Sandwell and West Birmingham Hospitals NHS
NHS Trust

FINANCE AND INVESTMENT COMMITTEE - MINUTES

Venue: Meeting held via WebEx **Date:** 26th March 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	Paul Stanaway	(PS)	Assoc. Director of Financial Management
Harjinder Kang	(HK)	Non-Executive Director (From 10am)	Simon Sheppard	(SS)	Director of Operational Finance
Dinah McLannahan	(DMc)	Chief Finance Officer	**Apologies:**		
Liam Kennedy	(LK)	Chief Operating Officer	David Carruthers	(DC)	Medical Director
Dave Baker	(DB)	Director of Partnerships & Innovation			

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 David Carruthers	
3. Minutes of the previous meeting, held on 29th January 2021	**FIC (03/21) 001**
The minutes of the FIC meeting held on 29th January 2021 were reviewed. The following observation was made: • DMc and SR to discuss a range of amendments required with respect to the minutes. • Item 6 – The figure £57.4m to be removed because this was not a formally submitted figure. The minutes were **ACCEPTED** as a true and accurate record of the meeting (subject to amendments being made).	
Action: DMc and SR to discuss a range of amendments required with respect to the FIC minutes of 29th January 2021.	
3.1 Matters arising and update on previous meeting actions	**FIC (03/21) 002**
The action log was reviewed and updated as follows:	

- *FIC (01/21) 003 - Prepare a clear financial case for the ophthalmology, diagnostics and Vanguard position It was agreed that this action had become outdated and should be removed from the log.*

  - LK reported that the Ophthalmology position had been discussed at the CLE meeting. In terms of diagnostics there was a clear plan in place. There was enough capital in the budget to publish the equipment needed (£220k required) and suitable estate was available. Staffing would be available and LK reported there would not be very much additional burden from a diagnostic capacity.
  - Surgical capacity would need to be tackled. Bringing in the Vanguard theatres would equate to a large outlay with a six-month lead-in time. It was suggested this would not address the current priority 2 & 3 backlogs.
  - Therefore, the short-term proposal (and the preferred option) for Ophthalmology would be to give it priority of BTC theatres over other specialties, with outsourcing to the independent sector being considered to support other specialties. The limiting factor would be in finding sufficient Ophthalmic-trained staff.
  - The future strategy of Ophthalmology over the next five years would need to be decided i.e., what to do with Ophthalmology across the system and whether the Trust had the ambition to become the regional centre of excellence for eyecare – the BMEC option - or whether the vision would be a partnership with other organisations.
  - LK reported that the decision on the way forward would need to be made as soon as possible, taking into consideration alignment with the overall Trust strategy.
  - DMc suggested putting Ophthalmology forward as a priority for Acute Care collaboration project. LK agreed that it would be a good candidate because of the issues involved. LK suggested that it would fit with the internal strategy about how the Trust could serve as a 'hub and spoke' centre to support Ophthalmology in the region.
  - DMc reported that a costing was available for the Vanguard project and it had been provisionally included in the 21/22 plan. LK commented that funding for Vanguard was a key issue because its running costs would be in excess of £2m a year on top of the fixed costs.
  - RS queried the staffing dynamic. LK clarified that theatres were available, but there was a limited pool nationally of trained Ophthalmic staff. Ways to get around this were being investigated. RS suggested Moorfields Eye Hospital (London) arrangements might be worth looking at. LK offered to investigate.

Action: LK to put forward Ophthalmology as an Acute Care collaboration project.

Action: LK to investigate the theatre team arrangements/staffing at Moorfields Eye Hospital and report back.

MATTERS FOR DISCUSSION

4. Month 11 Finance Report	**FIC (03/21) 003**

DMc reminded Committee members that an £800k deficit had been forecast at Month 10. This relied on the Trust being on plan for Months 11 and 12. It was reported that, overall, the Trust had been on plan for Month 11.

DMc expressed confidence that the final position would be breakeven or better at the end of the financial year, despite the uncertainties caused by the COVID-19 situation.

The Trust was involved in a risk share scenario with the STP and therefore, the Trust's year-end position would depend on the performance of the other organisations involved.

Areas of uncertainty remained. These were:

- The impact of the annual leave provision. An annual leave 'buyback' scheme had been recently introduced with a number of applications already received. Confirmation had been received from the Centre about the annual leave which would attract cash and revenue. DMc noted the Trust was on track so far but acknowledged that there may be an impact if the final annual leave provision was more than the funds received from the Centre.
- Non-NHS income. It was reported that the Trust would be informed of this after it had submitted the Month 12 forms, but before submission of the draft accounts. Ongoing work would be required with the STP partners to sort out the implications of this for the risk share arrangement.

In response to a query from MH, DMc confirmed that staff would be permitted to carry over leave into the next year. Ten days would be automatically allowed, but more than ten days would require sign-off from either the Group Director of Operations, Group Director of Nursing or an Executive Director. DMc clarified that providing staff had taken their statutory allowance they would be able to 'sell back' extra days.

SS advised that the Trust had already received cash to support the Annual Leave payments. The Trust's Annual Leave accrual estimate at the end of January 2021 had jumped from £1.7 to £6.2m (an increase of £4.5m). NHS providers had been given around 80% of this change as cash. The Trust had received £3.7m and NHSE/I had acknowledged that the position would change closer to year end. As a principle however, Annual Leave accruals would be cash backed which was important because the Trust would need to use agency staff to fill gaps when staff went on leave.

SS reported that the £4.5m sum would be split between colleagues who wanted to buy back their leave and others who had chosen to take their 2021 leave in the coming year.

PS added that the amount of leave that was cash backed would be capped at five days per person. He reported that the trend of outstanding Annual Leave was declining, as reporting of Annual Leave on systems improved. Some gaps remained. There was a proviso within the Annual Leave policy which allowed for flexibility.

DMc reported that the key risk to Income and Expenditure was the high pay bill. Whilst agency demands had been variable, the main driver had been the extremely favourable pay rates in the [staffing] bank. DMc reported that discussions with LK and Mel Roberts would shortly take place regarding the reintroduction of an effective agency approval process. The agency ceiling for the Trust was £10.649m but it was unlikely this would be achieved.

DMc also noted that there were opportunities with the Trust's providers to review the contractual deals with agency partners. High bank rates, which had been necessary to respond to the latest COVID-19 wave, would be reduced from Monday 12th April 2021, to reflect the rate seen in COVID-19 Wave 1. A four-person taskforce had been established to set a reasonable rate, benchmarked against the Trust's peers.

Staff sickness had been sitting at around 8%. A reduction in this rate would reduce the reliance on bank staff.

MH queried the unfilled shifts position. DMc reported that it was possible to go outside of the eRoster system to book bank staff and this needed to be addressed.

Clinical group reviews had recently taken place and DMc reported that groups had been very clear on their COVID-19 pay cost pressures with exit strategies identified for most of them. DMc expressed confidence that the Trust was aware of all of its COVID-19 pay cost pressures, but work was ongoing to remove these.

LK queried the funding position for Q1 and Q2 and the risk of overspend Months 7 to 9. He suggested it would be useful to compare run rates between Months 7 to 9 and Months 10 and 11 to be able to

assess if there was a shift. DMc agreed.

DMc reported that the cash and capital position was positive. The capital position reflected a £2.6m underspend against the internally funded Capital Estates Programme. DMc commented that oversight on this issue was very thorough.

The MMUH expected spend for 20/21 had been agreed. Referring Committee members to the balance sheet, DMc highlighted the opening balance of £478m on 31st March 2020 compared to the current £611m, which indicated that it had been a very good year for the organisation in terms of balance sheet strength.

In terms of cash, the Trust had ended February 2021 with c£72m in the bank. DMc reported that at year end, the balance was expected to be around £50m, which included around £20m ringfenced for the Balfour Beatty March 2021 invoice (due for payment in April 2021). In addition to this, capital accruals were high, and cash had been received for the Annual Leave provision. Therefore, the underlying cash balance was c£30m compared to the £23m at the start of the year.

HK joined the meeting at 10.06am

5. a) Planning Update 2021/22 **b) Draft 2021/22 Capital**	**FIC (03/21) 004** **FIC (03/21) 005**

DMc reported that official planning guidance had still not been received to date. However, it had been reported in the Health Service Journal (HSJ) that the block arrangement would probably continue for the first half of FY 21/22 rather than the first Quarter.

It was understood that the block of income received would be based on what the Trust had reported in Months 7-9 of 20/21 (probably in terms of cost). This figure had been £148m which was representative of a prudent position because the underlying position was £145m. DMc reported that the headroom would be affected by various factors (detailed in the paper) and inflationary pressures. It was hoped that more headroom could be created.

Providing that the Trust could stay within £145m, then it would have more headroom to spend on non-current pressures and to invest in restoration and recovery.

Against the Q3 costs of £145m there was an equivalent budget of £142m. The overspend was linked mainly to Emergency Care which was unsurprising given the COVID-19 costs during the period.

MH queried the recalibration of costs for those services which had been particularly hit by COVID-19 and guidance that might be available to recalibration productivity in a post-COVID-19 environment. DMc reported that no guidance had been received as to recalibration. LK commented that the expected national guidance should be helpful.

LK further commented that Cancer Services was expected to be one of the key priority areas across the system, along with Diagnostic Services. He suggested that the Trust should take a sensible approach, with a focus on sustainable or recurrent improvements and/or savings of what could be achieved, utilising the headroom available to the Trust's best advantage longer-term.

RS queried the income risk (carpark revenues etc) caused by working from home during lockdowns. DMc advised that the car park risk would be manageable in the first half of the year with the block arrangement. She reported that a letter had been received indicating that staff car parking would remain free for the foreseeable future and there had been some specific longer-term concessions. Members of the strategy team had been reviewing the concessions to ensure income targets could be met.

DMc clarified that Q4 only was £50m per month in expenditure (£150m per quarter). The current run rate would need to reduce if the Trust was to stay within its Q3 block.

Referring Committee members to the 'submission' tables in the paper, DMc clarified that there had been no formal submissions outside of the organisation from a planning perspective. She highlighted the following:

- The opening deficit position was £30.8m (Commissioner income deficit plus consequent FRF gap) – this deficit had been planned for 20/21 and had been included in the expenditure budget.
- There was a £11.8m CIP 20/21 shortfall.
- A tariff uplift would be expected of 1.3% to £6.1m.
- Inflationary costs would be £12.3m.
- Hard FM costs were £2.2m.
- £2m on PDC and depreciation.
- £3.3m extra on the 'Right Care, Right Here' transitional reserve.
- £700k approx. on incidentals.
- £679k on Oncology stranded costs (unlikely to materialise).
- £5.2m assumption of CIP.

Early figures suggested a gap of to control total of £32m, but this figure was uncertain and depended on the income settlement with Commissioners.

DMc commented that not enough information was available currently to be able to set the plan but there was a good view of many of the moving parts. There were around £78m of reserves to utilise to achieve the route to breakeven and achieve the financial improvement trajectory.

Subject to these considerations, DMc commented that it was expected that there would be some money left over for cost pressures, risks and developments.

Inflation would expect to be funded through the Trust's inflationary reserves.

DMc commented that, despite the extraordinary position, she was as confident as possible that the Trust would be able to manage the situation carefully.

Discussions had been taking place regarding an Activity Plan, with the aim of taking groups back to the levels of activity delivered in 19/20 utilising a milestone plan. It was hoped that MMUH's affordability workstream would be reporting from the end of May 2021. This workstream had a methodology and an approach and was part of the MMUH governance infrastructure.

DMc suggested that the finance, activity and potentially, capacity elements be reported to FIC in terms of governance. MH agreed.

In response to a query from RS, in relation to reviewing the ongoing MMUH costs, SS responded that work was already being done to investigate activity into 22/23 and discussion would be taking place with HR and finance managers to bring the final workforce plan to the September Trust Board meeting.

In terms of engaging with GPs, LK reported that there was a strategy in place to keep GPs informed about the progress and service model of MMUH. DMc reported that engagement with ICP boards was also well underway. HK commented that pre-marketing of MMUH was a priority.

HK also queried the CIP write off. PS reported that the Trust had effectively lost a year of CIP delivery because of the impact of COVID-19. DMc reported that the Trust had delivered about 2% of CIP for 20/21 which was better than many other organisations.

DB made the point that, in relation to income from referrals, there was a plan within MMUH to reduce inpatients to ensure fit in the footprint and reduce 'leakage' of cases to other areas. He suggested that this fit to footprint be carefully considered regarding this issue.

LK queried the link between the cash balance and the balance sheet. DMc commented that strategic

choices would have to be made if the Trust wanted to tolerate a deficit position. In November 2020, it had been confirmed through FIC that the Trust would aim for a cash backed, breakeven position; however, DMc acknowledged that this could change. A refresh of the cash to capital investment programme over the next five years would be undertaken going forward.

The 2122 draft capital plan was presented. DMc further commented that the funding internally for capital was not a problem but the Trust's ability to spend it was uncertain. Confirmation had been received of the STP-wide Capital Control Total being £90m, but there would be a £9m cost pressure. Therefore, it was likely the Trust would have to reduce its plan to spend £24.9m by its share of the £9m unless, some CRL could be secured from NHSE/I.

RS queried what might need to be deferred. SS reported that the system had to agree the overall value with each organisation having to formally apply by 12th April 2021. Therefore, the Trust would need to decide on its schemes before the deadline.

LK commented that the Trust's capital plans continued to dwindle because of the need to bear its share of cover for the capital spend of other organisations that had been less prudent. This was disappointing. DMc commented that she was considering escalating the issue to the CCG's Deputy AO.

6. CIP 2021/22 Update	**FIC (03/21) 006**

DMc referred Committee members to the paper. She highlighted the Efficiency Programme update and that governance and capacity would be re-established around the CIP plan.

DMc reported that more time would be spent reviewing the plans at the next FIC meeting.

MH requested that percentages for the efficiencies in each of the areas against the value be added to the information. DMc agreed to add and circulate to Committee members.

Action: DMc to add the percentages for the efficiencies in each of the areas against the value to the CIP 2021/22 update and circulate to Committee members.

7. SBAF Update	**FIC (03/21) 007**

DMc reported that both SBAF 9 and SBAF 10 had been kept as 'limited' status. Both were cost reduction plans.

DMc advised that whilst the risk had reduced in relation to both, there was not enough financial information available because of the unusual circumstances to be able to offer 'adequate' assurance on either.

MATTERS FOR INFORMATION/NOTING

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

- Finance position
- Forward planning (potentially including the expected official guidance)

9. Meeting effectiveness feedback	**Verbal**

None discussed.

10. Any other business	**Verbal**

None discussed.

7. Details of Next Meeting
The next meeting will be held on Friday 28th May 2021, 09:00 - 11:00 by WebEx meetings.

Signed ……

Print ……

Date ……