

FINANCE AND INVESTMENT COMMITTEE MINUTES

Venue Room 13, Education Centre, Sandwell
General Hospital

Date 24th May 2019 09.30-10.45

Members Present:

Mr Mike Hoare, Non-Executive Director & Chair (MH)
Mr Richard Samuda, Trust Chairman (RS)
Ms Rachel Barlow, Chief Operating Officer (RB)
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)

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(05/19) 001
The minutes were accepted as accurate with the following minor amendment: Page 3, top line: 1920's should read 19/20.	
3.1 Matters arising and update on previous meeting actions	FIC(05/19) 002
MATTERS FOR DISCUSSION	
<p><i>(03/19)005 Provide TL with the figures for in month surgery accruals for March by Thursday 4th April 2019.</i> A verbal update was given by DMc. She advised that she had discussed this item with TL, and he had requested that this matter be closed, following an in-depth analysis which had been carried out.</p> <p><i>(03/19)006 Procurement strategy 3-year value proposition detailed analysis to be provided to next FIC.</i> This item appears on this agenda.</p> <p><i>(01/19)002A visualisation of the model hospital data CIP plan to be provided.</i> This item appears on the agenda.</p> <p><i>(10/18)004 Agree antenatal pathway deals with surrounding Trusts</i> DMc gave a verbal update and confirmed that this matter was still outstanding and required resolution. However, it would be likely that when the issue was resolved the Trust would be in the same or slightly better position than provided for.</p>	
4. 2018/19 Bubble Analysis	FIC(03/19) 003
DMc noted the paper and the following points were made:	

- A similar paper was presented at the Board in May.
- In the past, (2016/17) the Trust had set the 17/18 plan based on forecast assumptions, which included an assumption about Q4.. Because of various bed pressures in Q4, and operational challenges, this failed to happen as had been forecasted. Therefore, the challenge knocked into the next year and that was much bigger than had been expected.
- DMc confirmed that a detailed and transparent process had been undertaken around the revised forecast for last year and then the Trust's assumptions going into 19/20 to ensure that those assumptions still remained valid.
- The accounts had now been audited and results remained unchanged.
- The only adjustment was a movement between debtors and creditors which offset each other.
- The only cost bubble risk carried into 19/20 was non-pay within Surgery.
- There was a need to keep a close eye on the Trust's underlying position and DMc proposed that this item be brought to the next FIC Committee for discussion. The following was noted:
 - Last year the Trust had a revised forecast deficit of £15.5m.
 - On the assumption of everything non-recurrent stopping that would result in a deficit of £28m. A proportion of this figure would be resolved by the £12m budgetary pay reduction and confirmation by groups that they could recurrently remain within the revised budget.
 - There was a £17m deficit before central funding in the 19/20 plan. There was an underlying deficit of £17m by the end of this year in the Midland Met BC. There was an assumption going forward that this would reduce down to 0 beyond 2021.
 - DMc proposed that all these items be collated to allow clarity to understand what the underlying position of the Trust was.

5. Procurement Improvement Plan Update

FIC(03/19) 004

DMc noted the paper and the following points were made:

- There was a requirement to combine the procurement improvement plan and the non-pay grip and control and system related work.
- A supplier list had been created using data from IT, Estates, purchase orders raised within the Trust during 18/19, and the Trust's payee data for 18/19. All of this data had been triangulated, resulting in a comprehensive list of 2,800 suppliers.
- A meeting had been arranged for next week to work out how this list would be managed going forward.

MP questioned the cost centre mapping with the budget holders and if that was linked to the grip and control project. DMc advised that this action was linked to grip and control to simplify the approval hierarchy to a maximum of three, and then align that with SFI compliance. DMc confirmed that an update regarding this item would be presented at the next FIC Committee.

DMc confirmed that the Trust's BCA engagement letter had been responded to. DMc confirmed that the Trust had not yet taken action regarding this response. However, encouragingly, the Director of Finance from Walsall had contacted the Trust to request a meeting regarding procurement, which would be arranged.

HK questioned the contracts database and if there was a plan to carry out pro-active management of contracts. DMc confirmed that this was envisaged, however the database would not be a very sophisticated one initially, although it would be a first step towards proactive management and plan

ahead ability.

The single tender waiver position was discussed at length and the following points were made:

- There was a need to work out the genuine single tender waivers.
- It was necessary for the database to show very clearly the expiry dates around existing contracts.

6. Financial Implications of Midland Met Business Case

FIC(05/19) 005

DMc noted the paper and the following points were made:

- The business case was ready for submission to NHSI and DHSC
- A National stakeholder Board meeting was set for next Tuesday, where it was expected that the approval process would be set out.
- The business case would be submitted to both commissioners, stakeholders and NHSI & DH either today or very early next week.
- The key messages from the paper were:
 - The Trust was able to afford the implications of £358m of public capital being invested in Midland Met.
 - It was expected that the Trust would return to an underlying break-even position of being able to provide an investment in Community Primary Care by 22/23.
- Discussion took place around the following:
 - Review of hard FM costs to a more realistic benchmark level.
 - Solution for the non-recurrent issue of the cost of PDC over the construction period of Midland Met. The best solution was to assume a financial recovery fund to mitigate the increase in cost of capital to the asset over the construction period. NHSI had indicated agreement with this solution.
 - It was not considered to be a reasonable assumption to assume that Midland Met could be written down to 90%. The District Valuer advised that a figure of £340m could be written down to Midland Met post completion. Discussion took place around the assumption and it was considered that an external advisor should be sought to back-up the current asset lives to remain recurrent.
 - The generation of the recurrent £9m Midland Met dividend from 22/23 for re-investment assumptions within the model have allowed to demonstrate the benefit for the community, and re-investment in Primary Community Care.
 - Sensitivity analysis work included:
 - The West Birmingham variant implications.
 - Less beneficial national assumption regarding growth and efficiency.
 - Blended scenario including a higher capital cost of Midland Met with the impairment value remaining the same, including the consequences of a six-month delay.

MH questioned the cash levels of impact during the construction period point and that his understanding was that the PDC draw down would be in line with the expenditure on the build. DMc explained that this must only be a timing difference but would clarify the meaning of this item.

RS queried the hard FM costs modelled at £8.9m, a rise of £3.9m on the current base costs. DMc confirmed that she had not had sight of any tenders and how they related to these figures. She clarified that the figures were a benchmark, based on a higher benchmark, so there was a degree of headroom included in the benchmark. RS queried the use of the 9th floor and RB clarified that a detailed report would be presented at the next Private Board meeting showing the route to returning to the bed base for this year. RB confirmed that the fit-out costs for this had been built in.

MH queried the procurement process and the value of the procurement service. TL suggested that a two-year forecast establishing an estimated rate of return figure be brought back to the next Committee.	
Action: DMc to provide a two-year procurement service forecast establishing an estimated rate of return for the next Committee.	
Action: DMc to clarify the meaning of the cash levels of impact during the construction period point within the presentation at today's workshop and report back to the Committee.	
Action: DMc to investigate the Hard FM tenders at today's workshop and report back to the Committee.	
7. GIRFT and other Model Hospital measures workshop	Presentation
DB gave an overview of the presentation and the following was discussed:	
<ul style="list-style-type: none"> • The Model hospital was an NHSI initiative, although not yet fully developed it could access information via speciality or cost category. • The Model Hospital could provide data around opportunities and pay, using the data from the Trust's peers as a benchmark. • The Model Hospital Weighted Activity Unit was explained. • The GIRFT action plans were divided by categories as follows: <ul style="list-style-type: none"> - Local action plan. - National action plan. • The GIRFT system was not about outcomes and was mainly a tool around inputs and organisation. • The costing transformation programme for Model Hospital and GIRFT had been worked on over the last 12 months in order to add another benchmarking capability to the Trust. This exercise had been carried out by the costing team. 	
MATTERS FOR INFORMATION / NOTING	
8. Finance Report: Month 01	FIC(03/19) 006
DMc noted the paper and the following points were made:	
<ul style="list-style-type: none"> • Income was circa £0.4m related to pass through and that was offset by non-pay. • The Trust was quite significantly under against the pay bill despite having quite a high agency bill. • TL advised that the headline message of month one's results remained the same as at the last Board meeting. The income and some of the other numbers were rather different and learnings from that would be discussed at the next Board meeting. This would be mainly about data flow and control, both in terms of income and in terms of agency. 	
9. Meeting effectiveness feedback	Verbal
The Chair advised that the meeting had been effective.	
10. Any other business	Verbal
There was no other business discussed.	
11. Details of next meeting	Verbal

Signed

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Date