Sandwell and West Birmingham Hospitals NHS
NHS Trust

FINANCE AND INVESTMENT COMMITTEE - MINUTES

Venue: Meeting held via WebEx **Date:** 29th January 2021, 9:30-10:45

Members:			**In Attendance:**		
Mike Hoare	(MH)	Non-Executive Director (Chair)	Susan Rudd	(SR)	Assoc. Director of Corporate Governance
Richard Samuda	(RS)	Trust Chairman & Non-Executive Director	Craig Higgins	(CH)	Assoc. Director of Financial Accounting
Harjinder Kang	(HK)	Non-Executive Director	Simon Sheppard	(SS)	Director of Operational Finance
Dinah McLannahan	(DMc)	Chief Finance Officer	Paul Stanaway	(PS)	Assoc. Director of Financial Management
David Carruthers	(DC)	Medical Director and Acting CEO	Chris Archer	(CA)	Assistant Director Strategic Development
Dave Baker	(DB)	Director of Partnerships & Innovation	James Pollitt	(JP)	Assoc. Director Strategic Development
Liam Kennedy	(LK)	Chief Operating Officer	**Apologies:** Nil		

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**
No apologies were received.	
3. Minutes of the previous meeting, held on 27th November 2020	**FIC (01/21) 001**
The minutes of the FIC meeting held on 25th September 2020 were reviewed and **ACCEPTED** as true and accurate record of the meeting.	
3.1 Matters arising and update on previous meeting actions	**FIC (01/21) 002**
The action log was reviewed and updated as follows: • *FIC (11/20) 003 – Check if agency spend for extra cleaning because of COVID-19 infection would be covered as a COVID-19 expense* It was confirmed that there would be a block of income, of approx. £12m, for COVID-19 related expenditure in months 7-12. An exit strategy was needed to return to core cleaning and budget; to be addressed as a separate agenda item moving forward. An underlying CIP for cleaning was in place. • *FIC (11/20)003 – Draft a financial exit strategy out of COVID-19 in January 2021* To be addressed at agenda item 5.	

MATTERS FOR DISCUSSION	
4. Month 9 Finance Report	**FIC (01/21) 003**

DMc reported that the Trust was on track to achieve the deficit plan of £2.3m, inclusive of £2m taper relief income which was expected to be received in Month 12. The assumption of non-NHS income recovery and the Trust's current position, may result in a possible breakeven.

The Trust was in a risk-share arrangement with the STP whereby participants cannot deliver a surplus if another participant was in deficit; the surplus would be returned to the 'pot'. The rationale of engaging in the arrangement was there was no scientific method to divide the £78m in which the STP had received for COVID-19 and the £20m for growth.

It was advised that the current block payment arrangements will be rolled over to at least Q1 of 21/22.

From a capital and cash perspective – internally funded capital was on plan. It was noted that if all COVID-19 capital was not funded, the Trust would be able to absorb that expenditure from their own funds. It was not regarded as a particularly risky position. £1.3m of the £2.3m 2021 expenditure had regional approval; the balance would be funded from the internal funds. The MMUH Welfare Facility remained unresolved, but 2021 internal funding sources were available if necessary.

DB questioned what that meant for the overall deficit position and, if the Trust were to deliver a better position, could ophthalmology, diagnostics and Vanguard be expedited. DMc advised that currently the Trust did not have a fully costed and understood plan for ophthalmology, diagnostics and Vanguard, which was needed to inform any decision. Secondly, the commissioners should to be held to account for funding it.

From an underlying deficit perspective, work in financial management had been conducted in January to arrive at a normalised exit run-rate position. DMc shared a slide pack relating to exit run-rate. The following was noted:

- Close to recurrent underlying budget on pay, provided that COVID-19-related pay ends.
- Planning assumptions that drive the current Draft Plan, would get a revised pay budget of £356.6m.
- Exit run-rate of £359.6m would be above the current Draft Plan. Need to investigate if that's reflective of the position, or were there other factors to consider?
- Currently £3.5m above draft budget for next year.
- How and when the Trust exits COVID-19 pressures and how that would link into recovery and restoration – still moving.
- Non-pay – recurrent budget of £194m; excludes almost £29m of reserves. Non-pay below recurrent budget.
- Groups at a Trust level understand the underlying position and exit run-rate; to discuss the detail over the next month with each Group/Corporate Director.

DB questioned what the income equivalent of the two graphs was; the risk was not getting the referral volumes and therefore, how far away was the Trust from income level? DMc noted that the Trust was tracking okay around expenditure, subject to understanding the pay position, mitigating the risks and determining a COVID-19 exit strategy. The Trust was moving toward a complete reset of the income position whereby (subject to assurance around cost base) there would be indicative activity plans. However, there was no framework to establish an activity and income plan around PBR for next year as the recovery and restoration requirements were unknown. Expenditure budgets still assumed that the Trust would be at 19/20 planned activity levels; however, it was unclear as to what the income position would look like. The Trust would bid for an income position to cover cost and achieve break even.

DB questioned the difference between the non-committed reserves figure and the shortfall on a PBR tariff basis. LK noted that it was impossible to answer given the COVID-19 position. The risk was the uncertainty in when normal activity would resume given staff fatigue, pandemic, and vacancies – it's a big risk that cannot be quantified yet.

LK questioned the element around system capital in the Month 9 position. Was it inclusive of the spend in which some organisations had made that was not agreed through the system (£12m)? DMc advised that most Trusts had regional approval for COVID-19 equipment, IT and low-level expenditure, but not final national approval; most Trusts were in the same position. In the Trust's plan, management of overall capital envelope in the Black Country was included. Wolverhampton had been awarded £9.3m funding against £12.7m expenditure. Overall, the STP was currently looking at £2.8m underspend (including some slippage from the Trust and BC HealthCareFT).

LK noted that registered against the Trust's capital was the adaption for Endoscopy, ED capital funding etc. An MOU between the Trust and NHSEI states that the Trust would spend the money by year-end. He questioned if that £9m of capital spend had been factored into planning to ensure they spend those funds. DMc noted that it was unlikely that the Trust would spend the £4m of ED capital by 31st March. CH advised that there was a plan to draw-down on the capital separate to ED and had a plan to spend within the next six-months. STP discussions indicate that if the Trust did not expend all of the capital spend, they would look at a STP-wide plan to spend as to not lose the money. There was no indication of clawback and the plan was to not draw ahead of need. LK noted that it was about the approach and suggested that items that were planned to be ordered in the future for MMUH be purchased now and back-fill the funding for that through an accrual process. It was suggested that the same accrual and draw down approach used for MMUH could be used for ED and therefore look to draw down the full £4m in March. DMc noted that they could do that subject to full assessment of the risk.

HK questioned if that methodology would pass the Auditors. LK noted that there was flexibility as the capital was planned expenditure; it was simply being spent earlier to support the current ED environment. From an auditor's perspective, the timing of executing planned spend was the Trust's decision. The action around a decision was urgent as the NSHI had notified that the draw-down date was 15 March 2021, if not before, to be able to disperse the money to organisations.

RS requested confirmation of the ophthalmology position and action. DMc advised that a clear financial case would be prepared.

Action: DMc/LK to prepare a clear financial case for the ophthalmology, diagnostics and Vanguard position.

5. COVID-19 Exit Strategy	**FIC (01/21) 004**

DMc advised that the Paper detailed the additional costs implemented in response to the COVID-19 pandemic with attached proposed exit plans or identified risks. The next steps of the ongoing piece of work were to:

- Identify recurrent costs to be built into the forward plan. The work would be used to inform how much national funding the Trust would receive for the ongoing recurrent impact of COVID-19.
- How to stop non-recurrent activities without impacting on quality and safety of care.

The Chair questioned what evidence was being provided to prove that CIPs would have been achieved if not for the COVID-19 pandemic. DMc noted that evidence was not being requested – it is what it is. However, the Trust was being clear as to the reason schemes had not delivered (COVID-19, poor scheme or other) and was being built into forward planning.

RS questioned:

- If guidance would be provided in regard to including costs on staff, other than sickness and leave, such as the heightened cleaning.

- What would happen to the schemes that were introduced quickly because of COVID-19, such as innovative ways of working; using technology to see more patients.

DMc noted that, in the short term, the Trust was less productive due to the heightened cleaning requirement. Outpatients was in a strong position in terms of budgetary governance and linking back to the LTFM. It was noted that a fully staffed outpatient department was included in the expenditure budget. LK noted that there was a difference between cost pressure and loss of income activity, such as services being diverted to support COVID-19 activity. There were opportunities coming out of COVID-19.

There was a discussion about setting up a STP transition pot that delivers the funds deservingly. It was agreed to discuss the matter offline to determine any action arising.

6. Draft Plan 21/22	**FIC (01/21) 004**

DMc advised that the planning timetable had moved from March to the end of Q1 due to COVID-19 pressures. The paper sets out governance; it did not represent the 21/22 Financial Plan as income was unclear at the moment. The governance tracks the history of the 19/20 position through to the 20/21 draft plan, then looked forward to the 21/22 increase in costs and inflationary pressures and provides various scenarios to give a sense of how likely it would be to achieve a breakeven plan.

The draft scenario-based plan provided a base line containing all relevant information available at this time. As more is known, the plan can be flexed to achieve the headline assumptions in the LTFM with the aim to stay as closely aligned as possible. In that context, the current end point was simply a mathematical conclusion to all of the steps currently identified, and doesn't constitute a planned deficit number. There was an indication that Trusts were expected to return to their financial improvement trajectory (FIT) in future years; for the Trust, 21/22 a deficit of £24.8m.

The slide pack sets out detailed internal and external planning requirements and national assumptions.

DMc provided an overview of the slide *SWB Financial Planning – Baseline – Draft Submission Dec 2020*; noting that the end deficit position would be subject to work over the coming months to ensure elimination of the gap and return to the FIT of £24.8m. SS provided a summary of the draft base case scenarios; noting the reserves in each scenario.

DMc advised that updates would be provided to the FIC when available.

7. SBAF Update	**FIC (01/21) 006**

DMc provided a SBAF update:

SBAF 9 – Remains at *Limited*. Cash balances were strong, there was a clear view of CIP delivery in 20/21 and the Trust was likely to achieve a breakeven position. The Trust was in the best possible position for 2021. SBAF 9 would likely always be on a strategic risk due to the constantly changing nature of the national NHS environment.

SBAF 10 – Controls had been strengthened in recent months and there was more involvement in ICP place-based budget formation. ICP budgets were expected to go live in 22/23. It was advised that the Trust Private Board would consider ICP options around service models at an upcoming meeting.

8. Car Parking Policy	**FIC (01/21) 007**

DMc reminded the Committee that the financial commercial close for Q-Park was last seen in July 2020. The Paper indicates some financial risk around some assumptions in the Business Case for two reasons:

i. COVID-19 (and access to the site).

ii. New government concessions (£900k of total financial risk).

The Paper mitigates some of that risk, but also introduces an uplift in staff car parking tariffs. It had been resolved to hold the current staff car parking tariff structure until the financial impacts of COVID-19 were known along formal announcement of any new government concessions. The financial risk had not changed since July; there was still a forward-looking financial risk that needs mitigation once more is known.

CA advised that the paper was a refresh of the policy that allows the Trust to move forward with Q-Park, tidied up a few things that had accrued over time and regularises those as best possible. The following was noted:

- The parking tariff price would go up by 1%, as per the contractual obligation with Q-Park.
- Government action in regard to concessions was unknown; therefore, the staff restructure of tariffs was on hold. There had been no instruction to put government concessions in place. Staff tariffs would be reviewed in the future once more was known.
- Between £550k-£600k of mitigations had been implemented against the July 2020 estimated £900k loss. DMc noted that £1.585m of parking would need to be recovered annually; anything short of that would be a cost pressure to the Trust; any excess would be subject to the gain share arrangement in place with Q-Park.

PS noted that there was government money available for car parking and questioned if that could be leveraged for this issue. JP noted that the Government's costing for the concessions in the manifesto was around £200m of capital in the current FY to implement hospital car parking facility improvements. The Trust should be able to secure approximately £1m (if distributed equally). The manifesto and Costings Paper indicate that during the term of the current government, trusts would be compensated for the loss of car parking income through the concession to be introduced. How the Trust goes about securing that and how the funds were to be distributed, was yet to be determined.

MATTERS FOR INFORMATION/NOTING

9. Matters to raise to the Trust Board	Verbal

It was proposed that the following points be raised to the Trust Board:

- Car parking
- Update on financial planning for 21/22

10. Meeting effectiveness feedback	Verbal

None discussed.

11. Any other business	Verbal

No other business.

12. Details of Next Meeting

The next meeting will be held on Friday 26th March 2021, 09:30am - 10:45am by WebEx meetings.

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

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