

**FINANCE AND INVESTMENT COMMITTEE - MINUTES****Venue:** Room 13, Education Centre,  
Sandwell Hospital**Date:** 28<sup>th</sup> February 2020, 09:30-10:45**Members:**

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

**In Attendance:**

Mr T Lewis	(TL)	Chief Executive
Mrs R Biran	(RBI)	Assoc Director of Corp Governance

Minutes	Reference
<b>1. Introductions</b>	<b>Verbal</b>
The Chair welcomed Committee members to the meeting. Committee members provided an introduction for the purpose of the meeting recording.	
<b>2. Apologies for absence</b>	<b>Verbal</b>
No apologies.	
<b>3. Minutes of the previous meeting, held on 2<sup>nd</sup> January 2020</b>	<b>FIC (02/20) 001</b>
The Committee reviewed the minutes of the meeting held on 2 <sup>nd</sup> January 2020 and suggested the following amendment: <ul style="list-style-type: none"> <li>Item 4, Point 1 – the word ‘news’ to be removed.</li> <li>In response to a query from TL, DM confirmed that the financial figures included in the minutes were correct at the time of the meeting, with one small amendment.</li> </ul> The minutes were <b>ACCEPTED</b> subject to the above amendments.	
<b>3.1 Matters arising and update on previous meeting actions</b>	<b>FIC (02/20) 002</b>
The Committee reviewed the action log and noted that action log items 4 and 5 were now closed: <ul style="list-style-type: none"> <li><i>FIC (11/19) 005 - Confirm the time period and process of automated notification of contract renewal with Mike Hanson.</i></li> <li><i>FIC (02/01/20) - Establish the forecasted income split between Surgical Services and Medicine and report back to TL.</i></li> </ul>	

**MATTERS FOR DISCUSSION**

**4. Use of Resources: 2018/19 update and action plan to good****FIC (01/20) 003**

DM reported that the Trust was expecting to have a CQC visit in 2020. The last visit took place in 2018 when a use of resources assessment was carried out and returned a rating of 'requires improvement'. DM stated that preparations had begun ahead of the new visit, with the aim being a rating of 'good.'

DM referred Committee members to the paper which indicated the current state of play with regard to operational productivity metrics. She commented that clear action plans needed to be in place for each of the metrics as evidence for the CQC team.

DM reported that it was possible to get to a 'good' rating when operating from a deficit position but perhaps not possible to get an 'outstanding.' It would be necessary to demonstrate that productivity metrics and other indicators were reasonable and action plans were in place to improve them.

DM reported that it was notable that the overall cost per weighted activity unit was now below the national and peer average and this was a key metric to measure productivity. Overall WAU for 18/19 was £3,359 compared to a peer median of £3,614 and a national median of £3,500. This represented a marked improvement.

DM reported that a dashboard of metrics under the 5 KLOEs would be taken to the Executive group meeting which would be CQC focused on the second Tuesday of the month. DM stated she would also be looking at the Quality Account peer group to identify some of the features of their good performance. DM further reported she had looked at local reports to get a feel for the different inspection experiences. DM expressed the view that it was a subjective process – some Trusts had scored 'good' when there appeared to be some fundamental areas for improvement for example.

In response to a query from RB, DM expressed the view that GIRFT enabled the Trust to better describe quality improvements, however it could not yet be tangibly linked to productivity metric improvements, although this could be considered over the next 6 months.

TL suggested that the GIRFT indicators could be sifted to look for relevant information.

DM explained that the weighted activity measure represented the cost quantum compared to the output the cost produced. The 18/19 cost return reflected a more granular, patient level of detail in three areas and this process was being changed. It was possible this could impact the consistency of the cost return metrics.

In response to a query from MH, DM reported that agency also fed into the qualitative assessment of the exercise. DM explained that a score of 1 would be 'outstanding', 2 would be 'good', 3 would be 'required improvement' and 4 was 'inadequate'. The Trust scored a 4 on this metric because the Trust was at least 50% away from the agency ceiling, resulting in a 3 overall on the current finance metrics, having delivered a 2 overall in 1819.

DM expressed the view that the Trust needed to be mindful to recreate the metrics the CQC could see when the assessment took place. DM also suggested the Trust become more aware of the data inconsistencies nationally over the next 6 months. DM reported that all Trusts had submitted using the same methodology but expressed the view there had been lots of problems centrally with the process.

DM suggested that NHS Midland and the CQC would be impressed if the Trust compared itself to specific organisations that were known to have high quality data.

TL reported that for April the Trust needed to have key lines of enquiry in place, data and the

comparisons, indicators assessed against 18/19.

TL reported that the CQC were in the process of reviewing their Well-led indicators which would bear onto the people plan and emphasise system. TL suggested therefore, that the STP performance as well and the Trust's performance might be considered in the first quarter of next year, to demonstrate the Trust was looking at the whole system.

TL reported that setting out the use of resources position for each of the Trust's three large neighbouring organisations (Dudley, Wolverhampton, Walsall) would be useful to produce an aggregate position for comparison and to demonstrate interest.

TL commented that it would be good for the Trust to go into the assessment process knowing what its score will be. DM commented that the CQC expected hospitals to be looking at model metrics regularly.

**Action:** TL and DM to identify key lines of enquiry, data and comparison indicators in preparation for the CQC visit by April.

**Action:** DM to set out the use of resources position for each of the Trust's three large neighbouring organisations (Dudley, Wolverhampton, Walsall).

## 5. Planning update 2021 and beyond

FIC (02/20) 004

DM reported that cost and income assumptions had been set out at the February Board meeting. The cost assumption was underway with the main piece being firming up the CIP plans.

DM further reported there was a large piece of work was being done to confirm income plans. DM referred Committee members to the paper which set out income per Commissioner with the following results:

- Black Country CCGs – £328m
- Sandwell & West Birmingham CCG – £315.5m and DM reported the Trust would be looking for an outturn of £293.5 for 19/20. DM reported work had been devoted to bridging these two numbers.

DM reported an all-day session with the Black Country Commissioners had taken place recently and they had put forward an offer of £306m against £329m. Sandwell & West Birmingham CCG had put forward £292m against £315.5m needed indicated in the plan.

DM reported that, overall, the figures could lead to a deficit of £36m which would seriously affect the cash plan.

TL reported that, in the Autumn of 2019, the long-term financial model had identified that the Trust needed around £336m of income from Sandwell & West Birmingham CCG, which assumed an improvement in elective income by year end. This was before an agreed adjustment with DHSC in relation to Midland Met LTFM and FIT alignment that took this number down to £315.5m. Since then the Trust numbers had not changed.

TL reported that at an STP level at that point, there appeared to be a collective gap of £25m and it was broadly agreed with NHS Midlands that it would pay half. However, subsequently, the CCG offer to the Trust had dropped by £10m which was not obviously explained. This, added to an understood and pre-existing c£12m gap (relating to 1920 plan under-delivery) meant that there was now a £22m gap.

TL reported, therefore, that the Trust was currently materially apart from the CCG and there was a

question about how this should be reported externally to the Centre.

TL reported that the STP was perceived to have a concluded position and there was a desire to publish the STP position nationally before the issue of the gaps was raised. All the gaps totalled around £84m - £100m.

TL reported that the discussion was in 3 parts as follows:

- Option A – Submit the old plan (not supported by the Committee)
- Option B – Represent the whole problem as part of the CCG position, i.e. put all the deficit into the CCG part of the plan to protect the FRF. (This was the preference of the Director of Finance group).
- Option C – To represent deficits in provider Trusts.

TL reported that, because it was a system problem, the Chief Executives had taken the view that the deficits should be distributed between the CCG and the Trusts.

TL stated that there were two submission dates of 5<sup>th</sup> March and 29<sup>th</sup> April. TL reported they were going to submit a collective plan in the interim showing an £85m gap. TL commented that it was a presentational matter. TL reported that the other Trusts were in agreement with this approach.

TL reported that the Trust would work hard to close the gap with the CCGs. TL commented that the Trust's cash needed to be a focus if not initially.

TL reported that the financial plan of £315.5m had been based on the assumption that the outturn was expected to be more than £293m, so the difficulty had been caused by a failure to deliver on the numbers in 1920.

TL reported that he would like DM to present a clear rebate on due income in the Annual Report as Emergency activity was ahead of schedule and had not yet been paid for.

MP expressed the view that the Committee needed to be very clear about the difference between the plan that would be submitted for the collective good and the plan that would actually be put in place.

TL suggested that he and DM have an annex to TL's Private Board Report that sets out the differences.

TL reported that the actual plan would go to the Board in April, which would be the plan used for tracking. TL made the further point that the governance reconciliation point applied both internally and externally. TL expressed the view the numbers were not reconcilable.

TL commented that the specific material risks to the Trust was that it was in a better position than its neighbouring Trusts and when the gaps were discovered, it would be asked to help plug it using reserves.

TL reported that the Trust's challenge was to negotiate a way through the £25m revenue gap. Discussions were scheduled to take place with Commissioners. TL commented that negotiating a 2- or 3-year deal would be helpful.

DM reported that the focus would be to keep the capital programme funded and on track. There was a £24m internally funded plan in place for 2021 with £16m funded by depreciation leaving an £8m cash requirement. DM reported the trust was expecting to end the year with around £22m in cash.

DM reported that the gap presentation would protect the cash and a capital borrowing scenario should be avoided.

<b>6. Black Country and West Birmingham System: future implications</b>	<b>FIC (02/20) 005</b>
<p>TL referred Committee members to the three actions in the paper and commented that the Committee needed to consider if any external assistance was needed.</p> <p>TL commented that the Trust needed to progress with the capital sequencing for Lot 4b, which addressed funds for the capital programme to a provider.</p> <p>TL suggested that the Board should probe the elective income plan for the coming year because the target was missed in the current year.</p> <p>TL commented that the Trust needed to take responsibility for the demand programme for emergency care over the next 3 years to identify the non-pay savings and stay financially agile. This would mean the FIC would hold the executive to account.</p> <p>DM commented that the balance sheet needed to be looked at more.</p> <p>TL commented that the three-year place-based model for Sandwell and West Birmingham should be pursued and kept separate from the Dudley Walsall and Wolverhampton issues, otherwise the Trusts would end up having to bail each other out. TL reported this would only work if the Trust hit its control total this year.</p>	
<b>7. Procurement improvement plan and turnaround plan</b>	<b>FIC (02/20) 006</b>
<p>DM reported that the Trust was now 25<sup>th</sup> overall in the newest procurement league table and 11<sup>th</sup> on price nationally which excluded the recent Level 1 accreditation. This compared to a ranking of 117<sup>th</sup> in October 2018 and 91<sup>st</sup> in February 2019 which represented a huge improvement in league table performance.</p>	
<b>8. Finance Report: Month 10 2019/20</b>	<b>FIC (02/20) 007</b>
<p>DM reported on the Finance Report for month 10 and reminded the Committee that the control total was a £17.4m deficit. At month 10, the Trust was sitting at £26.6m, and therefore, an injection of £11.5m had been put into the position to report on plan and deliver an expected year to date (YTD) deficit of around £15m.</p> <p>DM reported that this meant effectively, the Trust could reach a deficit of £34m and still reach the control total, but the key assumptions would be:</p> <ul style="list-style-type: none"> <li>○ To see a reduction in the pay bill.</li> <li>○ Receive £4m in income in relation to the car park – DM reported that obtaining planning approval was creating a risk in this area. TL commented that it was possible to see contractual commitment pending planning permission and this would be worked through.</li> <li>○ Materiality was lower than it was last year at around £7m. DM expressed the view that the asset life stretch was not expected to be an area of disagreement as it had been in 1819.</li> </ul> <p>TL identified the three risks to the control total as being:</p>	

- The audit judgement
- Receipt of income from contractual close
- Receipt of £293.5m from the CCG

RS raised the issue of the BTC operating theatres. TL reported that the Trust was not relying on compensation to retrieve the financial position but acknowledged this could be a favourable variance however it was not recommended.

DM reported that there was a six-figure insurance claim in which would mitigate any loss in income but Sandwell and West Birmingham CCG would be asked for £293.5m as a year-end settlement which would also mitigate.

DM reported that the Trust had been consistent in its CCG demand. She further reported that if the Trust got a good result from a pay and non-pay perspective in month 12, plus the £17m, then it was hoped the control target would be met. There was also a risk from Coronavirus costs to monitor.

MH commented that the Trust needed to focus on the April run rate to keep the target on track. TL assured the Committee that a difference would be made to agency spend in Q1 and preparation work was underway.

**Action:** TL to investigate the possibility of doing a financial close pending planning permission in relation to the car park.

#### 9. SBAF: Update on assurance levels

FIC (02/20) 008

DM reported that SBAF 9 (income and expenditure) had already been covered in earlier discussion about the control total and the 2021 plan

DM reported that SBAF 10 (contracting and payment in the NHS) had also been covered (Item 6), with a specific action required around getting into the detail about ICP contracting and to understand the true mechanism opportunity presented by the future strategy and how to make the most of system money.

### MATTERS FOR INFORMATION/NOTING


#### 10. Any other business

Verbal

- Items to bring to the Board.
  - 2021 Planning - TL commented this would refer to papers in the Private Board.
  - Highlight the good work of the procurement team
  - Highlight the challenges on 19/20 and getting to the run rate
  - The FRC's agreement to focus on strategic financial workstreams and the model

#### 7. Details of Next Meeting

The next meeting will be held on Friday 29<sup>th</sup> May 2020, 09:30 - 10:45 in Room 13, Education Centre, Sandwell General Hospital.

Sandwell and West Birmingham Hospitals   
NHS Trust

Signed .....

Print .....

Date .....