Sandwell and West Birmingham Hospitals NHS

NHS Trust

FINANCE & INVESTMENT COMMITTEE MINUTES

Venue Room 13, Education Centre, Sandwell General Hospital

Date 26th October, 0930h-1045h

Members attending:

Mr M Hoare (MH)	Non-Executive Director (Chair)
Mr R Samuda (RS)	Chairman
Mr H Kang (HK)	Non-Executive Director
Mrs M Perry (MP)	Non-Executive Director
Ms D McLannahan (DMc)	Acting Finance Director
Mrs R Goodby (RG)	Director of People and OD
Ms R Barlow (RB)	Chief Operating Officer

In attendance:

Mr T Lewis (TL)	Chief Executive

Minutes	**Paper Reference**
1. Welcome and apologies for absence	**Verbal**
No apologies for absence were received.	
2. Minutes of the previous meeting	**FIC (10/18) 001**
The minutes of the previous meeting were accepted as an accurate record.	
2.1 Matters arising and update on previous meeting actions	**FIC (10/18) 002**
All items on the action log were covered on the agenda/papers for today's meeting or completed/closed.	
3. Strategic Board Assurance Framework (finance risks)	**FIC(10/18) 003**
Ms McLannahan advised it is looking probable that we may not need to borrow cash in 2018/2019, which Mr Lewis commented was positive but asked for any risks. Ms McLannahan advised of 2 major risks which are capital programme slippage and IT costs. Mr Lewis asked that given the current financial projection for future years submitted with the Midland Met business case was it fair to say that reliance on a loan the risk is reduced. Ms McLannahan confirmed a loan is a less obvious part of immediate future. Mr Kang asked about when IT costs will be clear and Mr Lewis advised a paper is going to Digital MPA later today in his name and in terms of this year's money it is reconciled to the current financial forecast and he will pick this up further over the next two weeks (to ensure all elements are included) with Mr Sadler.	

In terms of the 2019-2023 IT plan there is confidence of the requirement to spend money but Mr Lewis could not advise at this stage if this was in addition to or instead or other spend. There is £5m in capital programme this year and next for the GP Practice, and we expecting to know how this will be nationally funded in December 2018. There is a decent number in capital programme.

Mr Samuda asked whether there are any timing issues with Unity and Mr Lewis replied that timing is a known risk against the revenue position. However, as Cerner use a different financial year there is payment term flexibility and there are CEO to Cerner MD conversations take place every two weeks to manage this position. There are Cerner consequences for delay which is a quantum risk to 2018-20 plan but not a timing risk to 2019/20 forecast and earliest date for Unity Go-Live is March 2019 and this needs to be finessed (in terms of when due and paid). In summary the cash management conversation with Cerner is good but the cash quantum conversation is more difficult.

4. Month 6 Financial Performance Report	**FIC (10/18) 004**

Ms McLannahan reported at month 6 we are reporting on plan.

As expected at the end of Q1 the Q2 forward look suggested we would be around £2.7m adrift and expected to supported that position which we did by £1.7m (£1m better than expected to be) effectively borrowed reserves that have been accrued to budget so they do not benefit position YTD and released some of this into month 6 position to report on plan and expect to mediate this into the second half of the year.

In the position we have also provided for the same amount of income underperformance and although these two could net off, the income underperformance is a realistic position against data challenges, CQUIN underperformance etc.

This is the half-year report and from an income perspective we are behind plan YTD, particularly the main healthcare contract >£5m which is quite significant. The main drivers are the provision for data challenges at £1.8m, £1.7m relates to pass-through drugs and offset against favourable variances in non-pay.

We have underperformance against production plan income YTD, some of that could be due to IT issues and recording/reporting, we are yet to quantify this and will ensure this is accurate for month 7 income reporting.

Mrs Perry was concerned the profile of income for the production plan all sits in month 12 and we are not seeing a gradual upswing. Ms McLannahan replied the intent is on closing £10m gap in our £37.2m efficiency requirement from commercial income but those things did not materialise so we need to identify an alternative route.

Mrs Perry queried that if the production plan element is still phased is the issue the commercialisation element and Ms McLannahan confirmed this was correct.

Mr Lewis asked for an explanation on the BSOL ED challenge as we have been running Ophthalmology ED for 18 months and it was paid this way last year.

Ms McLannahan responded that we changed the way we code this year (it was incorrect previously). This was new and picked up immediately meaning our income against activity line went up; under coding account rules should have given 18 months' notice and we didn't, that is why they are challenging this. Mr Lewis commented this may be challenge to our billed income but we did not have a production plan which relied on changing Ophthalmology ED income. Ms McLannahan advised is in our current income at moment. Mr Lewis needed to understand how much of a challenge this will be given it was not in our income plan and asked at the next meeting to understand the data challenges in more detail. Mr Lewis is in discussion with SWBCCG on how they might assist the Trust towards a control total and therefore if would be useful to discuss this at the next meeting in more detail.

Ms McLannahan advised the production plan phasing is based on our original production plan expectation that reflected October Go-Live for Unity, and there is a much lower target for December. October delivery is a high number and we expect to under-deliver, but with surgical recruitment plans plus bed management plans for Q4 we are quite confident of hitting target. Ms Barlow noted the December reduction is our 3 week flex for winter.

Mr Lewis clarified that October will be difficult but there is a catch-up plan thereafter. Ms Barlow advised we are working through putting the data back on the system which will take a few weeks, but at OMC saw opportunities coming through in the early data sets that we are seeing improvement/ mitigating the risk for October. Ms Barlow is meeting with the Ops team with finance colleagues on Monday and there is a list of around £2m worth of opportunity to work through and she will provide an update in a week on more clarity of recovery options.

Mr Lewis noted if the October figure is £9.6m then there is about £4.2m worth of performance above that required to deliver in the next 6 months and we need to explain that £4.2m route clearly. Ms McLannahan noted in terms of our forecast we have allowed for £1.2m of under-performance against for the production plan over the whole year.

Mr Kang noted the back-ended position and asked about any specific issues in October which Ms Barlow advised the main reason being workforce delays. Mr Lewis asked that for clarity of the £4.2m it would be beneficial to understand how much gain is from working days and how much by other elements.

Mr Samuda asked if there is agency risk in this space and Mr Lewis replied that the manpower to deliver this is assumed in the revised plan which includes an agency spend which is much higher than our agency cap. We need to show that in month one of next year, we can deliver our plans without relying on agency. We recognise there is workforce issue but this is being addressed by current recruitment process (AAC panels planned), although aware that it can take some time from interview to start date (average 3 months).

Ms McLannahan advised we are working on trying to improve the analysis (narrative) of income and we have cut activity by point of delivery, by CCG and also by Group. Day cases on the point of delivery table show on plan in terms of activity but off plan on income so there must be a price-mix issues within this. Hopefully, better analysis will help to improve our planning. Mr Lewis noted there is a lot of work taking place on coding and a lot more could be automated.

Mr Lewis asked what "OCL" meant and Ms McLannahan confirmed this was other contract lines. Mr Lewis asked for this to be explained in further detail (broken up) in future reports as it reports some large variances.

Ms McLannahan advised CCG analysis showed on-plan for SWBCCG (£273.8m).

Ms McLannahan highlighted the CQUIN risk, Medicine and ED is driven by below plan delivery, pass through drugs and devices and chargeable bed days, and maternity pathway activity. Our surrounding maternit providers have removed their caps recently and this will be reflected in August/September figures and Mr Lewis noted that by the next report we should be able to report what our year-end birth position will be.

Ms McLannahan has made good progress in closing out the antenatal pathway with other Trusts. Dudley and Walsall have signed up to a revised proposal, and she will chase up the remaining responses with other Trusts (for 2017/18). Mr Lewis confirmed having all deals agreed is the essential action going into next year (with some possible compromises as appropriate/within reason). Ms McLannahan commented there is another issue/discrepancy to resolve in relation to bookings/ number of multiple fetal scans completed.

In relation to pay, the position is unchanged with a favourable variance to date (£4.2M) including agency spend above plan position driven by vacancies. There isn't consierable slippage on pay CIPs YTD but these do increase in the second half of the year. By the month 12 run-rate exit we aim to be at 1/12 of our annual agency ceiling (£887K) as this position cannot be recovered.

Mr Lewis asked we feel we have shift by shift control on nursing and Mrs Goodby noted there is work to do but it has improved and there is demonstrable evidence of booking ahead. In terms of grip and control by shift there can be a perception of under-resourcing by staff, but the strategic position is that areas can be shown to be well staffed. In relation to staff comments/emotion from the CQC inspection, Mr Lewis commented there is bench marking data (acuity tool) by wards available but this does not show frailty care requirements well and we need to scutinise this data carefully in more detail to idenfity if there is a requirement to make future adjustments.

Mr Hoare asked if we can overlay ward/area vacancies to the budgets including above/beyond our vacancy rate and Mr Lewis confirmed this can be worked through/modelled and we should be able to know vacancies above 3%. Mr Lewis advised in setting 2019/20 budgets we need to provide information on what the budgeted vacancy level should be, by service area, line by line.

Ms McLannahan highlighted that non-pay is £214K reported against plan (favourable variance) noting pass through drugs underspand is a pressure, maternity pathway has recoved, CNST improvement is required and mitigating the minor works position is resolved.

Ms Perry queried at table 14 if the YTD figure was forecast or budget and Ms McLannahan replied it was budget and she will show both of these figures in the next report for visibility. Mr Lewis asked that this is broken down monthy by month (actual positions) for the remainder of 2018/19.

Capital and cash is set out at the end of the report. From a cash perspective we are ahead of plan at the end of September.

Mr Lewis asked about the 60 day supplier payment position. Ms McLannahan advised the current position is set out in the report and there is a member of the finance team focussed on pay improvement to local suppliers and to get better grip/control of this overall issue. Mr Lewis asked what the improvement trajectory (from current £8.4m position) would be and Ms McLannahan agreed to give this consideration/obtain further detail to be able to provide a response on this at the Trust Board on 1st November.

Mr Kang asked about the "paid" category shown on the table and Ms McLannahan advised this is to show that the payment is in the system (approved) but not yet provided.

Mr Lewis asked if we are still paying locum/agency staff who have not yet completed safety forms. Mrs Goodby advised they are, giving the reasons in relation to complications of the lengthy "unlocking" processes that are in place (which has reduced/is improving), and she would discuss with Mr Lewis how to resolve this (so that they are not paid until completed).

ACTION: BSOL ED Ophthalmology challenges – more detail required for the next meeting
ACTION: Show forecast and budget on overall plan table (including month by month figures) in the next financial performance report to FIC.
ACTION: Ensure to only pay locum and agency staff once safety forms have been completed.
ACTION: Other contract lines to be clearer (more granular) in future financial performance reports.
ACTION: In setting 2019/20 budgets the budgeted vacancy levels to be clear (agreed by service area)
ACTION: Agree antenatal pathway deals with surrounding Trusts.

5. 2019/20 Income Plan from SWBCCG	**FIC (10/18) 005**

This paper was taken as read as this will be referenced in the Trust Board meeting on 1st November 2018.

6. Month 6 Cash and Capital Plan	**FIC (10/18) 006**

Ms McLannahan advised was an action from the last meeting. The committee will recognise the approved capital programme across 5 years is £105m, which has recently increased slightly following Midland Met delays. The approved 2018/19 baseline of programme is £34.7m. The latest out-turn predicts reduced expenditure of £31.1m with most of the impact moving to 2019/20 with a call for a reprioritisation of the entire capital programme given the arrangements around Midland Met.

Ms McLannahan highlighted the key messages (noting the main summary table on page 7) as follows:

- £6.1 of internal plan has been spent YTD with a further £25m to go. This is unlikely to be spent given a large amount of expenditure is loaded into month 12 and at the next capital management group this will be reviewed in detail. A workshop with key stakeholders on the implications of this slippage, moving into 2019/20 will take place in December 2018.
- Externally funded expenditure - support to The Hospital Company and early works programme of £27.3m and the phasing approach for this is set out.

- Capital funding for reconfiguration of safe services (via STP) in 2018/19 is £3.9m.
- Excluding from this paper is the Carters Green GP practice.
- The Hospital Company and early works programme funding stream – from a cash perspective a draw down schedule and MOU is in place with DHSC with a small cost pressure of 500k in 2018/19.
- STP capital – awaiting formal confirmation of funding in November 2018.
- Asset value implications of Midland Met were discussed at Audit and Risk Management committee.

Mr Lewis noted the point of the item is to see separately and then together the Midland Met impact.

Mrs Perry queried if there was double-counting issues on the assets and our contribution on the summary table and Mr Lewis described/provided clarity that this was not the case and is consistent with the previous discussion at the Audit and Risk Management committee discussion, including the impairment issues which will occur post Midland Met opening.

7. Long Term Financial Management Plan Progress	**Verbal**

Ms McLannahan advised the sequencing had been difficult to agree with Midland Met delay and she is planning a stakeholder event within the next 2 months on LTFM.

8. Matters to highlight to the Board and Audit & Risk Management Committee	**Verbal**

- Month 6 reporting and forecast of year end position
- Cash and capital position and future plans
- Recurrent month 12 spend vs. non recurrent benefit
- Route to income growth and margin gain in 2019-20
- Review of above 60-day monies owed
- Delegated authority to acting Director of Finance to achieve concluded antenatal pathway deal
- Reporting format agreed with exposition of other contract lines

9. Meeting effectiveness feedback	**Verbal**

The committee agreed that the meeting discussions were useful and constructive.

10. Any other business	**Verbal**

Mr Lewis asked members to confirm the items for the next meeting and the following were agreed:

- Granular description of CIP process (safety and execution)
- Income margin plan
- Non-pay plan
- Non-recurrent bridge to 2019/20
- Pay plan
- Efficiency opportunities (e.g. from Model Hospital / GIRFT)
- References costs

Date and time of next meeting	**Verbal**
The next meeting will take place on Friday 30th November 2018, 0900h-1030h in Room 13 at the Education Centre, Sandwell General Hospital.	

Signed ………………………………………………………………………………………………….

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Date ………………………………………………………………………………………………….