/11. RR asked what guidance was given to trusts by Monitor on the level of cash balances. DR explained how Monitor undertake a 24 month cashflow review of the downside case, to ensure that the trust has sufficient flexibility including access to, for example, a working capital facility.

IP asked whether the trust would over-perform to similar levels in 2011/12, and what was the plan for dealing with over performance. LH responded that the trust planned to size itself to the level to meet the SLA requirement. Demand would then be managed through referral tracking, and seeking agreement with the PCT in advance, through deeds of variations. JH added that the SLA for 2011/12 was £3m lower than the 2010/11 outturn. RR asked whether the GP commissioner had been involved in this process, and if not this was a risk. DR and LH both confirmed that the GP commissioner would be invited to future meetings around this process.

#### **4.5 Activity Monitoring Month 12**

The report was noted. GJ considered that there was too much detail.

#### **4.6 Savings Monitoring Month 12**

DR had detailed earlier the 76% delivery achieved. The key for 2011/12 was a defined set of milestones for each project, and ensuring these were delivered, along with the setting up of a programme office to manage the process.

#### **4.7 Contract Monitoring Scorecard**

DR explained that this continued to be reported for the full year. HMW explained how this now reflected the full year risk.

#### **4.8 Capital Expenditure Summary**

The report was noted.

#### 4.9 **Financial Risk Ratings Month 12**

DR provided an update of Forecast 3, Achieved 3.

#### 5 **WORKFORCE REPORT**

NB advised that the report indicated that previous trends were continuing. Sickness levels continuing to fall, appraisal levels had risen to 71%, but that was not good enough, and a key objective remained to increase this.

GJ questioned the increase in vacancy levels, and sought re-assurance that there were no strategic issues. PH questioned how vacancies were spread between clinical and non clinical staff groups. NB confirmed that there were no one-off issues, and re-assured the group that analysis of vacancies was being undertaken with a proper managed approach. IP questioned an audit report which had raised issues with regards to Clinical and Non clinical training, and asked whether their findings should be future indicators. NB responded that the integration of Learning & Development, along with Medical training would address the balance.

RR commented that the report showed that there were a number of overspends, and extras, but the report did not reflect over-performance levels, and did not inform what was being done when staffing increases were not activity related.

DG questioned what was being done about it

#### 6. **SAVINGS PROGRAMME 2011-12**

DG questioned given the size of the programme its potential impact on patient care. DR responded that the executive was on the whole building the plans from the bottom-up ensuring that Business Units considered operational issues in formulating savings plans. The schedule presented the detailed work completed to date. Sessions had been set up with CBUs to review progress, to report back to next Board/Finance committee. The trust needed to keep a grip of spending on additional resources both in terms of revenue, and capital. Capital investment would need to demonstrate its financial benefit to the organisation and its strategic fit. The Communication department needed to be involved to encourage full organisation involvement.

KL raised the point of costing non patient care time, understanding this, and realising the savings opportunities. This could only be done with timesheets, and an effective costing system. JH responded that, whilst acknowledging the need to understand how the trust spends its current resources, he did not envisage a time level recording system being implemented within the organisation. DR added that we needed to look at how we could link existing internal feeder systems into a patient level costing system. GJ expressed further concerns at the quality of information. RR asked his NED colleagues for their views on the approach being taken on the implementation of systems, processes and controls critical to delivery.

PH commented that an effective costing system was the best way forward. He was considered that the scale of savings required would require a top-down approach, and asked for reassurance on how this was going to be managed. DG responded that the Patient Quality Assessment Impact of CIPs would continue to be undertaken by EJ. LH asked whether we were not once again in turnaround. She had received £6.9m of ideas, and these would be channelled through the programme office. GJ asked whether we would be able to identify loss making services DR suggested that there was only a marginal benefit from closing services, and it was more important to look at improving the efficiency of services.

JH asked for a level of pragmatism as to how the target would be delivered. RR responded that the quality of information was critical, and he was concerned at the size of

the challenge. The Board needed to be aligned for the challenges which would come.

DG suggested that the remit & membership of the Finance committee needed to be reviewed. PH felt the committee had become too operational, and needed to be more strategic. IP questioned the reasoning behind look at reports at such a level of detail.

**7. ASSET VALUATION & IMPAIRMENT**

DR presented a paper detailing the cause and effect of the £5.2m impairment reported:

- 1) Discussions with the district valuer had taken place to understand the reduction in the building cost indices.
- 2) IFRS accounting treatment required the trust to consider loss of economic value. None of the impairment was a result of loss of economic value.
- 3) Confirmation from the SHA that this impairment does not impact on the financial surplus achieved.

JH questioned when the ruling around 'loss of economic value' came in. DR confirmed that this was introduced for the production of 2010/11 accounts.

**8. ESTATES PERFORMANCE INDICATORS**

These were received.

**9. PROGRESS WITH COSTING UPDATE**

DR informed the committee that Qlikview had been purchased, and was being implemented the week commencing 18<sup>th</sup> April. The plan was to implement and learn from existing data, and reports. DR would head up the project board.

**10. ANY OTHER BUSINESS**

JH suggested the need to review ToR for the group and proposed inclusion of 3<sup>rd</sup> party contracts (GSTS / Moorfields).

IP stated under the 'Declaration of Interests' that he had been appointed as a non executive director of Latchways Plc

There was no other business.

**11. DATE & TIME OF NEXT MEETING**

10.00am Tuesday 17 May 2011.

MIO 20.4.11