

FINANCE AND INVESTMENT COMMITTEE

Venue: Room 13, Education Centre, Sandwell
General Hospital

Date: 29th March 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 (DMc)
Ms Lucy Owens, Finance Advisor (LO)

In attendance:

Mr Toby Lewis, Chief Executive (TL)
Mr Mike Hanson, BCA Director
of Procurement (MHa)

Committee support:

Ms Julie Turley, Executive assistant (JT)

1. Introductions [for the purpose of voice recording].	Verbal
Introductions were given.	
2. Apologies for absence	Verbal
No apologies were received.	
3. Minutes of the previous meeting held on 22nd February 2019	FIC(03/19) 001
<p>The minutes were accepted as sufficient with the following amendments:</p> <p>Item 6, first paragraph, remove middle bullet point completely. Item 6, paragraph four, replace retention to intentions. Item 7, paragraph two, asset Lives bullet point, change the first item to “New RICS guidance advises that they should not be revised for depreciation purposes.” Item 7, paragraph three, remove sentence two and replace with The Trust still remains on track. Item 13, first sentence change ‘remove’ to ‘decant’.</p>	
3.1 Matters arising and update on previous meeting actions	FIC(03/19) 002
<p><i>(02/19)006 Provide by the time of the next FIC a report on the procurement function format.</i> The Chair confirmed that this would be presented today. <i>(01/19)003 Investigate what can be done to get to optimisation of the Triangle Report in the front end of 19/20.</i> DMc confirmed that an update would be given during the procurement item at today’s meeting. <i>(10/18)004 Agree antenatal pathway deals with surrounding Trusts.</i> A paper has been provided for discussion today.</p>	

(11/18)004 Make a financial appraisal of how the procurement vehicle is operating after 4-5 months and bring that into the FIC.

A paper has been provided for discussion today.

(11/18)006 To look into pre-cleansing data no later than Q1 2019-20.

DMc confirmed that work continued with the CCG to agree data quality improvements.

(11/18)004 Ensure support is provided by oracle and 60-day non-NHS creditor payment position.

DMc gave a verbal update and agreed to circulate the information in a separate report.

4. Antenatal arbitration: 2018/19	FIC(03/19) 003
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DMc went through the paper and noted that the table setting out the financial position was not in the set of papers and would be circulated separately.

DMc updated the Committee as to the current status of this item. She clarified that this item related to mothers who book with the Trust for their ante-natal care and then go on to have either their ante-natal and birth or post-natal care at surrounding providers. DMc confirmed that this had financially been a problem for the Trust historically in that the charges that the Trust incurred sometimes were more than the income received. The dispute had been around the level of charges raised by surrounding providers. DMc advised that she had suggested a series of data validation challenges where there was a suspected overcharge. DMc confirmed that she had reached an agreement with HEFT in the past week which included a deal around non-recurrent saving assumption. The same deal was proposed to Birmingham Women's and Children's Hospital and a reply had been received and was pending review. DMc confirmed if the response was not acceptable to the Trust then the next step would be arbitration.

The issue of fetal medicine re-charge was discussed. DMc confirmed that fetal medicine would no longer be an issue for 19/20 as they would be recovering the income for all fetal medicine activity directly from the Commissioner.

5. Contract values and status by commissioner: 2019/20	FIC(03/19) 004
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DMc updated the Committee and the following points were made:

- The 1920 revised budget gave the list of Commissioner income plans totalling £466m.
- The main risks were that an income plan needed to be agreed of £75.2m with Birmingham Solihull CCG. Progress had been made in gaining the acceptance of a BMEC unwind.
- Regarding West Midlands Commissioning Hub, the Trust's plan would rely on a contract with them of £40.5m, of which the Trust was circa £2.5m adrift. Arbitration with NHS England would seem likely at this stage.
- The final budget currently stood at £466m.
- When draft budget values were compared to final plan income budget values, a difference of £5m was uncovered. This seemed to relate to the non-contracted activity line being circa £5m higher than expected in the draft plan submission. DMc confirmed that work would commence today to mitigate this discrepancy.

- With regards to the 1920's plan, if this included £466m worth of PRI income and if no commercialisation was carried out there would be no reserves left. If the commercialisation gap was closed this would uncover a £5m head-room figure. If more activity was conducted to increase the £466m then further head-room would be uncovered.

TL advised the following:

- That there would be a review of the situation regarding the 1920 plan, and meaningful operational changes would be put into place over the next few weeks. These changes would be checked by the auditors, the emphasis being on all parties using the same spreadsheets.
- That arbitration would be indicated with NHSE on the neonatal side.
- That all of the Trust's income should effectively be locked-down in contractual terms by next Thursday, 4th April 2019.

6. Q1 planned pay, non-pay and income vs Q4 actuals

FIC(03/19) 005

DMc circulated an additional paper for review and explained the purpose of the paper, which was to look at figures by category to ensure that 1920 plans remained on track. The following was noted:

- The Trust currently sat at £2m ahead of the revised plan year to date overall.
- The conclusion was found to be that the Trust was in-line with the revised plan on all of the categories overall.
- It was considered that the year would end around £2.5m ahead of the revised plan.
- There was no indication from March to contradict this finding.
- The focus needed to turn to income and non-pay.
- The Trust was slightly off-track with the revised plan on income year to date.
- DMc reported that there may be a possible "bubble" within non-pay. It was reported that the Trust was one point off year to date and the March plan required non-pay spend of £8.9m which was considerably lower than other months.
- Medicine and Emergency Care were over their revised plan which was mainly activity and therefore income driven.
- Imaging overspent against their revised plan on non-pay, but this was not expected to be a recurrent issue.
- Women's and child's health were off plan in relation to maternity pathway accruals, this would be resolved in month 12.
- The issue was primarily with surgery reflecting an expected £1m gap from revised plan due to an increase in theatres non-pay spend. This was reflected in the month 11 finance report. It was confirmed that there was quite a lot of non-recurrent spend in surgical services. DMc advised that work needed to be carried out alongside theatres and grip and control generally around the non-pay space.
- DMc clarified that the 1920 CIP plan was reliant on £4m worth of non-pay savings, £2.7m of which was procurement. DMc advised that there needed to be improvements within grip and control over non-pay spend and compliance with processes and SFI's.
- Better reporting out of Oracle was also a factor.

DMc summarised that there was a non-recurrent pressure that was manageable but may impact on how much the Trust would overachieve on the control total for 1819.

TL led a discussion regarding where the technical adjustments should be placed throughout the year 1920, month six was mentioned for consideration.

Action:

DMc to provide TL with the figures for in-month surgery accruals for March by next Thursday.

7. Procurement improvement plan

FIC (03/19) 006

DMc gave an overview of the paper. The items discussed were as follows:

1. The implementation of a useful and workable contracts database that could allow the Trust to manage suppliers more effectively. The paper set out various options for achieving this.
2. The catalogue coverage progress was reported at 65% available catalogue orders which greatly increased the opportunity for grip and control. DMc confirmed that training would be set up to use the catalogues.
3. A proposed KPI set was considered to be reported through directorate and group managements' Boards together with a quarterly Trust-wide report.

MHa confirmed that his recommendations for implementing the GHX Nexus contracts database system were as follows:

- a) The system could be used across the BCA Trust;
- b) the team were familiar with the system;
- c) the cost compared to Oracle;
- d) the fact that a lot of the Oracle advanced functions would not be used by the Trust;
- e) GHX was more suited to the kind of reporting the Trust needed.

TL questioned if there was a quantified plan in place for money saving, how much was intended to be saved and by what actions. MHa clarified that he had emailed all the directorates with their section of the master work plan/procurement savings plan in order to facilitate reducing costs for each area and had requested each directorate to approve these cost reductions for their area. DMc agreed with TL that a tangible link between KPI reporting and the savings plan needed to be made. It was also considered that monitoring of savings achieved should also be implemented.

DMc confirmed that performance had improved in terms of the Trust's position in the league table statistics, largely due to MHa working with the rest of the team to improve the data. The Trust performed well on pricing but data performance was not as positive, however this was improving.

MHa confirmed that there was not yet a complete list of contractors and suppliers, although there was a complete list of who money was spent with. The issue was with the fact that although the information was available within the Trust, it was not joined up. TL requested that

thought be given into facilitation of the merge of information into one space.	
Action: MHa to share with TL the information gathered from each directorate with regards to their acceptance of targeted savings.	
8. Cash and capital refresh	FIC(03/19) 007
DMc summarised the paper. The following comments were made:	
<ul style="list-style-type: none"> • The plan indicated that the year was expected to end with £1.7m in cash in the bank but it appeared that it would be nearer £20m rather than £18m at the end of March. • The Committee was asked to consider if the Trust could foresee any need for capital borrowing based on the assumptions within the plan. • DMc went through the list of assumptions. • The key forward-look needed to be over the next 12 months as well as the longer term. It indicated that the Trust had a self-funded capital programme, given that they had positive cash balances at the beginning and the end of every year. • There were likely to be revenue borrowing requirements due to phasing or non-delivery of CIP or large working capital balances, but this did not indicate any capital borrowing. • DMC went through the sensitivities and flagged in particular the sensitivity of a lack of payment for the car parking. • DMc confirmed that all of the regulated risks were included within the model. 	
9. Items for May FIC	Verbal
<ul style="list-style-type: none"> • TL to circulate his 1920 financial plan audit risk paper for comments. • Audited accounts to be presented for sign off. • Model hospital workshop. 	
OTHER MATTERS	
10. Highlight to Board & Audit & Risk Management Committee	Verbal
The paper TL prepared regarding financial plan of audit risks to be discussed.	
11. Meeting effectiveness feedback	Verbal
The meeting was considered effective.	
12. Any other business	Verbal
No other matters were discussed.	
13. Details of next meeting	Verbal

Friday 24 th May 2019, 09.:30 – 10:45, Room 13, Education Centre, Sandwell Hospital.	

Signed

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Date