University Hospitals of Leicester NHS
NHS Trust

Trust Board paper G

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

REPORT BY TRUST BOARD COMMITTEE TO TRUST BOARD

DATE OF TRUST BOARD MEETING: 7 APRIL 2011

COMMITTEE: Finance and Performance Committee

CHAIRMAN: Mr I Reid, Non-Executive Director

DATE OF COMMITTEE MEETING: 24 February 2011. A covering sheet outlining the key issues discussed at this meeting was submitted to the Trust Board on 3 March 2011.

RECOMMENDATIONS MADE BY THE COMMITTEE FOR CONSIDERATION BY THE TRUST BOARD:

None.

OTHER KEY ISSUES IDENTIFIED BY THE COMMITTEE FOR PUBLIC CONSIDERATION/ RESOLUTION BY THE TRUST BOARD:

None.

DATE OF NEXT COMMITTEE MEETING: 27 April 2011 (Please note that the meeting scheduled to be held on 24 March 2011 was cancelled).

Mr I Reid – Non-Executive Director
1 April 2011

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

MINUTES OF A MEETING OF THE FINANCE AND PERFORMANCE COMMITTEE HELD ON THURSDAY 24 FEBRUARY 2011 AT 9.15AM IN ROOMS 1A & 1B, GWENDOLEN HOUSE, LEICESTER GENERAL HOSPITAL SITE

Present:
Mr I Reid – Non-Executive Director (Committee Chair)
Dr K Harris – Medical Director
Mr R Kilner – Non-Executive Director (excluding Minutes 25/11 – 28/11)
Mr M Lowe-Lauri – Chief Executive
Mrs C Ribbins – Director of Nursing (on behalf of Mrs S Hinchliffe, Chief Operating Officer/Chief Nurse)
Mr A Seddon – Director of Finance and Procurement)
Dr A Tierney – Director of Strategy (up to and including Minute 20/11/4, and for Minute 23/11)
Ms J Wilson – Non-Executive Director

In Attendance:
Mr S Esat – Divisional Finance and Performance Manager (for Minute 24/11/2)
Mr R Gillingwater – Associate Director (Supplies/Operations) (for Minutes 19/11 and 20/11/3)
Mr S Lee – Assistant Divisional Accountant (for Minute 24/11/2)
Mr S Sheppard – Assistant Director of Finance and Procurement (for Minute 19/11)
Ms H Stokes – Senior Trust Administrator

RESOLVED ITEMS **ACTION**

16/11 APOLOGIES

Apologies for absence were received from Mrs S Hinchliffe, Chief Operating Officer/Chief Nurse, Mr J Shuter, Deputy Director of Finance and Procurement, and Mr G Smith, Patient Adviser (non-voting member).

17/11 MINUTES

Resolved – that the Minutes of the Finance and Performance Committee meeting held on 27 January 2011 be approved as a correct record.

18/11 MATTERS ARISING

In addition to the issues itemised on the agenda (Minute 18/11/1 below refers), members considered the report on matters arising from previous Finance and Performance Committee meetings (circulated as paper B).

18/11/1 Position of LLR Councils re: Long-Term Care Provision and Potential Impact on UHL (Minute 148/10/1 of 29 December 2010)

As a result of proposed changes to Leicestershire County Council's criteria for complex care, the Director of Nursing advised that simple cases would no longer be funded (and might thus end up as inpatients) – UHL had responded robustly on this issue as part of the ongoing consultation exercise. The impact (on the Trust) was potentially significant, and was currently being modelled in terms of implications for bed capacity, length of stay, and reablement funding. The Finance and Performance Committee agreed that the modelled impact must be fed through into the consultation exercise, and noted the need also for UHL to continue to improve its internal discharge processes. Comparative information on the position elsewhere and benchmarking data on Leicestershire County's criteria would also be useful.

It was agreed to present an update to the 24 March 2011 Finance and Performance Committee (and via those Minutes, the April 2011 Trust Board), identifying the size of the potential risk and including an update on reablement monies and possible **COO/ CN/MD/ DFP**

unintended clinical consequences of such changes. Through the QPMG, a response would also be sought from the Acute Care Division.

Resolved – that (A) the Chief Operating Officer/Chief Nurse, the Director of Finance and Procurement, and the Medical Director be requested to assess the size of the risk involved for UHL and report accordingly to the 24 March 2011 Finance and Performance Committee (for onward briefing of the Trust Board):- **COO/ CN/MD/ DFP**

(1) taking account of the comparative position elsewhere;
(2) reviewing the robustness of UHL's own internal discharge processes;
(3) exploring reablement issues;
(4) reviewing any unintended clinical consequences, and

(B) the Chief Operating Officer/Chief Nurse be requested to seek a position statement/response from Acute Care Division (through the QPMG). **COO/ CN**

19/11 DIRECTORATE PRESENTATION – FINANCE AND PROCUREMENT

The Director of Finance and Procurement, the Associate Director of Finance and Procurement and the Associate Director (Supplies/Operations) gave a presentation on the work of UHL's Finance and Procurement Directorate, outlining the remit and structure of the Directorate, its current performance on key performance indicators (KPIs), the plans for 2011-12 and the longer-term 2014-15 vision for the Directorate, and its financial envelope. The presentation also summarised the key challenges and ambitions for the Directorate. In discussion on the presentation, the Finance and Performance Committee:-

(a) noted (in response to a query) that the Directorate's FT team comprised an Assistant Director of Finance and Procurement and one modeller;

(b) queried why clinical coding was not included within the Directorate's remit. The Director of Finance and Procurement advised that various models were employed at different Trusts, and emphasised that coding was not a purely financial function. This was a key function spanning a number of corporate remits and currently sat within the Chief Operating Officer/Chief Nurse's portfolio. All Executive Directors agreed on the crucial importance of accurate clinical coding, and the issue of where the function was placed (and how it operated) would continue to be kept under appropriate review by the Executive Team;

(c) noted progress on devolving financial management to CBUs;

(d) noted both the 2011-12 and 2014-15 development objectives for each of the 4 key functional strands of the Directorate. Following a management of change process in 2010-11, workforce numbers within the Directorate had reduced by 15%, and the overarching vision was for UHL's Finance and Procurement function to be a serious business partner offering effective and timely support, informed by commercial acumen and driven by process excellence. The 4 key strands of the Directorate were as listed below:-

(a) financial management – members particularly noted a graph indicating UHL's comparatively high income per £ spent on financial management. The Assistant Director of Finance and Procurement advised that UHL also had the lowest spend on financial management;
(b) financial services;
(c) procurement and supplies;
(d) contracting and commissioning;

(e) queried the financial management vision for the UHL's Corporate Directorates, which were seen by the finance and procurement team as a collective '5th Division' with their own financial lead and Corporate Accountants;

(f) noted the Finance and Performance Committee Chair's view that financial

partnership seemed to operate more successfully at Divisional than CBU level, and his query on how to remedy this. The Director of Finance and Procurement recognised the need for further development within certain CBUs, and noted the forthcoming confirm and challenge sessions with CBUs (early March 2011);

(g) noted (in response to a query) the top four KPIs for financial management (speed of producing the monthly report [currently within 3 days of month end]; accuracy of forecasting; % of staff either qualified or studying [60% - currently the highest level within the East Midlands], and customer satisfaction). In response to further comments, the Assistant Director of Finance and Procurement agreed to consider benchmarking UHL's financial management performance against best practice, and also to explore potential links to patient satisfaction. He also noted a generally-positive Internal Audit report on UHL budget-holders' satisfaction levels;

(h) noted developments in respect of financial services, including further improvements to the Trust's accounts receivable performance, discussions on the general ledger (licence expiry May 2012), and potential service discussions with other local partner organisations. In response to a query from the Director of Strategy, the Director of Finance and Procurement noted other acute Trusts' less than satisfactory experience with a specific financial services provider;

(i) noted progress in streamlining UHL's procurement and supplies function, involving fewer suppliers, a reduced number of stock-holding areas and rationalisation of products. As previously reported, other local Trusts were exploring UHL's approach to the procurement of medical locums and a similar UHL project was also underway in respect of agency nursing staff. In response to queries, it was confirmed that Divisions were fully engaged on the procurement and supplies initiatives – the Assistant Director (Supplies/Operations) also advised that a Procurement Lead worked with each Divisional team. As of 2011-12, all procurement CIP savings would be embedded into Divisional/CBU CIP plans;

(j) noted the recognised need to improve the pace within the contracting and commissioning function, particularly regarding the contract negotiation and the management of non-contract issues. The integration of this team was also an issue for further development, in order to provide an appropriately 'joined-up' approach with the necessary clinical engagement and buy-in. Engagement with the new GP consortia would also be key, and

(k) noted the recognised need to increase the level of financial savings identified within the Directorate to date. Ms J Wilson, Non-Executive Director, queried how the 16.3% savings forecast by 2014-15 (on 2010-11 levels) compared to those for discussion later on the Finance and Performance Committee agenda.

Resolved – that the presentation on the Finance and Procurement Directorate be noted

20/11 2010-11

20/11/1 Quality, Finance and Performance Report – Month 10

The Director of Nursing presented paper D outlining the Trust's quality, finance and performance position for month 10 (month ending 31 January 2011). A 'heat map' showing Divisions' positions on the range of indicators was also provided. In terms of the highlights of the month 10 report (the quality aspects of which were pursued primarily through the GRMC), the Director of Nursing noted the key corporate issues of emergency care, infection prevention (MRSA and CDT trajectories), and appraisal rates.

In discussion on the operational, quality and HR aspects of the month 10 report, the Finance and Performance Committee:-

a) sought greater clarity on the 'early reporting' explanation for the dip in January 2011 appraisal rates – Mr R Kilner, Non-Executive Director agreed to pursue this query with the Director of Human Resources; **RKNED/ DHR**

b) voiced concern over performance on the Emergency Department target, and queried whether the actions put in place were working in light of the continued breaches. In addition to patient care/experience concerns, this was a crucial issue for UHL's FT application and members noted that an update on the LLR emergency care transformational change programme would be provided in Minute 20/11/4 below;

c) noted the impact of a specific recolonised patient in respect of UHL's current performance on the 2010-11 MRSA trajectory, and

d) queried the outcome of the review of elective mortality rates – in response the Medical Director advised that the outcome of the Clinical Effectiveness Committee's review had previously been presented to the GRMC, with approximately 30 cases having been miscoded. In response to a further query, the Medical Director advised that all specialties discussed deaths at their morbidity and mortality meetings, with exception reports provided to the Clinical Effectiveness Committee where required.

The Director of Finance and Procurement outlined the Trust's financial position for month 10 (supplemented by Minute 20/11/2 below), noting a cumulative overall deficit position of £0.5m reflecting a break-even position in January 2011. Divisional performance against forecast had worsened, however – following detailed discussions through the confirm and challenge meetings Divisions had now been charged with returning to plan; this was acknowledged as challenging. Ongoing Commissioner discussions on CQUINS also remained challenging. In response to a query, the Director of Finance and Procurement agreed to advise Mr R Kilner, Non-Executive Director, on the quantum of the non-payment of over-activity invoices from NHSLCR and NHSLC. **DFP**

<u>Resolved</u> – that (A) the quality, finance and performance report for month 10 (month ending 31 January 2011) be noted;

(B) the Director of Human Resources be requested to clarify the explanation for the dip in appraisal rates (links to early recording) to Mr R Kilner, Non-Executive Director, and **DHR**

(C) the Director of Finance and Procurement be requested to advise Mr R Kilner, Non-Executive Director, outside the meeting on the extent of the non-payment element of the month 10 cash-flow position. **DFP**

20/11/2 <u>2010-11 Year End Forecast</u>

Paper E advised members of the current status in reforecasting the 2010-11 financial year-end position and provided an update on related risks and opportunities. The underlying forecast showed a potential breakeven position for 2010-11 (£1m adverse to plan), with remedial plans being implemented to address adverse movements in the forecasts for Acute Care, Clinical Support, and Women's and Children's. In terms of patient care income, UHL had now agreed outstanding 2010-11 income issues totalling £7.4m with LLR Commissioners. Although still forecasting an overall £1m surplus position, the Director of Finance and Procurement emphasised that this relied on Divisional delivery of actions to address current adverse performance. All Divisions were aware of the need to return to month 9 levels. Finance and Performance Committee members queried the level of confidence of achieving a surplus in response, the Director of Finance and Procurement reiterated the work underway and noted potential contingency discussions with Commissioners.

<u>Resolved</u> – that the update on the year-end forecast 2010-11 and the actions

required to deliver the forecast £1m surplus, be noted.

20/11/3 Progress on 2010-11 Procurement CIP Savings

Paper F outlined progress on 2010-11 savings generated through procurement CIP activity plans and also noted the current forecast of the incremental savings to be generated primarily from Trust-wide projects. Mr R Gillingwater, Associate Director (Supplies/Operations) noted plans to reduce further the hourly rates for medical locums – the Finance and Performance Committee welcomed the progress on this project and noted (in response to a query) that the responsiveness of the framework agencies had improved, with pre-approval lists having been generated by some agencies. Members also noted the key service benefits of the medical locums project, in addition to the financial savings aspect.

In response to a query from Mr R Kilner, Non-Executive Director on the CIP project management organisation, the Assistant Director (Supplies/Operations) outlined how the 50% split worked in practice.

Resolved – that the update on 2010-11 procurement CIP savings be noted.

20/11/4 LLR Emergency Care Transformational Change Programme – Update

The Chief Executive reported verbally on this issue, noting the crucial importance of acute medical throughput and the availability of medical beds (rather than actual "ED" activity itself). The Chief Executive also noted the need for improved internal planning, in terms of the presence of senior decision makers over periods such as half-term. The significant increase in the acuity of ED patients (eg those other than the UCC diverts) was also an issue and UHL had been required to open additional capacity.

The Chief Executive also outlined the continuing work of the LLR-wide group led by the PCT Medical Director, which was now also focusing on upstream, primary care patient management.

In response to a query from Mr R Kilner, Non-Executive Director, it was advised that no decision had yet been taken on a new ED CBU Lead. The Finance and Performance Committee also queried when ED performance would improve, sought reassurance as to whether the target would be achieved for 2010-11, and questioned what had caused the current performance decline. Members also queried whether appropriate cover arrangements were in place for Easter 2011. In response, the Chief Executive noted a long-term national trend for sicker patients to present at ED, and outlined the daily measures being taken to such as the creation of extra capacity. Discharge issues also remained of concern. In further discussion, the Medical Director queried whether the ED numbers of page 16 of the month 10 report (paper D) included the Glenfield Hospital blue light admissions (they did not but would in future, with a likely 0.2-0.5% performance improvement impact).

Noting their concern over ED performance, Non-Executive Directors requested that a further update be provided to the 3 March 2011 Trust Board (already scheduled). The Chief Executive noted that ED was one of the three key challenges highlighted by UHL on its FT application, which would also inform the required tripartite agreement. **COO/ CN**

Resolved – that the update on ED performance, and the scheduled report on this issue to the 3 March 2011 Trust Board, be noted. **COO/ CN**

20/11/5 Improving Coding

Introduced by the Director of Finance and Procurement, paper G reassured the Finance and Performance Committee that clear actions were being taken to improve clinical coding within UHL. Accurate coding was recognised as a crucial function, from both a clinical care and financial perspective, and a similar update would be provided to the

GRMC later on 24 February 2011. Work was underway to move to clinician-led coding in UHL, supported by robust QA processes and access to appropriate software. Clinical interest was felt to be high, particularly amongst Surgeons.

The Medical Director noted links to discharge summaries and advised that the Trust's Assistant Director, Information, would be attending a future Clinical Effectiveness Committee to discuss this further. In response to a query from Ms J Wilson, Non-Executive Director, the Director of Nursing advised of a likely internal project manager appointment by the end of March 2011 (1-year appointment).

Resolved – that the update on progress to improve coding within UHL be noted.

20/11/6 Theatres Productivity – F&PC/GRMC Monitoring

Following discussion with both the Chair of the GRMC and the Chief Operating Officer/Chief Nurse, the Finance and Performance Committee Chair advised that the Finance and Performance Committee would focus on those aspects of theatres productivity affecting income and cost, while the GRMC would review clinical quality aspects. **COO/ CN/ FPC**

Resolved – that the future split of Finance and Performance Committee/GRMC monitoring of theatres productivity be noted. **COO/ CN**

21/11 2011-12

21/11/1 Acute Contract Negotiations

Paper H updated the Finance and Performance Committee on progress towards signing-off the 2011-12 acute contract agreement with lead Commissioners, noting the current particularly intensive process and UHL's wish to be as transparent as possible. Commissioner demand management plans were yet to be fully developed, and UHL was in the process of unwinding the previous Goodwin arrangements. The 2011-12 national tariff had been received on 18 February 2011, and the Director of Finance and Procurement particularly noted the 2% topslicing for transformational monies.

The Director of Finance and Procurement noted the continued gap (currently £9.4m) between the Commissioner offer for 2011-12 and UHL's required funding to deliver the activity in the contract. The Director of Finance and Procurement tabled information on the funding being offered by PCTs on each individual service, and noted the particular impact of the following issues:-

(i) emergency readmission rates – UHL continued to dispute the proposed reduction, and had requested a tripartite agreement on the use of reablement monies;
(ii) outpatients (including some current daycase work) – there was a recognised need to review care pathways and reach agreement on local tariffs for multiple outpatients. Discussions also continued with Commissioners regarding follow-up ratios, and
(iii) the emergency care system.

The Director of Finance and Procurement also noted the Audit Committee's wish for assurance on the 2011-12 acute contract negotiation process, as discussed by that Committee on 15 February 2011. In discussion on paper H and the tabled information, the Finance and Performance Committee:-

(a) noted (in response to a query) work in progress to become more 'lean' and process efficient, linked also to changing care pathways. The Divisional Director, Clinical Support was leading work on this issue. The Medical Director commented that there were several 'pockets' of lean working already in place within UHL, although it was a somewhat piecemeal approach to date;

(b) noted confirmation that £511.4m represented 2010-11 activity levels with the Goodwin discount unwound (ie 2010-11 activity outturn at the 2011-12 tariff). Mr R Kilner, Non-Executive Director, considered that the Trust should be robust about its stated position of £485m;

(c) queried whether any other issues (other than activity) could affect the eventual settlement amount, noting (in response) the potential impact of CQUINs;

(d) voiced the view that UHL should seek to maximise internally the benefits of any process efficiency savings;

(e) queried the downside risk of the £485m – in response, the Director of Finance and Procurement outlined the Trust's wish to move away from a transactional approach, although noting that the downside could not be wholly avoided. Some risk-sharing discussions were in progress, and

(f) queried how Non-Executive Directors would be kept informed of detailed progress on the 2011-12 acute contract negotiations. The Director of Finance and Procurement confirmed that, for clarity, he would track the various movements and map their impact to the 2011-12 tariff, thus detailing exactly what activity was covered. The Chief Executive confirmed that he was happy to provide an evening telephone briefing to Non-Executive Directors on contract developments, and advised interested members to contact his office to arrange this. The Chief Executive also noted the need for continued Trust Board awareness of the negotiations with Commissioners. **CE**

Resolved – that (A) progress on the 2011-12 acute contract negotiations (standing agenda item) be noted, and

(B) the Chief Executive be requested to provide a 6pm telephone brief to Non-Executive Directors re: progress on the 2011-12 acute contract negotiations, to keep them informed of (and assured) on this matter. **CE/ NEDs**

21/11/2 2011-12 Financial Planning Update

Through combined paper I and J, the Director of Finance and Procurement advised members of progress on UHL's financial plan for 2011-12, including identification of CIPs. In response to concerns voiced by Mr R Kilner, Non-Executive Director, it was agreed that further work was required to clarify the workforce numbers in section 2.10 of the report. Mr R Kilner, Non-Executive Director, particularly noted the significant expenditure associated with the Consultant workforce and requested that Executive Directors review these ongoing costs accordingly. The Finance and Performance Committee Chair suggested that productivity metrics/outputs should be developed in respect of the Consultant workforce. **EDs**

Resolved – that (A) the update on 2011-12 financial planning be noted;

(B) Executive Directors be requested to review the issue of Consultant costs, including appropriate productivity metrics/outputs, and **EDs**

(C) the 2011-12 financial plan be presented to the 24 March 2011 Finance and Performance Committee for approval. **DFP**

22/11 CONSULTANT WORKING

In requesting that this paper be deferred (in order to allow for appropriately detailed discussion), the Finance and Performance Committee Chair also noted his view that there was greater scope for smarter ways of working and reinforcement of jobplans.

Resolved – that due to pressure of time, detailed discussion on this item (paper K) be deferred until the 24 March 2011 Finance and Performance Committee **ALL/**

meeting. **DHR**

Resolved – that progress in developing granular CIPs for 2011-12 be noted.

23/11 TRANSFORMING COMMUNITY SERVICES

Resolved – that this Minute be classed as confidential and taken in private accordingly.

24/11 REPORTS FOR INFORMATION

24/11/1 Vacancy Management Update

Resolved – that the update on vacancy management be received for information.

24/11/2 PLICS/SLR – Update on Roll-Out and Demonstration of Software

In addition to the standing monthly update at paper L1, members of the Finance and Procurement Team attended to demonstrate the use of the Qlikview reporting software, which had significantly accelerated the roll-out of PLICs through the Trust. 200 licences were available, with 125 users in place to date. Through Qlikview, information was available at Divisional, specialty, HRG and patient level, with separate levels of detail available on each of the dashboards. The information was generated from the general ledger and other reporting systems such as HISS, EDIS, and the systems in place in pathology, radiology and pharmacy.

In response to a query, Mr S Esat, Divisional Finance and Performance Manager, confirmed that actual usage of PLICs was monitored. He also acknowledged that clinical buy-in and acceptance of the data varied.

Members welcomed the presentation, and the Finance and Performance Committee Chair suggested inviting a Division to attend the April 2011 Finance and Performance Committee meeting to outline its own use of PLICs – it was agreed to approach Planned Care accordingly. **DFP/ STA**

Resolved – that (A) the monthly update on (and the demonstration of) the roll-out of PLICS/SLR be noted, and

(B) via the Trust Administration office, the Director of Finance and Procurement be requested to invite Planned Care representatives to attend the 27 April 2011 Finance and Performance Committee to present the Division's PLICs position. **DFP**

25/11 MINUTES FOR INFORMATION

25/11/1 Quality and Performance Management Group

Resolved – that the notes of the Quality and Performance Management Group meeting held on 5 January 2011 be received for information.

25/11/2 Divisional Confirm and Challenge Meeting

Resolved – that the notes of the Divisional Confirm and Challenge meeting held on 19 January 2011 be received for information.

25/11/3 Governance and Risk Management Committee

Resolved – that the Minutes of the Governance and Risk Management Committee meeting held on 27 January 2011 be received for information.

26/11 ANY OTHER BUSINESS

26/11/1 March 2011 Finance and Performance Committee Meeting

Resolved – that clarity be sought on the arrangements for the 24 March 2011 Finance and Performance Committee meeting, in light of an additional Trust Board meeting on that date. **STA**

27/11 IDENTIFICATION OF KEY ISSUES THAT THE COMMITTEE WISHES TO DRAW TO THE ATTENTION OF THE TRUST BOARD

It was agreed to bring the following issues to the attention of the Trust Board on 3 March 2011:- **FPC CHAIR**

- the issues in confidential Minute 23/11 above.

28/11 DATE OF NEXT MEETING

Resolved – that the next meeting of the Finance and Performance Committee be held on Thursday 24 March 2011 from 9.15am – 12.15pm in Conference Rooms 1A & 1B, Gwendolen House, Leicester General Hospital site****

****** rescheduled from the originally-notified venue of the Board Room, Victoria Building, Leicester Royal Infirmary**

The meeting closed at 12.24pm

Helen Stokes
Senior Trust Administrator