

**Meeting of the Oxford Health NHS Foundation Trust**

**Finance and Investment Committee**

BoD 147/2018

(Agenda item: 14d)

Minutes of a meeting held on

Thursday 13 September 2018 at 09:00

in the Boardroom, Warneford Hospital, Oxford OX3 7JX

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| **Present[[1]](#footnote-1):** |  |
| Chris Hurst  Stuart Bell  Martin Howell  Mike McEnaney | Non-Executive Director (**CMH**) (Chair)  Chief Executive (**SB**)  Trust Chair (**MGH**)  Director of Finance (**MME**) |
| **In attendance:**  Dominic Hardisty  Wayne Heal  Hannah Smith  Michael Williams  Deborah Darch | Chief Operating Officer (**DH**) (*part meeting*)  Head of Property Services, Estates and Facilities (**WH**)  Assistant Trust Secretary (**HS**) (Minutes)  Financial Controller (**MW**)  Executive PA to Medical Director (minutes) |
| ***Oxford Pharmacy Store (OPS) Team:*** | |
| Mark Byrne  Jewel Mollah  Richard Roach  Michael Timms | OPS Sales & Marketing Manager (*part meeting*)  OPS Senior Financial Accountant (*part meeting*)  OPS General Manager (**RR**) (*part meeting*)  OPS Procurement & Logistics Manager (*part meeting*) |

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| **1.**  a | **Apologies for Absence**  Apologies for absence were received from: Kerry Rogers, Director of Corporate Affairs & Company Secretary; Paul Dodd, Deputy Director of Finance; and John Allison, Non-Executive Director. | **Action** |
| **2.**  a  b  c  d | **Minutes of the meeting on 12 July 2018 and Matters Arising**  The Minutes were approved as a true and accurate record of the meeting.  ***Matters Arising***  **Item 14(a) from 08 February 2018 – OPS Business Plan**  A presentation on the OPS FY19 Business Plan was noted to be on the agenda for the meeting at item 9 below; action completed.  **Item 11(c) from 12 July 2018 – item on Learning Disabilities to be scheduled for a future Board Seminar**  This action was noted to still be in progress – space may become available on a seminar agenda from December onwards.  **Item 16(b) from 12 July 2018 – Director of Strategy and Chief Information Officer (CIO) to be invited to future meetings to present on IM&T**  Action: to check that Martyn Ward, Director of Strategy & CIO, has been invited to attend future meetings. | **HS**  **HS** |
| **Estates and Capital Business** | | |
| **3**.  a  b  c  d  e | **Minutes of the Warneford Hospital Buildings and Estates Working Group meeting on 25 June 2018**  The Chief Executive and the Director of Finance presented the minutes at paper FIC 48/2018 and explained the concept of developing the site into a world-class medical and research campus, with shared educational facilities, through a potential joint venture with the university and a biotech business. If these suggestions were developed and went ahead then the joint venture partners would be individually liable for the fit-out costs of each of their respective facilities. If debt finance was required then the Trust would require regulatory approval. This concept could potentially be financially viable for the Trust to participate in and in the long term could set up a self-funding and capital-generating legacy for the Warneford hospital and site. However, the concept was subject to further work and development especially around maintenance costs and tax, legal and Public Dividend Capital (**PDC**) implications.  The Committee discussed processes to share the concept with the Council of Governors and the Governors’ Finance sub-group, NHS Improvement, commissioners and other partners in the Sustainability & Transformation Partnership (**STP**). HS reminded the Committee of its remit to: approve business cases over £500,000 and less than £2 million; and to recommend business cases over £2 million to the Board for review. The Committee noted that a formal business case would also be required for the Board to review. The concept was also subject to review and approval by joint venture partners.  The Chair noted how this innovative concept could be a positive message for regulators as well as demonstrating partnership working. He asked about next steps to develop and, if appropriate, approve the concept. The Director of Finance replied that the aim was to be able to sign up to a Memorandum of Understanding (**MoU**)in December 2018 therefore a formal paper should be presented to the Board by the end of November 2018.  The Chief Operating Officer commented upon the potential impact upon the Trust’s income and expenditure if the concept led to a significant cost pressure. The Director of Finance replied that the impact would be considered; he noted that at the stage of signing up to the MoU, working assumptions would be available but there may still be further work to do on the detailed figures.  **The Committee received the minutes and noted that a further update may be presented to the next meeting, prior to the Board receiving a business case at the end of November 2018.** | **MME**  **MME** |
| **4.**  a  b  c  d | **Minutes of the Capital Programme Sub Group meeting on 03 July 2018**  The Director of Finance presented the minutes at paper FIC 49/2018 and highlighted the opportunity, on page 4 at item 5(b), for the Trust to acquire the freehold interest in AG Palmer House. WH explained the strategic opportunities for the Trust to further develop around the Littlemore site and working with various partner organisations.  The Chair emphasised the need for a strong business case to support any further acquisitions, noting that the strategic direction of travel may instead be for Estates rationalisation rather than acquisition on a speculative basis. He reminded the meeting of previous discussions (at Board, committee and other meetings) around how the Trust planned to cope with demand for clinical space on the Littlemore site and that the Trust should avoid carrying costs which were not income-generating. The Director of Finance agreed and noted that this was not a decision the Trust should rush into.  The Director of Finance referred to the section on major project updates, on page 5 at item 6(b). He noted the potential of the Slade site for training purposes or further development. However, if that direction of travel were chosen then the Trust would be giving up land which had already received special planning permission for mental health services. If the Trust was to rationalise its estate then it would be unwise to reduce the footprint within it which had already received mental health planning consent as it could be difficult to obtain new mental health planning consent, especial as requirements were likely to increase.  **The Committee received the minutes**. |  |
| **5**.  a  b  c  d | **Capital Programme Sub Group report**  WH presented the report FIC 50/2018 which provided an update on approved capital schemes, a schedule of development schemes and a summary of the investment profile. He highlighted risks around expenditure currently allocated to the following projects:   * Manchester Tool (ligature) works and the future investment which may be required now that the most recent Manchester Tool audit had identified patients at Lambourne House as inpatients. Investment would be required to support this change of use and to change the risk profile of the building to meet inpatient standards; * works which may be required following the Care Quality Commission (**CQC**) inspection. Estates hub managers were reviewing the requirements and profiling potential investment required; and * any works which may be required to support the temperature monitoring system purchased following the CQC inspection. If air conditioning needed to be installed throughout all drugs rooms then this would require substantial investment.   The Chair asked whether it was feasible for requests for additional capital expenditure/budget to be met. The Director of Finance added that the Trust also needed to balance managing its cash spend. Any requests for additional capital expenditure over and above the agreed capital programme would be reported back to this Committee as the Capital Programme sub-group did not have the authority to exceed the limit set in the programme for the year. He reported that the Estates capital team was operating generally on plan and was expected to catch-up with scheduled commitments.  The Chief Operating Officer asked whether there had been any news of funding from the STP bid to support development of the Learning Disability Low Secure Unit (**LD LSU**). The Committee confirmed that an announcement had not yet been received from the STP.  **The Committee noted the report**. |  |
| **6.**  a  b  c  d | **Capital Programme financial update**  The Director of Finance presented the report FIC 51/2018 on the year-to-date financial position of the capital programme. Although capital spend was lagging behind plan, recovery was anticipated. The forecast year-end position for spend of £12.8 million therefore: (i) remained unchanged; and (ii) assumed slippage of £1.3 million - due to later than planned start dates for schemes such as the LD LSU and the Paediatric Intensive Care Unit (**PICU**) (for which PDC funding had been secured). The Chief Operating Officer added that there had been helpful discussions between Estates and the Children’s service on the PICU scheme.  The Chair suggested that it may be helpful for future reporting to also set out commitments on a regular basis.  The Chief Operating Officer referred to the plan for LD flats/step-up service and reported that it may be possible to secure additional funding from NHS England.  **The Committee noted the report**. | **PD/**  **MME** |
| **Finance** | | |
| **7.**  a  b  c  d  e  f  g  h  i  j  k  l | **Financial plan and utilisation of reserves**  The Director of Finance gave a presentation on the Financial Recovery and Sustainability Plan. He explained that the Month 5 position had been worse than expected in particular due to: variance from plan in relation to Provider Sustainability Funding; and an increase in the agency run rate, making Month 5 the month with the highest agency spend. He emphasised the severity of the position.  The Committee reviewed the position on clinical directorates. The Director of Finance explained that the Adult Directorate was in a worsening position; the Children & Young People’s Directorate had been performing well during Quarter 1 and close to break-even but was now starting to experience pressure from agency and locum medical spend; and whilst the Older People’s Directorate had been in a good position, this was now starting to slip.  The Chair commented upon the one-off adjustments which were contributing to the overall deteriorating position and potentially making it more difficult to analyse the underlying run rate trend. He expressed most concern about the run rate trend and increasing pressure on operational budgets.  The Director of Finance noted that he would present in more detail to the Board in private session at the end of September and would set out the forecast, risks, opportunities, sensitivities and a range of potential actions and possible outcomes in order to develop a revised forecast for submission to NHS Improvement at the end of Quarter 2. In the meantime, he set out the in-year actions which were taking place, as per slide 4. Financial recovery plan meetings for each directorate were in the process of being set up; these would help to develop action plans by service lines and were a more detailed approach than had been taken previously. The finance team was dedicating time to driving productivity schedules and reports.  The Committee asked the Chief Operating Officer about leading a Trust-wide “save it” campaign to generate more savings/Cost Improvement Programme (**CIP**) ideas. The Chief Operating Officer recommended caution after a few years of similar campaigns, noting that each year of such a campaign saw diminishing returns. The Director of Finance acknowledged the challenge to maintain momentum but stated that it was important to communicate clearly that finances were even tighter than in previous years and that staff could help to contribute towards minimising spend. He emphasised that this was not about cost cutting but about achieving staff engagement with a commitment to minimise spend.  The Trust Chair referred to the cost of Out of Area Treatments (**OATs**) and the impact of the Trust being insufficiently funded to provide capacity to treat. He asked how much of the deficit may be related to the Trust having received less income than originally planned for. The Director of Finance replied that this was relevant to the proposals for the Trust to achieve longer term sustainability. However, in the first instance it would be more important to focus on achieving the best possible financial outturn this financial year and to demonstrate with rigour that all reasonable actions were being taken to manage budgets.  The Committee considered whether the Trust’s commitment to help the wider health and social care system, by providing additional capacity, was resulting in the Trust over-delivering against what it was funded to do. The Chief Operating Officer noted that there was a possibility that this was the case and it would need to be considered carefully in the light of winter planning. He added that the more significant concern for community services was that Delayed Transfers of Care were not reducing therefore the opportunities were not available to correspondingly reduce bed stock once patients had been transferred to reablement services. In the meantime, mental health services were considering alternative care models to support ‘stranded patients’ and work was taking place to try to understand why the longest delayed patients had been delayed.  The Trust Chair noted that although workforce pressure was a difficult challenge, it was important to try to reduce high agency spend. The Chief Operating Officer agreed but referred back to the point made by the Director of Finance that it was also important to demonstrate with rigour that all reasonable actions were being taken to manage budgets. He noted that more work could be done especially around longstanding agency staff (some of whom may have been contracted for up to 12 months or more) who were costing commission/an agency premium. The Chief Executive advised that the Director of Nursing and Clinical Standards and the Medical Director should also be consulted to ensure that any reduction in agency usage was also clinically appropriate.  The Director of Finance referred to longer term sustainability and asked about the potential impact for the Trust in working towards greater strategic integration and transformation, at the possible expense of internal focus. He noted that the organisation should challenge itself on its priorities; consider what activity should be accelerated and what could be ceased or delayed; analyse profit and loss by contract; review income and the cost of delivery; and identify where it was operating efficiently (or not) and where productivity may have improved (or deteriorated). He emphasised the importance of taking stock of the financial consequences of decisions made.  The Committee considered the relative impact of profit and loss by contract and by county, noting the particular challenge in Oxfordshire. The Director of Finance added that further profit and loss analysis could consider reference costs and benchmarking costs and attempt to analyse the impact of relative efficiency upon productivity. He reminded the meeting of the independent work being conducted by Trevor Shipman, Non-Executive Director at Kettering General Hospital NHS FT, to review levels of investment in mental health in Oxfordshire and Buckinghamshire and which would also consider NHS benchmarking data around mental health service delivery. He noted the importance of this in considerations around funding for mental health services. The data around the Trust’s few number of beds against high length of stay also indicated that services were doing everything that they could under difficult circumstances.  The Chair noted that many of the short-term pressures which the Trust was facing were driven by the imbalance between demand for services and funded capacity of services to provide care. However, the way in which the Trust handled these pressures was critical in supporting the case to be made to commissioners for funding. The Trust Chair agreed that all reasonable efforts should be made to deliver against budgets and to manage situations which were in the Trust’s control, whilst acknowledging that there were also factors outside of the Trust’s control, such as OATs and lack of funding, which were impacting upon the Trust’s ability to perform against budgets. The Chair noted that services having been pushed beyond a reasonable point may increasingly struggle to bridge the gap between demand and capacity. The Chief Executive added that where this then began to impact upon staff, this in turn could lead to increased agency usage. In order to recover the position on agency, it would be necessary to reduce the pressure on staff – by reducing pressure on the system.  **The Committee noted the presentation and that this would be discussed further at the Board in private session in September 2018.** |  |
| **8.**  a  b  c | **Cost Improvement Programme (CIP)**  The Chair presented the report FIC 53/2018 on delivery of CIP at Month 4 and the forecast to year-end. Given the risk of under-delivery on CIP, he asked whether there were any areas where additional support may be able to leverage more progress. The Committee noted opportunities to accelerate projects to: cut agency usage and save on agency premiums; and improve service line productivity.  The Chair noted that when a system was already working beyond capacity then its ability to reduce cost through increased efficiency would rapidly decrease, as a by-product of the imbalance between demand and capacity.  **The Committee noted the report.** |  |
| **Oxford Pharmacy Store (OPS)** | | |
| **9.**  a  b  c  d  e  f | **OPS Performance Report and Business Plan FY19**  The OPS Team joined the meeting and RR presented: the report FIC 55/2018 on OPS’ performance; the OPS Board minutes at paper FIC 56/2018; and a presentation on the OPS Business Plan FY19. He highlighted that although 84% of sales were to NHS hospitals, OPS was also starting to diversify into non-NHS hospitals.  The Chief Executive asked about the further investment in the OPS quality team, following the Medicines and Healthcare products Regulatory Agency (**MHRA**) inspection in 2016. RR confirmed that the quality team had been strengthened. The Chief Executive noted that quality and regulatory compliance should be considered core costs of doing business in this sector and added that the impact of ever increasing regulation and higher MHRA standards should be recognised as risks for OPS.  *The Chief Operating Officer left the meeting*.  The meeting discussed whether to bring a quality report from OPS to one of the quality sub-committees on a regular basis. The Director of Finance noted that he would consider whether this should be to the Well Led quality sub-committee or to the Safety quality sub-committee.  The Committee discussed risks for OPS including around implementation of the Falsified Medicines Directive and the potential impact of Brexit (whilst noting the central position on Brexit from the Department of Health & Social Care and guidance from the MHRA). The Chair asked whether OPS was exposed to any currency risks from Brexit. The Director of Finance replied that OPS did not deal directly in foreign currency although he acknowledged that there could be an impact upon purchase prices.  The Chair and the Chief Executive thanked RR and the OPS team for their presentation. The Chair reminded the Committee that he and John Allison had visited OPS; he praised the teamwork, cohesiveness and efficiency of the operation.  **The Committee noted the reports and the presentation.**  *The OPS team left the meeting.* | **MME** |
| **Cashflow** | | |
| **10.**  a  b | **Cashflow report**  The Director of Finance presented the report FIC 52/2018 and noted that pressures on cashflow would also be considered as part of discussions around underfunding of services.  **The Committee noted the report**. |  |
| **Information Management & Technology (IM&T)** | | |
| **11.**  a | **IM&T update report**  The Chair noted that an update report was not available but that as far as meeting attendees were aware, there was nothing urgent to report. The Chief Executive suggested that future reporting could be from the Digital Strategy Group (chaired by the Medical Director), so as to avoid duplicating reporting unnecessarily. The Director of Finance to discuss future IM&T reporting, potentially from the Digital Strategy Group, with the Director of Strategy & CIO and the Medical Director. | **MME** |
| **Corporate** | | |
| **12.**  a  b | **Finance and Investment Committee annual report**  The Chair presented the report FIC 57/2018 and suggested that it be amended to:   * include the Committee’s consideration of Service Line Reporting (especially further to discussion earlier around developing action plans by service lines in relation to the Financial Recovery and Sustainability Plan); * reference the importance of considering alternative approaches to CIP formulation this year, especially in light of recognised difficulties in continuing with a traditional CIP approach; * revise references at 2.3 to capital expenditure slippage due to staffing issues with reference instead to short-term vacancies in the Estates team; and to commitment being closer to forecast with reference to financial commitments being closer to the year end; and * check the reference at section 1 to deputies being counted in the quorum and attendance as this may not be accurate for the current terms of reference of this Committee, but could be a useful addition.   **Subject to the amendments requested above, the Committee noted the report.** | **HS/KR** |
| **13.**  a  b  c | **Inquests and Claims (legal services) annual report 2017/18**  HS presented the report FIC 58/2018 which set out the detail of claims, inquests and other insurance and legal services activity, including the cost of membership of the NHS Resolution (**NHSR**) indemnity schemes and the cost of spend with the Trust’s solicitors. She highlighted the benchmarking data which demonstrated that the Trust was not an outlier on spend compared to a selection of other mental health trusts including trusts which had achieved ‘outstanding’ CQC ratings.  The Committee discussed the importance of getting the message out to teams about being more cost conscious in relation to incurring legal spend with the Trust’s solicitors, especially in relation to one-off corporate matters.  **The Committee noted the report.** |  |
| **14.**  a | **Any Other Business**  No further business to discuss. |  |
|  | The meeting was closed at: **11:30**  **Date of Next Meeting: Thursday, 15 November 2018 09:00 – 11:30 in the Boardroom, Warneford Hospital, Headington, OX3 7JX** |  |

**Attendance 2018 - 2019**

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|  | **May 2018** | **July 2018** | **Sept 2018** | **Nov 2018** | **Jan 2019** | **Mar 2019** |
| Chris Hurst |  |  | *✓* |  |  |  |
| John Allison |  |  |  |  |  |  |
| Martin Howell |  |  | *✓* |  |  |  |
| Stuart Bell |  |  | *✓* |  |  |  |
| Mike McEnaney |  |  | *✓* |  |  |  |
| Kerry Rogers |  | *x* | *x* |  |  |  |
|  |  |  |  |  |  |  |
| Dominic Hardisty |  |  | *✓* |  |  |  |
| Paul Dodd |  | *x* | *x* |  |  |  |
| Claire Dalley |  |  | *Deputy* |  |  |  |
| Hannah Smith |  |  | *✓* |  |  |  |

1. Quorum is 3 members to include at least two non-executive directors (which could include the Trust Chair) and one executive director. [↑](#footnote-ref-1)