Sandwell and West Birmingham Hospitals NHS Trust

FINANCE AND INVESTMENT COMMITTEE - MINUTES

Venue: Meeting held via WebEx **Date:** 29th May 2020, 09:30-10:45

Members:

Mr M Hoare	(MH)	Non-Executive Director (Chair)	Mr L Kennedy	(LK)	Chief Operating Officer
Mr R Samuda	(RS)	Trust Chairman	Mr D Baker	(DB)	Director of Partnerships & Innovation
Mr H Kang	(HK)	Non-Executive Director	Mrs R Biran	(RBi)	Assoc. Director of Corporate Governance
Ms M Perry	(MP)	Non-Executive Director			
Ms D McLannahan	(DM)	Chief Finance Officer			

Minutes	Reference
1. Introductions	**Verbal**
The Chair welcomed Committee members to the meeting. Committee members provided an introduction for the purpose of the meeting recording.	
2. Apologies for absence	**Verbal**
None	
3. Minutes from the meeting held on 28th February 2020	**FIC (05/20) 001**
The Committee reviewed the minutes of the meeting held on 28th February 2020. • The minutes were **ACCEPTED** as a true and accurate record of the meeting.	
3.1. Matters arising and update on previous meeting actions	**FIC (05/20) 002**
The Committee reviewed the action log and noted the following updates: • *FIC (02/20) 004 - Identify key lines of enquiry, data and comparison indicators in preparation for the CQC visit by April.* DM reported this action would be considered by the regular Executive group which would recommence meetings from June onwards. • *FIC (02/20) 004 - Set out the use of resources position for each of the Trust's three large neighbouring organisations (Dudley, Wolverhampton, Walsall).* DMc stated that she would shortly circulate the resources positions of neighbouring Trusts in the STP. RS queried whether COVID-19 would be included in key lines of enquiry. DMc expressed the view that they should remain the same, with the COVID-19 financial arrangements being	

dealt with separately.

Action: DMc to circulate the use of resources position for the Trust's neighbouring organisations (Dudley, Wolverhampton, Walsall) to Committee members.

ITEMS FOR DISCUSSION	
4. 2021 Financial Plan: Months 1 to 4 and Month 1 headline results	**FIC (05/20) 003**

DMc explained that there was an interim plan in place for Months 1-4. The centre had worked out that the Trust should receive around £43.9m worth of income monthly, with around £37.8m on a block arrangement. These funds were designed to cover the Trust's baseline costs and this regime would be in place until the end of July 2020. DMc stated that the Trust reported and explained any variation on this position monthly. Typical variations were changes since 1920 that would impact on the block, unexpected costs or knock-on effects of COVID-19.

DMc referred Committee members to the paper which showed that In Month 1, there was £43.9m of income with £47.7m of actual costs set against this figure which included the extra retrospective top up of £3.8m. A breakeven position had been reached as a result.

DMc stated that £3.3m had been directly recorded against a COVID-19 cost centre. Other variations had been unrecoverable income such as catering and car parking.

DMc reported that NHS Improvement (NHSI/E) regional colleagues had given positive feedback on the Trust's governance in this area and explanation of variance from the block and therefore, the £3.8m was expected to be received shortly.

In response to a query from MH, DMc stated that greater scrutiny would be expected from NHSI of COVID-19 expenditure because the Trust had a cost centre which clearly identified all pandemic-related spend. DMc reported that recent guidance had been issued which had set out how costs were expected to change given the current phase of the virus response. DMc stated that PPE and ITU costs were expected to continue for example, but some 'one-off' purchase items would not be expected going forward.

DMc reported that the paper confirmed the Trust had received all of its 19/20 revenue money, but the 19/20 capital position had not yet been confirmed. DMc expressed the view that this was low risk and stated she couldn't see any reason why this would not be received. DMc observed that the revenue process was working better than the capital position, which had changed several times causing some confusion in relation to purchases. DMc stated that there were still some capital related issues to work through with Centre. Claims of just under £2m had been submitted for 20/21 capital – £780k of which related to anaesthetic machines and monitors that were still on order but had not been delivered.

DMc stated that costs had not been claimed where it was not reasonable to do so (such as for the Visionable virtual consulting service) where a three-year contract was in place, extending beyond the pandemic period.

LK queried whether any comparison had been made with other similarly sized organisations on their expenditure on COVID-19. DMc commented that the Trust had been astute in that it had a cost centre that appeared to explain all the variants from the baseline plan. In 19/20 the Trust's COVID-19 revenue costs appeared to tally absolutely with Dudley, Walsall and Wolverhampton. There had been no comparison of COVID-19 costs relating to 20/21. DMc stated that it was likely that the regional NHS would likely have visibility of how Trusts compared. DMc stated that she would compare absolute COVID-19 costs in Month 1.

In response to a query from MS, DMc stated that there was likely to be inflation in relation to COVID-19 costs until the end of October. In terms of the Trust's significant deficit draft plan, expenditure plans had been clear and the restoration and recovery work was ensuring that the line of sight on the affordability envelope was also very clear.

DMc reported that the Balfour Beatty/Midland Met project was still officially on programme and the process of invoice certification, WT cost report and the Gleeds certification had been working well. This represented £6.2m worth of spend against Midland Met in April 2020.

On the balance sheet, the cash balance was £63.7m at the end of April which was a positive and healthy figure. DMc reported, however, that this would continue to be monitored carefully.

DMc reported that another payment run every week had been introduced to meet the Better Payment Practice Performance code. In May, just under 85% of NHS invoices had been paid within 30 days and there were further plans to improve this figure. DMc reported that the NHS expected that during COVID-19, invoices be paid within seven days where possible. DMc stated that this might be possible in some circumstances but expressed the view that it was important to maintain proper governance.

DMC reported that under the Covid-19 regime, all NHS provider balances were required to be settled whether the invoices were disputed or not. This amounted to a net (seven figure) benefit for the Trust because there were more debtors than creditors. DMc commented that the move also freed up time typically spent on resolving long running disputes over charges.

In response to a query from RS, DMc stated that payment terms for Balfour Beatty were 14 days and the Trust had been reasonably able to meet this timeline.

In response to a query from MH, DMc confirmed that there had been cost 'knock-on' effects from COVID-19 because of Balfour Beatty having to work under lockdown restrictions. DMc reported that the estates team had informed her that Balfour Beatty had incurred costs of around £500k because of social distancing/provision of welfare facilities etc. DMc further reported that national contract procurement guidelines were expected to address how to manage additional costs as a result of COVID-19.

In response to a query from MH, DMc confirmed that costs would be accounted for separately from operational work costs for COVID-19 and would be reimbursed accordingly.

Action: DMc to compare absolute COVID-19 costs in Month 1 with those of other similarly sized Trusts.

5. Financial Plan required to deliver prior 2020-21 outturn and cash given	6. FIC (05/20) 004

DMc reported that there was uncertainty post 31st July 2020 because the Trust had not reached a satisfactory income settlement with the CCG when the pandemic hit the NHS and the route to income was not clear.

DMc reported that the Board approved plan had been a breakeven plan, requiring £556m worth of income to achieve. However, the Trust had met with affordability challenges from Black Country Commissioners and had therefore submitted an NHSI presentational draft plan deficit of £27m. DMc stated that the deficit reflected a shortfall in income from the CCG of around £12m and as a consequence, the Trust could not achieve the financial improvement trajectory of £14m. The associated FRF had been lost as a result.

DMc reported that the position had been reflected in budgets. The deficit had grown to £30m because the Trust had assumed waiting list Ophthalmology backlog income of around £3m that had needed to come out however, the costs had remained.

DMc reported that budget figures represented the position at the end of April, but had been made before the agreement of the income settlement with Commissioners.

DMc commented that setting out the position had been a difficult process, but explained that the Trust was trying to keep sight of costs to determine the level of income required. DMc expressed the view that the intent should be to reach a breakeven position.

DMc pointed out that the £569m of expenditure included £39m of reserves. DMc stated that the reserves had been created by delivering £18.5m worth of CIP. There was currently no requirement for the Trust to deliver CIP under the COVID-19 arrangements, but DMc reported that the plans had been moving forward regardless.

LK commented that income delivery came with a significant margin above cost. DMc reported that the 19/20 margin remained if the Trust could stay within the rollover budget and this had been the approach taken with groups. DMc reported that the Trust was not relying on any margin for 20/21 to contribute to the £18.5m CIP.

DMc reported that the plan was work in progress and the Trust needed to keep a very close eye on the Trust's non-COVID-19 cost run rate. DMc recommended that, going forward, the Trust should work to secure a route to income that covered expenditure (COVID-19 or otherwise) and work to deliver CIP to create reserves.

RS commented that the reality was that certain costs would carry on i.e. those concerning PPE and staff wellbeing. DMc stated that the 'new normal' would require the absorption of some costs into the baseline position.

MH queried what the ongoing impact of COVID-19 would be on the efficiency of services. LK reported that a lot of outpatient work was being carried out virtually and therefore, there would be limited impact in this area. In relation to procedures that were AGP, there had been clear guidance from Public Health England around more stringent PPE and spacing between patients on lists. LK reported that solutions were being investigated. LK expressed the view that the impact would be large during the recovery phase. LK further reported that translated into charges, these costs would be covered by the block in Months 1-4 and expressed the view that longer-term, there would be an impact if guidance remained the same.

MP stated that it was her understanding that only costs and not lost income could be recovered from COVID-19 financial support funds. DMc reported that top ups for lost income could be claimed, providing an explanation could be given.

LK queried the transparency around the non-pay CIP scheme which could be a problem in a non-COVID-19 landscape. DMc reported that the Trust was working on schemes for the pharmacy side of the organisation. The 20/21 savings work had been reviewed by the procurement team and an update would be presented to the next Board meeting.

DMc expressed concerns about the supply chain element of procurement savings because these had already been impacted by COVID-19. DMc reported that there was currently a £1.6m bill with no savings against it and she would be escalating the issue appropriately.

In response to a query from RS, DMc commented that results suggested the NHS might not need to do any CIP in the current year, but expressed the view that the Trust should still deliver CIP and a run rate position by Month 12 that was consistent with delivering £18.5m of savings.

Action: DMc to check the assumption that the 19/20 margin would remain in place if the Trust could stay within the rollover budget.

6. Strategic financial risks Q2 work plan	**FIC (05/20) 005**

DMc reminded the Committee that 20/21 was probably the last year when it would be possible to identify CIP delivery opportunities and that income growth opportunities had been exhausted.
Three strategic workstreams had been identified:

- Emergency Care demand management
- Pay and non-pay long-term spend reductions
- Alternative ways to manage the cash and liquidity position

DMc reported that a strategic finance workshop had been planned for June which would firm up who would take up the actions required.
DMc reported that the Trust's income expectations were adrift of what had been delivered in 19/20 and care would be needed to bridge the gap, given that budgets were funded to deliver the income plan in 19/20 and this had not happened.
DMc highlighted the following:

- From a going concern perspective, DMc reported that the Trust needed to maintain its cash balances and invest back into the capital programme, however, currently a £30m deficit plan was visible and the Trust was adrift of what the Midland Met business case had promised. DMc stated that affordability and the achievability of margins needed to be looked at in the Midland Met business case, whilst also delivering the actions in the plan.
- Finding alternative ways to manage the Trust's cash and liquidity positions with capital envelopes being restricted across the STP. DMc stated that the Trust needed to ensure it could deliver the residual capital programme around Midland Met.
- Discuss with other NHS Trusts, Limited company and Charity opportunities.

RS queried the future of A&E volumes. LK reported that the Trust was dealing with around 60% of its usual [pre COVID-19] volumes. LK stated that, currently, virtual consultations were being utilised to reduce the numbers of people coming into A&E and the overall aim was to reduce ED attendances by 10-15% going forward.
LK reported that minors had been moved to a separate area which was working well and it was hoped this would continue post-COVID-19.

7. SBAF: Update on assurance levels – route to adequate by Q3	**FIC (05/20) 006**

SBAF 10 – DMc reported that SBAF 10 remained at the 'limited' assurance level. The goal was to reduce the risk to amber by Q3 of 20/21. It was reported that reduction of the risk was linked to strategic work set out in a previous paper. DMc reported that there was now a draft ICP contract available and the aim was to agree this for 20/21. An ICP contract had been put in place in Dudley and the Trust had been in contact with Dudley colleagues about potential learnings. The key features of the contract were aligned with the Trust's goals:

- The Outcomes Framework
- Whole Population Budget (start point agreed and then uplifted annually)
- Scope of Services
- Integration Agreement with GPs

A WebEx meeting would shortly be held with Dudley's Director of Finance to learn more.

SBAF 9 – DMc reported that SBAF 9 had fallen to a 'limited' assurance level from a previous 'adequate' status for the following reason:

- A significant degree of uncertainty over the mainly cash backed expected 20/21 financial improvement trajectory delivery. Specifically, a lack of satisfactory contractual agreement with the BCWB CCG and the impact of the COVID-19 pandemic.

DMc reported the aim was to improve the SBAF to 'adequate' as soon as possible.

MATTERS FOR INFORMATION/NOTING

8. Matters to raise to the Trust Board	**Verbal**

MH suggested the following items be raised to the Trust Board:

• Update of the cashflow and the capital.	
9. Meeting effectiveness feedback	**Verbal**
• Not discussed.	
10. Any other business	**Verbal**
COVID-19 impacts RS commented that the year would be one of financial flux because of the uncertainty caused by COVID-19 and the impact of coming out of lockdown and the reaction of patients to hospitals. DMc expressed the view that planning and delivery of the CIP was key. Budgets had been set and each directorate should be able to understand their affordability position. LK expressed the view, however, that some of the CIP plans that had been originally been in place had taken time to deliver and some of this delivery time had been lost because of the pandemic. DB commented that perception of hospital safety would be important in attracting patients back to hospital services.	
11. Details of Next Meeting	
The next meeting will be held on Friday 29th July 2020, 09:30 - 10:45 by WebEx Meetings.	

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

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Date ………………………………………………………………………………………………