# **Approved minutes**

**Finance and Performance Committee**

**7 March 2023**

**MS Teams Meeting**

**Members**

Stephen McAllister Non-Executive Director *(Chair)*

Karen Kelly Non-Executive Director

Linda Semple Non-Executive Director

Jane Christie-Flight Employee Director

Callum Blackburn Non-Executive Director (from 1040)

**Core Members**

Gordon James Chief Executive

Carolynne O’Connor Director of Operations and Deputy Chief Executive

Michael Breen Director of Finance

Gareth Adkins Director of Strategy, Planning and Performance

**In Attendance**

Nicki Hamer Head of Corporate Governance and Board Secretary

Graham Stewart Deputy Finance Director

Carole Anderson Associate Director of Quality, Performance, Planning and Programmes

Catherine Sinclair Head of Research (Item 6.4)

John Scott Director of Facilities and Capital Projects (Item 7.1)

Susan Douglas-Scott CBE Board Chair

**Observer**

Rob Moore Non-Executive Director

Steven Wallace Non-Executive Director

Katie Johnstone Corporate Administrator

**Apologies**

Anne Marie Cavanagh Director of Nursing and AHPs.

Mark MacGregor Medical Director

**Minutes**

Christine Nelson Deputy Head of Corporate Governance

1. **Wellbeing Pause**

Stephen McAllister introduced the Wellbeing Pause, aimed at helping to maintain connections between colleagues.

**2 Chair’s Introductory Remarks**

Stephen McAllister opened the meeting, welcomed everyone and detailed the plans for the meeting

**3 Apologies**

The apologies were noted as above.

**4 Declarations of Interest**

Previous standing declarations of interest were noted.

**5 Updates from last meeting**

**5.1 Unapproved Minutes**

Minutes from the meeting held on 10 January 2023 were read for accuracy with the following amendment: Page 3, paragraph 2, “The cancellation rate had increased to 10.1%” (not decreased).

Following this amendment the Committee approved the minutes as an accurate record.

**5.2 Action Log**

The Committee agreed to defer the one live action regarding efficiency savings to a future meeting.

**5.3 Matters Arising**

There were no matters arising.

**6 Operational/Finance Performance Review**

**6.1 Operational Performance – Integrated Performance Report January 2023**

Carolynne O’Connor provided a presentation on the Operational Performance position.

* Ophthalmology: A total of 835 cataract procedures were carried out against a plan of 880. The year to date position remained 1% ahead of plan. Inpatient cancellation rate decreased to 2.1% but the 3% target continued to be achieved.
* Orthopaedics: Surgery cancellation rate was 5.8% against a target of 3%. A see and treat model was being considered to improve the rate. The overall waiting time for surgery remained at 4-5 months but the trajectory was 12 weeks by the end of May 2023.
* Endoscopy: A total of 602 scopes were carried out in January against a plan of 438. JAG accreditation status had been awarded to NHS GJ.
* General/Colorectal: 121 procedures were carried out against a target of 100. Cancellations reduced to 4.9% with the 7% target being reached.
* Heart Lung and Diagnostics: Cardiac surgery activity was ahead of plan at 26%. Cancellations increased to 16.7%, 10 due to emergency activity. Ongoing focus on Day of Surgery Admissions (DOSA) and Enhanced Recovery After Surgery (ERAS) to reduce length of stay.
* Scottish National Advanced Heart Failure Service (SNAHFS): Transplant total was 31 at 31 January 2023.
* Thoracic Surgery: Outpatient waiting list was at 96 and inpatients at 65. No patients were waiting over 12 weeks. Cumulatively 2% under target (23 procedures).
* Interventional Cardiology: Coronary – elective/urgent activity was 3% below plan. Issues were being experienced with lab breakdowns which had been escalated. Electrophysiology (EP) was 9.6% below plan due to complexity of cases and displacement to provide more clinically urgent activity. The waiting list position was deteriorating due to low capacity. A business case was pending.
* Cardiology: Transcatheter Aortic Valve Implantation (TAVI) – Plan to increase capacity during quarter 4 with a year-end forecast of 208 procedures and 229 procedures confirmed for 2023/24.
* Radiology: Cumulative activity was 7% ahead of YTD target. Reporting capacity across Scotland continued to be a significant challenge.
* Golden Jubilee Conference Hotel (GJCH): Performance YTD exceeded expected income generation by 20%. Expectation of 60% of NHS training historically held onsite would now be held virtually. Profitability assessments of all rates/tariffs had been completed for 2022. Pricing and strategic commercial meetings had taken place to ensure total profit optimisation for 2023/24.

The Committee thanked Carolynne O’Connor for the positive report and noted in particular the Hotel performance within the current environment and acknowledged the amount of training which had moved to an online format.

Carolynne O’Connor highlighted the Scottish Adult Congenital Cardiology Service (SACCS) investment, adding that the team were working on demand and capacity in order to improve the position.

The Committee noted the high activity within the transplant programme and highlighted the need to understand the pressure on the service and whether a higher amount of financial support should be sought.

The Committee noted the National Services Division (NSD) plan to continue on the current trajectory for small volume, high skilled work and the need to be clear on coordination of planning and activity.

The Committee noted the Endoscopy support offered to some Health Boards, that there was scope to potentially support other specialties and acknowledged the amount of work that Mark MacGregor had undertaken in this area.

Carolynne O’Connor informed the Committee of a case going to Executive Leadership Team (ELT) regarding Anaesthetist cover in complex EP work with a sustainable plan for TAVI. A Cath Lab would then be used for EP also.

The Committee approved the Operational Performance Report.

**6.2 Financial Report as at 31 December 2022**

Michael Breen reported the Month 9 financial position, including the following comments/observations:

* The overall income was £0.771m above plan.
* The expenditure was £0.701m overspent year to date (YTD) with largest pressure against surgical supplies (£1.743m) offset by the YTD pay underspends of £0.902m.
* Month 9 actual surplus versus YTD budget of £70k was reported.
* Financial Year End (FYE) efficiencies of £2.535m had been identified at Month 9.
* NHS GJ was on track to deliver the Financial Plan with a breakeven outturn forecast at March 2023.
* Anticipated full year funding allocations of £122.224m from Scottish Government (SG) with confirmed allocations of £79.433m confirmed at month 9 and a further £42.791m is anticipated this financial year.
* Core funding released at Month 9 was £80.105m.
* Other income totaled £61.594m equating to an over-recovery against the YTD budget of £771k mainly from increased hotel income against budget expectations.
* Expenditure overall overspend of £701k with favourable pay costs of £902k and adverse non pay costs of £1,603k.
* Month 9 efficiencies of £2.535m were identified with a further £0.367m forecast. The forecast to March 2023 was £2.902m with a gap to the Financial Plan of £1.688m. Further efficiencies were being sought.
* The key risks and current assumptions of the projected breakeven outturn included the pay award and Phase 2 recruitment being fully funded. Service Level Agreement (SLA) volume levels would be achieved, Cath Labs were covered and TAVI funding mitigated.
* The breakeven non-core position included depreciation charges, annual managed expenditure items and any impairment of assets.
* The revised capital plan at December 2022 was £36.220m with expenditure to date of £17.584m.

The Committee thanked Michael Breen for a clear presentation and asked what the risks were in relation to not achieving the identified efficiencies target set while maintaining an overall breakeven forecast. Michael Breen responded that the Finance Team were looking at both income and expenditure on a line by line basis to identify both additional income over budget expectations, further expenditure savings within baseline budgets (mostly staffing categories) and reserve budgets held for particular purposes e.g. in-year pay pressures and given our current position there was a confidence that a breakeven status would be achieved in March 2023.

Steven Wallace agreed the inflation point within the presentation and discussion was a key variable and suggested including some narrative based on last year’s costs to illustrate this. Michael Breen agreed with the point around inflation and highlighted that the final report in Month 12 would cover key income and expenditure variances to assist in forward planning including a high level analysis of the in year effect of inflation within key budget lines.

Linda Semple stated it would be useful to know the details within the efficiency plans, as targets were not met during the past two years, and to see a detailed efficiency breakdown. Michael Breen responded that efficiency savings achieved for 2022/23 would be reported to the May meeting with regular updates provided thereafter on the programmes to deliver efficiencies during 2023/24 onwards.

Karen Kelly referred to the Covid funding allocation for 2022/23 and asked what the remaining vacancy costs were as reported within the main report. Michael Breen stated these were posts were funded by Scottish Government on a non-recurring basis. Graham Stewart added that the Covid funding was awarded to help secure the safety of patient care. The risk had been reduced from c.£2.5m to £900k. Exit strategies were being considered but there was a £900k pressure within the HLD workforce. Karen Kelly asked whether those posts could be transferred to support existing vacancies elsewhere. Graham Stewart gave assurance that this was happening where possible and that Finance and the Division were working closely together on this.

The Committee approved the Financial Report as at 31 December 2022.

**6.3 Capital Update – January 2023**

Michael Breen presented the Month 10 Capital Update and stated that this would be a standing agenda item at future meetings.

Michael Breen reported that the revised plan was £36.220m with a YTD overall expenditure of £23.038m. The forecast to March 2023 was £30.873 resulting in a variance of £5.347m, £5m of which related to Phase 2 due to the timing of expenditure being incurred.

Michael Breen reassured the Committee that SG would rephrase funds to the following year and that regular updates were being provided to SG colleagues. Furthermore, plans were in place to ensure the core capital balance of £11,220 was fully committed by the end of March 2023.

The Committee noted the Capital Update for January 2023.

**6.4 Golden Jubilee Research Institute (GJRI) Quarterly Report**

Michael Breen invited Catherine Sinclair to provide an update on the Golden Jubilee Research Institute (GJRI) for January 2023.

Catherine Sinclair reported the primary focus remained on recovery of research activity and then to grow beyond previous activity levels with good progress made to date.

Catherine Sinclair highlighted the following:

* Innovation work progressing on the Caelus Drones project with the first flight planned for May 2023.
* West of Scotland Innovation meetings had been reinstated to support innovation projects.
* Workforce challenges were being addressed with recruitment of a Band 7 Research Manager and succession planning was being put in place for the Head of Research role.
* The total number of approved projects for quarters one to three were 36, a positive indicator of recovery and likely to result in an increase in income for the next financial year.
* TURAS completion rate was 88% for administrative staff and 65% for research support staff.
* Refurbishment of the clinical skills area to accommodate the NHS Scotland Academy (NHSSA) Simulation Centre was due to commence in spring 2023.
* Sickness absence within the team had impacted significantly on the team, but this was being addressed.

The Committee noted the increase in recovery.

Jane Christie Flight highlighted that the Motion and Analysis Lab had not been generating the anticipated income and asked what the plan was regarding this area. Catherine Sinclair agreed and gave assurance that this was being discussed with Mark MacGregor. Carole Anderson suggested this could be picked up through the vision and agreed to follow this up.

Steven Wallace asked what the financial impact of income was. Catherine Sinclair stated it came from the cost of research and generated more significant income from the research model. There was a cost neutral position but with no ability to expand there was a risk to generating income due to support services not being able to support all projects.

Gordon James stated that University of Glasgow (UoG) was interested in growing the research and innovation relationship with NHS GJ and that a visit was being arranged to look at the potential of increased collaboration between GJRI and UoG.

Stephen McAllister agreed that support from other organisations would be beneficial and suggested perhaps administrative support could be included.

The Committee approved the GJRI Quarterly Report.

**6.5 Finance Three Year Plan 2023-2026 (Current Draft)**

Michael Breen thanked the Committee for the opportunity for a more in depth discussion on the Financial Plan at the planned Extraordinary Finance and Performance Committee meeting scheduled for 16 March 2023 and provided an overview of the current position. The following was reported:

* The Financial Plan draft 1 was to be submitted to SG on 7 March 2023.
* There was significant volatility over the period under consideration in respect of financial planning, e.g. SG funding levels, pay awards and estimates on general inflation.
* Sustainability and value programmes would be required to balance the Financial Plan.
* In-year budget savings from April 2023 would include expenditure phasing, review of historic budgets and consideration of applying vacancy factors.
* A revised’ Value’ Work Programme approach would be adopted in 2023/24 focused on achieving significant recurring savings within 2023/24 to realise benefits for 2024/25.
* Key risks and current assumptions were highlighted including a fully funded pay award.
* The Annual Delivery Plan (ADP) and Financial Plan timelines did not align with the former having a July 2023 completion date and the latter requiring to be submitted to SG on 16 March 2023
* Further inflation and general cost pressures would impact expenditure estimates over the three year period.
* The non-core position required to break even over the three year period to cover depreciation charges, annual managed expenditure items and any impairment of assets.
* The expected value of the capital plan for 2023/24 was £34.228m although this was in advance of any discussions with SG colleagues around both the core capital funding limit and Phase 2 expected funding requirements.

Michael Breen reported that all aspects were being looked at ahead of the Extraordinary meeting next week and the current gap was expected to narrow.

Callum Blackburn asked what the assumptions were in forecasting around staff vacancies. Michael Breen explained the budget was currently based on a full establishment for the entire year but a vacancy saving would be delivered based on unfilled posts and natural turnover of staff .

Steven Wallace highlighted the potential for inflation to be more than 6% but acknowledged the difficulty of funding this within the context of limited increases in funding being made available. In relation to this point, Gordon James stated that a number of products used were subject to national contracts and that as contracts were maturing suppliers were not quoting lower costs going forward.

The Committee noted the report and thanked Michael Breen for the presentation, which gave context of the current position.

**7 Strategic Planning Update**

**7.1 Expansion Programme Update**

John Scott highlighted the impact of the changes to the electronic monitoring system, three phase power supply and steam safety pipework, resulting in a 13.8 week delay along with the resulting implications to the handover, commissioning period and opening date for treatment of the first patient.

John Scott reported that although cost implications were still to be determined, SG were supportive in principle of funding the additional costs incurred.

John Scott also provided an overview of the potential issues affecting the programme and key milestones to handover.

The Committee agreed it was disappointing that the project had been delayed but acknowledged this was necessary given the recent lessons learned exercise.

The Committee noted the Expansion Programme update.

**7.2 Delivery Planning Templates Q3 (Financial Year 2022/23) Review**

Gareth Adkins outlined the quarterly update on the ADP through submission of the delivery planning templates to SG.

Carole Anderson highlighted that the Committee meeting cycle did not align to SG timescales for the quarter three return and therefore the templates had been submitted in draft, pending Committee approval.

Gareth Adkins reported that medium planning guidance had been received and a further update would be brought to the Committee as part of the overall planning process.

Callum Blackburn asked for further information on the inequalities issue and risk re legal compliance. Gareth Adkins responded that this related to a reduction in staff and agreed to bring further information back to the Committee.

The Committee approved the Delivery Planning Templates for Quarter Three.

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| **Action Ref** | **Action** | **Lead** | **Status** |
| FPC230307/01 | Provide the Committee with further information on the risk relating to capacity to deliver equalities requirements. | Gareth Adkins | New |

**7.3 2023/24 Draft Activity Plan**

Carolynne O’Connor presented the draft Activity Plan for 2023/24, developed in parallel with Finance and Divisional Workforce plans, which took into account the complexity of predicting the impact of Phase 2 along with consideration of the Heart, Lung and Diagnostics (HLD) waiting list predictions. The following was noted:

* National Elective Services (NES) activity would be delivered through current theatre capacity/mobile until the Phase 2 facility opened. Weekend working was planned in Orthopaedics and Endoscopy from April 2023, when possible, to recover activity due to theatre 9 being unavailable. Confirmation was awaited from SG regarding the extension of the Vanguard mobile Endoscopy unit until March 2024, which would enable over 2000 procedures.
* HLD services proposed increased activity in elective/urgent cardiology to support management of demand. In addition, a significant increase in the TAVI plan based on agreement with West of Scotland Boards and a slight increase in EP and device plan. CT and Ultrasound activity would reduce as a result of cessation of Covid funding.
* The proposed NHS GJ activity plan total for 2023/24 would be 82,588 procedures which was a 1% increase on the 2022/23 plan.

Gordon James highlighted that the £2.4m allocation in relation to the Vanguard Unit would impact significantly on activity and it would be interesting to see what SG decided regarding this.

The Committee noted the 2023/24 Draft Activity Plan.

**7.4 Queens Quay District Heating Network**

Michael Breen provided an update on the development of the business case, adding that a further update would be presented to the next meeting with the intention to submit the Business Case to FPC late summer.

The Committee noted the update on the Queens Quay District Heating Network.

**8 Corporate Governance**

**8.1 Corporate Risk Register**

Michael Breen presented the Corporate Risk Register paper containing 6 risks within the remit and Terms of Reference for the Committee. The only change highlighted was the financial planning risk being upgraded from 9 to 16. The report would be presented to the next NHS GJ Board for approval.

Susan Douglas-Scott requested a new risk covering digital transformation of services to ensure better visibility of this key strategic area. The Committee discussed the e-health and digital portfolio and where it sat within the existing committee governance structures. Gareth Adkins confirmed this area was within the remit of the Clinical Governance Committee but would look into this further and consider whether it would be more appropriate for digital transformation to report into the Strategic Portfolio Governance Committee, given it was focused on projects. The Committee agreed for Gareth Adkins to present a paper on options to the Board in March 2023 for discussion and/or approval.

The Committee approved the Corporate Risk Register.

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| **Action Ref** | **Action** | **Lead** | **Status** |
| FPC230307/02 | Write a report for NHS GJ Board on digital health and transformation reporting and visibility | Gareth Adkins | New |

**8.2 Workplan Review (Financial Year 2023/24)**

Michael Breen referred the Committee to the proposed Workplan for 2023/24.

The Committee noted the Workplan and were reassured that it would be reviewed to reflect any necessary changes.

The Committee approved the Workplan for 2023/24.

**8.3 NHS GJ Board Workplan (Financial Year 2023/24)**

Gareth Adkins highlighted the NHS GJ Board Workplan for 2023/24.

The Committee noted NHS GJ Board Workplan.

**8.4 Terms of Reference Review**

Michael Breen presented the reviewed Terms of Reference for the Committee and highlighted the updated membership and attendees.

The Committee approved the reviewed Terms of Reference.

1. **Issues for Update**
   1. **Update to the Board**

* The Committee commended the outstanding operational performance with Orthopaedics Day of Surgery Admission (DOSA) rate being 56.8% and robotic knee replacements at 48%, both above target.
* The Committee commended the work in Endoscopy with NHS Lanarkshire and NHS Greater Glasgow and Clyde as well as transplant and colorectal activity.
* The Committee noted that Joint Advisory Group (JAG) accreditation had been awarded.
* The Committee noted the GJ Conference Hotel was 20% ahead of its income plan.
* The Committee noted the forecast breakeven position at year end despite the in-year efficiency under performance against the budget within the Financial Plan.
* The Committee received the Quarter three update on the NHS GJ Research Institute and noted progress towards recovery of research programmes and collaboration with other Research Institutes.
* The Committee received a presentation on the current draft Financial Plan for 2023/24 and supported the extraordinary meeting on 16 March 2023.
* The Committee noted the delay to Phase 2 of the expansion.
* The Committee agreed a paper on options to the Board in March 2023 for the governance structures to support the e-health and digital transformation portfolio.

**10 Any Other Competent Business**

Gordon James notified the Committee of a request to represent NHS GJ on 28 March 2023 at the SG Health and Sport Committee to provide an update on performance and key challenges.

**11 Date and Time of Next Meeting**

Thursday 11 May 2023, 10:00-12:00, MS Teams