



## Finance & Investment Committee (F&IC) Meeting Minutes

**Venue:** Boardroom, Springhill 2  
**Date:** Monday 24 September 2012  
**Time:** 1000 hours

### Attendees:

Name	(Initials)	Title
Roger Holmes	(RH)	Non-Executive Director (Chair)
Elaine Bond	(EB)	Non-Executive Director
Rod Barnes	(RB)	Executive Director of Finance & Performance
David Whiting	(DW)	Chief Executive
Mary Waring	(MW)	Non-Executive Director

### In attendance:

Anna Rispin	(AR)	Associate Director of Finance
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### Observing:

Barrie Senior	(BS)	Non-Executive Director
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### Apologies:

Pat Drake	(PD)	Non-Executive Director
Joanne Halliwell	(JH)	Associate Director for Business Development

### Minutes produced by:

Jo Wilson	(JW)	Executive PA to Executive Director of Finance & Performance
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		Action
<b>1</b>	<p><b>INTRODUCTION &amp; APOLOGIES</b> Apologies were noted as above.</p> <p>The Committee thanked RH for all his hard work as Chair of the Finance &amp; Investment Committee which has resulted in a good flow of work and level of challenge coming through the Committee.</p> <p>RH thanked RB and his Finance team, past and present for their input into papers and to JW for her support in the administration of this Committee.</p> <p>Discussion took place regarding timely receipt of meeting packs. Whilst it was appreciated that time constraints with regard to the Foundation Trust timetable sometimes made this difficult, it was noted that Non-Executive Directors (NEDs) need sufficient time to read these packs to do them justice and give appropriate challenge.</p>	

		<b>Action</b>
	<p><b>Action</b> Feedback from the SHA relating to the 6 September meeting is to be circulated to the Committee.</p>	<b>JW</b>
<b>2</b>	<p><b>Review of Members Interests</b> There were no interests to be declared in relation to the agenda items.</p>	
<b>3</b>	<p><b>Downside Risks</b> RB presented for discussion and challenge, previously circulated downside risk templates for:</p> <ul style="list-style-type: none"> <li>• Non-pay inflation 1% greater than plan</li> <li>• Marginal income reduced to 50%</li> <li>• A&amp;E demand 2% less than forecast</li> <li>• ECS funding not approved</li> <li>• CIP not delivered by 25%</li> <li>• Payment by Results introduced for ambulance trusts</li> <li>• Major trauma</li> <li>• Delayed 'go live' resulting in payment of liquidated damages</li> <li>• 111 – loss of contract at 3 year review point</li> <li>• A&amp;E contract penalties including severe weather plan</li> <li>• PTS contract loss (South and East)</li> <li>• PTS CQUIN and PTS contract penalties due to non achievement</li> </ul> <p>RB advised that this is the first review of these templates prior to them being presented to the Trust Executive Group (TEG).</p> <p>It was questioned as to how do we know that the list is complete? RB advised that the process has taken into consideration the internal risk registers, board assurance framework, triangulation with three other ambulance services, feedback received from the SHA on the IBP and LTFM and discussion at board meetings.</p> <p><u>Non-pay inflation 1% greater than the plan</u> The following was noted or questioned:</p> <ul style="list-style-type: none"> <li>• A number of reserve schemes should cover the mitigation for this risk</li> <li>• The proposed use of existing resources need to be more specific with regard to current constraints</li> <li>• The LTFM will show the actual figure that the 1% is being calculated against</li> <li>• The risk of double counting was discussed.</li> </ul> <p>The Trust need to reach a point prior to submission where it is agreed which scenarios will be used as a model for downsides. The compound downside case will be made up of around 5 out of the 11</p>	

	<b>Action</b>
<p>scenarios based on those reviewed as most likely to occur. There needs to be an overview of mitigations to see how large the task is and sensible grouping to ensure no double counting.</p> <p><u>Marginal income reduced by 50%</u> The following was noted or questioned:</p> <ul style="list-style-type: none"> <li>• Do we have a handle on marginal cost baseline (reference costs)? RB advised that work had commenced in Finance to confirm the genuine cash outlay and this work should be completed within the next few weeks.</li> <li>• Further reduction in overtime and managing demand should cover the mitigation for this risk</li> <li>• Discussion took place with regard to PTS and whether exiting the market could be used as mitigation in terms of the cost to the Trust</li> <li>• It was questioned whether the baseline is fixed and it was confirmed that this was a cost and volume contract</li> <li>• It was questioned whether mitigations are robust enough.</li> </ul> <p><u>A&amp;E demand 2% less than forecast</u> The following was noted or questioned:</p> <ul style="list-style-type: none"> <li>• This scenario reflects the risks around demand assumptions and associated income. ORH modelling calculated 3% demand increase each year but in the base case this now shows 2.5% so this has already mitigated some of the downside</li> <li>• Activity could still be lower</li> <li>• Mitigation for this scenario would be around not incurring overtime, vacancy freezes and flexing capacity to deal with demand</li> <li>• It was questioned what was the proportion of staffing cost and this was confirmed as 73%</li> </ul> <p><u>ECS funding not approved</u> The base case assumption is that recurrent funding is received to support the implementation and full rollout of ECS from September 2012.</p> <p>The following was noted or questioned:</p> <ul style="list-style-type: none"> <li>• The rollout of this implementation is slipping and the IT capital programme has been revised down to absorb some of that pressure. It may be that the Trust chooses not to implement this in the tight environment or alternatively could operate a stop-start rollout.</li> <li>• Careful thought needs to be taken with regard to the impact on any other CIPs affected through the non-rollout of this</li> <li>• Mitigations do not fully cover this</li> <li>• The general view of the Committee is that they wouldn't want to be undertaking this project and this message needs to be strengthened in the document. Further thought needs to be given to finding a route that completely mitigates this.</li> </ul>	

	<b>Action</b>
<p>The only comment with regard to this risk is not to undertake the implementation at this time.</p> <p><u>PTS contract loss (south and east)</u>  The following was noted or questioned:</p> <ul style="list-style-type: none"> <li>• A number of staff will TUPE across to new provider</li> <li>• This scenario would result in the need for less estate going forward</li> <li>• It was questioned whether one loss would lead to another and would the Trust be challenged on this going forward? It was advised that commissioning at local level would offset this. Local issues are being worked through at the moment</li> <li>• It would be useful to share commissioner intentions and comments.</li> </ul>	
<p><b>Action</b>  RB to produce a one sheet overview detailing expenses and net income and circulate this to the Committee.</p>	
<p><u>PTS CQUIN and PTS contract penalties due to non achievement</u>  The following was noted or questioned:</p> <ul style="list-style-type: none"> <li>• The mitigation for this is that the Trust better manage operations to minimise contract penalties and the impact that they have on income.</li> <li>• It was questioned whether the Department of Health and Monitor accept this as a mitigation when this is not likely to happen? RB advised that there is a track record of service improvement</li> </ul> <p><u>111 – Delayed ‘go live’ resulting in payment of liquidated damages</u>  The following was noted or questioned:</p> <ul style="list-style-type: none"> <li>• The project team have bolstered the project management resource to mitigate this delay</li> <li>• It was suggested that it may be better to take the hit of increased costs rather than impact on the project deliver at a later date</li> <li>• A fully detailed project plan to manage these possible delays was requested</li> <li>• As the delay is likely to occur at the last minute it was noted that it may be useful not to employ staff early. DW advised that these delays should be picked up a lot sooner if something is going to go off-track. The earlier these delays are highlighted the easier it would be to consider downsides.</li> </ul> <p><u>111 – loss of contract at 3 year review point</u>  The following was noted or questioned:</p> <ul style="list-style-type: none"> <li>• It was questioned how likely it would be for a stop to be called on the contract and should the Trust be modelling for this? DW advised that it was unlikely that the commissioners would pull the plug in the first three years. With this in mind it was</li> </ul>	

	<b>Action</b>
<p>questioned whether the something should be included in the downside to rationalise and reflect this</p> <ul style="list-style-type: none"> <li>• It was questioned whether there would be integration of 999 and 111 call centres? DW advised that these call centres would be separate for the first two years until the 111 service is up and running</li> <li>• As this scenario assumes that someone else would take the contract on, it was questioned where this would leave the Trust with management of staffing costs? RB advised that this would be a national decision as this service is a way of absorbing demand rather than this going to GPs</li> <li>• This scenario needs to be clear that the service will be provided by someone, if not the Trust.</li> </ul> <p><u>Payment by Results introduced for ambulance trusts</u> The following was noted or questioned:</p> <ul style="list-style-type: none"> <li>• It was questioned whether the numbers allow for the base case to assume savings from the new workforce model? RB advised that additional savings occur when protection rates stop after five years</li> <li>• It was noted that 2014/2015 is perhaps not the right year to commence this because too many other things would have had to have happened by then. This would have been better to commence in 2015/2016</li> <li>• The reference cost position was discussed</li> <li>• Lessons learned from the acute sector may be helpful</li> <li>• Negotiation of geographic tariffs was noted</li> <li>• Reduction of dual response on scene was discussed. Modelling will be undertaken for this over the next five years.</li> </ul> <p><u>A&amp;E contract penalties including severe weather plan</u> This scenario relates to a 2% contract penalty if we fail to delivery RED8 performance, which equate to just over £3m.</p> <p>The following was noted or questioned:</p> <ul style="list-style-type: none"> <li>• Challenge has been received from the SHA questioning whether the Trust is being too hard as the downside has this in all of the five years and should this be reduced to two or three?</li> <li>• The view is that the Trust should look at a possible scenario to risk share with commissioners.</li> </ul> <p>It was questioned whether the mitigations that there could be further rationalisation of the Trust Executive Group. DW advised that this team had been reduced from eight to six but the whole structure is being reviewed at the moment. Monitor would support such radical measures if the organisation was failing.</p> <p>Comments received on each of the scenarios made will provide an overview of the scale of the mitigations and give some concept of what the Trust would accept as a bundle of mitigations.</p>	

	<b>Action</b>
<p>It was questions when would be the next time that these scenarios would be brought back to the Committee for review?</p> <p><b>Action</b> Following the meeting the mitigations will be re-visited and circulated by close of play on Friday 28 September.</p>	
<p><b>4 Mitigations</b> These have been covered within discussions in Item 3.</p>	
<p><b>5 HDD2 Report and Action Plan</b> RB updated the Committee on progress made following the HDD2 report being presented at the previous F&amp;IC.</p> <p>Since the last meeting the FT Programme Team have produced an action plan to address the issues raised in the report. All actions have been allocated a lead director and RAG rated.</p> <p>RB highlighted the following:</p> <ul style="list-style-type: none"> <li>• Workforce figures have been finalised last week</li> <li>• The LTFM continues to be worked on and there are three weeks to go before submission</li> <li>• Discussions with the SHA will take place on 4 October and these will include timeline and escalation process</li> <li>• There will still be outstanding areas once submission has been made but the Trust need to demonstrate significant progress on all areas of the action plan.</li> </ul> <p>Following discussion, concern was shown about the workload on RB's team and the large amount of milestones and deadlines to achieve within September.</p> <p>The committee noted the progress made.</p>	
<p><b>6 Five Year CIPs</b> AR delivered this paper updating the Committee on the progress of the five year cost improvement plan highlighting:</p> <ul style="list-style-type: none"> <li>• The main change is around finalising A&amp;E skill mix savings being lower than originally anticipated</li> <li>• Plugging the gap with Headquarter functions</li> <li>• EOC was delivering significant savings this year and next year and these figures has been revised</li> <li>• Mealbreaks has been revised for the first year due to ongoing staffside negotiations</li> </ul> <p>Following discussion it was noted or questioned:</p> <ul style="list-style-type: none"> <li>• It is unclear what overlap and dependencies exist. The grouping</li> </ul>	

	<b>Action</b>
<p>of these by lead may help to further understand this. AR advised that Deborah Ridley and her service transformation team will be looking at this once she starts in post.</p> <ul style="list-style-type: none"> <li>• It was questioned whether it was realistic to identify schemes to the value of 125% and whether these could be achieved? RB advised that he didn't think that the Trust are far away from achieving this, ensuring that there will then be headroom in the next two years. Some projects can also be brought forward from years three, four and five. The key work is in this year and next year with less concern in the latter years.</li> <li>• The Committee noted that they would like further input into future development and crystallisation of longer term business cases.</li> </ul> <p><u>Workforce</u></p> <p>The Committee received confidential figures which had been circulated prior to value for money reviews. These figures underpin the figures in IBP. There is obvious sensitivity around these is but was a useful exercise to do this and repeat the challenge second time around and sense checking what is going on in other areas that will impact cross-directorates.</p> <p>It was agreed that without any further level of detail then the Committee cannot give any thought and process to this and will lose something in challenge and debate in committee. Going forward dedicated committee time is needed for this.</p> <p>The Committee reviewed the following business cases:</p> <ul style="list-style-type: none"> <li>• PTS operational model</li> <li>• Switch to van conversions from modular build</li> <li>• Fleet vehicle (lease) reduction &amp; Fleet department review</li> </ul> <p><u>PTS operational model</u></p> <p>The PTS operational model will require a realignment of the PTS structure in a number of key areas.</p> <p>The following was noted or questioned:</p> <ul style="list-style-type: none"> <li>• A detailed model has been built up by the project team linked to Unipart work</li> <li>• Demand figures underpin the modelling work.</li> <li>• Diagnostic work from Hull and East and South links up with this modelling</li> <li>• Deliverability of staff change was discussed including high turnover rates when staff moves across to A&amp;E, recruitment for Band 3 ECAs. It was noted that vacancies should be manageable.</li> </ul> <p>The Committee agreed that this was a helpful paper but need to understand the operating model behind this and where the costs of reducing staff would be captured.</p>	

	<b>Action</b>
<p><u>Switch to van conversions from modular build</u>  Van conversions move away from existing modular build and the affordability and suitability of these vehicles from trials has been positive. The national group are looking at these conversions but the Trust have had ten van conversions in their fleet this year and these have proved cheaper to run, less fuel used and in some areas easier to use.</p> <p>Support was shown with regard to the move to van conversions and discussion followed regarding these vehicles in terms of ramps and tail lifts.</p> <p>The Fleet strategy needs to be flexible with regard to bariatric patients and where the Trust can do more with electric vehicles. A credible option needs to be thought through with arrangements for specialist patients to allow other vehicles to be van conversions.</p> <p><u>Fleet vehicle (lease) reduction &amp; Fleet department review</u>  This review has come out of the A&amp;E and PTS modelling work but is one of the strategies that is not being sought externally.</p> <p>The process has been useful in galvanising the fleet function and how they support some of the wider issues in the Trust. This is not a finished version but the six strategic objectives support the wider strategy.</p> <p>The change of working hours in the fleet strategy show a change from originally covering 8am – 4pm with everything else being picked up by out of hours. The strategy outlines cover from 5am – 11pm which would allow far more work to be completed before crew shifts and servicing work to be undertaken.</p> <p>Following a review of fleet management there are now lots of opportunities for development in this department and provides a transparency within the fleet management function.</p> <p>It was questioned what will drive productivity to achieve these savings and how these will this be measured?</p> <p>The Committee noted the update and looked forward to further updates as this develops.</p>	
<p><b>7</b></p> <p><b>Fleet Strategy</b>  RB presented this updated strategy.</p> <p>The Committee felt that this strategy was well written and structured.</p> <p>Ideas were discussed regarding the principle of purchasing of second hand or ex-lease vehicles to refresh the PTS fleet. It was noted that it was important not to land PTS with further debt as they need to prove</p>	



		<b>Action</b>
	<p>themselves sustainable as a service.</p> <p>All comments will be used to refine the strategy and this will be taken to the Board at the end of October.</p>	
<p><b>8</b></p>	<p><b>ICT Strategy</b>  RB presented this updated strategy following feedback at the last F&amp;IC and comments received outside of the meeting.</p> <p>Improvements have been to the document made in terms of factual elements but further work is needed to turn this into a strategy.</p> <p>It was noted that it was a challenging situation to complete this document as this is something that the SHA require as part of FT submission.</p> <p>It was questioned whether the board can approve a document with a view to this to being further developed and how would Monitor view this that we have a strategy in place pending further review? If the Trust put a promise forward for further review of strategy then this would need to have a timescale recorded.</p> <p>It was noted that as IBP had not yet finalised there may be areas of this that that impact further on the ICT strategy.</p> <hr/> <p><b>Action</b>  RB and DW to meet to discuss this strategy for board approval tomorrow.</p> <hr/> <p>The committee agreed with this way forward.</p>	
<p><b>9</b></p>	<p><b>Any Other Business</b>  There was no other business to discuss.</p> <p>Finally RB wished EB good luck and every success in her role as Chair of the Committee.</p>	
<p><b>Date and Time of Next Meeting – Thursday 8 November 2012 – Board Room</b></p>		