

## FINANCE AND INVESTMENT COMMITTEE MINUTES

Venue Room 13, Education Centre, Sandwell  
General Hospital

Date 27<sup>th</sup> September 2019 09.30-10.45

### Members Present:

Richard Samuda, Trust Chairman (RS)  
Marie Perry, Non-Executive Director (MP)  
Dinah McLannahan, Acting Director of Finance (DM)  
Dave Baker, Director of Partnerships/Innovation (DB)

### In attendance:

Toby Lewis, Chief Executive (TL)  
Clare Dooley, Head of Corporate Governance (CD)  
Lucy Owens, Finance Adviser (LO)

### Apologies:

Mike Hoare, Chair, Non-Executive Director  
Harjinder Kang, Non-Executive Director  
Rachel Barlow, Chief Operating Officer

<b>1. Introductions [for the purpose of voice recording].</b>	<b>Verbal</b>
RS (as acting Chair) welcomed all to the meeting and introductions were provided for the purpose of the recording.	
<b>2. Apologies for absence</b>	<b>Verbal</b>
Apologies were received from Mike Hoare, Harjinder Kang and Rachel Barlow.	
<b>3. Minutes of the previous meeting held on 26<sup>th</sup> July 2019</b>	<b>FIC (09/19) 001</b>
<p>The Committee reviewed the minutes of the meeting held on 26<sup>th</sup> July and noted the following:</p> <p>Item 3.1 - Page 2, 3<sup>rd</sup> paragraph, last sentence to commence "MH believed the issue had been resolved ....."</p> <p>Item 4 – Page 2, 1<sup>st</sup> paragraph, last sentence, amend 'PPR' to 'PBR'.</p> <p>Item 4 – Page 3, 4<sup>th</sup> last paragraph, 1<sup>st</sup> sentence, delete the word 'level'.</p> <p>Item 4 – Page 3, 3<sup>rd</sup> last paragraph, 2<sup>nd</sup> sentence, amend 'CQC' to 'DCG'. In addition, the last two sentences did not reflect discussions and required clarification (VAT was not the issue). The discussions related to data challenges, unwinding and coding improvements. The wording is to be clarified.</p> <p>DM requested the names of non-executives be noted if asking questions or raising issues rather than general wording of 'queries were raised or discussion was held'.</p>	

Item 6 – Page 6, 3<sup>rd</sup> last paragraph, 2<sup>nd</sup> sentence did not correctly reflect discussions and the word ‘disconnecting’ should not be used. It was the consensus of directors the sentence be deleted and the following inserted “There were some options that could deliver the income plan on the commercial income targets, with audit approval to be provided to recognise the income as intended. “ The rest of the paragraph remains as is.

Item 8 – Page 7, 1<sup>st</sup> paragraph, 2<sup>nd</sup> sentence was not correct. Wording is to be clarified to reflect the correct monetary amount and discussions outside of today’s meeting.

Item 8 – Page 8, 1st bullet point, numbers 2 and 4 were not correct. DB to define the correct wording outside of today’s meeting.

<b>3.1 Matters arising and update on previous meeting actions</b>	<b>FIC (09/19) 002</b>
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**MATTERS FOR DISCUSSION**

The Committee reviewed the action log (16 July 2019) as follows:

*FIC (07/19)004 Present the Procurement Review at the next Audit Committee for discussion.*

The use of the words ‘Procurement Review’ was discussed and noted discussions had been held on ensuring the accuracy on things (like the single tender waiver), which would form part of the governance pack for the Audit Committee (AC). A proposal on revising the tender waiver process is to be presented to the AC and the matter was under control.

*FIC (07/19)004 Present to the Committee the number of waivers for BCA Trusts and other trusts versus their waivers.*

Oral update and no action required but nothing untoward noted.

*FIC (07/19)004 Alert the Estates MPA Committee to the large number of waivers in their area.*

Noted the large number of waivers in Estates.

*FIC (07/19)004 Investigate whether the threshold of £10K used in the private sector was also used by Trusts.* Noted rebenching of the £10K threshold to be considered by the AC.

<b>4. Strategic Board Assurance Framework: Controls Check</b>	<b>FIC (09/19) 003</b>
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DM referred to the report and the following items were noted and discussed:

- Review of SBAF risks held by the FIC, including all supporting controls, assurances and gaps and actions to mitigate risks.
- Cash back cost reduction and income and expenditure plans not achieved in full or on time – current risk of 12 (moderately major) with the aim to reduce the target score to 4. In effect, there is a cash backed route to the I&E Plan by the end of the year. There was still a need to understand the implications for future years from variances of the various elements of the plan. As long as underspend on income and payments are not impacted. Aim is to achieve overall objectives in terms of being able to invest in revenue development and interdependent capital projects.

- RS queried margins and if losing by not doing more work – effectively driven by the Income Plan less the expenditure Plan. £16m is not necessarily embedded in the overall budgets and at the end of August 2019, there is a £458,000 adverse variance on the margin itself.
- SCCL procurement savings and establishing reliable reports yet to be resolved, with Trystan Rogers (SCCL) to attend the next local procurement board meeting. Currently unable to confirm SCCL numbers, but on track overall for procurement and savings delivery. However, there may be an impact on contracts for next year if the projects are set at this year's income levels.
- Need to resolve the recurrent £3m cost pressure driven by the possible reversal of the £3m asset life stretch – reduced depreciation charge last year (immaterial given the massive asset base) assumptions made and will rely on expert opinions
- Mechanism for contracting and payments in the NHS caused by a failure of national bodies to require adoption of capitation based contracting – risk currently ranked at 16 (major/major) with aim to reduce this by the end of year to minor/major status.
- Strategy for the Centre is unclear.
- Board development sessions on alliance contracting and presentation to CLE when appropriate
- Capitation S&WB working group to be set up (doing on a 2-year basis) and scope yet to be completed to determine parameters.
- IT capital spend on track for 19/20, although ability to cut back on budget if required.
- Assurance levels (zero, limited, adequate or substantial) – further discussion and review to be held by the full committee.

#### 5. Month 12 2019/20 Income Forecast

FIC (09/19) 004

DM referred to the report and the following items were noted and discussed:

- 2019/20 income plan predicated on significant levels of localisation at average prices over and above an agreed minimum income guarantee. Year to date, the Trust is significantly behind plan, albeit this is offset by funded vacancies.
- Likely adverse variance to plan for income in Month 12, with some upside opportunity for mitigation.
- As the 2020/21 plan uses 2019/20 outturn as a base, there is a risk for future plans unless budgets adjusted.
- Improvement journey to understand and own activities, relationship between the activity and the cost to deliver and the associated income performance.
- Month 5 position (initial) – small variance difference relates to old year settlement, £4.09m PP shortfall, £0.28m Emergency Care shortfall, £1.05m shortfall in Neonatal, Obstetrics and Bowel screening and £0.99m unplanned elective over-performance
- Underperformance in surgery and births (national drop plus surrounding providers have removed caps).
- Month by month performance explained and methodology agreed (in Appendix). Assumption made if under-delivering against the plan in the year to date, likely this will continue. Staffing shortfalls and difficulties in hiring may be a factor (though there are a number of drivers and sensitivities to consider). Staff vacancies were often filled internally. A staffing forecast (best estimate basis), factoring in any commissioning changes, to be prepared for discussion at the next meeting.

- Understanding scheduling and using theatres effectively. Aligning the scheduling with the income and activity plan has been difficult to achieve in practice.
- £9m under delivery on income offset by £8m under spend on pay. As long as deliver the commercial income target, there will be £5m available in reserves to manage other pressures. Need to be focussing on year-end forecasts to work through differences and develop mitigation plans.
- Contracted work, terms of trade and income guarantee – if work done repatriated payment is made.
- Complex areas and new analysis to assimilate what is happening and what is behind movement (primary care behaviour and patient behaviour). Journey from describing the current state to predicting the future position, with actual data in place and need for insight on what it reveals. Various strands of work to come together over the next month or so, with issues to be discussed and considered at the November Board meeting.

**Action: Prepare a staffing forecast (best estimate basis), factoring in any commissioning changes, for discussion at the next meeting.**

## 6. CIP's 2020/21 Update

FIC (09/19) 005

DB referred to the report and the following items were noted and discussed:

- Number of sources and a process to identify opportunities to support the CIP programme including:
  - Model Hospital – This has been used for a first wave of observations.
  - Service Line and Patient Level Costing – reworking ED and Outpatient and then try (applying to NHSI) to resubmit.
  - GIRFT - no financial translation, however results in better patient care and processes.
  - Directorate Led (bottom up) – built into proposed strategy within the paper.
  - Target Based - £5.5m from other non-pay.
  - Centrally Identified - banding, drift, staff volumes.
  - Quantification of existing improvements.
  - Realisation of Unity Benefits- back tracking key benefit areas from Unity implementation into benefits and whether costs can be released though pay or non-pay and in which Directorates.
- Synthesized into 5 large areas for budget allocation:
  - Theatre productivity including Cath labs and Endoscopy – income for Ophthalmology and Orthopaedics, with £2m in each area. List builder tool ready to launch using AI to build better lists (should be ready by Christmas).
  - Non-Pay – £2.57m known in procurement.
  - Care Hours per patient day (CHPPD), safer staffing, bank/agency controls and leave allowance – Model Hospital showing higher actual CHPPD than peers (~£7m), known higher staffing levels and links.
  - Sickness - £2.187m identified opportunity if ward sickness achieves its target of 3% by 1 April 2020.
  - Agency Usage – anticipated outturn on agency spend for 19/20 is ~£18m against original NHSI target of £10.6m.

Focus on first 2 bulleted areas over the next 2 to 3 months. TL commented further work was required on our workforce over the next four weeks to properly understand the numbers before any programme or initiative pursued.

- Other areas to explore further included broader Ophthalmology and removing ‘bits of jobs.’
- Directorate led CIPs – time and resource consuming, so any leftover funds from the budget for the 5 large areas above could be used here.

**7. Month 5 Report (including 2019/20 PRI run rate outturn)**

**FIC (09/19) 006**

DM noted key issues already discussed including:

- Remain on plan for Month 5.
- Patient related income at lowest so far this financial year.
- Month 6 allows for a drop in activity related to Unity Go-live.

**MATTERS FOR INFORMATION / NOTING**

**8. Meeting effectiveness feedback**

**Verbal**

No feedback due to time constraints.

**9. Any other business**

**Verbal**

TL asked if the future financial system documentation will be available to provide guidance on organising next year’s NHS money. DM said details would be available. TL noted rumours that funding would be treated differently to previous years (not PSF) and issued as an STP (unlikely to be compounded). This may cause concern, noting the underlying deficit by SWBH.

Standing item of the FIC to consider finance position of STP funding on broader basis (not just for SWBH).

**10. Next meeting**

**Verbal**

The next meeting will be held on Friday 29<sup>th</sup> November 2019, 09:30 – 10:45, Room 13, Education Centre, Sandwell Hospital.

Signed .....  
 Print .....  
 Date .....