Paper ref:	TB (02/20) 002

Sandwell and West Birmingham Hospitals NHS Trust

FINANCE AND INVESTMENT COMMITTEE - MINUTES

Venue: Room 13, Education Centre, Sandwell General Hospital

Date: 29th November 2019, 09:30-10:45

Members:

Mr M Hoare	(MH)	Non-Executive Director, Chair
Ms D McLannahan	(DM)	Acting Director of Finance
Mr R Samuda	(RS)	Chairman
Ms M Perry	(MP)	Non-Executive Director
Ms R Barlow	(RB)	Chief Operating Officer
Mr H Kang	(HK)	Non-Executive Director
Mr D Baker	(DB)	Director of Partnerships & Innovation

In Attendance:

Mr P Stanaway	(PS)	Associate Director of Finance
Mrs R Goodby	(RG)	Director of People and OD *(from agenda item 3)*

Support:

Mr C Liston	(CL)	Executive Assistant

Apologies:
Nil

Minutes	Reference
1. Introductions	**Verbal**
The Committee members provided an introduction for the purpose of the meeting recording.	
2. Apologies for absence	**Verbal**
No apologies were noted.	
3. Minutes from the meeting held on 26th July 2019	**FIC (11/19) 001**
The minutes of the meeting held on 26th July 2019 were reviewed and the following amendments were noted: • Page 4, agenda item 6, first bullet point *Model Hospital – not quite ready at this time* related to the bullet point below in regard to service line and patient level costing. The first bullet point should read; *Model Hospital – had been used for the first wave of opportunities.* The minutes were accepted as an accurate record of discussions.	
3.1 Matters and actions arising from previous meetings	**FIC (11/19) 002**
It was noted that the single action item had been addressed in papers presented in the agenda.	
MATTERS FOR DISCUSSION	
4. Strategic Board Assurance Framework: controls check	**FIC (11/19) 003**
DM advised that there were two items on the SBAF and provided a summary and update on each item.	

SBAF Ref 9

Refers to the delivery of cash backed income and expenditure plans that enable the Trust to generate sufficient cash to invest in their capital program, as planned.

- Regularly reviewing the actions following the formal confirm and challenge session held in September.
- 19/20 control total and longer term plans and financial improvement trajectories need to be agreed with NHSI and NHS England.
- Had reviewed it from a 19/20 perspective, the risk was reducing and had increased confidence of control total achievement and delivery of the forecasted year end cash balance of £22.3m.
- Reduced the current risk score from 12 to 8 on the basis that the likelihood of risk materialising was reduced from possible to unlikely as a clear route to 1920 control total could be seen. The assurance level was thought to be *adequate.*

SBAF Ref 10

DM advised that SBAF 10 was about the contracting mechanism for the NHS on a national level which would allow the Trust to move funds freely around the system (ideally following the patients). The long-term aim would be to have as few contracts as possible, ideally one. The actions identified were describing a contract mechanism for 2021, which would not be long term alliance contracting. As part of the actions/controls, DM was now on the National Payments Systems Reform Group. She noted that she had attended a meeting of the Group and it had not felt like reform and was dominated by the specialist providers around costing and pricing technicalities.

From the initial meetings with the CCG it was noted that they could only envisage 2.3% of growth for the Trust (which wasn't what was assumed in the Trust's plans). NHSI had assumed 3.7% growth for all; however, the Trust's CCG were only likely to plan for 2.3%.

She had agreed with Toby Lewis that the SBAF assurance level for this issue would probably remain as *limited* at this point in time.

The Chair queried if this would affect their ability to deliver some of the CIP for next year. DM noted that there shouldn't be any income related CIP next year and had already agreed the depth of coding unwind for next year with the CCG.

5. Year-end position	**FIC (11/19) 004**

DM noted the headline messages from the Paper;

- Had identified and was confident in about £14.5m of flexibility to mitigate any variance to their own £17.3m deficit 19/20 control total. In theory, that could reach a deficit of £32m and still reach the control total.
- Indicated a likely forecast outturn of around £25.6m. She noted that that forecast differed slightly to the forecast outturn in the Finance Paper as this paper reversed out any support that they had put in for the Month 7 position in order to report on plan. Good level of confidence in reaching the control total this year, subject to delivery of forecast.
- As the end the of the financial year approaches, there was a £6m recurrent risk reserve inherent within a deficit budget £17.3m. A decision would need to be made whether to release some of that reserve recurrently into the positions in budget setting next year. The key is that they start a plan at £17.3m because any variance on that would change the ask in 2021.

RS questioned the assumptions around the depreciation of £3m. DM noted that the assumption would be that £3m would stay and not be reversed out. They had engaged an external independent advisor, Cushman & Wakefield. Cushman & Wakefield had visited on site to review all asset base and prospective valuation from the MMH perspective. The working assumption for this year was, that the depreciation budget was recurrently reduced by approximately £3m last year and would stay – unless Cushman & Wakefield did not support that, which was not expected to happen.

PS advised that a lot of the other income was assumptions and commercialisation. Commercialisation related to the car park, just under £700k. DM advised that it was an £8m cash injection, but they were recognising that as a revenue sale of a site licence fee to the developer; therefore, they could stretch that £8m over two years to match the relationship with the project developer.

PS noted that non-pay had increased, but that was largely pass through drugs and offset by the increase in PRI. Some recovery of that was expected in November.

In regard to pay, the main contributor to variance from forecast was the Emergency Care Directorate. It was discussed at length during their group review and there was a clear plan to recover the ED element with more work to be done on the acute position. PS noted that pay was adverse to forecast by £405k. DM noted that there was a big jump in run-rate in non-pay, although it was only £161k off the forecast. She could not recall the increase rationale and would that investigate further.

It was questioned if there was confidence that they had returned to normal activity post-Unity. DM advised that they were confident about activity levels, but not so confident in data quality. The data quality issues were known and had a log of those; safety, income, other -counting/reporting. There was a tracker and they know what the income impact is and were working through to resolve those issues. DM suggested that they bring an update to the next meeting and develop an audit trail for income impacts in Unity data quality issues.

Action: DM to investigate the rationale behind the increase in run-rate in non-pay.

Action: The Committee receive an update at the January meeting on the *post-Unity return to normal activity* data quality issues, including an audit trail for income impacts in Unity data quality issues.

6. Non-paying savings plan: Procurement and pharmacy	**FIC (11/19) 005**

DM noted that a CIP of £18m for 2021 was expected. The sources of data information that they had available identify opportunities. It was timely to plan in detail now that they had established the target. The assumption was that there would not be major income CIP opportunities by doing more activity; therefore, were focusing on expenditure savings split at a headline level by £8m non-pay with £10m for pay as their current guideline.

The paper sets out the first cut of CIP identified with specific focus on procurement and pharmacy. Key points:

- There were clear plans for £5m.
- Plans were in place to confirm the detail behind a further £2m by the end of December and that included numbers for pharmacy.

<u>Pharmacy</u>

- Over £35m was spent annually on drugs and was hoped that at least £1-1.5m could be saved on that spend.
- There is a dedicated representative from pharmacy and a useful CIP checklist that they could work through with pharmacy.
- There were saving opportunities in; substitution of one drug for another, reduction of over-prescribing, Unity improving control/efficiencies.

Any risks associated with Brexit were discussed and it was noted that every pharmacy/hospital was in the same situation. DM had met with James (CCG) in regard to some issues. The CCG had been called to the NHS Midlands for a meeting recently. The CCG was an outlier in terms of biosimilar switch and savings identified – was not high enough.

Switching patients to biosimilar drugs would be at the consultant/patient discretion – need to consider patients that are stable on branded medication.

DM advised that she had secured some time with pharmacy colleagues next week to discuss the detail of what they need to do. There was a discussion around safe drug transitioning. DM advised that she would discuss with pharmacy if they had a drug transition plan.

<u>Procurement - Corporate CIP</u>

Corporate reviews were held recently and had identified 5% recurrent saving on the budget. The Paper sets out their position, which had improved further, had at least £3.3m with a further £1.5m to find. Identifying those funds was considered low risk.

DM noted the category towers as described in the Paper. There was a discussion:

- The Trust was provided with a percentage of income in which they could assume that they would lose. At the last minute, the percentage was reduced and lost approximately £500k in price benefit. That was in the CIP in the back-end of the year. The plan to address that next year, would be to recreate that £500k through the income budget setting process. There were local actions in place and was expected to improve.
- The category towers came into effect at 1 April (all at once). DM noted that she would not expect that the auditors would check local arrangements for pharmacy and reflecting the national tower structure – but the more they can align themselves locally with the national tower structure, the more likely to identify savings.
- The restructure of the Procurement Team (creating a MCPS and moving away from BCA) to ensure that they had category tower managers and local experts that are aligned with the structure –savings delivery is their job.
- Between Sandwell, Dudley and Walsall, they had an interim category tower manager structure – a bottom-up first attempt had identified just over £1m in savings against the £2.5m target.

It was questioned if the towers simply focused on price or if they included supplier rationalisation and product substitution. DM noted that the towers were price and value – the local work plan included matters such as supplier rationalisation and product substitution.

DM advised that the National Savings Report was still outstanding. The Report was in eight pilot trusts, and once validated was going to be rolled out nationally. It was anticipated that there would be more savings for future years once the Report is finalised.

The inclusion and review of the single tender waiver was questioned. DM noted that over the past year, there had seen significant improvement in the output of the Procurement Team in terms of the team supporting the organisation – particularly since Mike Hanson, Substantive Director for the service, and had set measurable and clear objectives, targets and metrics.

DM advised that the Trust had recently undergone external assessments to achieve level 1 accreditation standards. The external assessment measured the Trust's processes, governance, systems and how they organise themselves. A lot of organisations were still at level 0, the Trust would next strive for level 2 (the highest level).

The Trust was forming relationships with Worcestershire and Shropshire.

Engagement across all three trusts had improved (Sandwell, Dudley, Walsall). Dudley and Walsall had agreed that Sandwell would host the new Midlands Commercial Procurement Service (MCPS). Would initiate a TUPE process to get all the procurement resources from Dudley and Walsall into Sandwell to create a true one team with Mike Hanson controlling resources across the organisation. Dudley and Walsall had agreed to sign up for three years. The new service would be launched on 1 April 2020.

Local actions:

- Created a comprehensive contracts database – an ongoing piece of work. The time period of automated notification of contract renewal was queried. DM undertook to confirm that process with Mike Hanson.
- Complete supplier list; work being done around supplier values and social value procurement.
- Catalogue coverage was now 88% - evidence that that people were utilising the catalogue more.
- The latest national lead table was noted (October 2019). The Trust's position at the same time last year was approximately 117th, this year 28th. DM noted that she would seek and assurance from Mike Hanson around the source of metrics and process efficiency data.

Action: DM to discuss a drug transition plan with pharmacy.

Action: DM to confirm the time period and process of automated notification of contract renewal with Mike Hanson.

7. Pay estimates for 2020/21 by directorate	**FIC (11/19) 006**

RG thanked the committee for allowing her join the meeting to talk to pay estimates for 20/21. She noted the following:

- Had estimated the exit position for month 12 on pay would £28.1m and predicted overall spend for the year would be £330m.
- Pay budget for 20/21 was estimated at Month 12 multiplied by 12 and assumed a 20% reduction in agency spend for medical and nursing from July onwards.
- The People and OD Committee had requested a breakdown of that budget per directorate.
- She asked for the FIC to note the following:
    - pay bill position,
    - predicted pay spend for each clinical group for next year, and
    - discuss any control measures needed to control agency position.

Discussion:

It was noted that in terms of grip and control, that there were a lot of old shifts that they were accruing which would be need to be reviewed to see if they were still valid. It was questioned that looking to next year, to what extent could overspend or variance be released. RG noted that in her opinion they shouldn't release the £3m. In her view, the 20/21 forecast and the available £3m was a potential indication of available CIP for next year. She preferred to do a roll over budget scenario and have a clean CIP for next year.

RG noted that this year they were meant to spend £10.6m on agency and overspent to £17.1m (not including bank spend), due to:

- not recruiting as expected to the recruitment plan.
- medical agency – only managed grip and control halfway through the year.
- Unity was a driver of agency spend.

- 20% reduction from July onwards was quite conservative (based on known recruitment, offers and assumptions), but need to go further by removing the temporary expense of agency spend.

DM noted that there was a need to manage the messaging and process carefully over Q4 and Q1 – as the message this year had been around being fully staffed. They had tried their best to recruit this year and would probably not reach budgeted £339m full establishment, less the vacancy factor. In terms of budget setting for next year, they would need to be realistic. The £17m deficit this year included the £16m margin (which carries into the budgets that they would set and deliver this year). Whatever the expenditure budgets are within that £17m, the balancing figure would be the income target to agree with the commissioners (to be the target that they would pay the Trust).

At the clinical group reviews, they discussed which roles in which were believed to be unrecruitable by March 2020 and what their strategy would be moving forward. It would be revisited in January 2020.

8. Capital phasing to 2023/24	**FIC (11/19) 007**

DM noted that the Committee had seen the model before. The Paper sets out the capital and cash assumptions. It assumed the all in-year construction costs for Midland Met are met by all the in-year PDC drawdowns, as also for STP reconfiguration. The other fundamental assumption was that they would breakeven from an I&E perspective which will generate the cash to fund the capital program. It was a self-funded program that relied on at least I&E breakeven.

9. Procurement team improvement plan	**FIC (11/19) 008**

As discussed at agenda item 6.

MATTERS FOR INFORMATION/NOTING

10. Month 7 Report	**FIC (11/19) 009**

DM advised that the Committee had covered most of the fundamental issues within the Paper. She noted the following points:

- There was a list of adjustments to the position on the cover sheet, the only real support was the £2.5m GRNI flexibility in order to report on plan. Still have the £6m recurrent reserve that the Committee had discussed earlier.
- Capitalisation of Unity costs was considered appropriate.

11. Meeting effectiveness feedback	**Verbal**

Not discussed.

12. Any other business	**Verbal**

Matters to raise to the Trust Board:

- Procurement
- Wider collaboration
- The importance of the roll out of the Budget, the run rate and the effect on 20/21 (impact on out turn vs recurrent budget in 20/21 budget setting).

DM advised that they had recently received a formal letter from Revenue and Customs that confirmed their agreement with the Trust's assumption that VAT was recoverable on the MMH payments

(£12.5m). Revenue and Customs had raised challenges on managed equipment service CT and MRI scanners with Siemens of £1.9m – had recovered the VAT on that and had a strong case, but could potentially be a hit.
13. Details of Next Meeting
The next meeting would be held on Thursday, 2 January 2020 from 15:30 to 16:40 in Room 13, Education Centre, Sandwell General Hospital.

Signed ……………………………………………………………………………………………….

Print ……………………………………………………………………………………………….

Date ……………………………………………………………………………………………….