

FINANCE AND INVESTMENT COMMITTEE - MINUTES

Venue: Meeting Room 2, Rowley Regis Hospital

Date: 2nd January 2020, 15:30-16:40

Members:

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

In Attendance:

Mr T Lewis (TL) Chief Executive
 Mr P Stanaway (PS) Ass. Director of Finance (from 3.48pm)
 Mrs R Goodby (RG) Director of People & OD

Committee support:

Mr C Liston (CL) Executive Assistant

Minutes	Reference
1. Introductions	Verbal
<p>The Chair welcomed Committee members to the meeting. Committee members provided an introduction for the purpose of the meeting recording.</p>	
2. Welcome, apologies, declarations of interest	Verbal
<p>No apologies.</p>	
3. Minutes from the meeting held on 29th November 2019	FIC (01/20) 001
<p>It was proposed that the Committee accept the minutes of the meeting held on 29th November 2019 as an accurate record.</p> <ul style="list-style-type: none"> The minutes were ACCEPTED. 	
3.1 Matters arising and update on previous meeting actions	FIC (01/20) 002
<p>The Committee reviewed the action log and noted the following updates:</p> <ul style="list-style-type: none"> <i>FIC (11/19) 004 - Investigate the rationale behind the increase in run-rate in non-pay.</i> DM reported the query had arisen because the forecast paper had reversed out the non-recurrent support the Trust had put in, to balance and report on-plan, which had skewed results month-on-month. Once this had been neutralised, anomalies and 'jumps' had been corrected. <i>FIC (11/19) 004 - The Committee to 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.</i> RB reported there did not appear to be any residual income issues in an assessment of the non-ED, GQD workstream. The ED, GQD workstream had been risk assessed for the current financial year and the block contract effectively covered the Trust for the year. Two matters (coding and ED and whether diagnostics were attributed). The Trust was working with Bath on a solution. 	

- *FIC (11/19) 005 - Discuss a drug transition plan with pharmacy.*

DM reported she had discussed the issue with the Deputy Head of Pharmacy. The CCG had been asked to attend a meeting at West Midland NHS IE Headquarters to discuss the Trust's level of biosimilar switch. Work was being undertaken to address anomalies between perception and hard data evidence. This would be part of the CIP plan for 2020.

- *FIC (11/19) 005 – Confirm the time period and process of automated notification of contract renewal with Mike Hanson.*

DM reported the Trust currently had 96 of the top value 100 contracts for the organisation on the contracts database and there was an automated function set up to flag contracts due to expire in the next 6 months. DM commented there was still work to do, however, the Trust was now in a more proactive position.

MATTERS FOR DISCUSSION

4. Finance Report: Month 8 2019/2020

FIC (01/20) 003

DM presented the Finance Report for Month 8 of the financial year. The following points were made:

- It was expected that the Control Total for 19/20 would be achieved. This would be a deficit before central support of £17.34m. An adverse variation from forecast was observed in patient-related income in Day Case and Outpatient News, Surgical Services, Medicine and Emergency Care.
- The Trust was nearly £1m off its previous pay forecast, which had predicted a year-end variance of £6-£7m. DM reported that the Trust was currently around £2.5m off the year end figure in Month 8 with the combination of PRI and Pay. DM expressed the view that if the trend continued, it was unlikely to impact on the Trust's ability to reach the Control Total, the run rate did need to improve and it could create some financial planning challenges.
- DM reported that, in terms of PRI, the clause around Unity in the contract for September and October had enabled the Trust to book its income plan if it was more than 3 per cent away from monthly activity plans. This had had an unexpected adverse impact in Month 8 because the Trust was within the 97 per cent target but was not as good as Plan. DM acknowledged there had been a degree of risk in the previous assumptions.
- Outturn was expected to be £293.5m with Sandwell and West Birmingham CCG and some slight over performance with other Commissioners.

TL reported that it was his understanding that Surgery was not adrift from forecast in Month 8. DM confirmed that Surgical Services, Medicine and Emergency Care were off-Plan in Month 8. TL expressed the view that it was important to establish the income split because recent decisions not to discontinue some surgical services had been taken based on income assurances.

DM reported that Medicine would be only around £50k off target in Month 9, Surgical Services however would be minus £430k against plan for Month 9. She commented there was expected to be an improvement in performance going forward.

TL requested that DM ensure that teams were transparent and factual in presenting their figures.

In response to questioning from MH, DM confirmed that she was confident the Trust would achieve the 'other income' figures forecast for Jan/Feb/Mar despite variances observed in the actuals.

TL raised the issue of the spike in pay in Medicine and Emergency Care in October and November. He expressed the view there appeared to be a complete lack of control over expenditure on doctors in Medicine. The explanation from RG was that there were unvalidated locum shifts from earlier in the year.

PS arrived at the meeting at 3.48pm.

PS reported that a review of Q1 had revealed there was around £140k worth of accruals relating to shifts that had not been validated in the system. He had asked the groups to investigate although he commented this was quite common.

TL confirmed that there was a cut off point for doctors and nurses with regard to submitting invoices, however, this may not be being enforced in relation to doctors.

TL commented that the Executive was unable to explain the pay position. At least £200k of the growth in expenditure appeared to be agency and the balance could be rostered pay. TL reported that he would circulate a summarised position and a forecast in relation to Q4.

Action: DM to establish the forecasted income split between Surgical Services and Medicine and report back to TL.

Action: TL to circulate a summarised pay position and a forecast in relation to Q4 to Committee members.

5. Draft 2020/2021 budgets

FIC (01/20) 004

DM presented the draft budgets. The following points were made:

- DM reminded the Committee that the Board had agreed a satisfactory forward plan with NHSM and Department of Health and Social Care around alignment of the construction of Midland Met, double-running and commissioning costs associated with the time delay with a compliant financial improvement trajectory, which would maintain the LTFM strategy assumptions.
- The CIP would be maintained at £30m over the next two years with a deficit of £17.4m (approx.)
- The General Election had delayed the forecast of PRI for 2021. A high-level piece of work had been undertaken indicating the Trust could set a budget (subject to agreeing a contract with commissioners) at 19/20 levels at least.
- The working assumption for the paper was that the Trust would not have to reduce levels of income plans and budgets for next year.
- DM reported that a budget-setting complication was that the Trust would be delivering an outturn that had a very different mix from the £17.34m deficit budget in terms of categories and directorates.
- DM reported that some specific actions would be required to set an appropriate budget. These actions were:
 - Get the Emergency Care pay position back to an acceptable budgetary level.
 - Close the gap in Research and Development income which was measured at £750k (estimated).
 - Of the £5m recurrent commercial income budget, £4m was covered by the site licensing fee which left a £1m gap at least.
 - Delivery of procurement savings by Supply Chain Co-ordination Ltd (SCCL), was uncertain. A validation process in relation to how they monitored their savings had been undertaken with 8 pilot Trusts in November [2019]. A Savings Report had been received and validated which had led to the Trust not feeling assured that savings were being delivered for the organisation. This was disappointing and a £1m issue (approx.) was still be resolved.
 - The overseas income budget had been under-recovered for the year, however, a recovery plan to improve the position was being implemented. DM reported that some

extensive detail on this issue would be presented to the Audit and Risk Management Committee in February.

DM reported that an assessment was required, of each Directorate, on this year's outturn to determine if they had over or under spent (excluding PRI), to plan future budget setting principles.

DM reported that the budget included a £6m risk reserve but some of this had already been committed for 19/20.

TL commented that, in reality, there were between £2-3m worth of issues/risks to be resolved rather than £5m. He reported that he would work with DM to avoid this position impacting budget-setting. DM agreed but commented this estimate would rely on Surgical Services PRI and Emergency Care pay being on budget.

MP reported that the potential failure of SCCL would lead to the non-pay budget getting smaller and the non-pay spend would not reduce. The non-pay spend was currently invoiced cost to the Trust.

DM confirmed that the Trust was not accruing on the basis of SCCL success, rather it was being treated as a variance which could be managed in 2020.

PS expressed the view that if management controls were not put in place, then overspending areas could continue to overspend, despite being fully staffed.

RG expressed the view that the Trust needed to ensure that agency fees dropped in areas where recruitment was being successful in filling vacancies.

TL confirmed that to save around £18m CIP the Trust needed to save £10m on pay. The figure had to change from £340m to £330m (approx.) in order to prevent massive cuts in non-pay. TL commented he would not be aiming for vacancy freezes.

RS raised the question of non-validation of shift working. RG reported that because doctors were not on an electronic roster system, the validation system for them was more complicated and led to longer invoicing times.

TL commented that the issue needed to be differentiated from the pre-authorisation process linked to the waiting lists initiative. He further commented the issue concerned the substantive validation of substantive pay roll, the approval of waiting list initiatives and approval of medical agency spend for people who were not on a roster.

PS reported that this would be worked through before the Audit Committee meeting.

DM confirmed that to be consistent with £18m savings there needed to be actions to get the Trust consistent with a c£17m deficit.

Action: PS to investigate the process of shift pay validation for reporting to the Audit Committee meeting.

MATTERS FOR INFORMATION/NOTING

6. Any other business

Verbal

- No other business was raised.

7. Details of Next Meeting

The next meeting will be held on Friday 28th February 2020, 09:30 - 10:45 in Room 13, Education Centre, Sandwell General Hospital.

Signed

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Date

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