

**To:** The Board

**For meeting on:** 28 January 2016

**Agenda item:** 5

**Report by:** Ralph Coulbeck, Director of Strategy

**Report on:** Joint corporate report

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## Introduction

1. Under their terms of reference, NHS TDA Board committees are required to submit minutes of their meetings to be noted at the next convenient Board meeting. In the case of the Investment Committee it has been agreed that the Board will receive a summary of cases approved rather than the minutes.
2. The Chairs of Monitor Board committees are also required to report to the Board after every committee meeting.
3. This report brings together all such reports. No Monitor Board committees have met since Monitor's last Board meeting on 16 December 2015. The following paragraphs detail committee activity since the last NHS TDA Board meeting on 19 November 2015.

## Investment Committee

2. The following capital cases were approved at recent meetings of the Investment Committee:
  - Leeds Teaching Hospitals NHS Trust Full Business Case for the Leeds generating station complex replacement project 33kv grid connection.
  - Plymouth Hospitals NHS Trust Outline Business Case for pathology managed facility contract.
  - Sandwell and West Birmingham NHS Trust Confirming Business Case for the Midland Metropolitan Hospital.

- Surrey and Sussex Healthcare NHS Trust Outline Business Case for a managed equipment service for radiology.

### **Audit Committee**

3. Minutes of the Audit Committee meeting held on 9 November 2015 are attached at annex A.

### **Finance and Procurement Controls Committee**

4. Minutes of the Finance and Procurement Controls Committee meeting held on 16 December 2015 are attached at annex B.

### **Recommendation**

5. The Board is asked to note recent committee activity.

**Ralph Coulbeck**  
**Director of Strategy**

## **Public Sector Equality Duty**

*Monitor has a duty under the Equality Act 2010 to have due regard to the need to eliminate unlawful discrimination, advance equality of opportunity and foster good relations between people from different groups. In relation to the issues set out in this paper, consideration has been given to the impact that the recommendations might have on these requirements and on the nine protected groups identified by the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion and belief, gender and sexual orientation).*

*As it is for information, it is anticipated that none of the recommendations of this paper will have an impact upon the requirements of or the protected groups identified by the Equality Act.*

### **Exempt information:**

*None of this report is exempt under the Freedom of Information Act 2000.*

**Minutes of the meeting of the NHS Trust Development Authority's Audit Committee held on 9 November 2015, Southside, London**

**PRESENT**

Sarah Harkness (Non-executive director) (Chair)  
Caroline Thomson (Non-executive director) (via telephone)  
Crispin Simon (Non-executive Director) (via telephone)

**IN ATTENDANCE**

Elizabeth O'Mahony (Director of Finance)  
Lynne Burgess (Secretariat)  
Joanne Raby (National Audit Office) (via telephone)  
Mark Wood (Price Waterhouse Cooper)  
Dale Bywater (Director of Delivery and Development – M&E) (item 3 only)  
Jeff Worrall, Portfolio Director (item 3 only)  
Gerry Murphy (Department of Health)

**APOLOGIES**

Mike Newberry, NAO  
Karen Finlayson, Price Waterhouse Cooper

**44/15 MINUTES OF PREVIOUS MEETING**

Minutes of the meeting held on 7 July 2015 were approved as a correct record subject to minor typographical amendments.

**45/15 MATTERS ARISING**

The NAO reported that the report on the review of Public Dividend Capital was still not available.

The Annual Report and Accounts 2014/15 had been laid before Parliament in July and formally received by the Board in September.

The report into the Ludlow Community Hospital had been issued to the Trust but had not yet been presented at a public board meeting. The report would be circulated to Committee members once this had taken place

The Director of Finance was working with colleagues at Monitor on a joint approach to 'turnaround' management; this was likely to focus on health systems rather than individual NHS trusts. Turnaround plans would be included as an agenda item at the next meeting of the Committee.

**46/15 IN-DEPTH RISK REVIEW – BENEFITS APPRAISAL OF THE DISSOLUTION OF NHS DIRECT**

The Director of Delivery and Development (Midlands and East) presented the outcomes of a benefits appraisal exercise linked to the dissolution of NHS Direct in 2014.

Following the decision to decommission the NHS Direct Service, there had been plans to dissolve NHS Direct in April 2013. These were shelved when the Trust

successfully secured a number of contracts to deliver the NHS111 service. Subsequently, the Trust gave notice of its intention to withdraw from the services thereby rendering it unviable as a going concern. Meantime NHS Direct staff members were retained for six months to deliver services unrelated to NHS111.

A multi-agency, national liaison group was established to develop and oversee the safe and timely transfer of services to other providers. All but one contract went to regional ambulance services.

The NHS TDA negotiated with the Commissioners to avoid the imposition of threatened fines. As a result of this, and other measures, the deficit for the Trust was reduced from a planned £26 million to £13 million. There were a total of 1039 redundancies and decommissioning costs of £69.2 million.

Overall, the exercise involved a high level of resource input from the NHS TDA. The lessons learned through the transactions /dissolutions /mergers that both Monitor and the TDA had been involved with will be updated in the Transaction Planning Guidance.

#### **47/15 INTERNAL AUDIT PROGRESS REPORT AND FINAL INTERNAL AUDIT PLAN 2015/16**

The internal audit plan had been subject to change in response to the announcement of the creation of NHS Improvement. Planned audits on Board Effectiveness, Joint Planning Arrangements, and Earned Autonomy had been removed and audits on the Success Regime and Turnaround Plans had been added.

The internal auditors had intended to present the report on Medical Revalidation to the Committee but it had not received sign-off from the NHS TDA.

The report on Cyber Risk had been drafted and was awaiting management response. Other audits were in the process of being scoped out with the exception of the audit on revised arrangements for reporting NHS trust performance which had not yet commenced. Reports on Medical Revalidation and Cyber Risk would be presented to the Committee in January.

The Committee discussed the audit on turnaround plans and the need for it to add as much value as possible. The Director of Finance was clear that the planned audit was still relevant even in the light of the current financial position, for instance by examining the quality of turnaround plans and the NHS TDA response and support to NHS trusts. There was scope for the audit to touch on national work being led by the NHS TDA Information team on improving the quality of data used in NHS trusts plans.

The Director of finance assured the Committee that the audit would be used to the best possible effect.

#### **The Committee:**

- **approved the final internal audit plan for 2015/16;**

- **noted progress with regards to delivery of the Plan to date.**

#### **48/15 INTERNAL AUDIT REPORT – PURCHASING AND PAYMENTS**

The internal auditor presented a report on the NHS TDA's Purchasing and Payments arrangements which had been awarded a rating of 'substantial' meaning that the framework of governance, risk management and control was adequate and effective. Two low risk observations had been made which would be followed up on by management.

#### **The Committee:**

- **noted the outcome of the internal audit on Purchasing and Payments and the award of a 'substantial' rating.**

#### **49/15 EXTERNAL AUDIT PROGRESS REPORT**

The external auditor presented the Committee with the audit planning report for the 2015/16 financial statement.

In line with usual audit procedures, there was a presumed risk of fraud through management override of controls. Two risks specific to the NHS TDA had been identified in relation to the impact of shared leadership and joint working with Monitor and the NHS Trust transformation programme.

The Director of Finance explained the Chief Executive's intention to create a single executive team for the two organisations in January and outlined the programme managements arrangements linked to the creation of NHS Improvement. The intention was to maintain straightforward financial arrangements to keep things as simple as possible whilst the two organisations remained as separate bodies. The Committee undertook to keep a watching brief on NHS TDA financial capacity and would review the position in January.

The external auditor highlighted changes to the structure of the Annual Report and Accounts which would be implemented in 2015/16. Changes to IFRS 13 and adaption of IAS 16 would not impact on the NHS TDA.

#### **The Committee:**

- **agreed that the assessment of risks to the financial statement was complete; and**
- **noted the content of the letter of understanding without comment.**

#### **50/15 STRATEGIC RISK REGISTER – QUARTER TWO**

The Committee reviewed the draft strategic risk register for quarter two and considered a number of changes proposed by the Risk Assurance Group.

The Committee agreed to the suggestion that three risks relating to NHS TDA capacity, joint working with Monitor, and multiple site working be consolidated into one but asked that the score be increased to 12, rather than nine. The Committee asked that the Integration Director, John Wilderspin, be asked to attend a future meeting to discuss how integration risks were being handled.

The Risk Assurance Group had suggested that the risk relating to segmentation of the NHS trusts be removed from the register as a result of changes in the NHS environment. However, the Committee asked for the risk to be retained on the register pending an explanation at the Board meeting about why the results of the exercise had not been published.

The Committee agreed that the risk relating to clarity of commissioning could be removed from the register.

In relation to risk number two (Financial Performance), the Director of Finance confirmed that despite the current limit on consultancy costs, business cases the TDA could still be approved expenditure of consultancy services where they demonstrated value for money and an appropriate use of resource.

In relation to risk number three (NHS Trust Planning 2015/16), the Director of Finance confirmed that often the cash management system enabled the TDA to spot early signs of financial deterioration in NHS trusts so that remedial actions could be put in place.

The Committee Chair queried whether the NHS TDA was working with Health Education England (HEE) on NHS trust workforce capacity (risk seven). The Director of Finance confirmed that a shared template had been issued for planning purposes. HEE was a member of a TDA Strategic Workforce Planning Group but did not attend regularly. The Director of Nursing was however actively engaged in discussion and picking up the issue with HEE.

The revised strategic risk register would be presented to the Board for discussion on 19 November.

#### **The Committee:**

- **agreed that the strategic risk register for quarter two be presented to the Board on 19 November, subject to the changes listed above.**

#### **51/15 SINGLE TENDER WAIVERS**

The Committee reviewed the Register of Waivers to Formal Tendering and Competitive Quotations. Four additions had been made to the register since the last Audit Committee meeting. The new cases had already been reviewed by the Finance and Procurement Controls Committee.

The Director of Finance confirmed that the NHS Provider's programme for Aspiring Leaders would continue as good governance remained a priority.

#### **The Committee:**

- **noted the contents of the Register of Waivers to Formal Tendering and Competitive Quotations.**

#### **52/15 AUDIT RECOMMENDATIONS**

A recommendation relating to the Audit Completion report on the 2014-15 financial statement audit remained open and was due for completion in July 2016. All other audit recommendations were completed and had been closed.

**The Committee:**

- **noted the position with completion of audit recommendations.**

**53/15 INTERNAL AUDIT WORKSHOP**

The Committee was presented with a set of slides relating to a recent workshop for NHS TDA staff on the internal audit process. The workshop had been a useful exercise and it was agreed that the slide pack should be offered for use in other organisations.

The Director of Finance highlighted the fact that the slides had proven to be the final piece of work completed by the NHS TDA's former Chief Financial Officer, David May, who had died earlier in the month. The Committee wished to express its regret at David's passing and record its appreciation for the significant contribution he had made to the NHS TDA and previously at other NHS organisations.