Sandwell and West Birmingham Hospitals NHS
NHS Trust

FINANCE AND INVESTMENT COMMITTEE - MINUTES

Venue: Room 13, Education Centre, Sandwell General Hospital

Date: 16th July 2019, 09:30-10:45

Members:			**In Attendance:**		
Mr M Hoare	(MH)	Chair, Non-Executive Director	Mr P Stanaway	(PS)	Associate Director of Finance
Mr R Samuda	(RS)	Chairman	Ms L Owens	(LO)	Financial Advisor
Mr H Kang	(HK)	Non-Executive Director	Mr M Hanson	(MHa)	BCA Director of Procurement
Ms M Perry	(MP)	Non-Executive Director			
Ms R Barlow	(RB)	Chief Operating Officer	**Apologies:**		
Mr D Baker	(DB)	Director of Partnerships and Innovation	Ms D McLannahan	(DMc)	Acting Director of Finance

Minutes	**Reference**
1. Welcome and Introductions	**Verbal**
The Chair welcomed the members and those in attendance to the meeting. The Committee members provided an introduction for the purpose of the recording.	
2. Apologies	**Verbal**
An apology was noted from Ms D McLannahan.	
3. Minutes from the meeting held on 24 May 2019	**FIC (07/19) 001**

The Committee reviewed the minutes of the meeting held on 24 May 2019 and noted the following:

- MH stated that the first action in the Action Log should be assigned to DMc, not him.
- The last two bullet points in item 5, should have been logged as action items –
  - *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.*

  MH noted that both items had been addressed.
- Item 4, 2018/19 Bubble Analysis – an explanation of what a bubble analysis was should be included as the minutes was a public document.
- Remove the last sub point on page 2 – *DMc proposed that all these items be collated to allow clarity to understand what the underlying position of the Trust was.*

3.1 Matters and actions arising from previous meetings	**FIC (07/19) 002**

RS requested an update on the following discussion in the previous meeting:

DMc advised that Modality had overcharged the Trust by circa £500k last year on the outpatient work they had carried out. Payments to them had ceased whilst the finance team investigate a solution to this matter.

The full charges were added to last years' books and could be written off if necessary, to maintain the relationship.

It was noted that it was still under review and were negotiating the financial position as £500k was seen as too high – more likely in the region of £400k. When the contract was established, Modality had not had the experience of running a health care contract fully compliant with NHS standard terms and conditions (costing, coding, systems and processes etc). It was a learning point between the Trust and their sub-contractors in terms of monitoring the contract.

It was queried if the following matter had been followed up as it had not been included in the action list:
Item 5 (page 5) – 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.

It was confirmed that DMc had met with Russell Caldicott, Director of Finance Walsall, and Chris Walker, Deputy Director of Finance, Dudley. It was agreed to put together a paper on the future of the BCA. Other trusts had indicated that they want to join them too. MHa believed the issue had been resolved as Walsall had been indicating that they were fully on board.

The Committee reviewed the action list from previous meetings:

- *FIC (05/19) 005 - Provide a two-year procurement service forecast establishing an estimated rate of return for the next Committee.*
  MHa to discuss at agenda item 7.
- *FIC (05/19) 005 – 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.*
  MH confirmed that DMc had clarified that via email to him. Item closed.
- *FIC (05/19) 005 – Investigate the Hard FM tenders at today's workshop and report back to the Committee.*
- Single waiver (procurement), update to be provided at agenda item 5.

MATTERS FOR DISCUSSION

4. Strategic Board Assurance Framework: controls check	**FIC (07/19) 003**

LO advised that there were two SBAF risks for noting:

SBAF 9 – Cost reduction, Income and Expenditure Plans. She noted that they were currently at 3x4 likelihood of impact and were trying to reduce to 1x4 likelihood of impact as they progress through the year. MH queried if that included the change of mix of income against expenditure (planned income in certain categories and services, the Q1 trend more prominent on some services and down on others) and if that would provide further risk on the mix of income. LO confirmed that they were experiencing that and it was a risk. They had completed a quick analysis for TL to identify what effect the Sandwell contract had compared to a standard PbR contract.

MH queried if there were certain services that had high dependency on procurement and therefore purchasing against that Income Plan and if that created a risk associated to the delivery and the cost, at speciality level. RB noted that they were not seeing that at the speciality level, the only challenge to date had been orthopaedics (not a patient supply issue). The challenges in Q1 were buy-in for the orthopaedic team due to changing their job plans and contracts significantly. She advised that they had recently held good meetings with the orthopaedic team to find out the real issues, which were:

- They had recruited very well to theatres, therefore there were a lot of new staff in theatres and as they all wear scrubs, they did not know who's who and who's competent. To rectify that, visual identification had been implemented; white hat to indicate new and in training, and photos of staff working in theatres on the theatre door.
- Issues with rostering – some theatres had good continuation of staff, whilst others that did not. However, when smoothed, it was safe staffing. Orthopaedics had demonstrated to RB that they had fixed the rostering.
- The lack of forward planning in theatres had caused the underperformance and they now had a schedule to catch up and get four weeks ahead of bookings. By 1 August they would be fully booked, and by 7 August they would be booking six weeks ahead into September.
- The Perfect Week to be run in the first week of August with surgeons and theatre teams, to demonstrate how a perfect week in orthopaedic theatres would work – the who's who, staff turnaround times, start times, equipment etc.

The pathway to the desired outcome was:

- Effective staff rostering.
- Knowing who people are.
- Good scheduling of theatres.

RB noted that they were over halfway through the curve. They had been very clear if Modality could not reach their outcomes, that they would go to a different provider.

RS queried if everybody was on board from a safety point of view. RB noted that some of the angst with the surgical team were the new staff and were worried about safety – but they were working through that and had explained to the surgeons her view of the rostering and the detailed competencies matrix. They had agreed that if the matrix was met, they would be safe.

RB in terms of the supply side, there were sub-specialities that had supply side issues:

- Upper Limb/Shoulder work – going out to market, was not a supply issue.
- Referral rates in June for some specialities were up; gynaecology and gastro were 100%.

RS requested to be reminded about the £5m. LO noted that previously the Trust and the CCG had agreed to resolve historical disputes (charging, coding) that form the basis of their Block Contract agreements. Those were settled through the Block for 1920.

RS clarified that the Trust would be thinking the CCG owe the Trust more money. LO confirmed that was correct.

MH queried if they were rectifying that going forward with the new contracts, relationships and establishments with the CCG – This was confirmed. The agreement on the circa £7.3m of coding improvements was expected to unwind in 2021 and be included in the baseline for the new financial year, repairing the RTT non-recurrent income that would drop out in 2021.

SBAF 10, the new payment mechanism – LO noted that they were hoping by next year to have the risk-based payment mechanism. It would be advantageous to the Trust because of their demographic. MH queried the confidence levels on the timelines. LO confirmed that the likelihood was 3 and impact was 4, and were expected it to be resolved by year end. RS queried if there was a work stream happening within the ICS and the Commissioners on how to introduce a capitated budget. LO noted that there was engagement, but was unsure who was involved in it.

5. Procurement improvement plans: Actions delivered report	FIC (07/19) 004

MHa noted that the contract database was an issue that had arose in March's FIC – that they didn't have a database. Since then, they had created a contracts database in GHX (a cataloguing system for contracts). He noted the following:

- 250 contracts had been loaded into the database, including information such as, start date, end date, trigger points.
- 190 further contracts to be entered after clarification on missing details.
- 500 contracts was the estimation of the total contracts overall.
- Prioritising entry by value of the contract.
- Had been emailing the Groups to find out all the contracts.
- It was a work in progress and they had made good progress.
- Had updated the process so that the Procurement Team would challenge all terms that were coming through as historically they had automatically accepted third party terms.
- GHX database was selected as it had application across the three trusts (Walsall and Dudley). It was a big piece of work and would get Sandwell in order prior to expanding outwards.

It was quested if any contracts had been identified that they didn't know they had and if it would pose a risk. MHa noted that there would be a lot of contracts that they didn't know about, that was the objective of the exercise. There would be two additional pieces of work to follow:

- Contracts Management Policy, and
- Supplier Management.

The following information was required on all contracts in the database:

- Start date/end date
- Trigger points
- Value
- Who's managing them – most outside procurement and managed locally.

It was noted that there was no trust-wide contract management policy, rather local policies for directorates/groups. There were trust-wide contract terms and conditions (usually NHS terms and conditions). The compliance was queried in regard to the public procurement rights and how much had been unearthed in terms of what they should've been declaring, award notification process, contracts that exceed thresholds and appropriate tenders. MHa noted that there were some where they had questioned the contract – questions raised if some of the previous tender waivers should've got through. They were aware of a number of things that need reviewing and had not identified much where they were at risk. They were expediating the review process.

It was requested to have that review come to the next Audit Committee so they can look at tender waivers alongside areas where they were not confident to see if were big differences there.

MHa noted that it was a control issue – the process had not been the best in terms of tender waivers. They found that there were excess tender waivers (over 400/£20m). Typically, in a trust there were a lot of waivers however their number of waivers were high. The Committee requested that the number of waivers for BCA Trusts and other trusts versus their waivers be brought to the committee.

MHa noted the areas of opportunity to reduce waivers:

- Estates – create a lot of waivers which was not untypical in any business – to get works expediated. To bring that to the attention of the Estates MPA Committee. The number of waivers indicate that they were not doing it the right way and to introduce frameworks around labour rates etc.

It was queried if the waivers were being raised because their normal contracting processes were too cumbersome. MHa noted that the process was not cumbersome and called out the following:

- Thresholds were low £5k and required comparable quotes be presented, where other places had thresholds of £10k. There could be temptation to raise a waiver rather than get quotes.
- The tender waiver form had 13 possible justifications and was too long.
- Unnecessary waivers – such as; subscriptions, Trust to Trust activity.

MH queried if there was a way to automate the process (forms, word doc). MHa noted that it was the same process for everything, which was the problem – should be able to tick a box to say wavier exempt but it still needs to go through the full tender process and the hierarchies. They were trying to address those issues. The waivers had been categorised into the following areas:

1. Unallocated – further analysis required.
2. Tender Waiver value of less than £10k – raise the threshold to £10k, in the private sector and he would confirm if trusts were the same.
3. Trust to Authority – some still involve a procurement capacity element.
4. Pathology – had not analysed as they did not expect to see those waivers going forward.
5. Addressable – where they think they are easily/quickly addressable.
6. MMH

By focusing on those waivers, they would reduce the number of waivers by approximately 328 which would bring them to an acceptable level. They would also address the length of the form to simplify it.
The City cataloguing team had done well and now had 82% coverage. The usage figure was 60%, a big improvement.

MH queried if they had seen that affect in operation improvement within the hospital environment as they go off catalogue, easier to consume – was there that knock on affect. LO noted that the invoice payment process was easier because of it. MHa noted that it helped them in procurement also as these things gain momentum because they now had the time to review the non-catalogue items.

MHa noted that they need to keep refreshing the targets to keep momentum.

MHa noted that the procurement team would generate monthly procurement reports for each Group, detailing; total spend, who's spending it, what they had saved, catalogue usage, spend through Oracle, spend through supply chain, what their waivers were, waivers compared to previous waivers and triangulation and contract reporting. He advised they would issue those reports for Q1.

It was questioned if they had mechanisms for recording savings and if that would feed into the FIC. MHa noted that he would take that to DMc and that they had a procurement board where they achieve monthly reports. MH reminded the Committee that TL had insisted on showing the value of the Oracle and Procurement Team at a previous FIC. It was stated that they had to demonstrate that the work was being done, it was all fantastic and lots of progress was happening.

HK queried if they were getting any traction with the Alliance or was it just the Trust. MHa noted that the alliance had improved and had met with the Finance Director a few times who had reassured that he was on board. They would submit the papers in the next step. The plan for the Alliance was to rebrand it to Midlands Commercial Procurement Service (as others want to join – as associates).

Action: The Procurement Review to be presented at the next Audit Committee for discussion.
Action: The number of waivers for BCA Trusts and other trusts versus their waivers be brought to the committee.
Action: To bring to the attention of the Estates MPA Committee the large number of waivers in their area.
Action: MHa to investigate if the threshold of £10k used in the private sector was also used by trusts.

6. Month 2-3 report and Q2 implications	**FIC (07/19) 005**

PS noted the following key points:

- Had a good Q1 – slightly ahead on plan which allowed for discharge of £1.8m of flexibility into the position.
- Overall mix was different to plan – off on commission of income.
- Forecasting to deliver Q2 – confident on delivering although a slightly more challenging plan than Q1. Q1 £9.4m deficit, Q2 just short of £6m. Would look to deliver that with a similar mix to Q1.
- Work was being done on looking at the pay forecast for Q3 to get reassurance that they were on track to recruit. Quality and safety issues to be considered along with reducing their pay underspends and that they increase their income accordingly.

PS welcomed discussion.

RB queried the CIPs linked in with procurement and non-pay. PS noted that initially unidentified CIPs had been phased in equal 1/12ths but these had been re-phased by agreement with the CEO to M7-12. The two main ones were the procurement unidentified CIP and pharmacy in terms of out sourcing – it was not as big as previous years and it was a risk that they were aware of. He noted that MHa was going to come along to a FM QHD in September to talk about anything in there about procurement. It was a background issue and needed to be managed.

RB noted that it was one of the gaps in the CIP Plan. PS noted the way in which the Trust count savings needed to be addressed. Due to the way that the Trust set budgets, certain items are excluded s that other Trusts include – the Trust need to work out how to account for those differentials, and how to recognise the hard work of procurement in delivering the full year affects whilst being realistic against their targets.
MH noted that the three heads of the BCA Trusts would need to agree on a common way of recording savings for consistency.

It was noted there are some options that could deliver the income plan for the commercial plan which would need auditor approval (e.g. linked to car parking). DMc had presented an option that delivered the Income Plan by disconnecting the profit from the service charge and the development fee. It would need auditor approval, but it was reasonably robust. Commissioner Income plans also increase from October, and confidence about Groups delivering this increase is key to the Trusts future financial plans.

RS queried Managing risk on Maternity CNST. RB noted that they had a CNST paper going to the Quality and Safety Committee that recommends that they should recognise that they can meet standards and there was an assurance process with submissions to be put in nationally. RS queried if it linked to the payment point of £6.2m. RB confirmed that was correct – there was concern at the beginning of the year around that, however they felt that they could prove that they meet the standards.

RS queried UNITY's risk point – if there was a UNITY meltdown, was there a risk in terms of income and would they lose patient tracking. RB noted that if they had to roll-back on UNITY, they would work as they currently did.

7. Route to removal of underlying deficit by April 2021	FIC (07/19) 006

PS noted the following key points:

- The at a high level, planning process worked really well this year and off the back of that were able to set a LTFM.
- There is a strong alignment between LTFM and budget, there were some differences on the FRF on the PDC question.
- Because of the alignment between budgets and the LTFM performance against LTFM holds – slightly ahead of plan and as a result of that. Trust cautiously confident given that the reserves the Trust are holding and some balance sheet flexibility that the Trust could exit in line with the £17.34m deficit. MH queried if that was reliant on the VAT situation. LO noted that the cash position was strong and had sufficient strength there to cover that.
- The question would become to what extent would they exit with a different mix – using Q1 as a precursor to exit, they would exit with underperformance on income and an underspend on pay. To what extent would they have the appetite or the ability to offset the two or would they hold the Plan and look to deliver. MH queried at what point that became a crunch point. HK noted that there must be a lead time (for consultants it was up to 6 months). LO noted that the end of Q2 (2021) was the point where a judgement call would be made as to if they had the staffing in place to deliver the additional income variance.
- Moving into 2020, the ask of the organisation was three main elements:
    1. 19/20 CIP requirement.
       Two elements of delivery on margin (a £30m ask for next year);
    2. £7.9m margin (national), and
    3. £3m margin on performance of relative income. PS noted that they could start on the margin question for next year as the LTFM gave them plans for activity for next year. It could be shared with the operational groups and ask them to model to deliver on that.
- Investment Pot – the LTFM, and all the assumptions within it, gave the Midland Met dividend. £5.7m 2020, and £3.3m 2021. With the opening of Midland Met Hospital, it would be released into the wider health economy – affectively it was non-recurrent for two years.

8. GIRFT and other Model Hospital: next steps	FIC (07/19) 007

DB noted that the £30m comprised of LTFM 20/21 (£18m) and 21/22 (£12m) – that was the CIP.

DB noted that the Paper identified the sources that they spoke about at the last meeting and the Model Hospital (which was there, quantifiable and usable). GIRFT was there, but not quantifiable at the moment – bit of link work to be done.

SLR and PLICs (Patient Level Costing) were dependant and currently unusable – had been submitting it through the cost transformation program into the centre. By September that would come back out and would start using it. The early part of the process would be driven by Yasmina Gainer's and DB's costing team.
HK suggested that there was a quality and safety piece that come into and could not be all financially driven.
PS noted that it was two separate processes that needed to be linked. Some activity they could do now, some soon and others they had no capacity to do at all – but would soon.

DB noted that he had provided the Committee with a handout and gave a summary of the diagram on the handout. He noted that they would need to have a process that worked:

- Coming from either the traditional group CIPs or data analysis there were four decisions (Forum) that would need to be made in regard to opportunity:
    1. Was the data in-depth enough?
    2. Data was valid but deeper understanding of specifics required?
    3. It was a great opportunity – but did they want to do it?
    4. Do we accept the initiative, should release the budget and move on to execution?
- DB provided the Committee with some examples of using the decision forum on Model Hospital as outlined in his handout.
- Model Hospital would pull out the bigger things, otherwise they could create lots of little things.
- He raised it at PMC on Tuesday as he needed to start testing the process on those examples.

DB noted that the numbers would not come into play for some time as they had to get down to the number, the details, how to operationalise it and the actual figure may be different, may also need capital works to deliver – so some may take a couple of years to implement.

FOR INFORMATION/NOTING	
10. Meeting effectiveness feedback	**Verbal**
MH requested that thanks be passed on to the Procurement Team, especially around the supplier component. The following matters would be raised to the Board: • Procurement. • The good news on the figures.	
11. Any other business	**Verbal**
No other business.	
12. Details of Next Meeting	
The next Finance and Investment Committee meeting will be held on Friday 27th September 2019, 09:30-10:45, Room 13, Education Centre, Sandwell Hospital.	

Signed ……

Print ……

Date ……