

## FINANCE AND INVESTMENT COMMITTEE

### Minutes

Venue Room 13, Education Centre, Sandwell  
General Hospital

Date: 22<sup>nd</sup> February 2019 09.00-10.30

#### Members Present:

Mr Mike Hoare, Non-Executive Director & Chair (MH)  
Mr Richard Samuda, Trust Chairman (RS)  
Ms Rachel Barlow, Chief Operating Officer (RB)  
Mrs Raffaella Goodby, Director of People & OD (RG)  
Mr Harjinder Kang, Non-Executive Director (HK)  
Mrs Marie Perry, Non-Executive Director (MP)  
Ms Dinah McLannahan, Acting Director Finance (DM)

#### In attendance:

Mr Toby Lewis, Chief Executive (TL)  
Mr Alan Kenny, Director of Estates  
and New Hospital Project (AK)  
Mr Mike Hanson,  
BCA Director of Procurement (MHa)  
**Committee support:**  
Ms Julie Turley, Executive assistant (JT)

<b>1. Introductions [for the purpose of voice recording].</b>	<b>Verbal</b>
Introductions were given.	
<b>2. Apologies for absence</b>	<b>Verbal</b>
No apologies were received.	
<b>3. Minutes of the previous meeting held on 25<sup>th</sup> January 2019</b>	<b>FIC(02/19) 001</b>
The minutes were accepted as sufficient with the following amendments: Item 3, paragraph three, change MH to TL. Item 4, paragraph three delete entire paragraph. Item 4, paragraph two, the figure should be £25.5m. Item 4, paragraph five, delete words "drives" and "drive". Item 4, paragraph nine, change Government's to Governance. Item 5, paragraph six, change cists to outsourcing. Item 7, paragraph two, delete entire paragraph.	
<b>3.1 Matters arising and update on previous meeting actions</b>	<b>FIC(02/19) 002</b>
DM updated the group and advised that confidence was expressed that the Triangulation Report would be available for use at the front end of 19-20. DM advised that a stratified version of the report would be shared at the next Finance Team Corporate Review.	
With regard to antenatal platforms, DM confirmed that an agreement had not yet been reached with HEFT or Birmingham Women's and Children's Hospitals. It was advised that DM felt that matters were reaching a stage whereby seeking advice surrounding external arbitration may need to be considered. The contingency sums of £1m recurrently and £1m non-recurrently were noted.	

Of the £2m, it was considered around half of that amount was already secured.

TL confirmed that the non-recurrent position seemed to be agreeable and that the issue was with the recurrent position.

**Action: DM and TL to discuss the issues surrounding the lack of agreement between HEFT and Birmingham Women's and Children's Hospitals and the recurrent position.**

With regard to pre-cleansing data action, DM confirmed that there had not yet been a resource in place for this but several pieces of work in terms of counting and coding and data-cleansing was ongoing.

<b>4. Annual Plan 2019-20</b>	<b>FIC(02/19) 003</b>
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TL gave an overview of expectations and welcomed any input from the Committee.

TL noted the long-term financial modelling; the question of whether the £17.3m of PSF confirmed for 19-20 would be maintained and consolidated in 20-21 was highlighted. TL noted that this would not be known before April.

<b>5. Update on 2019-20 contract negotiations</b>	<b>Verbal</b>
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TL confirmed that the Trust had reported to the STP and external bodies that it was confident of achieving settlement with their commissions. TL confirmed that DM was leading a negotiation with the BSOL CCG which relied on the Trust obtaining the 18-19 levels of planned activity in 19-20 rather than out-turn. TL confirmed that they were in similar negotiations with NHS England.

Discussion ensued surrounding the route to £309m and the Trust's position with the CCG and the changes surrounding counting and coding. It was advised that there was considerable mutual interest in completing a deal and there was very considerable regulator support surrounding this. TL expressed a level of cautious optimism in getting the deal completed next week. However, a robust plan B would need to be developed.

<b>6. Long term plan cost pressure analysis</b>	<b>To follow</b>
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DM went through the papers and brought attention to:

- The context of the 19-20 plan.
- The NHS long-term plan.

DM highlighted the issue for discussion, being whether the Committee felt that any of the aspirations and objectives in the long-term plan translated into specific cost pressures for the organisation. She felt that the NHS long-term plan was absolutely aligned with the aspirations and the objectives of the healthy lives' partnership, of which the Trust was an active part.

It was noted that none of this translated into specific cost pressures to the organisation and this would be worked through as contract negotiations with the CCG were concluded in the coming weeks. It was confirmed that no material cost pressures had been identified so far, however potential cost pressures would need to be borne in mind as plans were put together.

It was noted that the contract agreements and negotiation continued, and that the commissioning intentions had already been discussed. DM advised that NHS England's contract and intentions required a response from the Trust. She confirmed that the NHS England offer was not materially too far away from the Trust's expectations. DM confirmed that the offer included oncology, apart from the return. It also included the previous agreement on stranded costs and gynaecologic oncology. Although the offer does not reflect advanced care for babies, which is reported separately, it also excludes the potential impact of decanting neo-natal when the capital works commence. There is no funding for any service development so any work around this would have to be cost neutral to the Trust.

**Action: DM to request to see the Service Delivery Improvement Plan.**

## 7. Month 10 Finance Report

FIC(02/19) 004

DM advised that the key message from the month end reports was that the Trust remained on track to deliver a revised plan.

DM reported no change from previous months and cash remained ahead of plan and capital forecast remained the same at £25.5m. CIP's in Q4 were noted as:

- The production plan:
  - The production plan margin was at £1.5m;
  - The production plan required £9.6m in February, allowing for a small amount of underperformance against production plan in the forecast.
  
- Asset lives:
  - It was confirmed that they cannot be revised and advised for depreciation purposes.
  - A route through to realising them in 18-19 was being worked through.
  - Mitigations were being developed as a precaution.
  - There were no apparent audit risks and the auditors were fully sighted on the new guidance.
  
- Gynaecology and anti-natal:
  - The contract was confirmed with NHS England.

DM reported a year to date deficit position of £16.6m with £10.2m of non-recurrent improvement position. The Trust remains 'on track' as the new RIC guidance advises.

DM advised the Committee that the revised spend on agency, which had been reported to NHS Improvement at £15.2m, would overshoot. It was confirmed that £13.5m had been spent year to date.

**Action: TL to convey the message to NHSI regarding the issue of overshooting revised agency spend being that the previous plan was not unrealistic but due to a phased income.**

The Committee discussed the issue of validation of goods received yet not invoiced and the reward system for the end of the financial year over-delivery on the control total. TL requested a further update on the figures as soon as possible.

MH raised the issue of outstanding payments within the local community and requested

confirmation that these had been cleared. DM advised that they were making progress and that the local NHS balance had gone up. For local non-NHS payments there were £580,000 in dispute and DM would investigate this balance.

#### **8. Energy contract award 2019 onwards**

**FIC(02/19) 005**

AK went through the paper and explained that the Trust was currently at the tail end of a four-year process which had led them to award a contract for two years and then a further two years, and that this contract is set to expire on 31<sup>st</sup> March. A recommendation that Consultus be awarded the contract was noted and agreed.

The contract was discussed in detail and it was requested that the partial management choice was investigated further. RG questioned if consideration had been given to the values of the Trust when selecting suppliers and it was confirmed that these were considered but not preferentially chosen.

The forecast for the end of year position on gas and electricity was just under £4,700,000 this year for those two sources of energy. The forecast for 20-21 was significantly increased, mainly due to price movements catching up.

**Action: AK team to develop over the next year what the next of these contracts would look like if we chose a green energy partner in future.**

**Action: AK to report back on whether there are any disadvantages to not having a fully managed arrangement, and what the Trust is anticipating its involvement would be.**

#### **9. BCA procurement review**

**FIC(02/19) 006**

DM explained that the concept of bringing the paper to the FIC was due to a lack of clarity and under-delivery against previously planned savings targets, a need for improvement and a very clear meaningful assessment of what were the real procurement savings opportunities available to the Trust.

MHa advised that City and Sandwell had struggled with interpretation of data, the way it was presented and used, and that the team had adopted re-active approach. MHa advised that he had moved data analysts to Dudley, where they were producing better data and working across the VCA and all data sets. MHa felt that in the past, aspirational targets were worked towards rather than a realistic forecast and he confirmed that he would work towards substantiating forecasts with solid supporting information.

TL clarified that the procurement function had not failed to deliver savings because it was given a target and then they had to work out how to deliver it. It was the case that the procurement function had come up with an estimate of what it could save and then failed to deliver it.

MHa advised that the contracts database was not up to standard and appropriate software to house the data needed to be sourced. It was noted that a project plan had been put in place to take the orders catalogue from 30% to 65%.

**Action: MHa to work on implementation of effective contracts database in the next few weeks.**

**Action: Provide by the time of the next FIC a report on the procurement function format.**

**Action: Procurement strategy 3-year value proposition detailed analysis to be provided to next FIC.**

<b>10. Items for March FIC</b>	<b>Verbal</b>
MH to provide detailed procurement report. Discuss the cash against currency risk.	
<b>11. Highlight to Board &amp; Audit &amp; Risk Management Committee</b>	<b>Verbal</b>
CCG and NHS England contract negotiations to be raised.	
<b>12. Meeting effectiveness feedback</b>	<b>Verbal</b>
The meeting was considered effective.	
<b>13. Any other business</b>	<b>Verbal</b>
TL sought permission from the FIC to allow a contract of £1.5m as part of the £15.4m budget granted to move the neonatal service. The Committee agreed to allow the contract.	
<b>14. Details of next meeting</b>	<b>Verbal</b>
Friday 29 <sup>th</sup> March 2019, 09:00-10.30, Room 13, Education Centre, Sandwell Hospital <b>NOTE:</b> (FIC goes bi-monthly thereafter with 2019-20 meetings starting from May).	

Signed .....

Print .....

Date .....