Paper ref:	TB (10/20) 006

FINANCE AND INVESTMENT COMMITTEE - MINUTES

Venue: Meeting held via WebEx **Date:** 31st July 2020, 09:30-10:45

Members:

Mr M Hoare	(MH)	Non-Executive Dir (Chair)
Mr R Samuda	(RS)	Trust Chairman
Ms D McLannahan	(DM)	Chief Finance Officer
Mr L Kennedy	(LK)	Chief Operating Officer
Mr D Baker	(DB)	Director of Partnerships & Innovation

Committee Support

C Liston	(CL)	Executive Assistant

In Attendance

D Carruthers	(DC)	Medical Dir/Acting CEO
C Archer	(CA)	Assistant Director Strategic Development (Item 6 only)
J Pollitt	(JP)	Assistant Director Strategic Development (Item 6 only)
L Botea	(LB)	Good Governance (Guest)

Apologies

Toby Lewis	(TL)	CEO
Harjinder Kang	(HK)	Non-Executive Director

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**

Apologies were received from Toby Lewis and Harjinder Kang.

3. Minutes from the meeting held on 29th May 2020	**FIC (07/20) 001**

The Committee reviewed the minutes of the meeting held on 29th May 2020.

Page 2 refers to MS, should be RS.

Page 3 the cash balance should be £53.7m not £63.7m. CL follow up to see if requires amendment.

- The minutes were **ACCEPTED** as a true and accurate record of the meeting, subject to the above amendments.

3.1. Matters arising and update on previous meeting actions	**FIC (07/20) 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.*

  This action is reflected in the following action, requiring the Trust to compare performance against Dudley, Wolverhampton and Walsall via the *NHS Trust Peer-Finder Tool* and the CQC

(Care Quality Commission) use of resources assessment framework. Comparison data to be provided to the Board once the issues with the functionality of the NHS Trust Peer-Finder Tool are resolved.

Clarification was sought regarding whether metrics with high numbers reflected a positive or negative performance. It was suggested that this could be resolved by using traffic light colour coding.

DC queried whether the core data involved looking at comparability of financial performance, when looking at clinical servicing.

DM replied that this was the only nationally understood way to benchmark productivity and operational efficiency. No other data set was available but the Trust is having more of a dialogue around comparing the run rate. They are base lining income and expenditure, run rates and COVID cost comparisons. They are always looking at comparing one organisation against another, but there is a long way to go as this is a relatively new conversation.

MH asked if they were putting these stats into overall reporting matrix? DB responded that his data is already in the IQPR Integrated Quality and Performance reports.

- *FIC (02/20) 004 - Set out the use of resources position for each of the Trust's three large neighbouring organisations (Dudley, Wolverhampton, Walsall).*

  See above.

- *FIC (02/20) 007 - Investigate the possibility of doing a financial close pending planning permission in relation to the car park*

  Closed.

- *FIC (05/20) 003 - Compare absolute COVID-19 costs in Month 1 with those of other similarly sized Trusts.).*

  DM stated that there was no real relationship to COVID19 pandemic costs and turnover. It is difficult to obtain an absolute comparison between Trusts.

  LK suggested that any comparison should factor in modernity of infrastructure, such as nightingale wards compared to single side room facilities, when managing infection prevention and control.

  DC suggested that consideration should also be given to the type of services being provided, such as Emergency Departments and Acute Medical units.

- *FIC (05/20) 004 - Check the assumption that the 19/20 margin would remain in place if the Trust could stay within the rollover budget*

  DM stated that the 2019/2020 margin would remain in place if the Trust remains within the rollover budgets. There is a £3.5m step up in 2020/2021 that would have been easily achieved with demographic growth assumptions had the contracts been agreed. There is no relationship in 2020/21 between income and activity in the organisation during Covid. The 2021 margin has already been accounted for in the post CIP expenditure budget.

  The key message to the organisation is that as long as the post CIP expenditure budgets are followed, and income covers expenditure to breakeven, there is no additional pressure. It is unclear as to whether this will be the position recurrently for 2021/22 onwards.

ITEMS FOR DISCUSSION

4. Car Parking - Financial Close Proposition	**FIC (07/20) 005**

Request to move Item 6 up the agenda.

DM introduced CA and JP and provided a summary of the project to construct two multi-storey carparks at City and Sandwell sites.

Key points to note:

- Before COVID19, the government announced more concessions for car parking for staff working overnight.
- Post COVID19, it is anticipated there would be a possible 40% reduction in outpatients attending the site affecting annual income.

The Trust has been focussed on reducing the risk associated with these two factors, and the mitigations to restore income and reduce costs by improving collection rates and reviewing the staff tariff structure and government concessions. It is unclear what proportion of government concessions will be compensated.

It was recommended that the lease be extended from 25 years to 30 years to reduce the annual premium, which results in a saving of £170,000 every year of the lease.

It was also recommended to secure a third-party operator for all of the Trust's parking, to provide efficient and effective car park operation.

Building the multi-storey carparks would free up the remainder of the estate for future development, which is a key factor whilst maintaining good quality car parking for patients and visitors.

DM advised that the financial viability of Q-Park had been reviewed, considering the COVID-19 pandemic, as a significant proportion of their revenue had potentially disappeared and they were ineligible for government subsidy to support their business. The review was informed by assessments by Standard & Poor (S&P) and Moodys, who downgraded their credit rating. Q-Park has been assessed as having a stable business model and being a viable company in the UK, being backed by their European based parent company.

If Q-Park were to cease trading, the Trust would be liable for the lease payment as the default tenant. However, the Trust could either find another carpark operator or take on the operation of the car parks.

Mike queried why the Trust was responsible for the provision and procurement of the Electric Vehicle (EV) charging points within the carparks.

CA stated that the funding conditions that apply to the multi-storey carparks require the installation of a certain number of EV charging points. The CAPEX for the EV charging points is billed within the construction contract; however, the Trust is responsible for the monitoring and metering of electrical currents and supplies and collecting the tariff. The Trust contracts the installation of the EV charging points to a third party, who is responsible for those costs.

DB queried whether disabled parking places were required at the EV charging points. CA advised that this was at the discretion of the Trust; however, government concessions include free parking for disabled badge holders, so the Trust may wish to cater for that market.

MH queried where currently employed car parking staff would be released to, or whether they would move to different roles or to Q-Park. JP informed the Trust that the person who maintains the barriers is eligible to move to Q-Park and the remaining staff will be redeployed.

MH thanked JP and CA for all their hard work on a very complex deal.

CA informed the Trust that he had received Q-Park's revised operating agreement.

The Board **approved** the recommendations in the Car Parking paper and for DC, as Acting Chief Executive Officer, to sign the revised operating agreement.

JP and CA left the meeting.

5. 2021 Q1 Financial Report: Months 5 to 12 financial regime	FIC (07/20) 003

DM reported that the retrospective COVID19 financial top up arrangement continues and is likely to continue to the end of month 6. It is expected that the block regime will continue, on a refined basis, with possible incentives for delivery of activity over and above expected levels. The Trust is less productive and more expensive than it was pre-COVID19, mainly due to infection control measures.

A dialogue is open with NHSI/E about access to the taper relief funding stream, which comes to the Trust as revenue and which is committed on a mixture of revenue and capital projects in relation to the commissioning of MMUH and decommissioning of the City hospital. The Trust should also confirm the route to securing taper relief funding in this regime. Costs are accrued in the position to date but this requires swift formal resolution with NHSI/E. DM informed NHS Midlands at the system review meeting on Wednesday of the Trust's approach.

MH queried whether there was a risk that this would be negotiated out of the STP monies. DM advised that such a suggestion should be resisted, as this is a specific agreement between the Trust and the Department of Health and Social Care.

DM advised that the Trust should focus on CIP delivery and remaining within post CIP expenditure budgets. This, and the level at which the new block is set, will inform the reserves available to the Trust to manage financial risk through restoration, recovery and winter, and to fund investments.
The year to date capital and cash positions were set out in the paper. The cash implications of the refined regime are unclear, particularly regarding whether they will try to recover the cash later in the financial year by restricting future cash allocations.

The Black Country and West Birmingham STP continues to work on agreeing a Capital Resource Limit control total for 2021. It is not expected that the Trust's 2021 plans will be impacted by this. The Trust has been entirely consistent and is proposing to spend lot less than entitled to spend in 2020/2021 based on NHSI's workings on the STP's budget.

Final key points:

Medicine and emergency care remain under pressure from an expenditure budget point of view. On a positive note, Agency spend is the lowest it has been for a long time and is below the monthly NHSI/E Agency cap which is approximately £880,000 a month. Debtors and Creditors are down, and Better Payment Practice has improved.

MH queried why Agency staff had reduced whilst there had been an increase in the number of staff absent from work due to the COVID19 pandemic. LK explained that a triangulation approach has led to the reduction in Agency staff engagement. This includes a change in the process for approving Agency staff employment, the reallocation of staff to wards with staff deficits, and an increase in Bank staff uptake. Bank staff are substantive employees who know the Ward and the Trust, can provide higher quality care, and are cheaper than Agency staff. The Trust should aim to increase Bank staff uptake and reduce reliance on Agency staff.

RS queried whether this trend would be reversed if there was an increase in Elective Surgery. LK said that there may be some impact, but it would be below pre-COVID19 demand, and would not reach the Agency cap.

DM proposed an analysis of the financial effect of triangulation approach of decreasing Agency staff, increasing Bank staff and reallocating staff to cover ward deficits at the September meeting.

LK queried whether a reduction in the Trust's pay expenditure and non-pay expenditure would provide a financial benefit to the organisation or reduce the block income. DM confirmed that if there was an underspend over and above the post CIP budget this would lead to a reduction in block income during months 1-6.

LK advised that the proposal to reduce the Emergency Department streams from two to one stream, as well as only one stream for A&E would not benefit the Trust financially because of the reduction in the block income. DM agreed, but advised that the Trust should still aim for efficiency and productivity improvements in financial management. Any savings should be protected to create reserves or reinvestment opportunities.

MH queried what impact the COVID19 pandemic is having on the ability to implement or achieve some of the CIP initiatives. DM advised that the CIP plan has a target of £18.5m and the forecast is £10.8m. DM proposed an analysis of the impact of the forecast delivery of £10.8m on the CIP plan for 2020/2021 and 2021/2022 be provided at the September meeting.

Action: DM to provide an analysis of the financial effect of triangulation approach of decreasing Agency staff, increasing Bank staff and reallocating staff to cover ward deficits at the September meeting.

Action: DM to provide an analysis of the impact of the forecast delivery of £10.8m on the CIP plan for 2020/2021 and 2021/2022 at the September meeting.

6. Strategic Finance Update: **a. 5-year capital and cash plan**	**FIC (07/20) 004a**

DM stated that the FIC had periodically reviewed the cash implications of the 5-year capital programme for the Trust and that it had grown organically, leading to affordability challenges. The annual plans reflected in this paper are linked to the Department of Health and Social Care approved FBC in terms of the 5-year capital programme that the Board has also approved, and which have been signed off. DM proposed that the plan should be adjusted, based on what has been completed, whether items are still required, timing slippage, new red risks from the statutory standards and the backlog in the maintenance program.

The annual plans reflected in this paper are linked to the DHSC approved FBC, updated for known changes where applicable, and have rolled on one year, but are fundamentally linked to the approved FBC and remain the affordability envelope for the Trust, subject to at least break even I&E delivery.
DM stated that the plan is affordable, as long as all of the cash is not absorbed into a deficit.
Colleagues in the Directorate of System Transformation (DST) have reviewed the entire capital programme to ensure it encompasses updated risk assessments, and natural evolution of the plan, within these affordable parameters. The results of this work will be presented to the Estates Major Projects Authority (EMPA) in August alongside this funding plan.
The Trust is also required to submit a two to five-year capital plan (2021/2022 – 2024/2025) to NHSI/E which reflects these numbers.

DM spoke to the *Capital Programme - Forward Look 20/21 to 24/25* table in the report and advised that it was subject to approval. It is important that this goes through due governance, and also important that the STP capital control totals are considered, as CRL is restricted more than it was before, albeit self-funded programmes appear to have some priority.
DM advised that a full review of the MES accounting treatment would be undertaken, to ensure the Trust has an accurate financial planning and accounting treatment in relation to that significant contract.

LK stated that the IT budget around capital was low compared to other organisations due to removal of funding to balance the capital budget. Concern was raised that the risk the Trust would be exposed due to reliance on IT for efficient medical care in a new hospital. LK stated that it was difficult to ascertain; however, Midland Met was supposed to be a smart hospital with integration with apps and phones, which will require IT development. DM advised that consideration should be given for what is included in the £328m MMUH spend in relation to IT infrastructure.

MH requested a report covering IT requirements including routine maintenance and enhanced development with costings to be written and forwarded to the Digital Committee for analysis and advice.

Action: Report covering IT requirements including routine maintenance and enhanced development with costings to be written and forwarded to the Digital Committee for analysis and advice.

Action: DB to discuss the proposed Information strategy for the next four years with Martin Sadler, Chief Informatics Officer.

b. Strategic Workstream Update	FIC (07/20) 004b

LTFM Plan Headlines

The requirement for this work has been particularly highlighted by events since the FBC was approved, specifically;

1. STP and Place based developments
2. The need for a long term view on CIP opportunities
3. Changes to the capital regime and cash consequences
4. Material variance from 1920 LTFM assumptions

DM spoke briefly to slides 2 and 3.

MH proposed that the LTFM Plan be discussed in detail at the September meeting.

Action: The LTFM Plan, and the CIP plan for the next three years, be discussed in detail at the September meeting.

c. SBAF: Update on assurance levels	FIC (07/20) 004c

Two SBAF risks SBAF9 and SBAF10 carried forward from 2019/2020.

SBAF 10 – DM reported that SWBH attend the Sandwell & West Birmingham ICP Board meeting where the ICP Financial Framework briefing was discussed with STP Partnership members. DM said that the Trust was well placed to influence that work and manage any risks associated with it that impacts on the long-term financial plan.
LK raised concern that the STP Directors of Finance meeting appears in the paper to be a decision-making body rather than providing advice. DM advised that the STP Directors of Finance meeting's modus operandi was to make recommendations to the STP Board. DM acknowledged that the governance mechanisms were unclear, and that STP Board membership was not represented from provider finance point of view.

Action: MH to write to Deloitte proposing that the Trust have further input into the OD review.

MATTERS FOR INFORMATION/NOTING

7. Matters to raise to the Trust Board	Verbal

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

- Agreement on Car Parking and authorisation for David to sign that as Acting CEO
- Cash position – seem to be on target for cash and affordability
- Actions: CIP review, where the Trust is against the CIP and impacts of COVID
- Triangulation of pay spend between Bank Agency, etc.
- Note for the COVID comparison with the amendments David made with A&E and ED comparability piece so covered in Board papers.
- Review on IT functionality RISK

8. Meeting effectiveness feedback	Verbal

• Not discussed.	
9. Any Other Business	**Verbal**
None	
10. Details of Next Meeting	
The next meeting will be held on Friday 25th September 2020, 09:30 - 10:45 by WebEx Meetings.	

Signed ……………………………………………………………………………………………

Print ……………………………………………………………………………………………

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